

The Effect of Corporate Governance Quality and Its Mechanisms on Firm Philanthropic Donations: Evidence From the UK

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Abstract

Purpose – This paper intends to investigate whether and how better corporate governance practices can lead to philanthropic behavior among companies in the UK. In particular, this study attempts to determine whether corporate governance quality in general, as well as its specific mechanisms affect corporate giving.

Design/methodology/approach – The analysis is based on a sample of FTSE All-Share non-financial companies. Data on firm donations, including donations amount and donations intensity, were manually collected from companies' annual reports for the period 2018-2020. This paper uses panel data models to examine the research hypotheses.

Findings – The results of this study indicate that both donations amount and donations intensity are positively associated with the practice of better corporate governance. Board independence is positively associated with donations amount, but not with the intensity of donations. Furthermore, board size, board gender diversity, and the establishment of a CSR committee are likely to have a positive impact on the amount and the intensity of firms' donations. However, neither the CEO board membership nor the audit committee independence is related to the firm's donations.

Practical implication – This study sheds light on specific governance factors that affect firm donations in the context of UK companies. This allows regulators and legislators to evaluate the donations activities in the country, and issue more directives to reinforce corporate governance practices that support corporate donations. In addition, the findings of this study are considered crucial to investors who prefer investing in companies with significant CSR-related activities to improve the value relevance of their investments.

Originality/value – This study provides a shred of unique evidence on the impact of corporate governance practices on firms' donations.

Keywords: governance quality; corporate governance practices; corporate philanthropy; corporate donations

Paper type: Research paper

1. Introduction

The debate over Corporate Social Responsibility (CSR) is still a subject of particular concern for many parties worldwide (Ananzeh et al., 2021). Primarily, stakeholders continue to demand that companies align their values with those of society and the environment (Chiu and Wang, 2015; Li et al., 2019; Liao et al., 2021; Albitar et al., 2021). Thus, it has become increasingly important for companies to meet the demands of stakeholders in order to present themselves as complying with the values of the communities and the environment around them. Corporate social responsibility initiatives include employee rights, philanthropic donations, education, health, human rights, and any other actions that have social value (Kumar, 2019; Chen et al., 2021). In addition to being considered the most convenient and direct way to appease the interests of stakeholders, philanthropic donations practices adopted by corporations may likely benefit the company in the long term, as they can enhance profits (Ananzeh et al., 2021). Thus, corporate philanthropy is a noteworthy phenomenon that needs to be further examined (Gautier and Pache, 2015). The reason for this is that many companies are contributing to charitable causes to enhance their social and financial impact (Houqe et al., 2019).

In the UK context, there is a growing government interest in promoting social responsibility initiatives and corporate governance practices (Schrempf-Stirling, 2018), as UK regulations encourage companies to make donations and community participation (Acker et al., 2018). This prompts many companies to make donations and disclose the actual amounts paid in their annual reports. However, despite the rising calls for companies to allocate more resources for philanthropic purposes, there is a striking disparity in adopting the donation approach among UK companies (Brammer et al., 2009). This underscored the necessity of considering what companies' practices are likely to encourage positive philanthropic behaviors in their codes of conduct. Given the scarcity of related research, we aimed to derive clear inferences about the connection between corporate governance quality and the specific mechanisms underlying it and corporate donations.

Corporate governance does seem to affect the ways in which firms operate. Its primary aim is to monitor all management activities such as planning, internal controls, performance measurement

(Haddad et al., 2017). Furthermore, more recent corporate governance regimes have put an extra focus on transparency and fairness, which possibly would lead to good corporate philanthropy practices. In other words, corporate governance has become no longer limited to the rules and regulations used to monitor managerial behavior, but it has also been extended to include issues pertinent to ethics, accountability, and transparency in order to ensure the best interests of stakeholders (Al Amosh and Khatib, 2021a; Michelon and Parbonetti, 2012). Hence, good corporate governance practices call for cultivating relationships that create value for all stakeholders (Welford, 2007, Albitar et al., 2020). In essence, striving towards an ongoing value creation model is likely to be directly linked to a more proactive corporate philanthropic donations approach. This is partially evidenced by most of the CSR literature where a positive relationship has been evident between good corporate governance practices and CSR activities (Kaymak and Bektas, 2017).

Accordingly, our study aims to investigate the relationship between corporate governance practices and actual donations in the UK context. More specifically, we investigate several potential determinants namely, corporate governance quality, independent board members, the board size, board gender diversity, CEO board membership, audit committee, and CSR committee, and to what extent do these factors affect the actual donations of UK listed companies. To achieve the study's objective, FTSE All-Share non-financial companies were chosen as the sample of this study to obtain data about corporate donations, in addition to other financial data were extracted from a Thomson Reuters Asset 4 database during the period from 2018 to 2020.

The present study is likely to provide several contributions. First, this study examines the link between corporate governance and corporate donations, a topic that has not been extensively examined in the prior literature, which mostly looks at corporate social responsibility as a comprehensive concept (Ramón-Llorens et al., 2019; Odriozola, 2019; Mohammadi et al., 2020; Gupta et al., 2021). Second, this study is the first, to the best of our knowledge, to examine the impact of corporate governance quality proxied by the *Corporate Governance Pillar score* provided by the Thomson Reuters Asset4 database on firms' donations. Third, this study contributes by extending its analysis to include several dimensions of corporate governance practices, an issue that has not been extensively previously addressed by previous research. Fourth, this study makes a significant contribution to the literature in terms of its case selection, as we are

unaware of any other similar research that examines the effect of corporate governance on corporate giving in the UK context.

Finally, this study provides a theoretical contribution through the adoption of stakeholder and legitimacy theories in explaining how governance quality affects corporate giving. There is no widely accepted theoretical framework for corporate donations. Thus, a single theory cannot encompass fully the phenomenon of corporate donations (Ananzeh et al, 2021). Corporate donations are primarily explained from the standpoint of stakeholder or legitimacy-based perspective. By integrating different perspectives, we can better understand the donations made by companies since they offer a complementary perspective on such behavior. Through such integration, we are able to examine the company's response to different levels of pressure. At the macro level, society exerts pressure on the company to donate. Here, legitimacy theory takes corporate donations into account as a legitimating mechanism. At the intermediate level, on the other hand, the company is urged to donate by different groups of stakeholders

The rest of the paper is divided as follows; the second section presents the theoretical framework of the study. The third section reviews the previous literature and the hypotheses development. The fourth section explains the methodology of the study. The fifth section presents the empirical results of the study. The study sixth section concludes the study.

