

New Evidence on the Role of the Media in Corporate Social Responsibility

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Abstract

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Key Words: Corporate Social Responsibility; Media Freedom; Corporate Governance; Corporate Reputation

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Abstract

Prior research suggests that the media plays an important information intermediary role in capital markets. We investigate the role of the media in influencing firms' engagement in corporate social responsibility (CSR) activities. Using a large sample of 4,453 unique firms from 53 countries over the period 2003 to 2012, we find strong evidence that firms engage in more CSR activities if located in countries where the media has more freedom. This relation is robust to using various proxies for media freedom and an alternative source of CSR data. In additional analyses, we find that the positive relation between media freedom and CSR engagement is stronger for better governed firms and for larger firms. Since the media have the ability to impact reputational capital, we conclude that media freedom affects firms' incentives to engage in costly CSR activities.

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“And, more than ever, companies are being watched. Embarrassing news anywhere in the world—a child working on a piece of clothing with your company's brand on it, say—can be captured on camera and published everywhere in an instant, thanks to the internet.” *The Economist*, January 17, 2008.

1. Introduction

Corporate Social Responsibility (CSR), defined as corporate social or environmental behavior that goes beyond the legal or regulatory requirements that a company faces (Kitzmueller and Shimshack, 2012), has become a common business practice around the world. For instance, consulting firm EPG (2015) reports that Global 500 companies spent an average of US\$20 billion per year on CSR over the period 2011 to 2013, and KPMG (2013) shows that the percentage of Fortune Global 250 firms that issue stand-alone CSR reports has increased from 52% in 2005 to 93% in 2013. These figures raise the question of why companies engage in costly CSR activities. A recent McKinsey survey reveals that a large majority of CFOs and investment professionals around the world believe that CSR programs add shareholder value. Indeed, the survey results suggest that maintaining a good corporate reputation is perceived by CFOs to be the most important driver of value creation. In a January 17, 2008 article, however, *The Economist* reports that while “Most of the rhetoric on CSR may be about doing the right thing and trumping competitors, ... much of the reality ... involves limiting the damage to the brand and the bottom line that can be inflicted by a bad press and consumer boycotts, as well as dealing with the threat of legal action”.

In this paper, we examine the role of the media in influencing firms' CSR activities. Recent anecdotal evidence suggests that the media can play an instrumental role in detecting and disseminating irresponsible corporate behavior. For instance, Enron's high-profile accounting irregularities attracted the attention of *Fortune* magazine's Bethany McLean who, in her March 5, 2001 article titled “Is Enron Overpriced?”, questioned the opaqueness of the company's financial reporting practices. Interestingly, her article preceded by several months investigations and actions taken by the SEC, the U.S. Department of Justice (DOJ), and even financial analysts, which eventually led to Enron's bankruptcy in December 2001. More recently, Wal-Mart's Mexican and Indian units have been the subject of a DOJ investigation related to corruption allegations under

the Foreign Corrupt Practices Act. On October 19, 2015, the WSJ reported that the DOJ investigation followed “a pair of 2012 *New York Times* articles about alleged bribes the world’s largest retailer by revenue might have paid in Mexico to obtain permits to build stores there”. According to the paper, “After the first *New York Times* report on the alleged Mexican bribes in April 2012, Wal-Mart’s shares fell around 5%, erasing \$10 billion in market value. Shares in its Mexico subsidiary, Wal-Mart de Mexico SAB, tumbled 12% on the report.” Other well-publicized cases of corporate irresponsibility involving major companies such as Apple, Amazon, BP, IKEA, and Nike have been the subject of investigations and charges by regulators and enforcement agencies and have ultimately impacted these companies’ reputations and CSR policies. Overall, anecdotal evidence suggests that by acting as a watchdog over corporate behavior, the media actively influences firm behavior. To date, however, there is little empirical evidence on the potential (*ex ante*) effect of the media on firms’ CSR activities. In particular, we know little about the extent to which the media affects a firm’s reputation, or a firm’s sensitivity to reputational concerns, leading it to engage in costly CSR activities.

Prior research starting with Zingales (2000) and Dyck and Zingales (2002) emphasizes that the media can play an important informational role by reducing informational asymmetries between firms and their stakeholders. This informational role can be achieved by rebroadcasting publicly available information produced by firms and other information intermediaries (information synthesization role) or by creating new content (investigative role) (Miller, 2006; Bushee, Core, Guay, and Hamm, 2010; Dai, Parwada, and Zhang, 2015).¹ Consistent with this idea, previous research finds that media coverage reduces the private benefits of control (Dyck and Zingales, 2004), corruption (Brunetti and Weder, 2003; Houston, Lin, and Ma, 2011), insiders’ future trading profits (Dai, Parwada, and Zhang, 2015), bid-ask spreads around earnings announcements (Bushee, Core, Guay, and Hamm, 2010), and the post-IPO cost of equity (Liu, Sherman, and Zhang, 2014). The media may also increase the likelihood that corporate governance violations are reversed (Dyck, Volchkova, and Zingales, 2008) and the likelihood that value-reducing acquisitions are abandoned (Liu and McConnell, 2013). There is also evidence that the media blows the whistle on corporate fraud (Dyck, Morse, and Zingales, 2010).

¹ One may argue that only new content is relevant for the media’s informational role. However, there is evidence that rebroadcasting publicly available content also matters. See, for instance, Huberman and Regev (2001), Liu, Sherman, and Zhang (2014), and Dai, Parwada, and Zhang (2015).

Building on this line of research, we propose that a free media can drive firm investment in CSR, for two main reasons. First, in a free media setting, investigative journalism is more common and rewarding, which is expected to increase the incentives of journalists and their employers to play an information intermediary role. Second, by investigating and disseminating information on corporate irresponsibility, a free media can affect the reputations of firms, managers, politicians, and regulators, which is expected to increase the incentives of firms to invest in CSR.

We further predict that the impact of media on CSR activities may vary based on firm-level characteristics. Specifically, we contend that the role of the media is more pronounced in larger firms (since the media has greater incentives to cover larger firms) and in better governed firms (since managers of better governed firms are more likely to react to negative media coverage).

To test these predictions, we obtain CSR ratings from Governance Metrics International (GMI) and media freedom data from Freedom House. The merged databases yield a sample of 25,507 observations representing 4,453 unique firms from 53 countries over the period 2003 to 2012. Consistent with our main prediction, we find that media freedom is significantly positively related to overall CSR ratings, suggesting that firms' incentives to engage in CSR are stronger in countries where the media have more freedom. When we separately examine the two components of a firm's overall CSR rating (the environmental rating and the social rating), we find that the positive relation between media freedom and CSR continues to hold for both components. These results are robust to using alternative sample specifications and estimation methods, alternative proxies for media freedom, and an alternative source of cross-country CSR data (ASSET4). Next, given the increasing importance of digital media, we examine whether digital media freedom impacts CSR activities. The results indicate that firms engage in more CSR activities in countries with greater digital media freedom. In additional analyses, we explore whether firms' increased incentives to engage in CSR activities in countries with more media freedom are influenced by corporate governance and firm size. We find that better governed firms and larger firms are more sensitive to media freedom. These findings are consistent with the predictions that the media has greater incentives to cover larger firms and that better governed firms are more sensitive to (negative) media coverage.

This paper makes four contributions to the literature. First, while prior CSR literature provides abundant evidence on the consequences of CSR, documenting its effects on firm value (e.g., Fatemi, Fooladi, and Tehranian, 2015), idiosyncratic risk (e.g., Lee and Faff, 2009), financial distress (e.g., Goss, 2009), the cost of capital and access to finance (e.g., El Ghoul, Guedhami, Kwok, and Mishra, 2011; Cheng, Ioannou, and Serafeim, 2014), and merger performance (Deng, Kang, and Low, 2013)², it identifies only a few country-level determinants of CSR, namely, regulation (Dawkins and Lewis, 2003) and national institutions (Ioannou and Serafeim, 2012). Our evidence suggests that the media are an important, but unexplored, country-level determinant of firms' investment in CSR. For instance, our results suggest that in addition to traditional proxies for press freedom, freedom of the digital media influences firms' CSR activities.

Second, prior studies (e.g., Fombrun, Gardberg, and Barnett, 2000; Godfrey, 2005) argue that firms engage in socially responsible activities to build trust and positive reputational capital with stakeholders. This reputational capital provides firms with insurance-like protection that tempers negative sanctions if a firm suffers an adverse event such as a regulatory violation or product crisis. Consistent with the insurance motive for CSR, Lins, Servaes, and Tamayo (2015) argue that CSR investment builds trust between the firm and its stakeholders, increasing stakeholder support during times of crisis. To the extent that reputation costs are more pronounced in countries where the media has more freedom, our findings suggest that the insurance motive can be more relevant in these countries, leading to greater incentives to engage in CSR activities.

Third, prior research on whether CSR activities are consistent with shareholder wealth maximization or represent the interests of entrenched managers is mixed (see, for example, Deng, Kang, and Low, 2013). Our results suggest that better governed firms are more responsive to media coverage than poorly governed firms. To the extent that better corporate governance is value-enhancing, our findings suggest that CSR activities are consistent with shareholders' interests.

The remainder of this paper is organized as follows. Section 2 reviews related literature and develops our hypotheses. Section 3 discusses our sample and variables, and provides descriptive statistics. Section 4 presents results. Section 5 concludes and discusses implications.

² This literature further suggests that CSR activities result in higher firm valuations by mitigating information asymmetry between firms and investors (Kim, Park, and Wier, 2012), by inducing more analyst coverage and reducing analyst forecast errors (Dhaliwal, Radhakrishnan, Tsang, and Yang, 2012), and by decreasing agency problems (Freeman, 1984).

2. Literature review and hypothesis development

Our paper focuses on the effect of media freedom on CSR. We argue that a free media exerts a positive effect on CSR for two reasons: i) journalists and the media industry have incentives to play an information intermediary role, and ii) the media affects the reputations of firms, managers, politicians, and regulators.

