Appointing Charity Directors in Response to ESG Incidents *

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Abstract

This paper examines how companies respond to negative ESG incidents by appointing directors with experience in charitable organizations. We find that firms are more likely to make such appointments following ESG incidents, especially when these incidents attract substantial media attention or involve social issues. The market reacts positively to charity director appointments, which is more pronounced when director biographies filed with the SEC highlight such charity experience. We provide evidence that firms leverage charity directors' expertise to enhance ESG performance, rather than appointing them for ESG window dressing. Using the density of charities in a firm's vicinity as an instrumental variable, we provide causal evidence that incidents, especially those related to social issues, decline after charity director appointments. This effect is primarily driven by non-overboarded directors with active engagement capacity. Moreover, we document that charity directors are often assigned to committees overseeing ESG issues, and their appointments are associated with a higher likelihood of implementing ESG-linked compensation policies. Overall, our study emphasizes the tangible value that charity-experienced directors bring to companies addressing ESG concerns.

JEL Classifications: G30, G34, G39

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1 Introduction

In January 2020, Ralph Lauren, a well-known fashion brand, faced a controversy over one of its products - a pair of pants that carried the symbol of Phi Beta Sigma Fraternity, Inc., a historically African American fraternity founded in 1914. This incident raised concerns about cultural appropriation and received widespread attention on social media and in prominent news agencies including Forbes and NBC. At the company's annual shareholder meeting in July 2020, Ralph Lauren appointed a new independent director, Darren Walker, who is recognized for his extensive experience in charitable nonprofit organizations. The Chairman of the company, Ralph Lauren, welcomed Walker, stating "... his strength of character, diverse experience, and deep passion for positively impacting the world were powerfully apparent – and I knew we could deeply benefit from his perspective on our Board." Similarly, the company's President and CEO, Patrice Louvet, said "We believe he will not only add to the wealth of our existing expertise, but bring new perspectives as we deliver value for all of our stakeholders around the world."

The presence of independent directors with experience in the charitable sector, hereafter referred to as "charity directors," has been growing in U.S. public companies. As shown in Figure 1, within our sample of U.S. listed firms, the proportion of companies with charity directors on their board increased from 14% in 2007 to 20% in 2021. This trend is in conjunction with an eightfold increase in the average number of corporate environmental, social, and governance (ESG) incidents reported by media per firm, mainly driven by growing public concern over corporate ESG issues. In this paper, we explore how common it is for companies to appoint new charity directors in response to ESG incidents and how these appointments relate to companies' future ESG policies and outcomes.

We find that firms are more likely to appoint charity directors in response to ESG incidents, particularly when these incidents receive significant media attention or pertain to areas closely aligned with the expertise of charity directors. The market reacts favorably to such appointments, especially when these directors' biographies filed with the U.S. Securities and Exchange Commission (SEC) highlight their charity experience. Fur-

thermore, we provide evidence supporting that firms effectively leverage the expertise of charity directors to improve their ESG performance, rather than merely appointing them as symbolic placeholders (i.e., engaging in ESG window dressing).

Despite the important role of the board of directors in corporate governance, there is a gap in our understanding of how companies optimize their board structures and adjust their board composition in response to changes in board skill set requirements. Our study contributes to bridging this gap by exploiting a highly policy-relevant circumstance — negative ESG incidents — in which companies may need to update their board's skill sets to address these challenges by appointing new directors with the relevant expertise. While recent studies have documented the negative value implications of ESG incidents for investors, little attention has been given to how companies respond to these incidents.[1] We propose that experiencing an ESG incident can make salient the lack of human capital within the existing board to effectively oversee ESG issues, thereby highlighting the necessity of appointing directors with new skill sets.

While charitable organizations, such as the Bill & Melinda Gates Foundation and Ford Foundation, are not profit-oriented, individuals with work experience in these organizations can possess skills and perspectives that are beneficial to for-profit companies. Such skills may include expertise in managing environmental and social impact, a deeper understanding of community needs, and skills in communicating with stakeholders (Moore, 2000; Grant, 2007). When faced with ESG incidents, companies need to demonstrate their commitment to addressing the concerns of dissatisfied stakeholders. This may require individuals capable of implementing policies that effectively tackle ESG concerns, making the inclusion of charity directors valuable.

To empirically test our main hypothesis regarding the appointment of charity directors and their effectiveness in addressing ESG concerns, we construct a sample of firms and their corresponding director appointments by merging the BoardEx and CRSP-Compustat databases. We obtain the ESG incident information for our sample firms from

[1] For instance, Glossner (2021) finds a considerable loss in shareholder value directly linked to ESG incidents. Additionally, Derrien et al. (2022) demonstrate negative revisions of earnings forecasts by analysts, and Gantchev et al. (2022) document divestitures by conscious institutional investors as consequences of negative ESG incidents.

RepRisk, a comprehensive database that collects daily ESG incident news for public and private companies since 2007. Our final sample consists of 44,696 firm-year observations, representing 5,730 unique U.S. public companies over the period 2008-2021.

In our analysis conducted at both the firm and director appointment levels, we find that firms are more likely to appoint charity directors following negative ESG-related news reported in the preceding year. Moreover, we observe a higher likelihood of appointing new charity directors when these incidents receive significant media attention, especially from influential global media outlets like CNN and Forbes. Additionally, incidents related to social issues, such as community or employee relations, that align more closely with the expertise of charity directors have a stronger association with the appointment of charity directors.

Next, we examine the stock market reaction to the appointment of new charity directors. Our analysis shows a significant positive abnormal return of 67 to 78 basis points on the day of the announcement when a new charity director is appointed after ESG incidents in the preceding year. In contrast, we observe no significant market reaction to the appointment of a new charity director in the absence of ESG incidents. In addition, we perform a textual analysis of director biographies in Form 8-K and proxy statements, which are filed with the SEC and distributed to shareholders. We find that the average market reaction to charity director appointments made after ESG incidents is only significantly positive when the firm highlights the charity experience in director biographies in SEC filings. These findings suggest that the market perceives the appointment of a new charity director following ESG incidents as a value-enhancing response to ESG concerns. This is particularly the case when the company makes the director's experience in charitable organizations salient to investors.

Nevertheless, so far, we cannot rule out the possibility that when faced with ESG concerns, firms appoint directors with charitable backgrounds primarily to enhance their public image, without the intention to leverage their expertise for improving ESG policies. To test this possibility, we explore how firms engage charity directors within the board and examine how future ESG policies and outcomes change following their appointments.

First, we examine the roles of the new charity directors appointed following ESG incidents within their respective boards. We find that, in comparison to other directors appointed after ESG incidents, charity directors are more likely to be assigned to the governance and nomination committees. Consistent with recent survey evidence indicating that governance committees, along with nomination committees, are typically responsible for sustainability issues (Ernst & Young, 2021), our finding suggests that firms intend to involve newly appointed charity directors in shaping ESG policies.[2]

Second, we examine whether firms experience fewer incidents after the appointments of charity directors. We find that appointing charity directors following ESG incidents contributes to a significant reduction in the number of workforce-related incidents, within the social (S) category, during the year following the appointments. We provide support that this relationship is causal using propensity-score matching based on pre-appointment firm characteristics and an instrumental variable approach that builds on the work of Knyazeva et al. (2013) and subsequent studies (e.g., Ellis et al., 2018; Di Giuli & Laux, 2022). Specifically, we use the availability of local director candidates with charity experience, captured by the density of active charitable organizations within a 100-mile of radius of a firm's headquarter, as an instrumental variable for the appointment of charity directors. The improvement in the social dimension, associated with charity director appointments, support our main conjecture that aligning director expertise to the firm's specific needs can play an important role in improving ESG outcomes.

Third, if firms intend to actively engage charity directors in ESG policies, we expect them to appoint directors who have the capacity to do so and are not excessively burdened by other commitments. Therefore, we separate charity directors into overboarded and non-overboarded directors and explore heterogeneous effects.[3] In the analysis of director appointments, we find that the appointment of a new charity director is positively associated with the past ESG incident record only for non-overboarded directors. Additionally, we show that reductions in future social incidents related to community

[2]Only a small fraction of firms (specifically, only 4.5% of firm-year observations) in our sample have a dedicated stand-alone ESG committee.

[3]Based on existing literature (e.g., Chen et al. (2022a)), we consider directors as overboarded if they hold five or more concurrent directorships.

and workforce issues are only significantly associated with the appointments of non-overboarded charity directors.

Finally, building on prior research (Flammer et al., 2019; Tsang et al., 2021), which demonstrates the positive impact of ESG-linked compensation policies on diverse ESG dimensions, we examine whether firms implement these policies subsequent to the appointment of charity directors. Our findings indicate a significant and positive association between designating the newly appointed charity director to the governance committee and the adoption of ESG-linked compensation policies.

Overall, our findings provide support for the notion that the expertise of charity directors and their active involvement in ESG issues constitute value-enhancing responses when companies need to address stakeholders' concerns.

This paper contributes to the literature that emphasizes specific director experience, such as financial expertise and industry experience (Goldman et al., 2009; Minton et al., 2014; White et al., 2014; von Meyerinck et al., 2016; Di Giuli & Laux, 2022). Recent work has also linked directors' specific experiences to corporate social responsibility. For instance, Iliev and Roth (2023) identify directors of U.S. firms who have served on the boards of foreign firms affected by sustainability regulatory changes, and show that such experience positively influences the overall sustainability performance of the firms. Chen et al. (2022b) find that directors with a background in not-for-profit organizations are associated with improvements in corporate social responsibility (CSR) performance in the long term.[4] Our study complements these findings by considering the specific circumstances (i.e., when firms are confronted with ESG incidents) in which firms appoint directors who align with their specific needs. We also highlight the importance of considering these specific circumstances when evaluating the value of a director's certain expertise. Our emphasis on shifts in corporate director demands aligns with two recent studies: Chen et al. (2020) show the value-enhancing role of directors with country-specific expertise following a U.S.-China trade policy change, and Ferreira et al. (2018) show the appointment of new directors linked to creditors after loan covenant

[4]In a related paper, Liu et al. (2022) examines the impact of management styles and non-profit sector experience of CEOs, rather than directors, on ESG policies and outcomes, such as CSR ratings, green innovation and toxic chemical emissions.

violations.

We also contribute to the growing literature on corporate ESG news. So far, this literature has primarily focused on the responses of market participants such as investors or analysts to negative ESG incidents (e.g., Kölbel et al., 2017; Burke et al., 2019; Derrien et al., 2022; Gantchev et al., 2022). However, little attention has been given to corporate responses to ESG news except for a few recent studies addressing this gap. Burke (2022) and Pu et al. (2023) examine CEO dismissals and corporate social media posts, respectively, following ESG incidents. The most closely related paper to ours is Akey et al. (2021), which documents that firms increase CSR investments, measured by charitable donations, after negative reputation shocks. Our study complements these studies by providing new evidence of targeted, rather than homogeneous, corporate responses to ESG incidents. Specifically, firms acquire new human capital by appointing charity directors to address incidents related to social issues, updating the board's skill set with expertise closely aligned with current needs.

Our study also contributes to the literature exploring interactions between for-profit corporations and non-profit organizations. Despite the significant role that non-profits play in the economy, they have received limited attention in finance research. Moreover, existing studies on non-profit organizations have often presented a negative perspective, suggesting, for instance, that directors' charity affiliations could potentially lead to CEO entrenchment and the misuse of corporate resources (e.g., Masulis & Reza, 2015; Cai et al., 2021). Our study complements this existing literature by offering a different viewpoint. We show that the appointment of charity directors can bring value to corporations when there is a clear demand for their skill sets. Hence, we provide a more nuanced understanding of the potential benefits that can arise from the connection between for-profit corporations and non-profit organizations.

Our study has important policy implications. With increasing pressure for firms to address ESG issues, among the vast array of firm responses, it remains unclear which of these are effective in both alleviating ESG concerns and enhancing shareholder value. The insight that appointing directors with non-profit experience aids firms in addressing stakeholder concerns should influence forthcoming policy guidance aimed at bolstering

firms' ESG focus. Moreover, our results underscore the significance of non-profit experience and expertise in managing community and employee relations as vital human capital skills that firms should consider in their director searches.

The remainder of the paper is structured as follows. Section 2 describes the data and presents summary statistics. Section 3 examines firms' responses to ESG incidents through the appointment of charity directors and analyzes market reactions together with a textual analysis of their biographies filed with the SEC. Section 4 explores how the appointments of charity directors influence ESG incidents in the future, with an instrumental variable analysis to examine the causality of this effect. Section 5 explores other changes in firm ESG policies after the appointment of charity directors and conducts heterogeneity tests concerning director overboarding. Section 6 concludes.

2 Data and summary statistics

2.1 Sample construction

We construct our main sample by merging the databases BoardEx, CRSP/Compustat Merged (CCM) Database, and RepRisk. Since RepRisk data is available from 2007, our sample spans from 2008 to 2021, allowing for the construction of 1-year lagged variables.

First, we extract information about the board of directors from BoardEx. Our focus is on the professional experience of non-executive directors, particularly work experience in charities. We define a director as a charity director if they have employment experience up to the current year in organizations classified as "Charities". If at least one of the directors on the board is identified as a charity director, we classify the firm as having the presence of charity directors in the given year. Additionally, we calculate the percentage of charity directors on the board by scaling the number of charity directors with the board size for each firm-year observation. Through this process, we obtain 69,071 firm-year observations including 9,968 unique firms.

We then combine the BoardEx data with firm financial data contained in the CCM Database. In order to be included in our sample, a firm must be listed on NYSE, AMEX

or NASDAQ, have a non-missing value for total assets, and have a valid stock price at the end of the fiscal year. Applying these criteria results in 49,035 firm-year observations for 6,342 unique firms.

We obtain the ESG incident data for our sample firms from RepRisk, a comprehensive database that collects negative news reports related to ESG incidents. RepRisk covers over 225,000 public firms and private companies since 2007. RepRisk daily screens news reports in 23 languages, identifies ESG incidents and links them to individual companies.[5] The RepRisk's database has been increasingly used in the empirical ESG literature (e.g., Kölbel et al. (2017), Li and Wu (2020), and Glossner (2021)). After linking the RepRisk data to our BoardEx-CCM merged sample, we obtain our final sample comprising 44,696 firm-year observations from 5,730 unique firms.

2.2 Measuring ESG Incidents

In our analysis, we employ different ESG incident measures provided by RepRisk. First, RepRisk categorizes each incident into one or more dimensions of environment (E), social (S), and governance (G). Additionally, RepRisk evaluates three parameters for each incident: Severity, Reach, and Novelty. Severity measures the consequence and scale of impact of the incident, as well as the extent to which the incident can be attributed to the company's irresponsibility. This parameter can take on values of "low," "medium" or "high". Reach is determined based on the level of reach of the reporting news agencies that cover the incident. Specifically, high-reach sources include global news outlets, medium-reach sources include national or regional media, and low-reach sources consist of local media and social platforms. Novelty is classified as either "high" or "low," and measures whether the company has previously faced similar issues in the same country. By considering these dimensions (E, S, G) and parameters (Severity, Reach, Novelty), RepRisk offers a comprehensive assessment of individual ESG incidents, which we leverage to determine the relevance of incidents in our analysis.

Moreover, based on the incident-level data, RepRisk provides the RepRisk Index

[5]For more information on RepRisk's methodology, see https://www.reprisk.com/news-research/resources/methodology.

