Paper Reveiw of JCF

1. Firms' ESG/CSR attributes and market characteristics

Explanation : how frms' ESG/CSR attributes relate to characteristics of the markets in which firms operate

Independent variable : market characteristic (x)

Dependent variable : frms' ESG/CSR attributes (y)

- country characteristics appear to be quite important in explaining firm's ESG/CSR activities
- country attributes appear to be less important for companies whose operations span borders or are crosslisted
- Within-country variation in market characteristics is also important
- Firms' ESG/CSR practices also tend to have a strong industry component

Table 1
Market characteristics and ESG/CSR.

Primary Variable	Independent/Dependent Variable of Interest	Sign	Citation
Country economic development	Independent	+	Cai et al. (2016)
Lack of civil liberties and political rights	Independent	+	Cai et al. (2016)
Harmony	Independent	+	Cai et al. (2016)
Autonomy	Independent	+	Cai et al. (2016)
Country legal origin: Civil	Independent	+	Liang and Renneboog (2017b)
Cross-listing	Independent	+	Boubakri et al. (2016)
Multinational indicator	Independent	+	Cai et al. (2016)
Political leanings of state's citizens	Independent		
Democrat		+	Di Giuli and Kostovetsky (2014)
Republican		–	Di Giuli and Kostovetsky (2014)
Social capital of county	Independent	+	Jha and Cox (2015)
Industry	Independent	+/–	Borghesi et al. (2014)

2. Firms' ESG/CSR practices and boards, executives, and executive compensation

Explanation : firm management and the environmental and social aspects of a firm's ESG/CSR activities

- director exposed to changes in regulations and reporting requirements --> increase ESG/CSR performance
- Firms ESG/CSR activities are associated with variation in CEO and board characteristics (e.g Gender / children of CEO)
- CEO compensation and CSR/ESG (CSR ESG served as penalty for CEO) --> some find negative / some find unrelated

Table 2
Firm leadership characteristics and ESG/CSR.

Primary Variable	Independent/Dependent Variable of Interest	Sign	Citation
Multinational board members	Independent	+	Iliev and Roth (2020)
Women leaders	Independent	+	Borghesi et al. (2014)
	Independent	+	McGuinness et al. (2017)
	Independent	+	Cronqvist and Yu (2017)
	Independent	+	Dyck et al. (2020)
CEOs with daughters	Independent	+	Cronqvist and Yu (2017)
Married CEOs	Independent	+	Hegde and Mishra (2019)
CEO age	Independent	–	Borghesi et al. (2014)
Political leanings of CEO and board			
Democrat	Independent	+	Di Giuli and Kostovetsky (2014)
Republican	Independent	–	Di Giuli and Kostovetsky (2014)
Political leanings of CEO	Independent	0	Borghesi et al. (2014)
CEO confidence	Independent	–	McCarthy et al. (2017)
Employee geography	Independent	+	Landier et al. (2007)
CEO Pay	Dependent	+	Gillan et al. (2010)
	Independent	+	Ferrell et al. (2016)
	Dependent	+	Jian and Lee (2015)
	Independent	0/–	Borghesi et al. (2014)
	Independent	+	Ikram et al. (2019)
	Dependent	0	Masulis and Reza (2015)

This table summarizes firm leadership characteristics proposed to relate to ESG/CSR in the academic literature on ESG/CSR in corporate finance. For each paper cited, we report the variable of interest and whether it is an independent or dependent variable, as well as the sign of the relation with ESG/CSR, where 0 indicates that no significant relation was found.

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3. Firms' ESG/CSR attributes and ownership characteristics

3.1 Institutional investor ownership

NOTE : not all agree with the sign of relationship / different measures of ESG/CSR profiles /

- Institutional ownership is negatively related to ESG/CSR score, but decline with low score
- particular type of institutional investor is important for understanding shareholder preferences
    - (pension fund / fund managers that donate to Democratic politicians) have a distaste for socially irresponsible stocks
- **reverse causality : presence of institutional shareholders affects managers' ESG/CSR choices**
- Peer effects

Problems unsolved : Reverse causality is unsolved, so there needs further research (**ex. strong external shock / dynamic effects of both elements**)

3.2 Family ownership

- in decisions about environmental investments, U.S. family firms are more responsible to shareholders than are the non-family firms

3.3 State ownership

- state-owned firms are more engaged in environmental and social issues than other firms, a result concentrated in energy firms and firms in emerging economies

- before their privatization, the privatized frms have higher ESG/CSR scores in aggregate, and on both the
  Environmental and Social dimensions, than other publicly listed frms

4. Firms' ESG/CSR attributes and frm risk

risk type：systematic risk / regulatory risk / supply chain risk/ product and technology risk/ litigation risk/ reputational risk/ physical risk

4.1 Risk measures

- lower systematic risk exposures
- perform better in financial crisis
- face a relatively less price elastic demand
- lower risk because wider investor base relative to irresponsible firms
- bond credit ratings as measures of frms' risk
  - ESG/CSR leads to more favorable bond ratings
  - Do not effect credit rating but yield other score benefits in country with above average ESG/CSR score
- frm's bond credit ratings and yield spreads are related to environmental scores and to climate regulatory risk
- reduce legal risk

4.2 Cost of capital

Table 4
Risk, cost of capital and ESG/CSR.