2. Theoretical framework

CSR practices literature usually follows a theoretical perspective that derives from stakeholder theory, legitimacy, agency theory, and signalling theory. The current study relies on a multi-perspective from the theories of stakeholders and legitimacy theory. This is because using a single theory cannot adequately explain corporate giving, which is considered to be a complex activity. As a result, a multiple theoretical framework is used to better comprehend the donation behavior of companies since it is likely to offer complimentary insight into this type of behavior. Moreover, the integration of the two theories allows us to look at how the company responds to different levels of pressure. Mainly, the legitimacy theory can explain pressure at the macro level. Furthermore, the stakeholder theory can explain pressure at the intermediate level.

2.1 Stakeholder theory

Stakeholder theory was first discussed by Freeman, who advocated that the demands and aspirations of various stakeholders must be met (Freeman, 1984). Consequently, companies must find appropriate solutions to satisfy stakeholders without bias, in contrast to the shareholders' perspective, which indicates that the company's responsibility towards its shareholders is to maximize their value first without looking at any social responsibility towards the surrounding community (Al Amosh and Mansor, 2021). Therefore, companies began to engage in many activities related to social and environmental responsibility, such as making cash and in-kind donations, providing job opportunities to the surrounding community, planting trees, and helping to preserve the environment to show goodwill towards stakeholders; it also pursued to disclose its activities in various media, such as television, social media, advertisements in newspapers, as well as its annual reports, to deliver a message that it complies with the aspirations of society. Accordingly, the stakeholder theory asserts that companies are motivated to philanthropy to appease the interest of stakeholders, thus ensuring their continuous support.

2.2 Legitimacy theory

In social accounting research, legitimacy theory is one of the most critical theories used to explain the practices of companies in engaging in voluntary social activities. Environmental and social challenges could threaten the legitimacy of businesses in society (Moloi & Marwala, 2020). According to the legitimacy theory, societies generally form specific expectations regarding legitimate firms' behavior in the conduct of their businesses (Lindblom, 1994). At the same time, societies also generate their own societal perceptions of these firms' actual behavior; firms should strive to be seen as operating legitimately by the outside parties and societies by conforming to the values and social systems of their surroundings (Patten & Shin, 2019). When society's expectations and perceptions of the firms' business behavior differ, a legitimacy gap is created (Eugénio et al., 2013). As such deviation exists and widens, the legitimacy of the company is at risk and the social contract between the company and its society could diminish and may eventually be revoked. Companies could overcome the risk of this expectation gap by voluntarily taking actions that would satisfy the information needs of the stakeholders, and narrow or eliminate the gap through voluntary and philanthropy practices. Thus, activities that reduce any adverse impact on companies' sustainability such as making donations to society are desirable to all

companies (Deegan, 2019). Accordingly, the legitimacy theory asserts that companies are motivated to philanthropy for enhancing their business legitimacy.

3. Literature review and Hypotheses development

Throughout its history, corporate philanthropy has undergone continuous evolution alongside an ever-changing social, economic, and industrial landscape. In particular, following World War II, corporations began developing formal philanthropic programs in the United States and Europe (Marinetto, 1999). The scope of corporate philanthropy includes a wide range of giving activities. Originally, such practice started as a form of giving to some of the in-need people, church charities, pet projects. Altruism was the driving force behind corporate philanthropy during this era, which some have termed the golden age of corporate philanthropy (Levy, 1999). It was considered the "right thing to do" at the time where CEOs contribute to the communities where their employees lived (Levy, 1999). However, as global competition increased in the 1980s and corporations largely restructured, there was a shift to what is recently known as strategic philanthropy, which combines philanthropic efforts with business strategies and marketing (McClimon, 2004). Thus, corporate philanthropy has become an overarching organizational social responsibility strategy that covers a broader range of giving activities that contribute to the corporate social standing and establish new social networks (Marinetto, 1999). In addition, incorporating corporate philanthropy in a company's strategy can cause a number of positive effects, including an increase in branding among consumers, an increase in employee productivity, a decrease in R&D costs, and a breach of regulatory obstacles (Smith, 1994). Consequently, it is worth noting that strategic philanthropy is seen as a tool via which companies can attain a powerful competitive edge (Smith, 1994; McClimon, 2004). Furthermore, socially responsible companies have contributed to donations as they are considered part of their social responsibility.

In our study, philanthropy donations refer to charitable giving for noble causes, which are the efforts and expenditures in charitable work undertaken by businesses or individuals to improve society's welfare. Accordingly, data about philanthropic donations were collected based on the ground that they may take several forms, including political, educational, health, and monetary contributions, aiming to help the community.

A wide range of CSR literature has investigated the impact of corporate governance on corporate social responsibility dimensions, but corporate donations were rarely covered. As mentioned earlier, CSR practices include preserving the environment, human rights, community activities, and charitable contributions (Marano and Kostova, 2016). According to the stakeholder theory, companies must comply with stakeholders' expectations by activating voluntary activities such as social and environmental responsibility (Gerged et al., 2021; Albitar et al., 2021). Thus, effective governance may make institutions responsible for carrying out social and environmental responsibility and related charitable activities. Stakeholders likely view these aspects as positive initiatives since they can enhance the relationship between the company and various stakeholder groups.

Besides, corporate donations improve the company's image and reputation in front of stakeholders (Kim and Ji, 2021). Thus, stakeholders are likely to welcome these practices. Also, the amount of donations allocated for philanthropic purposes is likely to provide a good picture of the company's compliance with corporate social responsibility issues and the demands of society (Mazodier et al., 2021).

However, despite its importance and growth, the practice of corporate giving is subject to many criticisms. One of the main critiques of philanthropy today is that it does not directly solve social problems due to the fact that fund amounts are likely to be limited. Furthermore, donations can be biased, which irritates many stakeholders because charitable support can be directed to one group over another based on the company's interests. Also, administrative sentiments such as altruism and selfishness may play a decisive role in whether or not to engage in donations (Hong et al., 2018). Added to this, it is true that philanthropy presents a disorganized model of maneuver that has no recognizable structure (Ananzeh et al., 2021). Giving by corporations does not adhere to mandatory global standards. It is instead a matter of choice, and it can go beyond the legally binding requirements, especially in developing countries with a lack of laws requiring it (Ananzeh et al., 2022). Thus, the lack of clear corporate giving rules has led to heterogeneous levels of donations, or even no donations, in some instances (Ananzeh, 2022). Here, it is stated that corporate philanthropy practices could be influenced by a range of factors affecting management's willingness to donate including, corporate characteristics, external contextual factors, and internal contextual factors (Ananzeh et al., 2021).

While there is plenty of research on the impact of corporate characteristics and external contextual factors on corporate donations, the impact of internal contextual factors on corporate donations is rarely examined (Ananzeh et al., 2021). Thus, the aim of this study is to consider the effect of governance quality and its mechanisms on corporate donations.

