Appointing Charity Directors in Response to ESG Incidents[*]

Marina Gertsberg [†] Hae Won (Henny) Jung [‡] Yuyang Zhang [§]

July 2024

Abstract

This paper examines how companies respond to negative environmental, social, and governance (ESG) incidents by appointing directors with experience in charitable organizations. We find that firms are more likely to make such appointments following ESG incidents, particularly those receiving significant media attention and involving social issues. The market reacts positively to these appointments, especially when charity directors' biographies highlight this experience. We show that firms leverage charity directors' expertise to enhance ESG performance. Using the local supply of charity directors as an instrumental variable, we provide causal evidence that incidents, particularly those related to social issues, decline after charity director appointments. Additionally, we find improvements in job satisfaction from employee reviews. Finally, charity directors often join committees overseeing ESG issues, and our results are driven by directors who are not overboarded. Overall, our study shows evidence of a value-enhancing human capital channel through which companies address ESG concerns.

JEL Classifications: G30, G34, G39

Keywords: ESG incidents, Charity experience, Director appointments, Social issues

[†]Department of Finance, University of Melbourne. Email: mgertsberg@unimelb.edu.au

[‡]Department of Finance, University of Melbourne. Email: hae.jung@unimelb.edu.au

[§]Department of Finance, University of Melbourne. Email: yuyang.zhang2@unimelb.edu.au

1 Introduction

In January 2020, Ralph Lauren, a well-known fashion brand, faced controversy over one of its products—a pair of pants that carried the symbol of Phi Beta Sigma Fraternity, Inc., a historically African American fraternity founded in 1914—without obtaining the necessary permission. This incident raised concerns about cultural appropriation and received widespread attention on social media and in prominent news agencies including Forbes and NBC.[1] At the company's annual shareholder meeting in July 2020, Ralph Lauren appointed a new independent director, Darren Walker, who is recognized for his extensive experience in charitable nonprofit organizations. The chairman of the company, Ralph Lauren himself, welcomed Walker, stating, "His strength of character, diverse experience, and deep passion for positively impacting the world were powerfully apparent—and I knew we could deeply benefit from his perspective on our Board." Similarly, the company's president and CEO, Patrice Louvet, said, "We believe he will not only add to the wealth of our existing expertise, but bring new perspectives as we deliver value for all of our stakeholders around the world."[2]

The presence of independent directors with experience in the charitable sector (hereafter "charity directors") has been growing in U.S. public companies. As shown in Figure 1, within our sample of U.S. listed firms, the proportion of companies with charity directors on their board increased from 14.0% in 2007 to 20.0% in 2021. This trend is in conjunction with an eightfold increase in the average number of corporate environmental, social, and governance (ESG) incidents reported by the media per firm, mainly driven by growing public concern over corporate ESG issues. In this paper, we investigate the prevalence of board skill adjustments through the appointment of new directors with charity expertise in response to ESG incidents and how these appointments relate to companies' future ESG outcomes.

We find that firms are more likely to appoint charity directors in response to ESG incidents, particularly when these incidents receive significant media attention and pertain to areas closely aligned with the expertise of charity directors. The market reacts favorably to such appointments, especially when these directors' biographies, filed with the U.S. Securities and Exchange Commission (SEC), highlight their charity experience. Furthermore, we provide evidence sup-

---

[1]See, for example, Lisette Voytko-Best, "Ralph Lauren Apologizes to Black Fraternity—The Latest Fashion Racial Blunder," *Forbes*, January 14, 2020, https://www.forbes.com/sites/lisettevoytko/2020/01/14/ralph-lauren-apologizes-to-black-fraternitythe-latest-fashion-racial-blunder/?sh=211d1afe4e3b.

[2]The comments from Ralph Lauren and Patrice Louvet can be found in the company's press release, "Ralph Lauren Announces Nomination of Darren Walker to Board of Directors," June 15, 2020, https://investor.ralphlauren.com/news-releases/news-release-details/ralph-lauren-announces-nomination-darren-walker-board-directors.

porting that firms effectively leverage the expertise of charity directors to improve their ESG performance rather than merely appointing them as symbolic placeholders (i.e., engaging in ESG window dressing).

Despite the important role of the board of directors in corporate governance, there is a gap in our understanding of how companies optimize their board structures and adjust their board composition in response to changing board skill set requirements. Our study contributes to bridging this gap by examining a highly policy-relevant circumstance—negative ESG incidents—wherein companies may need to update their board's skill sets to address these challenges. Although recent studies have documented the negative value implications of ESG incidents for investors, little attention has been given to how companies respond to these incidents.[3] We propose that experiencing an ESG incident can make salient the lack of human capital within the existing board to effectively oversee ESG issues.

Even though charitable organizations, such as the Bill & Melinda Gates Foundation and Ford Foundation, are not profit-oriented, individuals with work experience in these organizations can possess skills and perspectives that are beneficial to for-profit companies. Such skills may include expertise in managing environmental and social impact, a deeper understanding of community needs, and skills in communicating with stakeholders (Grant, 2007; Moore, 2000). When faced with ESG incidents, companies need to demonstrate their commitment to addressing the concerns of dissatisfied stakeholders. This may require individuals capable of implementing policies that effectively tackle ESG concerns, making the inclusion of charity directors valuable.[4]

To empirically test our main hypothesis regarding the appointment of charity directors and their effectiveness in addressing ESG concerns, we construct a sample of firms and their corresponding director appointments by merging the BoardEx and CRSP-Compustat databases. We obtain the ESG incident information for our sample firms from RepRisk, a comprehensive database that collects daily ESG incident news for public and private companies since 2007. Our final sample consists of $44{,}696$ firm-year observations, representing $5{,}730$ unique U.S. public companies over the period 2008-2021.

In our analysis conducted at both the firm and director appointment levels, we find that

---

[3]For instance, Glossner (2021) finds a considerable loss in shareholder value directly linked to ESG incidents, Derrien et al. (2022) show negative revisions of earnings forecasts by analysts, and Gantchev et al. (2022) document divestitures by conscious institutional investors as consequences of negative ESG incidents.

[4]Through a textual analysis of directors' biographies collected from SEC 8-K forms and proxy statements, we find not only that biographies of charity directors contain a higher percentage of words related to ESG topics (see Appendix Table A14) but also that our results do not hold for noncharity directors whose biographies contain ESG words, suggesting the importance of charity experience rather than ESG emphasis (see Appendix Table A15).

firms are more likely to appoint charity directors following negative ESG-related news reported in the preceding year. Moreover, we observe a higher likelihood of appointing new charity directors when these incidents receive significant media attention, especially from influential global media outlets like CNN and Forbes, or when these incidents trigger large negative stock market reactions. Additionally, incidents related to social issues, such as community or employee relations, that align more closely with the expertise of charity directors have a stronger association with the appointment of charity directors.

Next, we examine the stock market's response to the appointment of new charity directors. Our analysis shows a significantly positive abnormal return of 64.9 to 92.4 basis points on the day of such appointments when the firm experienced ESG incidents in the preceding year. This positive market reaction amounts to 57.2% to 65.0% of the total loss in market value attributed to these incidents. In contrast, we observe no significant market reaction to the appointment of new charity directors in the absence of ESG incidents. Furthermore, we perform a textual analysis of director biographies in Form 8-K and proxy statements, which are filed with the SEC and provided to shareholders at the time of their appointment. We find that the average market reaction to charity director appointments made after ESG incidents is significantly positive only when the firm emphasizes the charity experience in director biographies. These findings suggest that the market perceives the appointment of a new charity director following ESG incidents as a value-enhancing response to ESG concerns, particularly when the company makes the director's experience in charitable organizations salient to investors.

However, despite the evidence of market reactions mentioned above, we cannot rule out the possibility that, when faced with ESG concerns, firms appoint directors with charitable backgrounds primarily to enhance their public image rather than to leverage their expertise for improving ESG policies. To address this possibility, we explore how firms involve charity directors on their boards and examine the changes in future ESG outcomes following their appointments.

We first examine whether firms experience fewer incidents after appointing charity directors. We find that the appointments of new charity directors following ESG incidents are associated with fewer workforce-related incidents, classified as the social (S) category, in the year following the appointments.[5] To provide evidence suggesting their causal link, we employ an instrumental variable (IV) approach that builds on the work of Knyazeva et al. (2013) and subsequent studies

---

[5]We also observe similar results when analyzing future incidents over two- and three-year horizons following the appointments, as well as when employing a propensity-score matching estimator.

4

(e.g., Di Giuli & Laux, 2022; Ellis et al., 2018). Specifically, we use the availability of local director candidates with charity experience, captured by the density of active charitable organizations within a 100-mile radius of a firm's headquarters, as an IV for the appointment of charity directors. Using this instrument, we confirm the improvement in the workforce dimension following charity director appointments, supporting our main conjecture that aligning director expertise with the firm's specific needs can play an important role in improving ESG outcomes.

Additionally, we explore the enhancement in the workforce dimension following charity director appointments by analyzing anonymous employee-level company reviews obtained from Glassdoor. We find that conditional on ESG incidents in the prior year, appointing new charity directors is associated with higher ratings for overall employer quality as well as several dimensions of employee satisfaction in subsequent years. This finding indicates improvements in the firm's employee-related aspects from the perspectives of rank-and-file employees.

Finally, we present further evidence suggesting the involvement of new charity directors in improving ESG performance. According to survey evidence (Ernst & Young, 2021), governance committees, along with nomination committees, are typically responsible for sustainability issues. We find that compared with other directors appointed after ESG incidents, charity directors are more likely to be assigned to the governance and nomination committees, suggesting these firms' intention to involve new charity directors in shaping ESG policies.[6] Moreover, if such an intention is genuine, they should appoint directors with sufficient oversight capacity. Thus, we categorize charity directors as overboarded and nonoverboarded and test for heterogeneous effects.[7] We find a positive association between appointing a new charity director and past ESG incident records only for nonoverboarded directors. Furthermore, reductions in future social incidents are linked to the appointments of nonoverboarded charity directors. Overall, our findings support the notion that the expertise of charity directors and their active involvement in ESG issues constitute value-enhancing responses when companies need to address stakeholders' concerns.

Our paper contributes to the literature emphasizing specific director experience, such as financial expertise and industry experience (Di Giuli & Laux, 2022; Goldman et al., 2009; Meyerinck et al., 2016; Minton et al., 2014; White et al., 2014). Recent work has also linked directors'

---

[6]Only a small fraction of firms (specifically, 4.5% of firm-year observations) in our sample have a dedicated standalone ESG committee, which plausibly makes the assignment of new charity directors to it positive but insignificant.

[7]Following existing literature (e.g., Chen et al., 2022a), directors with five or more concurrent directorships are considered overboarded.

experience to corporate social responsibility (CSR). For instance, Iliev and Roth (2023) identify U.S. directors who have served on the boards of foreign firms affected by sustainability regulatory changes and show that such experience positively influences their firms' sustainability performance. Chen et al. (2022b) find that directors with backgrounds in not-for-profit organizations are associated with long-term improvements in CSR performance.[8] Our study complements these findings by focusing on specific circumstances—namely, corporate ESG incidents that involve shifts in firms' director demands and lead to the appointments of new directors who align with their specific needs. We also emphasize the importance of considering these circumstances when evaluating the value of specific director expertise. In that regard, our study aligns with two recent studies: Chen et al. (2020) show the value-enhancing role of directors with country-specific expertise following a U.S.-China trade policy change, and Ferreira et al. (2018) document that firms tend to appoint new directors linked to creditors after loan covenant violations.

We also contribute to the growing literature on corporate ESG news. So far, this literature has primarily focused on the responses of market participants, such as equity investors, analysts, or creditors, to negative ESG incidents (e.g., Burke et al., 2019; Derrien et al., 2022; Gantchev et al., 2022; Houston & Shan, 2022; Kölbel et al., 2017). However, little attention has been given to corporate responses to ESG news except for a few recent studies. Colak et al. (2024) examine CEO turnovers following ESG incidents, and DeLisle et al. (2024) document that management adopts a more negative tone after environmental and social incidents. The study most closely related to ours is Akey et al. (2021), which documents that firms increase CSR investments, as measured by charitable donations, after negative reputation shocks. Our study complements these studies by providing new evidence of targeted, rather than homogeneous, corporate responses to negative reputational shocks. Specifically, we find that firms acquire new human capital by appointing charity directors to address incidents related to social issues, thus updating the board's skill set with expertise closely aligned with current needs.

Our study also contributes to the literature exploring interactions between for-profit corporations and nonprofit organizations. In particular, existing finance research on nonprofit organizations has often presented a negative perspective, suggesting, for instance, that directors' charity affiliations could potentially lead to CEO entrenchment and the misuse of corporate resources (e.g., Cai et al., 2021; Masulis & Reza, 2015). We show that the appointment of charity directors

---

[8]In a related paper, Cai et al. (2022) examine the impact of management styles and nonprofit sector experience of CEOs, rather than directors, on ESG policies and outcomes, such as CSR ratings, green innovation, and toxic chemical emissions.

can bring value to corporations when there is a clear demand for their skill sets. Hence, we provide a more nuanced understanding of the potential benefits that can arise from the connection between for-profit and nonprofit organizations.

Our study has important policy implications. With increasing pressure on firms to address ESG issues, it remains unclear which responses are effective in both alleviating ESG concerns and enhancing shareholder value. Our insight that appointing directors with nonprofit experience aids firms in addressing stakeholder concerns should inform future policy guidance aimed at bolstering firms' ESG practices. Moreover, our results emphasize the significance of nonprofit experience and expertise in managing community and employee relations as vital human capital skills that firms should consider in their director searches.

The paper proceeds as follows. Section 2 describes the data. Section 3 examines firms' responses to ESG incidents through charity director appointments. Section 4 explores how these appointments influence future ESG incidents. Section 5 presents further evidence related to the involvement of charity directors in firm ESG practices. Section 6 concludes.

2 Data and summary statistics

2.1 Sample construction

We construct our main sample by merging the BoardEx, CRSP/Compustat Merged (CCM), and RepRisk databases. Since RepRisk data are available from 2007, our sample spans from 2008 to 2021, allowing for the use of one-year lagged variables.

We first extract information about the board of directors from BoardEx. Our focus is on the professional experience of nonexecutive directors, particularly work experience in charities. We define a director as a charity director if they have employment experience up to the current year in organizations classified as "Charities" by BoardEx. If at least one of the directors on the board is identified as a charity director, we classify the firm as having the presence of charity directors in the given year. Additionally, we calculate the percentage of charity directors on the board by scaling the number of charity directors with the board size for each firm-year observation. Through this process, we obtain 69,071 firm-year observations including 9,968 unique firms.

We then combine the BoardEx data with firm financial data from the CCM database. To be included in our sample, a firm must be listed on NYSE, AMEX or NASDAQ, have a nonmissing value for total assets, and have a valid stock price at the end of the fiscal year. Applying these

criteria results in $49,035$ firm-year observations for $6,342$ unique firms.

We obtain the ESG incident data for our sample firms from RepRisk, a comprehensive database that collects negative news reports related to firm ESG practices. RepRisk covers over $225,000$ public firms and private companies since 2007. On a daily basis, RepRisk screens news reports in 23 languages, identifies ESG incidents, and links them to individual companies.[9] This database has been increasingly utilized in empirical ESG literature (e.g., Glossner, 2021; Kölbel et al., 2017; Li & Wu, 2020). After linking the RepRisk data to our BoardEx-CCM merged sample, we obtain our final panel sample comprising $44,696$ firm-year observations from $5,730$ unique firms for the period 2008-2021. We refer to this sample as the "firm year-level sample." To further investigate individual new director appointments, we also construct an "announcement-level sample" where each observation is an announcement about the appointment of a new nonexecutive director. We obtain 11,265 announcements, among which 275 (2.4%) are appointments of charity directors.

2.2 Measuring ESG incidents

In our analysis, we employ different ESG incident measures provided by RepRisk. First, RepRisk categorizes each incident into one or more dimensions of environment (E), social (S), and governance (G). Additionally, RepRisk evaluates three parameters for each incident: Severity, Reach, and Novelty. Severity measures the consequence and scale of impact of the incident as well as the extent to which the incident can be attributed to the company's irresponsibility. This parameter can take on values of "low," "medium," or "high." Reach is determined based on the level of reach of the reporting news agencies that cover the incident. Specifically, high-reach sources include global news outlets, medium-reach sources include national or regional media, and low-reach sources consist of local media and social media platforms. Novelty is classified as either "high" or "low," and measures whether the company has previously faced similar issues in the same country. By considering these dimensions (E, S, G) and parameters (Severity, Reach, Novelty), RepRisk offers a comprehensive assessment of individual ESG incidents, which we leverage to determine the relevance of incidents in our analysis.

Moreover, based on the incident-level data, RepRisk provides the RepRisk Index (RRI), which quantifies companies' overall exposure to reputational risks associated with ESG issues. The RRI is available on a daily basis and ranges from 0 to 100, with higher values representing larger

---

[9]For more information on RepRisk's methodology, see https://www.reprisk.com/news-research/resources/methodology.

risk exposure. According to RepRisk's methodology,[10] the RRI increases when new incidents are recorded. The magnitude of the increase depends on the severity, reach, and novelty of the new incidents as well as the company's incident history over the past two years. Companies with higher RRI values are less responsive to new incidents, and in the absence of new incidents, the RRI gradually declines over time, except during the initial 14 days following a new incident.

We use four different ESG incident measures for each firm-year observation. First, we construct a binary variable indicating whether the firm is associated with any incident in a given year. Second, we count the total number of incidents. Third, we create dummy variables to indicate whether a firm experienced high-severity incidents, high-reach incidents or high-novelty incidents during that year. Fourth, we consider the peak value of RRI reached by a firm within the year (*Highest RRI*) and its distribution in our sample.

2.3 Summary statistics

Table 1 presents the descriptive statistics of ESG incident measures (Panel A) and charity director measures (Panel B) for our firm year-level sample.[11] Throughout the sample period, RepRisk records a total of 75,686 incidents associated with observations in our sample. As shown in Figure 1, there was an initial increasing trend from 2007 to 2014, followed by relatively stable levels thereafter.[12] Panel A of Table 1 shows that approximately 22.1% of firm-year observations are associated with at least one incident, with an average of 1.6 incidents per firm-year. The mean value for the highest RepRisk Index reached by a firm in a year is 7.8. In addition, 7.7% of firm-year observations experienced high-reach incidents, 1.5% experienced high-severity incidents, and 19.7% experienced high-novelty incidents. We further split high-reach incidents into the E, S, and G dimensions. For example, 4.0% of firm-year observations involve a high-reach social incident. Note that these are twice as frequent as high-reach environmental incidents.

Panel B of Table 1 provides an overview of the prevalence of charity directors within our firm year-level sample. Among the 44,696 firm-year observations, 7,425 (16.6%) have at least one director with charity experience serving on the board, and on average, the fraction of charity directors on the board is 2.0%. In our analysis, we consider both the appointment and departure of charity directors. The dummy variable *New charity director (0/1)* indicates whether the firm

---

[10] For details on the RRI methodology, see https://www.reprisk.com/lab/reprisk_index_for_companies.html.

[11] Since ESG incidents are rare yet impactful events for firms, we also highlight the extremes of the distribution that our analysis leverages.

[12] We provide more detailed statistics about these incidents in Appendix Table A4.

appointed new directors with charity experience in a given year; and *Charity director left (0/1)* indicates whether there were departures of charity directors from the board. We identify instances of new charity director appointments in 728 (1.6%) firm-year observations and instances of charity director departures in 642 (1.4%) firm-year observations. These two events rarely coincide, as only 4.1% of firm-year observations with a new charity director appointment involved the departure of an existing charity director.

Our firm-year sample includes 726 new charity directors with nonmissing data on their biographical characteristics, such as age and gender. Panel C of Table 1 provides detailed information about their charity experience.[13] At the time of their appointment, 71.3% of these charity directors had held high-level positions in charities, either as board members (42.4%) or in senior-level nonboard roles (36.0%),[14] indicating their significant involvement in the operations of charitable organizations. Additionally, 50.8% of these directors were holding positions in charities when appointed to the company board.

This paper examines corporate responses to ESG incidents by focusing on new charity directors who joined company boards as nonexecutive directors following such incidents. Specifically, 206 out of the 726 charity directors in Panel C were appointed after ESG incidents. Appendix Table A6 provides a detailed comparison between new charity directors and noncharity directors appointed after ESG incidents. As shown in that table, charity directors generally share similar characteristics with noncharity directors, with the exception of being slightly older, more often female, and more likely to hold a doctorate. We control for these differing characteristics in our regression analyses. Additionally, the tenure of charity directors (3.4 years) and noncharity directors (3.5 years) on boards post appointment is not statistically different.[15]

We illustrate the timeline of our empirical analysis in Figure 2. In the next sections, we examine whether firms are more likely to appoint charity directors in year t following ESG incidents in year $t-1$ and then explore potential changes in ESG outcomes from year $t+1$ onward.

---

[13]See the list of the top 10 charities in our sample in Appendix Table A1.

[14]Senior-level positions in charities are defined as roles with any of the following keywords in the title: President, CEO, CFO, COO, Chairman, Chairwoman, Chief, Chief of staff, Chief executive, Founder, Treasurer, Partner, Owner, Trustee, Head.

