Board independence and GRI-IFC Performance Standards: the mediating effect of the CSR committee

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ABSTRACT

The aim of this paper is to analyse the role played by independent directors and their decisions regarding the disclosure of information on corporate social responsibility (CSR). We posit that these directors (i) drive the creation of a CSR committee to advise them on social and environmental issues, and (ii) promote the use of the Global Reporting Initiative guidelines and the International Finance Corporation Performance Standards (jointly, the GRI-IFC strategy) in their CSR disclosure. The GRI-IFC strategy requires the disclosure of key indicators, and is expected to strengthen stakeholder engagement and to enhance the firm's internal monitoring.

Our analysis of an unbalanced sample of 750 international companies, spanning the period 2011-2016, in which logistic and ordinal regressions are applied to the panel data, reveals a generalised absence of direct involvement by independent directors in the adoption of the GRI-IFC strategy. However, in many cases these directors promote the creation of a CSR committee, whose main purpose is to advise the board on the voluntary implementation of the GRI-IFC strategy. Our evidence shows that the CSR committee plays a mediating role in the cause-effect relationship between independent directors and their adoption of the GRI-IFC strategy.

1. INTRODUCTION

Business risks are not only associated with financial results but exist in other areas, and therefore stakeholders need accurate, relevant information about the social and environmental impact of companies' activities (Fonseca et al., 2014). Accordingly, numerous companies have begun to publish sustainability or corporate social responsibility (CSR) reports, disclosing information about their environmental, ethical and social policies, activities and performance. Although various standards in this respect have been proposed, most firms use the Global Reporting Initiative (GRI) guidelines to draft their CSR statements (Cubilla-Montilla, 2019).

As with financial reports, this information facilitates interrelations between the parties involved and enables firms to make appropriate decisions regarding the sustainability of their operations (Chen et al., 2015). However, it has been observed that application of the

GRI guidelines, in itself, may be insufficient, because companies can use them to idealise their image and to camouflage their real level of sustainability. In this situation, the information contained in a CSR report would have little or no real impact on the external and internal decisions driving investment or projects aimed at enhancing a company's social and environmental impact (Boiral and Heras-Saizarbitoria, 2017).

In response to this perceived problem, some companies are now developing comprehensive strategies to identify the social and environmental management systems and policies that need to be modified in order to improve corporate performance, to associate it more closely with the firm's outlook and goals and to communicate effectively with all stakeholders, both internal and external (Miles, 2011). In this vein, the International Finance Corporation (IFC, 2010) has observed that the use of GRI guidelines in combination with the IFC's own Performance Standards promotes the accurate representation of managerial commitments and approaches in CSR reports. In applying the GRI-IFC strategy, it is assumed that a sustainability report is not only a means of external communication by which companies can satisfy the information requirements of their stakeholders; it also constitutes a monitoring instrument, enabling managers to detect and correct weaknesses, thus strengthening the firm's internal capacities, promoting the application of strategies based on CSR, fostering the development of more precise policies and systems, and highlighting the results obtained (IFC, 2010).

In the understanding that it is the responsibility of the board of directors to ensure that the financial and non-financial information disclosed by a company is relevant and accurate, and that it will be used in order to enhance corporate performance (García Sánchez et al., 2011; Prado-Lorenzo and García-Sanchez, 2010), we argue that this body is the driving force behind adoption of the GRI-IFC strategy. Among board members, this responsibility is often delegated to independent directors, in view of their skills and experience in corporate transparency (Prado-Lorenzo et al., 2009), which, together with the need to safeguard their external reputation (and hence their professional future), is synonymous with their performing an independent supervisory role of managers' decisions, thus ensuring that all stakeholders' interests are protected (Jo and Harjoto, 2012).

However, in terms of empirical evidence there is no unanimity regarding the role played by these board members in reducing information asymmetries. Although previous studies have shown that independent directors contribute to improving the quality of financial information and that they promote the voluntary disclosure of information (Eng and Mak, 2003; Gul and Leung, 2004), in the field of CSR communication their involvement remains limited (Rupley et al., 2012; Barako and Brown, 2008; Lattemann et al., 2009; Khan et al., 2013). Moreover, important studies have observed a negative predisposition to the disclosure of this type of information (Haniffa and Cooke 2005; Frías-Aceituno et al., 2013b). The latter effects might arise because they have limited training and experience in the social and environmental dimensions of business activity. This preventive position might be motivated by their seeking to avoid possible risks to their reputation from the disclosure of information whose veracity cannot be determined or because reports facilitate data about poor CSR performance that they could not properly evaluate (García-Sánchez and Martínez-Ferrero, 2017).

Therefore, and taking into consideration the sometimes limited preparation of independent directors in the field of CSR, we suggest that they may promote mechanisms to assist them in relation to new information requirements concerning company performance, doing so by promoting the creation of a specialised committee on environmental and social issues, i.e. a CSR committee, that could play a mediating role in the hows and whys of the relationship between board independence and the adoption of the GRI-IFC strategy.