The recent literature is based on several underlying variables that reflect perceptions of a wide range of governance variables. Our study used aggregate indicators (governance pillar score) and Separate indicators (board size, board independence, audit committee independence, is the board gender diversity, CSR committee, CEO duality). Besides, studies have been conducted in many countries globally; the studies included international samples (e.g., Harris et al., 2015), other studies were conducted in Pakistan (e.g., Majeed et al., 2015; Sharif and Rashid, 2014), studies in Jordan (Al Amosh and Khatib, 2021b), studies in Latin America (Husted and de Sousa-Filho, 2019), and Bangladesh (Rouf and Hossan, 2021). Moreover, studies have been conducted on different economic sectors; studies have been done on non-profit companies (e.g., Harris et al., 2015). Banking sector (e.g., Rouf and Hossan, 2021; Sharif and Rashid, 2014). listed companies (Majeed et al., 2015), and industrial companies (e.g., Al Amosh and Khatib, 2021b).

3.1 Governance Pillar

In the business environment, corporate governance is one of the most prominent ideas reflecting important research goals that academics pursue. The corporate governance system puts measures in place to monitor all management activities, including planning, internal controls, and performance measurement (AlHares et al., 2020; Haddad et al., 2017). Further, corporate governance tools cover a wide range of ethical, accountability, and transparency issues as a means of ensuring stakeholders' interests are met (Michelon and Parbonetti, 2012; Siddiqui, 2015; Gerged et al., 2021; Al-Shaer et al., 2021). Thus, high-quality corporate governance practices, according to stakeholder theory, are likely to lead to cultivating relationships that create value for all stakeholders (Welford, 2007). By achieving such a value-enhancing model through good corporate governance, companies are likely to signal to capital markets and other stakeholders that their practices are in compliance with social standards (Bae et al., 2018), thereby improving their performance. Accordingly, a company's efforts to create an ongoing value creation model are likely to be directly tied to a more proactive corporate philanthropic giving program.

As per the legitimacy theory, greater transparency made possible through high-quality corporate governance practices that protect stakeholders' interests operates as a central element of legitimating a company's activities (Ntim et al., 2012). Thus, aiming at higher transparency is likely to influence companies' decisions to make more donations since these activities can provide a vital role for managers to achieve legitimacy (Gounopoulos et al., 2021).

Harris et al. (2015) point out that corporate behavior, such as making charitable donations, is closely related to corporate governance. Sharif and Rashid (2014) also found that governance practices play an important role in promoting corporate social initiatives. From the above, we propose the following hypothesis:

H1: Corporate governance quality has a significant positive impact on corporate donations.

3.2 Board independence

Independent directors play a vital role in monitoring and overseeing managers for the benefit of shareholders. Their role as directors is independent and they do not have any personal interest in the company (Albitar, 2015; Sial et al., 2019; Bansal et al., 2018). Thus, in contrast to insider directors, a high representation of independent directors in the board is advantageous as it allows the board to oversee management in an objective manner (Chau and Gray, 2010), thus signalling the existence of an effective corporate governance system (Al Amosh and Khatib, 2021b). Accordingly, the appointment of more independent directors to the board of directors may enable the company to pursue value-adding relationships by implementing more agendas to respond to stakeholders' demands (Chang et al., 2017). Part of these agendas would be the adoption of a more proactive corporate philanthropic giving program.

Prior literature has rarely examined the relationship between the independence of the board and firm donations. For instance, Harris et al. (2015) argue that the relationship between board independence and donations is positive. With evidence from Bangladesh, Rouf and Hossain (2021) also indicate that independent directors are likely to support social responsibility initiatives by donating to people who are affected by natural disasters. Hoi et al. (2020) found that decisions of independent directors to follow a donation strategy, especially in cases of natural disasters such as

the 2008 Sichuan earthquake, aim to maximize the company's value. Based on the above, we propose the following hypothesis.

H2: Board independence has a significant positive impact on corporate donations.

3.3 Board Size

An organization's board of directors is a crucial component of its corporate governance mechanisms because it enables further oversight and proper conduct of its agents (Elmagrhi et al., 2017; Said et al., 2009). Boards of directors represent senior leadership in companies, and they function as stakeholders' representatives in regard to managing the business and making decisions. According to the stakeholders' perspective, the larger boards entail a broader representation of various stakeholder's groups, thus promoting good governance and transparency of the firm (Kaymak and Bektas, 2017). With a broader board size, a company's issues of concern expand exponentially as it aims to satisfy multiple stakeholders groups, such as implementing social initiatives and providing voluntary commitments such as donations. This is due to the diversity of experiences, ideas, and strategies with larger boards compared to those with a small number of directors (Matuszak et al. 2019; Albitar, 2015).

Little works of literature have been done to study the impact of board size on corporate donations. Among these works, Majeed et al. (2015) investigate several factors related to corporate governance and its relationship to corporate social responsibility in Pakistan. The results indicate that the board size is a factor that leads to positive supporting of social responsibility activities such as donations to a variety of institutions. Husted and de Sousa-Filho (2019) found that the practices of environmental, social, and governance activities are positively related to the size of the board of directors. Therefore, the following hypothesis was proposed:

H3: Board size has a significant positive impact on corporate donations.

3.4 Gender Diversity

The issue of gender diversity in the board of directors has attracted increased research interest since many scholars point to the importance of gender diversity as an essential mechanism of

corporate governance (Campbell and Mínguez-Vera, 2008). It is deemed the presence of female directors on the board improves the decision-making process and enhances the performance of companies (Liu, 2018). Women directors typically are not part of the 'old boys club' which makes them more likely to act independently, leading to enhancing the board's independence and can lead to a better corporate governance practice (Al Lawati et al., 2021). Thus, good corporate governance practices, according to stakeholder theory, are likely to lead to cultivating relationships that create value for all stakeholders. Again, aiming at having an ongoing value creation model is likely to be linked to the adoption of a more proactive corporate philanthropic giving program.

According to legitimacy theory, women tend to look into social issues and bring new skills to the board, contributing to providing suggestions that would legitimize the companies' activities (Lu and Herremans, 2019; Al-Shaer et al., 2021). On the other hand, Agyemang-Mintah and Schadewitz (2019) indicated that the presence of women in the board of directors is a complementary factor to the board's performance and enhances governance practices.

Recent evidence by Gulzar et al. (2019) suggests that the greater gender diversity in the board would further reinforce the idea of social responsibility. Alazzani et al. (2017) also indicate a positive relationship between gender diversity and the behavior of companies in dealing with social and environmental issues. Lin et al. (2018) assert that gender diversity is positively associated with corporate charitable donations. Accordingly, we propose the following hypothesis:

H4: Board gender diversity has a significant positive impact on corporate donations.

