Nijmegen School of Management
Department of Economics and Business Economics
Master's Thesis Economics (MAN-MTHEC)

What are the mitigating effects of CSR board committees on the extent of corporate tax avoidance?

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Nijmegen, 30 June 2024

Program: Master's Program in Economics
Specialisation: Corporate Finance & Control
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Abstract

This study researches the effect of the existence of a CSR board committee and the composition of this committee on corporate tax avoidance. Corporate culture theory and stakeholder theory are used to explain why firms with a CSR board committee installed are more aligned with the interests of their stakeholders and therefore would be less active in corporate tax avoidance. Furthermore, this study hypothesizes that gender diversity, size and independence off the CSR board committee all have a negative effect on corporate tax avoidance. The panel data consists of 14,970 observations with 3,080 unique firms from Europe and ranges from 2010 to 2019. The main analysis uses three different models with different measures for corporate tax avoidance. Furthermore, these models are control for the effect of leverage, firm size, return on assets, industry CSR sensitivity and country CSR sensitivity. The results showed that the independence of the CSR board committee is negatively related to corporate tax avoidance, other results were found insignificant. This study provides a new outlook on how the existence of a CSR board committee could influence corporate decision making on corporate tax avoidance. At last, this study provides its limitations and suggestions for future research.

Keywords: Corporate tax avoidance; CSR board committee; Corporate culture theory; Stakeholder theory

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1 Introduction

This study examines the influence of Corporate social responsibility (CSR) board committees on corporate tax avoidance. Taxation is the most important revenue source for the government and corporate tax avoidance is therefore very costly to society. According to Cobham and Jánský (2018) governments have lost out on approximately 500 billion US Dollars of tax revenue. This leads to the consideration whether corporate tax avoidance is deemed a socially responsible practice. Corporate tax avoidance is an important topic to research, as it has impact on governments who miss tax revenue, shareholders who want the management to increase firm value, and the society who is also impacted by the missed tax revenue (Huseynov & Klamm, 2012). The definition of corporate tax avoidance has been debated extensively. Hanlon and Heitzman (2010) have conducted an extensive literature study on corporate tax avoidance and have defined an overarching definition for corporate tax avoidance. Their definition for corporate tax avoidance is: “all transactions that have any effect on the firm’s explicit tax liability” (p. 137). Corporate tax avoidance has been linked to Corporate social responsibility in recent years (Dowling, 2013). Corporate social responsibility (CSR) “refers to the obligations of the firm to society or, more specifically, the firm’s stakeholders – those affected by corporate policies and practices” (Smith, 2003, p. 53). It is therefore arguable that paying taxes belongs to a firm’s corporate social responsibility, because it can be perceived as an obligation to society. In literature the mitigating effects of several corporate governance structures and aspects on corporate tax avoidance is studied. For instance, the independence of the board of directors has a mitigating effect on corporate tax avoidance (Armstrong et al., 2015) as well as more women on the board of directors (Lanis et al. 2015). The structure of the board committees is also an eminent topic in literature on corporate tax avoidance. The board committee which is most often researched studies in relation to corporate tax avoidance is the audit committee. This is a relationship which is not far-fetched as the audit committee is responsible for monitoring the financial reporting, appointment of the external audit firm, and advising the board on internal financial performance (Beasley et al., 2009), this study shows how the audit committee can influence financial decisions made by the board. The results of studies on the relation between

audit committees and corporate tax avoidance, show that specific characteristics of this committee can have mitigating effects on corporate tax avoidance. For instance, the independence of the audit committee (Richardson et al., 2013). Furthermore, in case of a narcissistic Chief Executive Officer (CEO) the audit committee has mitigating effects on corporate tax avoidance (García-Meca et al., 2021). This suggests that board committees can have an effect on corporate tax avoidance. CSR board committees advise and assist the other board committees, to ensure the well-functioning of the board and CSR policies (Baraibar-Diez & Odriozola, 2019). The study reported on in this thesis focuses on the question: "What is the effect the existence of a CSR board committee within a firm on corporate tax avoidance? In other words, do firms with a CSR board committee differ significantly from firms without a CSR board committee in avoiding taxes? The academic relevance of this study is that studying this relation may fill the knowledge gap on board committee research while, there is hardly any research on non-traditional board committees (Kolev et al., 2019). Not only is this a relationship which has not been widely researched before, but also the use of a European sample has not often been done, the focus in literature is heavily on the USA (Kovermann & Velte, 2019). The expectation is that CSR board committees have a mitigating effect on corporate tax avoidance in two manners. Firstly, stakeholder theory (Friedman & Miles, 2002) and corporate culture theory (Schwartz & Davis, 1981) suggest that firms try to align their own interests with those of their stakeholders. As corporate tax avoidance is a social matter and thus impacts stakeholders, it is expected that firms who have installed a CSR board committee have more concern over the interests of their stakeholders and try to improve their corporate social responsibility practice. This makes these firms less likely to be active in tax avoiding practices. The second manner in which CSR board committees could have a mitigating effect on corporate tax avoidance, is that the committee is responsible for the firms' CSR strategy and monitors and advises the board on their decision making. Gennari and Salvioni (2018) show that corporate tax avoidance decreases CSR performance of the firm. Therefore, it is expected that the CSR board committee would be inclined to decrease tax avoidance. If there is a significant relationship that proves the mitigating effect of the CSR board committee this would have societal relevance in the sense that regulation on required board committees could be changed to also include a CSR board committee to the

required board committees. The results of this research could help setup new regulation and help to reduce corporate tax avoidance practices, which increase tax revenues and therefore decreases societal costs.

The outline of this study is as follows: First it contains a review of the existing literature and the key concepts behind corporate tax avoidance and corporate social responsibility, corporate governance characteristics in relation to corporate tax avoidance and the existing literature on CSR board committees, whereafter the hypotheses are formulated. This section is followed by the methodology section where the sample that is used in this study is defined, the independent, dependent and control variables are explained and at last, the fixed effects models that are used to test the hypotheses are explained.

2 Literature review

2.1 Introduction

This literature review consists of different sections where the existing theories most often employed in research on corporate tax avoidance, corporate governance and Corporate Social Responsible Board Committees are explained. Corporate tax avoidance is a well discussed topic in literature (Hanlon and Heitzman, 2010). Firstly, the definition of corporate tax avoidance which is used in this study is defined and explained, whereafter the motivations for corporate tax avoidance are explained. Corporate governance is also a well-researched topic and a popular research topic in relation to tax avoidance (Lanis & Richardson, 2011; Armstrong et al., 2015; Khan et al., 2016; Hsu et al., 2018).

Board committees are part of corporate governance, this literature review explains the influence board committees have on corporate governance and subsequently on tax avoidance. The last part of the literature review explains CSR Board committees in the context of corporate governance and corporate tax avoidance, a concept which was not researched often in literature. Kolev et al. (2019) state, that the focus in research is more on traditional board committees (renumeration-, nomination- and audit-committee) and less on non-traditional committees.

Endrikat et al. (2020) state that there is an increase in studies which research the effects of CSR board committees. Alshossini et al. (2021) have conducted a literature review study where they use a substantially larger sample with also a substantially larger share of non-traditional board committees than the sample which was used by Kolev et al. (2019). This shows a rising trend in research on non-traditional board committees and seemingly also for research on CSR board committees, which is has become more apparent in the recent years. The increase in research on this topic could well be influenced by the share of companies with a CSR board committee, which has also increased over the past decade (Khoo et al., 2022; G. M. Bifulco et al., 2023). Prior literature is used to explain the theories and derive the hypotheses that are used to answer the research question.

2.2 Corporate tax Avoidance

In prior literature, corporate tax avoidance is seen as an overarching definition of other related topics. In a review of tax research, Hanlon and Heitzman (2010) provide a list of twelve different measures for corporate tax avoidance, which were used in prior literature, they also state that corporate tax avoidance is an overarching definition. Corporate tax avoidance is all actions taken by corporations which reduces their tax liability. In contrary to this broad definition Dyreng et al. (2008) have a slightly narrowed down definition of corporate tax avoidance, as they state that definitions as tax shelter or aggressive tax planning are not accepted yet. This is the definition of corporate tax avoidance, which is used in this study. This is important because this definition shows how corporate tax avoidance is different from tax shelter, tax planning and tax evasion. Tax sheltering and tax planning both include using tax regulation in different countries or areas to benefit a firm's net profit, while tax planning also includes outweighing the benefits and costs of paying less taxes and the costs of potential penalties (Wilson, 2009; (Ftouhi & Ghardallou, 2020). Tax evasion is different from tax avoidance, because tax evasion is not allowed and is a criminal offense (Slemrod, 2007). Two motivations for corporate tax avoidance are most discussed in literature (Wang et al., 2020). The first is the financial motivation for corporate tax avoidance, where research on the financial motivation for corporate tax avoidance is based on the notion of value maximization for shareholders. The second motivation for corporate tax

avoidance is the corporate social responsibility motivation. The corporate social responsibility motivation for tax avoidance is that corporate tax avoidance creates more cash flow for a firm and therefore more room to invest in society, such as the creation of jobs (Davis et al., 2016). On the other hand, there are many studies that find that corporate social responsibility is negatively related to corporate tax avoidance, because corporate social responsibility is perceived as paying your taxes to invest in society. A corporation that does not pay its fair share of taxes and tries to avoid taxation is seen as socially irresponsible and the extent to which they avoid taxation is related to their stance on corporate social responsibility (Lanis & Richardson 2012).