Although Rodrigue et al. (2013) concluded that such committees do not play an active role in improving a firm's environmental performance because they are more oriented towards protecting it from regulatory and/or reputational damage, other studies have demonstrated the significant impact made by the CSR committee on the quality of environmental information revealed (Peters and Romi, 2014; Helfaya and Moussa, 2017; Cucari et al., 2017). In the present paper, we argue that a CSR committee often plays a role comparable to that of the audit committee in the economic-financial dimensions of business activity. We suggest that this committee is a contingent factor, liaising, advising and encouraging the independent directors in their implementation of the GRI-IFC strategy. Our hypothesis is based on the understanding that the GRI-IFC approach facilitates extensive information about the company's CSR policies and systems and its strengths and weaknesses in this respect, and that directors need this information in order to determine which actions should be promoted, corrected, minimised or discarded in order to reinforce the firm's CSR performance.

In view of these considerations, our objective in this paper is to analyse the role played by independent directors in two business decisions: the creation of a CSR committee and the adoption of a GRI-IFC strategy aimed at improving the firm's sustainability. In this analysis, we also consider the mediating role that the CSR committee could play with respect to independent directors and their decisions concerning implementation of a GRI-IFC strategy.

Our analysis, based on an unbalanced database of 750 companies for the period 2011-2016, shows that independent directors do not directly promote the improvement of CSR reports through the combined application of GRI guidelines and the IFC Performance Standards. However, these board members may spur the creation of specialised committees on social and environmental issues, i.e. CSR committees, which do play such a role, and thus contribute to the acquisition and publication of quality information on social and environmental issues, thus helping internal and external stakeholders to better understand the key strategic problems facing the company.

This paper builds upon and extends previous research findings, focusing on the role played by independent directors in protecting stakeholders' interests and in enhancing corporate performance. However, in contrast to previous literature, which mainly focuses on the relation between independent directors and corporate transparency, we show that due to their limited social and environmental background, independent directors often avoid direct involvement in CSR disclosure decisions. Instead, they play an indirect role in this respect, by promoting the creation of a CSR subcommittee to provide advice on these matters. This kind of specialised subcommittee can promote the implementation of appropriate strategies and actions to enhance processes and communications within the company and to reinforce internal management systems. By means of this mediating body, independent directors can participate in the elaboration of CSR reports in accordance with the Global Reporting Initiative guidelines and with the International Finance Corporation Performance Standards. Our approach identifies the real impact made by CSR committees on CSR strategies and clarifies previous evidence, by no means unanimous, concerning the role played by independent directors in decision making. The conclusions drawn from this study highlight the benefits to be gained from demanding more of external directors, as regards their social and environmental background, as well as the need to modify the requirements for the constitution and operation of CSR committees.

2. INDEPENDENT DIRECTORS, THE CSR COMMITTEE AND IFC PERFORMANCE STANDARDS

Conceptually, CSR reports are designed to inform stakeholders of the characteristics of corporate behaviour during a given period and of the economic, social and environmental impacts derived from the company's activity (Fuente et al., 2017). Sometimes, however, the corporate information provided is not actually very useful, and fails to meet users' needs, due to problems associated with the structure or typology of the report (O'Dwyer et al., 2005). In addition, researchers have questioned whether the data contained in CSR reports are consistent with real performance in this regard, and whether the increased production of this type of information actually reflects an improvement in sustainable practices (Pellegrino and Lodhia, 2012). Furthermore, there seems to be a disconnection between the information published and the CSR decisions taken by managers (Mio, 2010).

Accordingly, it would appear necessary for companies to enhance the utility and comparability of their information for external users by relating it to their internal decision-making processes. Firms in the vanguard of this process are beginning to adopt the GRI-IFC strategy, preparing their CSR report in accordance with the GRI guidelines and with the IFC Performance Standards (International Finance Corporation, 2010), thus enabling the company to identify the environmental and social management policies and systems that need to be modified in order to improve current business performance, and to align this performance with its overall outlook and objectives, as well as ensuring effective communication with internal and external stakeholders (Miles, 2011).

2.1. The role played by independent directors in implementing the GRI-IFC strategy

The board of directors underwrites the value, quality and relevance of firms' corporate information disclosure (García Sánchez et al., 2011). Therefore, CSR should be viewed as a strategic decision that is ultimately taken by the board, which is the company's highest decision-making body (Forbes and Milliken, 1999). In accordance with the stakeholder-agency theory, Prado-Lorenzo and García-Sanchez (2010) argued that the board of directors is responsible for supervising and controlling the actions of the individual directors, and that CSR disclosure is one of the control mechanisms used to align the interests of the directors (agent) with those of stakeholders (principal).

Therefore, the characteristics of the board are of essential importance and directly affect the decision-making process associated with CSR (Huang, 2010).

A defining characteristic of the board of directors is its degree of independence, which is determined by its proportion of 'outsiders' (i.e., external or independent members). External directors are not beholden to the organisation, and so their decisions are resistant to interference (Fuente et al., 2017). Moreover, their reputation is closely linked to that of the firm and the outcomes of its actions, and so these directors have a strong interest in the company implementing socially responsible strategies. Accordingly, they will seek to ensure that the information published by the organisation is consistent with its true performance (García-Sánchez et al., 2014). By supporting the disclosure of reliable, objective information, these directors will safeguard the interests of the firm's internal and external stakeholders, while avoiding the use of other CSR information that does not represent the true situation, thus underpinning the firm's legitimacy (García-Sánchez and Martínez-Ferrero, 2017). Furthermore, external directors are more likely to be objective and independent in their analysis of managerial decisions and behaviour, and will be more willing to make social commitments to satisfy stakeholders' interests (Ibrahim and Angelidis, 1995), thus aligning corporate and social objectives. In addition, and in order to uphold their own reputation, independent directors would not agree to the disclosure of CSR information, legitimising the company, unless this information were well grounded and corroborated, and provided an objective representation of actual performance (García-Sánchez and Martínez-Ferrero, 2018). Therefore, in order to defend stakeholders' interests, external directors will usually favour application of the GRI-IFC strategy, in the view that it provides CSR information offering greater reliability, relevance and comparability, and thus promotes greater sustainability within the organisation.