[15]Appendix Figure A3 plots the histograms of directorship tenure for these two groups of new directors, showing similar distributions between charity directors and noncharity directors.

3 Charity director appointments after ESG incidents

In this section, we examine the relationship between charity director appointments and previous ESG incidents as well as the stock market's reaction to these appointments.

3.1 Historical ESG incidents and charity director appointments

To examine whether firms appoint directors with charity experience in response to ESG incidents, we estimate the following linear probability model using our firm year-level sample:

$$\text{New charity director}_{i,t} = b_0 + b_1 \text{Incident}_{i,t-1} + b_2 X_{i,t-1} + \text{Firm FE} + \text{Year FE} + \epsilon_{i,t}, \quad (1)$$

where *New charity director*$_{i,t}$ is a dummy variable that equals 1 if firm i appoints a new charity director in year t. *Incident*$_{i,t-1}$ represents firm i's incident record in year $t-1$, which we measure as either a dummy variable for whether there was an incident (*Incidents (0/1)*), the highest value of RRI reached (*Highest RRI*), or a dummy variable for being in the top 5% of the sample based on the highest RRI (*Highest RRI among top 5% (0/1)*). $X_{i,t-1}$ represents additional control variables, including an indicator for existing charity directors on the board, board structure, and firm financial variables. To mitigate the influence of unobservable, time-invariant factors that may simultaneously impact a company's likelihood of appointing charity directors and its tendency to have ESG incidents, such as corporate culture, we include firm fixed effects in our regressions. We also use year fixed effects to account for factors at the year level, such as public attention to CSR and changes in the regulatory environment.

In this firm-year analysis, the appointment of a charity director reflects two decisions made by the firm: (i) appointing new directors and (ii) selecting directors with charity experience. To specifically examine the latter, we also conduct an analysis using the announcement-level sample, where each observation represents a director appointment announcement. We thus estimate the following model:

$$\text{New charity director}_{p,i,t} = b_0 + b_1 \text{Incident}_{i,t-1} + b_2 X_{i,t-1} + b_3 Z_{p,i,t}$$
$$+ \text{Firm FE} + \text{Year FE} + \epsilon_{i,t} \quad (2)$$

where *New charity director*$_{p,i,t}$ is a dummy variable that equals 1 if director p, appointed by firm i in year t has charity experience. *Incident*$_{i,t-1}$ and $X_{i,t-1}$ have the same definitions as in Equation

(1). $\mathbf{Z}_{p,i,t}$ is a vector of individual-level control variables for director p when appointed by firm i in year t, including director age, gender, education, and years of experience on corporate boards. We also include firm- and year-fixed effects.

Table 2 presents the firm-year regression results in columns (1) to (3) and the announcement level results in columns (4) to (6). Given the small average magnitude of the dependent variable, the coefficients are multiplied by 100 to enhance readability. Additionally, we provide the coefficients of other control variables in this table, which are not displayed in other tables with similar regression specifications for brevity.

The results show that all measures of past incidents are positively associated with higher probabilities of appointing new charity directors. Specifically, column (3) shows that when a firm's highest RRI reaches the top 5% of the sample, the probability of appointing a new director with charity experience in the subsequent year increases by 0.008 ($= 0.776/100$). This result is statistically significant at the 10% level. In economic terms, the magnitude corresponds to 48.5% ($= (0.776/100)/0.016 \times 100$) of the sample mean and 6.1% ($= (0.776/100)/0.127 \times 100$) of one standard deviation. Similarly, at the announcement level, conditional on appointing a new director in year t, if the firm's highest RRI reaches the top 5% in year $t-1$, it predicts a higher probability of the new director being a charity director by 0.030 (column (6)). Columns (4) and (5) show that experiencing incidents and reaching higher RRI within a given year are both positively associated with a higher likelihood of appointing a new charity director in the following year, conditional on director appointments. Columns (1) and (2) show quantitatively similar results when not conditioning on director appointments, even though the effect is not statistically significant at conventional levels. Overall, these results provide supporting evidence that firms are more likely to appoint new directors with charity experience in response to ESG incidents.

3.2 Heterogeneity in ESG incidents and charity director appointments

It is plausible that firms may respond more strongly to certain types of ESG incidents than others. The nature and severity of an ESG incident likely influence the firm's response, as stakeholders may exert varying degrees of pressure based on the perceived impact of the incident. In this subsection, we explore whether firms increase their propensity to appoint charity directors when ESG incidents are of higher impact. Since appointing new directors with rare experience will incur a search cost for firms, they should be more willing to incur this cost when the charity

12

director's skills are particularly valuable.

We first consider the heterogeneity of ESG incidents in terms of RepRisk's three parameters discussed in Section 2: incident severity, media reach, and incident novelty. We define three dummy variables denoted as *High-reach (-severity, -novelty) incidents*$_{i,t-1}$, which are respectively equal to 1 if firm i experienced high-reach (-severity, -novelty) incidents in year $t-1$, and 0 otherwise. Using each of these dummy variables as our main variable of interest, we run the regressions specified by Equations (1) and (2).

As shown in Table 3, charity director appointments are primarily driven by high-reach incidents at both the firm-year and announcement levels. Compared with an otherwise similar firm, experiencing ESG incidents reported by highly influential media is associated with a 0.011 ($= 1.077/100$) higher probability of appointing new charity directors in the following year (column (1)). This magnitude is equivalent to 67.3% ($= (1.077/100)/0.016 \times 100$) of the sample mean and 8.5% ($= (1.077/100)/0.127 \times 100$) of one standard deviation. At the announcement level, we continue to find a significantly positive relationship between experiencing high-reach incidents and new charity director appointments (column (4)). These findings suggest that firms are particularly sensitive to how widely their ESG issues are reported by the media.

High-severity incidents do not trigger the appointment of new charity directors if they are not reported by influential media (see columns (2) and (5)). The different association of high-reach and high-severity incidents with charity directors' appointments could be due to the agenda-setting effect of mass media. Negative coverage by influential media can pose significant threats to companies' reputations and lead to increased stakeholder pressure.[16] This raises the cost of ignoring these incidents and consequently prompts corporate responses to address them. These findings are consistent with the results of Kölbel et al. (2017), who emphasize high media coverage as a necessary condition for ESG incidents to increase financial risk.

We next investigate which dimension of concerns—Environmental (E), Social (S), or Governance (G)—among high-impact incidents is more likely to trigger firms to appoint charity directors. As the test aims to investigate the heterogeneity among incidents, we focus on firms that experienced at least one incident in year $t-1$, considering that 77.9% of firm-year observations report no incidents. In other words, we examine which specific dimension of high-impact incidents is associated with a higher likelihood of a new charity director appointment, given that an

---

[16]Consistent with recent studies, such as Gao et al. (2024), we also confirm companies in our sample experience significantly negative abnormal returns on their stocks when associated with high-reach ESG incidents. These negative returns are more pronounced than those associated with high-severity and high-novelty incidents.

incident occurred in the previous year. We create three dummy variables that respectively take a value of 1 if firm i experienced high-reach incidents in the E (S, G) domain in year $t - 1$, and 0 otherwise. If an incident falls into multiple dimensions of E, S, and G, it is counted separately within each relevant dimension. We estimate the same specifications as in Equations (1) and (2), replacing the main variable of interest with each of the three dummy variables.

Panel A of Table 4 presents the results, indicating that social incidents, rather than environmental and governance concerns, are the primary drivers for charity director appointments (columns (2) and (5)). According to RepRisk, social incidents include those related to community and workforce relations.[17] The primary objective of charitable organizations is to enhance public welfare by pursuing social and cultural goals that benefit the community. Among the key skills required of leaders in charitable organizations are strong people and communication skills. These skills are essential for engaging and uniting a diverse array of stakeholders, such as donors and local community members, who may have differing interests (Hyndman & Jones, 2011; Worth, 2020). Thus, social incidents are more likely to align with areas where charity directors have relevant experience and expertise. Although column (6) shows that charity director appointments also follow governance incidents, the effect is smaller in magnitude and less statistically significant compared with social incidents.

Up to this point, we have relied on RepRisk's categorization of media reach to identify high-impact incidents. To further validate our analyses, we now use stock market reactions to ESG incidents as a proxy for investor attention, providing an alternative measure of their impact. Incidents that triggered larger negative stock market reactions indicate significant investor attention, prompting firms to respond. Specifically, for each firm-year combination, we calculate the *total* abnormal returns associated with ESG incidents by summing up the abnormal returns on the incident days throughout the year, excluding days that coincide with mergers and acquisitions (M&A) announcements and earning announcements. A firm is defined as having high-impact environmental (social, governance) incidents in a given year if the total abnormal returns related to those incidents are among the lowest 20% of the sample.

We then replace the incident measures in Equations (1) and (2) with dummy variables for having high-impact incidents and reestimate the coefficients. Panel B of Table 4 shows that charity director appointments are mainly driven by social incidents that triggered substantial

---

[17]For example, the case involving Ralph Lauren's appropriation of the Phi Beta Sigma symbol, as mentioned in the Introduction, is classified as a social incident.

negative reactions in stock returns and thus received high investor attention (see columns (2) and (5)), consistent with the results in Panel A using RepRisk's definition of media reach. In Appendix Table A7, we use the lowest 10%, 15%, and 25% as alternative cutoffs to define high-impact incidents. Only high-impact social incidents consistently predict a higher probability of charity director appointments across all definitions, with slightly varying statistical significance.

For robustness, we consider two potential concerns that may bias our estimation of the relationship between past ESG incidents and charity director appointments. The first concern is that 60% of firms in our sample have no incidents throughout the sample period. To ensure our results are not influenced by these firms, we exclude those with no incident records and reestimate Equations (1) and (2). As shown in Appendix Table A8, the results in Panel A are similar to those in Table 2, confirming the positive association between past ESG incidents and the probability of charity director appointments.[18] Additionally, the results in Panel B align with those in Table 3, highlighting the sensitivity of charity director appointments to high-reach incidents.

The second concern is the substantial increase in the presence of charity directors from 2007 to the mid-2010s, as shown in Figure 1, which may be partially driven by an increase in BoardEx data coverage regarding nonprofit experience. If this is the case, then the concurrent increases in ESG incidents and in the coverage of nonprofit experience could explain our results. Even though the year fixed effects in our regressions can absorb any form of cross-sectional time trend, we further address this concern by testing the subsample of appointments made in or after 2012, a period during which both the presence of charity directors and ESG incidents are relatively stable. Results from this subsample, as shown in Panels A and B of Appendix Table A9, remain consistent with those from the main sample, as shown in Tables 2 and 3.

Overall, our findings indicate that companies tend to appoint charity directors in response to ESG incidents, particularly those that involve social issues and receive significant media attention, measured by news circulation, or high investor attention, measured by the magnitude of stock market reactions to the incidents. This evidence suggests that appointing charity directors can serve as a strategic response for firms to address ESG concerns. Moreover, the tendency to appoint charity directors following social incidents that closely align with their expertise, supports the notion that companies adapt the board's skill set to meet the new capabilities required by changing circumstances.

---

[18]In columns (3) and (6) of Panel A of Appendix Table A8, we extend the cutoff point from the top 5% to the top 10%, given the sample size is approximately halved.

3.3 Market reactions to new charity director appointments

Do shareholders perceive the appointment of charity directors in response to ESG incidents as valuable? On the one hand, shareholders may expect these appointments to help repair stakeholder relations, restore social capital, and potentially improve future ESG performance. On the other hand, shareholders may not see the value in adding charity directors if the action is perceived as mere window dressing that will not lead to any real impact. Alternatively, shareholders might have anticipated these appointments as part of the firm's broader strategy and therefore not react significantly to the appointment.

In this section, we analyze market reactions to new charity director appointments made after ESG incidents. We estimate the following model:

$$r_{p,i,t} = b_0 + b_1 \text{Charity experience}_{p,i,t} + b_2 X_{i,t-1} + b_3 Z_{p,i,t} + \text{Firm FE} + \text{Year FE} + \epsilon_{i,t}, \quad (3)$$

where $r_{p,i,t}$ is the abnormal return on the announcement day when director p was appointed to the board of firm i at time t. To estimate the expected return, we apply the CAPM model, the Fama-French three-factor model, and the Fama-French three-factor plus momentum model, using a window of $(-255, -46)$ days before the announcement. The abnormal return is then calculated as the gross return minus the expected return.[19]

The variable of interest, *Charity experience*$_{p,i,t}$, is a dummy variable that equals 1 if the appointed director p has charity experience and 0 otherwise. $X_{i,t-1}$ is a vector of control variables for firm i on the nearest reporting date before the announcement, including board structure, governance quality, firm financials, and a dummy variable indicating whether the new director replaces a departing director whose announcement coincides with the same day. $Z_{p,i,t}$ is a vector of director characteristics at the time of appointment, including age, gender, education and years of experience on corporate boards. We include firm fixed effects to account for time-invariant firm characteristics and year fixed effects to capture cross-sectional variables that affect all firms.

We conduct this test using the announcement-level sample, where each observation represents the announcement of a new nonexecutive director appointment. To ensure robustness, we exclude announcements that coincide with other major events, such as earnings announcements or merger announcements within the $[-3, 3]$ window, other director appointments made on the

---

[19]In untabulated tests, we obtain similar results when estimating the abnormal return by simply subtracting the CRSP value-weighted market return from the gross return.

same day or multiple directors' departures on the same day.[20] These requirements reduce the sample to 4,920 announcements, including 126 charity directors.

Table 5 presents the results. To test whether the value of charity experience is due to the firm's ESG risk exposure caused by a recent ESG incident, we divide the sample into appointments made when the firm had ESG incidents in the previous year (columns (1) to (3)) and appointments made in the absence of preceding ESG incidents (columns (4) to (6)). The coefficients in the table are multiplied by 100 for readability.

The findings in Table 5 show that for directors appointed after ESG incidents, having charity experience is associated with a statistically significant higher abnormal return on the announcement day, ranging from 64.9 to 92.4 basis points, compared with an otherwise similar appointment of a noncharity director. In contrast, there is no significant market reaction when a new charity director is appointed without preceding ESG incidents as shown in columns (4) to (6). Furthermore, we compare this positive market reaction with the loss caused by ESG incidents. Following the approach used to identify high-impact ESG incidents in Panel B of Table 4, we compute the total abnormal returns related to ESG incidents in the year preceding the director announcements, focusing on those being analyzed in columns (1) to (3) of Table 5. As shown in Panel B of Appendix Table A10, firms experienced an average loss of 99.9 to 142.2 basis points in stock returns due to ESG incidents in the year before charity director appointments.[21] This suggests that the positive market reaction to charity director appointments recovers approximately 57.2% to 65.0% of the loss (69.9/122.1 = 57.2% using the Fama-French three-factor model, to 92.4/142.2 = 65.0% using the CAPM model).

These findings suggest that, under normal circumstances, shareholders do not expect immediate value creation from the appointment of new charity directors. However, they recognize the added value when the newly appointed director has the expertise to address specific needs of the company, such as managing the aftermath of ESG incidents.

---

[20]We include cases where a new director replaces a single existing director on the same day and control such cases with a dummy variable indicating same-day replacements. However, for instances of multiple departures on the same day, it is difficult to disentangle the effects of multiple directors' turnover. Our results remain consistent even when including cases with multiple departures.

[21]Due to the small sample size, the negative total abnormal returns in the year before charity director appointments are not statistically different from zero. However, they are larger in magnitude than those observed in the year before noncharity director appointments, which range from -28.2 to 8.9 basis points, as presented in Panel C of Appendix Table A10.

3.4 Market reaction and charity experience in SEC-filed biographies

In our analyses above, we have classified directors as charity directors based on their work experience listed in BoardEx. However, it remains unclear whether companies appoint directors specifically for their nonprofit experience and whether shareholders are aware of these directors' backgrounds in the nonprofit sector. To provide additional evidence that directors' charity experience drives our results, we consider the fact that the SEC does not mandate the disclosure of directors' experience in nonprofits, in contrast to the required disclosure of directorships at other public firms. Consequently, firms have the discretion to decide how much information to disclose regarding directors' charity experience. When a firm considers a director's charity experience relevant and valuable, it has an incentive to emphasize this aspect, thereby drawing investors' attention to this experience.

To assess the salience of charity experience among directors identified as charity directors by BoardEx, we perform a textual analysis of their biographies. For each director appointment, we collect biographical information from the SEC 8-K form announcing the appointment. If an 8-K filing is unavailable, we use the earliest proxy statement that includes the biography.[22] In each biography, we search for words relevant to charity experience ("charity words") and construct three measures to gauge the prominence of charity experience: (i) *Charity words (0/1)*, a dummy variable indicating the presence of any charity-related words in a given biography; (ii) *# Charity words*, the number of charity-related words; and (iii) *% Charity words*, the number of charity-related words scaled by the length of the biography.[23] A greater presence of charity words attracts investors' attention to the director's charity experience, thereby increasing its salience to investors.

Appendix Table A12 provides a summary of these salience measures for charity directors in the announcement-level sample analyzed in Table 5. Column (1) shows that 81.7% of all charity directors have charity-related words in their biographies, with an average of 3.2 charity words per biography, accounting for approximately 2.3% of the biography's content. For charity directors appointed after ESG incidents (column (2)), charity-related words are present in 91.1% of biographies, with an average count of 3.5 words, making up 2.7% of the biography's content. These measures are all higher compared to charity directors appointed without ESG incidents (column (3)), with statistically significant differences (column (4)) except for the second variable

---

[22]See Appendix B for examples of director biographies.

[23]The list of charity words is reported in Appendix Table A11.

(i.e., # *Charity words*). These findings indicate that firms consider charity experience relevant to the market, especially for appointments following ESG incidents, making investors more likely to be aware of such experiences.

We now reexamine the market reaction tests by dividing the charity director appointments following ESG incidents into two groups based on the salience of their charity experience in biographies. Specifically, we classify charity directors as having high (or low) salience of charity experience if the percentage of charity-related words in their biography is higher (or no higher) than the median percentage among all charity directors appointed after incidents (median = 1.98%). We hypothesize that the positive market reaction to these appointments is primarily driven by the group whose charity experience is more recognized by investors.

Table 6 presents the results. When comparing charity directors with high salience of charity experience to noncharity directors (columns (1) to (3)), the announcement return associated with charity experience, ranging from 87.1 to 129.2 basis points, is significantly higher than in columns (1) to (3) in Table 5. In contrast, when comparing charity directors with low salience of charity experience to noncharity directors (columns (4) to (6)), there is no substantial difference in their announcement returns. Therefore, the positive market reactions associated with charity director appointments after incidents are driven by those with high salience of their charity experience. This suggests that investors expect higher value creation when charity experience is more relevant to the director's appointment, as indicated by the firm highlighting such experience.

Moreover, director biographies can directly indicate whether the firm views charity directors as possessing ESG expertise. Using a list of words related to ESG topics,[24] we find that among directors appointed after ESG incidents, charity directors have more ESG-related words in their biographies than noncharity directors (as shown in Appendix Table A14). However, this raises the concern that the positive market reaction to charity director appointments may be driven by firms exaggerating their expertise in ESG issues by incorporating excessive ESG-related vocabulary. To address this concern, we perform a placebo test by excluding charity directors and examining whether the mere emphasis on ESG-related words in director biographies alone can lead to positive market reactions similar to our results.

We categorize directors as having high salience in ESG expertise if the percentage of ESG-related words in their biography is above the sample median (median = 0.47%). In Appendix Table A15, we show that among noncharity directors appointed after ESG incidents, high salience

---

[24]The list of ESG-related words is reported in Appendix Table A13.

in ESG expertise has a positive yet statistically insignificant impact on the announcement return, and the magnitude of the effect is much smaller compared to the announcement return associated with charity experience in Table 5. This evidence suggests that our finding of the positive valuation of charity experience is not driven by firms' extensive use of ESG words in director biographies, further supporting our emphasis on directors' charity experience.

4 Charity director appointments and future ESG incidents

Although we have shown a positive market response to the appointment of new charity directors following ESG incidents, it is possible that these appointments are motivated more by ESG window-dressing than by a genuine commitment to improving ESG performance. In other words, firms may appoint directors with charity backgrounds primarily to enhance their public image in response to ESG concerns. This distinction might not be readily apparent to investors. In this section, we explore whether appointing charity directors has real effects by linking their appointments to future ESG incidents.

4.1 Baseline analysis

In our baseline analysis, we examine changes in different types of future ESG incidents using the following regression model:

$$\text{Log(1+Number of incidents)}_{i,t+1} = b_0 + b_1 \text{New charity director}_{i,t} + b_2 \mathbf{X}_{i,t}$$
$$+ \text{Firm FE} + \text{Year FE} + \epsilon_{i,t+1}, \quad (4)$$

where *Log(1+Number of incidents)*$_{i,t+1}$ is the logarithm of one plus the number of a specific type of ESG incidents of firm i in year $t+1$. To account for the possibility that charity directors might prioritize specific ESG issues based on their assessment of the associated benefits and costs, we take advantage of RepRisk's granular classification, grouping incidents into five distinct types: (1) Emissions and Resource Use, (2) Community, (3) Workforce, (4) Product Responsibility, and (5) Transparency. The definitions for the first four groups align with those in Gantchev et al. (2022). Additionally, we classify incidents related to excessive management compensation and misleading communication under the Transparency group, which is not covered in the afore-

mentioned paper. Incidents that belong to multiple categories are counted as separate incidents in each of those categories. *New charity director*$_{i,t}$ equals 1 if firm i appoints new charity directors in year t and at least one of the new charity directors stays on the board for a minimum of one year. We include the same vector of firm-level control variables, $X_{i,t}$, as in Equation (1), along with firm- and year-fixed effects. Consistent with previous sections, we restrict our sample to firms that experienced ESG incidents in year $t - 1$.