2.2.1 Financial motivation for corporate tax avoidance

Desai and Dharmapala (2009) have researched the relationship between corporate tax avoidance and firm value, however they did not find any significant result that corporate tax avoidance increases firm value. Although corporate tax avoidance may not cause a direct increase in firm value, it is still an important factor as to why firms try to avoid taxes and plan their taxes (Graham et al., 2013). Corporate tax avoidance via tax haven is also a strategy used by firms to create firm value. Choy et al. (2017) conducted an event study after a report on tax evasion via tax havens by FTSE 100 firms. Their conclusion is that the bad press from this event has caused stock prices to drop and thus it not creates firm value. Hasan et al. (2021) present contradicting evidence, they find that corporate tax avoidance is value increasing and that shareholders share this view. According to Luo et al. (2023), firm value only increases if more information about the taxation strategy is given and thereby reducing information asymmetry and risk for investors. This information asymmetry between shareholders and managers can be seen as agency costs which is related to corporate tax evasion. Crocker and Slemrod (2005) have studied the agency costs of tax evasion, they also state the fact that there is information asymmetry between the shareholder and in this case the tax manager. Furthermore, they discuss policy responses to tax evasion and provide policy implications. These authors suggest that tax managers should be penalized to reduce tax evasion instead of shareholders. Contracts based on tax results is also discussed by Phillips (2003), according to the results from this study contracts for taxation managers with incentives for after tax results leads to higher corporate tax avoidance. This is backed by Armstrong et al. (2012), who present the same result that incentives for tax managers leads to

more corporate tax avoidance. Equity incentives are also positively related to more corporate tax avoidance, managers who take risks with the tax strategies are more likely to be able to cash their options in the money (Rego & Wilson, 2012). An opposing view on the value creation for shareholders, is that corporate tax avoidance increases risks for shareholders. Corporate tax avoidance may lead to accumulated bad news, which causes stock prices to plummet when the bad news is released to the general public (Kim et al., 2011). A recent study conducted by Hutchens et al. (2024) on risks of corporate tax avoidance state that corporate tax avoidance increases the chance of bad news and in total the risks of corporate tax avoidance can lead to higher costs for firms. When bad news is released, this most likely implies reputational costs for the affected firm. Gallemore et al. (2014) have conducted research on reputational costs for tax avoiding firms, but they were unable to present evidence for this phenomenon. They do not disregard the possibility of reputational cost, however their model did not show the hypothesized relationship, which is that a firm's reputation influences the chance that a firm is active in tax sheltering. The fact that corporate tax avoidance can increase the costs of other aspects of the business is also supported by findings in other studies. For instance, I. Hasan et al. (2014) find that interest rates on bank loans are higher for firms with higher corporate tax avoidance. The higher costs for credit could be a result of the debt maturity. Platikanova (2015) provides evidence that tax avoiding firms have lower debt maturity and therefore the debt contracts need to be renegotiated more often, which could increase costs and credit risks for these firms. Another study on the financial motivation for corporate tax avoidance has been done by Goh et al. (2016), they researched the effect of corporate tax avoidance on the costs of equity and find a negative relationship between the cost of equity and tax avoidance.

2.2.2 Corporate social responsibility motivation for corporate tax avoidance

Firstly, the concept of Corporate Social Responsibility in relation to corporate tax avoidance, is explained by three main theories which are common in literature. The first theory being the stakeholder theory. Not only stockholders are important for business, but all stakeholders contributing to the firm can have conflicts of interest, which should be considered by management (Werder, 2011). Furthermore, firms need to be accountable for stakeholders, stakeholder theory is a balancing board where firms can pursue profits and increase shareholder

value without harming their stakeholders (Russo & Perrini, 2010). Research uses stakeholder theory to explain the relationship between corporate tax avoidance and CSR practices. In this line of research, CSR practices and corporate tax avoidance are seen as complements. Better CSR practices leads to lower tax avoidance. Lanis and Richardson (2014) provide evidence that higher CSR ratings correspond to less corporate tax avoidance. Another theory which sees CSR practices as complements is the corporate culture theory. Corporate culture is explained by Schwartz and Davis (1981) as: "a pattern of beliefs and expectations shared by the organization's members". CSR is a part of corporate culture which influences corporate tax avoidance, better CSR practices are accompanied with less tax avoidance (Hoi et al., 2013). To add on this relationship D. Lee (2020) also provides evidence that corporate culture is the reason that firms are avoiding less taxes and have better CSR practices, firms that have more attention for its stakeholders are less inclined to avoid taxes. Both stakeholder theory and corporate culture theory can be seen as the social dimension within corporate social responsibility, this dimension has the most influence on corporate tax avoidance and more activity within this dimension leads to lower tax avoidance (Laguir et al., 2015). Stakeholder theory and corporate culture theory show that firms take into account the interest of their stakeholders. Corporate tax avoidance can be seen as socially irresponsible behaviour that harms stakeholders therefore, stakeholder theory and corporate culture theory show that firms who have social performance and interest in their stakeholders as a key element within their business strategy are less likely to engage in corporate tax avoidance. The third theory is the risk management theory, wherein firms try to reduce the risks of future events. CSR is used to reduce these risks and is therefore seen as a substitute to tax avoidance. In this theory CSR practices are substitutes to tax avoidance, more CSR practices also leads to more corporate tax avoidance. This relationship was tested and proven by Godfrey et al. (2008). More papers who see corporate tax avoidance and CSR as substitutes, suggest that CSR is used to offset their tax avoiding practices. For instance, Col and Patel (2016) show that firms are more active in CSR to protect themselves against bad press in case their tax evasion becomes known to the public. The statement that, CSR disclosure does not lead to less corporate tax avoidance is backed by Preuss (2010), who shows that firms use tax havens to avoid taxation, however, disclose good CSR practices. However, there are also papers who argue that firms with better CSR performance

are less inclined to undertake tax avoiding activities, because of the reputational damage and, thus not use CSR disclosure and practices to offset their tax avoiding actions (López-González et al., 2019). The pressure from stakeholders can cause reputational damage and therefore reputational costs. An experiment conducted by Hardeck and Hartl (2013), shows that consumers' willingness to pay decreased for highly tax aggressive firms. Firms have shown to adapt to this stakeholder pressure which leads to more compliance and decreases corporate tax avoidance. Dyreng et al. (2016) show that after and event has caused reputational damage, the public pressure causes more compliance and lower tax avoidance. Furthermore, Kanagaretnam et al. (2016) also show that potential reputational damage is a reason for firms to avoid less taxes. The takeaway from these papers is that firms are outweighing the costs and benefits of tax avoidance and expect the costs of reputational damage to be higher than the benefits of tax avoidance. In this way they are adapting their strategy with their stakeholders in mind.

2.3 Corporate governance and board characteristics

Corporate governance is a way for investors to assure themselves of a return on investment, while corporate governance is there to protect them against agency problems (Shleifer & Vishny, 1997). Board characteristics are an eminent topic in corporate governance literature and corporate decision making. Board composition is one of the topics which has drawn a lot of attention in corporate decision making, where the focus is mostly on-board independence (Laux, 2008; Liu et al., 2015)). More board independence means that there are more independent board members on the board, according to Lim et al. (2007), this means the shareholders are better represented and agency problems are reduced. Another well researched factor in board composition is board size (Harris and Raviv, 2006; Coles et al., 2008; Guest, 2009). Cheng (2008) argues that large boards are more stable, because they negotiate more and take more time for decision making. The last well researched topic within board composition is board diversity (Carter et al., 2003; Harjoto et al., 2014). Board diversity can be defined as a percentage of gender on the board, as a percentage of ethnicity on the board or both. Bernille et al. (2018) state that more board diversity, would lead to better decision making as more diverse board are less likely to be homogenous in their preferences and views.

Board committees are part of corporate governance and have their own characteristics. For this research it is important to clarify how a board committees have control on the decisions made by the board of directors. The role of board committees is defined by Klein (1998) as: “Board committees meet separately from the full board, are composed of subsets of board members and tend to have specific narrowly defined functions”. Most firms have an audit, compensation, and nomination committee. These are assigned with the following tasks: appointing the external auditor and monitor internal finances, dealing with the renumeration packages and propose new executives to the board (Green & Homroy, 2018). Board committees can have both an advisory role as well as a monitoring role in which board of directors have to outweigh those roles and set up their board committee in a way that suits their firm. A combination of these roles in the right proportions can have positive effects on the firm performance. According to W. Lee (2020) this is because, more power is given to independent directors, reducing agency costs, as well as that assigning multiple roles to independent directors decreases information asymmetry between the board of directors and management. The audit committee is the committee which has drawn the most significant attention in literature (Kaczmarek & Nyuur, 2016). The audit committee is able to exercise control over the firm’s management trough meetings where the advice management on financial reporting related topics (Klein, 2002). Research on board committees is not limited to the existence of the specific committee. This line of research tries to demonstrate how board committees influence important business results, for example firm performance. Usually the board committees’ independence, existence, composition and turnover are used to explain the hypothesized relationships (Kolev et al., 2019). For instance, Upadhyay et al. (2014) find that a minimum of three monitoring board committees results in positive effects on firm performance. This is because more committees increase the monitoring power on the board.

2.3.1 Relation between board characteristics and tax avoidance

As the previous section shows that corporate governance and board characteristics are important for corporate decision making, this has led to more specific research on the relationship between board characteristics and corporate tax avoidance. This relationship has been often researched in recent literature. Board composition is one of the topics which has drawn attention. For instance, board independence is found to have a negative relationship with corporate tax

avoidance (Armstrong et al., 2015). According to Lanis & Richardson (2011), more board independence leads to better corporate governance and therefore leads to less tax aggressiveness. Another line of thought in the relationship between board characteristics and tax avoidance is that diversity of the board has an effect on tax avoidance, for instance that women on the board of directors have a negative effect on tax aggressiveness. Women tend be more risk averse and have better monitoring practices (Lanis et al., 2015). Furthermore, ownership structure is also related to tax avoidance. Some papers find that ownership concentration increases the likelihood of tax avoidance (Khan et al., 2016). However, contrary to these findings, other papers advocate that due to the riskiness of tax avoidance it is less likely that ownership concentration increases tax avoidance (Badertscher et al., 2013). At last Incentive alignment is another factor in the relationship between board characteristics and tax avoidance. After tax incentives increase tax planning strategies to decrease effective tax rates (Gaertner, 2014).

Research on board committees and tax avoidance predominately focusses on the influence of the audit committee and certain audit committee characteristics have on tax avoidance. The monitoring role of the audit committee is the cause for limiting the effects of CEO overconfidence on tax avoidance. According to García-Meca et al. (2021) large audit committees and audit committees with women are important to limit these effects. Richardson et al. (2013) also advocate the ability of the audit committee to reduce tax avoidance and state that the independence of the committee is important for the extent of the extent of the negative relationship between the audit committee and tax avoidance. Hsu et al. (2018) argue that financial experts on audit committees can cause more tax avoidance as well as decrease tax avoidance, depending on the type of firm. They find that firms with who are less risk taking in their tax avoidance strategies, take more risks when there are more financial experts on the audit committee and firms who are more risk taking, become less risk taking when there are more financial experts on the board.