Although previous studies have highlighted the important role played by independent directors in focusing attention on the need for CSR (Jo and Harjoto, 2012), opinions are divided as to the effect of their presence on corporate transparency. Thus, Rupley et al. (2012) observed that a greater presence of independent directors was associated with more extensive information disclosure on a limited number of environmental issues. Barako and Brown (2008) reported that this independence favoured CSR transparency in the banking sector, and similar results were obtained by Lattemann et al. (2009) for all business sectors in developing countries. By contrast, Haniffa and Cooke (2005) reported a negative relationship between outsiders sitting on company boards in Malaysia and these firms' information disclosure. Analyses of different sectors in developed economies have produced widely varying results. Thus, Michelon and Parbonetti (2012) found no significant relationship between independent directors and disclosure on sustainability. In the same vein, Frías-Aceituno et al. (2013b) observed no significant relationship between the proportion of non-executive directors and the production of integrated CSR reports. On the other hand, Prado-Lorenzo and García-Sánchez (2010) reported that the role of independent directors in information disclosure on greenhouse gas emissions is based on the firm's exposure to possible litigation. Finally, García-Sánchez and Martínez-Ferrero (2017 and 2018) observed initial opposition to the disclosure of information on sustainability, which is currently being overcome according to the level of sustainability within each company and according to opinions in this respect offered by external specialists.

It has been argued that the main factor leading independent directors to foster the publication of CSR information is their aversion to risks to reputation, both that of the company and their own (García-Sánchez et al., 2014). Although directors are responsible for compliance with sustainability obligations, Hasseldine et al. (2005) observed that CSR information is basically provided with a view to creating heterogeneous resources and to maintaining a competitive advantage in terms of a better company reputation, and not so much in order to avoid negative consequences. A significant problem is that the heterogeneity of CSR reports makes comparison difficult. In this respect, Argenti and Forman (2002) and DeTienne and Lewis (2005) described a variety of methods used by companies to communicate information to stakeholders, but noted that, in practice, these methods do not eliminate the legal and ethical uncertainty that may accompany this type of information disclosure.

Studies have shown that CSR information disclosure can affect the reputation of company and might indirectly harm that of its directors. For example, Fich and Shivdasani (2007) observed that directors of firms involve in financial fraud related to revenue management could find that their future access to management positions is restricted. Accordingly, when external directors do not have a good understanding of the firm's behaviour or if they discover that the company is going to publish unfavourable news, they should bear in mind the potential danger to their own reputation of this circumstance (Fahlenbrach et al., 2010). Thus, decisions on corporate strategy are often influenced by the directors' wish to safeguard their personal standing (Masulis and Mobbs, 2012). In other words, external directors will often seek to avoid corporate situations that might negatively affect their own professional future, since the main benefits expected to be obtained from an external directorship are prestige, reputation and employment and networking opportunities (Fama and Jensen, 1983).

However, the behaviour of external directors might change as CSR performance improves, especially if this is linked to internal practices. We believe that independent directors would encourage the adoption of the GRI-IFC strategy because a tighter association between internal practices and the CSR information disclosed would reduce the risks and uncertainties that could lead these directors to oppose or be indifferent to such information disclosure. In view of these considerations, we propose the following hypothesis:

H1: The presence of independent directors on the board has a positive effect on the company's voluntary implementation of GRI guidelines, in conjunction with the IFC Performance Standards.

2.2. The mediating effect of the CSR committee

A strong commitment to CSR is frequently associated with one of the most effective governance mechanisms available for monitoring a company's behaviour and the quality and reliability of the information it provides, namely the creation of a specific committee for this purpose. The main functions of the CSR committee are to manage risks and opportunities with respect to sustainability, meeting corporate objectives and fulfilling obligations to stakeholders (Peters and Romi, 2015).

The first empirical studies in this context showed that the CSR committee is often more symbolic than operational, seeking mainly to limit or avoid litigation and other reputational risks, without producing any direct impact on corporate transparency or on the company's level of sustainability (Rankin et al., 2011; Michelon and Parbonetti, 2012; Rodrigue et al., 2013; Rupley et al., 2012). The fact that such committees can perform a wide variety of functions may curb their effectiveness (Burke et al., 2017). Hence, the creation of a specialised management body of this type might only be really effective in organisations that already present sustainable behaviour, producing a medium to long-term effect on environmental performance (Peters et al., 2018). However, recent studies

(Peters and Romi, 2014; Amran et al., 2014; Arena et al., 2015; Liao et al., 2015; Helfaya and Moussa, 2017; Cucari et al., 2017) have shown that the existence of a CSR committee heightens corporate transparency, especially in relation to environmental information and, above all, regarding the emission of greenhouse gases.