Primary Variable	Independent/Dependent Variable of Interest	Sign	Citation
Systematic risk	Dependent	–	El Ghoul et al. (2016)
	Dependent	–	Oikonomou et al. (2012)
	Dependent	–	Albuquerque et al. (2019)
Credit risk	Dependent	–	Jiraporn et al. (2014)
	Dependent	–	Seltzer et al. (2020)
	Dependent	0/–	Stellner et al. (2015)
Legal risk	Dependent	–	Schiller (2018)
	Dependent	–	Hong and Liskovich (2015)
Downside risk	Dependent	–	Hoepner et al. (2019)
	Dependent	–	Ilhan et al. (2019)
Idiosyncratic risk	Dependent	+	Becchetti et al. (2015)
	Dependent	0	Humphrey et al. (2012)
Equity cost of capital	Dependent	–	El Ghoul et al. (2011)
	Dependent	+/–	Breuer et al. (2018)
	Dependent	–	Hong and Kacperczyk (2009)
	Dependent	–	Chava (2014)
	Dependent	0/–	Ng and Rezaee (2015)
Debt cost of capital	Dependent	–	Chava (2014)
	Dependent	–	Goss and Roberts (2011)
	Dependent	–	Ng and Rezaee (2015)
	Dependent	–	Zerbib (2019)

This table summarizes types of risks proposed to relate to ESG/CSR in the academic literature on ESG/CSR in corporate finance. For each paper cited, we report the variable of interest and whether it is an independent or dependent variable, as well as the sign of the relation with ESG/CSR, where 0 indicates that no significant relation was found.

5. Firms' ESG/CSR attributes and firm performance and value

whether management choices with regard to corporate responsibility affect firm performance and firm value

- greater ESG/CSR performance can increase frm value by following way
    - increase shareholder wealth
        - increasing cash flow
        - discount rate (eg cost of capital)
    - Max share holder utility
- **concern both causality predict a positive association between performance and shareholder wealth**
    - which direction ?
- **selection effects**
    - effects more than CSR/ESG

Table 5
Performance, value and ESG/CSR.

Primary Variable	Independent/Dependent Variable of Interest	Sign	Citation
Financial constraints	Independent	−	Hong et al. (2012)
Revenue growth	Dependent	0	Di Giuli and Kostovetsky (2014)
ROA	Dependent	−	Di Giuli and Kostovetsky (2014)
	Dependent	+	Gillan et al. (2010)
	Dependent	0	Hsu et al. (2018)
	Dependent	+	Lins et al. (2017)
	Dependent	+	Liang and Renneboog (2017a)
	Dependent	+	Iliev and Roth (2020)
	Independent	+	Borghesi et al. (2014)
Free cash flow	Independent	+	Borghesi et al. (2014)
Long-run returns	Independent	+	Hong et al. (2012)
	Dependent	−	Di Giuli and Kostovetsky (2014)
	Dependent	0	Humphrey et al. (2012)
	Dependent	−	Hong and Kacperczyk (2009)
	Dependent	−	Bolton and Kacperczyk (2020)
	Dependent	+	Dimson et al. (2015)
	Dependent	+	Edmans (2011)
	Dependent	+	Lins et al. (2017)
	Dependent	+	Barko et al. (2018)
	Dependent	+	Statman and Glushkov (2009)
Short-run returns	Dependent	−	Masulis and Reza (2015)
	Dependent	+/−	Krüger (2015)
	Dependent	+	Deng et al. (2013)
	Dependent	+	Tang and Zhang (2020)
	Dependent	+	Flammer (2015)
	Dependent	+	Flammer (2021)
Tobin's *q*	Dependent	+	Gillan et al. (2010)
	Dependent	−	Buchanan et al. (2018)
	Dependent	0	Hsu et al. (2018)
	Dependent	+	Albuquerque et al. (2019)
	Dependent	+/−	Servaes and Tamayo (2013)
	Dependent	+	Gao and Zhang (2015)
	Dependent	+	Liang and Renneboog (2017a)
	Dependent	+	Ferrell et al. (2016)
Cash value	Dependent	+	Chang et al. (2019)
ROE	Dependent	+	Cornett et al. (2016)
Bond values	Dependent	+	Amiraslani et al. (2017)
Bond returns	Dependent	−	Amiraslani et al. (2017)