2.1. Incentives of journalists and the media industry

In a free media setting, investigative journalism is rewarded. Journalists who break news stories about corporate wrongdoing earn a reputation for effective reporting, expand their career opportunities, and secure a higher future income (Dyck, Morse, and Zingales, 2010). For instance, the two main journalists who investigated Enron's fraud schemes, Jonathan Weil from the *Wall Street Journal's* (WSJ) Texas regional edition and *Fortune* magazine's Bethany McLean, benefitted substantially from their Enron articles (Borden, 2007).³ After the scandal played out, Weil was hailed as the first reporter to question Enron's accounting practices, went on to become the WSJ's national accounting correspondent, and won numerous journalism awards, while McLean and her coauthor, Peter Elkind, secured a \$1.4 million deal on their book *The Smartest Guys in the Room*, which detailed the Enron scandal (based on McLean's two-year investigation for *Fortune*) and ultimately hit the *New York Times* bestseller list. In line with these anecdotes, Dyck, Morse, and Zingales (2010) trace the career paths of journalists who wrote articles revealing cases of fraud in large U.S. companies between 1996 and 2004 and find that compared to a matched sample of non-whistleblowing journalists, whistleblowing journalists are more likely to secure better jobs up to three years after the publication date of the incriminating articles. These results are consistent with journalists having career incentives to reveal corporate malfeasance.

Journalists' employers also have incentives to support the detection and dissemination of corporate wrongdoing. Profit-seeking newspapers, TV stations, and internet websites maximize the revenues generated from advertising, subscription, and cable fees by publishing or broadcasting stories that maximize readership, viewership, and traffic, respectively (Houston, Lin, and Ma, 2011). Since the media industry employs increasing-returns-to-scale technologies, it has

³ Interestingly, Weil's article entitled "Energy Traders Cite Gains, But Some Math Is Missing" did not make it to the WSJ national edition, and *Fortune* was subject to enormous pressure from Enron's executives not to publish McLean's article entitled "Is Enron Overpriced?"

incentives to reach large groups (Strömberg, 2004; Dyck, Moss, and Zingales, 2013).⁴ Thus, news stories about corporate wrongdoing have the potential to appeal to society at large (e.g., pollution, global warming, diversity), consumer groups (e.g., product quality, price gouging), or employees (e.g., work conditions). Dyck, Moss, and Zingales (2013) report that the media might be particularly effective in reducing information asymmetries between firms and broad, dispersed stakeholder groups suffering from collective action problems (i.e., when individual costs of gathering information outweigh their benefits from doing so). For such stakeholder groups, the media reduces the costs of becoming informed about the effects of corporate policies on their interests.⁵ According to Dyck, Moss, and Zingales (2013), the media lowers the costs of becoming informed through two channels: by “collecting, verifying, and summarizing relevant facts”, and by mixing news and entertainment, increasing the likelihood that an individual will become informed. That is, the costs of news consumption is reduced by the entertainment value of the news.

Employees are “natural” whistleblowers because they often witness corporate misconduct before anyone else does. When employees discover that their employer is engaging in unethical practices, they weigh the costs and benefits of blowing the whistle. The costs may be substantial, including possible employment termination or other negative career implications, testifying at a trial, and the accusation of disloyalty by colleagues (Borden, 2007).⁶ The main benefit of whistleblowing is self-protection against potential legal liability associated with the wrongdoing (Dyck, Morse, and Zingales, 2010).⁷ Thus, if corporate wrongdoing is unethical but *legal*, the net benefits for employee-whistleblowers may be very small.⁸ Consistent with the idea that employee-

⁴ This is due to high fixed costs in the media industry. Stromberg (2004), for instance, argues that once the fixed costs of producing the first newspaper have been taken into account, the marginal cost of a subsequent newspaper is simply the cost of printing and delivery. Similarly, once a TV program has been produced, the cost of reaching an additional viewer is small.

⁵ Strömberg (2004) argues that the recent ascent of broadcasters relative to newspapers allowed the media to reach low-education consumers (as they prefer audible and visual content to written content) and rural consumers (as technological progress reduced the distribution costs of broadcasters relative to newspapers), increasing the likelihood that low-education and rural consumer groups will be better informed when corporations infringe on their interests.

⁶ Borden (2007) notes that in the U.S., whistleblowers can only obtain reparatory justice in some cases where retaliatory firings are hard to prove. This is conditional on whistleblowers disclosing corporate wrongdoing to certain governmental authorities.

⁷ To encourage the revelation of fraud against the government, U.S laws allow whistleblowers to file *qui tam* suits under the False Claims Act. If the suit is successful, the whistleblower can obtain a fraction (between 10% and 30%) of recovered funds. Typically, however, whistleblowers do not obtain monetary rewards when other stakeholders are the victims of corporate wrongdoing.

⁸ However, the employee-whistleblower may obtain moral satisfaction from “doing the right thing”.

whistleblowers bear substantial costs, Dyck, Morse, and Zingales (2010) find that 45% of employee-whistleblowers hide their identities, and when they do disclose their identities, 82% claim that they eventually left their jobs, either because they were fired or forced to step down or because they became victims of retaliation. When asked, many employee-whistleblowers further said that if they had the opportunity to do it over again, they would not blow the whistle (Dyck, Morse, and Zingales, 2010, p. 2216).

Compared to employees, journalists enjoy better protection when revealing corporate wrongdoing. For instance, in the U.S., freedom of the press is guaranteed in the First Amendment of the Constitution, and in many countries, the legal protection afforded to journalists prevents firms from suing them for defamation. Importantly, in these countries journalists enjoy the “reporter’s privilege”, which is the legal right to protect the identity of anonymous sources.

Because journalists have superior incentives to reveal corporate misconduct, and are better protected when they do so, employees often blow the whistle via journalists. In this case, employees anonymously or confidentially provide inside information to journalists, who then break the story about the wrongdoing.⁹ In doing so, employees are able to conceal their identities, which minimizes the costs of retaliation by employers or colleagues, journalists are able to break news stories, which enhances their reputations and future career opportunities, and victims of corporate malfeasance are better able to claim damages for infringements of their rights. This arrangement has been used in many cases including the Enron affair, as WSJ’s Jonathan Weil was initially tipped by an anonymous Enron insider suggesting that he look closely at the company (Borden, 2007).

2.2. Reputational effects of media coverage

A free media can affect the reputations of not only a firm (Vogel, 2006), but also its executives and directors (Zingales, 2000; Dyck, Morse, and Zingales, 2010). A disproportionate fraction of executives and directors’ human capital and wealth are tied to the firm. This makes them vulnerable to negative shocks to their reputations. For instance, scandal-ridden executives and directors could lose their current jobs and future employment income,¹⁰ and also observe

⁹ Indeed, Dyck, Morse, and Zingales (2010) report that journalists are significantly (75% of cases) more likely than employees (45% of cases) to report their identities when blowing the whistle on corporate fraud.

¹⁰ Cline, Walkling, and Yore (2015) study the consequences of allegations of CEO personal indiscretions (e.g., drug abuse, extramarital affairs, violence). They find that CEO turnover increases and CEO pay decreases after such

depreciation of their stock and stock option portfolio values, following journalistic revelation of unethical corporate behavior. Thus, in response to the threat of journalistic revelations of corporate misbehavior, executives and directors are likely to direct their firms to act in socially responsible ways. This is particularly the case for firms with valuable brands that care about their public image. For instance, according to Vogel (2006, p. 53), “[T]he Gap, Disney, Mattel, Sainsbury (a British food retailer), Carrefour (a French global food retailer), Starbucks, McDonald’s, Shell, Unilever, Staples, Home Depot, Mars, Hershey, and C&A (a European clothing retailer) all have made policy changes in response to NGO and media criticisms of their social or environmental practices”.

One especially costly reputational penalty imposed by the media is shaming, which can serve as a form of extralegal punishment (Borden, 2007). Zingales (2000) describes the efforts of shareholder activist Robert Monks to force changes at Sears. Monks purchased a full-page ad in the WSJ that revealed the identity of Sears’ board members and singled them out as the “non-performing assets” of the company.¹¹ The media campaign proved more effective than a proxy fight (which had previously failed), as the abashed directors eventually implemented Monks’ proposed changes.¹² Dyck and Zingales (2004) similarly argue that the publication of violators of the Hong Kong Stock Exchange’s listing requirements is a more effective sanction than financial penalties, and Joe, Louis, and Robinson (2009) find that firms’ inclusion in *Business Week*’s worst board list—based on institutional investors’ assessment of board effectiveness—is associated with subsequent corrective corporate governance measures, including the replacement of the CEO and chairman and an increase in board independence.

The reputational penalties inflicted by media coverage could also affect politicians and regulators (Dyck, Volchkova, and Zingales, 2008). Voters might view politicians as passive in the

allegations. They also find that directors overseeing indiscreet CEOs receive significantly fewer votes at the following annual meeting. Gilson (1989) further shows that more than half of the CEOs of firms in or near default are replaced and that these CEOs are not hired again at publicly listed firms, while Gilson and Vetsuypens (1993) show that the CEOs of firms in or near default *that are not replaced* experience significant pay cuts.

¹¹ Dyck and Zingales (2002) note that Sears’ directors despised Monk because they were subject to mockery in their social circles following the WSJ ad. Other shareholder activists have used a similar strategy of naming and shaming in the media. For instance, CalPers used to publish an annual Focus List of underperforming firms that was widely rebroadcast by the media, and Hermitage Capital Management used to mediatize corporate malfeasance in Russia (Dyck, Volchkova, and Zingales, 2008).

¹² This example suggests that the media can play a role in disciplining managers and directors when formal means of doing so fail.

face of media reports on unethical corporate behavior. In response, politicians may introduce new legislation to force firms to behave more responsibly. Consistent with this idea, Borden (2007) argues that the Sarbanes-Oxley Act was passed by Congress (and backed by the White House) in response to the media outcry that followed a wave of corporate governance scandals. The media's ability to affect regulators' reputations may also lead regulators to impose heftier penalties on corporate wrongdoers (Dyck, Volchkova, and Zingales, 2008).

2.3. The role of firm size and corporate governance

While we argue that a free press influences firms to improve their CSR record, this relationship may not be uniform across firms. We expect the effect of the media on CSR to be more pronounced in large firms and better governed firms.

The media have incentives to cover large firms due to their prominence, the large number of stakeholders in these firms, and greater public interest in these firms. Stories about large firms are thus expected to attract more readers/viewers, increasing revenues. Also, since large firms have more employees, there are more potential sources for journalistic investigations into corporate wrongdoing. Consistent with these conjectures, Miller (2006) finds that large U.S. firms are more likely to have accounting fraud identified in the press. Similarly, Core, Guay, and Larcker (2008) find that highly paid CEOs at large firms attract negative media attention.¹³

Turning to the role of governance, because effective governance mechanisms lead to a better functioning board, managers of better governed firms are more likely to be fired after negative media coverage (Farrell and Whidbee, 2002). If they are not fired, managers of better governed firms are expected to be more responsive to negative media reports, reacting by performing corrective actions. We therefore expect that the media has a more important monitoring role that translates into higher CSR scores in better governed firms. Consistent with this conjecture, Bednar, Boivie, and Prince (2013) find that firms with more independent boards are more likely to implement strategic changes in response to negative media coverage.