A specialised CSR committee is often created in order to establish a monitoring process to ensure that company actions are coherent with stakeholders' interests. It may also adopt a proactive role in improving corporate performance, making recommendations to directors regarding strategies to enhance business results. In another sphere, the existence of an audit committee not only facilitates higher quality financial information, but also encourages ethical behaviour (Beasley et al., 2000; Dechow et al., 1996) and improves systems of internal control (Goh, 2009; Hoitash et al., 2009).

In the field of CSR, these outcomes would be achieved through actions aimed at increasing the company's sustainability. According to Liao et al. (2015), the functions of the CSR committee are similar to the responsibilities of the audit committee. Therefore, we believe that the members of the CSR committee will display as much interest and will work with the same diligence as their peers on the audit committee, complementing the latter's work in the economic-financial area with attention to the social and environmental dimensions of business performance.

As the creation of a CSR committee is currently voluntary, we expect independent directors to be the main promoters of its existence. By advocating such a committee, independent directors will indirectly pressure the company to plan and implement sustainable projects. The committee, thus, will increase awareness of CSR issues, foster participation by those interested in the company's ethical culture and promote a higher quality of corporate transparency. In other words, the mediating role of the CSR committee connects independent directors' interest in sustainability with their influence on the implementation of the GRI-IFC strategy. In turn, this will help the company incorporate the opinions of its staff into the planning of strategies for sustainability, identify gaps in current practices and achieve ongoing improvements in its operations, products and services. In this understanding, we propose the following hypothesis:

H2: The existence of a CSR committee mediates the positive effect that the presence of independent directors produces on the voluntary implementation of the GRI guidelines, in conjunction with the IFC Performance Standards.

Figure 1 illustrates the relationships between the independence of the board of directors, the adoption of the GRI-IFC strategy and the mediating role of the CSR committee.

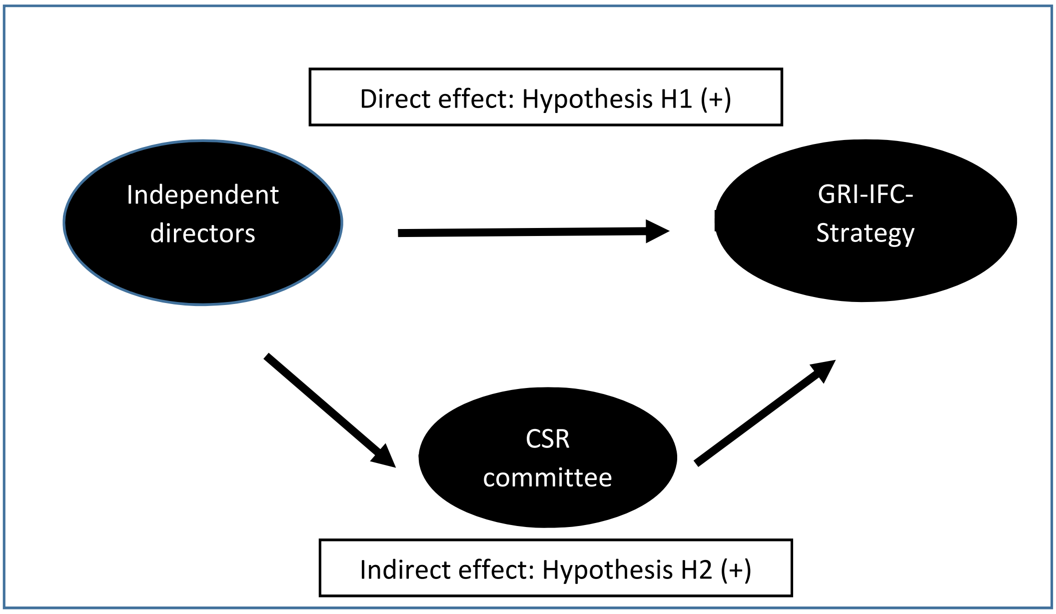

Figure 1. Independent directors, the CSR committee and the GRI-IFC strategy

3. METHOD

In order to test the study hypotheses, we followed the approach adopted in previous research in this field and focused on the 2000 largest international companies, according to the Forbes index, as our target population, in the view that large firms tend to be at the forefront of developments in CSR action, including the disclosure of information about social and environmental issues (García-Sanchez et al., 2016).

Subsequently, the companies that did not provide CSR reports on their website were eliminated from our analysis, due to the difficulty or impossibility of examining their sustainability reports. We also excluded international firms which did not conduct operations in emerging countries, due to our special interest regarding the social and environmental impact and the contribution made by companies in these countries, which represent an area of special concern to the IFC. Finally, our unbalanced panel data sample was composed of 750 companies (3,600 observations) with data for the period 2011-2016, associated by the online availability of information regarding the GRI-IFC strategy, while financial and other information were obtained from Thomson Reuters. These firms are located worldwide, in 19 countries (Australia, Belgium, Canada, China, Finland, France, Germany, Hong Kong, Italy, Japan, Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom and United States of America) and are active in 22 different industries (Automobiles & Components; Capital Goods; Commercial & Professional Services; Consumer Durables & Apparel; Consumer Services; Diversified Financials; Energy; Food & Staples Retailing; Food, Beverages & Tobacco; Health Care Equipment & Services; Household & Personal Products; Materials; Media; Pharmaceuticals, Biotechnology & Life; Real Estate; Retailing; Semiconductors & Semiconductor Equipment; Software & Services; Technology Hardware & Equipment; Telecommunication Services; Transportation; and Utilities).

