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CSR committees and the voluntary disclosures of climate change information in France

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ABSTRACT

This study examines the effect of CSR committees on voluntary climate change disclosures. Using a sample of SBF 120 listed companies from 2018 to 2022, we find that the presence of CSR committees increases the disclosure of opportunities and forward-looking information on climate change. Additionally, we find that these results are mostly driven by the size of CSR committees. Our results suggest that CSR committees encourage voluntary climate change disclosures due to the informational and economic gains of having an expert sub-board committee responsible for overseeing environmental matters.

1. Introduction

In response to the financial challenges posed by climate change, regulatory frameworks worldwide have evolved to increase transparency concerning the efforts of corporations to manage this environmental issue (Hahn et al., 2015). France has been at the forefront of these regulatory efforts with Article 173 of its Energy Transition Act of 2015 by mandating the disclosure of climate change risks for publicly listed companies (UNEP FI, 2016).

Despite this novel regulation, there remains a lack of comprehensive requirements for other aspects of climate change disclosures in France (Baker-McKenzie and PRI, 2017). The Task Force on Climate-Related Financial Disclosures (TCFD) released guidance in June 2017 that recommended disclosing not only climate-related risks but also climate-related opportunities and forward-looking information on climate change to provide a standardised framework giving the full picture of the potential financial impacts of climate change on corporations (O'Dwyer and Unerman, 2020).

Climate-related opportunities refer to the benefits enjoyed by corporations in response to climate change challenges while forward-looking information on climate change refers to the disclosure of possible events, conditions, or scenarios, that are based on assumptions about future environmental conditions (TCFD, 2017). Although the disclosure of climate change risk has been in effect since January 2017 in France, the disclosures of climate change opportunities and forward-looking information were still voluntary practices until they became mandatory in 2022 with the Corporate Sustainability Reporting Directive (CSRD).

In this unique context, corporations have started to rely on governance initiatives, such as CSR committees, to supervise managerial environmental actions and protect the interests of all stakeholders (Velte and Stawinoga, 2020). Nevertheless, the academic literature is shared between scholars arguing that CSR committees have substantive effects on environmental performance (Liao et al., 2015; Peters and Romi, 2014) while others suggest that they may only be symbolic (Rodrigue et al., 2013). In front of these contradictory

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Table 1
Descriptive statistics and correlation matrix.

Variable	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) CCOpp	0.21	0.41	1													
(2) CCFlo	0.27	0.44	.247**	1												
(3) CSRC	0.69	0.46	.217**	.256**	1											
(4) ROA	3.76	4.24	−0.066	−0.085*	−0.059	1										
(5) EnvPerf	72.20	20.09	.111**	.291**	.237**	−0.060	1									
(6) BoardSize	12.36	3.02	.170**	.372**	.405**	−0.186**	.287**	1								
(7) CEODual	0.40	0.48	.119**	−0.008	.116**	.090*	−0.014	.053	1							
(8) IndDir	53.22	16.35	.057	.112**	−0.075	−0.135**	.087*	−0.232**	−0.197**	1						
(9) InstOwn	52.83	20.19	.053	.120**	.167**	−0.093*	.087*	.230**	−0.111**	.070	1					
(10) WmnBD	44.20	7.59	−0.099*	−0.003	.074	−0.018	.140**	.030	.019	−0.146**	.035	1				
(11) FirmSize	9.46	1.66	.111**	.458**	.313**	−0.221**	.368**	.551**	−0.037	.129**	.311**	−0.024	1			
(12) Leverage	4.39	4.91	−0.072	.113**	.068	−0.319**	.162**	.310**	−0.128**	.060	.091*	−0.053	.505**	1		
(13) RDIntensity	0.02	0.03	−0.055	−0.061	−0.027	.032	.017	−0.058	.024	.031	−0.114**	−0.018	−0.223**	−0.060	1	
(14) NofEmpl	59,651.64	79,346.25	.123**	.338**	.178**	−0.093*	.295**	.314**	.147**	.118**	.132**	−0.061	.508**	.179**	−0.090**	1

Note: The full sample is composed of 600 observations. This table reports the Pearson correlation coefficients. **, * indicate that the correlation is significant at the 0.01 and 0.05 levels, respectively.

Table 2
Baseline analysis.