¹³ One might wonder whether, as significant advertisers, large firms leverage their importance to deter the media from revealing their malfeasance. We argue that this is unlikely when the media are free. Anecdotally, despite intense lobbying efforts, Enron—the seventh-largest company in the U.S at the time—could not dissuade *Fortune* from publishing Bethany McLean's article. In addition, Miller (2006) shows that U.S. corporate fraudsters that happen to be among the largest advertisers are not less likely to attract media attention. Thus, large firms are unlikely to cause a media bias in the presence of media freedom.

3. Sample and variables

3.1. Sample selection

We obtain CSR and corporate governance data from GMI Ratings, financial data from Compustat North America (for U.S. and Canadian firms) and Compustat Global (for firms from the remaining countries), press freedom from Freedom House, and Gross Domestic Product (GDP) per capita in USD from World Development Indicators.¹⁴ We exclude financial firms (codes between 6000 and 6999) because they are subject to a different set of regulations than other firms. We also drop firms with missing observations on CSR scores, press freedom, and any of the control variables. After applying these screens, we obtain a sample of 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.¹⁵

3.2 Variables

3.2.1. CSR variables

GMI Ratings provides ESG (Environmental, Social, and Governance) ratings for publicly listed firms worldwide. These ratings are based on 150 ESG KeyMetrics organized into six component areas: Environmental, Social, Board, CEO Pay, Ownership & Control, and Accounting. Since our focus is on CSR, we limit attention to the first two components (Environmental and Social) and discard the last four, which are related to corporate governance. Appendix A lists GMI's Environmental and Social KeyMetrics in Panels A and B, respectively. GMI states that it collects publicly available information, mostly from company filings and reports, to build these metrics. However, some of its environmental KeyMetrics come from Trucost, another provider of proprietary data on a firm's environmental footprint. The KeyMetrics are assigned weights that vary according to the firm's industry sector. These weights reflect the relevance of different environmental and social activities for the particular industry sector. Appendix B shows the key areas of concern for GMI's 10 industry sectors. After applying weights

¹⁴ We also obtain alternative measures of CSR and press freedom, as we explain below. However, we do not use these alternative measures in constructing our main sample.

¹⁵ The sample countries are: Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Liberia, Luxembourg, Malaysia, Marshall Islands, Mauritius, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Portugal, Qatar, Russia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States.

to the KeyMetrics, GMI obtains Environmental and Social scores. GMI then uses these scores to rank firms into Environmental (ENV_S) and Social (SOC_S) percentile ratings that range from 1 (poor performance) to 100 (outstanding performance). Following El Ghouli, Guedhami, and Kim (2015) and Ioannou and Serafeim (2012), we construct a firm's overall CSR score (CSR_S) as the average of its environmental and social ratings.

3.2.2. Media variables

Atanassov and Kim (2009), Dyck and Zingales (2004), and Haw et al. (2004) argue that extra-legal institutions (such as the media) play a critical role in shaping corporate finance decisions and conclude that investigating the interaction between political, social, and legal factors should be a primary undertaking of corporate governance research. By considering the relation between the media and CSR, we attempt to broaden our knowledge of how the institutional environment affects contracting decisions.

To test the prediction that the media affects firm investment in CSR activities, we use multiple proxies for media freedom within each country. In a review of the most prominent measures of global press freedom, Burgess (2010) concludes that Freedom House, the International Research and Exchanges Board (IREX), and Reporters Without Borders (RWB or RSF (in the original French)) provide the most commonly cited indices.¹⁶ Accordingly, and also following Dyck and Zingales (2002) and Brunetti and Weder (2003), we first use the *Freedom of the Press* index from Freedom House (FOP_FH). An autonomous, non-governmental entity, Freedom House has scrutinized countries' press freedom since 1980. Its extensive and consistently tabulated data are drawn from surveys assessing each nation's legal, political, and economic environments. Burgess (2010) notes that the *Freedom of the Press* index is the most frequently cited indicator of global media independence, and Sobel, Dutta, and Roy (2011) claim that the Freedom House data are the most comprehensive measures of press freedom. The index ranges from 0 to 100, with larger scores reflecting lower freedom of the press. We multiply the original score by -1 so that higher values indicate greater media freedom.

The *Press Freedom* index from RWB (FOP_RWB) is the newest measure of media freedom. A survey-based metric that was first prepared in 2002, RWB's *Press Freedom* index

¹⁶ Indeed, Burgess (2010) observes that the indices from these three institutions comprise "an oligopoly of media ratings systems" (p.7).

focuses on more pragmatic aspects of media independence such as journalist safety, structural support (e.g., state control of printing operations), and the prevalence of censorship. In its standard form, a lower value of the *Press Freedom* index reflects a more favorable environment for journalists. We multiply the original score by -1, and thus higher values again indicate greater media freedom.

The *Media Sustainability* index (FOP_MSI) is the final member of the most widely cited measures of media freedom reported by Burgess (2010). As suggested by its name, it reflects the degree to which the nation's legal, political, social, and professional environments contribute to a sustainable, independent media. Formulated by IREX, the *Media Sustainability* index considers factors such as whether the media are well-managed enterprises, whether journalists adhere to professional standards, and whether the nation's political, legal, and social systems are conducive to free speech and public transparency. IREX works in conjunction with USAID to compile the MSI for 80 countries throughout Africa, Europe and Eurasia, and the Middle East. Although this geographical concentration limits coverage across our sample, we include the MSI as an additional measure of media freedom because of its unique focus on the sustainability of the media in different regions of the world. Higher values of the *Media Sustainability* index indicate that a nation's media are stronger, more independent, and freer.¹⁷

We also consider additional measures of media freedom and efficacy. Our fourth and fifth measures focus on government ownership of the press. Dyck and Zingales (2004) and Djankov et al. (2003) note that state control may weaken the media's willingness to expose government-initiated financial malfeasance. These findings suggest that state-owned media, perhaps reluctant to bite the hand that feeds it, is less likely to alert the public of misappropriation within state-owned enterprises (SOEs).¹⁸ Thus, as our fourth proxy for media effectiveness, we use the percentage of state-owned newspapers out of the nation's five largest daily newspapers by circulation (STATE_PRESS1). As an alternative proxy for state ownership of the media, we use the market share of state-owned newspapers relative to the aggregate market share of the five largest daily

¹⁷ Becker and Vlad (2011) report a high correlation between the MSI and the other measures of media freedom.

¹⁸ Jensen (1979) and Jensen and Meckling (1978) similarly conclude that alliances between politicians and the press may reduce the media's effectiveness.

newspapers by circulation (STATE_PRESS2). Data for these measures come from Djankov et al. (2003).

Burgess (2010) notes that a frequently cited shortcoming of common measures of media freedom is a focus on “old media”, such as print and broadcast media. To overcome this potential weakness, we also include a measure of the freedom of “new media”. Accounting for this possible technological bias is important given the recent increase in the ability of the internet and mobile communications to disseminate information and potentially circumvent existing media controls. As evidenced by events in the Middle East in 2011, the internet and social media can be powerful tools in penetrating informational barriers, mobilizing citizens, and advocating for reform. Perhaps in response to this rise in the influence of “new media”, governments in many countries have increased efforts to restrict internet openness. To assess the degree of internet and digital freedom, we employ the *Freedom on the Net* index (FON_FH). Developed by Freedom House, this numerically based metric for measuring and analyzing a nation’s freedom of “new media” reflects legal, regulatory, and other forms of governmental actions to censor content, impose obstacles to access, and repress online dissent.

In sum, supported by studies that “evaluate the evaluators” of media freedom (such as Burgess (2010) and Price (2011)), our measures of media freedom together provide a reasonable means of assessing cross-sectional differences in media independence and effectiveness. Burgess (2010) concludes that despite their individual shortcomings, the primary metrics that we use (from Freedom House, IREX, and RWB) are reliable, valid, and consistent barometers of the level of media freedom around the world.¹⁹ In the empirical analysis that follows, we employ these measures to investigate how media freedom affects firms’ decisions regarding investment in CSR.

3.2.2. Control variables

We follow extant literature in specifying control variables included in CSR regressions (e.g., Jo and Harjoto, 2011; Attig, Boubakri, El Ghouli, and Guedhami, 2015). Specifically, we control for the corporate governance score (GOV), log of sales in USD millions (SIZE), total debt to assets (LEV), sales growth from year $t-1$ to year t (SALE_GR), return on assets (ROA), research

¹⁹ The alleged deficiencies in the primary measures of media freedom (from Freedom House, IREX, and RWB) are a lack of transparency, potential cultural bias, and a focus on “old media”. We mitigate concerns about these weaknesses by also measuring media freedom with the *Freedom on the Net* index and the *State Press* measures. The former focuses on freedom of the “new media”; the latter are based on objective and verifiable market-based data.

and development expenses to sales (R&D/S), and log of GDP per capita in USD (LOG(GDP/CAP)).

3.3. Sample overview

Table 1 provides an overview of our sample by country of origin, year, and industry (according to industry group affiliations in Campbell (1996)). Of the 25,507 firm-year observations representing 4,453 unique firms from 53 countries, approximately 48% of the sample consists of U.S. firms. Other than Japan at 12% and the UK at 7.5%, the number of observations for each of the remaining 50 countries is less than 4% of our sample. As such, while we do have some clustering of data in three countries, the sample is well distributed across the remaining 50 countries. To control for the possible impact of U.S firms on our overall findings, in robustness tests we exclude U.S firms from the sample.

Table 1 also indicates that the number of observations in the sample has increased steadily over time. Specifically, the percentage of observations per year increases monotonically from 4.02% in 2003 to 16.12% in 2012. This reflects GMI's enhanced coverage over time. To account for heterogeneity across years, we control for year fixed effects in our analyses.

Additionally, Table 1 documents that our sample firms are from a wide variety of industry groups. While Basic Industry and Consumer Durables make up the largest portions of our sample (at 16.14% and 15.71%, respectively), each of the remaining industry groups, except for Other Industries, constitute at least 4% of the sample. In our subsequent analyses, we allow for heterogeneity across industries by controlling for industry fixed effects.