The results presented in Panel A of Table 7 indicate that the appointment of charity directors in response to ESG incidents is associated with a statistically significant reduction in workforce-related issues in the following year (see column (4)). We also find similar negative associations, though not statistically significant, between charity director appointments and the total number of incidents, as well as incidents related to environment, community, and transparency issues.

Given that ESG issues may require a longer time to address, we extend our analysis to explore the long-term outcomes over two- and three-year horizons following charity director appointments. Specifically, we substitute the dependent variable in Equation (4) with the logarithm of one plus the average number of a given type of ESG incidents from year $t + 1$ to year $t + 2$ (or year $t + 3$) and require at least one of the new charity directors remains on the board for at least two (or three) years to denote *New charity director*$_{i,t}$ as 1. As presented in Panels B and C of Table 7, charity director appointments following ESG incidents are associated with a significant reduction in the total number of incidents over the subsequent two- and three-year periods. In addition, such appointments correlate with fewer workforce-related issues over the three-year horizon and fewer incidents related to emissions and resource use over the long run.

These ordinary least squares (OLS) regression results are susceptible to concerns of reverse causality and omitted variable bias. For example, charity directors might prefer to join companies that are inherently less likely to experience future ESG incidents, possibly due to concerns about their own reputation. To address these potential issues and confirm the robustness of our results, we implement an IV and a propensity score matching method. The details of these approaches are elaborated in the next subsection.

4.2 Instrumental variable analysis

Following Knyazeva et al. (2013) and subsequent studies (e.g., Di Giuli & Laux, 2022; Ellis et al., 2018) in the director labor market literature, we use local variation in the availability of potential directors with charity experience as a supply-driven instrument for the appointment of charity

directors. This instrument is based on the premise that director candidates are time-constrained and thus more likely to accept board positions in their vicinity. Consequently, the supply of the local director pool influences appointments.

Specifically, we measure the number of active charitable organizations within a 100-mile radius of the firm's headquarters.[25] Our IV is a dummy variable indicating high supply of charity directors, which equals 1 if a firm is in the top 10% of the sample based on the number of active charitable organizations in its vicinity, and 0 otherwise.[26]

In Panel A of Table 8, we present the results of the two-stage least squares estimation using the same set of control variables as in Equation (4). In the first-stage regression (column (1)), we predict the likelihood of appointing new charity directors based on the one-year lagged local supply of charity directors. Firms located in areas with a high supply of charity directors are more likely to appoint charity directors following ESG incidents, with statistical significance at the 10% level. The *F*-statistic of 9.8 indicates that this high local-supply variable is unlikely to be a weak instrument. In the second-stage regressions (columns (2) to (7)), we explore the effect of appointing charity directors after ESG incidents, instrumented by the high local supply of potential charity directors, on future incidents. Similar to the OLS regression results in Panel A of Table 7, we find that appointing charity directors after ESG incidents reduces the number of workforce-related incidents in the subsequent year. This effect is significant at the 1% level. Additionally, we observe significant reductions in incidents related to environmental issues and transparency, but these effects are of smaller magnitude and weaker statistical significance.

We argue that our instrument, the availability of potential charity directors in a firm's vicinity, plausibly satisfies the exclusion restriction for the following reasons. First, as argued by Atanasov and Black (2016) and Masulis (2020), although access to local directors might affect firms' headquarters location choice, firms generally choose their locations in their early stages and seldom relocate. In our sample, the average firm age is 19 years, indicating that headquarters were established long before ESG issues gained significant attention. It is therefore unlikely that the availability of ESG-qualified director candidates influenced firm location choice.

---

[25]Using the Internal Revenue Service (IRS) Business Master File, we define active charitable organizations as those that meet the following criteria: (1) they have filed Form 990 within the past two years, (2) they have reported gross receipts exceeding $0, and (3) they are deemed relevant for the analysis of the US nonprofit sector. Additionally, we exclude organizations classified as "Unknown" or "Other" by the IRS and focus on organizations with asset sizes exceeding the annual median value for organizations of the same type.

[26]Our results remain consistent when we restrict the pool of available charity directors to organizations located within a 60-mile radius of the firm, or when we use an alternative cutoff to define high supply of charity directors (e.g., the top 20% of the sample).

Another potential explanation for our findings is that areas with a higher density of charitable activities might inherently have stronger stakeholder interest protection, leading to a negative association between charity density and ESG incidents. To examine this possibility, we assess the correlation between the density of charities and the number of ESG incidents. As reported in Appendix Table A16, the logarithm of the number of charities does not show a significantly negative correlation with the logarithm of the number of ESG incidents in any category. Instead, we observe a significantly positive correlation between charity density and the total number of incidents, as well as the number of incidents related to product responsibility and transparency, which contradicts the negative estimates in our IV results.

Moreover, our supply-driven instrument may capture local economic conditions, which could also impact corporate ESG outcomes, thus potentially violating the exclusion restriction. To mitigate this concern, we additionally include controls for local economic characteristics for the county where the firm's headquarters are located. These controls include population density, per capita income, and unemployment rate. The results in Panel B of Table 8 show that our main findings concerning the impact of charity director appointments on future incidents remain quantitatively similar.

Last, it is plausible that certain regions exhibit a high density of both corporations and charitable organizations, and our instrument may capture the broader pool of general director candidates rather than charity director candidates. To address this concern, we introduce an additional control for the local supply of corporate directors using a measure similar to that constructed by Knyazeva et al. (2013).[27] Panel C of Table 8 shows that the inclusion of this control does not produce significant changes in our first-stage estimates, and our second-stage estimates remain consistent with the baseline IV results in Panel A.[28]

Overall, using the density of charities near a firm's headquarters as an IV for the appointment of charity directors, we find evidence suggesting that newly appointed charity directors contribute to a decrease in future incidents, particularly those related to the workforce.

As another robustness check, we implement a propensity score matching method. Given that charity director appointments are relatively rare, firms that choose to appoint charity di-

---

[27]Following Knyazeva et al. (2013), we measure the local supply of corporate directors as the logarithm of the number of public firms headquartered within a 100-mile radius of the firm's headquarters, excluding those in the same four-digit SIC industry.

[28]In Appendix Table A17, we examine the impact of charity director appointments on the number of incidents over the following two-year horizon and find significant reductions in incidents regarding workforce, emissions and resource use, as well as transparency issues, suggesting the impact of these appointments is not short-lived.

rectors following ESG incidents may differ from those that do not. To ensure that these ex-ante differences are not driving our results, we first confirm satisfactory overlap of preappointment firm characteristics between these two groups (see Appendix Table A18).[29] We then match each observation from appointing firms with the 10 closest observations without replacement from the group of nonappointing firms.[30] By reestimating Equation (4) for future incidents using the matched sample, we show in Appendix Table A19 that despite a considerable reduction in sample size, the negative association between new charity director appointments and the number of workforce-related incidents in the subsequent year remains significant at the 10% level. These findings indicate that our results are not due to preexisting differences between firms appointing charity directors and those that do not.

5 Further evidence on charity directors' involvement in ESG practices

In this section, we further investigate the evidence suggesting the involvement of newly appointed charity directors in firm ESG practices. First, we explore enhancements in the workforce dimension following these appointments by analyzing employee-level company reviews from Glassdoor. Second, we provide additional evidence of their involvement in ESG matters by analyzing the role and capacities of these charity directors within company boards.

5.1 Charity director appointments and employee satisfaction

In the previous section, we have shown that appointing charity directors after ESG incidents helps firms reduce workforce-related incidents. Although media-reported incidents are informative about a firm's ESG practices, they may not accurately reflect employees' perceptions of their workplace. Therefore, in this subsection, we explore whether employee satisfaction improves following the appointment of charity directors. If the reduction in workforce-related incidents results from genuine improvement in the firm's workforce practices, employee satisfaction should increase and be reflected in their ratings of the firm. Conversely, if the reduction of incidents is due to image-making efforts or if no actual benefits are passed on to rank-and-file employees, then their satisfaction ratings should not increase.

---

[29] As shown in Appendix Table A18, the absolute value of the normalized difference for all variables is smaller than 0.3, which is a rule-of-thumb critical value recommended by Imbens (2015).

[30] Appendix Figure A4 illustrates the distribution of propensity scores within the matched sample and shows highly similar patterns between the two groups.

We obtain employee-level company review data from Revelio, a data vendor that sources information from Glassdoor.com, a website where current and former employees can anonymously rate and write reviews about their employers.[31] Each review includes ratings on the following dimensions on a scale of 1 to 5: Overall rating, Career opportunities, Compensation and benefits, Culture and values, Senior leadership, and Work-life balance.[32] Additionally, reviewers can indicate their approval of the CEO (Approve, Disapprove, No opinion) and whether they would recommend the employer to friends (Positive, Negative).[33] We construct a categorical variable, *Approval of the CEO*, where Approve = 1, No opinion = 2, and Disapprove = 3. For the *Recommend to a friend* rating, we create a dummy variable, with positive responses coded as 1 and negative responses coded as 0.

To aggregate ratings to the firm-year level, we calculate the averages across individual reviews for each dimension. In our sample, $23,968$ firm-year observations (53.6%) are matched with at least one employee review on Glassdoor, covering $3,356$ unique firms. Among these firm-year pairs, 20.2% have fewer than three reviews. To reasonably reflect a firm's employee satisfaction level, we require that a firm has at least three reviews in a given year to be included in our regression sample. This criterion results in $19,137$ firm-year observations from $2,869$ unique firms. Appendix Table A20 reports summary statistics of Glassdoor ratings at the firm-year level.

Using Glassdoor ratings as new dependent variables, we examine the relationship between charity director appointments and employee satisfaction in subsequent years. We run the same regression specification as in Equation (4), restricting our sample to firms that experienced ESG incidents in year $t-1$, similar to our test of future incidents in the previous section. Table 9 presents the results.

In Panel A, the dependent variables are Glassdoor ratings for year $t+1$, and the dependent variable of interest indicates potential charity director appointments in year t. We find that charity director appointments following ESG incidents correlate with higher employee satisfaction in various aspects, including career opportunities, compensation and benefits, and views about senior leadership. Additionally, employees express higher approval of the CEO and are more

---

[31]Recent studies indicate that Glassdoor employee reviews reflect a company's workplace conduct. For example, Green et al. (2019) find that firms with improving Glassdoor ratings have higher stock returns than those with deteriorating ratings, and Heath et al. (2023) document that socially responsible funds invest in firms with better Glassdoor ratings.

[32]In 2020, Glassdoor introduced "Diversity and inclusion" as a new dimension to its rating system. We do not analyze this dimension due to its limited sample period.

[33]Additionally, reviewers can also choose their views about the employer's "Business outlook." Since business outlook is not directly related to employee welfare, we do not include this dimension in our analyses.

willing to recommend the firm to friends compared with firms that do not appoint a new charity director after ESG incidents.

Extending our analysis to a two-year (or three-year) horizon, we take the average ratings of the firm from year $t+1$ to year $t+2$ (or to $t+3$) as dependent variables. Similar to the one-year horizon results, we find that employees express sustained higher satisfaction, as evident in overall ratings, and ratings on career opportunities, compensation and benefits, and senior leadership. They continue to show higher approval of the CEO and a greater willingness to recommend the employer to friends.

Overall, appointing charity directors after ESG incidents is significantly associated with higher employee satisfaction across multiple dimensions in subsequent years. This finding suggests genuine improvements in the firm's workforce policies that are noticeable to employees, which could enhance the firm's reputation as an employer.

5.2 Committee assignments of charity directors

We investigate the committee assignments of charity directors appointed after ESG incidents. If these directors are assigned to committees that oversee sustainability policies, they are more likely to influence the firm's ESG policies. Conversely, if they are assigned to roles that do not align with their expertise, or if they are not assigned to any significant roles within the board, their involvement in board decisions, particularly in shaping ESG policies, is likely to be limited.

Panel B of Appendix Table A6 shows the distribution of committee memberships among new directors appointed after ESG incidents. Most directors in our sample serve on at least one committee, with an average of around 1.4 committees per director at the year of appointment. There is no significant difference in the number of committee memberships between charity and noncharity directors. We focus on five key board committees: governance, audit, compensation, nomination, and ESG. While the ESG committee is a dedicated committee specifically focusing on overseeing ESG issues,[34] only 4.5% of firm-year observations in our sample have such a standalone committee. Moreover, a recent survey by Ernst & Young (2021) suggests that governance committees, often combined with nomination committees, are commonly responsible for overseeing ESG issues (see Appendix Figure A5). In Panel B of Appendix Table A6, we find that charity directors show a statistically significant difference in the assignment to the governance

---

[34]Following Hsu et al. (2022), we define ESG committees as committees with names containing the following words: CSR, ESG, environ*, social, or sustain*.

and nomination committees, which we test with multivariate regressions.

We employ the following OLS model to examine which committees charity directors tend to join. Specifically, we focus on new directors appointed after ESG incidents and their committee assignments in the year of appointment:

$$\text{Committee member}_{p,i,t} = b_0 + b_1 \text{New charity director}_{p,i,t} + b_2 X_{i,t} + b_3 Z_{p,i,t}$$
$$+ \text{Firm FE} + \text{Year FE} + \epsilon_{p,i,t}, \quad (5)$$

where *Committee member*$_{p,i,t}$ equals 1 if director p of firm i holds membership in the given committee in year t and 0 otherwise. Our variable of interest is *New charity director*$_{p,i,t}$, which equals 1 if the new director p, appointed to the board of firm i in year t, has charity experience and 0 otherwise. $X_{i,t}$ is the same vector of firm-level control variables as in Equation (1), including board structure, governance quality, and financial variables. $Z_{p,i,t}$ is a vector of director characteristics, including age, gender, education, and corporate board experience. For each committee, our test is restricted to firms that have the given committee in the specified year.

The results, as presented in Table 10, indicate that among new directors appointed after ESG incidents, those with charity experience are significantly more likely to be members of governance committees and nomination committees, while less likely to serve on audit committees. We find a negative but insignificant relation between the assignments of these charity directors and the compensation committee. The association between charity experience and membership in ESG committees is still positive and marginally insignificant.

Overall, charity directors are more likely to be assigned to governance and nomination committees rather than the audit committee, supporting the notion that firms recognize charity directors' experience and place these directors in positions that align with their expertise and have influence on ESG policies.

5.3 Oversight capacity of charity directors

We examine how the appointments of new charity directors and their effectiveness in improving ESG performance are influenced by their oversight capacities to actively monitor and provide advice on corporate ESG policies. Specifically, we categorize newly appointed directors following incidents into two groups: overboarded and nonoverboarded directors. Overboarded directors are defined as those who concurrently hold five or more company directorships, following the

definition used by Chen et al. (2022a). We then rerun the tests about charity director appointments and future incidents to evaluate the differences based on their oversight capacities.

If appointments following ESG incidents are primarily motivated by bringing in and leveraging new expertise, firms should prefer a nonoverboarded charity director over an otherwise similar overboarded one. Conversely, if the appointments are mainly driven by window-dressing motives, firms should exhibit no significant differentiation between overboarded and nonoverboarded charity directors. To discern between these two possibilities, we augment Equation (2) by incorporating an interaction term between the overboarded indicator and the respective measure for the firm's incident record, along with the overboarded indicator as a control variable.

We present the results in Table 11. Columns (1) to (3) include the overboarded indicator only as an additional control variable. The positive association between the past incident measures and the probability of new charity director appointments remains consistent with our baseline findings in columns (4) to (6) of Table 2. The negative coefficients on the overboarded indicator in columns (1) to (3) indicate that overboarded charity directors have a significantly smaller probability of being appointed. Columns (4) to (6) additionally include the interaction term between the overboarded indicator and the respective incident measure. The negative coefficients on the interaction terms imply that the probability of being appointed as a new charity director is significantly smaller when the appointment follows ESG incidents and when the director is overboarded. In other words, the appointment of charity directors after ESG incidents is primarily driven by nonoverboarded directors.[35] These findings suggest that firms seek charity directors who have the capacity to be actively involved in board activities.

Similarly, if the reduction in future incidents can be attributed to the expertise and efforts of the new charity directors, this effect should be driven by those who are not overboarded and therefore more likely to fulfill their director duties. Conversely, if the reduction is not due to the involvement of the new charity directors, then the distinction between overboarded and nonoverboarded directors should be irrelevant. To distinguish between these two possibilities, we decompose new charity director appointments at the firm-year level based on whether the new director is overboarded. We define two dummy variables: *New charity director — Nonoverboarded*, which equals 1 if the firm appoints new charity directors in a given year, and at least one of these new directors is not overboarded; and *New charity director — Overboarded*, which equals

---

[35]Additionally, as reported in Appendix Tables A21 and A22, we consistently find that the appointments of charity directors following high-reach and social incidents are primarily driven by nonoverboarded directors.

1 if the firm appoints new charity directors in a given year, and all of these new directors are overboarded. We replace the aggregated binary variable *New charity director* with these two decomposed variables in Equation (4) and reestimate the coefficients.

Table 12 shows that the negative association between future workforce incidents and charity director appointments is driven by nonoverboarded charity directors. In addition, nonoverboarded new charity directors are significantly associated with fewer future community incidents, which also fall within the social dimension. This evidence supports the notion that appointing new directors whose expertise aligns with the company's needs and who possess the necessary oversight capacities plays a crucial role in improving firm ESG outcomes.

6 Conclusions

This paper investigates companies' strategic responses to ESG incidents, specifically focusing on the appointment of directors with charity experience and its implications for their ESG outcomes and shareholder value. We find that ESG incidents lead to the appointment of charity directors, particularly when incidents gain significant media attention, result in greater negative stock market reactions, or involve social issues. At the announcement of their appointment, the stock market positively assesses the role and expertise of these charity directors in addressing a firm's ESG challenges. Furthermore, these positive market responses are particularly pronounced when companies emphasize the director's charity experience to investors in their SEC filings.

We provide corroborative evidence that the appointments of these charity directors contribute to the reduction of future ESG incidents, particularly those concerning workforce issues. Notably, we suggest that this decline in incidents is causal and primarily driven by nonoverboarded directors who are more likely to actively engage in board activities. Improvements in workforce policies are also perceived by rank-and-file employees, as indicated by higher employee satisfaction. We also find that newly appointed charity directors are often placed on governance and nomination committees responsible for ESG policies.

In summary, our research documents that firms address negative ESG incidents by appointing new charity directors and effectively leveraging their expertise in managing stakeholder relations. These findings highlight the tangible value that charity directors bring to companies in addressing ESG concerns. Our study also offers new evidence of firms adapting their board structures and skill sets when circumstances necessitate the acquisition of new expertise.

References

Akey, P., Lewellen, S., & Liskovich, I. (2021). Hacking Corporate Reputations. *Available at SSRN 3143740.*

Atanasov, V., & Black, B. (2016). Shock-Based Causal Inference in Corporate Finance and Accounting Research. *Critical Finance Review*, *5*(2), 207–304.

Burke, J. J., Hoitash, R., & Hoitash, U. (2019). Auditor Response to Negative Media Coverage of Client Environmental, Social, and Governance Practices. *Accounting Horizons*, *33*(3), 1–23.

Cai, T., Liu, L., Zein, J., & Zhang, H. (2022). Is ESG a Managerial Style? *Available at SSRN 4266516.*

Cai, Y., Xu, J., & Yang, J. (2021). Paying by Donating: Corporate Donations Affiliated with Independent Directors. *Review of Financial Studies*, *34*(2), 618–660.

Chen, M. A., Tran, H., Wu, Q., & Zhivotova, E. (2022a). Are Directors Rewarded for Excellence? Evidence from Reputation Shocks and Career Outcomes. *Review of Corporate Finance Studies*, *11*(2), 263–313.

Chen, S. S., Chen, Y. S., Kang, J. K., & Peng, S. C. (2020). Board Structure, Director Expertise, and Advisory Role of Outside Directors. *Journal of Financial Economics*, *138*(2), 483–503.

Chen, S., Hermes, N., & Hooghiemstra, R. (2022b). Corporate Social Responsibility and NGO Directors on Boards. *Journal of Business Ethics*, *175*(3), 625–649.

Colak, G., Korkeamäki, T. P., & Meyer, N. O. (2024). ESG and CEO Turnover around the World. *Journal of Corporate Finance*, *84*, 102523.

DeLisle, R. J., Grant, A., & Mao, R. (2024). Does Environmental and Social Performance Affect Pricing Efficiency? Evidence from Earnings Conference Call Tones. *Journal of Corporate Finance*, *86*, 102585.

Derrien, F., Krüger, P., Landier, A., & Yao, T. (2022). ESG News, Future Cash Flows, and Firm Value. *Available at SSRN 3903274.*

Di Giuli, A., & Laux, P. A. (2022). The Effect of Media-Linked Directors on Financing and External Governance. *Journal of Financial Economics*, *145*(2), 103–131.

Ellis, J. A., Fee, C. E., & Thomas, S. (2018). Playing Favorites? Industry Expert Directors in Diversified Firms. *Journal of Financial and Quantitative Analysis*, *53*(4), 1679–1714.