2.4 CSR Board committees

The previous sections explain how board committees can influence corporate decision making. This section will explain how CSR board committees influence corporate decision making and

what their role is in corporate governance. Furthermore, it also explains why companies install a CSR board committee. The CSR committee is a non-required board committee in civil law countries, such as; Australia, Canada, USA and the UK (Kolev et al., 2019). The EU only recommends the same board committees as are required in the most civil law countries; nomination, renumeration and audit committee (European Commission, 2003). Other board committees, such as the CSR board committee are thus voluntary. Although the CSR board committee is a voluntary committee it has brought more attention and competence within corporation to disclose their impact on society (Cowen et al., 1987). CSR committees have become more common within European firms (Del Valle et., 2019). Furthermore, the CSR committee is usually regarded as a committee with a critical function and who also is assigned with setting the CSR strategy of the firm (Gennari & Salvioni, 2018). The importance of a CSR board committee is also endorsed by other studies. Studies argue from a stakeholder theory perspective, that firms with a CSR board committee are better aligned with their stakeholders. For instance, Mallin and Michelon (2011) who show that the presence of a CSR committee is an important indicator for the community and human rights performance of a firm. Burke et al. (2017) argue that CSR board committees are a monitoring entity that is used to improve the firm's accountability towards its stakeholders. Installing a CSR board committee can originate from a call of the stakeholders for a better monitoring of the firm (Radu & Smaïli, 2021). Not only the stakeholder theory is used to explain why CSR board committees are installed and what the essence of their existence is. Other papers credit the presence of a CSR board committee to corporate culture, where social and environmental performance is important, next to their financial performance. This culture makes these firms more in line with their stakeholders (Eccles et al., 2011). Firms with a CSR board committee have better CSR scores than firms without such a committee (Eberhardt-Toth, 2017). This evidence shows that firms who have more concern toward the interests of their stakeholders, are more likely to have installed a CSR board committee. Research on the characteristics of CSR board committees show that there are several different aspects which lead to better corporate social responsibility performance. Not only is the presence of a CSR board committee important for the CSR performance of the firm as well as; committee independence, the committee must not have the CEO as a member, higher average

age, female chair are proven to have a positive relationship with CSR performance, while board size has a negative relationship (Eberhardt-Toth, 2017).

2.4.1 Relation between CSR board committees and tax avoidance

Research on corporate social board committees and corporate decision making is rather limited (Kolev et al., 2019). The direct relationship between CSR board committees corporate tax avoidance has drawn even less attention in literature. As earlier stated, the research on corporate tax avoidance has more focus on the relationship with the audit committee. However, some studies show the relationship between CSR board committees and financial cases. Ginesti et al. (2023) provide evidence that R&D investments are linked to the CSR board committee, firms without CSR committees have higher R&D investments, because the presence of a CSR committee limits executives in risk taking and limits them in going for short-term profits. In a study conducted by Kuzey et al. (2021) firm value is linked to CSR committees, the results show that not in all sectors the CSR committee causes an increase in firm value. The reasoning behind this relationship is that CSR committee is the moderator between ESG scores and firm performance. Bifulco et al. (2023) have studied this moderator role of the CSR committee however they did not find significant evidence to prove this relationship.

2.5 Hypotheses

Literature shows that there are two motivations for corporate tax avoidance, one being a financial motive, where the reason for avoiding taxes is to maximize profits and firm value. The other motive is a social responsibility motive. Within this motive tax avoidance is seen as socially irresponsible and harmful for non-shareholding stakeholders. Corporate culture theory and Stakeholder theory therefore suggests that firms who are better aligned with their stakeholders and have more concern toward the interests of their stakeholders are less inclined to avoid taxation. To be better aligned with the demands of stakeholders, firms install a CSR board committee which advises and monitors the board on CSR business strategy. Firms with a CSR committee are thus more socially oriented than firms without such a committee. From this role the CSR board committee can have significant influence over decisions made by the board and make sure the board makes decisions with the interests of their stakeholders in mind. While firms

who are more aligned with their stakeholders avoid less taxes and have installed a CSR board committee the first hypothesis is:

H1: Firms with a CSR Committee have lower levels of corporate tax avoidance in comparison to firms without CSR committee.

Figure 1. shows a conceptual model of the first hypothesis. This conceptual model is derived using the predictive validity framework (Libby et al., 2002) and based on previous theorizing. This model show how the concepts in this study are operationalized into measurable metrics and which other operationalized variable could influence the hypothesized relationship.

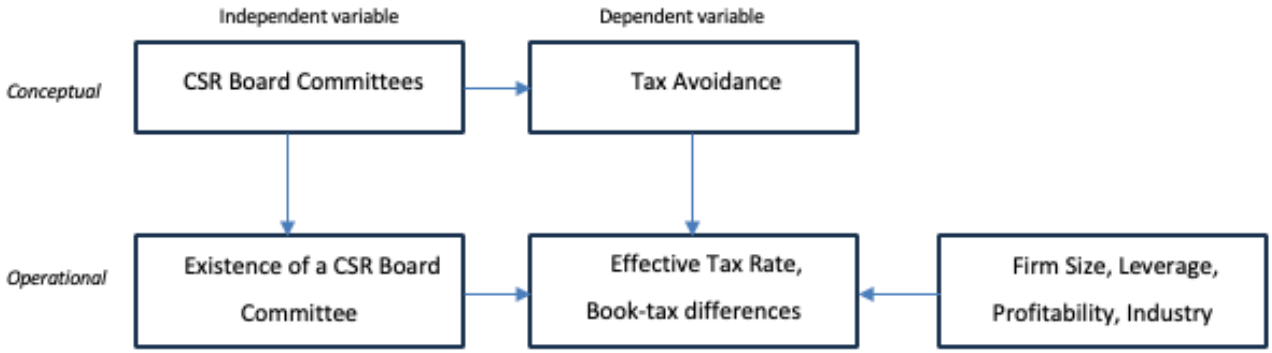

FIGURE 1. A CONCEPTUAL MODEL OF THE FIRST HYPOTHESIZED RELATIONSHIP

Literature on cooperate governance also provides evidence that certain characteristics of the board of directors as well as the board committees have effect on corporate tax avoidance. Corporate tax avoidance can be a risky, while literature shows that tax avoidance can have negative effects on firm value. Women on board committees reduce corporate tax avoidance, because they avoid more risks. The size of the committee and the independence of the committee have also mitigating effects on tax avoidance therefore, the following hypotheses are derived:

H2: A higher proportion of women on the CSR committee has a negative effect on corporate tax avoidance.

H3: The total number of members on the CSR committee has a negative effect on corporate tax avoidance.

H4: A higher proportion of independent board members on the CSR committee has a negative effect on corporate tax avoidance.

3 Methodology

3.1 Sample

The sample consists of 5,641 European listed firms who have data on board committees within the period from 2010 to 2019. The sample is not limited to only firms with a CSR board committee to be able to find the differences between firms with and without a CSR board committee. The date range exerts specific exogenous shocks such as the influence of COVID-19 from 2020 onward, during the COVID-19 crisis tax avoidance increased (Athira & Ramesh, 2023). Furthermore, this date range is not subject to variability due to changes in rules and regulations. The data on the CSR board committees are retrieved via BoardEx. The CSR board committee (CSRCOMMITTEE_DUMMY) variable is not limited to only contain CSR board committee, as firms tend to use other names as well for such committees. Furthermore, because of the social aspect in corporate tax avoidance, committees that contain the following: Ethics, ESG, Public Responsibility, Social committees are used in this study as CSR board committee (Eberhardt-Toth, 2017). If the name of the committee also contains Tax or Audit, the committee will not be marked as a CSR board committee. Data on the financials of the firms is retrieved from LSEG and are used for the corporate tax avoidance measures and control variables. The first sample, Panel A, consists of 5,641 firms with 23,966 observations. Firstly, all firms from Non-European countries are removed which results in 23,176 observations, whereafter firms who miss more than one observations for independent and control variables are removed, this results in 14,970 observations. From this sample, two other samples are created, Panel B and C. Panel B consists of one observation per firm, this results in 3,080 observations. To create panel C all firms without

a CSR board committee are removed, which results in 597 observations. At last panel C is used to create Panel D, which has one observation per firm, this results in 120 observations.

3.2 Dependent Variable

Corporate tax avoidance can be measured with different measures, where the most well know measures are the effective tax rate, long-run effective tax rates, book-tax differences, unrecognized tax benefits, tax shelter firms and specially designed measures. Hanlon and Heitzman (2010), state the importance for choosing the right corporate tax avoidance measure based upon the research question. Studies within the field of corporate governance mostly use variants effective tax rates and book-tax differences to study the effect of corporate governance characteristics on tax avoidance (Kovermann & Velte, 2019). In this study effective tax rate in both the GAAP effective tax rate and the Current effective tax rate and long-run effective tax rate are used to measure corporate tax avoidance. The Current effective tax detects temporary tax strategies (Cheng et al., 2012). The GAAP effective tax rate also captures permanent strategies (De Simone et al., 2020). The long-run effective tax rate is used to account for volatility in the effective tax rates (Dyreng et al. 2008). This mix allows to capture a broad spectrum of tax avoidance, conforming tax avoidance is not measured by this selection of measurements while this is not applicable to this sample, because it only contains listed firms (Hanlon & Heitzman 2010). It is important to have measures which detect temporary corporate tax avoidance as well as permanent tax avoidance, because the temporary measure could indicate that there is corporate tax avoidance, however the permanent measure will not be affected by this (Law & Mills, 2016). As the tax expenses can be quite volatile it is also important to have a measure which accounts for volatility by taking the average over a period (Dyreng et al. 2008)

The Current effective tax rate (CURRENT_ETR) is measured by the total current tax expense divided by the pre-tax income, this measure shows how much tax is paid on the total income, a lower effective tax rate, thus shows that more corporate tax avoidance is used (Bradshaw et al., 2019). The GAAP effective tax rate (GAAP_ETR) is defined by Huseynov and Klamm (2012) as “total income tax expense divided by pre-tax income”. Both GAAP and Current effective tax rates are used in this study, because both are able to capture different aspects of corporate tax

avoidance, where Current effective tax rates are able to capture the current taxes by firms, the GAAP effective tax rates is able to measure the financial reporting corporate tax avoidance (Huseynov and Klamm, 2012). Long-run effective tax rate (LETR) is measured following the model of Dyreng et al. (2008). In this model the sum of the tax expenses is divided by the sum of the pre-tax income for a ten-year period. This reduces the volatility in of the effective tax rate and allows for a better understanding of a firm's effective tax rate. This measure shows how much tax is paid on the total income over a longer period, a lower effective tax rate, thus indicates that more corporate tax avoidance is used. In line with previous literature, observations with negative pre-tax income are removed from the sample and Current ETRs and GAAP ETRs larger than one are replaced with one. Current ETRs and GAAP ETRs which are smaller than zero are replaced by zero (Dyreng et al., 2010).