3.4. Descriptive statistics

Table 2 presents the CSR scores and the *Freedom of the Press* index for each country over the sample period. As can be seen, there is considerable variation in CSR scores across countries in our sample. Not surprisingly, the Scandinavian countries have higher scores than China, Indonesia, or Malaysia. Decomposing the overall CSR score into its environmental and social components reveals similar heterogeneity across countries. With respect to the *Freedom of the Press* index, the overall findings are not surprising. Countries such as China, Russia, and Singapore are rated as having low levels of media freedom, while Norway, Sweden, Finland, Denmark, and the Netherlands are rated as having much greater media freedom.

Panel A of Table 3 provides descriptive statistics for each of the variables we use in our analyses. The overall CSR score and its environment and social components are percentile scores, ranging between 1 and 100. The governance metric from GMI Ratings is constructed similarly and hence also can be thought of as a percentile score. The table presents averages for all firms across all countries in our sample. The average and median values for the overall CSR score, the environment and social scores, and the governance score are all close to 50. They are not exactly 50 because our sample construction requires merging data across several datasets (which causes some firms in the GMI Ratings database to drop out of our sample). For the same reason, the first (Q1) and third quartile (Q3) values are close to but not exactly 25 and 75. Variation in the *Freedom of the Press* index suggests some skewness in the data, with an average value of -21.51 but a median of -18.0. Leverage, ROA, and Sales Growth have average values very similar to the median: the average (median) firm in our sample uses debt that is 23% (22%) of total assets, has an ROA of 13% (12%), and has annual sales growth of 10% (7%).

Panel B of Table 3 presents correlations among our variables. Not surprisingly, we find strong positive correlations between the overall CSR score and its environmental and social components. However, the correlation between the environmental and social component scores, while positive, is less strong than the correlations between these two components and the overall CSR score. This suggests that there is some variation in a firm's commitment to the environment relative to its commitment to social issues. We next find that the correlation between the *Freedom of the Press* index and the overall CSR score as well as the environmental and social component scores is positive, which provides preliminary support for our central hypothesis. Also, we find that the correlation between the governance score and the overall score and the environmental and social component scores is positive, suggesting that better governed firms are more likely to engage in CSR activities. Turning to our control variables, the correlations are intuitive. Specifically, at the country level, wealthier countries have higher CSR scores; at the firm level, larger firms, firms with less leverage, and firms with a lower growth rate have higher CSR scores. These results indicate that we need to control for these variables in our multivariate analyses.

In the next section, we analyze whether the correlation between the *Freedom of the Press* index and the CSR scores remains positive in a multivariate regression framework (after controlling for the variables above that appear to be positively correlated with the CSR scores). We also conduct a battery of tests to check the robustness of our results.

4. Results

4.1. Does media freedom impact CSR?

In Table 4, we present results for tests of our main hypothesis that firms engage in more CSR activities in countries where the media has more freedom. To do so, we regress our CSR measures on the *Freedom of the Press* index, control variables, and industry and year fixed effects. We estimate the regressions using Tobit, since the dependent variable is truncated at 1 and 100.

The results are consistent with our hypothesis. In particular, in Model 1 (our baseline model), where the dependent variable is a firm's overall CSR score, the coefficient on *Freedom of the Press* is positive and significant at the 1% level. When we replace the overall CSR score with a firm's environmental responsibility score and social responsibility score in Models 2 and 3, respectively, the positive and significant coefficient on *Freedom of the Press* continues to hold. These findings suggest that in countries with greater media freedom, firms' overall CSR performance is due to engagement in environmentally responsible as well as socially responsible activities. Turning to the control variables, we find that the coefficients take the expected signs: firms in more wealthy nations, better governed firms, and larger firms engage in more CSR, while more levered and higher growth firms engage in less CSR.

The finding that firms engage in more CSR activities in countries with greater media freedom suggests that the media influences corporate decisions, nudging managers to engage in CSR activities. This result is consistent with prior literature showing that by impacting the reputations of executives and directors, the media can induce them to behave responsibly (Zingales, 2000; Dyck, Morse and Zingales, 2010). This result is also consistent with prior findings that a free media has incentives to detect and disseminate instances of corporate malfeasance (Dyck, Morse, and Zingales, 2010).

4.2. Robustness checks

4.2.1. Alternative sample construction and methodology

In Table 5, we check whether our main finding above is robust to alternative sample specifications and estimation methodologies. The dependent variable in this analysis is a firm's overall CSR score, and the regressions, again estimated using Tobit, include the same control variables as in Table 4 as well as industry and year fixed effects.

We begin by investigating whether our main finding is driven by firms from the U.S., which make up 48% of our sample. To do so, we re-estimate our baseline model using the subsample of non-U.S. firms. Model 1 presents the results. The coefficients on all the control variables continue to have the expected sign. More importantly, the coefficient on *Freedom of the Press* remains positive and significant at the 1% level, with the magnitude of the coefficient qualitatively similar to that in Table 4. These results indicate that the relation between the *Freedom of the Press* index and CSR activities is similar across U.S. and non-U.S. firms.

In Model 2, we re-estimate the model using a weighted regression, where the weights are the inverse of the number of observations in each country-year. This methodology gives more weight to countries with fewer observations to control for the fact that the U.S. and some other countries like Japan have disproportionately more firm-year observations in our sample. We find that the coefficient on *Freedom of the Press* is again positive and significant at the 1% level. This evidence suggests that our main finding is not driven by firms in countries with a larger number of firm-year observations.

In Model 3, we run country-year regressions where the estimated inputs are country-year averages of the regression variables. Once again, the coefficient on *Freedom of the Press* is positive and significant at the 1% level.

Overall, the findings in Table 5 using an alternative sample specification and alternative regression methodologies are consistent with our main result in Table 4, and suggest that firms in countries with greater media freedom engage in more CSR activities.

4.2.2. Alternative media proxies

To test whether our main finding is robust to the choice of media freedom measure, we re-estimate our baseline model using alternative proxies for the extent of media freedom in a country. Table 6 presents the results. In Model 1, we replace the *Freedom of the Press* index from Freedom House with the *Press Freedom* index of RWB (*FOP_RWB*). We find that the coefficient on this alternative proxy for media freedom is positive and significant at the 1% level. In Model 2, we instead use the *Media Sustainability* index developed by IREX (*FOP_MSI*). The coefficient on this proxy is also positive and significant at the 1% level. In Model 3, we estimate media freedom using the percentage of state-owned newspapers out of the five largest newspapers in the country (*STATE_PRESSI*). Since we expect this proxy to be inversely correlated with media freedom, we

predict it to be negatively related to CSR activities of firms in the given country. Consistent with this prediction, the coefficient on this proxy is negative and significant at the 1% level. Finally, in Model 4 of Table 6, we proxy for media freedom using the market share of state-owned newspapers out of the aggregate market share of the five largest newspapers in the country. Here, too, we expect our media proxy to be inversely related to the CSR activities of firms in that country. As predicted, the coefficient on our media proxy in Model 4 is negative and significant at the 1% level.

Overall, the results in Table 6 suggest that our main finding that firms in countries with greater media freedom engage in more CSR activities is robust to the choice of media proxy. The coefficient on the media proxy takes the predicted sign and is significant at the 1% level regardless of which of four alternative media proxies that we use in robustness tests.

4.2.3. Alternative proxies for CSR activities

Next, we check whether our findings are driven by the choice of CSR proxy. Recall that in Table 4, we use an overall CSR score based on the environmental and social activity scores provided by GMI Ratings, as well as the two component scores themselves. In Table 7, we also use an overall CSR score and its environmental and social activity component scores, but now the component scores come from ASSET4. As before, the overall CSR score is the average of a firm's scores on environmental and social activities.

In Panel A of Table 7, we regress the ASSET4-based CSR proxies on *Freedom of the Press*, the same control variables as in Table 4, and industry and year fixed effects. The dependent variable in Model 1 is a firm's overall CSR score based on the environmental and social scores from ASSET4, in Models 2 and 3, the dependent variable is the environmental score from ASSET4 and the social score from ASSET4, respectively. We find that in all cases, the coefficient on *Freedom of the Press* is positive and significant at the 1% level. These results indicate that our finding that firms in countries where the media have greater freedom engage in more CSR activities is robust to alternative proxies for CSR activities.

In Panel B of Table 7, the dependent variable is again the overall CSR score based on the component scores from ASSET4, but here we use alternative proxies for the degree of media freedom in each country. In particular, we use the proxies from Table 6. Similar to the findings in

Table 6, in all models the coefficient on the media freedom proxy is significant (in three cases at the 1% level and in the remaining case at the 10% level) and takes the expected sign.

Overall, the results in Table 7 confirm that our main finding is robust to alternative specifications for both the choice of CSR index and the choice of measure capturing the degree of media freedom in a country.

4.3. The impact of digital media freedom on CSR activities

Having determined that the extent of media freedom in a country impacts the CSR activities of firms in that country, we now examine whether digital media freedom in particular impacts firms' CSR activities. As the importance of digital media has increased over time, we hypothesize that digital media freedom should also impact firms' CSR activities. As such, we expect the coefficient on our proxy for digital media freedom to be significant and positive.

Table 8 presents results on the impact of digital media freedom on CSR. In Model 1, the dependent variable is the overall CSR index based on the component scores from GMI, and the independent variable of interest is the *Freedom on the Net* index developed by Freedom House. As predicted, the coefficient on *Freedom on the Net* is positive and significant at the 1% level. This indicates that firms engage in more CSR activities in countries with greater digital media freedom. In Models 2 and 3, the dependent variable is the environmental activities score and the social activities score of GMI, respectively. The coefficient on the main variable of interest, *Freedom on the Net*, remains positive and significant at the 1% level. These results suggest that firms engage in more environmental activities as well as in more social activities in countries with greater freedom of digital media.

In Models 4 through 6 of Table 8, we consider the impact of the freedom of both traditional media and digital media on firms' CSR activities. Since we expect both indexes to be correlated, we first regress the *Freedom of the Press* index on the *Freedom on the Net* index. The residual from this regression is the portion of the *Freedom of the Press* index that is unrelated to the *Freedom on the Net* index. The variables of interest in Models 4 through 6 are thus the *Freedom on the Net* index and the residual term capturing the portion of *Freedom of the Press* unexplained by freedom of digital media.