Ernst & Young. (2021). *What Boards Should Know about ESG Developments in the 2021 Proxy Season* (tech. rep.).

Ferreira, D., Ferreira, M. A., & Mariano, B. (2018). Creditor Control Rights and Board Independence. *Journal of Finance*, *73*(5), 2385–2423.

Gantchev, N., Giannetti, M., & Li, R. (2022). Does Money Talk? Divestitures and Corporate Environmental and Social Policies. *Review of Finance*, *26*(6), 1469–1508.

Gao, N., Jiang, W., & Jin, J. (2024). Unravelling Investors' Diverging Responses to U.S. Firms' Global ESG Incidents. *Journal of International Financial Markets, Institutions and Money*, *91*, 101906.

Glossner, S. (2021). Repeat Offenders: ESG Incident Recidivism and Investor Underreaction. *Available at SSRN 3004689*.

Goldman, E., Rocholl, J., & So, J. (2009). Do Politically Connected Boards Affect Firm Value. *Review of Financial Studies*, *22*(6), 2331–2360.

Grant, A. M. (2007). Relational Job Design and the Motivation to Make a Prosocial Difference. *Academy of Management Review*, *32*(2), 393–417.

Green, T. C., Huang, R., Wen, Q., & Zhou, D. (2019). Crowdsourced Employer Reviews and Stock Returns. *Journal of Financial Economics*, *134*(1), 236–251.

Heath, D., Macciocchi, D., Michaely, R., & Ringgenberg, M. C. (2023). Does Socially Responsible Investing Change Firm Behavior? *Review of Finance*, *27*(6), 2057–2083.

Houston, J. F., & Shan, H. (2022). Corporate ESG Profiles and Banking Relationships. *Review of Financial Studies*, *35*(7), 3373–3417.

Hsu, P.-H., Li, K., & Pan, Y. (2022). The Eco Gender Gap in Boardrooms. *Available at SSRN 4281479*.

Hyndman, N., & Jones, R. (2011). Editorial: Good Governance in Charities—Some Key Issues. *Public Money and Management*, *31*(3), 151–155.

Iliev, P., & Roth, L. (2023). Director Expertise and Corporate Sustainability. *Review of Finance*, *27*(6), 2085–2123.

Imbens, G. W. (2015). Matching Methods in Practice: Three Examples. *Journal of Human Resources*, *50*(2), 373–419.

Knyazeva, A., Knyazeva, D., & Masulis, R. W. (2013). The Supply of Corporate Directors and Board Independence. *Review of Financial Studies*, *26*(6), 1561–1605.

Kölbel, J. F., Busch, T., & Jancso, L. M. (2017). How Media Coverage of Corporate Social Irresponsibility Increases Financial Risk. *Strategic Management Journal*, *38*(11), 2266–2284.

Li, J., & Wu, D. (2020). Do Corporate Social Responsibility Engagements Lead to Real Environmental, Social, and Governance Impact? *Management Science*, *66*(6), 2564–2588.

Masulis, R. W. (2020). A Survey of Recent Evidence on Boards of Directors and CEO Incentives. *Asia-Pacific Journal of Financial Studies*, *49*(1), 7–35.

Masulis, R. W., & Reza, S. W. (2015). Agency Problems of Corporate Philanthropy. *Review of Financial Studies*, *28*(2), 592–636.

Meyerinck, F. v., Oesch, D., & Schmid, M. (2016). Is Director Industry Experience Valuable? *Financial Management*, *45*(1), 207–237.

Minton, B. A., Taillard, J. P., & Williamson, R. (2014). Financial Expertise of the Board, Risk Taking, and Performance: Evidence from Bank Holding Companies. *Journal of Financial and Quantitative Analysis*, *49*(2), 351–380.

Moore, M. H. (2000). Managing for Value: Organizational Strategy in For-Profit, Nonprofit, and Governmental Organizations. *Nonprofit and Voluntary Sector Quarterly*, *29*(1_suppl), 183–204.

White, J. T., Woidtke, T., Black, H. A., & Schweitzer, R. L. (2014). Appointments of Academic Directors. *Journal of Corporate Finance*, *28*, 135–151.

Worth, M. J. (2020). *Nonprofit Management: Principles and Practice*. CQ Press.
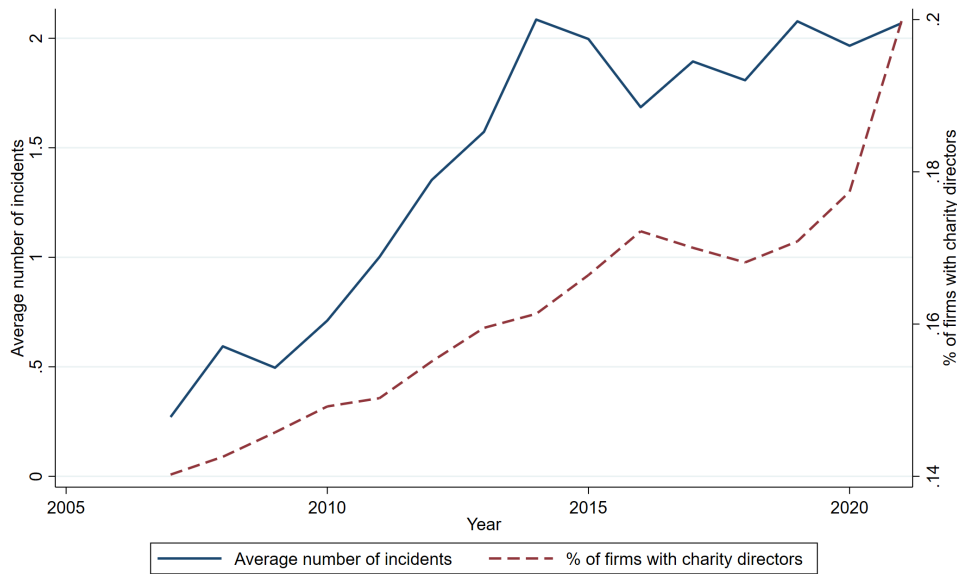
Figures and tables

Figure 1. Annual average number of ESG incidents and the presence of charity directors

The figure plots the trend in the prevalence of ESG incidents and the presence of charity directors in our sample from 2007 to 2021. The solid line, plotted on the left y-axis, represents the average number of incidents per firm. The dashed line, displayed on the right y-axis, indicates the proportion of firms with charity directors on their boards.
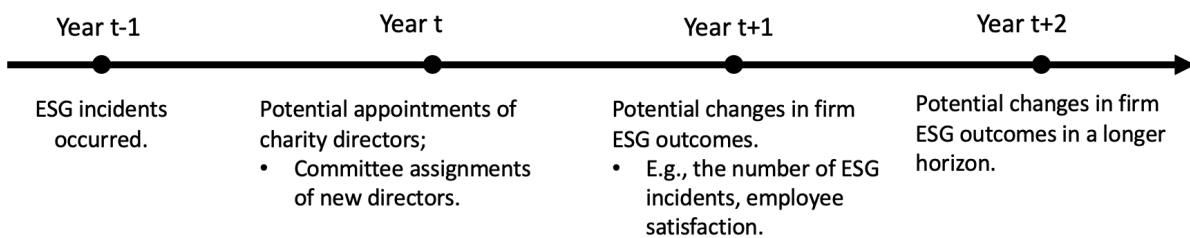

Figure 2. Timeline of empirical analyses

This plot illustrates the timeline of our empirical analyses. We begin by investigating the appointments of charity directors in year t and the market reaction to these appointments, following ESG incidents in year $t-1$. Next, we explore the potential impact of these new charity directors on firm ESG outcomes from year $t+1$ onward.

Table 1. Summary statistics

This table reports summary statistics of key variables in our sample over the period 2008-2021. Panel A presents measures for ESG incidents in the firm year-level sample. *Incident (0/1)* is an indicator that takes the value of 1 if a firm experiences ESG incidents in a given year. *Number of incidents* denotes the number of ESG incidents associated with a firm in a given year. *Highest RRI* shows the peak value of the RepRisk Index that a firm reaches during a given year. *High-reach (-severity, -novelty) incidents (0/1)* indicates whether a firm experiences high-reach (high-severity, high-novelty) incidents in a given year. *High reach E (S, G) incident (0/1)* indicates whether a firm experiences high-reach environmental (social, governance) incidents in a given year. Panel B presents variables related to the presence and changes in charity directors in the firm year-level sample. *Charity director presence (0/1)* equals 1 if a firm's board includes nonexecutive directors with charity experience. *% of charity directors* represents the number of nonexecutive directors with charity experience scaled by the board size. *New charity director (0/1)* equals 1 if a firm appoints at least one new nonexecutive director with charity experience to the board in a given year. *Charity director left (0/1)* equals 1 if at least one nonexecutive director with charity experience leaves the board of a firm in a given year. Panel C focuses on new directors with charity experience whose appointments are observed in our sample, and reports descriptive statistics regarding the type of charity experience they possess at the time of appointment. *Charity experience—board (0/1)* indicates whether the director has board experience in charities. *Charity experience—nonboard senior (0/1)* indicates whether the director has senior-level nonboard experience in charities, defined as positions with titles including any of the following keywords: president, CEO, CFO, COO, chairmen, chairwoman, chief of staff, chief executive, founder, treasurer, partner, owner, trustee, head. *Charity experience—high (0/1)* indicates whether the director has high-level experience in charities, defined as the union of board experience and senior-level nonboard experience. *Charity experience—current (0/1)* indicates whether the director holds a current position in charities at the time of appointment.

	Obs.	Mean	SD	p5	p50	p95
Panel A: ESG incident measures (firm-year level)						
Incident (0/1)	44,696	0.221	0.415	0.000	0.000	1.000
Number of incidents	44,696	1.610	9.188	0.000	0.000	6.000
Highest RRI	44,696	7.845	13.619	0.000	0.000	36.000
High-reach incidents (0/1)	44,696	0.077	0.267	0.000	0.000	1.000
High-severity incidents (0/1)	44,696	0.015	0.122	0.000	0.000	0.000
High-novelty incidents (0/1)	44,696	0.197	0.398	0.000	0.000	1.000
High-reach E incident (0/1)	44,696	0.018	0.135	0.000	0.000	0.000
High-reach S incident (0/1)	44,696	0.040	0.196	0.000	0.000	0.000
High-reach G incident (0/1)	44,696	0.047	0.212	0.000	0.000	0.000
Panel B: Charity director measures (firm-year level)						
Charity director presence (0/1)	44,696	0.166	0.372	0.000	0.000	1.000
% of charity directors	44,696	0.020	0.049	0.000	0.000	0.125
New charity director (0/1)	44,696	0.016	0.127	0.000	0.000	0.000
Charity director left (0/1)	44,696	0.014	0.119	0.000	0.000	0.000
Panel C: Experience of new charity directors (director level)						
Charity experience—board (0/1)	726	0.424	0.495	0.000	0.000	1.000
Charity experience—nonboard senior (0/1)	726	0.360	0.480	0.000	0.000	1.000
Charity experience—high (0/1)	726	0.713	0.452	0.000	1.000	1.000
Charity experience—current (0/1)	726	0.508	0.500	0.000	1.000	1.000

Table 2. The appointment of charity directors and past ESG incidents

This table examines the relationship between ESG incidents in year t and the probability of charity director appointments in year $t+1$. Columns (1) to (3) use the firm year-level sample, where the dependent variable is an indicator that equals 1 if the firm appoints charity directors in a given year. Columns (4) to (6) use the announcement level sample, in which each observation is an announcement of the appointment of a new nonexecutive director, and the dependent variable is an indicator that equals 1 if the director being appointed possesses charity experience. The variables of interest are one-year lagged measures for ESG incidents. *Incident (0/1)* is an indicator that takes the value of 1 if the firm experiences ESG incidents in a given year. *Highest RRI* is the peak value of the RepRisk Index that a firm reaches during a given year. *Highest RRI among top 5% (0/1)* is an indicator that equals 1 if the highest RRI of the firm in a given year is among the top 5% of the firm-year sample. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. T-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
Incidents (0/1)	0.066			1.316*		
	(0.264)			(1.777)		
Highest RRI		0.007			0.043*	
		(0.815)			(1.780)	
Highest RRI among top 5% (0/1)			0.776*			3.000***
			(1.744)			(2.681)
Log board size	-1.628***	-1.631***	-1.632***	5.567***	5.545***	5.508***
	(-2.707)	(-2.713)	(-2.713)	(3.457)	(3.445)	(3.424)
Board independence	-1.244	-1.259	-1.240	-0.956	-1.009	-0.869
	(-1.189)	(-1.202)	(-1.186)	(-0.373)	(-0.394)	(-0.340)
Board gender ratio	3.249***	3.265***	3.250***	-1.100	-1.163	-1.284
	(2.646)	(2.662)	(2.648)	(-0.308)	(-0.326)	(-0.359)
Board succession factor	-0.575	-0.571	-0.569	-3.557*	-3.558*	-3.578*
	(-0.814)	(-0.808)	(-0.805)	(-1.703)	(-1.702)	(-1.716)
Existing charity directors on board (0/1)	-10.167***	-10.166***	-10.174***	-13.234***	-13.267***	-13.306***
	(-18.437)	(-18.429)	(-18.452)	(-9.742)	(-9.765)	(-9.776)
CEO is chair (0/1)	0.017	0.021	0.021	0.708	0.741	0.772
	(0.071)	(0.085)	(0.085)	(1.072)	(1.121)	(1.165)
Institutional ownership	-1.039**	-1.033**	-1.023**	0.122	0.135	0.221
	(-2.193)	(-2.181)	(-2.163)	(0.086)	(0.096)	(0.156)
Firm size	0.492**	0.483**	0.480**	0.470	0.450	0.472
	(2.564)	(2.511)	(2.506)	(0.827)	(0.789)	(0.835)
Book-to-market ratio	0.028	0.028	0.031	-0.097	-0.094	-0.088
	(0.157)	(0.154)	(0.171)	(-0.182)	(-0.176)	(-0.167)
Leverage	-0.498	-0.504	-0.499	-2.061	-1.995	-1.928
	(-0.667)	(-0.675)	(-0.668)	(-0.940)	(-0.914)	(-0.886)
ROA	-0.235	-0.230	-0.231	-0.284	-0.259	-0.263
	(-0.494)	(-0.482)	(-0.485)	(-0.155)	(-0.141)	(-0.143)
Dividend	-0.831	-0.863	-0.889	2.449	2.314	1.241
	(-0.233)	(-0.242)	(-0.249)	(0.195)	(0.184)	(0.099)
Dividend missing	-0.480	-0.488	-0.469	0.825	0.564	0.259
	(-0.289)	(-0.294)	(-0.284)	(0.548)	(0.412)	(0.201)
SG&A	-0.030	-0.037	-0.038	1.224	1.222	1.247
	(-0.036)	(-0.045)	(-0.047)	(0.452)	(0.450)	(0.458)
SG&A missing	-1.139**	-1.146**	-1.143**	-2.905*	-2.898*	-2.839*
	(-2.458)	(-2.474)	(-2.468)	(-1.805)	(-1.798)	(-1.767)
Log age				4.119***	4.120***	4.136***
				(3.444)	(3.441)	(3.460)
Male				-2.672***	-2.676***	-2.662***
				(-5.293)	(-5.305)	(-5.294)
Doctorate				3.228***	3.216***	3.216***
				(3.759)	(3.752)	(3.759)
MBA				-0.077	-0.095	-0.110
				(-0.222)	(-0.270)	(-0.314)
Tenure in corporate boards				-0.009	-0.010	-0.010
				(-0.398)	(-0.408)	(-0.421)
N	44,696	44,696	44,696	11,265	11,265	11,265
Within adjusted R^2	0.031	0.031	0.031	0.043	0.043	0.044
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 3. The appointment of charity directors and the reach, severity, and novelty of past ESG incidents

This table examines the significance of incident reach, severity, and novelty in relation to the subsequent appointments of charity directors. Columns (1) to (3) use the firm year-level sample, where the dependent variable is an indicator that equals 1 if the firm appoints charity directors in a given year. Columns (4) to (6) use the announcement-level sample, where the dependent variable is an indicator that equals 1 if the director being appointed possesses charity experience. The variables of interest are one-year lagged indicators for the characteristics of ESG incidents. Specifically, *High-reach (-severity, -novelty) incidents (0/1)* equals 1 when the firm experiences high-reach (-severity, -novelty) incidents in a given year. We employ the same set of one-year lagged board controls as presented in Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-chair, and institutional ownership; and the same set of one-year lagged firm financial controls: firm size, book-to-market ratio, leverage, ROA, dividend (including an indicator for missing value in dividend), and SG&A (including an indicator for missing value in SG&A expenses). For Columns (3) to (6), we also include the same set of director-level controls: log age, gender, doctorate degree, MBA degree, and tenure in corporate boards. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
			New charity director (0/1)			
High-reach incidents (0/1)	1.077**			2.639**		
	(2.521)			(2.420)		
High-severity incidents (0/1)		0.550			-0.204	
		(0.632)			(-0.127)	
High-novelty incidents (0/1)			-0.164			0.897
			(-0.669)			(1.216)
N	44,696	44,696	44,696	11,265	11,265	11,265
Within adjusted R^2	0.031	0.031	0.031	0.043	0.042	0.043
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4. The appointment of charity directors and past incidents in E, S, and G

This table further distinguishes incidents based on three dimensions: environmental (E), social (S), and governance (G), and examines the relationship between these incidents in year $t-1$ and the appointments of charity directors in year t. All observations used in this table are conditional on there being more than 0 incidents in year $t-1$. Columns (1) to (3) use the firm year-level sample, where the dependent variable is an indicator that equals 1 if the firm appoints charity directors in a given year. Columns (4) to (6) use the announcement-level sample, where the dependent variable is an indicator that equals 1 if the director being appointed possesses charity experience. Panel A relies on RepRisk's categorization of the media reach of incidents. The variables of interest, *High-reach E (S, G) incidents (0/1)*, are one-year lagged indicators that equal 1 if a firm experiences high-reach environmental (social, governance) incidents in a given year. Panel B employs the market reaction to ESG incidents to measure their impact. *High-impact E (S, G) incidents (0/1)* equals 1 if, for the firm in a given year, the total abnormal return related to environmental (social, governance) incidents is among the lowest 20% of the sample. The total abnormal return related to ESG incidents is calculated as the sum of the abnormal returns on incident days during a given year, excluding days that coincide with M&A announcements and earnings announcements. We use the same set of one-year lagged board controls as presented in Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-chair, and institutional ownership. Additionally, we include the same set of one-year lagged firm financial controls: firm size, book-to-market ratio, leverage, ROA, dividend (including an indicator for missing value in dividend), and SG&A (including an indicator for missing value in SG&A expenses). For columns (3) to (6), we also include the same set of director-level controls: log age, gender, doctorate degree, MBA degree, and tenure on corporate boards. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include t-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
			New charity director (0/1)			
Panel A: High-reach incidents, defined by RepRisk						
High-reach E incidents (0/1)	-0.063			-0.862		
	(-0.087)			(-0.500)		
High-reach S incidents (0/1)		1.237**			3.629**	
		(2.035)			(2.214)	
High-reach G incidents (0/1)			0.237			2.498*
			(0.377)			(1.699)
N	9,161	9,161	9,161	2,811	2,811	2,811
Within adjusted R^2	0.025	0.025	0.025	0.045	0.048	0.046
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: High-impact incidents, defined by stock market reactions to incidents						
High-impact E incidents (0/1)	0.796			-0.706		
	(1.639)			(-0.578)		
High-impact S incidents (0/1)		0.959*			2.489**	
		(1.955)			(2.059)	
High-impact G incidents (0/1)			0.140			-0.897
			(0.311)			(-0.640)
N	9,161	9,161	9,161	2,811	2,811	2,811
Within adjusted R^2	0.025	0.025	0.025	0.045	0.046	0.045
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 5. Market reaction to new charity director appointments