3.3 Independent Variable

The independent variable in this researched is CSR Board Committee (CSRCommittee_dummy), which is a dummy variable and thus can show the existence or absence of the CSR Committee. This study follows the methodology of other studies relating corporate tax avoidance and board committees using panel data, to test the hypotheses CSR board committee existence and characteristics (Eberhardt-Toth 2017; García-Sánchez et al. 2019; Uyar et al. 2021)

To test hypothesis 2, 3 and 4 more specific measures are used, and the sample is limited to only contain firms with a CSR Board committee. To test the second hypothesis the CSRGenderDiversity is defined as the percentage of women on CSR board committees. This definition is derived from a study conducted by Alvarado et al. (2017) on board diversity. To test the third hypothesis CSRCommitteeSize defined as the size of the of the CSR board committee and consists of the number of members of the committee, this definition derived from García-Sánchez et al. (2019) where it is used on audit committees. To test the fourth hypothesis CSRCommitteeIndependence is defined as the independence of the CSR board committee and consists of the percentage of independent directors which are a member of the CSR board committee. This measure is derived from study on board independence where this measure was used on board independence (Armstrong et al., 2015).

3.4 Control Variables

This study includes several control variables which are commonly used in research related to corporate tax avoidance. Firstly, firm size (Firm_Size) is defined by the logarithm of the equity value of the firm at the beginning of the year (Hoi et al., 2013). Leverage (LEV), which is defined as total debt divided by total assets. High leverage can be seen as a tax shield because the interest which needs to be paid on the outstanding debt is tax deductible and therefore leads to less corporate tax avoidance (Badertscher et al., 2013). At last, profitability (ROA), which is defined as the return on assets, this is then the operating income before depreciation divided by the lagged total assets (I. Hasan et al., 2014). Furthermore, this study also includes control variables which are common in research on board and board committees. While some control variables are used both in corporate tax avoidance as in research on boards and board committees as well as specific research on CSR board committees, such as profitability and firm size, other variables are more unique to research on board and board committees. For this reason, this study follows the line of another study on CSR board committees by Eberhardt-Toth (2017), therefore industry CSR sensitivity (ICSR_SEN) and country CSR sensitivity (CCSR_SEN) are included. There are differences in how sensitive certain industries are to CSR related damage. Furthermore, Country CSR sensitivity is important because there are differences between countries, some countries are more shareholder oriented while others are more stakeholder oriented, this causes difference between CSR sensitivity between countries (Eberhardt-Toth, 2017). Industry CSR Sensitivity is based on the Industry Classification Benchmark (ICB), firms with codes for mining, utilities and finance are more subjective to social damage, thus these industries are highly CSR sensitive (Simmet et al., 2009). A dummy variable is used to show if an industry is highly CSR sensitive or not. CSR country sensitivity is also a dummy variable were more stakeholder-oriented countries are highly CSR sensitive and shareholder-oriented countries are not CSR sensitive (Eberhard-Toth, 2017). The country is based on the country where the firm is incorporated. For firms without data for their country of incorporation, their ISIN code is used to derive the country of incorporation. To address if a country is shareholder or stakeholder oriented, this study uses the line of (Ball et al., 2000). There model states that shareholder-oriented countries are countries which use common law, which is the UK and former British colonies. Furthermore, Hong Kong, India, Ireland,

Malaysia, Netherlands, New Zealand, Singapore, and South Africa are classified as shareholder-oriented countries. This results that in this sample the United Kingdom, Guernsey, Gibraltar, Ireland, Isle of Man, Jersey and the Netherlands.

3.5 Empirical Model

The empirical model in this study to test the research question is a panel regression with fixed effects, this is a method which is frequently used in literature (Desai & Dharmapala, 2006; Badertscher et al., 2013; Dyreng et al., 2016; Wen et al., 2020) and is mainly important because this allows the model to estimate the corporate tax avoidance over multiple periods in time and have a better understanding on how firms avoid taxes. The fixed effects model is chosen to control for industry effects, because it is suspected that there are industry effects within corporate tax avoidance (Hsu et al., 2018). The first panel, Panel A, consists of all firms with data on the dependent, independent and control variables. In every model run using this panel, corporate tax avoidance is Current effective tax rate or GAAP effective tax rate. In case of the long-term effective tax rate a fixed effects panel regression is not possible, because the Long-term effective is taken over a ten-year period, which is equal to the period of the sample. Therefore, a new panel is created, Panel B. The control variables within this panel are aggregated, to resemble a fair representation as the Long-term effective tax rate is also an aggregate of the effective tax rate over ten years. The empirical model for using the Long-term effective tax rate is shown in empirical model 1b. For the first two measures of corporate tax avoidance (Current effective tax rate and GAAP effective tax rate) the empirical model is run separately.

To test the first hypothesis the following empirical model 1a is used.

$$TaxAvoidance = \alpha_i + \beta_1 CSRCommittee\_dummy_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommittee\_dummy * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommittee\_dummy * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

To test the first hypothesis the following empirical model 1b is used.

$$LETR = \alpha_i + \beta_1 CSRCommittee\_dummy_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommittee\_dummy * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommittee\_dummy * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

TaxAvoidance is the dependent variable, which is as earlier stated is one of the two measures for corporate tax avoidance (CURRENT_ETR and GAAP_ETR). Lower CURRENT_ETR and GAAP_ETR shows that firms are more active in corporate tax avoidance. In this model α_i captures the industry fixed effects. β_1 Indicates the effect which the independent variable CSR board committee has on corporate tax avoidance. It is expected that the existence of a CSR board committee would have a negative effect on tax avoidance and thus lead to lower level of tax avoidance. β_2, β_3 and $\beta_4$indicate the effect of the control variables on corporate tax avoidance, which are: Firm size, Leverage, Profitability. Industry CSR sensitivity and Country CSR sensitivity are added as moderating variables and the effects of their interaction with the other variables are indicated by β_5, β_6, β_7, β_8, β_9, β_{10}, β_{11} and β_{12}. Because heteroskedasticity is in the model for Current_ETR and GAAP_ETR, these models use robust standard errors

The following empirical models are tested on the subsample, Panels C and D, which only contains firms who have a CSR committee.

To test the second hypothesis the following empirical model 2a is used.

$$TaxAvoidance = \alpha_i + \beta_1 CSRCommitteeDiversity_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommitteeDiversity * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommitteeDiversity * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

To test the second hypothesis the following empirical model 2b is used.

$$LETR = \alpha_i + \beta_1 CSRCommittee\_dummy_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommitteeDiversity * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommitteeDiversity * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

Model 2a is tested on Panel C, which contains as earlier stated only firms with CSR board committees. Therefore, the independent variable changed to CSRGenderDiversity, which is the percentage of women on the CSR board committee. The dependent variable remains equal to the dependent variable in the first empirical model and thus is one of the four measures for corporate tax avoidance. The model is run for each measure separately. β_1 Indicates the effect which the independent variable CSR board committee diversity has on corporate tax avoidance. It is expected that a higher percentage of women on the CSR board committee would lead to lower levels of tax avoidance. β_2, β_3 and $\beta_4$indicate the effect of the control variables on corporate tax avoidance, which are: Firm size, Leverage, Profitability. Industry CSR sensitivity and Country CSR sensitivity are added as moderating variables and the effects of their interaction with the other variables are indicated by β_5, β_6, β_7, β_8, β_9, β_{10}, β_{11} and β_{12}. To be able to test empirical model 2b a new panel, Panel D, is created which contains the Long-term effective tax rate and aggregated control variables. This panel consists of firms with a CSR board committee. Because heteroskedasticity is in the model for Current_ETR, this model uses robust standard errors.

To test the third hypothesis the following empirical model 3a is used.

$$TaxAvoidance = \alpha_i + \beta_1 CSRCommitteeSize_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommitteSize * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommitteeSize * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

To test the third hypothesis the following empirical model 3b is used.

$$LETR = \alpha_i + \beta_1 CSRCommitteeSize_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommitteSize * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV *$$

$$ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommitteeSize * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

The third models are equal to the second models in the sense that is it is run on the explained sub-sample. Therefore, the independent variable is changed to CSRCommitteeSize, while the rest of the model stays the same. This means β_1 Indicates the effect which the independent variable CSR board committee size has on corporate tax avoidance. It is expected that the size of the board committee is negatively related to tax avoidance, so a larger CSR board committee would lead to lower levels of tax avoidance. β_2, β_3 and $\beta_4$indicate the effect of the control variables on corporate tax avoidance, which are: Firm size, Leverage, Profitability. Industry CSR sensitivity and Country CSR sensitivity are added as moderating variables and the effects of their interaction with the other variables are indicated by β_5, β_6, β_7, β_8, β_9, β_{10}, β_{11} and β_{12}. The empirical model to estimate the effect of the CSR board committee size on long-term effective tax rate is shown by empirical model 3b, which uses Panel D. Because heteroskedasticity is in the model for Current_ETR and GAAP_ETR, these models use robust standard errors.

To test the fourth hypothesis the following empirical model 4a is used.

$$TaxAvoidance = \alpha_i + \beta_1 CSRCommitteeIndependence_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommitteIndependence * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommitteIndependence * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

To test the fourth hypothesis the following empirical model 4b is used.

$$LETR = \alpha_i + \beta_1 CSRCommitteeIndependence_{it} + \beta_2 Firm\_Size_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 CSRCommitte\_dummy * ICSR\_SEN_{it} + \beta_6 Firm\_Size * ICSR\_SEN_{it} + \beta_7 LEV * ICSR\_SEN_{it} + \beta_8 ROA * ICSR\_SEN_{it} + \beta_9 CSRCommitteeIndependence * CCSR\_SEN_{it} + \beta_{10} Firm\_Size * CCSR\_SEN_{it} + \beta_{11} LEV * CCSR\_SEN_{it} + \beta_{12} ROA * CCSR\_SEN_{it} + \varepsilon_{it}$$

The fourth model are equal to the second and third models. The difference being, the independent variable is changed to CSRCommitteeIndependence, while the rest of the model stays the same. This means β_1 Indicates the effect which the independent variable CSR board committee independence has on corporate tax avoidance. It is expected that more independence has a negative effect on tax avoidance. β_2, β_3 and $\beta_4$indicate the effect of the control variables on corporate tax avoidance, which are: Firm size, Leverage, Profitability. Industry CSR sensitivity and Country CSR sensitivity are added as moderating variables and the effects of their interaction with the other variables are indicated by $\beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{10}, \beta_{11}$ and β_{12}. The empirical model to estimate the effect of the CSR board committee independence on long-term effective tax rate is shown by empirical model 4b, which uses Panel D. Because of heteroskedasticity in the model for Current_ETR, this model uses robust standard errors.