(RRI). The index quantifies companies' overall exposure to reputational risks associated with ESG issues. The RRI is available on a daily basis and ranges from 0 and 100, with higher values representing higher risk exposure. According to RepRisk's methodology,[6] the RRI increases when new incidents are recorded. The magnitude of the increase depends on the severity, reach and novelty of the new incidents, as well as the company's incident history in the past 2 years. Companies with higher RRI values are less responsive to new incidents, and, in the absence of new incidents, the RRI gradually declines over time, except during the initial 14 days following a new incident.

We use four different ESG incident measures for each firm-year observation. First, we construct a binary variable indicating whether the firm is associated with any incident in a given year. Second, we count the total number of incidents. Third, we create dummy variables to indicate whether a firm experienced high-severity incidents, high-reach incidents or high-novelty incidents during that year. Third, we consider the peak value of RRI reached by a firm within the year (*Highest RRI*) and its distribution in our sample.

2.3 Summary statistics

Table 1 presents the descriptive statistics of ESG incident measures (Panel A) and charity director measures (Panel B) for firm-year observations in our main sample. As shown in Panel A, approximately 22% of observations are associated with at least one incident, with an average of 1.61 incidents per firm-year. The mean value for the highest RepRisk Index reached by a firm in a year is 7.8. In addition, 7.7% of firm-year observations experienced high-reach incidents, 1.5% experienced high-severity incidents, and 19.7% experienced high-novelty incidents.

Throughout the sample period, there were a total of 75,686 incidents associated with firm-year observations in our sample. Table A4 in the Appendix presents the summary statistics for these incidents. Among the incidents, 51.1% are social issues, 37.0% are governance issues, and 32.6% are related to environmental issues. Figure A1 illustrates

[6]For details on the RRI methodology, see https://www.reprisk.com/lab/reprisk_index_for_companies.html.

the total number of incidents over the sample period, showing an initial increasing trend from 2007 to 2014, followed by relatively stable values. This increasing trend is likely due to the growing public attention towards ESG issues, as the RepRisk data is based on media reports. Furthermore, incidents that fall into multiple dimensions (environment, social, and governance) are the most common, followed by incidents belonging solely to the social and governance dimensions, while incidents solely related to the environmental dimension are the least common. Although the proportion of environmental incidents remains relatively constant over the sample period, there has been an increase in the proportion of social incidents, accompanied by a decrease in the proportion of governance incidents.

Panel B of Table 1 provides an overview of the prevalence of charity directors within the sample. Among the firm-year observations, 16.6% have at least one director with charity experience serving on the board, and on average, the fraction of charity directors within the board is 2%. In our analysis, we consider both, the appointment and departure of charity directors. The dummy variable, *New charity director (0/1)*, indicates if the firm appointed new directors with charity experience in a given year; and *Charity director left (0/1)*, indicates if there were departures of charity directors from the board. In 1.6% of firm-year observations, there were instances of new charity director appointments, while 1.4% of firm-year observations recorded charity director departures.

3 Charity director appointments after ESG incidents

3.1 Historical ESG incidents and charity director appointments

To examine whether firms appoint directors with charity experience in response to ESG incidents, we estimate the following linear probability model on the firm-year panel:

$$\text{New charity director}_{i,t} = b_0 + b_1 \text{Incident}_{i,t-1} + b_2 \boldsymbol{X}_{i,t-1} + \text{Firm FE} + \text{Year FE} + \epsilon_{i,t}, \quad (1)$$

where, $\textit{New charity director}_{i,t}$ is a dummy variable that equals 1 if firm i appoints a new charity director in year t. $\textit{Incident}_{i,t-1}$ represents firm i's incident record in year $t-1$,

which we measure as either a dummy variable for whether there was an incident, the highest value of RRI reached, or a dummy variable for being in the top 5% of the sample based on the highest RRI. $\boldsymbol{X}_{i,t-1}$ represents additional control variables, including the presence of existing charity directors on the board, board structure, and firm financial variables. To mitigate the influence of unobservable, time-invariant factors that may simultaneously impact a company's likelihood of appointing charity directors and its tendency to have ESG incidents, such as corporate culture, we include firm fixed effects in our regressions. We also use year fixed effects to account for factors at the year level, such as public attention to corporate social responsibility and changes in the regulatory environment.

In this firm-year analysis, the observation of a charity director appointment reflects two decisions made by the firm: i) appointing new directors, and ii) appointing directors with charity experience. To specifically examine the second decision — that is, the appointment of directors with charity experience — we also undertake an analysis at the announcement level by estimating the following model, with each observation denoting a director appointment announcement:

$$\begin{aligned}\text{New charity director}_{p,i,t} = b_0 + b_1 \text{Incident}_{i,t-1} + b_2 \boldsymbol{X}_{i,t-1} + b_3 \boldsymbol{Z}_{p,i,t} \\ + \text{Firm FE} + \text{Year FE} + \epsilon_{i,t} \quad (2)\end{aligned}$$

where *New charity director*$_{p,i,t}$ is a dummy variable that equals 1 if director p, appointed by firm i in year t has charity experience. *Incident*$_{i,t-1}$ and $\boldsymbol{X}_{i,t-1}$ have the same definitions as in Equation (1). $\boldsymbol{Z}_{p,i,t}$ is a vector of individual-level control variables for director p when appointed by firm i in year t, including director age, gender, education, and years of experience in corporate boards. We also include firm- and year-fixed effects.

Table 2 presents the firm-year regression results in Columns (1) to (3), and the announcement level results in Columns (4) to (6). Due to the small average value of the dependent variable, the coefficients are multiplied by 100 for better readability.

The results show that all measures of past incidents are positively associated with higher probabilities of appointing new charity directors. Specifically, Column (3) shows

that when a firm's highest RRI reaches the top 5% of the sample, the probability of appointing a new director with charity experience in the subsequent year increases by 0.008. This result is statistically significant at the 10% level. In economic terms, a magnitude of 0.008 corresponds to 50% (=0.008/0.016*100) of the sample mean and 6.3% (=0.008/0.127*100) of one standard deviation. Similarly, on the announcement level, if the firm's highest RRI reaches the top 5%, conditional on appointing a new director in the following year, it predicts a higher probability for the new director to be a charity director by 0.0297. Columns (4) and (5) show that experiencing incidents and having higher peak RRI within a given year are both positively associated with a higher likelihood of appointing a new charity director in the subsequent year, conditional on director appointments. Columns (1) and (2) show quantitatively similar results when not conditioning on director appointments, albeit the effect is not statistically significant at conventional levels.[7] Overall, these results provide evidence that firms tend to appoint new directors with charity experience in response to ESG incidents.

3.2 Heterogeneity in ESG incidents and charity director appointments

Next, we examine whether firms increase their propensity to appoint charity directors when ESG incidents are of higher impact. As appointing new directors with rare experience will incur a search cost for the firm, it is more likely for firms to incur this cost when the charity director's skills are more valuable.

We consider the heterogeneity of ESG incidents in terms of the three parameters discussed in Section 2: incident severity, media reach, and incident novelty. We define three dummy variables denoted as *High reach (severity, novelty) incidents*$_{i,t-1}$, which are respectively equal to 1 if firm i experienced high reach (severity, novelty) incidents in year $t-1$, and 0 otherwise. Using each of these dummy variables as our main variable of interest, we run the regressions specified by Equations (1) and (2).

[7] 60% of firms in our sample do not have any incident record during the sample period. To ensure our results are not driven by these firms, we remove those with no incident record and re-estimate Equation (1). As reported in Panel A of Table A14, our results remain similar to Table 2. In Columns (3) and (6) of Panel A, we extend the cutoff point from the top 5% to the top 10%, given the sample size is approximately halved.

As shown in Table 3, charity director appointments are primarily driven by high-reach incidents, both at the firm-year and announcement levels. Compared to an otherwise similar firm, experiencing ESG incidents reported by highly influential media is associated with a higher probability of appointing new charity directors in the following year by 0.011 (Column (1)). This magnitude is equivalent to 68.75% of the sample mean and 8.87% of one standard deviation. These findings suggest that companies predominantly respond to negative ESG news that attracted significant media attention.

The different impact of high reach and high severity incidents on charity directors' appointments could be due to the agenda-setting effect of mass media: negative coverage by influential media can pose significant threats to companies' reputations, making the cost of ignoring these incidents larger, and hence the benefit of responding to these incidents greater.[8] Our findings are also consistent with the results of Kölbel et al. (2017), which highlight high media coverage as a necessary condition for ESG incidents to increase financial risk.

Focusing on high-reach incidents, we next aim to examine the rationale behind the appointment of charity directors. Specifically, we investigate which dimension of higher-impact incidents - environmental (E), social (S), or governance (G) incidents - is more likely to trigger firms to appoint charity directors. If firms appoint charity directors for their expertise, appointments should be more likely when incidents occur in areas that align with the skills of charity directors. However, for the purpose of window-dressing, the alignment between director skills and incident areas becomes less relevant.

We create three dummy variables that take a value of 1 if firm i experienced high-reach incidents in the environment (social, governance) domain in year $t-1$, and 0 otherwise. We estimate the same specifications as Equations (1) and (2) by replacing the main variable of interest with each of the three dummy variables. Given that 80% of the firm-year observations do not have incidents and we aim to examine the association with a more narrowly defined incident type, we focus on firms that had at least one incident in the preceding year for these tests, allowing for greater variation in the independent

[8] As shown in Panel A of Table A15, companies experience significantly negative abnormal returns on their stocks when being associated with high-reach ESG incidents, and the effect is more negative than those of high-severity and high-novelty incidents.

variables.

Table 4 presents the results, indicating that social incidents are the main driver for charity director appointments (Columns (2) and (5)).[9] Social incidents, as classified by RepRisk, include incidents that concern community and workforce relations.[10] These incidents align with the areas where charity directors are likely to possess relevant experience and expertise. Column (6) shows that charity director appointments may also follow governance incidents, but the magnitude of the effect is smaller than that of social incidents, and the statistical significance of the effect is also weaker.[11]

Overall, our findings demonstrate that companies appoint charity directors in response to ESG incidents, particularly incidents that receive significant media attention and involve social issues closely aligned with the expertise of charity directors. This evidence suggests that appointing charity directors can serve as a strategic response for firms to address ESG concerns. Moreover, these findings lend support to the notion that companies adjust the skill set of their boards when changing circumstances require new capabilities.

3.3 Market reactions to the appointments of new charity directors

Do shareholders perceive the appointment of charity directors in response to ESG incidents as valuable? On the one hand, shareholders may anticipate that such appointments can help to repair stakeholder relations, restore social capital, and potentially improve ESG performance in the future. On the other hand, shareholders may not perceive the addition of charity directors as valuable if this action is motivated by mere window dressing that has no real effects. Shareholders may also anticipate such appointments as part of the firm's strategy and not react at all to the appointment.

In this section, we examine market reactions to new charity director appointments

[9] As shown in Panel B of Table A15, companies experience significantly negative abnormal returns on their stocks when being associated with social incidents.

[10] For example, the case involving Ralph Lauren's appropriation of the Phi Beta Sigma symbol, as mentioned in the Introduction, is classified as a social incident.

[11] Our results remain unchanged when excluding firms with no incident record throughout the sample period, as reported in Panel B of Table A14.

made after ESG incidents. We employ the following model:

$$r_{p,i,t} = b_0 + b_1 \text{Charity experience}_{p,i,t} + b_2 \boldsymbol{X}_{i,t-1} + b_3 \boldsymbol{Z}_{p,i,t} + \text{Firm FE} + \epsilon_{i,t}, \quad (3)$$

where $r_{p,i,t}$ is the abnormal return on the announcement day when director p was appointed to the board of firm i at time t. We estimate the parameters for the expected return using the CAPM model, Fama-French 3-factor model, and Fama-French 3-factor plus Momentum model, based on a (-255,-46) window before the announcement. The abnormal return is defined as the gross return minus the expected return.[12]

The variable of interest, *Charity experience*$_{p,i,t}$, is a dummy variable that equals 1 if the director has charity experience, and 0 otherwise. $\boldsymbol{X}_{i,t-1}$ is a vector of control variables for firm i on the nearest reporting date before the announcement, including board structure, governance quality, firm financials, and a dummy variable indicating whether the new director replaces a departing director whose announcement coincides with the same day. $\boldsymbol{Z}_{p,i,t}$ is a vector of director characteristics at the time of appointment, including age, gender, education and years of experience in corporate boards. We include firm fixed effects to account for time-invariant firm characteristics.

We use director announcement data sourced from BoardEx. Our analysis focuses on appointments of non-executive directors. To ensure the robustness of our study, we exclude charity director appointment announcements that coincide with other major events, including earnings announcements or merger announcements within the [-3,3] window, other director appointments made on the same day, and announcements involving multiple directors departing on the same day.

Table 5 presents the results. To test whether the value of charity experience is due to the firm's exposure to ESG risk caused by a recent ESG incident, we divide the sample into appointments made when the firm had ESG incidents in the previous year (Columns (1) to (3)) and appointments made in the absence of preceding ESG incidents (Columns (4) to (6)). The coefficients in the table are multiplied by 100 for readability.

The findings in Table 5 show that, for directors being appointed after ESG incidents,

[12] In untabulated tests, we obtain similar results when estimating the abnormal return by simply subtracting the CRSP value-weighted market return from the gross return.

having charity experience is associated with a statistically significant higher abnormal return on the announcement day by 67 to 77 basis points, compared to an otherwise similar appointment of a non-charity director. In contrast, we observe no significant market reaction when a new charity director is appointed in the absence of preceding ESG incidents.

These findings suggest that shareholders may not anticipate immediate value creation from the appointment of new charity directors under normal circumstances. However, they perceive the added value when the newly appointed director possesses the expertise required to address specific needs of the company, such as dealing with the aftermath of ESG incidents. This highlights the importance of aligning director expertise with the company's strategic goals and challenges, particularly in relation to ESG issues.

3.4 Market reaction and salience of charity experience in director biographies

We classify directors as charity directors based on their work experience listed in BoardEx. Nevertheless, it remains unclear whether companies appoint directors specifically for their nonprofit experience, and whether shareholders are knowledgeable about these directors' backgrounds in the nonprofit sector. To provide more evidence that directors' charity experience drives our results, we leverage the fact that while the SEC mandates companies to disclose other directorships at public companies held by their board members, it does not require the disclosure of directors' experience in nonprofits. Hence, firms have the discretion to determine the extent of information they disclose concerning directors' charity experience. When a firm considers a director's charity experience to be relevant and valuable, it has the incentive to highlight this aspect of new directors, diverting investors' attention to this experience.

To assess the salience of charity experience, we perform a textual analysis of charity directors' biographies extracted from SEC 8-K filings and proxy statements.[13] In each biography, we search for words relevant to charity experience.[14] We then construct three

[13] See Appendix B for examples of director biographies.
[14] The list of charity-related words is reported in Table A6.

measures to gauge the prominence of charity experience: *Charity words (0/1)*, a dummy variable indicating the presence of any charity-related word in a given biography; # *Charity words*, the number of charity-related words; and % *Charity words*, representing the proportion of charity-related words scaled by the biography's length. A more significant presence of charity words attracts investors' attention towards the charity experience, thereby increasing its salience to investors.

