



Research on Corporate Transparency

Assignment 5: CSR Performance and Firm Profitability

Our fifth assignment revolves around the link between firms' CSR performance and their financial performance. The twist: In particular, we are interested in finding out how research design choices (the so-called “researcher degrees of freedom”) can affect results in empirical analyses.

On Moodle, you will find a dataset including variable descriptions that we retrieved via the Thomson Reuters' Eikon database (*assignment_5_dataset_including_variable_description.xlsx*). The firms in this dataset are S&P 500 constituents, and you will find all necessary information to estimate the following model in the cross-section for the fiscal year 2019:

$$\Delta ROA_{t+1} = \beta_0 + \beta_1 CSR_t + \beta_2 \Delta ROA_t + \beta_3 ROA_{t-1} + \epsilon$$

Please control for industry-wide effects. As for the CSR performance measure, we would like you to use a combined continuous score that also accounts for any CSR-related controversies.

Your task is the following:

1. Please prepare the data as you deem appropriate to estimate the regression model above, and estimate this model.
2. Send us your coefficient estimates with 95%-confidence intervals. Do also include a code file that enables us to reproduce your results.
3. In your e-mail to us please indicate which research design choices you took when preparing the data and estimating the model to generate your submitted coefficients.

The deadline for submitting your solution is *July, 12th*. Please submit your solution to Tobias via e-mail tobias.witter@wiwi.hu-berlin.de using the e-mail subject ‘*submission assignment 5*’.

We plan on discussing your solutions in the last Q&A session. Good luck and have fun!