3.5 CEO Board Membership

There has been a large amount of literature on CEO participation on the board of directors of companies, but it focuses largely on CEO duality whereby the CEO chairs the board (Li et al., 2018). According to the agency theory, a CEO participating on a board of directors gives him/her greater influence over board decisions, hence putting the firm at risk of managerial entrenchment and lower performance (Li and Roberts, 2018). Therefore, CEO board membership is likely to have an adverse impact on board independence since it can curb incentives and abilities of other directors to monitor the firm. Furthermore, since monitoring the CEO is one of the main duties of the board of directors (Michelon and Parbonetti, 2012), CEO board membership creates conflicts

of interest since it violates the "arm's-length bargaining" model, which can result in CEOs acting opportunistically (Li and Roberts, 2018). Thus, lacking consideration of stakeholder needs, as a result of poor corporate governance practices, may undermine a company's tendency to act proactively in regards to making donations.

The empirical evidence reported by Al-Janadi et al. (2013); Muttakin et al. (2018); and Abu Qa'dan and Suwaidan (2019) showed a negative effect of CEO on firms CSR practices. Through the above discussion, we propose the following hypothesis:

H5: CEO board membership has a negative impact on corporate donations.

3.6 Audit Committee independence

Usually, a number of committees are formed by the board of directors for a variety of reasons. Their duties include reviewing financial reports and overseeing and controlling the executive managers' activities (Al Farooque et al., 2020). Al Amosh, (2021) points out that the presence of the audit committee strengthens the corporate governance system through monitoring the management activities (Al-Najjar and Abed, 2014). However, for the audit committee to fulfill its oversight role and protect the interests of shareholders more effectively, it must be independent of the company's management (Fama and Jensen, 1983). In addition, its members should possess significant governance expertise to ensure high-quality performance which provides greater guarantees of appeasing the demands of stakeholders (Fama and Jensen, 1983, Al-Najjar and Abed, 2014). Thus, the establishment of an audit committee with a higher representation of independent directors is likely to reflect good corporate governance practices. Once more, stakeholder theory adopts the view that better corporate governance practices present a good advantage likely to attain cultivating relationships that yield value for all stakeholders. Accordingly, adopting such a value-creating model would encourage the company to adopt a more proactive corporate philanthropic giving program.

There is a lack of evidence on the relationship between the independence of the audit committee and corporate donations. However, the above discussion leads us to the following hypothesis was:

H6: Audit committee independence has a positive impact on corporate donations.

3.7 CSR Committee

CSR committee is one of the main committees formed by the board of directors to advise on environmental and social issues (García-Sánchez et al., 2019). Thus, this committee is considered as one of the key factors that influence corporate governance structure positively. Therefore, the establishment of such a committee on the board is likely to indicate good corporate governance practices. In addition, its presence is considered a favorable indication that the company's management pays attention to social issues including philanthropic donations. Under stakeholder theory, the CSR committee is likely to increase the potential of reflecting the interests of a wider group of stakeholders regarding the company's voluntary activities (Baraibar-Diez and Odriozola, 2019). This is due to the fact that the CSR committee would trace and meet the demands of stakeholders about CSR initiatives (Eberhardt-Toth, 2017). Accordingly, incorporating a CSR committee into the board may likely encourage the company to adopt a more proactive pattern to participate in corporate philanthropic programs.

In literature, the presence of a CSR committee was found to indicate that the company has a strategy to carry out CSR-related initiatives (Khan, 2018; Pucheta-Martínez and Gallego-Álvarez (2019). Likewise, Cucari et al. (2018) argue that the presence of a CSR committee enhances environmental, social, and governance performance. Further, Baraibar-Diez and Odriozola (2019) indicate that there is a positive relationship between the existence of a committee for social responsibility and the social performance of companies. In terms of corporate donations, Arco-Castro et al. (2020) report that the CSR committee promotes the company's charitable work by pursuing more philanthropic activities, mainly donations, and social initiatives. Therefore, we assume the following hypothesis:

H7: CSR committee has a positive impact on corporate donations.

4. Method

4.1 Sample and data sources

In our study, FTSE All-Share non-financial companies have been chosen as the starting point for our sample selection criteria. This index represents one of the best-known stock market indices of the UK public share listed companies and accounts for the highest total market capitalization of

the country. we limited the scope of this study to the FTSE all share non-financial companies. This group of companies has the largest market capitalization and is expected to contribute the highest level of donations. In terms of the study period, we were able to obtain a complete dataset for firm donations during the period 2018-2020. However, after excluding firms with missing financial data from our sample, we ended up with 630 firm-year observations. The primary data of our study were manually collected from firms' annual reports, while other financial data were extracted from the Thomson Reuters Asset4 database. Asset4 provides the most comprehensive coverage of UK companies, compared with other providers.

Typically, quantitative research is conducted based on deductive reasoning, which involves the examination of theories through the use of data (Saunders et al., 2016). As such, the deductive method is often used when the research project is theory-driven and built based on a robust theoretical position whose validity is going to be tested using data (Saunders et al., 2016). Hence, when drafting the research question, the deductive approach will demand that a clearly defined and/or formulated theoretical position be taken (Saunders et al., 2016).

A great deal of quantitative research has been conducted on corporate behavior in social science, as well as in corporate governance literature. Quantitative research approaches, especially those that combine multiple theoretical perspectives, are likely more useful when investigating the relationships between corporate governance mechanisms and corporate behavior. The phenomenon of corporate governance has roots in a variety of fields, including sociology, economics, law, and business (Bebchuk and Weisbach, 2010). However, this phenomenon has been largely studied on the basis of a single theoretical framework such as agency, managerial signaling, stewardship, and resource dependence theories. For instance, many of the existing studies about corporate governance are argued to be centered on agency theory (Zattoni et al., 2013). This is likely because the governance system is mainly intended to ensure that the best interests of shareholders are largely met (Seidl et al., 2012). Such adoption of a single theoretical perspective has contributed to varied findings of prior corporate governance quantitative-based research (Zattoni et al., 2013). As this study uses a quantitative model, it will be more helpful to explain corporate governance mechanisms by drawing on multiple theoretical perspectives. Building research on such a ground can help further understand how governance factors and institutions' practices are operationally related.