To test whether there exists a direct and indirect relation (mediating effect) between the variables (both independent and dependent), we followed the Baron and Kenny (1986) three-step procedure, which produced four models of dependency: (i) the effect of the independent variable on the mediator; (ii) the effect of the independent variable on the dependent variable; (iii) the effect of the mediator on the dependent variable; (iv) the effects of the independent variable and of the mediator on the dependent variable.

Step one. Model 1 illustrates the effect of the independent variable (**Board_Indep**) on the potential mediator variable (**CSR_committee**), including three control variable vectors, to avoid biasing the results, for various board, firm and institutional characteristics.

$$\mathbf{CSR\_committee}_{it} = \beta_0 + \beta_1 \mathbf{Board\_Indep}_{it} + \sum_{j=2}^{6} \beta_j \mathrm{Board}_{it} + \sum_{k=7}^{11} \beta_k \mathrm{Firm}_t + \sum_{l=12}^{21} \beta_l \mathrm{Institutional}_t + \beta_{22}\mathrm{Year} + \mu_{it} + \eta_i$$

(Equation 1)

where **i** identifies the 750 firms and **t** represents the years 2011-2016. The **β** parameters are the coefficients for all the variables included in Equation 1 and the constant.

Step two. The equations are defined, to highlight the effects of the independent variable (**Board_Indep)** and of the mediator variable (**CSR_committee**) on the dependent variable (**GRI-IFC**), while controlling for bias. To do so, Equations 2a and 2b were calculated.

$$\mathbf{GRI-IFC}_{it} = \alpha_0 + \alpha_1 \mathbf{Board\_Indep}_{it} + \sum_{j=2}^{6} \beta_j \mathrm{Board}_{it} + \sum_{k=7}^{11} \beta_k \mathrm{Firm}_t + \sum_{l=12}^{21} \beta_l \mathrm{Institutional}_t + \beta_{22}\mathrm{Year} + \mu_{it} + \eta_i$$

(Equation 2a)

$$\mathbf{GRI-IFC}_{it} = \gamma_0 + \gamma_1 \mathbf{CSR\_committee}_{it} + \sum_{j=2}^{6} \beta_j \mathrm{Board}_{it} + \sum_{k=7}^{11} \beta_k \mathrm{Firm}_t + \sum_{l=12}^{21} \beta_l \mathrm{Institutional}_t + \beta_{22}\mathrm{Year} + \mu_{it} + \eta_i$$

(Equation 2b)

The $\boldsymbol{\alpha}$ and $\boldsymbol{\gamma}$ parameters are the coefficients for all the variables included in Equations 1 and 2, respectively, and the constant.

Step three. Finally, Equation 3 is defined to illustrate the joint effect of the independent variable (**Board_Indep)** and of the mediator variable (**CSR_committee**) on the dependent variable (**GRI-IFC**), while controlling for bias. In order to determine the possible existence of a mediator effect: (i) the coefficient of the independent variable on the dependent variable must be less than in Equation 2a; (ii) the coefficient of the mediator must be significant from an econometric standpoint (Baron and Kenny, 1986, p. 1177).

$$\mathbf{GRI-IFC}_{it} = \delta_0 + \delta_1 \mathbf{Board\_Indep}_{it} + \delta_2 \mathbf{CSR\_committee}_{it} + \sum_{j=3}^{7} \delta_j \mathrm{Board}_{it} + \sum_{k=8}^{12} \delta_k \mathrm{Firm}_t + \sum_{l=13}^{22} \delta_l \mathrm{Institutional}_t + \delta_{23}\mathrm{Year} + \mu_{it} + \eta_i$$

(Equation 3)

The $\boldsymbol{\delta}$ parameters are the coefficients for all the variables included in Equation 3 and the constant.

In order to represent the GRI-IFC-strategy, we adopt a procedure similar to that used by Frías-Aceituno et al. (2014) for integrated reporting. The dependent variable ***GRI-IFC*** is numerical, taking the value 0 if the company only issues a CSR statement with no reference to the GRI guidelines, the value 1 or 2 if it takes into account GRI-G4 (only the fundamentals, or the majority of its content, respectively) and the value 3 if it prepares a GRI-IFC report. The value 3 for this variable means that the report fully meets the IFC requirements (International Finance Corporation, 2010, pp. 16-21). To date, the IFC has presented eight Performance Standards outlining the responsibilities of companies receiving or applying for IFC investment. These standards include various requirements for companies to monitor and disclose information both externally and internally, covering the following areas: Social and Environmental Assessment and Management Systems; Labour and Working Conditions; Pollution Prevention and Abatement; Community Health, Safety and Security; Land Acquisition and Involuntary Resettlement; Biodiversity Conservation and Sustainable Natural Resource Management: Indigenous Peoples; Cultural Heritage.

Board_Indep is the proportion of independent directors on the board (García-Sánchez and Martínez-Ferrero, 2018). **CSR_committee** is a dummy variable that identifies the existence or otherwise of a CSR committee (Helfaya and Moussa, 2017).