In Model 4, the dependent variable is the overall CSR score. The coefficient on *Freedom on the Net* is positive and significant at the 1% level. The coefficient on the residual term is also positive and significant at the 1% level. Moreover, the two coefficients are similar in magnitude, indicating that the magnitude of the impact of traditional media freedom and digital media freedom on the CSR activities of firms in a country is similar across both types of media.

In Model 5, the dependent variable is the environmental activities score. The coefficient on *Freedom on the Net* is positive and significant at the 1% level. Similar to our finding in Model 4, the coefficient on the residual term is also positive and significant at the 1% level. Moreover, the magnitudes of the two coefficients are similar, indicating that each has a similar impact on firms' environmental activities.

In Model 6, the dependent variable is the social activities score. The coefficient on *Freedom on the Net* is once again positive and significant at the 1% level. Moreover, the coefficient on the residual term is also positive and significant at the 1% level. Thus, traditional media freedom and digital media freedom both impact the social activities of firms in a country, with the effects of each type of media on social activities being similar.

Overall, the results in Table 8 indicate that both digital media freedom and traditional media freedom impact firms' CSR activities. Moreover, the impacts of a free digital media and a free traditional media on firms' CSR activities in a country are similar in magnitude.

4.4. The interaction of media freedom with corporate governance and firm size

Our findings above consistently show that firms from countries with greater media freedom engage in more CSR activities. The results also indicate that better governed firms engage in more CSR activities, and that larger firms engage in more CSR activities. In this section we test two additional hypotheses. First, we predict that better governed firms engage in more CSR activities in countries with greater media freedom. Second, we predict that larger firms engage in more CSR activities (relative to smaller firms) in countries where the media is freer. We argue that larger firms are more likely to attract media attention, and hence engage in more CSR activities when media freedom is greater.

In Model 1 of Table 9, we test the prediction that better governed firms are more likely to engage in CSR activities. The variable of interest is the interaction term between *Freedom of the*

Press and the governance rating by GMI Ratings. The results show that when we include both the governance rating of the firm and the interaction term between *Freedom of the Press* and the governance rating, *Freedom of the Press* is no longer statistically significant. However, the coefficient on the governance rating remains positive and significant at the 1% level, indicating that better governed firms do engage in more CSR activities. The coefficient on the interaction term is also positive and significant at the 1% level. This result confirms that better governed firms engage in more CSR activities in countries with greater media freedom. This result is consistent with Bednar, Boivie, and Prince (2013), who find that better governed firms (i.e., those with more independent boards) are more likely to implement changes in response to negative media coverage.

Model 2 of Table 9 tests the prediction that larger firms are more likely to engage in CSR activities in countries with greater media freedom. We find that *Freedom of the Press* is not statistically significant when we include firm size and the interaction term between firm size and *Freedom of the Press*. However, the coefficient on firm size remains positive and significant at the 1% level, indicating that larger firms do engage in more CSR activities. More importantly, the coefficient on the interaction term is positive and significant at the 1% level. This result indicates that larger firms in countries with greater media freedom engage in more CSR activities (than do smaller firms), which is consistent with Miller (2006) and with Core, Guay, and Larcker (2008), who find that larger firms are more likely to attract the attention of the media and hence are more likely to be influenced by a free press.

5. Conclusions

Recent research suggests that the media performs an important role in capital markets by investigating, analyzing, and disseminating information on corporate activities. To the extent that such information is available to investors, analysts, and other stakeholders, it can affect a firm's reputation and in turn can affect its value. In this paper, we investigate the role of the media in influencing firms' reputation concerns as reflected by their engagement in corporate social responsibility (CSR) activities. We argue that greater media freedom promotes investment in CSR activities through increased media incentives to act as an information intermediary and increased firm sensitivity to reputational costs.

Using a large sample of 4,453 unique firms from 53 countries over the period 2003 to 2012, we provide strong evidence that media freedom is positively and significantly related to firms' engagement in CSR activities. This evidence holds when we examine firms' social and environmental responsibility activities, and is robust to using various proxies for media freedom (including a measure of digital media freedom) and an alternative source of CSR data. In additional analyses, we find that the role of the media is more pronounced in larger and better governed firms. Taken together, our results suggest that the media is an important country-level determinant of CSR activities.

Our findings have important policy implications. First, the result that media freedom is positively related to firms' CSR activities implies that regulators may consider setting and enforcing higher compliance standards for social and environmental practices in countries with lower media freedom. This is because firms' voluntary CSR actions are less likely when firms are less sensitive to media coverage and hence bear less reputational costs. Second, since we find that media freedom has less of an effect on the CSR performance of small firms and poorly governed firms, policymakers may consider alternative institutions (such as regulations) to increase the incentives of these firms to invest in CSR activities.

Appendix A. GMI KeyMetrics

Panel A. GMI Environmental KeyMetrics	
High Environmental Impact Company	Companies operating in high environmental impact industries are inherently exposed to a greater degree of environmental risk, and their environmental ratings are adjusted accordingly.
Overall Environmental Impact	A company's environmental impact ratio, which measures the company's total environmental costs relative to total revenues, as reported by specialty environmental research firm Trucost. Flagged if significantly greater than its sector peers.
Supply Chain Impact	A company's supply chain environmental impact ratio, which measures the company's total supply chain-based environmental costs relative to total revenues, as reported by specialty environmental research firm Trucost. Flagged if significantly higher than its sector peers.
Carbon Emissions	A company's CO ₂ intensity ratio, as reported by specialty environmental research firm Trucost. Flagged if significantly higher than its sector peers.
Water Use	A company's water intensity ratio, as reported by specialty environmental research firm Trucost. Flagged if significantly higher than its sector peers.
Waste Production	A company's waste intensity ratio, as reported by environmental specialist Trucost. Flagged if significantly higher than its sector peers.
Environmental Disclosure	A company's environmental impact disclosure practices, as reported by environmental specialist Trucost. Flagged if significantly worse than its sector peers.
Environmental Disclosure Change	A company's environmental impact disclosure practices, as reported by environmental specialist Trucost. Flagged if declining.
Carbon Emission Reporting	A company's CO ₂ intensity disclosure practices, as reported by environmental specialist Trucost. Flagged if significantly worse than its sector peers.
Water Use Reporting	A company's water intensity impact disclosure practices, as reported by environmental specialist Trucost. Flagged if significantly worse than its sector peers.
Waste Production Reporting	A company's waste intensity impact disclosure practices, as reported by environmental specialist Trucost. Flagged if significantly worse than its sector peers.
Forest Degradation	Flagged if within the past two years it has been alleged or reported that the company caused or substantially contributed to the degradation of forest resources in one or more areas by either a single incident or long-term impact, based on GMI's standards.
Biodiversity & Wildlife Impact	Flagged if within the past two years it has been alleged or reported that the company caused or had substantial negative impact on wildlife or biological diversity in one or more areas by either a single incident or long-term impact, based on GMI's standards.
Air Pollution	Flagged if within the past two years it has been alleged or reported that the company caused or substantially contributed to environmental damage as a result of air pollution by either a single incident or long-term impact, based on GMI's standards.
Spills or Dumping	Flagged if within the past two years it has been alleged or reported that the company caused or substantially contributed to environmental damage as a result of chemical/oil spills, toxic dumping or waste disposal by either a single incident or long-term impact, based on GMI's standards.
Other Environmental Impact Events	Flagged if within the past two years it has been alleged or reported that the company caused or substantially contributed to environmental damage, not otherwise specified, based on GMI's standards.
Other Environmental Investigations	Flagged if within the past two years the company has come under investigation, or been subject to fine, settlement, or conviction as a result of its environmental practices, based on GMI's standards.
Alternative Energy	Flagged if, for companies operating in high environmental impact industries, the company has not adopted or is not planning to adopt alternative energy practices that would lower its future environmental impact.

Impact Reduction Targets	Flagged if, for companies operating in high environmental impact industries, the company has not identified specific environmental impact reduction targets.
Environmental Management	[on this and the next page, continue the changes made on prior page, if you care for them]For companies operating in high environmental impact industries, does the company utilize an environmental management system for some or all of its operations? Flagged if no.
Environmental Certification	For companies operating in high environmental impact industries, has the company sought and obtained ISO 14001 Certification for some or all of its operations? Flagged if no.
Panel B. GMI Social KeyMetrics	
High Social Impact Company	Companies operating in high social impact industries or regions or of such a size and international scope as to be inherently exposed to a greater degree of baseline social risk are flagged here, and their social ratings adjusted accordingly.
Other Social Impact Events	Has the company experienced one or more negative social impact events not otherwise specified? Flagged if yes within the past two years.
Other Social Investigations	Has the company come under investigation, or been subject to fine, settlement, or conviction as a result of the social impact of its business practices, based on GMI's standards? Flagged if yes within the past two years.
Human Rights Violations	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction for human rights violations (direct or supply chain) not otherwise specified? Flagged if yes within the past two years.
Human Trafficking	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction related to human trafficking (direct or supply chain)? Flagged if yes within the past two years.
Indigenous People's Rights	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction related to the violation of indigenous people's rights (direct or supply chain)? Flagged if yes within the past two years.
Labor Practices	Has the company come under investigation or been subject to fine, settlement, or conviction for unfair labor practices or other labor violations (direct or supply chain)? Flagged if yes within the past two years.
Discriminatory Employment Practices	Has the company come under investigation, or been subject to fine, settlement, or conviction for discriminatory employment practices? Flagged if yes within the past two years.
Sweat Shops	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction for sweat shop violations (direct or supply chain)? Flagged if yes within the past two years.
Child Labor	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction for child labor violations (direct or supply chain)? Flagged if yes within the past two years.
Discriminatory Business Practices	Has the company come under investigation, or been subject to fine, settlement or conviction for discriminatory business practices? Flagged if yes within the past two years.
Community Relations	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction related to local community relations not otherwise specified (direct or supply chain)? Flagged if yes within the past two years.
Animal Welfare	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction related to animal welfare, including the use of animals for product testing (direct or supply chain)? Flagged if yes within the past two years.
Money Laundering	Has the company come under investigation, or been subject to fine, settlement, or conviction for directly engaging in or facilitating money laundering? Flagged if yes within the past two years.
Anti-Competitive Behavior	Has the company come under investigation, or been subject to fine, settlement, or conviction for engaging in anti-competitive behavior, such as price fixing, bid rigging, or monopolistic practices? Flagged if yes within the past two years.
FCPA, Bribery or Corruption	Has the company come under investigation, or been subject to fine, settlement, or conviction for FCPA (Foreign Corrupt Practices Act), or other bribery or corruption violations, by company employees or other corporate agents? Flagged if yes within the past two years.
Trade Violations	Has the company come under investigation, or been subject to fine, settlement, or conviction for trade improprieties such as embargo, import/export, or restricted trade violations? Flagged if yes within the past two years.