4.2 Specification of the study variables

4.2.1 Dependent variable. In this study, the *Corporate Donations* made by companies were the dependent variable. Data on corporate philanthropic donations were manually extracted from firms' annual reports. To analyze firms' donation levels, previous studies have used three different indexes: (1) donation expenses, measured by calculating the natural logarithm of the money cost of making corporate philanthropic contributions; (2) donation intensity which is usually measured by computing the scaled values of the money cost of corporate philanthropic contributions on firm total assets, total sales or profit; (3) a dummy variable that divided into a binary score, 1 if the firm has made charitable donations and 0 otherwise. According to Ananzeh et al., (2021), adopting donation intensity as a basis for statistical analysis has two main advantages. First, it can reduce the heteroscedasticity among firms in the sample. Second, the intra-firm differences can be controlled using this measure. Given its advantages, this study adopts donations intensity as a basis for our analysis when investigating the relationship between corporate governance and firm donations in the UK. In addition, in order to further validate our analysis, we also adopt donation expenses as an additional indicator of firm donations. Specifically, our donation measures account for any type of donations such as cash donations, gifts-in-kind, and/or product donations.

4.2.2 Independent variables. Our analysis is divided into two sections based on two groups of independent variables. First, we examine the impact of the *overall corporate governance rating (OGR)* on the level of firm donations among UK companies. To measure the *OGR*, we take a privilege of the comprehensive governance pillar index developed by Thomson Reuters-ASSET4. ASSET4 is an element of Thomson Reuters that contains the information used for ratings related to corporate governance. Among the 54 indicators that constitute the corporate governance pillar are board structure, compensation policy, vision and strategy, management effectiveness, and shareholder rights. Notably, *OGR* scores provide insight into how effectively a firm, particularly through incentive creation functions, can manage, control, steer, and balance shareholder rights and responsibilities in order to maximize long-term shareholder value. Thus, this proxy offers a good indication of the management's commitment and performance in implementing the best practices of corporate governance.

In the second stage, we aimed to assess whether the effect of corporate governance on firms donations would differ according to a group of governance mechanisms. Thus, we examine the impact of particular corporate governance mechanisms on the level of firm donations among companies in the UK. This step has been taken in order to draw clear inferences for our study results. In detail, we examine whether firms' donations can be likely driven by differences in board size, board independence, audit committee independence, board gender diversity, CSR committee, and CEO duality. **Table 1** provides a detailed summary of our variables of interest and their operational detentions.

4.2.3 Other control variables. Consistent with previous studies, this study includes a group of control variables in the econometrics model. These variables are company size, profitability, financial leverage, and firm liquidity. In terms of firm size, corporate philanthropy is highly likely to be undertaken by larger firms because they have greater resources and are more likely to enjoy economies of scale and scope (Amato and Amato, 2012, Cha and Rew, 2021). In the same vein, firms with high profits are expected to devote more resources to corporate giving activities, while firms with low profits are expected to reduce the budget devoted to such activities (Ananzeh et al., 2021). It is also argued that corporate donation is likely to be negatively affected by firm leverage. The main assumption is that highly leveraged firms tend to be more concerned about meeting creditors' liabilities rather than engaging in philanthropic programs (Ananzeh et al., 2021). Last but not least, the company may be limited to its ability to engage in firm donations if it lacks an abundance of liquid resources that are highly discretionary. **Table 1** provides a detailed summary of our variables of interest and their operational detentions.

Table 1 about here

4.3 Research design

When examining multiple variables simultaneously, multivariate analysis is used. In this method, the independent variable values are used to predict the value of the dependent variable (Hair et al., 2010). There is, however, no commonly a theoretically agreed-upon method for conducting multiple regressions. The standard OLS multivariate regression method and the panel method have

previously been used to analyze multiple regression by prior research. Due to their widespread adoption, both methods have been used in this study to address the research question.

To study the relationship between the variables of interest and corporate donations, two multiple regression models have been used. In Model 1, this study has examined the impact of overall corporate governance rating on corporate philanthropic donations. In Model 2, this study has examined the impact of particular corporate governance mechanisms on corporate philanthropic donations. Taking into account that this study is adopting a panel dataset, the *panel data analysis* method (i.e., *fixed effect and random effect models*) was used along with applying the *pooled ordinary least squares (OLS) regression* method. Employing the *panel data analysis method* represents an extension of the *OLS* method by which clear-cut findings can be drawn. Before beginning the analysis, we have checked whether the OLS regression assumption had been violated. Following this approach, we have verified assumptions related to linearity, normality, and homogeneity (Hair et al., 2010). More importantly, since multicollinearity is an additional concern, this study generates a complete set of correlation matrixes between this study's variables to detect multicollinearity, see **Table 2**. The correlation matrix can serve as a guide to infer the presence of multicollinearity. Correlation coefficients greater than or equal to eight can point to a serious case of multicollinearity (Gujarati, 2003). Results indicate that there were no issues of multicollinearity among independent variables. Furthermore, past research found corporate giving to vary according to the industry type. Thus, we include sector fixed effect to control for variations among sectors taking into account their unique characteristics that may affect the level of firm donations. Also, we control for the time effect by incorporating years dummy into our models. Occasionally, there might be an unusual move towards donating around a certain date or time because of political encouragement or public pressure (e.g., companies might be pressured to donate during the recent emergence of the COVID-19). The following are the study models

(Model 1)

$$DONT_{it} = \beta_0 + \beta_1 GOVSCOR_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 PROF_{it} + \beta_5 LIQ_{it} + Year + Sector + \varepsilon_{it}$$

Where:

(DONAT) is corporate donations, *(GOVSCOR)* is the governance pillar score, *(SIZE)* is the company size, *(LEV)* is the company financial leverage, *(PROF)* is the company profitability, *(LIQ)* is the firm liquidity, *(Year)* is the year dummies; *(Sector)* is the type of sector dummies; error term (ϵ); i : the company, t : the year.

(Model 2)

$$DONT_{it} = \beta_0 + \beta_1 BSIZE_{it} + \beta_2 IND_{it} + \beta_3 AUD_{it} + \beta_4 GDIV_{it} + \beta_5 CSRC_{it} + \beta_6 CEO_{it} + \beta_7 SIZE_{it} + \beta_8 LEV_{it} + \beta_9 PROF_{it} + \beta_{10} LIQ_{it} + Year + Sector + \epsilon_{it}$$

Where:

(DONAT) is corporate donations, *(BSIZE)* is the board size, *(IND)* is the board independence, *(AUD)* is the audit committee independence, *(GDIV)* is the board gender diversity, *(CSRC)* is the CSR committee, *(CEO)* is the CEO duality, *(SIZE)* is the company size, *(LEV)* is the company financial leverage, *(PROF)* is the company profitability, *(LIQ)* is the firm liquidity, *(Year)* is the year dummies; *(Sector)* is the type of sector dummies; error term (ϵ); i : the company, t : the year

Table 2 about here

5. Empirical Analysis

5.1 Descriptive analysis

The descriptive statistics results (i.e., observations number, mean value, standard deviations, minimum, and maximum) for our study variables are presented in **Table 3**. The average value of donation amount (in logarithm) is 12.45 ranging between 0 and 19.22, indicating significant variations among UK companies in regards to their philanthropic donations' behavior. On the other hand, the average value of donation intensity, measured as corporate donations to company total assets, is .00019 with a maximum of .0017 and minimum of 0. Across the study sample, the average value of the overall governance rating is 60.16, ranging between 3.65 and 97.82. Considering that the governance pillar is provided based on a scale of 0-100, we can infer that the adopted sample companies are likely to adhere to good corporate governance practice which is reflected in the highest mean value of the governance pillar score.