4 Results

4.1 Descriptive statistics

The descriptive statistics of panel A are shown in table 1, this table shows the variables which are used to measure corporate tax avoidance (Current_ETR, CASH_ETR), furthermore the control variables Firm Size, Leverage and ROA (Return on assets) are in table 1. The statistics of table 1 are based on the first sample, which includes companies with and without CSR board committees. The average Current effective tax rate (Current_ETR) is slightly lower than the GAAP effective tax rate. The mean of the GAAP effective tax rate (GAAP_ETR) is comparable to other studies on tax avoidance with a European sample (Campa et al., 2022). At last, the tables shows that the standard deviation for Leverage is high, which indicates that there are large differences in leverage between the firms in this sample.

TABLE 1. DESCRIPTIVE STATISTICS OF PANEL A

Variables	Mean	Median	St. Dev.	N
Current_ETR	0,2475	0,2264	0,2091	14970
GAAP_ETR	0,2500	0,2371	0,1842	14970
Firm Size	7,3074	7,2538	2,2302	14970
LEV	0,2020	0,3678	22,5168	14970
ROA	0,0726	0,0691	0,4250	14970

N = number of observations. Panel A is used to analyse the effect of CSR board committees on corporate tax avoidance. The initial sample consisted of 23,966 observations for which data was available on board committees. Firms with negative pre-tax income were removed as well as firms from outside Europe.

The descriptive statistics of panel B are shown in table 2, this table shows the variable which are used to measure the long-term corporate tax avoidance (LETR). Furthermore, this table shows the descriptive statistics of the aggregated control variables Firm Size, Leverage and ROA. This panel includes firms without CSR board committees and firms with a CSR board committee. The mean LETR indicates that in in the long run there is slightly more tax avoidance than there is in comparison to the Current_ETR and GAAP_ETR, which are visible in Table 1. The number of observations is lower than in Panel A, because there is only on observation per Firm, which means that there are 3080 unique firms in Panel B.

TABLE 2. DESCRIPTIVE STATISTICS OF PANEL B

Variables	Mean	Median	St. Dev.	N
LETR	0,2268	0,2093	0,2046	3080
Firm Size	6,3886	6,2571	2,4083	3080
LEV	0,1769	0,3402	10,1402	3080
ROA	-0,1521	0,0591	10,6087	3080

N = number of observations. Panel B is used to analyse the effect of CSR board committees on long-term corporate tax avoidance.

The descriptive statistics of Panel C, which includes only firms with a CSR board committee. The number of observations is therefore lower than in Panel A, this is because the first sample consists

of 2848 unique firms and this sample consists of 133 unique firms. Within this sample the mean of CSRGenderDiversity shows that on average one out of three board members is a woman. Furthermore, the average CSR board committee is between 4 and 5 members and there is on average one independent board member on the CSR board committee (CSRCommitteeIndependence). The average effective tax rates are higher than in panel A and this implies that there is on average less corporate tax avoidance within this sample. At last, the average firm in this sample is slightly larger and the difference in Leverage is significantly smaller than in Panel A, the ROA is on average about the same, with smaller differences between the firms.

TABLE 3. DESCRIPTIVE STATISTICS OF PANEL C

Variables	Mean	Median	St. Dev.	N
CSRGenderDiversity	0,3331	0,3333	0,303	597
CSRCommitteeSize	4,531	4,000	2,6869	597
CSRCommitteeIndependence	0,9132	1,000	0,1885	597
Current_ETR	0,3047	0,2750	0,2065	597
GAAP_ETR	0,2903	0,2665	0,181	597
Firm Size	8,8924	8,7252	2,1178	597
LEV	0,4327	0,4267	0,2191	597
ROA	0,0724	0,0649	0,0521	597

N = number of observations. Panel C is used to analyse the effects of CSR board committees' composition on corporate tax avoidance. This sample only consists of firms with a CSR board committee.

Table 4. shows the descriptive statistics of Panel D which is used to estimate the effects of the Gender diversity (CSRGenderDiversity), committee size (CSRCommitteeSize) and the independence (CSRCommitteeindependence) of CSR board committees on Long-term corporate tax avoidance (LETR). Panel D is a sample which consists of only firms with a CSR Board Committee and the observations are limited to one observation per firm, so this sample contains 120 unique firms. The table shows that on average 40 percent of the board members are women, the average size of the CSR board committee is between 4 and 5 and on more than 90% of the members are independent board members. Furthermore, it is notable that the LETR is higher in this sample than in Panel B, which includes other firms as well. This is comparable to Panel A and Panel C, where the Current effective tax rate and the GAAP effective tax rates were higher in the sample

that only includes companies which have a CSR Board Committee. Higher effective tax rates means that firms in these samples on average avoid less taxes.

TABLE 4. DESCRIPTIVE STATISTICS OF PANEL D

Variables	Mean	Median	St. Dev.	N
CSRGenderDiversity	0,4183	0,5	0,3067	120
CSRCommitteeSize	4,6583	4	3,1927	120
CSRCommitteeIndependence	0,9178	1	0,1693	120
LETR	0,2744	0,271	0,1571	120
Firm Size	8,256	8,2365	2,2547	120
LEV	0,4427	0,4466	0,1953	120
ROA	0,0671	0,0625	0,0483	120

N = number of observations. Panel D is used to analyse the effects of CSR board committees' composition on long-term corporate tax avoidance. This sample only consists of firms with a CSR board committee, where each firm has one observation.

4.2 Results

4.2.1 Results first hypothesis tests

The results of the models that tests the first hypothesis are shown in Table 5. The first empirical model tests the hypothesis that CSR board committees have a mitigating effect on corporate tax avoidance. These tests are run on Panel A, which consists of 14,970 observations over a ten-year period. In this first model two different types of corporate tax avoidance are used, in the first collum the results are shown for the Current effective tax rate (Current_ETR), which is defined as the total current tax expense divided by pre-tax income. The second collum shows the results for the GAAP effective tax rate (GAAP_ETR), this variable is defined as, the total tax expense divided by pre-tax income. The third collum shows the results of the empirical model 1b, in which Long-term effective tax rate is used (LETR), defined as, tax expenses divided by the sum of the pre-tax income for a ten-year period. This is a normal OLS model where each firm has one observation, this results in 3,078 observations. The table rows show the effects the independent variable, the existence of a CSR board committee (CSR_Committeedummy) has on the measures for corporate tax avoidance. The results show that the existence of a CSR board committee has a positive effect

on both Current_ETR and GAAP_ETR, which indicates that the existence CSR board committee has a negative effect on corporate tax avoidance as an increase in the effective tax rate means less tax avoidance. However, this relationship is only significant at the 10 percent level in both cases. Based on these results the hypothesis cannot be accepted if corporate tax avoidance is measured by either Current_ETR or GAAP_ETR. If LETR would be the measure for corporate tax avoidance the hypothesis cannot be accepted as the results show that there is a negative relationship, which is also insignificant.

Furthermore, the effects of the control variables, Firm Size (Firm_Size), Leverage (LEV) and return on lagged assets (ROA) have on corporate tax avoidance. It. Is notable that firm size (Firm_Size) is only significant in relationship with LETR at the 5 percent level. Furthermore, Leverage is not significant in relation to all three measures of corporate tax avoidance, while Return on lagged assets (ROA) is significant for both Current_ETR, only at the 10 percent level and at the 5 percent level for GAAP_ETR. ROA and LEV are both insignificant in the LETR model. Because the industry CSR sensitivity (ICSR_Sen) and country CSR sensitivity (CCSR_Sen) are dummy variables and are time invariant, these variables have no effect in the first two models. The effects of these variables in empirical model 1b are shown in the last column, where ICSR_Sen has a negative influence on Long-term effective tax rate, which is significant at the 1 percent level, this means that firms in more CSR sensitive industries avoid more taxes. Contrary to this CCSR_Sen shows to have a small positive relationship with LETR, which is significant at the 1 percent level, this indicates that firms in CSR sensitive countries are avoiding less taxes. The most notable effect of the interaction effects is that the interaction between the existence of a CSR board committee (CSRCommittee_dummy) and the country CSR sensitivity is negative, which means that in countries which are more CSR sensitive the existence of a CSR board committee has a negative effect on Current_ETR and GAAP_ETR. This relation is however only significant at the 10 percent level, thus no implications can be taken from this relationship. In relation to the Long-term effective tax rate this relation is positive, and also insignificant. At last, it is also notable that all of the models have low r-squared numbers. The models with Current_ETR and Gaap_ETR have a r-squard of 0.8%, which means that the model only explains the variance in both measures of corporate tax avoidance for 0.8%. The R-Squared for the model which uses LETR as measure for

corporate tax avoidance is higher with 5.6% and therefore explains only 5.6% of the variability in long term corporate tax avoidance.

TABLE 5. RESULTS EFFECT OF CSR BOARD COMMITTEES ON CORPORATE TAX AVOIDANCE

	Current_ETR Model 1a Panel	GAAP_ETR Model 1a Panel	LETR Model 1b OLS
CSRCommittee_dummy	0.144*	0.127*	-0.062
	(0.082)	(0.071)	(0.063)
Firm_Size	0.0004	-0.003	0.009**
	(0.012)	(0.011)	(0.004)
LEV	0.167**	0.070	0.009
	(0.074)	(0.055)	(0.009)
ROA	-0.120	-0.091*	0.012
	(0.079)	(0.051)	(0.015)
ICSR_Sen			-0.125***
			(0.024)
CCSR_Sen			0.095***
			(0.027)
CSRCommittee_dummy:ICSR_Sen	-0.007	-0.016	0.022
	(0.040)	(0.031)	(0.044)
Firm_Size:ICSR_Sen	-0.005	-0.002	0.001
	(0.010)	(0.009)	(0.004)
LEV:ICSR_Sen	0.014	0.063*	0.159***
	(0.038)	(0.034)	(0.023)
ROA:ICSR_Sen	0.211***	0.130*	0.292***
	(0.076)	(0.069)	(0.046)
CSRCommittee_dummy:CCSR_Sen	-0.139*	-0.126*	0.096
	(0.083)	(0.072)	(0.065)
Firm_Size:CCSR_Sen	-0.015	-0.017	-0.006
	(0.013)	(0.011)	(0.005)
LEV:CCSR_Sen	-0.165**	-0.069	-0.008
	(0.074)	(0.055)	(0.009)
ROA:CCSR_Sen	-0.096	-0.046	-0.012
	(0.084)	(0.059)	(0.015)
Constant			0.132***
			(0.026)
Observations	14,970	14,970	3,078
R^2	0.008	0.008	0.059

Notes: The results of empirical models 1a and 1b. Coefficients and t-statistics are provided. Model 1a Current_ETR and GAAP_ETR are run with robust standard errors*** Significant the at the 1 percent level. ** Significant at the 5 percent level. * Significant at the 10 percent level. *Source:* Author calculations.