Obstruction of Justice or False Statements	Has the company come under investigation, or been subject to fine, settlement, or conviction for obstruction of justice or false statements? Flagged if yes within the past two years.
Product Liability	Has the company come under investigation, or been subject to fine, settlement, or conviction for product or service related violations or other negative impacts? Flagged if yes within the past two years.
Controversial Product Impact	Has the company been the target of allegations by a responsible party or media reports, or been subject to fine, settlement, or conviction related to controversial products (direct or supply chain)? Flagged if yes within the past two years.
Stakeholder Fraud and Abuse	Has the company come under investigation, or been subject to fine, settlement, or conviction for fraud or abuse of stakeholders other than investors, such as consumers, suppliers or the government? Flagged if yes within the past two years.
Consumer Privacy Concerns	Has the company come under investigation, or been subject to fine, settlement, or conviction for consumer privacy violations? Flagged if yes within the past two years.
Sovereign Risk Exposure	Does the company operate in countries or regions where political stability or unrest may put the company's assets or operations at significant risk, based on GMI's standards? Flagged if yes.
Tax Evasion or Offshore Finance	Has it been alleged or reported or has the company come under investigation, or been subject to fine, settlement, or conviction for engaging in or facilitating tax avoidance, tax evasion, or offshore finance practices intended to limit the fair payment of taxes or fair disclosure of significant assets or liabilities? Flagged if yes within the past two years.
Political Activity Disclosure	Does the company disclose a policy that specifically prohibits or allows direct engagement in corporate-level political activities through campaign contributions or other endorsements of political parties or candidates? Flagged if no.
Pay Linked to Sustainability	For companies operating in high environmental or social impact industries, has the company incorporated links to environmental or social performance in its current incentive pay policies? Flagged if no.
Sustainability Board Oversight	For companies operating in high environmental or social impact industries, has the board assumed formal responsibility for strategic oversight of the company's environmental practices? Flagged if no.
Sustainability Reporting Framework	For companies operating in high environmental or social impact industries, does the company utilize the GRI reporting framework? Flagged if no.
Sustainability Reporting	For companies operating in high environmental or social impact industries, has the company published a formal sustainability report or does it maintain a reporting section on its website or annual report that contains sustainability data which has been updated in the past two years? Flagged if no.
UN Global Compact	For companies operating in high environmental or social impact industries, is the company a UN Global Compact signatory? Flagged if no.
Workplace Safety	Has the company experienced a workplace safety event? Flagged if yes within the past two years.
Workplace Safety Auditing	For companies in industries where workplace safety is an active concern, based on GMI's standards, has the company implemented OSHAS 18001 as its occupational health and safety management system? Flagged if no.
Workplace Safety Reporting	Does the company actively disclose its workplace safety record in its annual report or other reporting vehicle? Flagged if no.

Appendix B. Key Areas of Concern by Industry Sector

<p>Basic Materials</p> <ul style="list-style-type: none"> • Environmental compliance • Operational resource efficiency and responsible resource management • Environmentally friendly innovation, including the use of alternative energy sources • Community relations, including bribery and corruption • Employee relations and human rights • Workplace safety 	<p>Industrials</p> <ul style="list-style-type: none"> • Environmental compliance and regulatory oversight • Operational resource management • Community relations, including bribery or corruption • Employee relations and human rights • Workplace safety
<p>Cyclical Consumer Goods/Services</p> <ul style="list-style-type: none"> • Responsible resource management • Environmental supply chain issues • Anti-competitive behavior or price fixing • Product quality and lifecycle issues • Social supply chain issues, such as the use of sweat shops or child labor • Employee relations and human rights • Workplace safety 	<p>Non-Cyclical Consumer Goods/Services</p> <ul style="list-style-type: none"> • Operational resource management • Environmental supply chain issues • Anti-competitive behavior or price fixing • Product quality • Social supply chain issues, such as the use of sweat shops or child labor • Employee relations and human rights • Workplace safety
<p>Energy</p> <ul style="list-style-type: none"> • Environmental compliance • Operational resource management • Community relations, including bribery or corruption • Workplace safety 	<p>Technology</p> <ul style="list-style-type: none"> • Governmental & regulatory oversight • Operational resource management • Environmental supply chain issues • Anti-competitive behavior or price fixing • Social supply chain issues, such as the use of sweat shops or child labor • Consumer privacy concerns
<p>Financials</p> <ul style="list-style-type: none"> • Financial risk management • Anti-competitive behavior or price fixing • Money laundering • Bribery or corruption • Securities fraud and insider trading • Environmental or social impact lending risks 	<p>Telecommunications Services</p> <ul style="list-style-type: none"> • Customer relations • Governmental & regulatory oversight • Environmental supply chain issues • Anti-competitive behavior or price fixing • Community relations
<p>Healthcare</p> <ul style="list-style-type: none"> • Regulatory approval procedures and testing • Anti-competitive behavior or price fixing • Ethical marketing • Product safety and liability 	<p>Utilities</p> <ul style="list-style-type: none"> • Governmental & regulatory oversight • Environmental compliance, especially greenhouse gas emissions • Anti-competitive behavior or price fixing • Community relations

Appendix C. Variable definitions

Variable	Definition	Source
Panel A. Dependent variables		
<i>CSR_S</i>	CSR score. Average of <i>ENV_S</i> and <i>SOC_S</i> .	GMI Ratings
<i>ENV_S</i>	Environmental score.	As above
<i>SOC_S</i>	Social score.	As above
<i>CSR_A4_S</i>	Alternative CSR score. Average of environmental score and social score.	ASSET4
<i>ENV_A4_S</i>	Alternative environmental score.	As above
<i>SOC_A4_S</i>	Alternative social score.	As above
Panel B. Media variables		
<i>FOP_FH</i>	Freedom of the Press index. We multiply the original score by -1 such that higher values indicate more freedom.	Freedom House
<i>FOP_RWB</i>	Press Freedom index. We multiply the original score by -1 such that higher values indicate more freedom.	Reporters Without Borders
<i>FOP_MSI</i>	Media Sustainability index. Higher values indicate more freedom.	International Research and Exchanges Board (IREX)
<i>STATE_PRESS1</i>	Percentage of state-owned newspapers out of the five largest daily newspapers (by circulation).	Djankov et al. (2003)
<i>STATE_PRESS2</i>	Market share of state-owned newspapers out of the aggregate market share of the five largest daily newspapers (by circulation).	As above
<i>FON_FH</i>	Freedom on the Net index. We multiply the original score by -1 such that higher values indicate more freedom.	Freedom House
Residual <i>FOP_FH</i>	Residual from regressing <i>FOP_FH</i> on <i>FON_FH</i> .	As above
Panel C. Control variables		
<i>GOV</i>	Corporate governance score.	GMI Ratings
<i>SIZE</i>	Log of sales in USD millions.	Compustat
<i>LEV</i>	Total debt to assets.	As above
<i>SALE_GR</i>	Sales growth from year $t-1$ to year t .	As above
<i>ROA</i>	Return on assets.	As above
<i>R&D/S</i>	Research and development expenses to sales.	As above
<i>LOG(GDP/CAP)</i>	Log of GDP per capita in USD.	World Development Indicators

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Table 1. Sample breakdown by country, year, and industry

Country	N	%	Country	N	%
Australia	740	2.90	Qatar	1	0.00
Austria	111	0.44	Russia	113	0.44
Belgium	136	0.53	Singapore	212	0.83
Brazil	279	1.09	South Africa	198	0.78
Canada	819	3.21	South Korea	434	1.70
Chile	91	0.36	Spain	247	0.97
China	275	1.08	Sweden	286	1.12
Colombia	28	0.11	Switzerland	324	1.27
Cyprus (Greek)	8	0.03	Thailand	68	0.27
Czech Republic	14	0.05	Turkey	70	0.27
Denmark	153	0.60	United Kingdom	1,912	7.50
Egypt	28	0.11	United States	12,331	48.34
Finland	207	0.81	Total	25,507	100
France	654	2.56			
Germany	563	2.21	Year	N	%
Greece	87	0.34	2003	1,025	4.02
Hong Kong	238	0.93	2004	1,530	6.00
Hungary	21	0.08	2005	2,006	7.86
India	331	1.30	2006	2,342	9.18
Indonesia	94	0.37	2007	2,616	10.26
Ireland	123	0.48	2008	2,807	11.00
Israel	72	0.28	2009	2,906	11.39
Italy	244	0.96	2010	3,025	11.86
Japan	3,063	12.01	2011	3,138	12.30
Liberia	8	0.03	2012	4,112	16.12
Luxembourg	60	0.24	Total	25,507	100
Malaysia	137	0.54			
Marshall Islands	1	0.00	Industry	N	%
Mauritius	5	0.02	Petroleum	1,477	5.79
Mexico	117	0.46	Consumer durables	4,007	15.71
Morocco	7	0.03	Basic industry	4,116	16.14
Netherlands	223	0.87	Food and tobacco	1,464	5.74
New Zealand	76	0.30	Construction	1,166	4.57
Norway	116	0.45	Capital goods	2,847	11.16
Pakistan	3	0.01	Transportation	1,151	4.51
Panama	6	0.02	Utilities	2,907	11.40
Papua New Guinea	9	0.04	Textiles and trade	1,761	6.90
Peru	8	0.03	Services	2,570	10.08
Philippines	30	0.12	Leisure	1,077	4.22
Poland	55	0.22	Other industries	964	3.78
Portugal	71	0.28	Total	25,507	100

This table presents the sample distribution by country of origin, year, and industry (according to the industry group affiliations in Campbell (1996)). The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.