In addition, board independence has an average value of 59.65, ranging between 7.14 to 100. The board compositions of the companies in our sample consist of around 59.65% independent directors. Board size usually varies between 4 and 16 with an average percentage of 8.54%. A mean value of 27.44 is shown for the diversity of board gender, ranging from 0 to 60. With a mean board membership of 98% and minimum values of 0 and 1, it can be concluded that only 2% of the companies in the sample have their CEO off-board. Moreover, the audit committees in 90.58% of our sampled companies are made up of non-executive directors with a minimum of 14.286 and a maximum of 100. A CSR committee had been established by 70% of the sampled companies, ranging between 0 and 1.

Regarding the control variables, the average values of firms' size (in natural logarithm), profitability, leverage, and liquidity are 21.31%, 4.34%, .27%, and 90%, respectively.

Table 3 about here

5.2 Results and discussion

The study hypotheses regarding the impact of corporate governance on donations intensity and/or amount were tested using *OLS* regression and panel data models. These two methods were employed to ensure the validity of our results. To test the appropriateness of the random and fixed models, the classic Hausman specification test was used. This test indicates whether the unobserved individual-specific random differences are significantly correlated with the regressors. It is more powerful and efficient to use the random-effects model if no correlation is present. This correlation, if exist, would lead to inconsistent estimation of random-effects models, and the fixed effect model would be the model of choice (Oyewumi et al., 2018).

In the regression analysis, year and industry fixed effects were used to control for time and industry variations. **Table 4** shows the study findings concerning the relationship between the dependent variable (the amount of firm donations), independent variables (corporate governance score), and control variables (firm size, leverage, profitability, and liquidity). The *OLS* model in Column 1

provides a statistically significant fit at the 1% level, with R2 equal to 0.662. Using the Hausman test indicates the presence of significant correlations between the unobserved individual-specific random differences with the regressors. With this outcome, we can opt to choose the outcomes of the fixed effects model since it is likely to give a more robust estimation. The fixed-effects model in Column 2 provides a statistically significant fit at the 1% level, with R2 equal to .075. In both models, the corporate governance score is found to be significantly associated with corporate donations amount. This means that more adherence to good corporate governance practice is likely to drive the company to adopt a more philanthropic path while conducting its' operations through increasing the level of direct donations.

Table 4 about here

Table 5 shows the study findings concerning the relationship between the dependent variable (the intensity of firm donations), independent variables (corporate governance score), and control variables (firm size, leverage, profitability, and liquidity). The OLS model in Column 1 provides a statistically significant fit at the 1% level, with R2 equal to 0.292. Again, based on the results of the Hausman test, the results of the fixed effects model are adopted. As in Column 2, the fixed effects model provides a statistically significant fit at the 1% level, with R2 equal to .024. Consistent with our findings in **Table 4**, the corporate governance score is found to be significantly associated with corporate donations intensity. Thus, good corporate governance may therefore have a positive influence on the amount of donations companies make relative to their assets.

Table 5 about here

Our findings regarding the positive relationship between corporate donations, either donations intensity or amount, and corporate governance quality are consistent with findings by Harris et al. (2015), and Sharif and Rashid (2014). These findings support our H1. Theoretically, our results can be interpreted using the lens of stakeholders and legitimacy theory. According to stakeholder theory, companies' efforts towards better corporate governance practices are likely to be translated

into having a value-enhancing relationship with wider groups of stakeholders (Welford, 2007, Harun et al., 2020). Firms that are seeking to retain valuable relationships with stakeholders are likely to proactively engage in corporate philanthropic giving programs to meet the interests of stakeholder's groups and philanthropic giving is positively affecting all indicators of firm performance (Yu, 2020). On the other hand, under legitimacy theory, higher transparency resulting from good corporate governance practices can influence companies' decisions to make more donations to meet the expectations of society, thus achieving legitimacy (Gounopoulos et al., 2021).

Table 6 shows the study findings concerning the relationship between dependent variables (both the intensity and the amount of firm donations), independent variables (board independence, board size, board gender diversity, CEO board membership, audit committee independence, and the CSR committee) and control variables (firm size, leverage, profitability, and liquidity). Based on the Hausman test, we found that there was an absence of significant correlations between the unobserved individual-specific random differences with the regressors in Model 1, and Model 2. Thus, the outcomes of the random-effects model, in Column 2, and Column 4, were adopted since they can give more robust estimation.

The OLS model in Columns 1 & 3 provides a statistically significant fit at the 1% level, with R² equal to 0.268 and .209, respectively. First, based on the result of the OLS regression and the random effect model, the amount of donations was found to be positively associated with board independence. However, there was no statistical relationship between board independence donation intensity. These findings partially support our H2. Moreover, our results support previous findings that good corporate governance practice can drive the company to adopt a more philanthropic path while conducting its operations. In other words, having more independent directors set in the board can increase the amount of donations, while it does not have an impact on the intensity of donations. An effective function of management overseeing can be achieved through a higher representation of independent directors on the board (Chau and Gray, 2010), thereby entailing better corporate governance practices (Al Amosh and Khatib, 2021b). This can lead the company to adopt a corporate philanthropic giving program to foster value-added relationships with stakeholders (Chang et al., 2017).

Second, the results of the OLS regression and the random effect model show a positive relationship between board size and the amount and the intensity of firms' donations. These findings support our H3. Thus, the presence of more directors on board can contribute to increasing the level of donations made by firms in our sample. Compared to small boards, the composition of larger boards tends to be more diverse, including a broader range of expertise, skills, ideas, qualifications, and strategies (Matuszak et al. 2019; Albitar, 2015). The impact of larger boards comes from having a broader representation of stakeholder groups, thus widening the company's concerns to satisfy different stakeholders, such as creating social initiatives and making donations on a voluntary basis (Kaymak and Bektas, 2017).

Third, our findings indicate that board gender diversity is positively related to both the intensity of firm donations as well as the amount donated. These findings support our H4. As women tend to be more independent, they can enhance the board's independence and promote better corporate governance practices (Al Lawati et al., 2021). Therefore, their presence, according to stakeholder theory, is likely to foster relationships that create value for all stakeholders, leading to more corporate philanthropic programs.