This table examines the relationship between the abnormal stock return on the announcement day of director appointments and the director's charity experience. We use the announcement-level sample for this test. columns (1) to (3) include appointments when the firm experienced ESG incidents in the preceding year, while columns (4) to (6) include appointments in the absence of ESG incidents in the preceding year. The dependent variables are the abnormal stock returns of the firm on the announcement day when a director is appointed. As specified in the respective columns, abnormal returns are estimated using three models: the CAPM model, the Fama-French three-factor (FF3) model, and the Fama-French three-factor plus momentum (FF3 + Mom.) model. The variable of interest, *Charity experience (0/1)*, is an indicator that equals 1 if the appointed director possesses charity experience. In addition to the identical set of control variables included in columns (3) to (6) of Table 2, we also include a dummy variable indicating whether the new director replaces a departing director whose announcement coincides with the same day. Firm fixed effects and year fixed effects are included in all tests. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	After incidents			Not after incidents		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.	(4) CAPM	(5) FF3	(6) FF3 + Mom.
Charity experience (0/1)	0.924**	0.699**	0.649*	-0.352	-0.471	-0.364
	(2.391)	(2.173)	(1.862)	(-0.490)	(-0.675)	(-0.551)
Log board size	-1.885*	-1.865*	-2.086**	-0.590	-0.526	-0.506
	(-1.830)	(-1.843)	(-2.107)	(-0.720)	(-0.649)	(-0.622)
Board independence	3.439	3.953	3.553	2.484*	2.538*	3.210**
	(1.259)	(1.480)	(1.344)	(1.735)	(1.906)	(2.343)
Board gender ratio	0.867	0.511	0.376	1.129	1.369	1.649
	(0.438)	(0.273)	(0.203)	(0.780)	(0.921)	(1.100)
Board succession factor	1.894	1.839	2.614	0.626	0.822	0.994
	(1.076)	(1.109)	(1.616)	(0.585)	(0.790)	(0.957)
Existing charity directors on board (0/1)	1.001***	0.746***	0.715**	-1.009***	-1.088***	-1.147***
	(3.226)	(2.772)	(2.560)	(-2.617)	(-2.980)	(-3.113)
CEO is chair (0/1)	0.128	0.054	0.091	0.226	0.171	0.158
	(0.416)	(0.177)	(0.317)	(0.784)	(0.621)	(0.553)
Institutional ownership	1.156	0.986	1.181	-0.447	-0.501	-0.390
	(1.406)	(1.261)	(1.536)	(-0.421)	(-0.483)	(-0.373)
Firm size	0.465	0.524	0.398	-0.021	0.093	0.174
	(1.181)	(1.362)	(0.970)	(-0.060)	(0.263)	(0.487)
Book-to-market ratio	-0.203	-0.064	-0.028	0.096	0.025	0.071
	(-0.355)	(-0.115)	(-0.048)	(0.278)	(0.073)	(0.204)
Leverage	3.661**	2.959**	2.836**	2.350**	2.061*	1.979*
	(2.558)	(2.133)	(2.029)	(1.989)	(1.734)	(1.718)
ROA	6.473**	5.800**	6.383**	0.516	0.612	0.584
	(2.473)	(2.509)	(2.360)	(0.401)	(0.485)	(0.466)
Dividend	-9.993	-4.781	-7.894	-1.865	-2.022	-2.035
	(-1.044)	(-0.449)	(-0.781)	(-0.395)	(-0.422)	(-0.426)
Dividend missing	11.377***	11.469***	10.710***	-0.576	0.338	0.199
	(8.125)	(8.274)	(7.918)	(-0.750)	(0.371)	(0.239)
SG&A	-0.772	-1.909	-2.767	0.647	-0.076	0.134
	(-0.215)	(-0.582)	(-0.670)	(0.431)	(-0.051)	(0.090)
SG&A missing	0.379	0.137	0.031	-0.304	-0.555	-0.516
	(0.293)	(0.119)	(0.024)	(-0.441)	(-0.836)	(-0.817)
Log age	-0.868	-1.155	-1.163	0.336	0.174	0.163
	(-0.915)	(-1.248)	(-1.258)	(0.465)	(0.237)	(0.221)
Male	-0.016	-0.024	-0.017	0.149	0.167	0.206
	(-0.090)	(-0.146)	(-0.106)	(0.870)	(0.990)	(1.214)
Doctorate	-0.441	-0.344	-0.086	-0.756***	-0.779***	-0.792***
	(-1.553)	(-1.497)	(-0.371)	(-2.660)	(-2.755)	(-2.748)
MBA	-0.150	-0.079	0.009	0.096	0.125	0.131
	(-0.626)	(-0.334)	(0.038)	(0.537)	(0.717)	(0.756)
Tenure in corporate boards	-0.006	-0.001	-0.006	0.010	0.012	0.013
	(-0.487)	(-0.070)	(-0.567)	(0.764)	(0.919)	(0.940)
Replacement (0/1)	-0.134	-0.275	-0.157	0.169	0.162	0.154
	(-0.473)	(-1.014)	(-0.603)	(0.704)	(0.691)	(0.654)
N	1,263	1,263	1,263	3,657	3,657	3,657
Within adjusted R^2	0.073	0.073	0.080	0.002	0.004	0.006
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 6. Market reaction and the salience of charity experience in biographies

This table examines the impact of the salience of charity experience on market reactions to charity director appointments following incidents. The salience of charity experience is measured by the percentage of charity-related words in the director's first biography released by the firm (see Table A11 for charity-related words). If this measure is above (below) the median value (= 1.98%) among all charity directors appointed after incidents, the director is classified as having high (low) salience of charity experience. Columns (1) to (3) include noncharity directors and charity directors with high-salience charity experience. Columns (4) to (6) include noncharity directors and charity directors with low-salience charity experience. The dependent variables are the abnormal stock returns of the firm on the announcement day when a director is appointed. As specified in the respective columns, abnormal returns are estimated by three models: the CAPM model, the Fama-French three-factor (FF3) model, and the Fama-French three-factor plus momentum (FF3 + Mom.) model. The variable of interest, *Charity experience (0/1)*, is an indicator that equals 1 if the appointed director possesses charity experience. We use the same set of control variables as in Table 5, including director characteristics: gender, log age, doctorate degree, MBA degree, and tenure on corporate boards; board characteristics: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-chair, and institutional ownership; and firm financial controls: firm size, book-to-market ratio, leverage, ROA, dividend (including an indicator for missing value in dividend), and SG&A (including an indicator for missing value in SG&A expenses). Firm fixed effects and year fixed effects are included in all tests. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	High-salience charity experience			Low-salience charity experience		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.	(4) CAPM	(5) FF3	(6) FF3 + Mom.
Charity experience (0/1)	1.292**	0.944*	0.871*	0.233	0.243	0.200
	(2.258)	(1.879)	(1.657)	(0.544)	(0.776)	(0.534)
N	1,242	1,242	1,242	1,239	1,239	1,239
Within adjusted R^2	0.073	0.072	0.079	0.064	0.062	0.068
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 7. Charity director appointments and future incidents

This table investigates the relationship between charity director appointments and the number of incidents in subsequent years, using the firm year-level sample that experienced ESG incidents in year $t-1$, with the year of potential charity director appointments denoted as year t. In Panel A, our dependent variable is the logarithm of 1 plus the number of incidents in year $t+1$. In Panels B and C, the dependent variables are the logarithm of 1 plus the average number of incidents from year $t+1$ to year $t+2$ (or year $t+3$), respectively. Column (1) includes all incidents reported in RepRisk. Columns (2) to (6) include incidents in specific categories: emissions and resource use, community, workforce, product responsibility, and transparency. The variable of interest in Panels A, B, and C is *New charity director (0/1)*, which equals 1 if in year t the firm appoints new directors with charity experience and at least one of the newly appointed charity directors remains on the board for a minimum of one (two, or three) years. We control for charity director departures, the logarithm of 1 plus the number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, ROA, dividends (including an indicator for missing value in dividends), and SG&A (including an indicator for missing value in SG&A expenses), all measured in year t, contemporaneous with the potential charity director appointment. We also control for the presence of existing charity directors on the board in year $t-1$, before the potential new charity director appointment. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. We include t-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & resource use	Community	Workforce	Product responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: One-year horizon						
New charity director (0/1)	-0.047	-0.068	-0.045	-0.076*	0.022	-0.003
	(-0.928)	(-1.412)	(-1.051)	(-1.897)	(0.494)	(-0.092)
N	7,881	7,881	7,881	7,881	7,881	7,881
Within adjusted R^2	0.091	0.064	0.042	0.029	0.064	0.025
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Two-year horizon						
New charity director (0/1)	-0.080*	-0.090**	-0.054	-0.056	-0.007	-0.031
	(-1.785)	(-2.052)	(-1.334)	(-1.508)	(-0.162)	(-1.032)
N	6,689	6,689	6,689	6,689	6,689	6,689
Within adjusted R^2	0.109	0.075	0.053	0.051	0.070	0.040
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Three-year horizon						
New charity directors (0/1)	-0.085**	-0.075*	-0.046	-0.061*	0.035	-0.003
	(-2.099)	(-1.775)	(-1.347)	(-1.960)	(0.868)	(-0.099)
N	5,723	5,723	5,723	5,723	5,723	5,723
Within adjusted R^2	0.100	0.074	0.049	0.059	0.061	0.040
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 8. Instrumental variable: Charity director appointments and future incidents

This table reports the IV estimates for the impact of charity director appointments on the number of incidents in the following year, using a two-stage estimation approach. Our instrument, *High charity director supply (0/1)*, is an indicator that equals 1 if, for the firm in a given year, the number of active charitable organizations within a 100-mile radius of the firm's headquarters ranks among the top 10% in the sample. Column (1) reports the first-stage results, estimating the relationship between having high supply of charity directors and the probability of appointing charity directors. Similar to the baseline OLS regression analysis in Table 7, we use observations with ESG incidents in year $t-1$, denoting the year of potential charity director appointments as year t. The dependent variables for columns (2) to (7) are the logarithm of 1 plus the number of incidents in year $t+1$, the year following potential charity director appointments. Columns (2) to (7) present the second-stage estimates on various categories of incidents. The variable of interest is *New charity director (0/1)*, which equals 1 if the firm appoints new directors with charity experience in year t and at least one of the newly appointed charity directors remains on the board for a minimum of one year. In all panels, we use the same set of control variables used in Table 7. In Panel B, we additionally control for local economic factors, including population density, per capita income, and the unemployment rate of the county where the firm's headquarters is located. In Panel C, we further control for the local supply of corporate directors, measured by the number of public firms headquartered within a 100-mile radius of the firm's headquarters, excluding those in the same four-digit SIC industry. All controls are lagged by one year relative to the respective dependent variable. We also control for the presence of existing charity directors on the board before the potential new charity director appointment. All models include firm fixed effects and year fixed effects. Standard errors are clustered at the firm level. We include *t*-statistics in parentheses. *F*-statistics are reported for the first stage. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	First-stage	All issues	Emissions & resource use	Community	Workforce	Product responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Baseline IV results							
New charity director (0/1)		-0.908	-1.327*	-0.904	-1.824***	-0.160	-0.858*
		(-1.242)	(-1.951)	(-1.440)	(-2.964)	(-0.248)	(-1.652)
High charity director supply (0/1)	0.022*						
	(1.809)						
N	7,226	7,222	7,222	7,222	7,222	7,222	7,222
F-statistic	9.796						
Within adjusted R^2	0.030	0.084	0.059	0.037	0.027	0.068	0.024
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Control for local economic characteristics							
New charity director (0/1)		-0.994	-1.106*	-0.936	-1.885***	-0.106	-0.877*
		(-1.417)	(-1.694)	(-1.552)	(-3.194)	(-0.172)	(-1.761)
High charity director supply (0/1)	0.025**						
	(2.052)						
Population density	-0.152**	-0.334	-0.309	0.198	-0.144	0.029	-0.020
	(-1.961)	(-1.123)	(-1.117)	(0.775)	(-0.573)	(0.109)	(-0.093)
Per capita income	0.000	0.181	0.324**	-0.088	0.553***	0.218	0.325***
	(0.001)	(1.079)	(2.078)	(-0.609)	(3.918)	(1.479)	(2.730)
Unemployment rate	-0.002	-0.001	-0.008	-0.010	-0.002	-0.000	0.012*
	(-0.745)	(-0.068)	(-0.944)	(-1.160)	(-0.307)	(-0.053)	(1.800)
N	7,225	7,221	7,221	7,221	7,221	7,221	7,221
F-statistic	8.681						
Within adjusted R^2	0.030	0.084	0.060	0.037	0.029	0.068	0.025
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Control for local corporate director supply							
New charity director (0/1)		-0.783	-1.194*	-0.859	-1.671***	-0.048	-0.780
		(-1.065)	(-1.747)	(-1.360)	(-2.699)	(-0.075)	(-1.493)
High charity director supply (0/1)	0.021*						
	(1.702)						
Corporate director supply	-0.012	0.062	0.178**	-0.005	0.131**	0.142**	0.089
	(-0.560)	(0.782)	(2.411)	(-0.074)	(1.961)	(2.035)	(1.576)
N	7,226	7,222	7,222	7,222	7,222	7,222	7,222
F-statistic	9.320						
Within adjusted R^2	0.030	0.084	0.060	0.036	0.027	0.069	0.025
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 9. Charity director appointments and employee satisfaction

This table examines the relationship between charity director appointments and subsequent employee satisfaction, measured by Glassdoor ratings. Similar to the OLS regression analysis of future incidents in Table 7, we use observations with ESG incidents in year $t-1$, denoting the year of potential charity director appointments as year t. The test specifications resemble those in Table 7 except for the dependent variables. Here, the dependent variables are employee satisfaction scores of a firm in a given year, measured by the average scores from employee reviews on Glassdoor. In Panel A, the dependent variable is the employee satisfaction scores in year $t+1$. In Panels B and C, the dependent variables are the average employee satisfaction scores from year $t+1$ to year $t+2$, and year $t+3$, respectively. Column (1) represents the overall rating of the firm. Columns (2) to (6) represent ratings of specific dimensions: career opportunities, compensation and benefits, culture and values, senior leadership, and work-life balance. Column (7) represents the approval rating of the CEO. Column (8) indicates whether the employee is willing to recommend the firm to a friend. The variable of interest in Panels A, B, and C is *New charity director (0/1)*, which equals 1 if in year t the firm appoints new directors with charity experience and at least one of the newly appointed charity directors remains on the board for a minimum of one (two, three) years. We employ the same set of control variables as in Table 7, including whether there are charity director departures, the logarithm of 1 plus the number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, ROA, dividends (including an indicator for missing value), and SG&A (including an indicator for missing value), all measured at year t, contemporaneous with the potential charity director appointment. We also control for whether there were existing charity directors on the board in year $t-1$, before the potential new charity director appointment. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. We include t-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Overall	Career oppty.	Compn. & benefits	Culture	Leadership	W-I balance	Approval of CEO	Rec. to friends
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: One-year horizon								
New charity director (0/1)	0.034	0.052*	0.057**	0.040	0.059*	0.030	0.035*	0.027**
	(1.150)	(1.888)	(2.417)	(1.177)	(1.875)	(1.093)	(1.678)	(2.521)
N	5,943	5,943	5,943	5,403	5,935	5,943	5,889	5,943
Within adjusted R^2	0.011	0.021	0.009	0.011	0.019	0.003	0.034	0.008
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Two-year horizon								
New charity director (0/1)	0.044**	0.038*	0.040**	0.020	0.049*	0.023	0.027	0.018**
	(1.982)	(1.704)	(2.279)	(0.690)	(1.820)	(0.997)	(1.640)	(2.381)
N	5,840	5,840	5,839	5,312	5,832	5,839	5,792	5,840
Within adjusted R^2	0.012	0.024	0.010	0.012	0.018	0.005	0.039	0.016
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Three-year horizon								
New charity directors (0/1)	0.052***	0.042**	0.047***	0.030	0.058**	0.043**	0.035**	0.024***
	(2.672)	(2.096)	(2.604)	(1.326)	(2.413)	(2.426)	(2.333)	(3.353)
N	5,792	5,792	5,792	5,267	5,787	5,792	5,744	5,792
Within adjusted R^2	0.010	0.021	0.012	0.011	0.015	0.007	0.033	0.018
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 10. Committee assignments of directors appointed after ESG incidents

The table examines committee assignments of directors appointed following ESG incidents. The analysis is on the firm year-director level, and we focus on the year of appointment. We focus on five types of key committees in the board: governance committee, audit committee, compensation committee, nomination committee, and ESG committee. In each column, the dependent variable equals 1 if the director is a member of the given committee in the year of joining the board. The variable of interest *New charity director (0/1)* equals 1 if this new director has charity experience. We exclude observations if the firm does not have the specified committee in the given year. We employ the identical set of board control variables as in columns (3) to (6) of Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for the presence of charity director on the board, combined CEO-chair, and institutional ownership; and the same set of firm financial variables: log firm size, book-to-market ratio, leverage ratio, ROA, dividends (including an indicator for missing value), and SG&A (including an indicator for missing value); and director-level controls: log age, gender, doctorate degree, MBA degree, and the current number of directorships. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. We include t-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1) Governance	(2) Audit	(3) Compensation	(4) Nomination	(5) ESG
New charity director (0/1)	0.106***	-0.097**	-0.013	0.095**	0.158
	(2.672)	(-2.557)	(-0.334)	(1.996)	(1.482)
N	7,037	7,467	7,325	5,747	1,163
Within adjusted R^2	0.009	0.020	0.006	0.008	0.003
Board controls	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes

Table 11. Director appointment and overboarding

This table examines the impact of director overboarding on the relationship between charity director appointments and past ESG incidents. Specifically, *Overboarded director (0/1)* equals 1 for overboarded directors, defined as those who hold five or more company directorships concurrently. Test specifications are identical to those of columns (3) to (6) of Table 2, with the exception that columns (1) to (3) include *Overboarded director (0/1)* as a control variable, while columns (4) to (6) add an interaction term between *Overboarded director (0/1)* and the respective incident measure. We employ the announcement-level sample to conduct the test. The dependent variable *New charity director (0/1)* is an indicator that equals 1 if the director being appointed possesses charity experience. Measures for past ESG incidents include *Incident (0/1)*, which is an indicator that takes the value of 1 if the firm experiences ESG incidents in a given year; *Highest RRI*, which is the peak value of the RepRisk Index that a firm reaches during a given year; and *Highest RRI among top 5% (0/1)*, an indicator that equals 1 if the highest RRI of the firm in a given year is among the top 5% of the firm-year sample. We employ the identical set of one-year lagged board controls as presented in columns (3) to (6) of Table 2: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-chair, institutional ownership; and the same set of one-year lagged firm financial controls: firm size, book-to-market ratio, leverage, ROA, dividend (including an indicator for missing value), and SG&A (including an indicator for missing value); and the same set of director-level controls: log age, gender, doctorate degree, MBA degree, and tenure in corporate boards. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. Estimated coefficients are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
			New charity director (0/1)			
Incidents (0/1)	1.308*			1.772**		
	(1.768)			(2.339)		
Highest RRI		0.042*			0.058**	
		(1.758)			(2.309)	
Highest RRI among top 5% (0/1)			2.988***			3.614***
			(2.677)			(3.012)
Incidents (0/1) × Overboarded director (0/1)				-4.305***		
				(-3.309)		
Highest RRI × Overboarded director (0/1)					-0.148***	
					(-4.101)	
Highest RRI among top 5% (0/1) × Overboarded director (0/1)						-4.465**
						(-2.065)
Overboarded director (0/1)	-1.455**	-1.449**	-1.451**	0.108	0.528	-0.845
	(-2.259)	(-2.247)	(-2.253)	(0.148)	(0.713)	(-1.296)
N	11,265	11,265	11,265	11,265	11,265	11,265
Within adjusted R^2	0.043	0.043	0.044	0.045	0.045	0.045
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 12. Charity director appointments, overboarding and future incidents

This table examines the impact of charity director overboarding on the relationship between charity director appointments and the number of incidents in the following years, using the firm year-level sample. Denoting the year of potential charity director appointments as year t, we use observations with ESG incidents in year $t-1$. Test specifications resemble those in Table 7 with the exception that we decompose the dependent variable into two indicators based on whether the newly appointed charity directors are overboarded. Specifically, our variables of interests are 1) *New charity director—Nonoverboarded (0/1)*, which equals 1 if, in year t, the firm appoints new directors with charity experience and at least one of the newly appointed charity directors is not overboarded, and 2) *New charity director—Overboarded (0/1)*, which equals 1 if, in year t, the firm appoints new directors with charity experience and all of the newly appointed charity directors are overboarded. A director is defined as overboarded if holding five or more company directorships concurrently. In Panel A, our dependent variable is the logarithm of 1 plus the number of incidents in year $t+1$. In Panels B and C, the dependent variables are the logarithm of 1 plus the average number of incidents from year $t+1$ to year $t+2$, and year $t+3$, respectively. Column (1) includes all incidents reported in RepRisk. Columns (2) to (6) include incidents in a specific category—that is, those related to emissions and resource use, community, workforce, product responsibility, and transparency, respectively We employ the identical set of control variables as in Table 7, including whether there are charity director departures, the logarithm of 1 plus the number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, ROA, dividends (including an indicator for missing value in dividends), and SG&A (including an indicator for missing value in SG&A expenses), all measured at year t, contemporaneous with the potential charity director appointment. We also control whether there are existing charity directors on the board in year $t-1$, before the potential new charity director appointment. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. We include t-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & resource use	Community	Workforce	Product responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: One-year horizon						
New charity director—Nonoverboarded (0/1)	-0.049	-0.080	-0.079*	-0.074*	0.005	-0.011
	(-0.855)	(-1.530)	(-1.766)	(-1.710)	(0.109)	(-0.301)
New charity director—Overboarded (0/1)	-0.036	0.009	0.172	-0.087	0.132	0.050
	(-0.489)	(0.084)	(1.414)	(-0.803)	(1.274)	(0.635)
N	7,881	7,881	7,881	7,881	7,881	7,881
Within adjusted R^2	0.091	0.064	0.043	0.028	0.064	0.025
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Two-year horizon						
New charity director—Nonoverboarded (0/1)	-0.072	-0.092*	-0.071*	-0.062	-0.020	-0.035
	(-1.452)	(-1.923)	(-1.773)	(-1.594)	(-0.472)	(-1.096)
New charity director—Overboarded (0/1)	-0.127	-0.080	0.054	-0.017	0.077	-0.002
	(-1.376)	(-0.841)	(0.392)	(-0.174)	(0.750)	(-0.026)
N	6,689	6,689	6,689	6,689	6,689	6,689
Within adjusted R^2	0.109	0.075	0.053	0.051	0.070	0.040
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Three-year horizon						
New charity director—Nonoverboarded (0/1)	-0.081*	-0.069	-0.051	-0.061*	0.013	-0.004
	(-1.841)	(-1.567)	(-1.556)	(-1.809)	(0.316)	(-0.134)
New charity director—Overboarded (0/1)	-0.112	-0.110	-0.009	-0.062	0.178	0.005
	(-1.177)	(-0.991)	(-0.068)	(-0.814)	(1.488)	(0.095)
N	5,723	5,723	5,723	5,723	5,723	5,723
Within adjusted R^2	0.100	0.074	0.049	0.059	0.061	0.040
Board Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Appendix
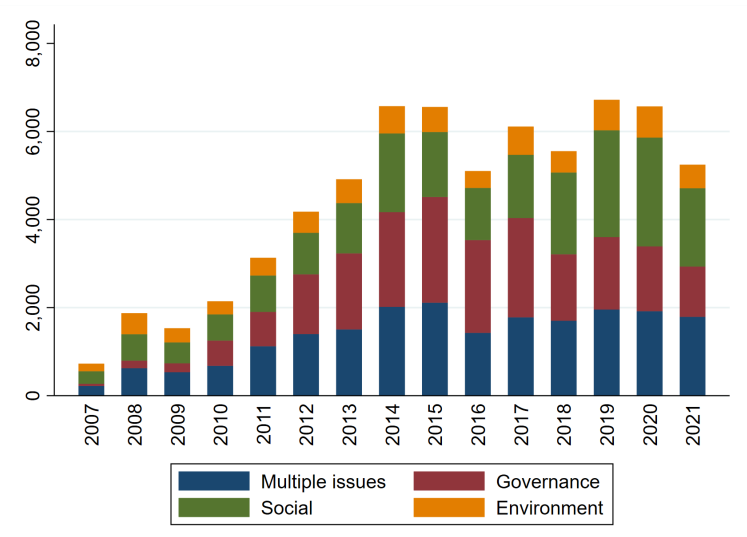
A   Tables and figures