Table 2. Averages of CSR scores and media freedom index by country

Country	CSR_S	ENV_S	SOC_S	FOP_FH	Country	CSR_S	ENV_S	SOC_S	FOP_FH
Australia	49.72	45.48	53.96	-20.8	Marshall Islands	38.5	41	36	-17
Austria	53.37	49.8	56.94	-21	Mauritius	22	3.8	40.2	-28
Belgium	46.57	46.71	46.44	-11.36	Mexico	38.47	38.18	38.76	-57.67
Brazil	51.14	46.55	55.72	-43.78	Morocco	51.29	68.86	33.71	-65.43
Canada	52.65	42.94	62.36	-18.56	Netherlands	51.35	49.61	53.09	-12.52
Chile	32.86	29.66	36.05	-30.07	New Zealand	57.66	56.86	58.47	-14.26
China	33.2	28.99	37.4	-84.3	Norway	51.81	40.59	63.03	-10.24
Colombia	40.04	25.89	54.18	-56.54	Pakistan	47.83	41	54.67	-64
Cyprus	57.38	31.88	82.88	-93.5	Panama	15.08	15	15.17	-45
Czech Republic	53.36	41.86	64.86	-18.43	Papua New Guinea	69.78	49.33	90.22	-27.33
Denmark	59.38	57.01	61.76	-11.16	Peru	55.25	49.63	60.88	-43.38
Egypt	43.04	36.61	49.46	-60.64	Philippines	23.42	16.93	29.9	-43.93
Finland	54.94	50.57	59.31	-9.71	Poland	47.62	40.33	54.91	-24.75
France	53.42	54.13	52.72	-22.05	Portugal	54.92	59.92	49.93	-15.69
Germany	54.58	55.94	53.23	-16.33	Qatar	22.5	31	14	-67
Greece	53.39	54.86	51.91	-30.01	Russia	37.34	38.58	36.11	-79.95
Hong Kong	38.76	34.5	43.03	-31.99	Singapore	44.02	40.25	47.8	-67.59
Hungary	65.81	67.9	63.71	-26.86	South Africa	56.51	50.69	62.33	-31.97
India	45.29	39.65	50.93	-36.03	South Korea	42.61	44.63	40.58	-30.84
Indonesia	33.98	23.77	44.19	-51.26	Spain	45.75	46.79	44.72	-23.32
Ireland	46	40.3	51.69	-15.5	Sweden	51.94	51.86	52.03	-10.23
Israel	34.74	32.92	36.57	-29.24	Switzerland	51.81	50.95	52.67	-12.1
Italy	51.55	48.73	54.37	-32.63	Thailand	35.71	23.97	47.44	-59.68
Japan	53.98	55.5	52.46	-21.13	Turkey	43.62	35.47	51.77	-53.09
Liberia	35.19	36.63	33.75	-61.63	United Kingdom	52.94	50.21	55.68	-19.32
Luxembourg	57.25	57.63	56.87	-11.9	United States	51.97	50.62	53.31	-17.22
Malaysia	35.62	29.92	41.32	-64.32	All countries	51.18	49.5	52.86	-21.51

This table presents averages of CSR scores and the Freedom of the Press index for each country over the sample period. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FOP_FH* is the Freedom of the Press index developed by Freedom House. The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.

Table 3. Descriptive statistics and correlation matrix

Panel A. Descriptive statistics											
Variable	Mean	Min	Q1	Median	Q3	Max	SD				
<i>CSR_S</i>	51.18	1.00	33.00	50.50	71.00	100.00	25.05				
<i>ENV_S</i>	49.50	1.00	23.00	49.00	75.00	100.00	29.62				
<i>SOC_S</i>	52.86	1.00	28.00	55.00	79.00	100.00	29.25				
<i>FOP_FH</i>	-21.51	-96.00	-21.00	-18.00	-17.00	-8.00	11.84				
<i>GOV</i>	49.42	1.00	24.00	49.00	75.00	100.00	29.06				
<i>SIZE</i>	7.95	-3.35	6.96	7.94	8.98	13.06	1.58				
<i>LEV</i>	0.23	0.00	0.09	0.22	0.34	0.73	0.17				
<i>SALE_GR</i>	0.10	-0.45	-0.01	0.07	0.17	1.13	0.22				
<i>ROA</i>	0.13	-0.16	0.08	0.12	0.18	0.44	0.09				
<i>R&D/S</i>	0.03	0.00	0.00	0.00	0.03	0.44	0.07				
<i>LOG(GDP/CAP)</i>	10.52	5.11	10.55	10.74	10.79	11.63	0.65				
Panel B. Correlation matrix											
	<i>CSR_S</i>	<i>ENV_S</i>	<i>SOC_S</i>	<i>FOP_FH</i>	<i>GOV</i>	<i>SIZE</i>	<i>LEV</i>	<i>SALE_GR</i>	<i>ROA</i>	<i>R&D/S</i>	<i>LOG(GDP/CAP)</i>
<i>CSR_S</i>	1										
<i>ENV_S</i>	0.853	1									
<i>SOC_S</i>	0.849	0.449	1								
<i>FOP_FH</i>	0.123	0.127	0.081	1							
<i>GOV</i>	0.449	0.361	0.404	0.070	1						
<i>SIZE</i>	0.064	0.031	0.078	-0.099	-0.177	1					
<i>LEV</i>	-0.043	-0.087	0.015	-0.051	-0.049	0.188	1				
<i>SALE_GR</i>	-0.050	-0.045	-0.040	-0.073	0.051	-0.052	-0.033	1			
<i>ROA</i>	0.002	0.017	-0.015	-0.024	0.036	0.083	-0.139	0.156	1		
<i>R&D/S</i>	0.029	0.093	-0.044	0.122	0.032	-0.325	-0.187	0.031	-0.235	1	
<i>LOG(GDP/CAP)</i>	0.105	0.112	0.068	0.690	0.036	-0.118	-0.041	-0.098	-0.078	0.129	1

This table presents summary statistics and a correlation matrix for the regression variables. Panel A provides mean, minimum, first quartile, median, third quartile, maximum, and standard deviation. Panel B shows pair-wise correlations. The correlation coefficients reported in boldface are statistically significant at the 1% level. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FOP_FH* is the Freedom of the Press index developed by Freedom House. Appendix C provides definitions and data sources for the regression variables.

Table 4. The impact of media freedom on CSR and its components

	Dependent variable:		
	<i>CSR_S</i>	<i>ENV_S</i>	<i>SOC_S</i>
	(1)	(2)	(3)
<i>FOP_FH</i>	0.158*** (5.42)	0.128*** (3.43)	0.196*** (5.09)
<i>GOV</i>	0.417*** (51.41)	0.397*** (38.25)	0.441*** (47.51)
<i>SIZE</i>	3.079*** (17.84)	3.174*** (14.60)	3.137*** (13.94)
<i>LEV</i>	-4.657*** (-3.26)	-6.619*** (-3.65)	-2.767 (-1.61)
<i>SALE_GR</i>	-5.071*** (-7.18)	-6.071*** (-7.07)	-4.131*** (-4.91)
<i>ROA</i>	-3.157 (-1.18)	5.301 (1.58)	-11.597*** (-3.58)
<i>R&D/S</i>	13.877*** (3.86)	38.942*** (8.55)	-9.833*** (-2.29)
<i>LOG(GDP/CAP)</i>	1.223** (2.44)	1.714*** (2.72)	0.834 (1.26)
Intercept	-11.544* (-1.94)	-27.418*** (-3.66)	1.885 (0.24)
Industry effects	Yes	Yes	Yes
Year effects	Yes	Yes	Yes
N	25,507	25,507	25,507
Pseudo-R ²	0.0332	0.0251	0.0254

This table presents results from Tobit regressions of CSR scores on freedom of the press and a number of controls. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FOP_FH* is the Freedom of the Press index developed by Freedom House. Appendix C provides definitions and data sources for the regression variables. Unreported industry controls are based on Campbell's (1996) industry classification. *t*-statistics based on robust standard errors adjusted for clustering by firm are reported in parentheses. The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.

Table 5. The impact of media freedom on CSR: Robustness to sample composition

	Exclude U.S. firms	Weighted regression	Country-year regression
	(1)	(2)	(3)
<i>FOP_FH</i>	0.168*** (5.63)	0.108*** (3.05)	0.118*** (3.05)
<i>GOV</i>	0.405*** (34.02)	0.577*** (29.44)	0.490*** (6.06)
<i>SIZE</i>	3.338*** (12.42)	1.495*** (4.14)	0.464 (0.51)
<i>LEV</i>	-5.189** (-2.32)	-2.613 (-0.92)	-5.007 (-0.52)
<i>SALE_GR</i>	-2.525** (-2.49)	0.291 (0.18)	3.798 (0.78)
<i>ROA</i>	-6.035 (-1.47)	-7.136 (-1.54)	-30.730** (-2.20)
<i>R&D/S</i>	24.734*** (2.93)	9.811 (1.28)	122.678** (1.99)
<i>LOG(GDP/CAP)</i>	1.067** (2.07)	0.710 (1.20)	-0.086 (-0.12)
Intercept	-13.163** (-2.04)	6.614 (0.82)	8.441 (0.49)
Industry effects	Yes	Yes	Yes
Year effects	Yes	Yes	Yes
N	13,176	25,507	420
Pseudo-R ²	0.0308	0.0548	0.106

This table presents results from Tobit regressions of CSR scores on Freedom of the Press and a number of controls. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FOP_FH* is the Freedom of the Press index developed by Freedom House. Appendix C provides definitions and data sources for the regression variables. Model 1 excludes U.S. firms. Model 2 is a weighted regression, where the weights equal the inverse of the number of observations in each country-year. Model 3 uses country-year averages of the regression variables. Unreported industry controls are based on Campbell's (1996) industry classification. *t*-statistics based on robust standard errors adjusted for clustering by firm are reported in parentheses. The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.

