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Overcoming the liability of origin by doing no-harm: Emerging country firms' social irresponsibility as they go global

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ABSTRACT

As emerging (and developing) country firms internationalize, they often need to build legitimacy to overcome home-country liabilities. We argue that international legitimacy is at risk if these firms do harm in the conduct of their business, and we investigate the extent to which host countries' speech and press freedoms influence corporate social irresponsibility (CSIR) for a sample of Multilatinas, observed during the period 2003–2012. We do find evidence of lower CSIR among Multilatinas which have adopted explicit CSR policies and have higher levels of investment in countries characterized by strong speech and press freedoms.

1. Introduction

In 2012, the Brazilian mining company Vale, won the 'Nobel Prize of Shame'[1] for its contribution to building the Belo Monte dam which will be the largest hydroelectric power plant in the Amazon rainforest. It is forecast that the dam will have a devastating environmental impact, and will inflict forced relocation of the local population to the proximate, large indigenous community which constitutes an infringement of the local population's human rights. Belo Monte is just one source of the controversy currently surrounding Vale which, allegedly, is involved in irresponsible business conduct in other parts of Brazil, as well as in Guatemala, Mozambique, and Peru.[2] The case of Vale is among the relatively well known cases of emerging country firms involved in controversies over irresponsible business practices or corporate social irresponsibility (CSIR). Other eminent cases include the Foxconn scandal related to labor rights in China (Duhigg & Barboza, 2012), and the South African AngloGold Ashanti allegations about workers and indigenous rights violations in its home country and also Colombia, Ghana, and Tanzania[3]; among others.

Irresponsible conduct manifested through the violation of universal human rights[4] may not be just due to simple accidental or unintentional events. It frequently responds to firms' rent-seeking and resource appropriation strategies (Giuliani, Santangelo, & Wettstein, 2016; Surroca, Tribo, & Zhara, 2013, among others). For instance, violations of labor rights (e.g. child labor, labor discrimination, union busting, etc.) and human trafficking allow for efficiency gains in production; violations of local indigenous communities' rights to land and to life often occur as a result of firms' seeking access to mines or exploitation of other natural resources; violations of the right to health of local communities can be due to poor maintenance of production

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[1] The award is based on 'Public Eye' an online campaign organized by the Berne Declaration and Greenpeace, which started as a critical counterpoint to the annual World Economic Forum (WEF) in Davos.

[2] Chronicles about the Belo Monte Dam are available at: http://amazonwatch.org/work/belo-monte-dam, last accessed 24 November 2015. For the other evidence, we draw on Sustainalytics' firm-specific controversy reports (Sustainalytics, 2015) and analyses of reports by non governmental organizations (available upon request by the authors).

[3] For evidence on these cases, we rely on Sustainalytics (2014), as well as on other sources (available by the authors).

[4] We conceptualize CSIR as human rights abuses, and similar to previous studies (e.g. Ruggie, 2008), our reference is the 1948 Universal Declaration of Human Rights (UNDHR) and subsequent covenants and treaties including the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social, and Cultural Rights. Therefore, we define human rights as inalienable fundamental rights to which a person is inherently entitled simply by virtue of being a human being. Note that our notion of CSIR as human rights abuses may not capture irresponsible business conduct which does not generate infringement of a person's inherent rights – e.g. damages to wildlife, animals, or misconduct that does not affect specific individuals.

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plants, or failure to invest in cleaner and more environmentally sustainable production processes (Giuliani & Macchi, 2014).

Given the growing presence of emerging country firms' in the global economy (e.g. Cuervo-Cazurra & Ramamurti, 2014; Ramamurti & Singh, 2009), more and more evidence of their CSIR is being produced as a result of non-governmental organization (NGO) monitoring, and closer media scrutiny and reporting of corporate misconduct.[5] This evidence is a cause for concern, and calls for more research to understand the conditions under which CSIR is more or less likely to take place. The heightened attention of international organizations such as the United Nations (UN), the Organisation for Economic Co-operation and Development (OECD), and the International Labor Organization (ILO), on the irresponsible business conduct from of firms, particularly that of large multinational enterprises (MNEs) is a reflection of the increasing evidence of such activity.