	Dep: CCOpp (1)	Dep: CCFlo (2)
CSRC	1.295***	1.050**
	(0.350)	(0.428)
ROA	−0.073**	−0.006
	(0.034)	(0.040)
EnvPerf	0.006	0.018**
	(0.007)	(0.008)
BoardSize	0.239***	0.381***
	(0.054)	(0.073)
CEODual	0.827***	−0.546
	(0.276)	(0.338)
IndDir	0.030***	0.020**
	(0.009)	(0.010)
InstOwn	−0.015*	−0.007
	(0.008)	(0.008)
WmnBD	−0.053***	0.017
	(0.017)	(0.021)
FirmSize	0.002	0.924***
	(0.121)	(0.164)
Leverage	−0.202***	−0.187***
	(0.050)	(0.041)
RDIntensity	−5.673*	1.595**
	(3.068)	(0.621)
NofEmpl	−0.001	0.001**
	(0.001)	(0.001)
Year effects	Yes	Yes
Sector effects	Yes	Yes
Intercept	−4.380***	−17.637***
	(1.407)	(2.237)
Wald $\chi 2$	124.06	142.49
Prob $> \chi$ 2	0.000	0.000
R-squared	0.275	0.482
No. of obs.	600	600

Note: Robust standard errors are presented in parenthesis, and ***, **, and * indicate the statistical significance at the 0.01, 0.05, and 0.1 levels. Results for estimations with marginal effects are provided in Appendix C.

findings, it appears crucial to examine the influence of CSR committees on voluntary climate change disclosures as little evidence is available (Cosma et al., 2022).

The stakeholder-agency theory of Hill and Jones (1992) explains the dual objectives of CSR committees by postulating that (1) they reduce information asymmetries between managers and stakeholders and (2) improve their relationships through the collection and analysis of more information on climate change and the centralisation of costs related to the production of this information. Following this theory, we argue that companies having implemented a CSR committee will be more likely to disclose opportunities and forward-looking information on climate change because of the informational and economic gains of having an expert sub-board committee responsible for supervising climate change matters (Elmaghrabi, 2021).

This study contributes to the academic literature by investigating the extent to which governance practices can provide more accountability and transparency regarding the climate change efforts of corporations (Daradkeh et al., 2023). Specifically, it demonstrates the crucial role played by CSR committees in enhancing the disclosure of all aspects of climate change impacts on corporations, including opportunities and future impacts. Then, this study adds to the body of literature supporting the substantive role of CSR committees by highlighting the merits of a corporate governance initiative for which little guidance is available but that is effective in managing and communicating climate change information (Liao et al., 2015). Finally, examining the French context demonstrates that, even in the absence of mandatory regulations, CSR committees are a key governance initiative for guiding corporate response to climate change. The findings of this study provide valuable insights for corporations operating in countries without disclosure rules on the different aspects of climate change.

2. Research design

2.1. Data and sample

This study focuses on a sample of French companies listed on the SBF 120 index from 2018 to 2022. The sample period starts in 2018, the first year after the publication of the TCFD recommendations that proposed a standardised framework for climate change disclosure and ends in 2022 before the implementation of the CSRD regulation. Data was collected from the Bloomberg database, a well-known data provider of financial and extra-financial information widely used in academic research (Park and Ravenel, 2013). The

Table 3
Endogeneity test.

	1st stage Dep: CSRC (1)	2nd stage Dep: CCOpp (2)	Dep: CCFlo (3)
LagCSRC	0.736***		
	(0.040)		
CSRC *inst.*		0.910***	0.625**
		(0.253)	(0.311)
Controls	Yes	Yes	Yes
Year effects	Yes	Yes	Yes
Sector effects	Yes	Yes	Yes
Intercept	−0.221	−2.135**	−9.320***
	(0.135)	(0.862)	(1.236)
Wald X2	138.89	112.28	143.61
Prob > X2	0.000	0.000	0.000
First-stage F-stat	49.34		
Wald test of exogeneity (p-value)		0.412	0.498
No. of obs.	480	480	480

Note: Robust standard errors are presented in parenthesis, and ***, **, and * indicate the statistical significance at the 0.01, 0.05, and 0.1 levels. For the first stage, the Kleibergen-Paap rk LM statistic is 147.05, suggesting no under identification.

final dataset is balanced with 600 firm-year observations.

2.2. Model and analysis technique

To examine the effect of CSR committees on voluntary climate change disclosures, we employ logit regressions due to the binary nature of the dependent variables through the following model:

$$VCCDiscl_{it} = \alpha + \beta 1 * CSRC_{it} + \beta 2 * X_{it} + \gamma_{it} + \varepsilon_{it} \quad (1)$$

Where *VCCDiscl* is captured using two proxies *CCOpp* and *CCFlo* that determine respectively whether a corporation disclosed voluntarily climate change opportunities and forward-looking climate change information. *CSRC* measures whether a sub-board CSR committee is present or not. *X* is the matrix for control variables. Time and industry dummy variables are also included in the model (γ) to control for their own effects. More details concerning variable definitions are provided in Appendix A.

3. Results

3.1. Descriptive statistics

Table 1 presents the descriptive statistics and the Pearson correlations of all variables used in the study. The mean of climate change opportunities and forward-looking climate change information are respectively 0.21 and 0.27 while the mean of CSR committee is 0.69. The two proxies for voluntary climate change disclosures, *CCOpp* and *CCFlo*, are positively and significantly correlated with the *CSRC*. In addition, the Pearson correlation coefficients do not indicate any high correlations among the variables and the variance inflation factors (VIFs; see Appendix B) are relatively low, indicating no serious multicollinearity issues.