To avoid bias in the results, we controlled for various firm, board and institutional characteristics. In addition, we included *Year*, a numerical variable representing the six years analysed. With respect to the board in particular, *Duality* is a dummy variable that takes the value 1 if the company's CEO is chairman of the board of directors, and the value 0 otherwise; *Board_Acti* represents the activity of the board, measured by the number of meetings held annually (García-Sánchez et al., 2013); *Board_Size* and *Board_Size_squ* represent the size of the board, measured by the total number of board members and by the square of the size of the board, respectively (Michelon and Parbonetti, 2012). Finally, *Board_Diversity* is the proportion of female directors on the board (Khan et al., 2013).

In addition, we included the following firm-specific characteristics (Vaz Ogando et al., 2018; Fondevila et al., 2019; Siueia and Wang, 2019): *FirmSize* (the natural logarithm of sales); *ROA* (return on assets); and *Leverage* (the ratio between the company's borrowing and its own resources). The possible existence of problems of asymmetric information (*IA*) and the level of financial restrictions (*KZ_index*) were also considered and were calculated following Martínez-Ferrero et al. (2018) and Kaplan and Zingales (1997), respectively. Institutional pressure within a given country is represented by the nine legal and cultural variables proposed by Frías-Aceituno et al. (2013a) and García-Sánchez et al. (2013), namely *Collectivist, Femininity, Lower_PDP Tolerance,, Long_term orientation, Civil_Law*, *Stakelaw*, *Csrlaw* and *Enforcement*. Mimetic pressure in the industry (*Industry_mimetic*) is measured by the ICSRPI proposed by Amor-Esteban et al. (2018a and 2018b).

Our econometric models are based on logistic regression for panel data in Equation 1 because *CSR_committee* is a dummy variable, and on ordinal regression for the other models, because the dependent variable, GRI-IFC, is ordinal. Panel data techniques facilitate the control of unobservable heterogeneity, and we corrected for endogeneity by including a lag in the independent variables. All equations were calculated using Stata software.

4. RESULTS

Table 1 summarises the descriptive statistics obtained for the dependent, independent and control variables. Among the main variables analysed, GRI-IFC has a mean value of 1.383; 25.64% of the companies published a sustainability report that was not in accordance with GRI guidelines; 49.44% did so in accordance with the core guidelines; 17.58% were mainly or entirely in accordance with GRI; and only 7.34% fully applied the GRI-IFC strategy. On average, 62.31% of board members were independent directors, and 64% of the companies had created a CSR committee.

Table 1. Descriptive statistics

	Frequency	
CSR_committee	64.01%	
Duality	34.00%	
Civil_law	29.40%	
	Mean	*Std. Dvn.*
GRI-IFC	1.383	0.502
Board_Indep	62.308	28.223
Board_Acti	0.322	0.467
Board_Size	10.668	3.267
Board_Size_squ	124.479	84.312
Board_Diversity	13.447	11.023
Size	5.433	1.796
ROA	0.02	0.925
Leverage	3.039	2.855
IA	0.387	5.234
KZ_index	0.015	0.465
Mimetic	4.285	0.940
Collectivist	0.162	0.102
Feminist	0.021	0.027
Lower_PDP	0.024	0.005
Tolerance	0.023	0.015

Long_term	45.057	24.157
Stakelaw	0.699	0.848
CSRlaw	12.910	4.552
Enforcement	0.296	0.414

Table 2 shows the results obtained from Equation 1 (the influence of independent directors on *CSR_committee)*, estimated by a logit regression. The rho parameter is similar to R^2 and identifies the explanatory power of the equation. In addition to the coefficient of each explanatory variable, the associated standard error is included. For a confidence level of 95%, the *Board_Indep* variable has a significant positive impact on *CSR_committee*. The model has a predictive power of 83%.

In addition to the effect of board independence, diversity is positively associated with the existence of the CSR committee. Board size presents a U-shaped relation with the existence of the CSR committee. In the linear format, board size is directly associated with the dependent variable. On the contrary, its square (*Board_Size_squ*) is indirectly related to the existence of the CSR committee, for the same level of significance (99%). Thus, in order to determine point Φ_1 at which the change of effect of the board size variable takes place, we estimated $\Phi_1 = - (\beta_4 / 2\ \beta_5)$. From the coefficients, it can be seen that the existence of a CSR committee is associated with an optimal board size of 17 members. A higher number could provoke organisational problems, and hence sub-optimal monitoring and less predisposition to the existence of a specialised sustainability committee. This conclusion is in line with Frías-Aceituno et al. (2014) and García-Sánchez et al. (2014), who observed that a presence of around 15 directors on the board favoured ethical commitment by the company.

The existence of a CSR committee is also associated with mimetic pressures according to the sector of business activity, and with the coercive forces inherent to the legal system of the country in which the company operates. However, the regulatory forces associated with national cultural values play contradictory roles. On the one hand, the company's long-term orientation, the degree of obligation regarding the provision of CSR information and the strength of the judicial system are all positively associated with the existence of the CSR committee. However, there is an inverse association with tolerance to uncertainty and with the degree of protection of human and labour rights. In this regard, it should be noted that companies and academic researchers have tended to focus on the environmental aspects of CSR, while granting less importance to its social dimension, despite the major impact of the latter in some sectors that are labour intensive and/or make significant use of other non-natural resources, as revealed in our study results.