Investigating CSIR in the context of emerging country MNEs (EMNEs) is essential because these firms are notorious for country of origin liabilities due to the perceived poor institutional quality of their home countries (Khanna & Palepu, 1997) which in the eyes of many international stakeholders translates into credibility and legitimacy deficits for EMNEs (Madhok & Kayhani, 2012; Ramachandran & Pant, 2010). Hence, their involvement in a CSIR event can be detrimental to their legitimacy building process in the expansion of operations to other countries (Jonsson, Greve, & Fujiwara-Greve, 2012,Lin-Hi & Muller, 2013; Muller & Kraussl, 2011). This creates an incentive for EMNEs to 'strategize' on their CSIR by adjusting it depending on the context where most of their foreign investments are undertaken.

In this paper, we maintain that CSIR endangers EMNEs' legitimation strategies as they go global. We argue that this risk of de-legitimation is higher in the case of EMNEs' investment in countries characterized by strong speech and press freedoms (Cingranelli & Richards, 2010) where any evidence of CSIR is scrutinized, shared, and amplified by relevant constituencies (e.g. investors, suppliers, governments, consumers, etc.) Constituencies in host countries characterized by speech and press freedoms have access to relevant information and can act collectively to condemn firms involved in allegations of human rights (e.g. by publicly discrediting the firm, organized campaigns to boycott the firms' investments or products in the host countries, etc.) By most accounts, allegations of human rights abuses which receive global resonance in the media, are among the "worst nightmares" of managers responsible for obtaining 'social license' for the firm's operations.[6] This implies that managers of EMNEs whose foreign investments are predominantly in countries characterized by speech and press freedoms will try to ensure control of CSIR through initiatives that prevent harm from occurring and avoid any risk to their firm's legitimacy.

In contrast, we argue that EMNEs whose foreign investments are predominantly in countries characterized by weak speech and press freedoms will be less exposed to the risk of de-legitimation because the relevant international constituencies are mostly unlikely to know about the firm's irresponsible conduct. Hence, we posit that managers in EMNEs whose investments are mainly in countries characterized by weak speech and press freedom will face weaker pressures to avoid doing harm, and will be more inclined to behave irresponsibly as part of their firms' rent-seeking strategy.

Our theoretical development is framed within the tradition of neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991) and its expansions in the context of MNEs (Kostova & Roth, 2002; Kostova, Roth, & Dacin, 2008; Marano & Kostova, 2015). We extend earlier research on the relationship between internationalization and CSIR (Strike, Gao, & Bansal, 2006; Surroca et al., 2013) by offering a novel perspective on the type of institutional pressures to which MNEs are exposed when they invest globally, and consider speech and press freedom as a key construct explaining the processes of legitimacy building of EMNEs suffering from the liability of origin. We defend our focus on the grounds that legitimacy building processes are influenced strongly by the extent of media freedom to report on firms' misconduct, and that loss of legitimacy can be value-destroying for firms.[7]

We further enrich our argument by proposing that the relationship envisaged between internationalization and CSIR is moderated by certain firm-level characteristics. We posit that EMNEs' adoption of explicit CSR policies, understood as explicit and voluntary corporate policies which "assume and articulate responsibility for some societal interests" (Matten & Moon, 2008; p. 409),[8] is likely to be an important moderator: we expect that the negative relationship between EMNEs' host country speech and press freedoms and CSIR will be stronger for EMNEs with CSR policies compared to other EMNEs. We justify this on the grounds that CSR adopters are generally more closely monitored by the relevant constituencies than non-adopters (Ashforth & Gibbs, 1990; Morsing & Schultz, 2006), and therefore their risk of de-legitimation in case of involvement in CSIR is higher, and it increases with greater investment in countries with strong speech and press freedoms. Hence, in these cases we posit that managers of EMNEs with CSR policies will hold an even tighter control over their firms' irresponsible activities and will reduce their incidence accordingly.

We address our research questions by focusing on a set of *Multilatinas* from Brazil and Mexico (Casanova, 2009; Cuervo-Cazurra, 2008) to analyze the factors that contribute to their involvement in CSIR events. *Multilatinas* are an ideal setting to investigate CSIR, for two reasons. First, the strong catholic roots of many Latin American entrepreneurs have engendered a culture of involvement of firms in societal matters with a view to solving problems which their home country governments are failing to address (e.g. poverty and other social welfare issues) (Fiaschi, Giuliani, & Nieri, 2015; Griesse, 2007; Medeiros Peliano, Beghin, &

[5] Traditionally watchdog NGOs and the press have focused on advanced country firms. Such cases as the negative impacts of Shell Oil in Nigeria (Idemudia, 2009), the complicity of Nike in child labor in the 1990s (Lund-Thomsen & Nadvi, 2010), the Union Carbide (now Dow Chemical Co.) accident in Bhopal, India (Dinham & Sarangi, 2002; Shrivastava, 1995), the recent scandal surrounding Monsanto's glyphosate spraying in Argentina (Lapegna, 2014) are emblematic examples.