3.2. CSR committees and voluntary climate change disclosures

Table 2 presents the baseline regression results regarding the influence of CSR committees on voluntary climate change disclosures. Column (1) shows that *CSRC* is positively and significantly associated with the voluntary disclosure of climate change opportunities. Column (2) indicates that there is a positive and significant association between *CSRC* and the voluntary disclosure of forward-looking climate change information. These results are consistent with Cosma et al. (2022) in the context of European banks for 2018 and support our argument. They suggest that the presence of a CSR committee enhances the disclosure of climate change opportunities and forward-looking information because this governance initiative enables the collection and analysis of more information on climate change and the centralisation of costs related to the production of this information, reducing information asymmetries and improving stakeholder relationships.

3.3. Robustness checks

To avoid potential endogeneity issues originating from unobservable factors not captured in our baseline model, we estimate our baseline regressions using the two-stage least square (2SLS) method. Inspired by recent studies on corporate governance, we choose the lag of our independent variable, *CSRC*, as an instrument (Fang et al., 2009).

Column (1) of Table 3 reveals a positive association between the instrument and the main independent variable in the first stage. Additionally, the first-stage F-statistic is well above 10, which is the minimum threshold for weak instruments as suggested by Staiger

Table 4
CSR committee characteristics.

	Dep: CCOpp				Dep: CCFlo			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CSRInd	−0.485	−0.101			−0.139	0.081		
	(0.314)	(0.290)			(0.336)	(0.318)		
CSRSize	0.286***		0.261***		0.185***		0.179***	
	(0.062)		(0.057)		(0.063)		(0.061)	
CSRCMeetings	0.002			−0.011	−0.005			−0.006
	(0.019)			(0.019)	(0.041)			(0.047)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Intercept	−3.436**	−4.891***	−3.507**	−4.827***	−16.621***	−16.385***	−16.690***	−16.306***
	(1.380)	(1.350)	(1.376)	(1.350)	(2.170)	(2.028)	(2.075)	(2.037)
Wald $\chi 2$	143.92	127.39	144.01	126.45	149.94	162.27	144.71	159.42
Prob $> \chi$ 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
R-squared	0.287	0.252	0.283	0.252	0.483	0.472	0.483	0.472
No. of obs.	600	600	600	600	600	600	600	600

Note: Robust standard errors are presented in parenthesis, and ***, **, and * indicate the statistical significance at the 0.01, 0.05, and 0.1 levels.

and Stock (1997). This indicates that our instrument is not weak and appropriate. Columns (2) and (3) of Table 3 demonstrate that the instrumented independent variable is positively and significantly associated with the two proxies of voluntary climate change disclosures, consistent with our baseline results. Finally, the Wald test of exogeneity is conducted. In both columns, we fail to reject the null hypothesis that the endogenous regressors can be treated as exogenous, suggesting no serious endogeneity issues in our models.

3.4. CSR committee characteristics

To further understand the relationship between CSR committees and the voluntary disclosure of climate change information, we reiterate the regression analysis for several structural characteristics of CSR committees. Based on prior studies on CSR committees' characteristics (Elmaghrabi, 2021), we include the proportion of independent directors (*CSRind*), the size of the committee (*CSRSize*), and the frequency of meetings (*CSRCMeetings*). In columns (1) and (5) of Table 4, results show that *CSRSize* is positively and significantly associated with climate change opportunities and forward-looking information. From columns (2) to (4) and from columns (6) to (8), each CSR committee characteristic is re-estimated independently, and similar results are found.

These results provide a more granular understanding of the effect of CSR committees on climate change disclosure. They are consistent with Elmaghrabi (2021) and our argument by demonstrating that the structure of CSR committees enhances the informational and economic gains of this expert sub-board committee responsible for overseeing climate change matters.

4. Conclusion

This study examines the influence of CSR committees on the voluntary disclosure of climate change opportunities and forward-looking information on climate change. The case of France serves as a fertile ground for this study due to its unique regulatory landscape. Our findings have important implications for academics studying CSR committees and climate change disclosures, for practitioners wishing to better improve their governance of climate change information, and for policymakers who could push for more guidance on CSR committees to improve transparency on the climate change efforts of corporations.

CRediT authorship contribution statement

Etienne Develay: Writing – original draft, Project administration, Investigation, Funding acquisition, Formal analysis, Data curation, Conceptualization. **Emmanuel James:** Writing – review & editing, Visualization, Software, Methodology, Funding acquisition.

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Supplementary materials

Supplementary material associated with this article can be found, in the online version, at doi:10.1016/j.frl.2024.106241.

Data availability

Data will be made available on request.

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