4.2.2 Results second hypothesis tests

The results of the second hypothesis are shown in Table 6. In this table the effect of CSRGenderDiversity, which is defined as the percentage of women that are on the CSR board committee. The second hypothesis is tested using Panel C and Panel D. Panel C consists of only firms with a CSR board committee, this leads to 597 observations, which is significantly lower than the number of observations in the first model. In Panel D the effective tax rate is aggregated following the model of Dyreng et al. (2008), to obtain the long-term effective tax rate (LETR). Furthermore, the panel has only firms with a CSR board committee and because of the aggregation only one observation per firm, this leads to 119 observations. Table 6. shows that CSRGenderDiversity has a negative effect on all three measures of corporate tax avoidance, which is in contrary to the hypothesized relationship. It was expected that women would have a negative effect on corporate tax avoidance, meaning that it would have a positive influence on the effective tax rates. According to this result more women on the CSR board committee leads to more tax avoidance. Contrary to this the effect is positive when using the LETR measure, however both results are insignificant and therefore the hypothesis is rejected, regardless of the results of the tests. Furthermore, it stands out that there are very few variables which are significant. Leverage has a positive and significant effect on GAAP_ETR, but no significant effect on Current_ETR and LETR. Furthermore, ROA has a very large positive effect on the Current_ETR, which is significant. The interaction effect between ROA and CCSR_Sen is however negative. At last the R-Squared for the Current_ETR and GAAP_ETR is 10.8%, while the R-Squared for the LETR model is 15.5%. This is higher than before and therefore suggest the model is a better fit than the first model, however the R-Squared could also be higher because the models have less observations and therefore less variability in the data.

TABLE 6. RESULTS EFFECT OF CSR BOARD COMMITTEE DIVERSITY ON CORPORATE TAX AVOIDANCE

Variables	Current_ETR Model 2a Panel	GAAP_ETR Model 2a Panel	LETR Model 2b OLS
CSRGenderDiversity	-0.224	-0.558	0.612
	(0.317)	(0.477)	(0.402)
Firm_Size	0.193**	-0.112	0.037
	(0.096)	(0.099)	(0.033)
LEV	-0.429	1.173***	-0.171
	(0.681)	(0.430)	(0.441)
ROA	1.641	0.420	-0.066
	-1.861	-1.692	-3.671
ICSR_Sen			0.015
			(0.172)
CCSR_Sen			0.426
			(0.276)
CSRGenderDiversity:ICSR_Sen	-0.087	-0.131	0.191
	(0.095)	(0.086)	(0.126)
Firm_Size:ICSR_Sen	0.065	0.076*	-0.006
	(0.061)	(0.043)	(0.015)
LEV:ICSR_Sen	0.460	0.643***	-0.129
	(0.355)	(0.235)	(0.183)
ROA:ICSR_Sen	0.108	0.633	0.505
	(0.794)	(0.513)	(0.990)
CSRGenderDiversity:CCSR_Sen	0.205	0.553	-0.605
	(0.319)	(0.480)	(0.402)
Firm_Size:CCSR_Sen	-0.256***	0.068	-0.028
	(0.099)	(0.101)	(0.034)
LEV:CCSR_Sen	0.570	-1.008**	0.293
	(0.688)	(0.439)	(0.443)
ROA:CCSR_Sen	-2.506	-1.470	0.188
	-1.919	-1.711	-3.689
Constant			-0.269
			(0.269)
Observations	597	597	119
R^2	0.108	0.108	0.155

Notes: The results of empirical models 2a and 2b. Coefficients and t-statistics are provided. Model 2a Current_ETR is run with robust standard errors. *** Significant the at the 1 percent level. ** Significant at the 5 percent level. * Significant at the 10 percent level. *Source:* Author calculations.

4.2.3 Results third hypothesis tests

The results of the third hypothesis are shown in Table 7. In this table the effect of CSRCommitteesSize, which is defined as the number of members that are on the CSR board committee. The third hypothesis is tested using Panel C and D, Panel C is used for the Current_ETR and GAAP_ETR measures and Panel D is used for the LETR measure. The table shows that CSRCommitteesize has a negative effect on Current_ETR corporate tax avoidance, which is in contrary to the hypothesized relationship. It was expected that the size would have a negative effect on corporate tax avoidance, meaning that it would have a positive influence on the effective tax rate. In this case the results shows that size has a negative effect on the effective tax rates, which implies that larger CSR board committees have a positive effect on corporate tax avoidance, thus increasing tax avoidance. The result is not significant, so no real implications can be taken from this result. The effect of CSRCommitteesize on GAAP_ETR and LETR is line with the hypothesized relationship and the hypothesis would be accepted if these measures were used for corporate tax avoidance. This result is however insignificant and therefore the hypothesis is rejected. Furthermore, it stands out that there are very few variables which are significant. Firm Size has a positive effect on Current_ETR, implicating that larger firms avoid less taxes. Leverage has a positive effect on GAAP_ETR, only significant at the 10 percent level, and no significant effect on Current_ETR and LETR. Furthermore, ROA has a very large positive effect on the Current_ETR, which is insignificant. The interaction effect between ROA and CCSR_Sen is however negative. The R-Squared of these models is about the same as the models used in hypothesis two. The model for Current_ETR and GAAP_ETR have a R-Squared of 10.2% and 11% respectively and the model for LETR has a R-Squared of 15.9%

TABLE 7. RESULTS EFFECT OF CSR BOARD COMMITTEESIZE ON CORPORATE TAX AVOIDANCE

Variables	Current_ETR Model 3a Panel	GAAP_ETR Model 3a Panel	LETR Model 4b OLS
CSRCommitteeSize	-0.011	0.023	0.009
	(0.024)	(0.021)	(0.032)
Firm_Size	0.212***	-0.055	0.001
	(0.077)	(0.055)	(0.026)
LEV	-0.525	0.899*	0.165
	(0.596)	(0.458)	(0.382)
ROA	1.860	0.729	4.393*
	-1.958	-1.368	-2.578
ICSR_Sen			0.082
			(0.170)
CCSR_Sen			0.276
			(0.279)
CSRCommitteeSize:ICSR_Sen	0.010	0.003	0.010
	(0.014)	(0.012)	(0.014)
Firm_Size:ICSR_Sen	0.054	0.062	-0.013
	(0.060)	(0.048)	(0.016)
LEV:ICSR_Sen	0.438	0.615**	-0.120
	(0.342)	(0.239)	(0.187)
ROA:ICSR_Sen	0.070	0.575	0.702
	(0.773)	(0.583)	-1.010
CSRCommitteeSize:CCSR_Sen	0.014	-0.012	-0.007
	(0.025)	(0.022)	(0.033)
Firm_Size:CCSR_Sen	-0.279***	0.008	0.006
	(0.080)	(0.060)	(0.026)
LEV:CCSR_Sen	0.665	-0.736	-0.040
	(0.604)	(0.463)	(0.386)
ROA:CCSR_Sen	-2.702	-1.726	-4.272
	-2.014	-1.392	-2.610
Constant			-0.117
			(0.272)
Observations	597	597	119
R^2	0.102	0.110	0.159

Notes: The results of empirical models 3a and 3b. Coefficients and t-statistics are provided. Model 3a Current_ETR and GAAP_ETR are run with robust standard errors. *** Significant the at the 1 percent level. ** Significant at the 5 percent level. * Significant at the 10 percent level. *Source:* Author calculations.

4.2.4 Results fourth hypothesis tests

The results of the fourth hypothesis are shown in Table 8. In this table the effect of CSRCommitteeIndependence, which is defined as the number of independent board members that are on the CSR board committee. The fourth hypothesis is also tested on Panel C and Panel D. The table shows that CSRCommitteeIndependence has a negative effect on LETR and thus positively influences corporate tax avoidance. It was expected that the size would have a negative effect on corporate tax avoidance, meaning that it would have a positive influence on the effective tax rate. The effect of CSRCommitteeindpendence on GAAP_ETR and LETR is line with the hypothesized relationship and the hypothesis is accepted if these measures were used for corporate tax avoidance. This means that more independent board members on the CSR board committee decreases corporate tax avoidance. Furthermore, it stands out that there are very few variables which are significant. Leverage has a positive and significant effect on GAAP_ETR, a positive but significant at 10 percent level effect on Current_ETR and no significant effect on LETR. Furthermore, the interaction effect between independence of the CSR board committee (CSRCommitteeIndependence) and industry CSR sensitivity ICSR_Sen is positive, which means that industry CSR sensitivity increases the positive effect that the independence of the CSR board committee has on corporate tax avoidance. The interaction effect between country CSR sensitivity (CCSR_Sen) is however negative and indicates that the effect is negative in countries which are CSR sensitive.

TABLE 8. RESULTS EFFECT OF CSR BOARD COMMITTEE INDEPENDENCE ON CORPORATE TAX AVOIDANCE

Variables	Current_ETR Model 4a Panel	GAAP_ETR Model 4a	LETR Model 4b OLS
CSRCommitteeIndependence	3.137***	2.519***	0.414
	-1.204	(0.688)	(0.416)
Firm_Size	-0.122	-0.329***	0.003
	(0.153)	(0.114)	(0.025)
LEV	0.800	1.985***	-0.253
	(0.673)	(0.468)	(0.526)
ROA	-0.068	-0.669	3.478
	-1.552	-1.690	-2.688
ICSR_Sen			0.171
			(0.206)
CCSR_Sen			0.235
			(0.298)
CSRCommitteeIndependence:ICSR_Sen	0.525**	0.070	0.026
	(0.241)	(0.189)	(0.206)
Firm_Size:ICSR_Sen	0.046	0.063	-0.015
	(0.060)	(0.042)	(0.016)
LEV:ICSR_Sen	0.398	0.604**	-0.144
	(0.342)	(0.235)	(0.186)
ROA:ICSR_Sen	-0.047	0.656	0.361
	(0.804)	(0.516)	-1.003
CSRCommitteeIndependence:CCSR_Sen	-3.436***	-2.514***	-0.223
	-1.215	(0.692)	(0.426)
Firm_Size:CCSR_Sen	0.067	0.284**	0.003
	(0.155)	(0.116)	(0.026)
LEV:CCSR_Sen	-0.658	-1.820***	0.357
	(0.680)	(0.476)	(0.528)
ROA:CCSR_Sen	-0.717	-0.380	-3.273
	-1.618	-1.709	-2.720
Constant			-0.236
			(0.285)
Observations	597	597	119
R^2	0.150	0.124	0.194

Notes: The results of empirical models 4a and 4b. Coefficients and t-statistics are provided. Model 4a Current_ETR is run with robust standard errors*** Significant the at the 1 percent level. ** Significant at the 5 percent level. * Significant at the 10 percent level. *Source:* Author calculations.