Figure A1. Total number of ESG incidents by year and by issue

The figure plots the total number of ESG incidents per year for our sample of firms spanning from 2007 to 2021. It also illustrates the distribution of incidents across categories, including environmental, social, governance, and those involving multiple issues.
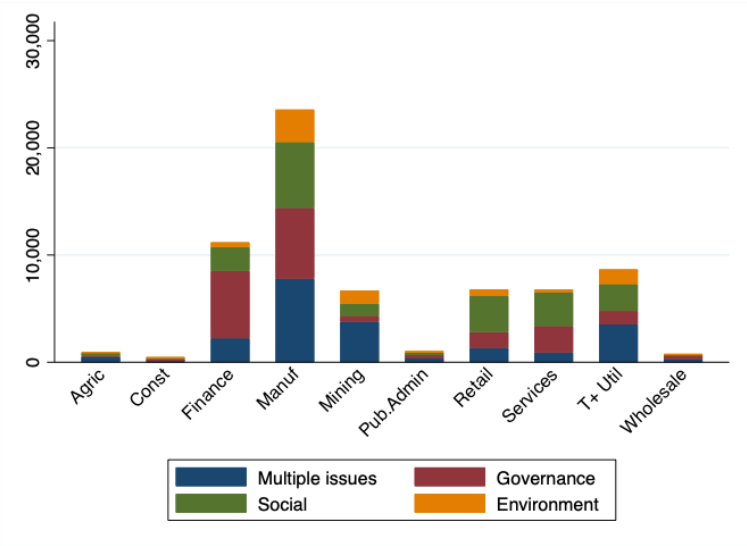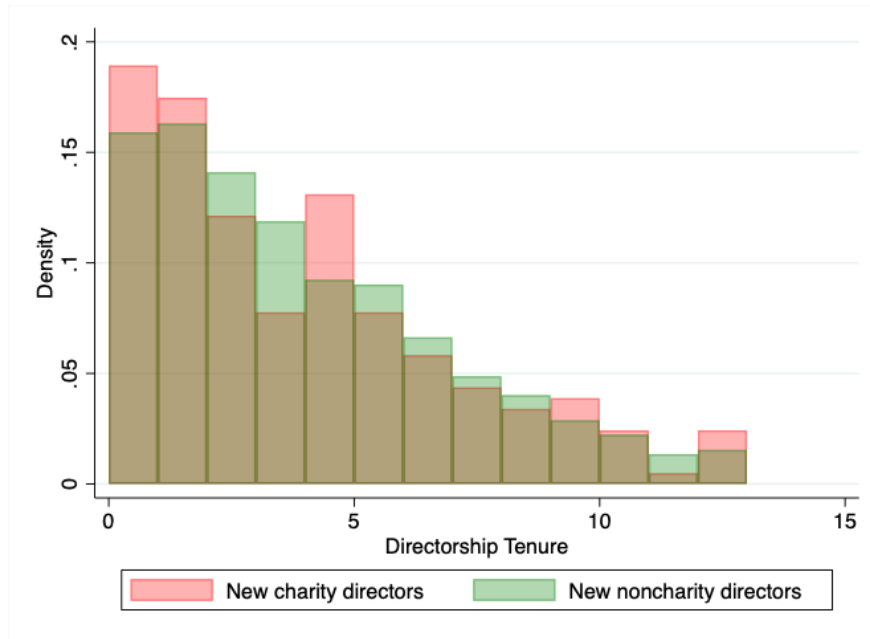

Figure A2. Total number of ESG incidents by industry

The figure plots the total number of ESG incidents per industry from 2007 to 2021 for our sample of firms. It also illustrates the distribution of incidents across categories, including environmental, social, governance, and those involving multiple issues.

Figure A3. Tenure of new directors appointed after ESG incidents

The figure presents a histogram of directorship tenure for two groups of directors appointed after ESG incidents: those with charity experience (red) and those without charity experience (green).
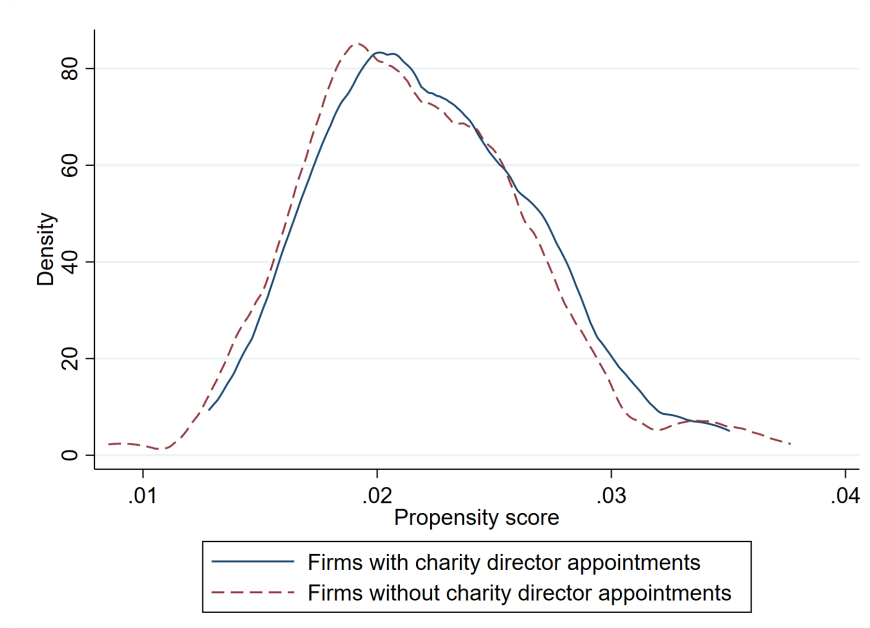

Figure A4. Propensity score overlapping in the matched sample

Using the matched sample, this figure plots the density of propensity scores for firms that appoint charity directors after ESG incidents and firms that do not make such appointments. The propensity scores are calculated using preappointment firm characteristics, including firm size, book-to-market ratio, institution ownership, board independence, and combined CEO-chair. The matched sample is then constructed by pairing each observation from appointing firms with the 10 closest observations without replacement, from nonappointing firms.

Committee oversight of environmental sustainability
or corporate social responsibility matters
(% Fortune 100)
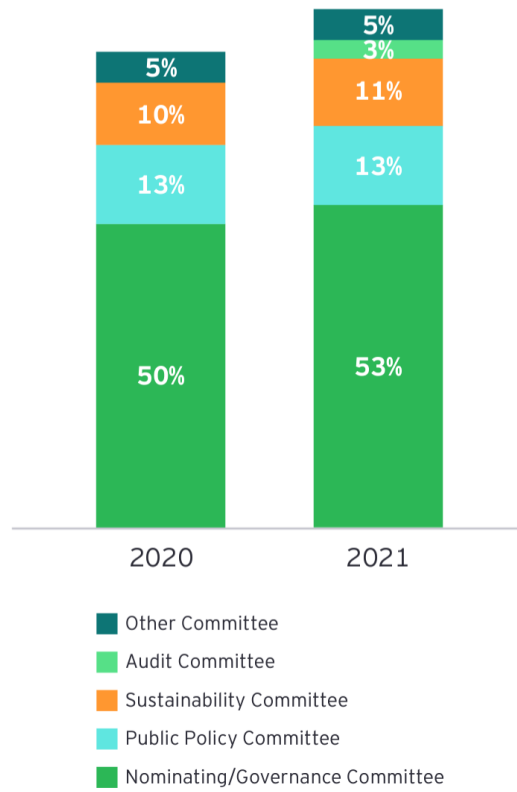
Source: Analysis by EY Center for Board Matters

Figure A5. Committees oversight of ESG issues (Source: Ernst & Young, 2021)

This figure illustrates the distribution of board committees responsible for overseeing environmental sustainability or corporate social responsibility among Fortune 100 firms.

Table A1. Examples of charities in our sample

This table reports the top 10 charities in our sample, ranked by the number of directors with experience within each respective charity. Charities are organizations identified by the value "Charity" in the variable "OrgType" as defined by BoardEx.

Charity name	# of directors
Memorial Sloan-Kettering Cancer Center	26
Bill & Melinda Gates Foundation	23
American National Red Cross	13
American Cancer Society	12
Blue Shield of California	10
March of Dimes	10
Ford Foundation	9
Center for Strategic and International Studies	9
Rockefeller Foundation	9
JDRF (Juvenile Diabetes Research Foundation)	8

Table A2. Sample construction and sample size by year

This table reports the evolution of the number of observations and the number of firms throughout our sample construction process.

Year	BoardEx sample	Merged with CCM	Merged with RepRisk
2008	4,937	3,515	2,751
2009	4,719	3,353	3,260
2010	4,635	3,316	3,088
2011	4,669	3,391	3,121
2012	4,676	3,405	3,140
2013	4,901	3,487	3,203
2014	5,104	3,650	3,258
2015	5,178	3,636	3,385
2016	4,970	3,566	3,327
2017	5,041	3,585	3,285
2018	5,118	3,612	3,357
2019	5,259	3,663	3,427
2020	5,753	3,802	3,395
2021	4,014	3,054	2,699
Total # of firms	9,968	6,342	5,730
Total # of observations	69,071	49,035	44,696

Table A3. Sample distribution by industry

This table presents the distribution of SIC two-digit industries in our sample, alongside the statistics of key variables. Column (1) shows the number of firm-year observations by industry, and column (2) shows the percentage within the sample. Column (3) shows the average number of incidents per firm-year by industry. Columns (4), (5), and (6) report the percentage of firm-year observations with high-severity, high-reach, and high-novelty incidents by industry, respectively. Column (7) shows the average value of the highest RRI by industry. Column (9) shows the percentage of firm-year observations with charity directors on the board, and column (10) shows the average percentage of charity directors on the boards—that is, the ratio of the number of charity directors to the board size.

Industry	(1) # of obs.	(2) % of obs.	(3) # of incidents	(4) % with high-severity incidents	(5) % with high-reach incidents	(6) % with high-novelty incidents	(7) Highest RRI	(8) % with charity director presence	(9) % of charity directors
Manufacturing	16,670	37.296	1.603	1.500	7.241	19.238	7.722	14.721	1.872
Finance, Insurance, Real Estate	11,882	26.584	1.021	0.993	5.378	12.363	4.898	18.448	2.124
Services	6,779	15.167	1.025	0.826	7.464	15.932	6.606	16.241	2.141
Transportation & Public Utilities	3,629	8.119	2.369	1.212	13.144	33.150	12.837	22.678	2.654
Mining	2,136	4.779	3.018	4.635	11.236	39.607	15.324	10.112	1.196
Retail Trade	1,660	3.714	4.654	3.675	15.000	33.916	13.669	21.988	2.655
Wholesale Trade	1,180	2.640	0.700	0.763	3.559	18.559	6.763	12.542	1.634
Construction	550	1.231	0.827	1.273	6.182	23.091	8.998	15.818	2.083
Public Administration	108	0.242	10.463	9.259	34.259	53.704	21.417	25.000	2.218
Agriculture, Forestry, Fishing	102	0.228	9.706	15.686	15.686	32.353	16.314	11.765	2.274
Total	44,696	100							

Table A4. Summary statistics on the incident level

This table reports summary statistics on the types and characteristics of ESG incidents associated with firms covered in our sample. *Environment (0/1)*, *Social (0/1)* and *Governance (0/1)* are indicators that equal 1 if an incident is related to these categories, noting that an incident can belong to more than one category. *Severity* and *Reach* can take the values of 1, 2, and 3, with 3 denoting high-severity and high-reach incidents. *Novelty* can take the value of 1 and 2, with 2 denoting high-novelty incidents.

	Count	Mean	SD	p5	p50	p95
Environment (0/1)	75,686	0.326	0.469	0.000	0.000	1.000
Social (0/1)	75,686	0.511	0.500	0.000	1.000	1.000
Governance (0/1)	75,686	0.370	0.483	0.000	0.000	1.000
Severity (0/1)	75,686	1.350	0.511	1.000	1.000	2.000
Reach (0/1)	75,686	1.816	0.743	1.000	2.000	3.000
Novelty (0/1)	75,686	1.373	0.484	1.000	1.000	2.000

Table A5. Summary statistics of board and firm characteristics

This table reports summary statistics of board characteristics and firm characteristics used as control variables in our analyses. *Board size* is the number of directors on the board. *Board independence* is the ratio of the number of independent directors to board size. *Board gender ratio* is the ratio of the number of male directors to board size. *Board succession factor* measures the clustering of directors around retirement age. *CEO is chair (0/1)* is an indicator that equals 1 if the CEO is also the chairperson of the board. *Institutional ownership* is the fraction of shares outstanding held by institutional investors. *Firm risk* in the standard deviation of the daily abnormal returns (gross returns minus CRSP equal-weighted index returns) of the company's stock over the year. *Firm age* is the number of years elapsed since the firm's stock first appeared in CRSP. *Log total assets* is the natural logarithm of the total assets of the firm. *Book-to-market ratio* is book value per share scaled by market value per share. *ROA* is the net income scaled by total assets. *Leverage* is the sum of long-term debt and debt in current liabilities scaled by total assets. *Dividend* is dividends scaled by total assets. *SG&A* is selling, general, and administrative expenses scaled by total assets. *Dividend (SG&A) missing (0/1)* is an indicator that equals 1 if dividends (SG&A expenses) are missing in the CRSP/Compustat Merged Database.

	Count	Mean	SD	p5	p50	p95
Board Size	44,696	8.624	2.509	5.000	8.000	13.000
Board independence	44,696	0.707	0.160	0.429	0.750	0.900
Board gender ratio	44,696	0.863	0.119	0.667	0.875	1.000
Board succession factor	44,696	0.307	0.153	0.100	0.300	0.600
CEO is chair (0/1)	44,696	0.399	0.490	0.000	0.000	1.000
Institutional ownership	44,696	0.611	0.314	0.026	0.692	1.000
Firm risk	44,696	0.028	0.022	0.010	0.023	0.064
Firm age	44,696	20.224	17.511	2.110	16.019	52.534
Firm size	44,696	7.022	2.099	3.414	7.086	10.495
Book-to-market ratio	44,655	0.616	0.561	0.020	0.507	1.621
ROA	44,696	-0.034	0.229	-0.491	0.017	0.152
Leverage	44,696	0.242	0.228	0.000	0.188	0.693
Dividend	44,696	0.013	0.027	0.000	0.000	0.059
Dividend missing (0/1)	44,696	0.003	0.051	0.000	0.000	0.000
SG&A	44,696	0.188	0.246	0.000	0.097	0.696
SG&A missing (0/1)	44,696	0.168	0.374	0.000	0.000	1.000

Table A6. Characteristics of new directors appointed after ESG incidents

 This table reports the summary statistics of personal characteristics for new directors appointed after ESG incidents in Panel A, and their committee assignments in Panel B. Columns (1) and (2) show the mean value and standard deviation for new charity directors, while columns (3) and (4) report the same for new noncharity directors. Except for *Directorship tenure*, characteristics are measured at the time of appointment. Column (5) represents the difference in mean values between these two groups of new directors, with *, **, and *** indicating statistical significance at the 10%, 5%, and 1% levels, respectively. Column (6) is the *t*-statistics for testing the null hypothesis of equal means between these two groups. *Age* is the age of the director. *Male (0/1)* is an indicator where 1 denotes male gender. *MBA (0/1)* is an indicator that equals 1 if the director holds an MBA degree. *Doctorate (0/1)* is an indicator that equals 1 if the director holds a doctoral degree. *Current number of directorships* is the total number of listed boards, unlisted boards, and other boards that the director is currently serving. *Directorship tenure* is the number of years the director stays on this board. *Number of committee memberships* specifies the number of committees that a director serves on the board in a given year. *Governance (Audit, Compensation, Nomination, ESG) committee member (0/1)* is an indicator that equals 1 if the director is a member of the Governance (Audit, Compensation, Nomination, ESG) committee.

	Charity directors		Noncharity directors		Diff	
	(1) Mean	(2) SD	(3) Mean	(4) SD	(5) Diff.	(6) *t*-stat
Panel A: Director characteristics						
Age	58.529	7.385	57.635	7.845	0.895*	(1.711)
Male (0/1)	0.583	0.494	0.687	0.464	-0.104***	(-2.995)
MBA (0/1)	0.335	0.473	0.379	0.485	-0.044	(-1.309)
Doctorate degree (0/1)	0.194	0.397	0.071	0.256	0.124***	(4.450)
Current number of directorships	3.068	1.929	3.109	2.227	-0.041	(-0.297)
Directorship tenure	3.432	3.139	3.504	3.023	-0.072	(-0.324)
Panel B: Director committee assignments						
Number of committee memberships	1.471	0.859	1.451	0.860	0.020	(0.322)
Governance committee member	0.393	0.490	0.291	0.454	0.102***	(2.968)
Audit committee member	0.345	0.476	0.446	0.497	-0.101***	(-3.001)
Compensation committee member	0.291	0.455	0.309	0.462	-0.018	(-0.552)
Nomination committee member	0.286	0.453	0.230	0.421	0.057*	(1.769)
ESG committee member	0.087	0.283	0.074	0.261	0.014	(0.679)
N	206		7261		7467	

Table A7. Alternative cutoffs for the definition of "high-impact" incidents

This table uses alternative cutoffs for the definition of "high-impact" incidents and examines the relationship between different types of high-impact incidents (environment [E], social [S], and governance [G]) in year $t-1$ and the appointments of charity directors in year t. Apart from the cutoffs employed in defining high-impact incidents, the test specifications are otherwise identical to those in Panel B of Table 4. All observations utilized in this table are conditional on the number of incidents in year $t-1$ being greater than 0. Columns (1) to (3) use the firm year-level sample, where the dependent variable is an indicator that equals 1 if the firm appoints charity directors in a given year. Columns (4) to (6) use the announcement-level sample, where the dependent variable is an indicator that equals 1 if the director being appointed possesses charity experience. We employ the market reaction to ESG incidents to measure their impact. In Panel A, *High-impact E (S, G) incidents (0/1)* equals 1 if, for the firm in a given year, the total abnormal return related to environmental (social, governance) incidents is among the lowest 10% of the sample. In Panels B and C, the cutoff point for having high-impact incidents is the lowest 15% and 25%, respectively. We use the identical set of control variables as presented in Table 4. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include t-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
			New charity director (0/1)			
Panel A: Cutoff: Lowest 10%						
High-impact E incidents (1/0)	1.033			-1.259		
	(1.565)			(-0.804)		
High-impact S incidents (1/0)		0.780			1.880	
		(1.165)			(0.986)	
High-impact G incidents (1/0)			0.007			-2.004
			(0.011)			(-1.327)
N	9,161	9,161	9,161	2,811	2,811	2,811
Within adjusted R^2	0.025	0.025	0.025	0.045	0.045	0.045
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Cutoff: Lowest 15%						
High-impact E incidents (1/0)	0.690			-0.016		
	(1.296)			(-0.012)		
High-impact S incidents (1/0)		1.372**			2.988**	
		(2.306)			(1.974)	
High-impact G incidents (1/0)			-0.225			-0.081
			(-0.453)			(-0.052)
N	9,161	9,161	9,161	2,811	2,811	2,811
Within adjusted R^2	0.025	0.026	0.025	0.044	0.047	0.044
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Cutoff: Lowest 25%						
High-impact E incidents (1/0)	0.780*			-0.401		
	(1.742)			(-0.351)		
High-impact S incidents (1/0)		0.662			3.454***	
		(1.513)			(2.998)	
High-impact G incidents (1/0)			0.065			-1.194
			(0.161)			(-0.928)
N	9,161	9,161	9,161	2,811	2,811	2,811
Within adjusted R^2	0.025	0.025	0.025	0.045	0.049	0.045
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A8. Excluding firms with no incident records