[6] We quote here the words of one of the managers (whose name we keep confidential) involved in remedying the damage caused by the collapse of the Samarco dam in 2015. This is one of Brazil's worst environmental disasters, when a dam from an open-pit mining complex owned by Samarco burst, flooding a nearby community, killing 19 and dumping illegal levels of arsenic, mercury and other poisoning metals into the river. Since Samarco is a joint venture between Brazil's Vale and the Anglo-Australian BHP Billiton, the news on the event was given wide resonance not only in Brazil, but also in Australia (and elsewhere). While Samarco's responsibility for this event is still under investigation, this event put Samarco (and, indeed its two owners) under great pressure for the damage that this event has created to their legitimacy, as well as to their capacity to raise investors' money.

[7] In this sense, other host countries' institutional characteristics such as e.g. their governments' capacity to ensure the rule of law, may not necessarily be more effective in deterring firms from doing no harm – not least because ensuring justice when international firms infringe human rights is fraught with difficulty, as documented by a great deal of business ethics and international law literatures (Kobrin, 2009).

[8] Note that explicit CSR policies may include a set of initiatives spanning philanthropy, CSR reporting and greater accountability, adoption of principle-based initiatives and socio-environmental certifications (Gilbert, Rasche, & Waddock, 2011) often aligned to global socio-environmental codes of conduct and norms (Fiaschi et al., 2015; Marano, Tashman, & Kostova, 2016; Marquis & Qian, 2014; Zheng et al., 2015).

De Oliveira, 2002; Puppim de Oliveira, 2008). Second, over the last 25 years, Latin America has experienced a resurgence of social movements and protest, possibly in reaction to military regimes and civil wars, and the radical neo-liberal policies to which the region has been exposed (Silva, 2015). Some of the core strategies of these movements are focused on resisting the challenges imposed by global capitalism, and raising awareness of business-related human rights violations, especially by MNEs and state-owned firms (Stahler-Sholk & Vanden, 2011).[9] For both these reasons, we expect *Multilatinas* to be familiar with the need to prevent human rights infringements, and to be aware of the accompanying risks of de-legitimation; this makes them an interesting context for this research.

Consistent with our theoretical framework, we treat CSR and CSIR as separate conceptual and empirical constructs (in line with e.g. Chiu & Sharfman, 2016; Kang, Germann, & Grewal, 2016; Keig, Brouthers, & Marshall 2015; Lin-Hi & Muller, 2013; Mattingly & Berman, 2006; Muller & Kraussl, 2011).[10] We use two alternate concepts of CSR: (i) philanthropic initiatives, donations, and other strategies in favor of different types of stakeholders which we refer to here as 'social policies', and (ii) reporting initiatives which refer to publication of CSR reports (or sections in annual reports referring to sustainability) that account for and communicate to interested stakeholders the firm's social and environmental commitment and impact (Carroll, 2008; Gilbert et al., 2011; Lu & Abeysekera, in press). We understand CSIR as referring to involvement in specific controversies or events where the focal firm is alleged to have been involved in human rights abuses.

Our study relies on an original firm-level dataset which provides information on 29 firms from Brazil and 15 firms from Mexico ranked by Forbes Global 2000 (2012 Edition) which are as the largest public companies in these countries. The analysis covers the period 2003–2012. Our regression analysis is based on an unbalanced panel model estimated within a random effects (RE) model, controlling for endogeneity. We find that *Multilatinas* which have adopted CSR policies display a decreasing involvement in CSIR events the more their investments are aimed at countries characterized by strong speech and press freedoms. We discuss our results in the context of neo-institutional theory and MNEs' institutional strategies (Kostova & Roth, 2002; Kostova et al., 2008; Marano & Kostova, 2015; Marquis & Raynard, 2015; Oliver, 1991), and highlight some implications of our study both for CSR and CSIR research, and for *Multilatinas*' internationalization and legitimation strategies.