For observations of charity director appointments used in Table 5, Table A7 provides a summary of these salience measures, using biographical information extracted from the first proxy statement that introduces the director. Column (1) shows that among all charity directors, 78.3% have charity-related words in their biography. On average, there are 3.383 charity words per biography, constituting approximately 2.5% of the biography's content. For charity directors appointed subsequent to ESG incidents (Column (2)), charity-related words are present in 90.0% of biographies, with an average count of 4.65 words, constituting 3.0% of the biography's length. All three of these measures are higher than those of charity directors appointed without ESG incidents (Column (3)), and the difference is statistically significant (Column (4)) except for the last variable. These findings indicate that firms believe information on charity experience is relevant for the market, especially for appointments that follow ESG incidents, and investors are more likely to be aware of such experience.

To test whether the positive market reaction is indeed driven by the appointments in which companies highlight charity-related words, we divide charity experience appointments subsequent to ESG incidents into two groups based on the percentage of charity-related words in the biographies. To capture information that is available to investors at the time of announcements, we use biographies from SEC 8-K fillings if such information is first disclosed in an 8-K form rather than a proxy statement. Specifically, we classify charity directors as having high (low) salience of charity experience if the percentage of charity words in their biography is higher (lower) than the median percentage among all charity directors appointed after incidents (median = 2.22%). We then re-estimate Equation (3) using these two sub-samples.

Table 6 presents the results. When comparing charity directors with high salience

of charity experience to non-charity directors (columns (1) to (3)), the abnormal return on the announcement day of charity director appointments is significantly higher by 92 to 116 basis points. In contrast, when comparing charity directors with low salience of charity experience to non-charity directors (columns (4) to (6)), there exists no substantial difference in their announcement returns.

These findings show that the positive market reactions associated with charity director appointments after incidents are driven by those with high salience of their charity experience. It suggests that investors expect higher value creation when charity experience is more relevant to the director's appointment, as indicated by the firm highlighting such experience.

4 Charity directors and future ESG incidents

While we have shown a positive market response to the appointment of new charity directors in response to ESG incidents, there remains the possibility that such appointments could be motivated by ESG window-dressing rather than a genuine intention to enhance ESG performance, which investors might not readily discern. That is, firms may appoint directors with charitable backgrounds primarily to bolster their public image when confronted with ESG concerns. In this section, we examine whether appointing charity directors is effective in reducing firms' future ESG incidents.

4.1 Baseline analysis

In our baseline analysis, we examine changes in different types of future ESG incidents using the following regression model:

$$\begin{aligned}\text{Log(1+Number of incidents)}_{i,t+1} = b_0 + b_1 \text{New charity director}_{i,t} + b_2 \boldsymbol{X}_{i,t} \\ + \text{Firm FE} + \text{Year FE} + \epsilon_{i,t+1}, \quad (4)\end{aligned}$$

where *Log(1+Number of incidents)*$_{i,t+1}$ is the logarithm of one plus the number of a specific type of ESG incidents of firm i in year $t+1$. To account for the possibility that charity

directors might prioritize specific ESG issues based on their assessment of the associated benefits and costs, we adopt RepRisk's classification, categorizing incidents into five distinct types: 1) Emissions and Resource Use, 2) Community, 3) Workforce, 4) Product Responsibility, and 5) Transparency. The definitions for the first four groups align with those in Gantchev et al. (2022). Additionally, we classify incidents related to excessive management compensation and misleading communication under the "Transparency" category, which is not covered in the aforementioned paper. *New charity director*$_{i,t}$ equals 1 if firm i appoints new charity directors in year t. We include the vector of firm-level control variables, $\boldsymbol{X}_{i,t}$, as in Equation (1), as well as firm- and year-fixed effects. In line with previous sections, we restrict our sample to firms that experienced ESG incidents prior to the potential appointment of charity directors.

The results presented in Table 7 show that the appointment of charity directors in response to ESG incidents is associated with a significant decrease in workforce-related incidents in the following year (see Column (4)). We also find similar negative associations, although they are not statistically significant, between charity director appointments and both the total number of incidents and incidents related to environment, community, and transparency issues.

Section 3 has shown that charity directors tend to be appointed after social incidents. Consistently, in this section, we observe a reduction in incidents related to employee welfare, which are a subset of social incidents, following the appointment of charity directors. These findings support the notion that the appointment of new charity directors is driven by their expertise in specific components of ESG, and their involvement in shaping ESG policies has real effects.

However, our OLS regression results are susceptible to reverse causality or omitted variables concerns. For example, charity directors may choose to join a company that is less likely to experience ESG in the future due to concerns about their own reputation. To mitigate these concerns, we implement matching estimators and an instrumental variable (IV) approach, which we elaborate on in the subsequent subsections.

4.2 Propensity score matching

Considering that charity director appointments are relatively rare, firms that choose to appoint charity directors following ESG incidents may exhibit ex-ante differences when compared to firms that do not make such appointments. To address the concern that these differences are driving our results, we examine differences in firm-level characteristics between these two groups of firms before potential appointments of charity directors.

Table A9 shows that based on the *t*-statistics there are no significant differences in the mean values of firm characteristics, except for average firm size, which is included as a control variable in all of our tests. Firms appointing charity directors are larger than the other group at the 10% significance level. Moreover, the normalized differences show satisfactory overlap between the two groups as the absolute value of the normalized difference for all variables is smaller than 0.3, a rule-of-thumb critical value employed by Imbens (2015). This suggests that the two groups have similar pre-appointment firm characteristics.

Despite the comparability of these two groups, we assess the robustness of our results through a matching approach. We pair each observation from appointing firms with the ten closest observations without replacement from the group of firms with no appointments. We do this matching using propensity scores calculated from pre-appointment firm size, book-to-market ratio, institutional ownership, board independence, and combined CEO-Chair. Figure A5 illustrates the distribution of propensity scores within the matched sample, and shows highly similar patterns between these two groups. We then re-estimate Equation (4) for future incidents using the matched sample and present the results in Table 8. Despite a considerable reduction in sample size, the negative association between new charity director appointments and the number of future workforce-related incidents remains significant at the 10% level, but with a slightly larger magnitude than the estimate in Table 7. These findings provide evidence that our results are not due to pre-existing differences between firms appointing charity directors and those that do not.

4.3 Instrumental variable (IV) analysis

In this section, we employ an instrumental variable analysis to establish the causal effect of appointing charity directors on future incidents. We follow Knyazeva et al. (2013) and subsequent studies (e.g., Ellis et al., 2018; Di Giuli & Laux, 2022) in the director labour market literature and use the local variation in the availability of potential directors with charity experience as a supply-driven instrument for the appointment of charity directors. The instrument builds on the premise that director candidates are time-constrained and are therefore more likely to join board positions in their vicinity. Consequently, the supply of the local director pool influences appointments.

Specifically, we measure the number of active charitable organizations within a 100-mile radius of the firm's headquarter.[15] Our instrumental variable is a dummy variable that captures high supply of charity directors, which equals one if a firm falls within the top 10% of the sample by the number of active charitable organizations in its vicinity, and zero otherwise.[16]

In Panel A of Table 9, we present the two-stage least squares regression results in which we use the same set of control variables as in Equation (4). In the first stage regression (Column (1)), we predict the likelihood of appointing new charity directors by using the one-year lagged local supply of charity directors. Firms located in areas with a high supply of charity directors are more likely to appoint charity directors following ESG incidents. This result is statistically significant result at the 10% level. The *F*-statistic of 9.796 indicates that this high local supply variable is unlikely to be a weak instrument. In the second-stage regressions (Columns (2) to (7)), we explore the effect of appointing charity directors after ESG incidents, instrumented by high local pool of potential charity directors, on future incidents. Similar to the OLS results presented in Table 9, we find that appointing charity directors after ESG incidents reduces the

[15]Using the Internal Revenue Service (IRS) Business Master File, we define active charitable organizations as those that 1) have filed Form 990 within the past two years, 2) have reported gross receipts exceeding $0, and 3) are deemed relevant for the analysis of the US nonprofit sector. Additionally, we exclude organizations classified as 'Unknown' or 'Other' by the IRS and narrow our focus to organizations with asset sizes exceeding the annual median value among organizations of the same type.

[16]Our results remain similar when we restrict the pool of available charity directors to organizations located within a 60-mile radius from the firm or when we use an alternative cutoffs (e.g., top 20% of the sample).

number of workforce-related incidents in the subsequent year. This effect is significant at the 1% level. Additionally, we observe significant reductions in incidents related to environmental issues and transparency, although these effects are of smaller magnitude and statistical significance.

Given that ESG issues may require a longer time to address, we extend our analysis to explore the longer-term outcomes using a two-year window following charity director appointments. In Table A10, we find the results consistent with those we obtained by considering a one-year window for future incidents.

We argue that our instrument, the availability of potential charity directors in a firm's vicinity, plausibly satisfies the exclusion restriction for the following reasons. First, as argued by Atanasov and Black (2016) and Masulis (2020), although firms' access to local directors necessarily reflects their headquarters location choice, firms generally choose their locations in their early stages and seldom relocate. In our sample, the average firm age is 19 years, indicating that headquarters were established before ESG issues gained significant attention. Hence, it is unlikely that the availability of ESG-qualified director candidates influenced firm location choice.

Another explanation for our findings could be that areas with a higher density of charitable activities tend to have stronger stakeholder interest protection, resulting in a negative association between charity density and ESG incidents. Therefore, we assess the correlation between the density of charities and the number of ESG incidents. As reported in Table A11, the logarithm of the number of charities does not show a significantly negative correlation with the logarithm of the number of ESG incidents across any category.[17]

Moreover, a potential concern is that our supply-driven instrument may capture local economic conditions, which could also impact corporate ESG outcomes, thus violating the exclusion restriction. To mitigate this concern, we add controls for local economic characteristics within the county where the firm's headquarters are located. These controls include population density, per capita income, and the unemployment rate. The

[17]Instead, we observe a significantly positive correlation between the numbers of all incidents and those related to product responsibility or transparency, which contradicts the negative estimates in our results.

results in Panel B of Table 9 show that our main findings concerning the impact of charity director appointments on future incidents remain quantitatively similar.

Last, it is plausible that certain regions exhibit a high density of both corporations and charitable organizations, and our instrument may capture the broader pool of director candidates. Thus, we introduce an additional control for the local supply of corporate directors, using a measure similar to that constructed by Knyazeva et al. (2013),[18] In Panel C of Table 9 we can see that the inclusion of this control does not produce significant changes in our first-stage estimates. Our second-stage estimates remain consistent with the IV results in Panel A, where no additional controls were utilized.

Overall, our results support a causal effect of charity director appointments following ESG incidents on a future reduction in ESG incidents.

5 Further evidence on charity directors' ESG engagement

In this section, we investigate how charity directors are engaged in governance on ESG matters, and provide evidence of potential channels via which charity directors can make a positive influence on firm ESG outcomes.

5.1 Committee assignments of charity directors

We begin by investigating the committee assignments of charity directors appointed after ESG incidents. If they are assigned to committees that directly oversee sustainability policies, they are more likely to influence ESG policies. Conversely, if they are assigned to roles that do not align with their expertise or if they are not assigned to any important roles within the board, their level of involvement in board decisions, especially in shaping ESG policies, is likely to be limited.

Panel B of Table A8 shows the distribution of committee membership among directors in our firm-year sample. Most directors in our sample serve on at least one com-

[18] As in Knyazeva et al. (2013), we measure the local supply for corporate directors as the logarithm of the number of public firms headquartered within 100 miles of the firm's headquarter, excluding firms in the same 4-digit SIC industry.

mittee, with an average of 1.8 committees per director. We focus on five key monitoring committees: audit, governance, compensation, nomination, and ESG committees. In our sample, only 4.5% of firm-years have a dedicated committee that specifically focuses on overseeing ESG issues, which we refer to as ESG committees.[19] Survey evidence, however, suggests that governance committees, often combined with nomination committees, are commonly responsible for overseeing ESG issues (Ernst & Young, 2021). We thus test whether charity directors are more likely to serve on governance, nomination or ESG committees.

We employ the following OLS model to examine which committees charity directors are more likely to join. Specifically, we focus on new directors appointed after ESG incidents and their committee assignments at the year of appointment:

$$\text{Committee member}_{p,i,t} = b_0 + b_1 \text{New charity director}_{p,i,t} + b_2 \boldsymbol{X}_{i,t} + b_3 \boldsymbol{Z}_{p,i,t} + \text{Firm FE} + \text{Year FE} + \epsilon_{p,i,t}, \quad (5)$$

where *Committee member*$_{p,i,t}$ equals 1 if director p of firm i holds membership in the given committee in year t, and 0 otherwise. Our variable of interest is *New charity director*$_{p,i,t}$, which equals 1 if the new director has charity experience, and 0 otherwise. $\boldsymbol{X}_{i,t}$ is a vector of firm-level control variables, including board structure, governance quality, and financial variables. $\boldsymbol{Z}_{p,i,t}$ is a vector of director-level control variables, including age, gender, education, and corporate board experience.

The results, as presented in Table 10, indicate that among new directors appointed after ESG incidents, those with charity experience are significantly more likely to be members of governance committees and nomination committees, while less likely to serve on audit committees. We do not find statistically significant results for the assignments to the compensation and ESG committees.[20]

Overall, the evidence that charity directors are more likely to be assigned to gover-

[19] Following Hsu et al. (2020), we define ESG committees as committees with names containing the following words: CSR, ESG, environ*, social, or sustain*.

[20] The relation between charity director appointments and membership in ESG committees is still positive and marginally insignificant.

nance and nomination committees, rather than audit committee, provides support that firms place these directors in positions that align with their expertise and allows them to influence ESG policies.

5.2 Charity directors and ESG-linked compensation policies

Next, we investigate firm ESG policies which may serve as the channel through which ESG performance can be improved. Specifically, we focus on the adoption of ESG-linked compensation policies, which incorporate ESG metrics into compensation schemes and incentivize managers to consider stakeholder interests. Previous research has shown that such policies can enhance firms' long-term orientation and lead to improvements in various ESG dimensions, including emissions, green innovation, and employee well-being (Flammer et al., 2019; Tsang et al., 2021).

To identify firms with ESG-linked compensation policies, we combine our sample with data from the Refinitiv Asset4 database. Since Refinitiv has a narrower coverage compared to Compustat and BoardEx, our sample size is reduced to 24,466 firm-year observations, of which 25% have ESG compensation policies.[21] To examine the association between charity directors and the adoption of ESG-linked compensation policies, we employ the following regression model:

$$\begin{aligned}\text{ESG Compensation Policy}_{i,t+1} = b_0 + b_1 \text{Charity Director}_{i,t} + b_2 \boldsymbol{X}_{i,t} \\ + \text{Firm FE} + \text{Year FE} + \epsilon_{i,t+1}, \quad (6)\end{aligned}$$

where *ESG Compensation Policy*$_{i,t+1}$ is an indicator variable that equals 1 if firm i has ESG compensation policies in year $t+1$. *Charity Director*$_{i,t}$ represents different measures for firm i's appointments of new charity directors in year t, including whether the firm made such an appointment, the assignment of these new charity directors to key committees, the proportion of charity directors on the board, and the proportion of charity directors in each key committee. We include lagged variables for board structure, governance

[21] As shown in Table A2 in the Appendix, the coverage of Refinitiv for US-listed firms was incomplete in the first half of our sample but substantially improved since 2016.

quality and firm financials as controls, as well as firm- and year fixed effects. Our analysis focuses on firms that experienced ESG incidents in year $t-1$, one year prior to the potential charity director appointments.