Table 2. Effect of Independent directors on CSR_committee

	Coef.	*Std. Err.*	*z*	*P>|z|*
Board_Indep	0.012	0.006	2.010	0.044
Board characteristics				
Duality	0.074	0.303	0.240	0.807
Board_Acti	-0.154	0.305	-0.510	0.613
Board_Size	0.685	0.176	3.890	0.000
Board_Size_squ	-0.020	0.007	-3.000	0.003
Board_Diversity	0.133	0.016	8.320	0.000
Firm characteristics				
Size	0.000	0.000	1.240	0.217
ROA	0.263	0.371	0.710	0.479
Leverage	0.000	0.000	0.510	0.613
KZ_index	-0.338	0.447	-0.760	0.450
IA	0.000	0.000	1.750	0.080
Institutional forces				
Mimetic	1.279	0.207	6.170	0.000
Collectivist	0.042	0.071	0.600	0.552
Femininity	-0.466	0.303	-0.450	0.651
Lower_PDP	0.065	0.071	-0.920	0.359
Tolerance	-0.123	0.025	-4.820	0.000
Long_term	0.091	0.023	3.900	0.000
Civil_Law	2.559	1.331	1.920	0.055
CSRlaw	2.412	0.415	5.820	0.000
Stakelaw	-0.633	0.110	-5.750	0.000
Enforcement	2.703	0.698	3.870	0.000
_cons	-6.246	2.876	-2.170	0.030
Rho	0.825			0.021
Log Likelihood	1087.847			
Wald Chi-square	186.81			0.000

Table 3 shows the results obtained by Equations 2 and 3, which both have a predictive power (rho) of over 50%. The impact of *Board_Indep* is slightly less in Equation 3 than in Equation 2, but it is not statistically significant in either model. On the contrary, the mediating variable, *CSR_committee*, has a significant positive effect, at 99% confidence, in both models. These results lead us to accept hypothesis H2 and to reject H1, and so we conclude that the presence on the board of independent directors only has an indirect effect on the company's strategy for business sustainability through the existence of a specialised CSR committee.

These results clarify previous, conflicting, empirical evidence regarding the role played by independent directors in the disclosure of information on sustainability. Thus, we confirm the findings of Haniffa and Cooke (2005), Prado-Lorenzo and García-Sanchez (2010) and Frías-Aceituno et al. (2013b), according to which the presence on the board of independent directors does not produce a greater dissemination of information on social and environmental issues. This behaviour contrasts with that observed for these directors regarding other types of voluntary information provision (Eng and Mak, 2003; Gul and Leung, 2004). This absence of involvement is direct, perhaps because independent directors lack experience and training in sustainability issues, which would probably lead them to promote the creation of a specialised committee in this area, as a driver of sustainability strategies producing improvements within the organisation and enhancing its transparency with external stakeholders.

It may have been this indirect effect, through the creation of a CSR committee, that led Barako and Brown (2008), Lattemann et al. (2009) and Khan et al. (2013) to conclude that, for certain indicators or business sectors, independent directors play an active role. With respect to CSR committees, our results support those reported in other, recent studies (Helfaya and Moussa, 2017; Cucari et al., 2017), according to which the existence of such a committee promotes the planning and adoption of sustainable projects, increases stakeholders' awareness and participation in the company's ethical culture and raises the quality of corporate transparency. Therefore, the CSR committee could be viewed as playing a role comparable that of the audit committee with respect to the economic dimension of corporate performance.

5. CONCLUSIONS

In order to take appropriate decisions, stakeholders must be well informed. In the business world, as well as data of a financial nature, they require information to assess whether adequate account has been taken of other material aspects of company activity, such as the systems implemented to manage the business in terms of its economic, social and environmental dimensions. In response to growing demands for information on sustainability, the number of companies publishing CSR reports has increased significantly in recent years; nevertheless, in the opinion of many stakeholders, the practical value of these reports remains insufficient. This, and the demand for greater corporate transparency in terms of CSR, has encouraged some companies to adopt a new information communication strategy, combining the GRI guidelines and the IFC Performance Standards.

As a main actor in the design of company policies and strategies, the board of directors plays a decisive role in corporate information disclosure and in the reduction or otherwise of information asymmetries among stakeholders. It is traditionally assumed that the presence of independent directors protects the interests of the different stakeholders. In view of these considerations, our study addresses two questions. Do independent directors also promote new communication strategies in terms of CSR? And, taking into account the important role played by the CSR committee in improving the quality of social and environmental information provided, do independent directors play an active role in its creation in order to improve corporate transparency and decision-making?

The analysis conducted shows that the existence of a CSR committee mediates in the responsibility of independent directors regarding corporate sustainability and the development of strategies to enhance environmental and social performance. This paper also confirms that while independent directors do not directly promote the adoption of a GRI-IFC strategy, they do have a positive impact on the creation of CSR committees, which in turn fosters the disclosure of CSR information in accordance with GRI guidelines and the IFC Performance Standards.

This paper contributes fresh theoretical understanding in several respects. Firstly, by expanding and developing previous research on the determinants or explanatory factors of a new corporate information strategy. While the influence of the board on CSR disclosure has been extensively examined in prior literature, this study reinforces the understanding of board functions by examining the role of independent directors in promoting socially responsible disclosure. As held by stakeholder-agency theory, independent directors can play an important role in CSR disclosure strategies. However, due to their aversion to risks to reputation and their limited social and environmental background, in many cases they will promote the creation of a specialised committee to which decisions on CSR strategies may be delegated. In the field of non-financial information, this subcommittee plays a role similar role to that of the audit committee with respect to financial information, whilst enabling independent directors to safeguard their personal standing.