The paper is organized as follows. Section 2 reviews the literature and develops the research hypotheses. Section 3 discusses the methodology used, and Section 4 presents the results of the empirical analysis. Section 5 discusses the empirical results and concludes the paper.

[9] Examples include movements against glyphosate spraying in Argentina's soybean production (Lapegna, 2014); the indigenous movements in Ecuador; the Zapatist movements in Mexico; the new social movements in Brazil and Bolivia (Vanden, 2007), as well as several grassroots movements to fight against private firms appropriation of natural resources (Kuecker, 2007), to cite but a few.

[10] Note that, in contrast to some of the earlier research, we do not consider CSIR and CSR as "opposite ends of a continuum" (Jones, Bowd, & Tench, 2009, p. 305). Hence, we believe that failure to respect a negative duty (i.e. do no harm) cannot be compensated by a positive duty or action in favor of the affected (or other) constituencies. Therefore, CSR and CSIR remain two separate constructs requiring two different measures.

2. Theory and hypotheses

2.1. Background literature

Neo-institutional theory suggests that to increase their chances of survival in the market firms seek legitimation within their own organizational field. They do this by adjusting to a set of external institutional pressures which ultimately contribute to these firms increased similarity (i.e. isomorphism). In a landmark paper, DiMaggio and Powell (1983) suggest that firms may be subject to three mechanisms of isomorphic change: coercive isomorphism which refers to adaptation to formal and informal rules (regulations, laws, codes of conduct, etc.); mimetic isomorphism which refers to the firm's imitation of the most reputable firms, in uncertain or ambiguous contexts; and to firms' acceptance of professional-related normative pressures. The core idea is that firms adapt their behavior according to the existing institutional forces, which may not necessarily make them more efficient or more competitive, but grants them the legitimation needed to operate in a given environment (Meyer & Rowan, 1977).

Some scholars questioned the applicability of neo-institutional theories *as such,* to the context of MNEs. Since these firms operate in different organizational fields, they have to comply with heterogeneous, and sometimes contradictory institutional pressures (Kostova & Roth, 2002), which means that legitimacy is not achievable through isomorphism (Kostova et al., 2008). Such critiques have highlighted the need for a better understanding of how MNEs seek legitimation across different institutional environments (Kostova & Roth, 2002) and conceive MNEs not just as passive adaptive entities (Oliver, 1991) but as agents in their own right, which exploit institutions to their own advantage to alter the type and amount of their legitimacy (Kostova et al., 2008; Marquis & Raynard, 2015; Zimmerman & Zeitz, 2002).

Legitimation is a particular problem for EMNEs. Their internationalization efforts are hampered by the liability of foreignness (Hymer, 1976; Kostova & Zaheer, 1999; Zaheer, 1995) and, due to the backwardness and (to an extent) illegitimacy of their home countries, they also suffer from the liability of origin (Ramachandran & Pant, 2010) or liability of emergingness (Madhok & Kayhani, 2012), defined as: "a credibility and legitimacy deficit in the eyes of host country stakeholders who [are] even more circumspect due to inefficient or missing knowledge of foreign emerging market multinational firms, their quality and safety standards, and the like" (Madhok & Kayhani, 2012; p. 31). Extant research shows that EMNEs increasingly see CSR policies a global strategy to try to reduce their liability of origin (Fiaschi et al., 2015; Marano et al., 2016; Zheng et al., 2015), and that the adoption of these initiatives is used to demonstrate convergence towards accepted global (mostly Western) CSR standards, by strengthening their moral dimension which is one of the attributes that adds to their global reputation (Barnett, Jermier, & Lafferty, 2006; Fombrun, 1996; Godfrey, 2005) and "generalized favorability" (Lange, Lee, & Dai, 2011) through dialogue with, and positive impacts on, different stakeholders.