Table 11 presents the results. In general, we find a positive association between the presence of charity directors on the board and the implementation of ESG compensation policies. Specifically, as shown in Column (2), holding other variables constant, appointing new charity directors following ESG incidents and assigning them to the governance committee is associated with a higher likelihood of linking compensation to ESG metrics in the subsequent year by 19.3 percentage points. Furthermore, existing charity directors are also positively related to ESG compensation policies, as indicated in Columns (3) and (4). A higher percentage of charity directors on the board, particularly within the governance committee, is associated with a higher probability of adopting ESG-linked compensation policies.

5.3 Monitoring capacity of charity directors

The improvements in corporate ESG performance following the appointment of charity directors, such as the reduction in future incidents, may be attributed to two non-mutually-exclusive channels. The first channel involves the expertise of new charity directors in managing stakeholder relations, which enables them to effectively monitor and provide advice on corporate ESG policies. The second channel relates to concurrent changes associated with the enhancement of firms' public image. If the second channel is dominant, the capacity of charity directors to actively engage in monitoring activities is less relevant for firms.

To assess the relative importance of these two possible channels, we examine the impact of director overboarding on the appointment and its influence on future incidents. We define overboarded directors as those who hold five or more company directorships concurrently, similar to the definition used by Chen et al. (2022a). If appointments post ESG incidents are primarily motivated by the intention to bring in and leverage new expertise, firms should prefer a non-overboarded charity director over an otherwise sim-

ilar overboarded charity director. Conversely, if the appointments are mainly driven by window-dressing motives, firms should show no significant distinction between overboarded and non-overboarded charity directors. To differentiate between these two possibilities, we categorize new directors being appointed after incidents into two groups: overboarded and non-overboarded directors. We then augment Equation (2) in the following two ways: by including an indicator for overboarded directors as a control variable, and by adding an interaction term between the overboarded indicator and the respective measure for the firm's incident record.

We present the results in Table 12. Columns (1) to (3) include the indicator for overboarded directors as a control variable. The positive effect of past incidents on the probability of new charity director appointments remains consistent with our baseline findings in Columns (4) to (6) of Table 2. However, overboarded charity directors have a significantly smaller probability of being appointed. Columns (4) to (6) additionally include interaction terms between the indicator for being overboarded and the respective incident measure. The negative coefficients on the interaction terms imply that the probability of being appointed as a new charity director is significantly smaller when the appointment follows ESG incidents and when the director is overboarded. In other words, appointments of charity directors after ESG incidents are primarily driven by non-overboarded directors. These findings support the notion that firms seek charity directors who have the capacity to engage in monitoring activities.

Similarly, if the reduction in future incidents can be attributed to the expertise and efforts of the new charity directors, the effect should be driven by those who are not overboarded and hence more likely to fulfil monitoring duties. On the contrary, if the reduction is not due to the efforts of the new charity directors, then the distinction between overboarded and non-overboarded directors should be irrelevant. To disentangle these two possibilities, at the firm-year level, we decompose new charity director appointments based on whether the new director is overboarded. We define the following two dummy variables: *New charity director - Non-overboarded (0/1)*, which equals 1 if the firm appoints new charity directors in a given year and at least one of these new directors is not overboarded; and *New charity director - Overboarded (0/1)*, which equals 1 if the

firm appoints new charity directors in a given year, but all of these new directors are overboarded. We replace the aggregated binary variable *New charity director (0/1)* with these two decomposed variables and re-estimate Equation (4).

Table 13 shows that the negative association between future workforce incidents and charity director appointments is driven by non-overboarded charity directors. In addition, non-overboarded new charity directors are also associated with significantly fewer future community incidents in the short term. This evidence helps alleviate concerns about the endogeneity of the impact of new charity directors on future incidents, and supports the notion that charity directors' expertise plays a crucial role in improving firm ESG outcomes.

6 Conclusions

This paper investigates companies' strategic responses to ESG incidents — specifically, the appointment of directors with charity experience — and its implications for their ESG policies and shareholder value. We find that ESG incidents lead to the appointment of directors with charity backgrounds, particularly when incidents gain significant media attention or involve social issues. The role and expertise of directors with charity experience in addressing a firm's ESG challenges are assessed positively by the stock market. Furthermore, we demonstrate that these positive market responses are particularly pronounced when companies underscore the director's charity experience to investors via proxy statements.

We provide corroborative evidence that the appointments of these charity directors contribute to the reduction of future ESG incidents, particularly those concerning workforce and community issues. Notably, this decline in incidents is causal, and primarily driven by non-overboarded directors who are more likely to actively engage in board activities. Further examining the potential channels to achieve improvements in ESG outcomes, we find that newly appointed charity directors are often placed on governance and nominator committees responsible for ESG policies, and their appointments are associated with a higher likelihood of adopting ESG-linked compensation policies.

In summary, our research documents that firms actively address negative ESG incidents by appointing new directors with charity experience and effectively leveraging their expertise in managing stakeholder relations. These findings highlight the tangible value that charity directors bring to companies in addressing ESG concerns. Our study also offers new evidence of firms adapting their board structures and skill sets when circumstances necessitate the acquisition of new expertise.

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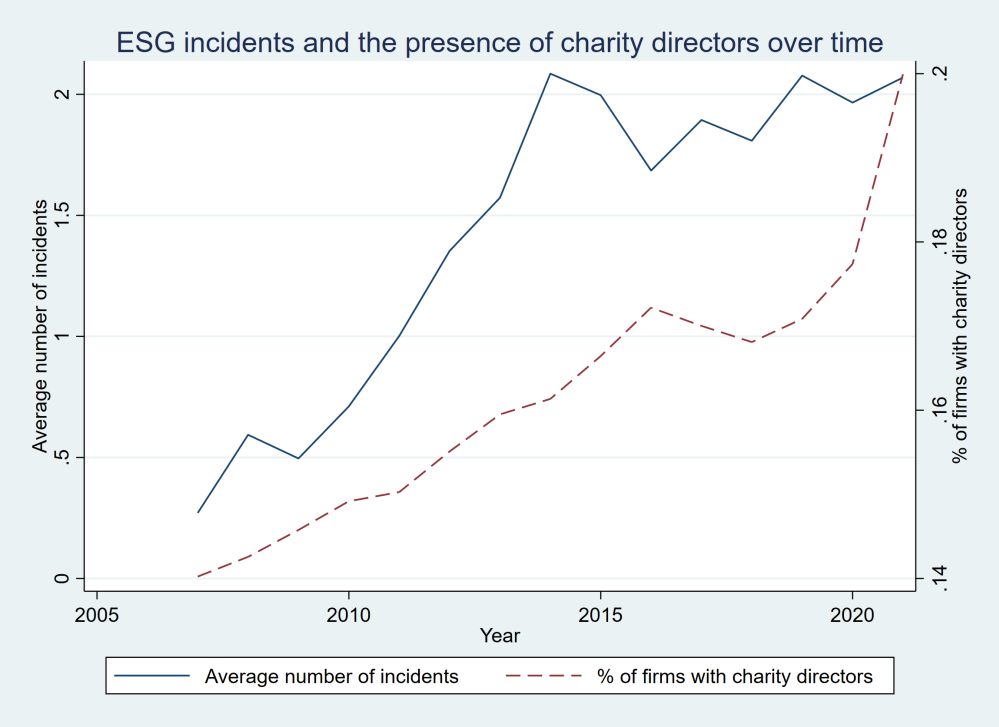
Tables and figures



The figure plots the time evolution of the prevalence of ESG incidents and charity directors in our sample from 2007 to 2021. The solid line, plotted on the left y-axis, represents the average number of incidents per firm. The dashed line, displayed on the right y-axis, indicates the proportion of firms with charity directors on their boards.

Figure 1. The average number of ESG incidents and the average presence of charity directors per year

Table 1. Summary statistics

This table reports the summary statistics of key variables in our firm-year sample, spanning from 2008 to 2021. Panel A presents measures for ESG incidents. Panel B presents variables for the presence and changes in charity directors.

	Count	Mean	Std.dev	p25	Median	p75	p95
Panel A: ESG Incident measures (firm-year level)							
Incident (0/1)	44,696	0.221	0.415	0.000	0.000	0.000	1.000
Number of incidents	44,696	1.610	9.188	0.000	0.000	0.000	6.000
Highest RRI	44,696	7.845	13.619	0.000	0.000	17.000	36.000
High reach incidents (1/0)	44,696	0.077	0.267	0.000	0.000	0.000	1.000
High severity incidents (1/0)	44,696	0.015	0.122	0.000	0.000	0.000	0.000
High novelty incidents (1/0)	44,696	0.197	0.398	0.000	0.000	0.000	1.000
High reach E incident	44,696	0.018	0.135	0.000	0.000	0.000	0.000
High reach S incident	44,696	0.040	0.196	0.000	0.000	0.000	0.000
High reach G incident	44,696	0.047	0.212	0.000	0.000	0.000	0.000
Panel B: Charity director measures (firm-year level)							
Charity director presence (0/1)	44,696	0.166	0.372	0.000	0.000	0.000	1.000
% of charity directors	44,696	0.020	0.049	0.000	0.000	0.000	0.125
New charity director (0/1)	44,696	0.016	0.127	0.000	0.000	0.000	0.000
Charity director left (0/1)	44,696	0.014	0.119	0.000	0.000	0.000	0.000

Table 2. The appointment of charity directors and past ESG incidents

This table examines the relation between past ESG incidents and subsequent charity director appointments. Columns (1) to (3) use the firm-year sample, where the dependent variable is an indicator of whether the firm appoints charity directors in a given year. Columns (4) to (6) use the director appointment announcement sample, and the dependent variable is an indicator of whether the director being appointed has charity experience. The variables of interest are 1-year lagged measures for ESG incidents. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. t-statistics are in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
Incidents (0/1)	0.084			1.295*		
	(0.338)			(1.742)		
Highest RRI		0.008			0.042*	
		(0.916)			(1.744)	
Highest RRI among top 5% (0/1)			0.798*			2.973***
			(1.790)			(2.655)
Log board size	-1.489**	-1.496**	-1.497**	5.438***	5.408***	5.388***
	(-2.516)	(-2.528)	(-2.531)	(3.371)	(3.358)	(3.353)
Board independence	-1.247	-1.263	-1.242	-1.072	-1.123	-0.982
	(-1.191)	(-1.205)	(-1.187)	(-0.420)	(-0.441)	(-0.386)
Board gender ratio	3.242***	3.259***	3.242***	-1.070	-1.130	-1.254
	(2.636)	(2.653)	(2.636)	(-0.300)	(-0.317)	(-0.351)
Board succession factor	-0.668	-0.662	-0.659	-3.492*	-3.489*	-3.517*
	(-0.949)	(-0.939)	(-0.935)	(-1.665)	(-1.663)	(-1.680)
Existing charity directors on board (0/1)	-10.160***	-10.160***	-10.168***	-13.241***	-13.275***	-13.312***
	(-18.422)	(-18.415)	(-18.439)	(-9.757)	(-9.780)	(-9.790)
CEO is Chair (0/1)	0.032	0.035	0.034	0.688	0.720	0.752
	(0.129)	(0.143)	(0.140)	(1.041)	(1.088)	(1.134)
Institutional ownership	-1.006**	-1.002**	-0.994**	-0.153	-0.143	-0.047
	(-2.121)	(-2.112)	(-2.096)	(-0.108)	(-0.101)	(-0.033)
Firm size	0.278*	0.274*	0.274*	0.672	0.664	0.662
	(1.827)	(1.795)	(1.799)	(1.461)	(1.444)	(1.449)
Book-to-market ratio	0.288	0.283	0.286	0.346	0.342	0.349
	(1.423)	(1.397)	(1.414)	(0.594)	(0.587)	(0.607)
Leverage	-0.011	-0.027	-0.021	-1.279	-1.230	-1.156
	(-0.015)	(-0.036)	(-0.029)	(-0.561)	(-0.542)	(-0.511)
RoA	-0.245	-0.239	-0.242	-0.775	-0.747	-0.744
	(-0.504)	(-0.493)	(-0.499)	(-0.405)	(-0.391)	(-0.389)
Dividend	-1.800	-1.816	-1.836	-0.039	-0.109	-1.217
	(-0.504)	(-0.509)	(-0.515)	(-0.003)	(-0.009)	(-0.098)
Dividend missing	-0.538	-0.544	-0.524	1.016	0.759	0.453
	(-0.322)	(-0.327)	(-0.316)	(0.617)	(0.507)	(0.322)
SG&A	-0.341	-0.342	-0.341	1.171	1.188	1.183
	(-0.422)	(-0.422)	(-0.421)	(0.439)	(0.445)	(0.442)
SG&A missing	-1.226***	-1.231***	-1.227***	-2.808*	-2.800*	-2.748*
	(-2.656)	(-2.668)	(-2.660)	(-1.743)	(-1.735)	(-1.709)
Log age				4.080***	4.080***	4.098***
				(3.411)	(3.408)	(3.429)
Male				-2.660***	-2.665***	-2.651***
				(-5.276)	(-5.288)	(-5.277)
Doctorate				3.228***	3.216***	3.217***
				(3.759)	(3.753)	(3.760)
MBA				-0.074	-0.091	-0.106
				(-0.212)	(-0.259)	(-0.303)
Tenure in corporate boards				-0.009	-0.009	-0.010
				(-0.385)	(-0.394)	(-0.408)
N	44,696	44,696	44,696	11,265	11,265	11,265
Within adjusted R-sq	0.031	0.031	0.031	0.043	0.043	0.044
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 3. The appointment of charity directors and the severity, reach, novelty of past ESG incidents

This table examines the significance of incident reach, severity, and novelty in relation to subsequent appointments of charity directors. Columns (1) to (3) use the firm-year sample, where the dependent variable is an indicator of whether the firm appoints charity directors in a given year. Columns (4) to (6) use the director appointment announcement sample, and the dependent variable is an indicator of whether the director being appointed has charity experience. The variables of interest are 1-year lagged indicators that equal 1 if the firm experienced high reach (severity, novelty) incidents in the given year, and 0 otherwise. We employ the identical set of 1-year lagged board controls as presented in Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-Chair, institutional ownership; and the same set of 1-year lagged firm financial controls: firm size, book-to-market ratio, leverage, RoA, dividend, SG&A; and the same set of director controls: log age, gender, Doctorate degree, MBA degree, tenure in corporate boards. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. t-statistics are in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
High reach incidents (0/1)	1.095**			2.633**		
	(2.559)			(2.412)		
High severity incidents (0/1)		0.575			-0.075	
		(0.661)			(-0.046)	
High novelty incidents (0/1)			-0.147			0.880
			(-0.600)			(1.190)
N	44,696	44,696	44,696	11,265	11,265	11,265
Within adjusted R-sq	0.031	0.031	0.031	0.044	0.043	0.043
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4. The appointment of charity directors and past incidents in E, S, G