In addition, our results highlight various implications for regulatory bodies and for companies. In the latter case, we show that members of the board should be aware of the importance of its control and monitoring functions and seek to reduce agency costs, over and above creating stakeholder value by enhancing the quality of CSR disclosures. Accordingly, the constitution of a CSR committee, operating in a way similar to that of the audit committee, would appear to be a good governance practice. Among other questions, the CSR committee should include at least one specialist in these issues, and have total autonomy to interrelate with the assurers of the company's sustainability reports and with the consultants who implement and certify its environmental management systems.

Furthermore, a valuable contribution to ensuring the disclosure of high-quality sustainability reports would be to require external directors to have greater training and experience in CSR matters. This would probably encourage them to act as direct promoters of the GRI-IFC strategy and, consequently, help align the company's performance in this area with stakeholders' interests.

As a promising area for future research, case studies should be analysed to consider the reasons why external directors do not directly involve themselves in the preparation of CSR reports in accordance with not only the GRI guidelines, but also the IFC Performance Standards. In addition, taking into account that the key indicators that should be disclosed in a GRI-IFC disclosure strategy have yet to be identified, future work in this area should investigate how the existence of independent directors affects the specific design of the GRI-IFC-based report and, consequently, the achievement of greater corporate transparency. In the same vein, future studies need to analyse in greater detail the composition, activities and effectiveness of CSR committees (i.e. not merely their existence), with respect to internal CSR information systems and their impact on corporate performance.

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Table 3. The direct and direct effect of independent directors on GRI-IFC_strategy

	Coef.	*Std. Err.*	*z*	*P>|z|*	*Coef.*	*Std. Err.*	*z*	*P>|z|*	*Coef.*	*Std. Err.*	*z*	*P>|z|*
Board_Indep	0.0030	0.003	0.800	0.426					0.0029	0.003	0,850	0,395
CSR_committee					1.267	0.131	9.700	0.000	1.268	0.131	9.690	0.000
Board characteristics												
Duality	-0.031	0.144	-0.210	0.831	-0.012	0.141	-0.090	0.931	-0.015	0.141	-0.100	0.917
Board_Acti	-0.243	0.176	-1.380	0.167	-0.250	0.178	-1.410	0.159	-0.254	0.178	-1.420	0.154
Board_Size	0.165	0.074	2.240	0.025	0.128	0.073	1.740	0.081	0.127	0.073	1.740	0.082
Board_Size_squ	-0.005	0.003	-1.970	0.049	-0.004	0.003	-1.660	0.097	-0.004	0.003	-1.620	0.105
Board_Diversity	0.036	0.007	5.060	0.000	0.026	0.007	3.660	0.000	0.025	0.007	3.590	0.000
Firm characteristics												
Size	0.000	0.000	1.020	0.308	0.000	0.000	0.570	0.567	0.000	0.000	0.560	0.577
ROA	0.149	0.236	0.630	0.527	0.809	0.665	0.300	0.761	0.936	0.680	0.350	0.727
Leverage	0.000	0.000	-1.140	0.256	0.000	0.000	-1.250	0.213	0.000	0.000	-1.250	0.212
KZ_index	-0.367	0.643	-0.570	0.568	-0.259	0.596	-0.430	0.665	-0.245	0.593	-0.410	0.680
IA	0.000	0.000	-1.250	0.210	0.000	0.000	-1.430	0.152	0.000	0.000	-1.500	0.134
Institutional forces												
Mimetic	0.195	0.076	2.560	0.011	0.098	0.076	1.280	0.201	0.096	0.076	1.260	0.209
Collectivist	0.476	0.297	1.600	0.109	0.453	0.276	1.640	0.101	0.516	0.286	1.810	0.071
Feminity	-0.853	4.112	-0.210	0.836	0.563	4.042	0.140	0.889	0.811	4.053	0.200	0.841
Lower_PDP	-5.790	28.150	-0.210	0.837	7.335	26.731	0.270	0.784	10.168	26.950	0.380	0.706
Tolerance	-2.704	1.068	-2.530	0.011	-1.520	1.001	-1.520	0.129	-1.739	1.036	-1.680	0.093
Long_term	0.004	0.009	0.480	0.630	-0.004	0.009	-0.440	0.661	-0.003	0.009	-0.310	0.756
Civil_Law	1.734	0.536	3.240	0.001	1.593	0.521	3.060	0.002	1.630	0.524	3.110	0.002
CSRlaw	0.734	0.168	4.360	0.000	0.539	0.162	3.320	0.001	0.561	0.165	3.410	0.001
Stakelaw	-0.165	0.042	-3.960	0.000	-0.112	0.041	-2.770	0.006	-0.117	0.041	-2.850	0.004
Enforcement	0.429	0.299	1.440	0.151	0.148	0.293	0.500	0.614	0.158	0.294	0.540	0.593
Rho	0.552	0.040	13.890	0.000	0.512	0.044	11.700	0.000	0.512	0.044	11.700	0.000

Log Likelihood	-819.708		-767.162		-766.800	
Wald Chi-square	114.74	0.000	222.83	0.000	223.56	0.000