Whereas engagement with CSR is part of many EMNEs' global legitimation strategies, we maintain here that EMNEs' involvement in CSIR may be accompanied by loss of reputation and legitimacy – two different but related concepts (King and Whetten, 2008). Given that good reputation takes longer to build than to lose (Staw & Epstein, 2000; Zhang & Luo, 2013), doing harm can be a risky strategy for firms seeking international legitimacy. In spite of this, very little research has investigated how CSIR relates to the internationalization of emerging country firms. In the context of firm's internationalization, moreover, only a few studies have examined CSIR. For instance, Strike et al. (2006) argue that international firms' irresponsible behavior is related to difficulties inherent to managing the increased complexity accompanying international diversification, and suggest that “MNEs may act irresponsibly, not out of malice or ill will, but because they have to stretch their resources and capabilities in order to coordinate and monitor subsidiaries” (Strike et al., 2006; p. 853). More recently, Surroca et al. (2013) offered a somewhat more disenchanted perspective and suggested that MNEs headquarters have control over CSIR and allow their subsidiaries to act irresponsibly in a context of strong compliance with the institutional environment in the home country and weak compliance in the host country. In so doing, Surroca and colleagues' study offers critical insights into MNEs' agency role in the performance of institutional arbitrage through the relocation of CSIR practices world-wide to reduce the MNE's loss of reputation. This is a view that is also in line with most current business ethics and international law accounts of corporate misconduct, which show that involvement of firms in irresponsible business conduct is often not due to accidental events or bad luck, but to deliberate strategic maneuvering by managers occupying different hierarchical positions in the MNE (e.g. also Gond, Palazzo, & Basu, 2009; Pegg & Frynas, 2003; Wettstein, 2010).

We follow this latter perspective about the ability of MNEs to hold control on their own involvement in CSIR events to conjecture that MNEs’ managers will strategically maneuver their socially irresponsible conduct depending on the speech and press freedoms of the countries in which their operations are embedded economically via their foreign direct investments (FDI). Next we investigate whether the adoption of explicit CSR policies moderates the relationship between firms’ internationalization in countries characterized by different speech and press freedom stringency, and CSIR. We develop our research hypotheses as follows.

2.2. Internationalization, host country speech and press freedoms, and CSIR

Countries differ widely in the capacity and willingness of their government to guarantee a free press and free speech (Cingranelli & Richards, 2010). Speech and press freedoms generally are understood as people’s freedom to communicate and freedom of expression through different media including the press, social media, spontaneous assemblies, etc. More specifically, free speech means that government allows and protects the free circulation and open critical discussions of news and ideas, while a free press means the absence of government censorship on media outlets. We contend that these cross-country differences are likely to have implications for whether and how news on CSIR is circulated, critically analyzed, and given resonance by the relevant constituencies in various countries. Thus, reporting on CSIR is likely to be more widespread in countries with stronger speech and press freedoms because the media will be free to report such news – irrespective of the location of the CSIR event in the home country or abroad – with the result that information on CSIR events is available to the general public. Free speech means also that people are free to debate openly on CSIR-related news and contribute to a collective awareness of these issues through various channels such as social media, public speeches (at universities, unions, and other relevant fora), etc. In contrast, poorly policed speech and press freedoms by government can make it dangerous for journalists and other constituencies to circulate CSIR-related information. For instance, according to Freedom House (2016), journalists reporting on land grabbing, environmental degradation related to business operations – particularly in the case of extractive industries, and corruption in business, may be exposed to the risk of banning, censorship and assassination.[11] In such conditions, CSIR-related information will not be reported or discussed publicly.

In this context, we expect that in countries with strong speech and press freedoms, attributions of culpability (Lange & Washburn, 2012) for a CSIR event are more likely because individual observers have greater access to relevant news and information. In turn, these attributions will have a negative influence on the firm's legitimacy. Thus, we argue that the more MNEs invest in countries with government guaranteed speech and press freedoms, the more likely these firms managers will exert tighter control over operations in order to minimize involvement in CSIR events[12] and reduce the risk of de-legitimation.

In contrast, MNEs whose operations are embedded mostly in countries characterized by weak speech and press freedoms, will have more leeway to enact rent seeking irresponsible business conduct without the risk of de-legitimation. While this logic might apply to all MNEs regardless of their country of origin, internationalizing EMNEs firms will have a greater incentive to reduce their CSIR activity in order to overcome their liability of origin. Accordingly:

Hypothesis 1. The more emerging country firms invest in countries characterized by strong speech and press freedoms, the less their operations will be associated with CSIR events (due to their managers’ tighter control over CSIR).

