

### Aim & Scope

At the core of this research project is a unique dataset measuring the level of board effectiveness as a central element of a firm's corporate governance. The dataset is available for all Canadian firms listed on the Toronto Stock Exchange (TSX) and included in the S&P TSX Composite Index.

### Structure & Status

No. Papers	Paper 1	Paper 2
Title	Board Effectiveness and Firm Risk	Does Board Effectiveness influence CSR?
Status	Published	Working Paper
Journal	Journal of Impact and ESG Investing	--
Author(s)	Lars Kaiser	Lars Kaiser, Hendrik Kimmerle, Tian Luan

### Methodology & Variables:

Methodology	Fixed Effects Panel Regression	Fixed Effects Panel Regression
Dependent	<ul style="list-style-type: none"> <li>- Total risk (TOTR)</li> <li>- Systematic (BETA)</li> <li>- Idiosyncratic risk (IDIOR)</li> <li>- Volatility-of-volatility (VoV)</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate Social Responsibility (CSR)</li> <li>- Environmental Performance (ENV)</li> <li>- Social Performance (SOC)</li> <li>- ESG Controversies (CONV)</li> </ul>
Independent	<ul style="list-style-type: none"> <li>- Board Shareholder Confidence Index (BSCI)</li> <li>- Analyst Coverage (ANALYSTS)</li> <li>- Strategic Ownership (NOSHT)</li> <li>- Ownership Concentration (CLOSE)</li> </ul>	<ul style="list-style-type: none"> <li>- Board Shareholder Confidence Index (BSCI)</li> <li>- Analyst Coverage (ANALYSTS)</li> <li>- Strategic Ownership (NOSHT)</li> </ul>
Fixed Effects	Industry, Year.	
Controls	Firm size (SIZE), Return on assets (ROA), Volatility of ROA (SDROA), Leverage (LEV), Market-to-book ratio (MTB), Dividend payment (DIV), Cash (CASH), Capital expenditure (CAPEX).	

### Hypothesis / Findings

Paper 1	Paper 2
H1: Higher board effectiveness is linked to lower total, systematic and idiosyncratic risk. ✓	H1: Higher board effectiveness leads to higher CSR engagement. ✓
H2: Higher board effectiveness is linked to lower volatility-of-volatility. ✓	H2: A higher number of strategic shareholders leads to higher CSR engagement. ✗
H3: Board effectiveness has a stronger risk mitigation effect during the financial crisis. ✓	H3: Higher analyst coverage leads to a lower CSR engagement. ✗
H4: Analyst coverage, strategic investors and closely held shares act as substitutes to board effectiveness and reduce the impact on firm risk of the latter. ✗	H4: Higher board effectiveness leads to fewer controversies. ✓

### Concluding Remarks

Overall, we show that board effectiveness has risk mitigating characteristics and a significantly positive effect on corporate social responsibility among Canadian firms.