Fourth, neither the CEO board membership nor the audit committee independence are related to the firm's donations. These findings do not support H5 and H6. Finally, our results point out that the presence of a CSR committee is likely to have a positive impact on firm's donations. The establishment of a CSR committee provides a favorable indication that the company is appealing the interests of a wider group of stakeholders regarding the company's voluntary activities (Baraibar-Diez and Odriozola, 2019), which increase the potential that firms engage proactively in philanthropic donations.

Table 6 about here

5.3 Additional analysis

As part of the Asset4 database, companies are also rated based on their ESG performance including environmental, social, and governance factors. Thus, in order to further ensure the validity of our

results, we run additional analyses to determine whether the results apply to two different groups of firms. Firstly, high-performing firms and low-performing firms are grouped together in the first group. Secondly, the second group of companies is divided into those that are high ESG rated against those that are low ESG rated. This is likely to add another contribution to this study by opening a new insight into an area of research that has not been covered previously. The results, as presented in Table 7 are largely consistent with the message indicated earlier.

Nevertheless, some interesting inferences can be drawn. There is a stronger impact (i.e., significant statistical impact) of board independence on firm donations among companies with high ESG ratings and high financial performance than among companies with low ESG ratings and low financial performance. Board size effect on firms' donations does not vary among those two groups.

Moreover, there is a stronger impact (i.e., significant statistical impact) of board gender diversity on firm donations among companies with high ESG ratings than among companies with low ESG ratings. Again, neither the CEO board membership nor the audit committee independence are related to the firm's donations. These results are likely to validate the findings from our baseline model. It also is interesting to note that establishing a CSR committee is likely to have a greater statistical impact (i.e., a statistically significant impact) on company donations among companies with high ESG ratings while having no impact on donations among companies with low ESG ratings. This leads to question how likely companies' ESG performance can have an impact on firm philanthropy, which can be addressed by future research.

Table 7 about here

6. Conclusion

The main purpose of this study is to examine the relationship between corporate governance quality and corporate donations by using a sample of the FTSE All-Share non-financial companies during 2018-2020. In addition, this study extends its analysis to study the impact of independent board members, the board size, gender diversity, CEO board membership, audit committee independence, and CSR committee on firms' donations. Our study is motivated by the increasing

research interest in the practices of voluntary activities of companies, and the increasing need for further investigations about the determinants of these activities.

The findings of this study suggest that independent board members, the board size, gender diversity, and CSR committee have a critical role in improving donations amount and intensity levels. The presence of independent directors increases stakeholder representation in the boards of directors. Therefore, more charitable agenda will be implemented in an attempt to appease the expectations of stakeholders. Also, the larger size of the boards, the greater the representation of stakeholders through the diversity of experiences and suggestions. Thus, larger boards are likely to be highly effective in stimulating corporate donation strategies. The results also indicate that women within the company's management team enhance board independence and create valuable relationships with stakeholders', as female sentiment leads to decisions of humanitarian works such as donation activities and other charitable works. Moreover, the CSR committee supports donation policies in companies, as they are the closest to stakeholders' views regarding CSR-related initiatives.

The study results have many implications for various parties such as regulators, investors, legislators, and clients. This study sheds light on specific governance factors that affect firm donations in the context of UK companies. This allows regulators and legislators to evaluate the donations activities in the country and issue more directives to reinforce better corporate governance practices that support corporate donations. Better corporate governance can be for example by having more gender diversity on board. Managers who care about social responsibility should ensure they have effective governance that will enhance charitable activities, which can help improve the company's image and reputation. Managers' efforts to create an ongoing value creation model are likely to be directly tied to a more proactive corporate philanthropic giving program. This helps managers to build a better public image of their firm and enhance their reputation, this can provide competitive advantages and have positive effects on firm performance. This paper also offers insights to policymakers that governance quality matters for having a more proactive corporate philanthropic giving program. Our results may help sit regulations for an appropriate corporate governance mechanism, considering that better governance enhances corporate giving. This paper also offers guidance to other companies in different settings and contexts regarding the influence of governance quality and governance mechanisms to enable

better corporate behaviour in terms of corporate donation. In addition, the findings of this study are considered crucial to investors who prefer investing in companies with significant CSR-related activities to improve the value relevance of their investments. Additionally, since clients increasingly prefer to deal with companies with a proactive charitable attitude, our findings are particularly important since they provide insight into the types of companies that interact with their surrounding communities through intrinsic donation behaviour.

There are some limitations associated with our study, which can provide avenues for future researchers. Firstly, this study is limited to a small sample period from 2018 to 2020. Thus, future researchers can consider conducting additional investigations by largen the study period by extending the sample to cover more earlier years. Secondly, future research can also consider the impact of the ownership structure on corporate donations. Finally, our case selection is limited to the UK context, and hence this study findings cannot be generalized to other contexts. Therefore, future studies can apply the method used in this study to other contexts to discover the difference in the results or generalize them.

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Table 1: Summary of the study variables and their measures

Dependent Variable	Expected sign	Proxy definition
<i>DONAT intensity</i>		<i>Corporate donations to company total assets</i>
<i>DONAT amount</i>		<i>Natural logarithm of corporate donations</i>
Independent Variable		
<i>Governance score</i>	+	<i>Governance pillar score</i>
<i>Board size</i>	+	<i>Number of board directors</i>
<i>Independent directors</i>	+	<i>The percentage of non-executive directors' presence on board</i>
<i>Audit committee independence</i>	+	<i>The percentage of non-executive directors' presence on the audit committee</i>
<i>Board diversity</i>	+	<i>Number of female directors on board</i>
<i>CSR Committee</i>	+	<i>1 is assigned if the company has established a CSR committee in year t, otherwise 0.</i>
<i>CEO duality</i>	-	<i>1 is assigned if the role of the CEO and the chairman is unified in the hand of one person t, otherwise 0.</i>
<i>Company size</i>	+	<i>Natural logarithm of total assets</i>
<i>Leverage</i>	-	<i>Total debt/ total assets</i>
<i>Profitability</i>	+	<i>ROA/ROE</i>
<i>Liquidity</i>	+	<i>Total current liabilities/ total current assets</i>