This table examines the association between prior ESG high-reach incidents and subsequent appointments of charity directors by further distinguishing these incidents based on the three dimensions: environmental (E), social (S), and governance (G). All observations used in this table are conditional on the 1-year lagged number of incidents greater than 0. Columns (1) to (3) use the firm-year sample, where the dependent variable is an indicator of whether the firm appoints charity directors in a given year. Columns (4) to (6) use the director appointment announcement sample, and the dependent variable is an indicator of whether the director being appointed has charity experience. The variables of interest are 1-year lagged indicators that equal 1 if the firm experienced high-reach environmental (social, governance) incidents in the given year, and 0 otherwise. We employ the same set of 1-year lagged board controls as Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-Chair, institutional ownership; and the same set of 1-year lagged firm financial controls: firm size, book-to-market ratio, leverage, RoA, dividend, SG&A; and the same set of director controls: log age, gender, Doctorate degree, MBA degree, tenure in corporate boards. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. t-statistics are in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
High reach E incidents (0/1)	0.005			-0.949		
	(0.006)			(-0.552)		
High reach S incidents (0/1)		1.285**			3.603**	
		(2.112)			(2.205)	
High reach G incidents (0/1)			0.292			2.469*
			(0.465)			(1.687)
N	9,161	9,161	9,161	2,811	2,811	2,811
Within adjusted R-sq	0.024	0.025	0.024	0.045	0.048	0.046
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 5. Market reaction to the announcements of new charity director appointments

This table examines the relationship between the abnormal return on the announcement day of director appointments and the director's charity experience. Columns (1) to (3) use appointments when the firm experienced ESG incidents in the preceding year, and columns (4) to (6) use appointments not following ESG incidents. We employ three models to estimate abnormal returns: CAPM model, Fama-French 3-factor model, and Fama-French 3-factor plus the momentum factor. Firm fixed effects are included in all tests. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	After incidents			Not after incidents		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.	(4) CAPM	(5) FF3	(6) FF3 + Mom.
Charity experience (0/1)	0.772*	0.657*	0.667*	-0.423	-0.507	-0.402
	(1.953)	(1.883)	(1.866)	(-0.585)	(-0.719)	(-0.599)
Existing charity directors on board (0/1)	0.987***	0.661**	0.643**	-1.032***	-1.121***	-1.160***
	(3.127)	(2.543)	(2.308)	(-2.789)	(-3.175)	(-3.257)
Male	0.079	0.082	0.100	0.116	0.140	0.156
	(0.455)	(0.525)	(0.653)	(0.675)	(0.823)	(0.911)
Log age	-0.276	-0.646	-0.701	0.427	0.313	0.309
	(-0.265)	(-0.646)	(-0.702)	(0.568)	(0.412)	(0.406)
Doctorate	-0.520*	-0.438*	-0.161	-0.816***	-0.835***	-0.839***
	(-1.748)	(-1.805)	(-0.653)	(-2.811)	(-2.874)	(-2.826)
MBA	-0.100	-0.054	-0.002	0.088	0.077	0.090
	(-0.423)	(-0.237)	(-0.009)	(0.475)	(0.425)	(0.503)
Tenure in corporate boards	-0.008	-0.002	-0.008	0.012	0.013	0.014
	(-0.751)	(-0.231)	(-0.838)	(0.818)	(0.928)	(1.008)
Log board size	-2.397**	-2.301**	-2.517**	-0.771	-0.522	-0.512
	(-2.254)	(-2.203)	(-2.445)	(-0.917)	(-0.637)	(-0.622)
Board independence	3.646	4.126	3.508	2.908**	2.982**	3.651***
	(1.350)	(1.576)	(1.355)	(2.042)	(2.249)	(2.672)
Board gender ratio	2.772	2.354	2.197	1.055	1.285	1.524
	(1.549)	(1.434)	(1.353)	(0.703)	(0.824)	(0.965)
Board succession factor	3.337*	2.924	3.578*	0.575	0.754	1.066
	(1.705)	(1.557)	(1.944)	(0.537)	(0.725)	(1.021)
CEO is Chair (0/1)	0.253	0.146	0.172	0.223	0.170	0.164
	(0.772)	(0.472)	(0.578)	(0.764)	(0.611)	(0.571)
Institutional ownership	0.727	0.550	0.668	-0.163	-0.051	-0.007
	(0.985)	(0.810)	(1.018)	(-0.149)	(-0.048)	(-0.006)
Firm size	0.353	0.411	0.246	-0.113	-0.198	-0.103
	(1.161)	(1.352)	(0.738)	(-0.431)	(-0.778)	(-0.413)
Book-to-market ratio	-0.211	0.008	0.018	-0.042	-0.084	-0.007
	(-0.316)	(0.014)	(0.029)	(-0.100)	(-0.203)	(-0.016)
Leverage	2.976**	2.213*	2.234*	2.118*	1.939	1.986*
	(2.192)	(1.685)	(1.665)	(1.819)	(1.629)	(1.725)
RoA	5.270*	5.281**	6.507**	0.480	0.527	0.439
	(1.782)	(1.995)	(1.978)	(0.337)	(0.379)	(0.321)
Dividend	-13.358	-9.754	-12.046	-2.432	-2.339	-2.491
	(-1.483)	(-0.980)	(-1.243)	(-0.499)	(-0.461)	(-0.494)
Dividend missing	10.021***	9.939***	9.473***	-0.518	0.383	0.245
	(8.508)	(8.907)	(8.316)	(-0.623)	(0.381)	(0.266)
SG&A	-0.465	-1.505	-2.482	0.250	-0.682	-0.515
	(-0.126)	(-0.446)	(-0.589)	(0.171)	(-0.469)	(-0.354)
SG&A missing	0.042	-0.134	-0.234	-0.479	-0.769	-0.661
	(0.026)	(-0.094)	(-0.137)	(-0.625)	(-1.060)	(-0.961)
Firm Age	-0.002	0.004	0.016	0.008	0.015	0.006
	(-0.094)	(0.193)	(0.801)	(0.201)	(0.415)	(0.159)
Firm risk	27.330	35.373*	33.473*	9.054	4.158	4.481
	(1.362)	(1.825)	(1.833)	(0.877)	(0.399)	(0.434)
Replacement (0/1)	-0.256	-0.333	-0.188	0.198	0.174	0.180
	(-0.873)	(-1.206)	(-0.698)	(0.821)	(0.733)	(0.756)
N	1,191	1,191	1,191	3,536	3,536	3,536
Within adjusted R-sq	0.082	0.088	0.096	0.004	0.005	0.007
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 6. Market reaction and the salience of charity experience

This table examines the impact of the salience of charity experience on the market reactions to charity director appointments following incidents. The salience of charity experience is measured by the percentage of charity words in the director's first biography released by the firm. Columns (1) to (3) include non-charity directors and charity directors with high salience, defined as those with a percentage of charity words higher than or equal to the sample median. Columns (4) to (6) include non-charity directors and charity directors with low salience, defined as those with a percentage of charity words lower than the sample median. The dependent variables and control variables are the same as Table 5. Firm fixed effects are included in all tests. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	High salience charity experience			Low salience charity experience		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.	(4) CAPM	(5) FF3	(6) FF3 + Mom.
Charity experience (0/1)	1.162**	1.013*	0.923*	0.086	0.061	0.154
	(2.131)	(1.890)	(1.722)	(0.170)	(0.175)	(0.397)
N	1,171	1,171	1,171	1,171	1,171	1,171
Within adjusted R-sq	0.083	0.088	0.096	0.077	0.082	0.089
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 7. Charity director appointments and future incidents

This table reports the relation between charity director appointments and the number of incidents in the following year. Equation (4) shows the test specification. We use observations with ESG incidents in the year preceding potential charity director appointments. Our dependent variables are the logarithm of 1 plus the number of incidents in the year following potential charity director appointments. Column (1) considers all incidents reported in RepRisk. Columns (2) to (6) consider incidents in a specific category, i.e., those related to emissions and resource use, community, workforce, product responsibility, and transparency, respectively. The variable of interest is the indicator for charity director appointment. We control for charity director departures, log number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-Chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A, all measured contemporaneously with the potential charity director appointment. We also control for pre-appointment existing charity directors on the board. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & Resource Use	Community	Workforce	Product Responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
New charity director (0/1)	-0.047	-0.068	-0.045	-0.076*	0.022	-0.003
	(-0.928)	(-1.412)	(-1.051)	(-1.897)	(0.494)	(-0.092)
N	7,881	7,881	7,881	7,881	7,881	7,881
Within adjusted R-sq	0.091	0.064	0.042	0.029	0.064	0.025
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 8. Matching estimator: Charity director appointments and future incidents

This table employs the propensity-score matched sample and reports the relation between charity director appointments and the number of incidents in the following year. We use observations with ESG incidents in the year preceding potential charity director appointments. We pair each observation from appointing firms with the 10 closest observations without replacement from the group of firms with no appointments, using propensity scores calculated from pre-appointment firm size, book-to-market ratio, institutional ownership, board independence, and combined CEO-Chair. Our dependent variables are the logarithm of 1 plus the number of incidents in the year following potential charity director appointments. Column (1) considers all incidents reported in RepRisk. Columns (2) to (6) consider incidents in a specific category, i.e., those related to emissions and resource use, community, workforce, product responsibility, and transparency, respectively. The variable of interest is the indicator for charity director appointment. We control for charity director departures, log number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-Chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A, all measured contemporaneously with the potential charity director appointment. We also control for pre-appointment existing charity directors on the board. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & Resource Use	Community	Workforce	Product Responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
New charity director (0/1)	0.010	-0.025	-0.026	-0.106*	0.074	0.033
	(0.142)	(-0.360)	(-0.392)	(-1.838)	(1.030)	(0.571)
N	1,599	1,599	1,599	1,599	1,599	1,599
Within adjusted R-sq	0.174	0.104	0.063	0.058	0.101	0.026
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 9. Instrumental variable: Charity director appointments and future incidents

This table reports the instrumental variable (IV) estimates of the impact of charity director appointments on the number of incidents in the following year, using a two-stage approach. The IV is *High Charity Director Supply (0/1)*, which is an indicator that equals 1 if the number of active charitable organizations that are located within a 100-mile radius around the firm headquarter is among the top 10% of the sample. Similar to the main specification, we use observations with ESG incidents in the year preceding potential charity director appointments. The dependent variables are the logarithm of 1 plus the number of incidents in the year following potential charity director appointments. Column (1) reports the first stage results, estimating the relation between the supply of charity directors and the probability of appointing charity directors. Columns (2) to (7) report the second stage estimates on different categories of incidents. In all panels, we control for charity director departures, log number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-Chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A. In Panel B, we additional control for population density, per capita income, and unemployment rate of the county where the firm's headquarter is located. In Panel C, we additional control for the local supply of corporate directors, using the measure of Knyazeva et al. (2013). All controls are measured one-year lagged to the corresponding dependent variable. We also control for pre-appointment existing charity directors on the board. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. F-statistics are reported for the first stage. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	1st stage	All issues	Emissions & Resource Use	Community	Workforce	Product Responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Baseline IV results							
New charity director (0/1)		-0.908	-1.327*	-0.904	-1.824***	-0.160	-0.858*
		(-1.24)	(-1.95)	(-1.44)	(-2.96)	(-0.25)	(-1.65)
High Charity Director Supply (0/1)	0.0220*						
	(1.81)						
N	7226	7222	7222	7222	7222	7222	7222
F statistics	9.796						
Within adjusted R-sq	0.0297	0.0837	0.0595	0.0365	0.0266	0.0681	0.0242
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Control for local economic characteristics							
New charity director (0/1)		-0.994	-1.106*	-0.936	-1.885***	-0.106	-0.877*
		(-1.42)	(-1.69)	(-1.55)	(-3.19)	(-0.17)	(-1.76)
High Charity Director Supply (0/1)	0.0253**						
	(2.05)						
Population density	-0.152**	-0.334	-0.309	0.198	-0.144	0.0285	-0.0197
	(-1.96)	(-1.12)	(-1.12)	(0.78)	(-0.57)	(0.11)	(-0.09)
Per capita income	0.0000418	0.181	0.324**	-0.0877	0.553***	0.218	0.325***
	(0.00)	(1.08)	(2.08)	(-0.61)	(3.92)	(1.48)	(2.73)
Unemployment rate	-0.00225	-0.000657	-0.00849	-0.00964	-0.00250	-0.000450	0.0124*
	(-0.75)	(-0.07)	(-0.94)	(-1.16)	(-0.31)	(-0.05)	(1.80)
N	7225	7221	7221	7221	7221	7221	7221
F statistics	8.681						
Within adjusted R-sq	0.0300	0.0836	0.0599	0.0365	0.0292	0.0680	0.0254
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Control for local corporate director supply							
New charity director (0/1)		-0.783	-1.194*	-0.859	-1.671***	-0.0483	-0.780
		(-1.06)	(-1.75)	(-1.36)	(-2.70)	(-0.07)	(-1.49)
High Charity Director Supply (0/1)	0.0209*						
	(1.70)						
Local director supply	-0.0125	0.0619	0.178**	-0.00503	0.131**	0.142**	0.0887
	(-0.56)	(0.78)	(2.41)	(-0.07)	(1.96)	(2.03)	(1.58)
N	7226	7222	7222	7222	7222	7222	7222
F statistics	9.320						
Within adjusted R-sq	0.0295	0.0836	0.0605	0.0363	0.0272	0.0687	0.0245
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 10. Committee assignments of directors appointed after ESG incidents

The table examines committee assignments in the appointment year for directors appointed post ESG incidents. The analysis is on the firm-year-director level. In each column, the dependent variable equals 1 if the director is a member of the given committee in the year of joining the board. Our variable of interest *New charity director (0/1)* equals 1 if this new director has charity experience. We exclude observations if the firm does not have the given committee in the given year. We include the same set of board control variables as in Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for the presence of charity director on the board, combined CEO-Chair, and institutional ownership; and the same set of firm financial variables: log firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A; and director controls including log age, gender, Doctorate degree, MBA degree, board tenure, and the current number of directorships. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1) Governance	(2) Audit	(3) Compensation	(4) Nomination	(5) ESG
New charity director (0/1)	0.105***	-0.095**	-0.016	0.094*	0.162
	(2.651)	(-2.497)	(-0.408)	(1.951)	(1.501)
N	7,036	7,466	7,324	5,746	1,163
Within adjusted R-sq	0.009	0.020	0.006	0.008	0.002
Board Controls	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes
Director Controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes

Table 11. The adoption and ESG compensation policy and the appointment of new charity directors

This table regresses an indicator for ESG-linked compensation policy on 1-year lagged charity director appointments or 1-year lagged charity director presence. We use observations with ESG incidents in the year preceding potential charity director appointments (presence). We employ the same set of 1-year lagged board controls as in Table 2: log board size, board independence, board gender ratio, board succession factor, combined CEO-Chair, institutional ownership; and the same set of 1-year lagged firm financial controls: log firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	ESG compensation policy (0/1)			
	(1)	(2)	(3)	(4)
New charity director (0/1)	0.017			
	(0.603)			
New charity directors in the governance committee (0/1)		0.193*		
		(1.815)		
New charity directors in the audit committee (0/1)		0.018		
		(0.374)		
New charity directors in the compensation committee (0/1)		-0.093		
		(-1.527)		
New charity directors in the nomination committee (0/1)		-0.143		
		(-1.288)		
New charity directors in the ESG committee (0/1)		0.052		
		(0.586)		
New charity directors in other positions (0/1)		0.056		
		(1.275)		
% of charity directors			0.387**	
			(2.082)	
% of charity directors in the governance committee				0.289*
				(1.838)
% of charity directors in the audit committee				0.100
				(0.935)
% of charity directors in the compensation committee				0.138
				(1.498)
% of charity directors in the nomination committee				-0.324*
				(-1.829)
% of charity directors in the ESG committee				0.275
				(1.218)
% of charity directors in other positions				0.164
				(1.483)
Charity director left (0/1)	0.014	0.012		
	(0.615)	(0.560)		
New director appointment (0/1)	-0.013	-0.013		
	(-1.526)	(-1.523)		
Charity director presence (0/1)	0.033	0.033		
	(1.077)	(1.114)		
N	6,154	6,154	9,920	9,920
Within adjusted R-sq	0.006	0.006	0.007	0.009
Board controls	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes

Table 12. Director appointment and overboarding

This table examines the impact of director overboarding on the relationship between charity director appointments and past ESG incidents. The tests are similar to the announcement level test in Table 2, while columns (1) to (3) add an indicator for overboarding as a control, columns (4) to (6) add an interaction term between the indicator for overboarding and the respective incident measure. Overboarded directors are defined as those who hold 5 or more directorships simultaneously. We employ the same set of 1-year lagged board controls as Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-Chair, institutional ownership; and the same set of 1-year lagged firm financial controls: log firm size, book-to-market ratio, leverage, RoA, dividend, SG&A; and the same set of director controls: log age, gender, Doctorate degree, MBA degree, tenure in corporate boards. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. Estimated coefficients are multiplied by 100. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
Incidents (0/1)	1.289*			1.752**		
	(1.735)			(2.303)		
Highest RRI		0.041*			0.057**	
		(1.724)			(2.276)	
Highest RRI among top 5% (0/1)			2.962***			3.584***
			(2.652)			(2.985)
Incidents (0/1) × Overboarded director (0/1)				-4.275***		
				(-3.283)		
Highest RRI × Overboarded director (0/1)					-0.146***	
					(-4.068)	
Highest RRI among top 5% (0/1) × Overboarded director (0/1)						-4.427**
						(-2.044)
Overboarded director (0/1)	-1.449**	-1.443**	-1.444**	0.105	0.522	-0.842
	(-2.248)	(-2.237)	(-2.242)	(0.144)	(0.704)	(-1.292)
Existing charity directors on board (0/1)	-13.241***	-13.274***	-13.311***	-13.269***	-13.284***	-13.308***
	(-9.768)	(-9.791)	(-9.801)	(-9.794)	(-9.812)	(-9.811)
N	11,265	11,265	11,265	11,265	11,265	11,265
Within adjusted R-sq	0.044	0.044	0.044	0.045	0.046	0.045
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 13. Charity director appointments, overboarding and future incidents

This table examines the impact of charity director overboarding on the relationship between charity director appointments and the number of incidents in the following year. We use observations with ESG incidents in the year preceding potential charity director appointments. Our dependent variable is the logarithm of 1 plus the number of incidents in the year following potential charity director appointments. Column (1) considers all incidents reported in RepRisk. Columns (2) to (6) consider incidents in a specific category: emissions and resource use, community, workforce, product responsibility, and transparency, respectively. Our variables of interest are the 1-year lagged indicators for charity director appointment and whether the new charity director is overboarded. *New charity director - Non-overboarded (0/1)* equals 1 if the firm appoints new charity directors, and at least one of them is not overboarded, and 0 otherwise. *New charity director - Overboarded (0/1)* equals 1 if the firm appoints new charity director, and all being overboarded, and 0 otherwise. Overboarded directors are defined as those who hold 5 or more company directorships simultaneously. We control for charity director departures, log number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-Chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A, all measured contemporaneously with the potential charity director appointment. We also control for pre-appointment existing charity directors on the board. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & Resource Use	Community	Workforce	Product Responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
New charity director - Non-overboarded (0/1)	-0.049	-0.080	-0.079*	-0.074*	0.005	-0.011
	(-0.855)	(-1.530)	(-1.766)	(-1.710)	(0.109)	(-0.301)
New charity director - Overboarded (0/1)	-0.036	0.009	0.172	-0.087	0.132	0.050
	(-0.489)	(0.084)	(1.414)	(-0.803)	(1.274)	(0.635)
N	7,881	7,881	7,881	7,881	7,881	7,881
Within adjusted R-sq	0.091	0.064	0.043	0.028	0.064	0.025
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Appendix

A Tables and Figures

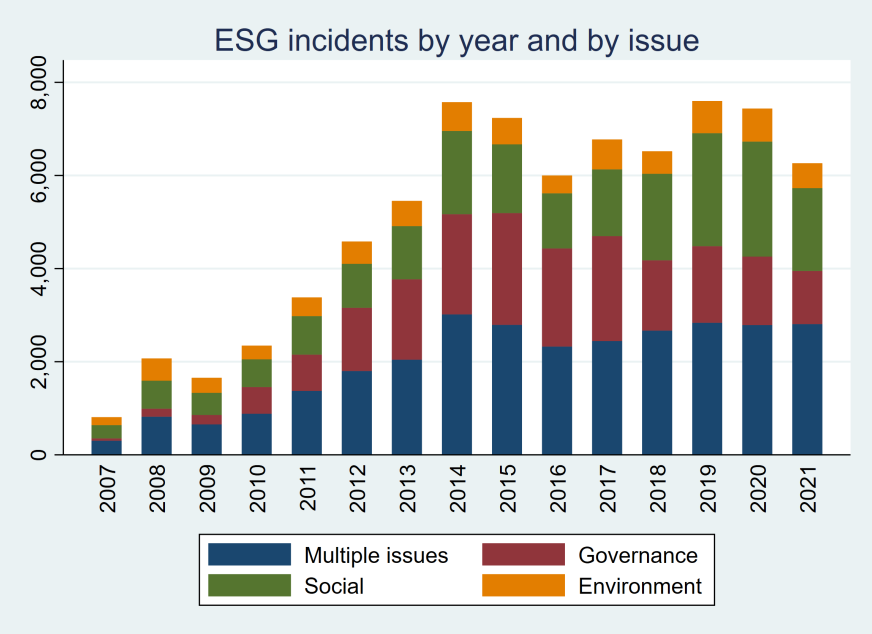


Figure A1. Total number of ESG incidents by year and by issue

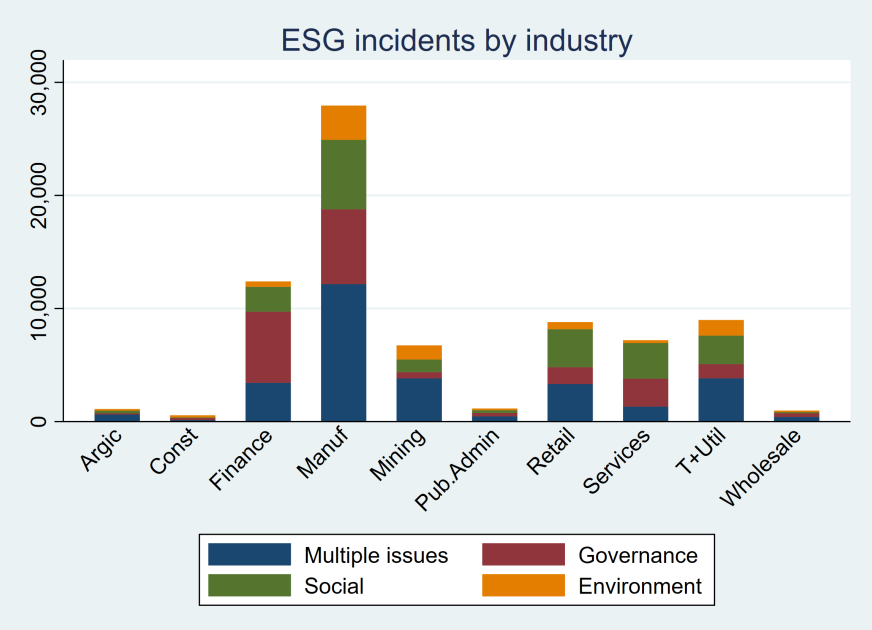


Figure A2. Total number of ESG incidents by industry

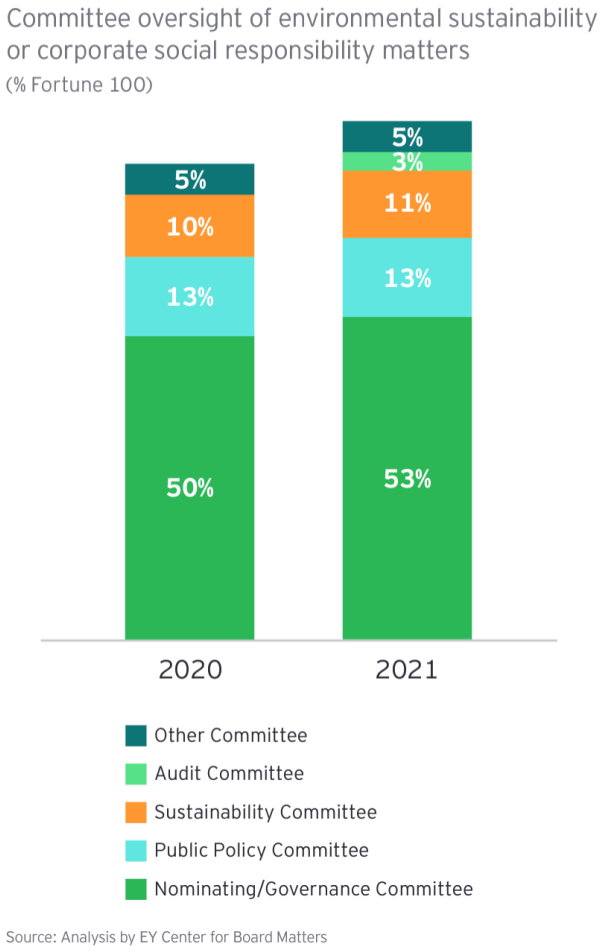


Figure A3. Committees oversight of ESG issues (Source: Ernst & Young, 2021)

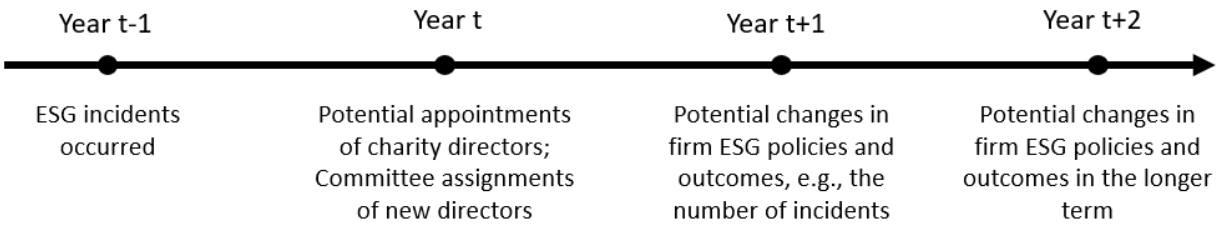
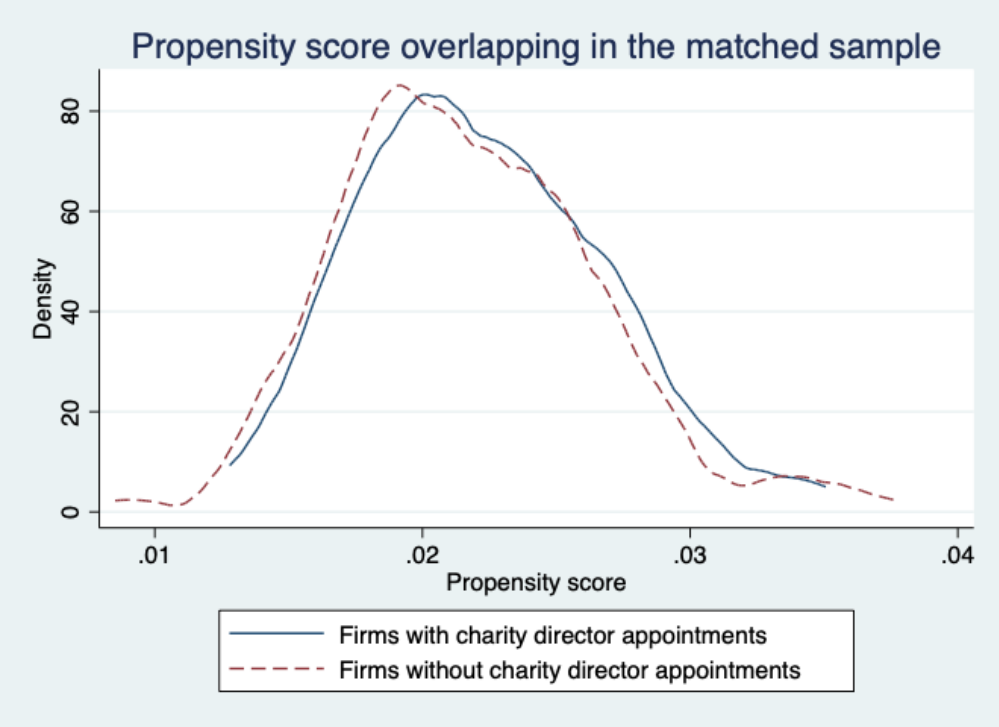


Figure A4. Timeline of empirical analyses



This figure plots the density of propensity scores, using the matched sample, for firms that appoint charity directors after ESG incidents and firms that do not make such appointments.

Figure A5. Propensity score overlapping in the matched sample

Table A1. Examples of charities in sample

This table reports the top 10 charities in our sample, ranked by the number of directors with experience within the respective charity. Charities are organizations with the value "Charity" in the variable " OrgType", as defined by BoardEx.

Charity Name	No. Directors
Memorial Sloan-Kettering Cancer Center	26
Bill & Melinda Gates Foundation	23
American National Red Cross	13
American Cancer Society	12
Blue Shield of California	10
March of Dimes	10
Ford Foundation	9
Center for Strategic and International Studies	9
Rockefeller Foundation	9
JDRF (Juvenile Diabetes Research Foundation)	8

Table A2. Sample construction and sample size by year

This table reports the evolution of the number of observations and the number of firms throughout our sample construction process.

Year	BoardEx sample	Merged with Compustat	Merged with RepRisk	Merged with Refinitiv
2008	4,937	3,515	2,751	821
2009	4,719	3,353	3,260	887
2010	4,635	3,316	3,088	915
2011	4,669	3,391	3,121	954
2012	4,676	3,405	3,140	940
2013	4,901	3,487	3,203	945
2014	5,104	3,650	3,258	963
2015	5,178	3,636	3,385	1,614
2016	4,970	3,566	3,327	2,295
2017	5,041	3,585	3,285	2,750
2018	5,118	3,612	3,357	2,879
2019	5,259	3,663	3,427	3,023
2020	5,753	3,802	3,395	3,147
2021	4,014	3,054	2,699	1,875
Total # of Firms	9,968	6,342	5,730	4,004
Total # of Observations	69,071	49,035	44,696	24,008

Table A3. Sample distribution by industry

This table reports the SIC 2-digit industry distribution in our sample. Column (1) shows the number of firm-year observations by industry, and Column (2) shows the percentage among the sample. Column (3) shows the average number of incidents per firm-year by industry. Columns (4), (5) and (6) report the percentage of firm-year observations with high-severity, high-reach, and high-novelty incidents by industry. Column (7) shows the average value of the annual mean RRI of firm-year observations by industry. Column (8) shows the Highest RRI of firm-year observations by industry. Column (9) shows the percentage of firm-year observations with charity directors on the board, and Column (10) shows the average percentage of charity directors on the boards (the ratio of the number of charity directors to the board size).