This table examines the robustness of the relationship between past ESG incidents and subsequent charity director appointments by excluding firms with no incident record throughout the sample period. Apart from the exclusion of firms without incident records, Panel A replicates the test specifications of Table 2, while Panel B replicates those of Table 3. Columns (1) to (3) use the firm year-level sample, excluding firms with no incident record, and the dependent variable is an indicator that equals 1 if the firm appoints charity directors in a given year. Columns (4) to (6) use the announcement-level sample, excluding announcements made by firms without incident records, and the dependent variable is an indicator that equals 1 if the director being appointed possesses charity experience. In Panel A, the variables of interest are one-year lagged measures for ESG incidents. *Incident (0/1)* is an indicator that takes the value of 1 if the firm experiences ESG incidents in a given year. *Highest RRI* is the peak value of the RepRisk Index that a firm reaches during a given year. *Highest RRI among top 10% (0/1)* is an indicator that equals 1 if the highest RRI of the firm in a given year is among the top 10% of the firm-year sample. In Panel B, the variables of interest are one-year lagged indicators for the characteristics of ESG incidents. Specifically, *High-reach (-severity, -novelty) incidents (0/1)* equals 1 when the firm experiences high-reach (-severity, -novelty) incidents in a given year. Control variables are identical to those in Tables 2 and 3. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
			New charity director (0/1)			
Panel A: Past ESG incidents						
Incidents (0/1)	0.075			1.290*		
	(0.294)			(1.699)		
Highest RRI		0.007			0.042*	
		(0.841)			(1.717)	
Highest RRI among top 10% (0/1)			0.728			2.952***
			(1.638)			(2.648)
N	23,207	23,207	23,207	6,637	6,637	6,637
Within adjusted R^2	0.023	0.023	0.024	0.038	0.038	0.039
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Reach, severity, and novelty of past ESG incidents						
High-reach incidents (0/1)	1.082**			2.725**		
	(2.539)			(2.500)		
High-severity incidents (0/1)		0.481			-0.456	
		(0.556)			(-0.286)	
High-novelty incidents (0/1)			-0.170			0.829
			(-0.678)			(1.109)
N	23,207	23,207	23,207	6,637	6,637	6,637
Within adjusted R^2	0.024	0.023	0.023	0.039	0.038	0.038
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A9. Charity director appointments and past ESG incidents since 2012

This table examines the robustness of the relationship between past ESG incidents and subsequent charity director appointments by focusing on the subsample from 2012 to 2021, a period during which the presence of charity directors and ESG incidents are relatively stable. Apart from the truncation of the sample at 2012, Panel A replicates the test specifications of Table 2, while Panel B replicates those of Table 3. Columns (1) to (3) use the observations from 2012 in the firm year-level sample, and the dependent variable is an indicator that equals 1 if the firm appoints charity directors in a given year. Columns (4) to (6) use announcements made in or after 2012 in the announcement-level sample, and the dependent variable is an indicator that equals 1 if the director being appointed possesses charity experience. In Panel A, the variables of interest are one-year lagged measures for ESG incidents. *Incident (0/1)* is an indicator that takes the value of 1 if the firm experiences ESG incidents in a given year. *Highest RRI* is the peak value of the RepRisk Index that a firm reaches during a given year. *Highest RRI among top 5% (0/1)* is an indicator that equals 1 if the highest RRI of the firm in a given year is among the top 5% of the firm-year sample. In Panel B, the variables of interest are one-year lagged indicators for the characteristics of ESG incidents. Specifically, *High-reach (-severity, -novelty) incidents (0/1)* equals 1 when the firm experiences high-reach (-severity, -novelty) incidents in a given year. Control variables are identical to those in Tables 2 and 3. Firm fixed effects and year fixed effects are included in all columns. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Firm-year level			Announcement level		
	(1)	(2)	(3)	(4)	(5)	(6)
			New charity director (0/1)			
Panel A: Past ESG incidents						
Incidents (0/1)	-0.226			0.968		
	(-0.772)			(0.801)		
Highest RRI		0.002			0.041	
		(0.160)			(1.083)	
Highest RRI among top 5% (0/1)			0.618			4.990***
			(1.223)			(2.825)
N	32,476	32,476	32,476	4,990	4,990	4,990
Within adjusted R^2	0.050	0.050	0.050	0.040	0.040	0.043
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Reach, severity, and novelty of past ESG incidents						
High-reach incidents (0/1)	1.365***			3.443**		
	(2.907)			(2.007)		
High-severity incidents (0/1)		0.489			-0.268	
		(0.447)			(-0.119)	
High-novelty incidents (0/1)			-0.367			0.747
			(-1.277)			(0.674)
N	32,476	32,476	32,476	4,990	4,990	4,990
Within adjusted R^2	0.050	0.050	0.050	0.042	0.040	0.040
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	No	No	No	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A10. Total abnormal returns of ESG incidents in the year preceding director appointments

This table presents the total abnormal returns related to ESG incidents experienced by firms in the year preceding director appointments. We focus on director appointments analyzed in the after-incident subsample (columns (1) to (3)) of Table 5. For each appointment, we calculate the total abnormal returns associated with ESG incidents in the previous fiscal year by summing the abnormal returns on incident days, excluding days that coincide with M&A announcements and earnings announcements. As specified in the respective columns, expected returns are estimated using three models: the CAPM model, the Fama-French three-factor (FF3) model, and the Fama-French three-factor plus momentum (FF3 + Mom.) model. Abnormal returns are derived by subtracting expected returns from raw returns. In Panel A, we report the average total abnormal returns of ESG incidents in the year before all director appointments covered in the after-incidents subsample of Table 5. In Panel B, we report the same for those preceded by charity director appointments and in Panel C, for those preceded by noncharity director appointments. Values of total abnormal returns are multiplied by 100. In parentheses, we report the t-statistics for testing the null hypothesis that the mean value of total abnormal returns equals zero. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1) CAPM	(2) FF3	(3) FF3 + Mom.
Panel A: All director appointments			
Total abnormal returns	0.035	-0.223	-0.308
	(0.058)	(-0.497)	(-0.600)
N	1,263	1,263	1,263
Panel B: Charity director appointments			
Total abnormal returns	-1.422	-1.221	-0.999
	(-1.624)	(-1.363)	(-1.029)
N	45	45	45
Panel C: Noncharity director appointments			
Total abnormal returns	0.089	-0.186	-0.282
	(0.144)	(-0.401)	(-0.532)
N	1,218	1,218	1,218

Table A11. Charity-related words in director biographies

This table lists words we define as "charity words" in directors' initial biographies released in the firm's SEC filings.

Charity words
foundat*, care, nonprofit, governance, educ*, communiti*, truste*, council, human, art, respons*, perspect*, social, trust, environment, life, food, child, societi*, divers*, sustain*, charit*, employ*, green, cultur*, philanthropi*, climat*, philanthrop*, museum*, peopl*, workforc*, employe*, humanitarian, peac*, scholarship, protect, labor, church, advoc*, civic, advocaci*

Table A12. The presence of charity words in the SEC-filed biographies of charity directors

This table shows summary statistics for variables measuring the presence of charity-related words in charity directors' biographies. Biographies are extracted from SEC 8-K forms announcing the appointments or, if no such 8-K form exists for a particular appointment, from the first proxy statement including the director's biographical information. We focus on charity directors in the announcement-level sample analyzed in Table 5. The list of charity-related words is shown in Table A11. *Charity words (0/1)* is a dummy variable indicating the presence of any charity-related word in the biography. *# Charity words* is the count of charity-related words in the biography. *% Charity words* represents the proportion of charity-related words relative to the length of the biography. Column (1) reports the mean value and standard deviation for these variables across all charity directors covered in Table 5. Column (2) reports the same for charity directors appointed after ESG incidents, while column (3) covers charity directors appointed without preceding ESG incidents. Column (4) shows the difference in mean values between these two groups of charity directors, along with the *t*-statistics testing the equality of means. *, and **, *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All charity directors		After incidents		Not after incidents		Diff	
	(1)		(2)		(3)		(4)	
	Mean	SD	Mean	SD	Mean	SD	Diff.	*t*-stat
Charity words (0/1)	0.817	0.388	0.911	0.288	0.765	0.426	0.146**	(2.046)
# Charity words	3.222	3.139	3.511	3.455	3.062	2.960	0.449	(0.769)
% Charity words	0.023	0.021	0.027	0.025	0.020	0.018	0.007*	(1.820)
Observations	126		45		81		126	

Table A13. ESG-related words in director biographies

This table lists words we define as "ESG words" in directors' initial biographies released in the firm's SEC filings.

ESG words
carbon, child, climat*, communiti*, conserv*, csr, cultur*, divers*, eco*, educ*, emiss*, employee, engag*, environment, equal, esg, ethic, governance, green, greenhouse, health, humanitarian, inclus*, labor, natur*, peopl*, philanthropi*, pollu*, preserv*, protect, social, societi*, stakehold*, sustain*, transpar*, weather, worker, workforc*, workplac*

Table A14. The presence of ESG words in director biographies

This table shows summary statistics for variables measuring the presence of ESG-related words in the biographies of directors appointed after ESG incidents. Biographies are extracted from SEC 8-K forms announcing the appointments, or, if no such 8-K form exists for a particular appointment, from the first proxy statement including the director's biographical information. We focus on director appointments analyzed in the after-incident subsample (columns (1) to (3)) of Table 5. The list of ESG-related words is shown in Table A13. *ESG words (0/1)* is a dummy variable indicating the presence of any ESG-related words in the biography. *# ESG words* is the count of ESG-related words in the biography. *% ESG words* represents the proportion of ESG-related words relative to the length of the biography. Column (1) reports the mean value and standard deviation for these variables across all directors appointed after ESG incidents. Column (2) reports the same for charity directors appointed after incidents, while column (3) covers noncharity directors appointed without preceding incidents. Column (4) shows the difference in mean values between these two groups of charity directors, along with the *t*-statistics testing the equality of means. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All directors		Charity directors		Noncharity directors		Diff.	
	(1)		(2)		(3)		(4)	
	Mean	SD	Mean	SD	Mean	SD	Diff.	*t*-stat
ESG words (0/1)	0.508	0.500	0.689	0.468	0.502	0.500	0.187**	(2.471)
# ESG words	1.235	2.023	2.356	3.248	1.194	1.953	1.162***	(3.803)
% ESG words	0.010	0.015	0.016	0.018	0.009	0.015	0.006***	(2.854)
Observations	1,263		45		1,218		1,263	

Table A15. Placebo test: Market reaction and the salience of ESG expertise in biographies of noncharity directors

This table examines the impact of high-salience ESG expertise in SEC-filed director biographies on market reactions to noncharity director appointments following ESG incidents. We use appointments of noncharity directors following ESG incidents in our announcement-level sample for this placebo test. The dependent variables are the abnormal stock returns of the firm on the announcement day when a director is appointed. As specified in the respective columns, abnormal returns are estimated using three models: the CAPM model, the Fama-French three-factor (FF3) model, and the Fama-French three-factor plus momentum (FF3 + Mom.) model. The salience of ESG expertise is measured by the percentage of ESG-related words in the director's first biography released by the firm. The variable of interest, *High-salience ESG expertise (0/1)*, is an indicator that equals 1 if the percentage of ESG-related words in the director's biography is above the sample median. Control variables are identical to those in Table 5. Firm fixed effects and year fixed effects are included in all tests. Standard errors are clustered at the firm level. The coefficients reported are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Noncharity director appointments after incidents		
	(1) CAPM	(2) FF3	(3) FF3 + Mom.
High-salience ESG expertise (0/1)	0.185	0.207	0.271
	(0.891)	(1.051)	(1.396)
N	1,218	1,218	1,218
Within adjusted R^2	0.064	0.063	0.072
Board controls	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes
Director controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes

Table A16. Correlation between the density of charities and the number of incidents

This table reports the correlation coefficients between the logarithm of 1 plus the number of active charities within a 100-mile radius of a firm's headquarters and the logarithm of 1 plus the number of ESG incidents associated with the firm. Consistent with the specification of our instrumental variable analysis, if denoting the year of potential charity director appointment to year t, the density of charities is measured in year $t-1$, and ESG incidents are measured in year $t+1$. Column (1) includes all incidents reported in RepRisk. Columns (2) to (6) include incidents in a specific category—that is, those related to emissions and resource use, community, workforce, product responsibility, and transparency, respectively. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & resource use	Community	Workforce	Product responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
Log (1 + # of charities)	0.068***	-0.013	-0.015	0.006	0.130***	0.085***

Table A17. Instrumental variable: Charity director appointments and future incidents over the next two years

This table reports the instrumental variable (IV) estimates for the impact of charity director appointments on the number of incidents over the two-year horizon that follows, using a two-stage estimation approach. Our instrument, *High charity director supply (0/1)*, is an indicator that equals 1 if, for the firm in a given year, the number of active charitable organizations within a 100-mile radius of the firm's headquarters ranks among the top 10% in the sample. Column (1) reports the first-stage results, estimating the relationship between having high supply of charity directors and the probability of appointing charity directors. Similar to the baseline OLS regression analysis in Table 7, we use observations with ESG incidents in year $t-1$, denoting the year of potential charity director appointments as year t. The dependent variables for columns (2) to (7) are the logarithm of 1 plus the average number of incidents from year $t+1$ to year $t+2$. Columns (2) to (7) present the second-stage estimates on various categories of incidents. The variable of interest is *New charity director (0/1)*, which equals 1 if the firm appoints new directors with charity experience in year t and at least one of the newly appointed charity directors remains on the board for a minimum of two years. In all panels, we use the same set of control variables used in Table 4. In Panel B, we additionally control for local economic factors, including population density, per capita income, and the unemployment rate of the county where the firm's headquarters is located. In Panel C, we further control for the local supply of corporate directors, measured by the number of public firms headquartered within a 100-mile radius of the firm's headquarters, excluding those in the same four-digit SIC industry. All controls are lagged by one year relative to the respective dependent variable. We also control for the presence of existing charity directors on the board before the potential new charity director appointment. All models include firm fixed effects and year fixed effects. Standard errors are clustered at the firm level. We include *t*-statistics in parentheses. *F*-statistics are reported for the first stage. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	First-stage	All issues	Emissions & resource use	Community	Workforce	Product responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Panel A: Baseline IV results							
New charity director (0/1)		-0.745	-2.633***	-0.857	-1.803***	-1.263*	-1.487***
		(-0.949)	(-3.445)	(-1.234)	(-2.661)	(-1.698)	(-2.614)
High charity director supply (0/1)	0.018						
	(1.637)						
N	7,226	6,112	6,112	6,112	6,112	6,112	6,112
F-statistic	8.690						
Within adjusted R^2	0.026	0.099	0.069	0.046	0.045	0.069	0.037
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Control for local economic characteristics							
New charity director (0/1)		-0.400	-2.135***	-0.557	-1.739***	-1.077	-1.255**
		(-0.523)	(-2.876)	(-0.825)	(-2.644)	(-1.488)	(-2.269)
High charity director supply (0/1)	0.021*						
	(1.868)						
Population density	-0.088	-0.231	-0.404*	-0.064	-0.053	0.164	-0.064
	(-1.269)	(-0.924)	(-1.663)	(-0.290)	(-0.245)	(0.694)	(-0.352)
Per capita income	0.034	0.314**	0.565***	0.055	0.622***	0.252*	0.304***
	(0.819)	(2.186)	(4.048)	(0.431)	(5.034)	(1.856)	(2.920)
Unemployment rate	0.002	0.008	-0.007	-0.000	0.001	-0.003	0.011*
	(0.648)	(0.911)	(-0.843)	(-0.047)	(0.069)	(-0.360)	(1.720)
N	7,225	6,111	6,111	6,111	6,111	6,111	6,111
F-statistic	7.607						
Within adjusted R^2	0.026	0.099	0.072	0.045	0.050	0.070	0.038
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel C: Control for local corporate director supply							
New charity director (0/1)		-0.561	-2.327***	-0.716	-1.582**	-1.113	-1.381**
		(-0.708)	(-3.018)	(-1.021)	(-2.314)	(-1.483)	(-2.405)
High charity director supply (0/1)	0.016						
	(1.496)						
Corporate director supply	-0.016	0.031	0.160**	0.003	0.143**	0.128*	0.082
	(-0.797)	(0.445)	(2.372)	(0.049)	(2.388)	(1.944)	(1.627)
N	7,226	6,112	6,112	6,112	6,112	6,112	6,112
F-statistic	8.287						
Within adjusted R^2	0.026	0.099	0.070	0.046	0.046	0.070	0.038
Board controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE and Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table A18. Overlap of preappointment firm characteristics

This table assesses the overlap of preappointment firm characteristics between firms that appoint charity directors ("With appointments") following ESG incidents and firms that do not make such appointments ("Without appointments") following ESG incidents. Column (1) presents the number of observations, mean values and standard deviations of variables for firms that appoint charity directors after ESG incidents, while column (2) reports the same for firms that do not appoint charity directors after ESG incidents. Column (3) shows the *t*-statistics testing the null hypothesis that these two groups have equal means. Column (4) presents the normalized difference as proposed by Imbens (2015).

	With appointments (1)			Without appointments (2)			Diff. (3)	(4)
	N	Mean	SD	N	Mean	SD	*t*-stat	Norm. diff.
Log board size	165	2.314	0.280	7,737	2.288	0.249	1.197	0.099
Board independence	165	0.747	0.178	7,737	0.756	0.161	-0.601	-0.050
Gender ratio	165	0.828	0.105	7,737	0.830	0.108	-0.285	-0.022
Succession	165	0.285	0.131	7,737	0.281	0.136	0.380	0.029
CEO is chair (0/1)	165	0.473	0.501	7,737	0.483	0.500	-0.255	-0.020
Institutional ownership	165	0.706	0.252	7,737	0.727	0.247	-1.089	-0.086
Firm size	165	9.234	1.804	7,737	8.982	1.745	1.775	0.142
BM	164	0.485	0.465	7,719	0.522	0.475	-1.015	-0.079
Leverage	165	0.293	0.214	7,737	0.284	0.196	0.522	0.043
ROA	165	0.023	0.133	7,737	0.030	0.119	-0.692	-0.057
Dividend	165	0.017	0.024	7,737	0.017	0.026	-0.136	-0.010
SG&A	165	0.138	0.192	7,737	0.129	0.167	0.588	0.049

Table A19. Matching estimator: Charity director appointments and future incidents

This table employs the propensity score matched sample to examine the relationship between charity director appointments and the number of incidents in the following years. We pair each observation from appointing firms (with ESG incidents in the preceding year) with the 10 closest observations without replacement from the group of firms with no appointments, using propensity scores calculated from preappointment firm size, book-to-market ratio, institutional ownership, board independence, and combined CEO-chair. In Panel A, the dependent variable is the logarithm of 1 plus the number of incidents in year $t + 1$. In Panel B, the dependent variable is the logarithm of 1 plus the average number of incidents from year $t + 1$ to year $t + 2$. Column (1) includes all incidents reported in RepRisk. Columns (2) to (6) include incidents in specific categories—that is, those related to emissions and resource use, community, workforce, product responsibility, and transparency, respectively. The variable of interest is *New charity director (0/1)*, which equals 1 if the firm appoints new directors with charity experience in year t . We employ the same set of control variables as in Table 7, including charity director departures, the logarithm of 1 plus the number of incidents, new director appointments, log board size, board independence, board gender ratio, board succession factor, combined CEO-chair, institutional ownership, firm size, book-to-market ratio, leverage ratio, ROA, dividends (including an indicator for missing value in dividends), SG&A (including an indicator for missing value in SG&A expenses), and whether there are existing charity directors on the board before the potential new charity director appointment. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	All issues	Emissions & resource use	Community	Workforce	Product responsibility	Transparency
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A: One-year horizon						
New charity director (0/1)	0.010	-0.025	-0.026	-0.106*	0.074	0.033
	(0.142)	(-0.360)	(-0.392)	(-1.838)	(1.030)	(0.571)
N	1,599	1,599	1,599	1,599	1,599	1,599
Within adjusted R^2	0.174	0.104	0.063	0.058	0.101	0.026
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Two-year horizon						
New charity director (0/1)	-0.048	-0.109*	-0.070	-0.039	0.003	-0.015
	(-0.722)	(-1.717)	(-1.159)	(-0.677)	(0.038)	(-0.289)
N	1,341	1,341	1,341	1,341	1,341	1,341
Within adjusted R^2	0.188	0.106	0.053	0.077	0.111	0.023
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A20. Summary statistics of Glassdoor ratings

This table reports summary statistics of Glassdoor ratings at the firm-year level. Firm-year ratings are derived by computing the average ratings across individual reviews of a firm in a given year. To be included in the sample, a firm must have at least three reviews in a given year. The categorical ratings for *Overall, Career opportunities, Compensation & benefits, Culture & values, Senior leadership,* and *Work-life balance* range from 1 to 5, with 5 indicating the highest level of satisfaction. *Approval of CEO* is a categorical rating ranging from 1 to 3, with 3 indicating the highest level of approval. *Recommend to friends (0/1)* is a dummy variable indicating whether the employee would recommend the employer to friends, with 1 indicating a recommendation.