Table 6. The impact of media freedom on CSR: Alternative media proxies

	<i>Media Proxy:</i>			
	<i>FOP_RWB</i>	<i>FOP_MSI</i>	<i>STATE_PRESS1</i>	<i>STATE_PRESS2</i>
	(1)	(2)	(3)	(4)
<i>Media Proxy</i>	0.156*** (7.81)	15.873*** (4.80)	-7.598*** (-3.78)	-7.238*** (-3.64)
<i>GOV</i>	0.475*** (59.94)	0.378*** (5.38)	0.414*** (50.91)	0.414*** (50.92)
<i>SIZE</i>	3.027*** (18.12)	3.620* (1.83)	3.115*** (17.94)	3.113*** (17.93)
<i>LEV</i>	-3.915*** (-2.80)	18.943* (1.93)	-4.485*** (-3.11)	-4.479*** (-3.11)
<i>SALE_GR</i>	-4.250*** (-5.96)	11.856** (2.29)	-4.979*** (-6.99)	-4.988*** (-7.01)
<i>ROA</i>	-1.942 (-0.73)	-8.348 (-0.51)	-3.406 (-1.26)	-3.381 (-1.25)
<i>R&D/S</i>	13.813*** (3.89)	-143.454 (-0.18)	14.312*** (3.97)	14.314*** (3.97)
<i>LOG(GDP/CAP)</i>	0.548 (1.25)	-4.597 (-1.13)	2.746*** (7.01)	2.765*** (7.05)
Intercept	-8.554* (-1.69)	2.959 (0.08)	-30.343*** (-6.63)	-30.544*** (-6.67)
Industry effects	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes
N	22,345	261	25,179	25,179
Pseudo-R ²	0.0410	0.0533	0.0326	0.0326

This table presents results from Tobit regressions of CSR scores on several proxies for media freedom and a number of controls. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FOP_RWB* is the Press Freedom index developed by Reporters Without Borders. *FOP_MSI* is the Media Sustainability index developed by International Research and Exchanges Board. *STATE_PRESS1* is the percentage of state-owned newspapers out of the five largest daily newspapers (by circulation). *STATE_PRESS2* is the market share of state-owned newspapers out of the aggregate market share of the five largest daily newspapers (by circulation). Appendix C provides definitions and data sources for the regression variables. Unreported industry controls are based on Campbell's (1996) industry classification. *t*-statistics based on robust standard errors adjusted for clustering by firm are reported in parentheses. The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.

Table 7. The impact of media freedom on CSR: Alternative CSR proxy

Panel A. Media freedom from Freedom House				Panel B. Media freedom from alternative sources				
Dependent variable:				Dependent variable: CSR_A4_S				
	<i>CSR_A4_S</i>	<i>ENV_A4_S</i>	<i>SOC_A4_S</i>	<i>Media Proxy:</i>	<i>FOP_RWB</i>	<i>FOP_MSI</i>	<i>STATE_PRESS1</i>	<i>STATE_PRESS2</i>
	(1)	(2)	(3)		(1)	(2)	(3)	(4)
<i>FOP_FH</i>	0.296*** (5.31)	0.381*** (7.17)	0.210*** (3.26)	<i>Media Proxy</i>	0.689*** (12.14)	10.767* (1.90)	-43.221*** (-12.09)	-42.539*** (-12.12)
<i>GOV</i>	0.190*** (12.92)	0.099*** (6.24)	0.280*** (17.92)	<i>GOV</i>	0.204*** (13.98)	0.343*** (3.11)	0.197*** (13.58)	0.197*** (13.58)
<i>SIZE</i>	9.486*** (35.20)	9.967*** (35.09)	9.004*** (30.68)	<i>SIZE</i>	9.800*** (35.33)	9.261*** (3.44)	9.631*** (35.78)	9.627*** (35.76)
<i>LEV</i>	-0.630 (-0.22)	-2.489 (-0.80)	1.228 (0.40)	<i>LEV</i>	-0.483 (-0.17)	-29.109 (-1.48)	-0.394 (-0.14)	-0.394 (-0.14)
<i>SALE_GR</i>	-11.642*** (-10.26)	-12.649*** (-10.68)	-10.635*** (-8.46)	<i>SALE_GR</i>	-10.765*** (-9.34)	-9.409 (-1.41)	-11.710*** (-10.38)	-11.737*** (-10.40)
<i>ROA</i>	-3.462 (-0.67)	-15.462*** (-2.74)	8.538 (1.61)	<i>ROA</i>	-0.239 (-0.05)	21.642 (0.92)	-4.162 (-0.80)	-4.133 (-0.79)
<i>R&D/S</i>	32.225*** (3.61)	23.752** (2.42)	40.698*** (4.43)	<i>R&D/S</i>	35.586*** (3.97)	-182.446 (-0.31)	34.276*** (3.83)	34.259*** (3.83)
<i>LOG(GDP/CAP)</i>	-9.034*** (-9.05)	-7.585*** (-7.29)	-10.482*** (-9.68)	<i>LOG(GDP/CAP)</i>	-16.130*** (-12.80)	2.678 (0.43)	-8.434*** (-10.19)	-8.351*** (-10.14)
Intercept	66.158*** (5.75)	55.487*** (4.58)	76.828*** (6.20)	Intercept	131.992*** (9.73)	-79.104 (-1.25)	52.422*** (5.63)	51.635*** (5.57)
Industry effects	Yes	Yes	Yes	Industry effects	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Year effects	Yes	Yes	Yes	Yes
N	13,613	13,613	13,613	N	11,737	104	13,415	13,415
Pseudo-R ²	0.0474	0.0437	0.0414	Pseudo-R ²	0.0501	0.123	0.0487	0.0487

This table presents results from Tobit regressions of CSR scores on media freedom proxies and a number of controls. *CSR_A4_S*, obtained from ASSET4, is the CSR score calculated as the average of the environmental score (*ENV_A4_S*) and the social score (*SOC_A4_S*). *FOP_FH* is the Freedom of the Press index developed by Freedom House. *FOP_RWB* is the Press Freedom index developed by Reporters Without Borders. *FOP_MSI* is the Media Sustainability index developed by International Research and Exchanges Board. *STATE_PRESS1* is the percentage of state-owned newspapers out of the five largest daily newspapers (by circulation). *STATE_PRESS2* is the market share of state-owned newspapers out of the aggregate market share of the five largest daily newspapers (by circulation). Appendix C provides definitions and data sources for the regression variables. Unreported industry controls are based on Campbell's (1996) industry classification. *t*-statistics based on robust standard errors adjusted for clustering by firm are reported in parentheses. The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.

Table 8. The impact of digital media freedom on CSR

	Dependent variable:					
	<i>CSR_S</i>	<i>ENV_S</i>	<i>SOC_S</i>	<i>CSR_S</i>	<i>ENV_S</i>	<i>SOC_S</i>
	(1)	(2)	(3)	(4)	(5)	(6)
<i>FON_FH</i>	0.303*** (8.03)	0.190*** (3.50)	0.418*** (8.32)	0.330*** (8.75)	0.212*** (3.84)	0.452*** (9.03)
<i>FOP_FH</i>						
Residual <i>FOP_FH</i>				0.334*** (4.63)	0.282*** (2.76)	0.423*** (4.29)
<i>GOV</i>	0.024** (2.01)	0.005 (0.32)	0.046*** (2.75)	0.012 (1.01)	-0.005 (-0.30)	0.031* (1.88)
<i>SIZE</i>	2.039*** (8.53)	1.188*** (3.51)	3.008*** (8.33)	1.970*** (8.24)	1.131*** (3.35)	2.923*** (8.11)
<i>LEV</i>	-6.181*** (-3.34)	-6.714*** (-2.77)	-5.863** (-2.32)	-5.978*** (-3.24)	-6.544*** (-2.70)	-5.602** (-2.22)
<i>SALE_GR</i>	-4.749*** (-4.27)	-5.471*** (-3.78)	-4.006*** (-2.65)	-4.427*** (-3.96)	-5.199*** (-3.58)	-3.600** (-2.37)
<i>ROA</i>	11.820*** (3.24)	28.105*** (5.68)	-4.523 (-0.92)	11.808*** (3.25)	28.093*** (5.67)	-4.536 (-0.93)
<i>R&D/S</i>	24.325*** (6.42)	49.254*** (9.53)	0.595 (0.12)	24.547*** (6.45)	49.443*** (9.56)	0.887 (0.17)
<i>LOG(GDP/CAP)</i>	0.104 (0.15)	0.789 (0.84)	-0.333 (-0.36)	-0.461 (-0.69)	0.310 (0.33)	-1.045 (-1.12)
Intercept	31.183*** (3.93)	10.560 (0.96)	48.155*** (4.37)	38.838*** (4.90)	17.027 (1.52)	57.795*** (5.22)
Industry effects	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes
N	5,337	5,337	5,337	5,337	5,337	5,337
Pseudo-R ²	0.0152	0.0195	0.00877	0.0159	0.0198	0.00935

This table presents results from Tobit regressions of CSR scores on proxies for media freedom and a number of controls. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FON_FH* is the Freedom on the Net index and *FOP_FH* is the Freedom of the Press index, both developed by Freedom House. Residual *FOP_FH* is the residual from regressing *FOP_FH* on *FON_FH*. Appendix C provides definitions and data sources for the regression variables. Unreported industry controls are based on Campbell's (1996) industry classification. *t*-statistics based on robust standard errors adjusted for clustering by firm are reported in parentheses. Because *FON_FH* is available as of 2011, the sample is reduced to 5,337 observations representing 3,226 unique firms from 20 countries over the 2011 to 2012 period.

Table 9. The impact of media freedom on CSR: Interaction tests

	(1)	(2)
<i>FOP_FH</i>	0.014 (0.36)	-0.147 (-1.31)
<i>GOV</i>	0.487*** (25.99)	0.417*** (51.46)
<i>FOP_FH</i> × <i>GOV</i>	0.003*** (4.08)	
<i>SIZE</i>	3.073*** (17.85)	3.835*** (11.84)
<i>FOP_FH</i> × <i>SIZE</i>		0.036*** (2.85)
<i>LEV</i>	-4.609*** (-3.23)	-4.670*** (-3.27)
<i>SALE_GR</i>	-5.040*** (-7.14)	-4.983*** (-7.06)
<i>ROA</i>	-3.005 (-1.12)	-3.546 (-1.32)
<i>R&D/S</i>	13.905*** (3.89)	14.521*** (4.02)
<i>LOG(GDP/CAP)</i>	1.142** (2.24)	1.237** (2.51)
Intercept	-13.787** (-2.31)	-17.752*** (-2.81)
Industry effects	Yes	Yes
Year effects	Yes	Yes
N	25,507	25,507
Pseudo-R ²	0.0334	0.0332

This table presents results from Tobit regressions of CSR scores on Freedom of the Press and a number of controls. *CSR_S*, obtained from GMI Ratings, is the CSR score calculated as the average of the environmental score (*ENV_S*) and the social score (*SOC_S*). *FOP_FH* is the Freedom of the Press index developed by Freedom House. *GOV* is the corporate governance score obtained from GMI Ratings. Appendix C provides definitions and data sources for the regression variables. Unreported industry controls are based on Campbell's (1996) industry classification. *t*-statistics based on robust standard errors adjusted for clustering by firm are reported in parentheses. The sample comprises 25,507 observations representing 4,453 unique firms from 53 countries over the 2003 to 2012 period.