5 Discussion

The analysis of the hypothesized relationship which is that the existence of a CSR board committee mitigates corporate tax avoidance, shows that the existence of a CSR board committee has a positive effect but insignificant effect on the effective tax rate. This is the case when tax avoidance is measured as the Current effective tax rate and the GAAP effective tax rate. This would have implied that the existence of a CSR board committee has a mitigating effect on corporate tax avoidance. However, the hypothesis cannot be accepted, because this relation is not significant in both cases. So, no real implications can be taken from this result. Furthermore, the results of the first models which were used to test the first hypothesis showed that the model is not a good fit for the test. This leads to think that there are better predictors that would have been better fit to the model and would explain more of the variability in the model. This direct relationship between a CSR board committee has not been researched before, therefore it is difficult to compare the results of this study with the results of prior literature. Studies that relate CSR to corporate tax avoidance have been more common in prior literature. The results of those studies have found mixed results of the effect of CSR on corporate tax avoidance. For instance, Lanis and Richardson (2012) have found a negative relationship between CSR disclosure and corporate tax avoidance, they advocate that the more firms who are more interested in that stakeholders and are more socially responsible avoid less taxes. This result is not found by Davis et al. (2016), their results do not provide evidence that socially responsible firms avoid less taxes, instead they provide evidence that these firms are more active in lobbying for lower taxation.

Research on other board committees is mostly limited to audit committee research with regards to their effect on corporate tax avoidance. And it is not comparable to the research question in this research, because in this case it is merely about the existence of a board committee. As the audit committee is a required committee, most research is on the composition of this committee in relation to corporate tax avoidance (Richardson et al., 2013; Hsu et al., 2018; Garcia-Meca et al., 2021)

The results of the other hypotheses have been not unambiguous as results of the second hypothesis were insignificant. The second hypothesis stated that more women on the CSR board committee would negatively impact corporate tax avoidance and thus decrease tax avoidance. Contrary to the hypothesized relationship the results showed that more women on the CSR board committee had a negative effect on corporate tax avoidance when Current_ETR and GAAP_ETR were used as measures for corporate tax avoidance. When LETR is used as measure for tax avoidance the results are different, because more women have a positive effect on the corporate tax avoidance. As the results were insignificant, the hypothesis cannot be accepted. This is again a relationship which has not been researched before. Research on board committees in relation to corporate tax avoidance, such as Garcia-Meca et al. (2021) who found that more women on an audit committee reduced corporate tax avoidance. Further research which is also comparable is research that investigates the effect that women on the board have on corporate tax avoidance. Richardson et al. (2016), researched this effect and state that the presence of a women on the board of directors reduces corporate tax avoidance. In addition to this Francis et al. (2014) state that female CFOs are less likely to engage in tax aggressive actions. These studies all show results that women should be a moderating factor in corporate tax avoidance.

The third hypothesized relationship states that the size of the CSR board committee is negatively related to corporate tax avoidance i.e., when the CSR board committee is larger there is less corporate tax avoidance. The results of this test were also insignificant. The results showed that in two out of three measures the size of a CSR board committee has a small negative effect on corporate tax avoidance. Comparable research has found that the size of an audit committee is negatively related to corporate tax avoidance, larger audit committees limit the extent of corporate tax avoidance (Garcia-Meca et al. 2021). This is in line with the findings of this research, however the findings were insignificant.

The fourth hypothesized relationship states that more independent board members on the CSR board committee negatively effects corporate tax avoidance. The results of the tests for this hypothesis show a large positive effect on all three measures of tax avoidance (Current_ETR, GAAP_ETR, LETR). This implicates that more independent board members on a CSR board committee limit corporate tax avoidance. Results of prior research which is comparable shows

that for high levels of tax avoidance, more board independence limits corporate tax avoidance (Armstrong et al., 2012). The fact that more independence limits corporate tax avoidance is also backed by the results of Duan et al. (2018), who state that independent board members have a moderating effect on corporate tax avoidance. It is questionable that the number of independent board members on a CSR board committee has this large of an effect on corporate tax avoidance. The independence of the CSR board committee was measured through division of the independent members by the total members of the committee. As prior literature has shown that independent board members have negative effect on corporate tax avoidance, this relationship could well be influenced by the fact that these independent board members are in the firm and not so much that they are a member of the CSR board committee.

6 Conclusion

This research has tried to answer the question how the existence of a CSR board committee mitigates corporate tax avoidance. According to stakeholder theory and corporate culture theory CSR board committees should have a mitigating effect on corporate tax avoidance. Prior literature has provided substantial evidence on the relation between CSR and corporate tax avoidance, this literature is however inconclusive in providing evidence on the existence of a relation or the direction of the relationship between CSR and corporate tax avoidance. This research uses a sample of listed European firms to explain the relation between CSR board committees and corporate tax avoidance. Corporate culture theory and stakeholder theory provide an explanation for this effect. Companies who have a installed a CSR Board Committee are more aligned with their stakeholders and are more concerned with the interest of their shareholders. When paying taxes is seen as a social duty, corporate tax avoidance would be harmful for stakeholders and therefore companies with a CSR board committee would be less active in avoiding corporate taxation. The evidence from the analysis cannot provide definite results to add to this research as the relationship between CSR board committees and corporate tax avoidance are insignificant and therefore no definite conclusions can be drawn from these results.

Furthermore, this study focuses on the question how the composition of such a CSR board committee affects corporate tax avoidance. The results are inconclusive to advice what a good composition for a CSR board committee would look like, from the perspective of corporate tax avoidance. As earlier stated, the results show that Gender Diversity i.e., more women on a CSR board committee has a negative influence on two out of three tax avoidance measures, implicating that more women on CSR board committees would increase corporate tax avoidance. Furthermore, the size of a CSR board committee is positively related to the tax avoidance measures. However these results were insignificant, so these implications cannot be backed by the results. At last board independence showed to have a very strong positive relationship with corporate tax avoidance, which is significant. As also earlier stated it is questionable if all of this effect can be awarded to the fact that there are more independent board members on the CSR board committee or is it that there are more independent board members in general. Prior research has already provided evidence that more independent board members limit the effect of corporate tax avoidance (Armstrong et al., 2012; Duan et al., 2018).

This study has tried to find evidence for a new relationship between the existence of a CSR board committee and corporate tax avoidance. The results do not provide enough evidence to support this relationship as they were not significant and not unambiguous. Although the results inability of this research to provide evidence for the hypothesized relationships, it still adds to literature in several ways. This research has filled a gap within research on board committees and CSR board committees in general and therefore which is one of the first of its kind. As CSR board committees become more common within firms (Khoo et al., 2022; G. M. Bifulco et al., 2023) and might have more traction within companies also because companies have more focus on CSR and ESG related matters (Siltaloppi et al., 2020), this relationship could still be valuable to research. Furthermore, this research adds to the existing literature on corporate tax avoidance and CSR by providing a new outlook in how existing theories as corporate culture theory and stakeholder theory could be used to explain the existence of a CSR board committee and the impact an instalment of a such a board committee would have on firms and on society. Although the evidence for this relationship cannot be provided, the instalment of CSR board committees could

improve corporate behaviour, as prior literature on CSR board committees has already showed (Mallin & Michelon, 2011; Eberhardt-Toth, 2017).

Further limitations of this research originate from the sample, as especially the analysis on the CSR board committee composition were limited to small sample sizes. This is due to the fact that there were very little companies with a CSR board committee in place. Out of 2,848 firms, 133 firms have installed a CSR board committee. Therefore, the sample to research the CSR board composition was limited to 597 observations. Another limitation from this sample is that nearly half of the firms with a CSR board committee are from France. In the sample that consist of all firms (Panel A) 16,54% firms are from France, so the existence of CSR board committees is not well distributed over countries in Europe. Prior research on CSR board committees has often used samples with more countries than only European countries (Eberhardt-Toth, 2017; Uyar et al., 2021; Gerged et al., 2023). This leads to think if the outcome of this study would be different if a larger worldwide sample would have been chosen.

Further limitations arise from the measures of corporate tax avoidance, these measures are often discussed in prior literature and the reliability of corporate tax avoidance measures is questionable as there are many factors that influence these measures (Schwab et al., 2021). The fact is that tax avoidance is very hard to measure with publicly available data and therefore the implications of the results could be challenged on their external validity.

Future research should be focused on finding better and more valid measures of tax avoidance, this could be accelerated when more data comes available. This acceleration could be made possible by governments and regulators who need to set new rules and standards to incentivize firms to make more data publicly available. Furthermore, shareholders also can help increase the substance of publicly available data, as this could also benefit them. More available data would increase transparency and therefore improve shareholder decision making. This would lead to more societal control and internal control over these firms and also allow for more in-depth analysis on corporate tax avoidance and other corporate performance and corporate governance matters as well. Furthermore, future research should remain it's focus on CSR related matters. As earlier stated, CSR has become more important (Siltaloppi et al., 2020) and has also brought its own challenges such as greenwashing (De Freitas Netto et al., 2020). Therefore, research should

be active in controlling these firms as well as providing ideas and guidance for governments and regulators on how to setup rules and regulations to ensure firms act in the best interests of all stakeholders.

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8 Appendices

APPENDIX 1. OVERVIEW OF THE NUMBER OF FIRMS PER ISO CODE, BASED ON THE COUNTRY WHERE THE FIRM HAS ITS HEADQUARTER AND THE PERCENTAGE OF FIRMS PER ISO CODE, IN PANEL A.