	Count	Mean	SD	p5	p50	p95
Overall	19,137	3.302	0.608	2.250	3.333	4.250
Career opportunities	19,133	3.065	0.596	2.000	3.061	4.000
Compensation & benefits	19,133	3.367	0.586	2.359	3.394	4.300
Culture & values	16,464	3.267	0.687	2.043	3.300	4.333
Senior leadership	19,122	2.953	0.655	1.898	2.960	4.000
Work-life balance	19,132	3.331	0.591	2.333	3.352	4.250
Approval of CEO	18,829	2.294	0.392	1.600	2.333	2.923
Recommend to friends (0/1)	19,137	0.468	0.197	0.143	0.475	0.778

Table A21. Director overboarding, the appointment of charity directors, and the severity, reach, and novelty of past ESG incidents

This table examines the impact of director overboarding on the relationship between charity director appointments and the reach, severity, and novelty of past ESG incidents. Specifically, *Overboarded director (0/1)* equals 1 for overboarded directors, defined as those who hold five or more company directorships concurrently. We employ the announcement-level sample to conduct the test. Test specifications are identical to those of columns (3) to (6) of Table 3 with the exception that columns (1) to (3) include *Overboarded director (0/1)* as a control variable, while columns (4) to (6) add an interaction term between *Overboarded director (0/1)* and the respective incident measure. The dependent variable *New charity director (0/1)* is an indicator that equals 1 if the director being appointed possesses charity experience. The variables of interest are one-year lagged indicators for the characteristics of ESG incidents. Specifically, *High-reach (-severity, -novelty) incidents (0/1)* equals 1 when the firm experiences high-reach (-severity, -novelty) incidents in a given year. We employ the identical set of one-year lagged board controls as presented in columns (3) to (6) of Table 3: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-chair, institutional ownership; and the same set of one-year lagged firm financial controls: firm size, book-to-market ratio, leverage, ROA, dividend (including an indicator for missing value), and SG&A (including an indicator for missing value); and the same set of director-level controls: log age, gender, doctorate degree, MBA degree, and tenure in corporate boards. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. Estimated coefficients are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)					
High-reach incidents (0/1)	2.629**			3.195***		
	(2.420)			(2.750)		
High-severity incidents (0/1)		-0.125			0.736	
		(-0.078)			(0.420)	
High-novelty incidents (0/1)			0.887			1.333*
			(1.205)			(1.776)
High-reach incidents (0/1) × Overboarded director (0/1)				-4.073**		
				(-2.253)		
High-severity incidents (0/1) × Overboarded director (0/1)					-5.259***	
					(-2.747)	
High-novelty incidents (0/1) × Overboarded director (0/1)						-4.265***
						(-3.160)
Overboarded director (0/1)	-1.452**	-1.460**	-1.456**	-0.788	-1.205*	-0.011
	(-2.258)	(-2.264)	(-2.259)	(-1.187)	(-1.819)	(-0.015)
N	11,265	11,265	11,265	11,265	11,265	11,265
Within adjusted R^2	0.044	0.043	0.043	0.045	0.043	0.044
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table A22. Director overboarding, the appointment of charity directors and incidents in E, S, and G

This table examines the impact of director overboarding on the relationship between charity director appointments and incidents in the preceding year in different dimensions—that is, those related to environmental (E), social (S), and governance (G) issues. Specifically, *Overboarded director (0/1)* equals 1 for overboarded directors, defined as those who hold five or more company directorships concurrently. We employ the director appointments with ESG incidents in the preceding year in the announcement-level sample to conduct the test. Test specifications are identical to those of columns (3) to (6) of 4 with the exception that columns (1) to (3) include *Overboarded director (0/1)* as a control variable, while columns (4) to (6) add an interaction term between *Overboarded director (0/1)* and the respective incident measure. The dependent variable *New charity director (0/1)* is an indicator that equals 1 if the director being appointed possesses charity experience. The variables of interest, *High-reach E (S, G) incidents (0/1)*, are one-year lagged indicators that equal 1 if a firm experiences high-reach environmental (social, governance) incidents in a given year. We employ the identical set of one-year lagged board controls as presented in columns (3) to (6) of Table 4: log board size, board independence, board gender ratio, board succession factor, an indicator for existing charity director on the board, combined CEO-chair, and institutional ownership; and the same set of one-year lagged firm financial controls: firm size, book-to-market ratio, leverage, ROA, dividend (including an indicator for missing value), and SG&A (including an indicator for missing value); and the same set of director-level controls: log age, gender, doctorate degree, MBA degree, and tenure in corporate boards. Firm fixed effects and year fixed effects are included. Standard errors are clustered at the firm level. Estimated coefficients are multiplied by 100. We include *t*-statistics in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	New charity director (0/1)
High-reach E incidents (0/1)	-0.847			-0.351		
	(-0.498)			(-0.186)		
High-reach S incidents (0/1)		3.644**			4.216**	
		(2.243)			(2.439)	
High-reach G incidents (0/1)			2.256			2.317
			(1.567)			(1.557)
High-reach E incidents (0/1) × Overboarded director (0/1)				-4.488		
				(-1.143)		
High-reach S incidents (0/1) × Overboarded director (0/1)					-3.937	
					(-1.626)	
High-reach G incidents (0/1) × Overboarded director (0/1)						-0.496
						(-0.177)
Overboarded director (0/1)	-5.323***	-5.333***	-5.237***	-4.796***	-4.243***	-5.101***
	(-4.236)	(-4.288)	(-4.162)	(-3.832)	(-3.127)	(-4.083)
N	2,811	2,811	2,811	2,811	2,811	2,811
Within adjusted R^2	0.052	0.056	0.054	0.053	0.056	0.053
Board controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes	Yes
Director controls	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

B Examples of charity director biography

Example 1. Darren Walker, an independent director being appointed by Ralph Lauren Corporation in 2020

Darren Walker, age 60.

Darren Walker is being nominated for election as a new director at our 2020 Annual Meeting. Mr. Walker has served since 2013 as president of the Ford Foundation ("Ford"), one of the world's largest foundations with an endowment of $14 billion. He is also the co-founder and chair of the US Impact Investing Alliance, and serves as a member of the board of directors of PepsiCo, Inc., Square, Inc., Carnegie Hall, National Gallery of Art, Lincoln Center for the Performing Arts, Friends of the High Line, and Friends of Art & Preservation in Embassies. Before joining Ford, Mr. Walker was vice president at the Rockefeller Foundation, overseeing global and domestic programs, and COO of the Abyssinian Development Corporation—Harlem's largest community development organization. Earlier, he had a decade-long career in finance at UBS and with the law firm Cleary Gottlieb Steen & Hamilton.

Mr. Walker brings to our Board insight into the role of business in society gained through his role as President of Ford Foundation and leadership in many nonprofit and philanthropic organizations. Through his experience with an international network of diverse social and community initiatives, he provides the board with a unique perspective on human capital management and talent development and insights on sustainability and public policy matters that are particularly valuable as the Company continues to focus on its sustainability and people and culture goals.

Example 2. Helene Gayle, an independent director being appointed by the Coca-Cola Company in 2013

Director Nominee, age 57.

Dr. Gayle has been President and Chief Executive Officer of CARE USA, a leading international humanitarian organization, since 2006. From 2001 to 2006, she served as senior advisor in the Global Health Program at the Bill & Melinda Gates Foundation. Dr. Gayle started her 20-year career in public health at the U.S. Centers for Disease Control and Prevention ("CDC") in 1984 where she held various positions, ultimately becoming the director of the CDC's National Center for HIV, STD and TB Prevention in 1995.

Relevant Chief Executive Officer/President Experience: President and Chief Executive Officer of CARE USA, a leading nonprofit organization with operating support and revenues exceeding

$500 million per year.

Diversity: African-American; female; a medical specialist with a masters of public health; an expert on health, global development and humanitarian issues.

Broad International Exposure: Experience managing international operations at CARE USA, which has programs in 84 countries around the world, including in many emerging markets. Helped develop global health initiatives in leadership roles at the CDC and the Bill & Melinda Gates Foundation. Currently serves on the Board of the Center for Strategic & International Studies, the Rockefeller Foundation and the Harvard Business School Social Enterprise Initiative. Member of the Council on Foreign Relations.

Governmental or Geopolitical Expertise: Extensive leadership experience in the global public health field through service at the CDC and through a leadership position with the Bill & Melinda Gates Foundation, directing programs on HIV/AIDS and other global health issues. Member of the U.S. Department of State's Foreign Affairs Policy Board and serves on the President's Commission on White House Fellowships. Achieved the rank of Assistant Surgeon General and Rear Admiral in the United States Public Health Service.

Example 3. Joyce Roché, an independent director being appointed by Dr Pepper Snapple Group, Inc. in 2011

Ms. Roché, 63, most recently served as president and CEO of Girls Inc. until her retirement in 2010. Previously, she was president and chief operating officer of Carson Products Company and vice president of global marketing at Avon Products, Inc.

"Joyce's broad range of executive management and marketing experience makes her an asset to any board," said Wayne R. Sanders, chairman of the board of Dr Pepper Snapple. "She has a tremendous track record in the consumer packaged goods industry, and her nearly decade-long leadership in the nonprofit sector brings an important new perspective to the DPS board that will serve our company well."

Ms. Roché is a graduate of Dillard University in New Orleans and holds an MBA from Columbia University. She also is an alumnus of Stanford University's Senior Executive Program and holds honorary doctorate degrees from Dillard University and North Adams State College. In addition to the DPS board, she currently sits on the boards of AT&T Inc., Tupperware Corp., Macy's Inc., and The Association of Governing Boards of Universities and Colleges. She is also the chair of the Board of Trustees for Dillard University.

C   Variable Definitions

Variable	Definition	Source
Board related variables		
Charity director presence (0/1)	Indicator variable that takes the value of 1 if a firm has nonexecutive directors with charity experience on its board and 0 otherwise.	BoardEx
% of charity directors	Number of nonexecutive directors with charity experience scaled by board size.	BoardEx
New charity director (0/1)	Indicator variable that takes the value of 1 if a firm appoints at least one new nonexecutive director with charity experience to the board in a given year and 0 otherwise. When examining the impact of new charity directors on ESG outcomes in the following n years, we further require at least one of the newly appointed charity directors to remain on the board for at least n years.	BoardEx
New charity director—Nonoverboarded (0/1)	Indicator variable that takes the value of 1 if a firm appoints at least one new non-executive director with charity experience to the board in a given year, and at least one of the newly appointed charity directors is not overboarded.	BoardEx
New charity director—Overboarded (0/1)	Indicator variable that takes the value of 1 if a firm appoints at least one new nonexecutive director with charity experience to the board in a given year, and all of the newly appointed charity directors are overboarded.	BoardEx
Charity director left (0/1)	Indicator variable that takes the value of 1 if at least one nonexecutive director with charity experience leaves the board in a given year and 0 otherwise.	BoardEx
Existing charity directors on board (0/1)	Indicator variable that takes the value of 1 if the firm had existing charity directors before the potential new charity director appointment of interest and 0 otherwise.	BoardEx
New director appointment (0/1)	Indicator variable that takes the value of 1 if the firm appoints at least one new director to the board and 0 otherwise.	BoardEx
Log board size	Natural logarithm of the number of directors.	BoardEx
Board gender ratio	The proportion of male directors.	BoardEx
Board independence	The proportion of independent directors.	BoardEx
Board succession factor	Measurement of the clustering of directors around retirement age.	BoardEx
CEO is chair (0/1)	Indicator variable that takes the value of 1 if the CEO is also the chairman of the board and 0 otherwise.	BoardEx
Institutional ownership	Fraction of shares outstanding held by institutional investors.	Thomson 13F

Replacement (0/1)	Indicator variable for director appointment announcements. It takes the value of 1 if this is the only director appointment announcement made by the firm and there is one director departure announcement made by the firm on the same day and 0 otherwise.	BoardEx
High charity director supply (0/1)	Indicator variable that takes the value of 1 if the firm falls within the top 10% of the sample, ranked by the number of active charitable organizations in a 100-mile radius of the firm's headquarters and 0 otherwise.	NCCS IRS Business Master File
Population density	Log of population density of the county where the firm headquarters is located.	U.S. Census Bureau
Per capita income	Natural logarithm of the per capita income of the county where the firm headquarters is located.	U.S. Bureau of Economic Analysis
Unemployment rate	The unemployment rate of the county where the firm headquarters are located.	U.S. Bureau of Labor Statistics
Local director supply	Natural logarithm of the number of public firms headquartered within 100 miles of the firm's headquarter, excluding firms in the same four-digit SIC industry.	

ESG incidents, ESG policies, and ESG outcomes variables

Incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences ESG incidents during a given year and 0 otherwise.	RepRisk
Number of incidents	The number of ESG incidents of the firm in a given year.	RepRisk
Log (1+ Number of incidents)	Natural logarithm of one plus the number of ESG incidents of the firm in a given year.	RepRisk
Highest RRI	The peak value of the RepRisk Index the firm reached during a given year.	RepRisk
Highest RRI among top 5% (0/1)	Indicator variable that takes the value of 1 if *Highest RRI* is among the top 5% of the firm-year sample, and 0 otherwise.	RepRisk
High-reach incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach ESG incidents during a given year and 0 otherwise.	RepRisk
High-severity incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-severity ESG incidents during a given year and 0 otherwise.	RepRisk
High-novelty incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-novelty ESG incidents during a given year and 0 otherwise.	RepRisk
High-reach E incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach environmental incidents during a given year and 0 otherwise.	RepRisk
High-reach S incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach social incidents during a given year and 0 otherwise.	RepRisk

High-reach G incident (0/1)	Indicator variable that takes the value of 1 if the firm experiences high-reach governance incidents during a given year and 0 otherwise.	RepRisk
Total abnormal returns of ESG incidents	For each firm-year, the sum of abnormal returns on days of incidents, excluding those that coincide with M&A announcements or earnings announcements.	RepRisk & CRSP
High-impact E incident (0/1)	Indicator variable that takes the value of 1 if the total abnormal returns of environmental incidents experienced by a firm in a given year is among the lowest 20% of the sample and 0 otherwise.	RepRisk & CRSP
High-impact S incident (0/1)	Indicator variable that takes the value of 1 if the total abnormal returns of social incidents experienced by a firm in a given year is among the lowest 20% of the sample and 0 otherwise.	RepRisk & CRSP
High-impact G incident (0/1)	Indicator variable that takes the value of 1 if the total abnormal returns of governance incidents experienced by a firm in a given year is among the lowest 20% of the sample and 0 otherwise.	RepRisk & CRSP
Emissions & resource use incidents	The firm's number of incidents on issues related to climate change, greenhouse gas emissions, and global pollution; local pollution; impacts on landscapes, ecosystems, and biodiversity; overuse and wasting of resources; waste issues; animal mistreatment; products (health and environmental issues); supply chain issues.	RepRisk
Community incidents	The firm's number of incidents on issues related to impacts on communities; local participation issues; social discrimination.	RepRisk
Workforce incidents	The firm's number of incidents on issues related to forced labor; child labor; freedom of association and collective bargaining; discrimination in employment; occupational health and safety issues; poor employment conditions.	RepRisk
Product responsibility incidents	The firm's number of incidents on issues related to animal mistreatment; controversial products and services; products (health and environmental issues); supply chain issues.	RepRisk
Transparency incidents	The firm's number of incidents on issues related to executive compensation issues; misleading communication.	RepRisk
Overall ratings	Employees' overall rating of the firm on Glassdoor.	Revelio & Glassdoor
Career opportunities ratings	Employees' ratings of the firm's career opportunities on Glassdoor.	Revelio & Glassdoor
Culture & values ratings	Employees' ratings of the firm's culture and values on Glassdoor.	Revelio & Glassdoor
Senior leadership ratings	Employees' ratings of the firm's senior leadership on Glassdoor.	Revelio & Glassdoor
Work-life balance ratings	Employees' ratings of the firm's work-life balance on Glassdoor.	Revelio & Glassdoor
Approval of CEO ratings	Employees' approval ratings of the firm's CEO on Glassdoor.	Revelio & Glassdoor

Recommend to friends (0/1)	Employees' response on Glassdoor about whether they would recommend the firm to friends, with 1 representing recommendation and 0 otherwise.	Revelio & Glassdoor
Firm financial variables		
Firm size	Natural logarithm of the total assets of the firm.	CRSP/Compustat Merged (CCM)
Book-to-market ratio	Book value per share scaled by market value per share.	CCM
Leverage	The sum of long-term debt and debt in current liabilities scaled by total assets.	CCM
ROA	Net income scaled by total assets.	CCM
Dividend	Dividends scaled by total assets.	CCM
Dividend missing	Indicator variable that takes the value of 1 if dividends is missing in the CRSP/Compustat Merged Database, and 0 otherwise.	CCM
SG&A	Selling, general and administrative expense scaled by total assets.	CCM
SG&A missing	Indicator variable that takes the value of 1 if selling, general and administrative expense is missing in the CRSP/Compustat Merged Database and 0 otherwise.	CCM
Director related variables		
New charity director (0/1)	Indicator variable that takes the value of 1 if this new nonexecutive director has charity experience and 0 otherwise.	BoardEx
Charity experience—board (0/1)	Indicator variable that equals 1 if the director has board experience in charities and 0 otherwise.	BoardEx
Charity experience—nonboard senior (0/1)	Indicator variable that equals 1 if the director has senior-level nonboard experience in charities, defined as positions with titles including any of the following keywords—President, CEO, CFO, COO, Chairman, Chairwoman, Chief of staff, Chief executive, Founder, Treasurer, Partner, Owner, Trustee, Head—and 0 otherwise.	BoardEx
Charity experience—high (0/1)	Indicator variable that equals 1 if the director has high-level experience in charities, defined as the union of board experience and senior-level onboard experience and 0 otherwise.	BoardEx
Charity experience—current (0/1)	Indicator variable that equals 1 if the director holds a current position in charities at the time of appointment and 0 otherwise.	BoardEx
Charity words (0/1)	Indicator variable that equals 1 if there are charity-related words in the director's biography. Biographies are extracted from SEC Form 8-K announcing the director's appointments or SEC proxy statements, whichever appears earlier.	SEC Edgar
# Charity words	The number of charity-related words in the director's biography. Biographies are extracted from SEC Form 8-K announcing the director's appointments or SEC proxy statements, which ever appears earlier.	SEC Edgar

% Charity words	The proportion of charity-related words relative to the length of the biography. Biographies are extracted from SEC Form 8-K announcing the director's appointments or SEC proxy statements, whichever appears earlier.	SEC Edgar
High (Low)-salience charity experience (0/1)	Indicator variable that equals 1 if the percentage of charity words in the director's biography is above (below) the median value among all charity directors appointed after incidents.	SEC Edgar
ESG words (0/1)	Indicator variable that equals 1 if there are ESG-related words in the director's biography. Biographies are extracted from SEC Form 8-K announcing the director's appointments or SEC proxy statements, whichever appears earlier.	SEC Edgar
# ESG words	The number of ESG-related words in the director's biography. Biographies are extracted from SEC Form 8-K announcing the director's appointments or SEC proxy statements, whichever appears earlier.	SEC Edgar
% ESG words	The proportion of ESG-related words relative to the length of the biography. Biographies are extracted from SEC Form 8-K announcing the director's appointments or SEC proxy statements, whichever appears earlier.	SEC Edgar
High (Low)-salience ESG experience (0/1)	Indicator variable that equals 1 if the percentage of ESG words in the director's biography is above (below) the median value among all directors appointed after incidents.	SEC Edgar
Log age	Natural logarithm of the director's age.	BoardEx
Male (0/1)	Indicator variable that takes the value of 1 if the director is a male and 0 otherwise.	BoardEx
Doctorate (0/1)	Indicator variable that takes the value of 1 if the director holds a qualification with a name containing any of the following keywords—PhD, doctorate, doctor, doctoral—and 0 otherwise.	BoardEx
MBA (0/1)	Indicator variable that takes the value of 1 if the director holds a qualification with a name containing "MBA", and 0 otherwise.	BoardEx
Tenure in corporate boards	The accumulated time (years) that a director has served on boards of public and private companies.	BoardEx
Board Tenure	Time (years) a director has served on the company's board.	BoardEx
Current number of directorships	The sum of the total current number of listed boards sitting on, the total current number of unlisted boards sitting on, and the total current number of other boards sitting on.	BoardEx
Audit committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in the audit committee in the year and 0 otherwise.	BoardEx
Compensation committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in the compensation committee in the year and 0 otherwise.	BoardEx

Nomination committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in the nomination committee in the year and 0 otherwise.	BoardEx
ESG committee member (0/1)	Indicator variable that takes the value of 1 if the director sits in ESG-related committees in the year and 0 otherwise. ESG-related committees are defined as committees with names containing any of the following keywords: CSR, ESG, environ*, social, or sustain*.	BoardEx
Overboarded director (0/1)	Indicator variable that takes the value of 1 if the director holds five or more concurrent company directorships (including the one of interest).	BoardEx
Directorship tenure	Time (years) from the beginning of a directorship to the end of it.	BoardEx