Industry	(1) # of obs.	(2) % of obs.	(3) # of incidents	(4) % with high severity incidents	(5) % with high reach incidents	(6) % with high novelty incidents	(7) Average RRI	(8) Highest RRI	(9) % with charity director presence	(10) % of charity directors
Manufacturing	16,670	37.296	1.603	1.500	7.241	19.238	4.535	7.722	14.721	1.872
Finance, Insurance, Real Estate	11,882	26.584	1.021	0.993	5.378	12.363	2.838	4.898	18.448	2.124
Services	6,779	15.167	1.025	0.826	7.464	15.932	3.750	6.606	16.241	2.141
Transportation & Public Utilities	3,629	8.119	2.369	1.212	13.144	33.150	7.880	12.837	22.678	2.654
Mining	2,136	4.779	3.018	4.635	11.236	39.607	9.517	15.324	10.112	1.196
Retail Trade	1,660	3.714	4.654	3.675	15.000	33.916	8.271	13.669	21.988	2.655
Wholesale Trade	1,180	2.640	0.700	0.763	3.559	18.559	3.605	6.763	12.542	1.634
Construction	550	1.231	0.827	1.273	6.182	23.091	4.909	8.998	15.818	2.083
Public Administration	108	0.242	10.463	9.259	34.259	53.704	15.027	21.417	25.000	2.218
Agriculture, Forestry, Fishing	102	0.228	9.706	15.686	15.686	32.353	11.124	16.314	11.765	2.274
Total	44,696	100								

Table A4. Summary statistics on the incident level

This table reports summary statistics on ESG incidents type covered in our sample, and their severity, reach, and novelty. *Environment (0/1)*, *Social (0/1)* and *Governance (0/1)* are indicators that equal 1 if an incident is related to this category, and an incident can belong to more than one categories. *Severity* and *Reach* can take the value of 1, 2, and 3. *Novelty* can take the value of 1 and 2.

	Count	Mean	Std.dev	p25	Median	p75
Environment (0/1)	75,686	0.326	0.469	0.000	0.000	1.000
Social (0/1)	75,686	0.511	0.500	0.000	1.000	1.000
Governance (0/1)	75,686	0.370	0.483	0.000	0.000	1.000
Severity	75,686	1.350	0.511	1.000	1.000	2.000
Reach	75,686	1.816	0.743	1.000	2.000	2.000
Novelty	75,686	1.373	0.484	1.000	1.000	2.000

Table A5. Summary statistics of board and firm characteristics

This table reports the summary statistics for board control variables and firm financial control variables of observations in the firm-year sample.

	Count	Mean	Std.dev	p25	Median	p75
Board size	44,696	8.624	2.509	7.000	8.000	10.000
Board independence	44,696	0.707	0.160	0.625	0.750	0.800
Board gender ratio	44,696	0.863	0.119	0.778	0.875	1.000
Board succession factor	44,696	0.307	0.153	0.200	0.300	0.400
CEO is Chair (0/1)	44,696	0.399	0.490	0.000	0.000	1.000
Institutional ownership	44,696	0.611	0.314	0.355	0.692	0.884
Firm risk	44,696	0.028	0.022	0.015	0.023	0.035
Firm age	44,696	20.224	17.511	7.068	16.019	27.058
Log total assets	44,696	7.022	2.099	5.612	7.086	8.443
Book-to-market ratio	44,655	0.616	0.561	0.254	0.507	0.853
RoA	44,696	-0.034	0.229	-0.019	0.017	0.059
Leverage	44,696	0.242	0.228	0.043	0.188	0.381
Dividend	44,696	0.013	0.027	0.000	0.000	0.015
Dividend missing	44,696	0.003	0.051	0.000	0.000	0.000
SG&A	44,696	18.767	24.583	1.516	9.682	27.319
SG&A missing	44,696	16.818	37.403	0.000	0.000	0.000

Table A6. Charity words from charity directors' biographies

This table shows the list of words that we defined as "charity words". This list is compiled from biographies of charity directors who are appointed after incidents and when they are introduced in company proxy statements for the first time.

Charity words
foundat*, care, nonprofit, governance, educ*, communiti*, truste*, council, human, art, respons*, perspect*, social, trust, environment, life, food, child, societi*, divers*, sustain*, charit*, employ*, green, cultur*, philanthropi*, climat*, philanthrop*, museum*, peopl*, workforc*, employe*, humanitarian, peac*, scholarship, protect, labor, church, advoc*, civic, advocaci*

Table A7. Summary statistics of charity words in charity directors' biographies

This table shows the summary statistics for variables measuring the presence of charity-related words in charity directors' biographies when the director appears in the company's proxy statement for the first time. Column (1) reports for all charity director appointment announcements being used in Table 5. Column (2) reports for the subsample for charity directors being appointed after ESG incidents. Column (3) reports for the subsample for charity directors being appointed in the absence of prior ESG incidents. Column (4) reports the difference between Column (3) and Column (2), and the t-statistics for the null hypothesis that Column (2) and Column (3) have equal means.

	All charity directors		After incidents		Not after incidents		Diff	
	(1)		(2)		(3)		(4)	
	Mean	SD	Mean	SD	Mean	SD	Diff.	t-stat
Charity words (0/1)	0.783	0.414	0.900	0.304	0.725	0.449	0.175*	(2.518)
# charity words	3.383	3.962	4.650	5.366	2.750	2.866	1.900*	(2.095)
% charity words	0.025	0.024	0.030	0.026	0.023	0.022	0.007	(1.465)
Observations	120		40		80		120	

Table A8. Summary statistics of directors' characteristics (firm-year-director level)

This table reports the summary statistics for director characteristics on the firm-year-director level.

	Count	Mean	Std.dev	p25	Median	p75
Panel A: Director characteristics						
Charity experience (0/1)	324,210	0.026	0.159	0.000	0.000	0.000
Age	324,210	62.571	9.146	57.000	63.000	69.000
Male	324,210	0.836	0.370	1.000	1.000	1.000
MBA	324,210	0.326	0.469	0.000	0.000	1.000
Doctorate degree	324,210	0.088	0.283	0.000	0.000	0.000
Board tenure	324,210	7.672	7.025	2.500	5.600	10.800
Current number of directorships	324,210	3.136	2.542	2.000	2.000	4.000
Panel B: Committee assignment						
Governance committee member	324,210	0.446	0.497	0.000	0.000	1.000
Audit committee member	324,210	0.511	0.500	0.000	1.000	1.000
Compensation committee member	324,210	0.491	0.500	0.000	0.000	1.000
Nomination committee member	324,210	0.424	0.494	0.000	0.000	1.000
ESG committee member	324,210	0.026	0.159	0.000	0.000	0.000
Number of committees (director)	324,210	1.826	0.975	1.000	2.000	2.000

Table A9. Overlap of pre-appointment firm characteristics

This table assesses the overlapping of pre-appointment firm characteristics between firms that appoint charity directors ("With appointments") following ESG incidents and firms that do not make such appointments ("Without appointments"). "t-stat" is the *t*-statistic for testing the null hypothesis that these two groups of firms have the same mean value. "Norm. Diff." is the normalized difference proposed by Imbens (2015).

	With appointments			Without appointments				
	N	Mean	SD	N	Mean	SD	t-stat	Norm. Diff.
Log board size	165	2.314	0.280	7,737	2.288	0.249	1.197	0.099
Board independence	165	0.747	0.178	7,737	0.756	0.161	-0.601	-0.050
Gender ratio	165	0.828	0.105	7,737	0.830	0.108	-0.285	-0.022
Succession	165	0.285	0.131	7,737	0.281	0.136	0.380	0.029
CEO is Chair (0/1)	165	0.473	0.501	7,737	0.483	0.500	-0.255	-0.020
Institutional ownership	165	0.706	0.252	7,737	0.727	0.247	-1.089	-0.086
Firm size	165	9.234	1.804	7,737	8.982	1.745	1.775	0.142
BM	164	0.485	0.465	7,719	0.522	0.475	-1.015	-0.079
Leverage	165	0.293	0.214	7,737	0.284	0.196	0.522	0.043
RoA	165	0.023	0.133	7,737	0.030	0.119	-0.692	-0.057
Dividend	165	0.017	0.024	7,737	0.017	0.026	-0.136	-0.010
SG&A	165	0.138	0.192	7,737	0.129	0.167	0.588	0.049

Table A10. Instrumental variable: Charity director appointments and future incidents over the next two years

This table reports the instrumental variable (IV) estimates of the impact of charity director appointments on the average number of incidents over the next two years, using a two-stage approach. The IV is *High Charity Director Supply (0/1)*, which is an indicator that equals 1 if the number of active charitable organizations that are located within a 100-mile radius around the firm headquarter is among the top 10% of the sample. Similar to the main specification, we use observations with ESG incidents in the year preceding potential charity director appointments. The dependent variables are the logarithm of 1 plus the average number of incidents in the two years following potential charity director appointments. Column (1) reports the first stage results, estimating the relation between the supply of charity directors and the probability of appointing charity directors. Columns (2) to (7) report the second stage estimates on different categories of incidents. In all panels, we control for charity director departures, log number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-Chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, RoA, dividends, SG&A. In Panel B, we additional control for population density, per capita income, and unemployment rate of the county where the firm's headquarter is located. In Panel C, we additional control for the local supply of corporate directors, using the measure of Knyazeva et al. (2013). All controls are measured one-year lagged to the corresponding dependent variable. We also control for pre-appointment existing charity directors on the board. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. t-statistics are reported in parentheses. F-statistics are reported for the first stage. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	1st stage	All issues	Emissions & Resource Use	Community	Workforce	Product Responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Baseline IV results							
New charity director (0/1)		-0.745	-2.633***	-0.857	-1.803***	-1.263*	-1.487***
		(-0.95)	(-3.45)	(-1.23)	(-2.66)	(-1.70)	(-2.61)
High Charity Director Supply (0/1)	0.0178						
	(1.64)						
N	7226	6112	6112	6112	6112	6112	6112
F statistics	8.690						
Within adjusted R-sq	0.0260	0.0990	0.0689	0.0458	0.0449	0.0693	0.0371
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Control for local economic characteristics							
New charity director (0/1)		-0.400	-2.135***	-0.557	-1.739***	-1.077	-1.255**
		(-0.52)	(-2.88)	(-0.82)	(-2.64)	(-1.49)	(-2.27)
High Charity Director Supply (0/1)	0.0207*						
	(1.87)						
Population density	-0.0881	-0.231	-0.404*	-0.0642	-0.0528	0.164	-0.0637
	(-1.27)	(-0.92)	(-1.66)	(-0.29)	(-0.25)	(0.69)	(-0.35)
Per capita income	0.0342	0.314**	0.565***	0.0548	0.622***	0.252*	0.304***
	(0.82)	(2.19)	(4.05)	(0.43)	(5.03)	(1.86)	(2.92)
Unemployment rate	0.00176	0.00833	-0.00748	-0.000379	0.000540	-0.00311	0.0114*
	(0.65)	(0.91)	(-0.84)	(-0.05)	(0.07)	(-0.36)	(1.72)
N	7225	6111	6111	6111	6111	6111	6111
F statistics	7.607						
Within adjusted R-sq	0.0259	0.0993	0.0718	0.0450	0.0496	0.0696	0.0378
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Control for local corporate director supply							
New charity director (0/1)		-0.561	-2.327***	-0.716	-1.582**	-1.113	-1.381**
		(-0.71)	(-3.02)	(-1.02)	(-2.31)	(-1.48)	(-2.41)
High Charity Director Supply (0/1)	0.0165						
	(1.50)						
Local director supply	-0.0159	0.0308	0.160**	0.00301	0.143**	0.128*	0.0817
	(-0.80)	(0.44)	(2.37)	(0.05)	(2.39)	(1.94)	(1.63)
N	7226	6112	6112	6112	6112	6112	6112
F statistics	8.287						
Within adjusted R-sq	0.0260	0.0988	0.0702	0.0455	0.0462	0.0701	0.0377
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A11. Correlation between the density of charities and the number of incidents

This table reports the correlation coefficients between the density of charities within a 100-mile radius of a firm's headquarter and the number of ESG incidents associated with the firm. Consistent with the specification of our instrumental variable analysis, the density of charities is measured 1-year prior to the potential charity director appointments, and ESG incidents are measured 1-year after the potential appointments. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & Resource Use	Community	Workforce	Product Responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
Log (1 + # of charities)	0.068***	-0.013	-0.015	0.006	0.130***	0.085***

Table A12. Director overboarding, the appointment of charity directors and the severity, reach, novelty of past ESG incidents

This table examines the impact of director overboarding on the relationship between charity director appointments and the reach, severity and novelty of past ESG incidents. The tests are similar to the announcement level test in Table 3, while columns (1) to (3) add an indicator for overboarding as a control, columns (4) to (6) add an interaction term between the indicator for overboarding and the respective incident measure. We employ the same set of 1-year lagged board controls as Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-Chair, institutional ownership; and the same set of 1-year lagged firm financial controls: log firm size, book-to-market ratio, leverage, RoA, dividend, SG&A; and the same set of director controls: log age, gender, Doctorate degree, MBA degree, tenure in corporate boards. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. Estimated coefficients are multiplied by 100. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
High reach incidents (0/1)	2.624**			3.185***		
	(2.411)			(2.737)		
High severity incidents (0/1)		0.005			0.856	
		(0.003)			(0.482)	
High novelty incidents (0/1)			0.872			1.317*
			(1.180)			(1.749)
High reach incidents (0/1) × Overboarded director (0/1)				-4.038**		
				(-2.233)		
High severity incidents (0/1) × Overboarded director (0/1)					-5.198***	
					(-2.730)	
High novelty incidents (0/1) × Overboarded director (0/1)						-4.230***
						(-3.132)
Overboarded director (0/1)	-1.445**	-1.453**	-1.449**	-0.785	-1.201*	-0.014
	(-2.246)	(-2.254)	(-2.248)	(-1.182)	(-1.813)	(-0.020)
Existing charity directors on board (0/1)	-13.285***	-13.281***	-13.241***	-13.274***	-13.268***	-13.261***
	(-9.816)	(-9.762)	(-9.771)	(-9.812)	(-9.755)	(-9.793)
N	11,265	11,265	11,265	11,265	11,265	11,265
Within adjusted R-sq	0.044	0.043	0.043	0.045	0.043	0.045
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A13. Director overboarding, the appointment of charity directors and incidents in E, S, G

This table examines the impact of director overboarding on the relationship between charity director appointments and past high-reach environmental, social, and governance incidents. The tests are similar to the announcement level test in Table 4, while columns (1) to (3) add an indicator for overboarding as a control, columns (4) to (6) add an interaction term between the indicator for overboarding and the respective incident measure. All observations used in this table are conditional on the 1-year lagged number of incidents greater than 0. We employ the same set of 1-year lagged board controls as Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-Chair, institutional ownership; and the same set of 1-year lagged firm financial controls: log firm size, book-to-market ratio, leverage, RoA, dividend, SG&A; and the same set of director controls: log age, gender, Doctorate degree, MBA degree, tenure in corporate boards. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. Estimated coefficients are multiplied by 100. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
High reach E incidents (0/1)	-0.910			-0.393		
	(-0.538)			(-0.210)		
High reach S incidents (0/1)		3.623**			4.199**	
		(2.236)			(2.436)	
High reach G incidents (0/1)			2.232			2.307
			(1.558)			(1.558)
High reach E incidents (0/1) × Overboarded director (0/1)				-4.657		
				(-1.177)		
High reach S incidents (0/1) × Overboarded director (0/1)					-3.965	
					(-1.644)	
High reach G incidents (0/1) × Overboarded director (0/1)						-0.609
						(-0.215)
Overboarded director (0/1)	-5.360***	-5.374***	-5.280***	-4.813***	-4.276***	-5.113***
	(-4.245)	(-4.298)	(-4.175)	(-3.828)	(-3.151)	(-4.079)
Existing charity directors on board (0/1)	-14.440***	-14.747***	-14.646***	-14.422***	-14.642***	-14.635***
	(-5.346)	(-5.467)	(-5.402)	(-5.340)	(-5.424)	(-5.394)
N	2,811	2,811	2,811	2,811	2,811	2,811
Within adjusted R-sq	0.053	0.056	0.054	0.053	0.056	0.053
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Director Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A14. The appointment of charity directors and past ESG incidents (Subsample of firms with incident records in sample)