ISO Code	N	PERCENTAGE
AT	55	1,93%
BE	108	3,79%
BM	1	0,04%
CH	207	7,27%
CY	11	0,39%
CZ	6	0,21%
DE	431	15,13%
DK	71	2,49%
EE	2	0,07%
ES	155	5,44%
FI	104	3,65%
FO	2	0,07%
FR	471	16,54%
GB	30	1,05%
GG	67	2,35%
GI	2	0,07%
GR	31	1,09%
HR	5	0,18%
HU	12	0,42%
IE	64	2,25%
IM	22	0,77%
IS	11	0,39%
IT	179	6,29%
JE	62	2,18%
LI	2	0,07%
LT	1	0,04%
LU	49	1,72%
MC	3	0,11%
MQ	1	0,04%
MT	6	0,21%
NL	125	4,39%
NO	108	3,79%
PL	51	1,79%
PT	36	1,26%
RO	5	0,18%
RU	57	2,00%
SE	239	8,39%
SI	3	0,11%
SK	2	0,07%
TR	51	1,79%
Total	2848	100,00%

N = number of firms per ISO Code

APPENDIX 2: OVERVIEW OF THE NUMBER OF FIRMS PER INDUSTRY AND THE PERCENTAGE OF FIRMS PER INDUSTRY, IN PANEL A.

ICB Industry	N	Percentage
Basic Materials	158	6%
Consumer Discretionary	432	15%
Consumer Staples	181	6%
Energy	115	4%
Financials	431	15%
Health Care	176	6%
Industrials	605	21%
Real Estate	278	10%
Technology	271	10%
Telecommunications	89	3%
Utilities	112	4%
Total	2848	100%

N = number of firms per ICB Industry

APPENDIX 3. OVERVIEW OF THE NUMBER OF FIRMS PER INDUSTRY SECTORS AND PERCENTAGE OF FIRMS PER INDUSTRY SECTOR, IN PANEL A.

ICB Industry Sector	N	PERCENTAGE
Aerospace and Defense	22	0,77%
Alternative Energy	21	0,74%
Automobiles and Parts	53	1,86%
Banks	163	5,72%
Beverages	41	1,44%
Chemicals	63	2,21%
Closed End Investments	60	2,11%
Construction and Materials	142	4,99%
Consumer Services	17	0,60%
Electricity	85	2,98%
Electronic and Electrical Equipment	74	2,60%
Finance and Credit Services	17	0,60%
Food Producers	90	3,16%
Gas, Water and Multi-utilities	19	0,67%
General Industrials	54	1,90%
Health Care Providers	31	1,09%
Household Goods and Home Construction	39	1,37%
Industrial Engineering	104	3,65%
Industrial Materials	26	0,91%
Industrial Metals and Mining	57	2,00%
Industrial Support Services	91	3,20%
Industrial Transportation	118	4,14%
Investment Banking and Brokerage Services	134	4,71%
Leisure Goods	41	1,44%
Life Insurance	11	0,39%
Media	78	2,74%
Medical Equipment and Services	64	2,25%
Non-life Insurance	42	1,47%
Oil Gas and Coal	94	3,30%
Open End and Miscellaneous Investment Vehicles	4	0,14%
Personal Care, Drug and Grocery Stores	48	1,69%
Personal Goods	44	1,54%
Pharmaceuticals and Biotechnology	81	2,84%
Precious Metals and Mining	12	0,42%
Real Estate Investment and Services	169	5,93%
Real Estate Investment Trusts	109	3,83%
Retailers	78	2,74%
Software and Computer Services	202	7,09%
Technology Hardware and Equipment	69	2,42%
Telecommunications Equipment	29	1,02%
Telecommunications Service Providers	60	2,11%
Tobacco	2	0,07%
Travel and Leisure	82	2,88%
Waste and Disposal Services	8	0,28%
Total	2848	100,00%

N = number of firms per ICB Industry sector

APPENDIX 4. OVERVIEW OF THE NUMBER OF FIRMS PER ISO CODE, BASED ON THE COUNTRY WHERE THE FIRM HAS ITS HEADQUARTER AND THE PERCENTAGE OF FIRMS PER ISO CODE, IN PANEL C.

ISO Code	N	PERCENTAGE
AT	1	0,75%
BE	1	0,75%
CH	2	1,50%
CY	1	0,75%
CZ	1	0,75%
DE	4	3,01%
ES	9	6,77%
FR	63	47,37%
GB	3	2,26%
GG	1	0,75%
GI	1	0,75%
GR	4	3,01%
HU	1	0,75%
IE	3	2,26%
IT	9	6,77%
JE	4	3,01%
LU	2	1,50%
MT	1	0,75%
NL	4	3,01%
NO	2	1,50%
PL	4	3,01%
PT	6	4,51%
RU	4	3,01%
SE	1	0,75%
TR	1	0,75%
Total	133	100,00%

N = number of firms per ISO Code

APPENDIX 5: OVERVIEW OF THE NUMBER OF FIRMS PER INDUSTRY AND THE PERCENTAGE OF FIRMS PER INDUSTRY, IN PANEL C.

ICB Industry	N	PERCENTAGE
Basic Materials	7	5,26%
Consumer Discretionary	21	15,79%
Consumer Staples	13	9,77%
Energy	12	9,02%
Financials	18	13,53%
Health Care	5	3,76%
Industrials	28	21,05%
Real Estate	10	7,52%
Technology	6	4,51%
Telecommunications	4	3,01%
Utilities	9	6,77%
	133	100,00%

N = number of firms per ICB Industry

APPENDIX 6. OVERVIEW OF THE NUMBER OF FIRMS PER INDUSTRY SECTORS AND PERCENTAGE OF FIRMS PER INDUSTRY SECTOR, IN PANEL C.

ICB Industry Sector	N	PERCENTAGE
Aerospace and Defense	3	2,26%
Automobiles and Parts	3	2,26%
Banks	10	7,52%
Beverages	5	3,76%
Chemicals	1	0,75%
Construction and Materials	11	8,27%
Consumer Services	1	0,75%
Electricity	5	3,76%
Electronic and Electrical Equipment	4	3,01%
Food Producers	5	3,76%
Gas, Water and Multi-utilities	4	3,01%
Health Care Providers	1	0,75%
Household Goods and Home Construction	1	0,75%
Industrial Materials	1	0,75%
Industrial Metals and Mining	4	3,01%
Industrial Support Services	4	3,01%
Industrial Transportation	6	4,51%
Investment Banking and Brokerage Services	4	3,01%
Leisure Goods	2	1,50%
Media	5	3,76%
Medical Equipment and Services	1	0,75%
Non-life Insurance	4	3,01%
Oil Gas and Coal	12	9,02%
Personal Care, Drug and Grocery Stores	3	2,26%
Personal Goods	3	2,26%
Pharmaceuticals and Biotechnology	3	2,26%
Precious Metals and Mining	1	0,75%
Real Estate Investment and Services	6	4,51%
Real Estate Investment Trusts	4	3,01%
Retailers	1	0,75%
Software and Computer Services	4	3,01%
Technology Hardware and Equipment	2	1,50%
Telecommunications Service Providers	4	3,01%
Travel and Leisure	5	3,76%
Total	133	100,00%

N = number of firms per ICB Industry sector

APPENDIX 7. PEARSON CORRELATION MATRIX OF PANEL A

	CSRCommittee_Dummy	Current_ETR	GAAP_ETR	Firm_Size	LEV	ROA	CCSR_Sen	ICSR_Sen
CSRCommittee_Dummy	1	0.05568734	0.044520123	0.14484584	0.002088118	-0.0001056814	0.040685441	0.043023843
Current_ETR	0.0556873380	1	0.668444991	0.05572061	0.010091905	0.0118053099	0.098057024	-0.047071934
GAAP_ETR	0.0445201231	0.66844499	1	-0.01124960	0.008438447	0.0136438611	0.114221113	-0.064916707
Firm_Size	0.1448458372	0.05572061	-0.011249595	1	0.022431144	0.0552598426	0.077856488	0.130578848
LEV	0.0020881183	0.01009190	0.008438447	0.02243114	1	-0.0340597768	-0.003293328	0.006523694
ROA	-0.0001056814	0.01180531	0.013643861	0.05525984	-0.034059777	1	0.025087453	-0.060647938
CCSR_Sen	0.0406854409	0.09805702	0.114221113	0.07785649	-0.003293328	0.0250874527	1	-0.005646360
ICSR_Sen	0.0430238425	-0.04707193	-0.064916707	0.13057885	0.006523694	-0.0606479381	-0.005646360	1

APPENDIX 8. PEARSON CORRELATION MATRIX OF PANEL C

	CSRGenderDiversity	CSRCommitteeSize	CSRCommitteeIndependence	Current_ETR	GAAP_ETR	Firm_Size	LEV	ROA	CCSR_Sen
CSRGenderDiversity	1	-0.018134151	0.21172694	0.01390787	0.006238456	-0.03124949	0.06585136	-0.049947454	-0.0002973829
CSRCommitteeSize	-0.0181341513	1	0.08879744	0.04996323	0.091976453	0.13802802	0.05753416	0.004997982	0.0261693095
CSRCommitteeIndependence	0.2117269376	0.088797442	1	0.03736406	0.060607301	0.12824485	0.08517873	-0.022059410	0.0307119359
Current_ETR	0.0139078667	0.049963230	0.03736406	1	0.660376054	0.01202464	0.04025575	-0.049439672	0.0479268526
GAAP_ETR	0.0062384560	0.091976453	0.06060730	0.66037605	1	0.02523340	0.07326606	-0.025279059	0.0499344355
Firm_Size	-0.0312494938	0.138028017	0.12824485	0.01202464	0.025233398	1	0.00445789	0.277658729	0.0884972481
LEV	0.0658513617	0.057534163	0.08517873	0.04025575	0.073266060	0.00445789	1	-0.236139041	-0.0433651258
ROA	-0.0499474538	0.004997982	-0.02205941	-0.04943967	-0.025279059	0.27765873	-0.23613904	1	0.0847866138
CCSR_Sen	-0.0002973829	0.026169310	0.03071194	0.04792685	0.049934436	0.08849725	-0.04336513	0.084786614	1

APPENDIX 9. RESULTS OF BREUSH-PAGAN TESTS FOR HETEROSCEDASTICITY

Model	BP test value	p-value
Model 1a – Current_ETR	338.05	2.2e-16
Model 1a – GAAP_ETR	381.89	2.2e-16
Model 2a – Current_ETR	32.301	0.003629
Model 2a – GAAP_ETR	22.51	0.06873
Model 3a – Current_ETR	43.854	6.25e-05
Model 3a – GAAP_ETR	30.252	0.007045
Model 4a – Current_ETR	24.289	0.04228
Model 4a – GAAP_ETR	23.402	0.05404

If the p-value < 0.05 there is heteroskedasticity in the model and robust standard errors need to be used. All models have heteroskedasticity except for model 2a when using GAAP_ETR and model 4a when using GAAP_ETR