2.3. The moderating role of CSR in the relationship between internationalization and CSIR

Although EMNEs may adjust their CSIR conduct depending on the host countries’ level of speech and press freedoms, this process may be complicated by the legitimation strategies pursued by these firms. In parallel with attempts to control CSIR, EMNEs may try to build global legitimacy by adopting a range of explicit CSR policies (e.g. Fiaschi et al., 2015). Many emerging country firms are familiar with the concept of social responsibility and have “deep-rooted indigenous cultural traditions of philanthropy, business ethics, and community embeddedness” (Visser, 2008; p. 481; Matten & Moon, 2008).[13] The recent increased internationalization of these countries’ largest industry players has further contributed to the adoption of global CSR standards, and has greatly increased social reporting (Fiaschi et al., 2015; Marano et al., 2016; Meyskens & Paul, 2010; Zheng et al., 2015).

A firm’s adoption of explicit CSR policies can play an important role in moderating the relationship between host countries’ speech and press freedoms and CSIR: essentially, we envisage that the negative impact of host countries’ speech and press freedoms on CSIR is strengthened when firms adopt CSR. This is because CSR adopters, which are generally exposed to greater scrutiny than non-adopters due to their ethical and social ambitions becoming more evident and attracting critical attention from the relevant constituencies (Ashforth & Gibbs, 1990; Morsing & Schultz, 2006),

[11] Freedom House is an independent U.S. watchdog organization, founded in 1941, and dedicated to the expansion of freedom and democracy around the world. See, https://freedomhouse.org/report/freedom-press/freedom-press-2016, last accessed 9 August 2016.

[12] While observing intra-firm mechanisms for avoiding human rights abuses is beyond the scope of this paper, we envisage this can be done through more active management support to detect questionable practices, through human rights impact assessment exercises and due diligences, as well as via goal-setting systems that create an environment in which misdeeds are less likely occur.

[13] For instance, accounts of CSR activities in Brazil and Mexico indicate that many firms historically have taken responsibility– often via philanthropic initiatives – for satisfying societal needs such as poverty and other social welfare issues (Logsdon, Thomas, & Van Buren, 2006; Raufflet, 2008; Weyzig, 2006).

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will be subject to even closer monitoring and requests for accountability (Zhang & Luo, 2013) if they invest in countries with strong speech and press freedoms. In such contexts, CSR adopters expose themselves to a heightened risk of de-legitimation if they behave irresponsibly,[14] which strengthens managers' motivations to ensure that no harm will be caused in the conduct of business. This leads to the following hypothesis:

Hypothesis 2. For emerging country firms which have adopted explicit CSR policies, the negative relationship between (i) their investments towards countries characterized strong speech and press freedoms and (ii) CSIR, will be strengthened.

3. Methodology

3.1. Sample

Our sample comprises a total of 44 firms, 29 from Brazil and 15 from Mexico, ranked by Forbes Global 2000 (2012 Edition) as the largest public companies in their respective countries. We chose to study Brazilian and Mexican firms for two main reasons. First, most *Multilatinas'* parent firms are located in one of these two countries (Cuervo-Cazurra, 2008) – Brazil and Mexico account for a significant portion of FDI outflows from the Latin American region (Brenes, Camacho, Ciravegna, & Pichardo, 2016; UNCTAD, 2014).[15] Second, both Mexico and Brazil are rent seeking economies which often are considered to suffer from crony capitalism, endemic corruption (Leahy, 2016; The Economist, 2014; see also, e.g. Dos Santos & da Costa, 2014; Ferraz & Finan, 2011, p. 1281; Mendes & Junior, 2012; Oliva, 2015; Power & Taylor, 2011; Reid, 2014), property related crimes (BenYishay & Pearlman, 2014; The Economist, 2015), and involvement in drug trafficking (Duncan, 2013; Morris, 2013), etc. (see e.g. Chew Sánchez, 2014 on state-terrorism in Mexico). For these reasons, internationalizing firms from Brazil and Mexico are likely to suffer from liability of origin problems, similarly to other firms from emerging countries. This is likely to act as a strong incentive to build legitimacy in the international market, making these two countries an ideal setting for this research.

Our analysis covers the period 2003–2012, and relies on 394 firm-year observations. The focus on large public firms is justified by their being powerful and visible actors, whose CSIR tends to be monitored by the press and NGOs more frequently than that of smaller companies. Large firms also possess the resources and capacity to invest in CSR policies, and to internationalize. Our sample covers firms in the metals and mining (23%), banking (23%), electricity and other utilities (14%), food and beverages (11%), telecommunication (TLC) (7%) sectors. The remaining 22% of firms are from the aerospace, chemicals and pharmaceuticals, cosmetics, heavy industry, pulp and paper, real estate, and retail sectors (see Appendix A for the firms in our sample and their respective industries).