This table revisits the relation between past ESG incidents and subsequent charity director appointments, after removing firms with no incident record throughout the sample. Columns (1) to (3) use the firm-year sample, where the dependent variable is an indicator of whether the firm appoints charity directors in a given year. Columns (4) to (6) use the director appointment announcement sample, and the dependent variable is an indicator of whether the director being appointed has charity experience. The variables of interest are 1-year lagged measures for ESG incidents. Panel A is analogous to Table 2, Panel B is analogous to Table 3. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. t-statistics are in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
Panel A						
Incidents (0/1)	0.109			1.284*		
	(0.423)			(1.673)		
Highest RRI		0.009			0.043*	
		(1.009)			(1.722)	
Highest RRI among top 10% (0/1)			0.762*			2.887**
			(1.707)			(2.562)
N	23,207	23,207	23,207	6,630	6,630	6,614
Within adjusted R-sq	0.023	0.023	0.023	0.038	0.038	0.039
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B						
High reach incidents (0/1)	1.111***			2.737**		
	(2.602)			(2.483)		
High severity incidents (0/1)		0.510			-0.245	
		(0.590)			(-0.152)	
High novelty incidents (0/1)			-0.139			0.829
			(-0.557)			(1.098)
N	23,207	23,207	23,207	6,630	6,630	6,630
Within adjusted R-sq	0.024	0.023	0.023	0.039	0.038	0.038
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A15. Market reaction to ESG incidents

This table reports average abnormal returns on the days when a firm is reported to experience ESG incidents, as identified by RepRisk. Estimated coefficients are multiplied by 100. t-statistics are reported in parentheses. *, **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Panel A: Incidents by reach, severity and novelty									
	High-reach			High-severity			High-novelty		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.	(4) CAPM	(5) FF3	(6) FF3 + Mom.	(7) CAPM	(8) FF3	(9) FF3 + Mom.
Mean	-0.134***	-0.136***	-0.139***	-0.006	-0.032	-0.024	-0.067***	-0.069***	-0.069***
	(-5.839)	(-6.030)	(-6.166)	(-0.084)	(-0.482)	(-0.365)	(-4.412)	(-4.629)	(-4.614)
N	12,655	12,655	12,655	1,033	1,033	1,033	23,921	23,921	23,921
Panel B: Incidents by environment, social and governance									
	Environment			Social			Governance		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.	(4) CAPM	(5) FF3	(6) FF3 + Mom.	(7) CAPM	(8) FF3	(9) FF3 + Mom.
Mean	-0.029*	-0.023	-0.018	-0.047***	-0.052***	-0.053***	-0.088***	-0.090***	-0.095***
	(-1.774)	(-1.450)	(-1.125)	(-3.866)	(-4.352)	(-4.363)	(-5.912)	(-6.238)	(-6.517)
N	20,755	20,755	20,755	32,084	32,084	32,084	24,085	24,085	24,085

B Examples of Charity Director Biography

Example 1. Darren Walker, an independent director being appointed by Ralph Lauren Corporation in 2020

Darren Walker, age 60.

Darren Walker is being nominated for election as a new director at our 2020 Annual Meeting. Mr. Walker has served since 2013 as president of the Ford Foundation ("Ford"), one of the world's largest foundations with an endowment of $14 billion. He is also the co-founder and chair of the US Impact Investing Alliance, and serves as a member of the board of directors of PepsiCo, Inc., Square, Inc., Carnegie Hall, National Gallery of Art, Lincoln Center for the Performing Arts, Friends of the High Line, and Friends of Art & Preservation in Embassies. Before joining Ford, Mr. Walker was vice president at the Rockefeller Foundation, overseeing global and domestic programs, and COO of the Abyssinian Development Corporation—Harlem's largest community development organization. Earlier, he had a decade-long career in finance at UBS and with the law firm Cleary Gottlieb Steen & Hamilton.

Mr. Walker brings to our Board insight into the role of business in society gained through his role as President of Ford Foundation and leadership in many nonprofit and philanthropic organizations. Through his experience with an international network of diverse social and community initiatives, he provides the board with a unique perspective on human capital management and talent development and insights on sustainability and public policy matters that are particularly valuable as the Company continues to focus on its sustainability and people and culture goals.

Example 2. Helene Gayle, an independent director being appointed by The Coca-Cola Company in 2013

Director Nominee, age 57.

Dr. Gayle has been President and Chief Executive Officer of CARE USA, a leading international humanitarian organization, since 2006. From 2001 to 2006, she served as senior advisor in the Global Health Program at the Bill & Melinda Gates Foundation. Dr. Gayle started her 20-year career in public health at the U.S. Centers for Disease Control

and Prevention ("CDC") in 1984 where she held various positions, ultimately becoming the director of the CDC's National Center for HIV, STD and TB Prevention in 1995.
Relevant Chief Executive Officer/President Experience: President and Chief Executive Officer of CARE USA, a leading nonprofit organization with operating support and revenues exceeding $500 million per year.
Diversity: African-American; female; a medical specialist with a masters of public health; an expert on health, global development and humanitarian issues.
Broad International Exposure: Experience managing international operations at CARE USA, which has programs in 84 countries around the world, including in many emerging markets. Helped develop global health initiatives in leadership roles at the CDC and the Bill & Melinda Gates Foundation. Currently serves on the Board of the Center for Strategic & International Studies, the Rockefeller Foundation and the Harvard Business School Social Enterprise Initiative. Member of the Council on Foreign Relations.
Governmental or Geopolitical Expertise: Extensive leadership experience in the global public health field through service at the CDC and through a leadership position with the Bill & Melinda Gates Foundation, directing programs on HIV/AIDS and other global health issues. Member of the U.S. Department of State's Foreign Affairs Policy Board and serves on the President's Commission on White House Fellowships. Achieved the rank of Assistant Surgeon General and Rear Admiral in the United States Public Health Service.

Example 3. Joyce Roché, an independent director being appointed by Dr Pepper Snapple Group, Inc. in 2011

Ms. Roché, 63, most recently served as president and CEO of Girls Inc. until her retirement in 2010. Previously, she was president and chief operating officer of Carson Products Company and vice president of global marketing at Avon Products, Inc.
"Joyce's broad range of executive management and marketing experience makes her an asset to any board," said Wayne R. Sanders, chairman of the board of Dr Pepper Snapple. "She has a tremendous track record in the consumer packaged goods industry, and her nearly decade-long leadership in the nonprofit sector brings an important new

perspective to the DPS board that will serve our company well."

Ms. Roché is a graduate of Dillard University in New Orleans and holds an MBA from Columbia University. She also is an alumnus of Stanford University's Senior Executive Program and holds honorary doctorate degrees from Dillard University and North Adams State College. In addition to the DPS board, she currently sits on the boards of AT&T Inc., Tupperware Corp., Macy's Inc., and The Association of Governing Boards of Universities and Colleges. She is also the chair of the Board of Trustees for Dillard University.

C Variable Definition

Variable	Definition	Source
Board related variables		
Charity director presence (0/1)	Indicator variable that takes the value of 1 if a firm has non-executive directors with charity experience on its board, and 0 otherwise.	BoardEx
% of charity directors	Number of non-executive directors with charity experience scaled by board size.	BoardEx
New charity director (0/1)	Indicator variable that takes the value of 1 if a firm appoints at least one new non-executive director with charity experience to the board in the year, and 0 otherwise.	BoardEx
Charity director left (0/1)	Indicator variable that takes the value of 1 if at least one non-executive director with charity experience leaves the board in the year, and 0 otherwise.	BoardEx
Existing charity directors on board (0/1)	Indicator variable that takes the value of 1 if the firm had existing charity directors before the potential new charity director appointment of interest, and 0 otherwise.	BoardEx
New charity directors in the governance (audit, compensation, nomination, ESG) committee (0/1)	Indicator variables that take the value of 1 if the firm appoints at least one new non-executive director with charity experience to the board in the year, and assigns at least one new charity director to the governance (audit, compensation, nomination, ESG-related) committee; and 0 otherwise.	BoardEx
New charity directors in other positions (0/1)	Indicator variables that take the value of 1 if the firm appoints at least one new non-executive director with charity experience to the board in the year, but none of the new charity directors are assigned to any of the following committees: governance, audit, compensation, nomination, ESG-related; and 0 otherwise.	BoardEx
% of charity directors in the governance (audit, compensation, nomination, ESG) committee	The number of charity directors in the governance (audit, compensation, nomination, ESG-related) committee scaled by the number of directors in the given committee.	BoardEx
% of charity directors in other positions	The number of charity directors not sitting in any of the following committees: governance, audit, compensation, nomination, and ESG-related committees scaled by the number of directors not sitting in any of the above committees.	BoardEx

New director appointment (0/1)	Indicator variable that takes the value of 1 if the firm appoints at least one new director to the board, and 0 otherwise.	BoardEx
Log board size	Natural logarithm of the number of directors.	BoardEx
Board gender ratio	The proportion of male directors.	BoardEx
Board succession factor	Measurement of the clustering of directors around retirement age.	BoardEx
CEO is Chair (0/1)	Indicator variable that takes the value of 1 if the CEO is also the Chairman of the board, and 0 otherwise.	BoardEx
Institutional ownership	Fraction of shares outstanding held by institutional investors.	Thomson 13F
Replacement(0/1)	Indicator variable for director appointment announcements, and it takes the value of 1 if this is the only director appointment announcement made by the firm, and there is one director departure announcement made by the firm on the same day; and 0 otherwise.	BoardEx
High charity director supply (0/1)	Indicator variable that takes the value of 1 if the firm falls within the top 10% of the sample, ranked by the number of active charitable organizations in a 100-mile radius of the firm's headquarters; and 0 otherwise.	NCCS IRS Business Master File
Population density	Log of population density of the county where the firm headquarters are located.	U.S. Census Bureau
Per capita income	Natural logarithm of the per capita income of the county where the firm headquarters are located.	U.S. Bureau of Economic Analysis
Unemployment rate	The unemployment rate of the county where the firm headquarters are located.	U.S. Bureau of Labor Statistics
Local director supply	Natural logarithm of the number of public firms headquartered within 100 miles of the firm's headquarter, excluding firms in the same 4-digit SIC industry.	
ESG incidents related variables		
Incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences ESG incidents during the year, and 0 otherwise.	RepRisk
Number of incidents	The number of ESG incidents of the firm.	RepRisk
Log (1+ Number of incidents)	Natural logarithm of one plus the number of ESG incidents of the firm.	RepRisk
Highest RRI	The peak value of the RepRisk Index the firm reached during the year.	RepRisk

Highest RRI among top 5% (0/1)	Indicator variable that takes the value of 1 if *Highest RRI* is among the top 5% of the firm-year sample, and 0 otherwise.	RepRisk
High reach incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach ESG incidents during the year, and 0 otherwise.	RepRisk
High severity incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-severity ESG incidents during the year, and 0 otherwise.	RepRisk
High novelty incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-novelty ESG incidents during the year, and 0 otherwise.	RepRisk
High reach E incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach environmental incidents during the year, and 0 otherwise.	RepRisk
High reach S incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach social incidents during the year, and 0 otherwise.	RepRisk
High reach G incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach governance incidents during the year, and 0 otherwise.	RepRisk
Emissions & Resource Use incidents	The firm's number of incidents on issues related to climate change, GHG emissions, and global pollution; local pollution; impacts on landscapes, ecosystems, and biodiversity; overuse and wasting of resources; Waste issues; animal mistreatment; products (health and environmental issues); supply chain issues.	RepRisk
Community incidents	The firm's number of incidents on issues related to impacts on communities; local participation issues; social discrimination.	RepRisk
Workforce incidents	The firm's number of incidents on issues related to forced labour; child labour; freedom of association and collective bargaining; discrimination in employment; occupational health and safety issues; poor employment conditions.	RepRisk
Product Responsibility incidents	The firm's number of incidents on issues related to animal mistreatment; controversial products and services; products (health and environmental issues); supply chain issues.	RepRisk
Transparency incidents	The firm's number of incidents on issues related to executive compensation issues; misleading communication.	RepRisk
Firm financial variables		
Firm size	Natural logarithm of the market value of the firm.	CRSP/Compustat Merged (CCM)

Book-to-market ratio	Book value per share scaled by market value per share.	CCM
Leverage	The sum of long-term debt and debt in current liabilities scaled by total assets.	CCM
RoA	Net income scaled by total assets.	CCM
Dividend	Dividends scaled by total assets.	CCM
Dividend missing	Indicator variable that takes the value of 1 if dividends is missing in the CRSP/Compustat Merged database, and 0 otherwise.	CCM
SG&A	Selling, general and administrative expense scaled by total assets.	CCM
SG&A missing	Indicator variable that takes the value of 1 if Selling, general and administrative expense is missing in the CRSP/Compustat Merged database, and 0 otherwise.	CCM
Firm age	Time (years) elapsed since the firm's stock first appeared in CRSP.	CRSP
Firm risk	The standard deviation of the daily abnormal returns (measured by raw return minus CRSP equal-weighted index) of the company's stock over the year. For announcements, this variable is calculated over the 1-year period ending 25 days prior to the announcement date.	CRSP
ESG compensation policy (0/1)	Indicator variable that takes the value of 1 if the firm has an ESG related compensation policy	Refinitiv
Director related variables		
New charity director (0/1)	Indicator variable that takes the value of 1 if this new non-executive director has charity experience, and 0 otherwise.	BoardEx
Log age	Natural logarithm of the director's age.	BoardEx
Male	Indicator variable that takes the value of 1 if the director is a male, and 0 otherwise.	BoardEx
Doctorate	Indicator variable that takes the value of 1 if the director holds a qualification with a name containing any of the following keywords: phd, doctorate, doctor, doctoral; and 0 otherwise.	BoardEx
MBA	Indicator variable that takes the value of 1 if the director holds a qualification with a name containing "MBA", and 0 otherwise.	BoardEx
Tenure in corporate boards	The accumulated time (years) that a director has served on boards of public and private companies.	BoardEx

Board Tenure	Time (years) a director has sat on the company's board.	BoardEx
Current number of directorships	The sum of the total current number of listed boards sitting on, the total current number of unlisted boards sitting on, and the total current number of other boards sitting on.	BoardEx
Audit committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in the audit committee in the year, and 0 otherwise.	BoardEx
Compensation committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in the compensation committee in the year, and 0 otherwise.	BoardEx
Nomination committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in the nomination committee in the year, and 0 otherwise.	BoardEx
ESG committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in ESG-related committees in the year, and 0 otherwise. ESG-related committees are defined as committees with names containing any of the following keywords: CSR, ESG, environ*, social, or sustain*.	BoardEx
Overboarded director (0/1)	Indicator variable that takes the value of 1 if the director holds five or more concurrent company directorships (including the one of interest).	BoardEx