Table 2: Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) DONT	1.000											
(2) GOVSCOR	0.077	1.000										
(3) IND	0.017	0.405	1.000									
(4) BSIZE	0.116	0.197	0.146	1.000								
(5) GDIV	0.068	0.293	0.308	0.085	1.000							
(6) CEO	0.016	0.129	0.039	-0.000	0.036	1.000						
(7) AUD	0.060	0.337	0.494	0.143	0.115	0.099	1.000					
(8) LEV	0.031	0.008	-0.025	0.111	0.026	0.045	0.001	1.000				
(9) LIQ	0.013	-0.073	0.027	0.046	-0.028	0.064	0.008	0.253	1.000			
(10) ROA	0.022	0.011	0.061	-0.040	0.013	-0.008	0.127	-0.207	-0.136	1.000		
(11) CSR	0.068	0.306	0.113	0.196	0.103	-0.023	0.105	-0.035	-0.090	-0.103	1.000	
(12) FSIZE	0.313	0.335	0.228	0.356	0.229	0.202	0.164	0.119	-0.136	0.214	-0.082	1.000

Table 3: Descriptive summary of the study variables

Variable	Obs	Mean	Std. Dev.	Min	Max
DONAT AM	630	12.45	2.289	0	19.22
DONAT INT	630	.00019	.000435	0	.0017
GOVSCOR	630	60.166	20.164	3.658	97.826
IND	630	59.659	14.414	7.143	100
BSIZE	630	8.548	2.009	4	16
GDIV	630	27.448	11.315	0	60
CEO	630	.984	.127	0	1
AUD	630	90.584	16.283	14.286	100
CSR	630	.702	.458	0	1
LEV	630	.277	.178	0	.867
LIQ	630	.903	.781	.002	12.857
ROA	630	4.344	9.098	-55.339	52.94
FSIZE	630	21.313	1.428	17.936	26.413

Table 4: The impact of corporate governance rating on the amount of firms' donations

VARIABLES	(1) <i>DONAT amount</i> <i>(OLS)</i>	(2) <i>DONAT amount</i> <i>(FE)</i>	(3) <i>DONAT amount</i> <i>(RE)</i>
GOVSCOR	0.0183*** (0.00488)	0.0105** (0.00426)	0.0128*** (0.00371)
FSIZE	1.294*** (0.0643)	0.698** (0.279)	1.223*** (0.0853)
LEV	-0.604 (0.552)	-0.787 (0.540)	-0.111 (0.426)
ROA	0.0337*** (0.00990)	0.00486 (0.00731)	0.00889 (0.00657)
LIQ	0.0383 (0.191)	-0.0980 (0.157)	-0.0363 (0.135)
Constant	-15.79***	-2.038	-13.66***

	(1.288)	(6.022)	(1.803)
Year Dummies	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes
Observations	630	630	630
R-squared	0.662	0.075	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5: The impact of corporate governance rating on the intensity of firms' donations

VARIABLES	(1)	(2)	(3)
	<i>DONAT intensity (OLS)</i>	<i>DONAT intensity (FE)</i>	<i>DONAT intensity (RE)</i>
GOVSCOR	0.199** (0.0780)	0.138* (0.0642)	0.120** (0.0573)
FSIZE	5.737*** (1.083)	5.224 (4.249)	5.667*** (1.474)
LEV	-6.526 (9.173)	-9.469 (8.162)	-9.153 (6.610)
ROA	0.284* (0.164)	-0.0282 (0.0969)	0.00157 (0.0888)
Constant	-85.34*** (22.97)	-69.63 (91.06)	-73.08** (32.87)
Year Dummies	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes
Observations	630	630	630
R-squared	0.292	0.024	

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 6: The impact of corporate governance mechanisms on the intensity and the amount of firms' donations

VARIABLES	(1) <i>DONAT amount (OLS)</i>	(2) <i>DONAT amount (RE)</i>	(3) <i>DONAT intensity (OLS)</i>	(4) <i>DONAT intensity (RE)</i>
IND	0.0200** (0.0102)	0.0146** (0.00638)	-0.0990 (0.123)	0.0290 (0.0890)
BSIZE	0.456*** (0.0654)	0.199*** (0.0438)	2.929*** (0.810)	1.730*** (0.614)
GDIV	0.0330*** (0.0125)	0.0124* (0.00658)	0.367** (0.155)	0.169* (0.0943)
CEO	-0.611 (0.853)	-1.433 (0.663)	-0.402 (9.769)	-3.733 (8.831)
AUD	-0.427 (1.056)	0.269 (0.372)	-7.878 (11.90)	-4.057 (4.931)
CSR	1.384*** (0.307)	0.486** (0.211)	3.93*** (3.796)	4.502** (2.958)
LEV	-0.114 (0.745)	-0.422 (0.495)	-15.20 (9.237)	-7.906 (6.883)
ROA	0.705*** (0.259)	-0.117 (0.160)	2.632 (3.213)	-1.157 (2.254)
FSIZE	1.242*** (0.0803)	1.155*** (0.0958)	4.640*** (1.267)	4.116*** (1.476)
Constant	8.554*** (1.510)	11.25*** (0.953)	29.17* (17.48)	41.66*** (13.78)
Year Dummies	Yes	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes	Yes
Observations	630	630	630	630
R-squared	0.268		0.209	

Table 7: The impact of corporate governance mechanisms on the firms' donations under to sub-groups of companies

VARIABLES	High ESG rating	Low ESG rating	High Performing Firm	Low Performing Firm
	(1) <i>ESG>54%</i>	(2) <i>ESG<54%</i>	(3) <i>ROA>Mean</i>	(4) <i>ROA<Mean</i>
IND	0.0237*** (0.0796)	0.0146* (0.0708)	0.0118** (0.0614)	0.027* (0.0816)
BSIZE	0.675*** (0.058)	0.486*** (0.046)	0.281*** (0.059)	0.156*** (0.053)
GDIV	0.199** (0.0838)	0.195** (0.0829)	0.181* (0.0949)	0.209** (0.0828)
CEO	-5.710 (2.908)	-6.289 (2.724)	-7.298 (3.993)	-6.131 (2.463)
AUD	0.191 (0.0618)	0.112 (0.0702)	0.231 (0.0703)	0.235 (0.0689)
CSR	3.283***	5.435	3.93***	2.807***

	(1.966)	(2.473)	(2.498)	(1.921)
LEV	-2.878	-3.26	-1.633	-3.393
	(5.039)	(5.152)	(6.291)	(4.858)
ROA	0.553***	0.0169*	0.214***	0.0674**
	(0.0987)	(0.102)	(0.144)	(0.135)
FSIZE	1.838***	2.571***	3.707***	3.034***
	(1.079)	(0.660)	(0.948)	(0.788)
Constant	12.225**	34.15**	4.43***	7.67***
	(2.37)	(1.32)	(1.69)	(1.54)
Year Dummies	Yes	Yes	Yes	Yes
Industry Dummies	Yes	Yes	Yes	Yes
Observations	311	319	290	340
R-squared	0.214	0.226	0.257	0.278

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1