3.2. Variables

3.2.1. Dependent variable: CSIR

To collect information and measure CSIR we rely on two sources of data: the Business and Human Rights Resource Centre (BHRRC), and as a cross-check, Sustainalytics an independent Environmental, Social and Governance (ESG) research and analysis data provider. We held a focus group[16] to obtain recommendations on data sources; BHRRC data were preferred for their more extended longitudinal coverage compared to other sources. The BHRRC is considered the world's leading independent information hub providing data on the positive and negative impacts exerted by corporations on human rights. It has offices in London and New York and relies on the efforts of regional researchers based in Africa, Asia, Eastern Europe, and Latin America, who interact with local NGOs and gather information in the field. The BHRRC database covers the social and environmental impacts of over 5000 companies, operating in over 180 countries. Taking international human rights standards as its starting point, the topics covered include discrimination, environment, poverty and development, labor, access to medicines, health and safety, security, and trade. BHRRC researchers collect news and reports relating to business and human rights from the web and other sources, on a day-to-day basis, paying attention to sources across the world including local newspapers and reports produced by large and small NGOs. News, reports, and events focusing on the relations between the activities of companies and human rights are examined, and subject to a minimum criterion of credibility (therefore excluding blind attacks on companies) are published on the BHRRC website. They highlight the impact of business on human beings (news on the protection of an endangered species but with no clear connection to an impact on human rights is generally not published).

We used this information source to search for alleged human rights abuses connected to the firms in our sample. It resulted in over three hundred documents including news and reports providing evidence of "events" of negative human rights impacts. To cross-check our data, we relied on Sustainalytics as a second data source. Sustainalytics has substantial experience in evaluating the ESG performance of publicly-traded companies (see Surroca et al., 2013 for a study using these data).[17] Sustainalytics analysts draft company profiles detailing firm performance on various ESG indicators, and firms' involvement in relevant controversies. For the present study, we use Sustainalytics 'Controversy Reports' which provide a comprehensive understanding of companies' involvement in controversies over different types of human rights violations.

Based on BHRRC and Sustainalytics information we identify events involving the firms in our sample, related to different types of abuses of human rights (or CSIR events). We codified the information on individual CSIR events into a dataset which includes the following items:

(a) a unique code for each separate CSIR event reported by our data sources (hereafter "event");
(b) a firm level code associated with each event code;
(c) a brief description of the event – e.g. "company resettled 717 households without due consultation, in order to develop a mine in Mozambique's Cateje, Moatize district";

[14] Instances where firms adopt CSR policies and contemporaneously they are involved in CSIR events are well known to neo-institutional theorists, who refer to them as cases of symbolic or ceremonial CSR adoption (e.g. Marquis & Qian, 2014). In contrast, CSR is adopted substantively if it is not associated with CSIR.

[15] According to the America Economia 2015 ranking, nearly 60% of the 100 largest *Multilatinas* in 2015 are either Brazilian or Mexican (see http://rankings.americaeconomia.com/multilatinas-2015/, retrieved 6 August 2016).

[16] The focus group was organized as a semi-structured group interview process and took place in 2008 at Scuola Superiore Sant'Anna (SSSA) in Pisa, Italy. Two of the authors of this paper acted as moderators and took notes of the conversations. The focus group included three business and human rights experts – respectively a practitioner in the field with extensive experience in business and human rights in the context of Latin America; an international law specialist, and a political scientist, both academic scholars affiliated to SSSA. The interview lasted approximately three hours and one of the topics discussed was sources of information on violations of human rights by the business sector.

[17] See Sustainalytics at: http://www.sustainalytics.com/, last accessed April 28, 2015. Sustainalytics has its headquarters in Amsterdam, and has offices in Boston, Bucharest, Frankfurt, London, Paris, Singapore, Timisoara, and Toronto, and representatives in Bogotá, Brussels, Copenhagen, New York City, and San Francisco.

Table 1
Cumulative number of CSIR events by type of human rights abuses.

	Brazil	Mexico	Examples
Abuses against local communities	24	7	Displacement of indigenous communities without consent, contamination of local environment, repression of the protests of local communities
Abuses against workers	66	23	Anti-union practices, gender discrimination, worker fatalities, slave labor, child labor
Other abuses	1	0	Clients' intoxication
Total:	91	30	

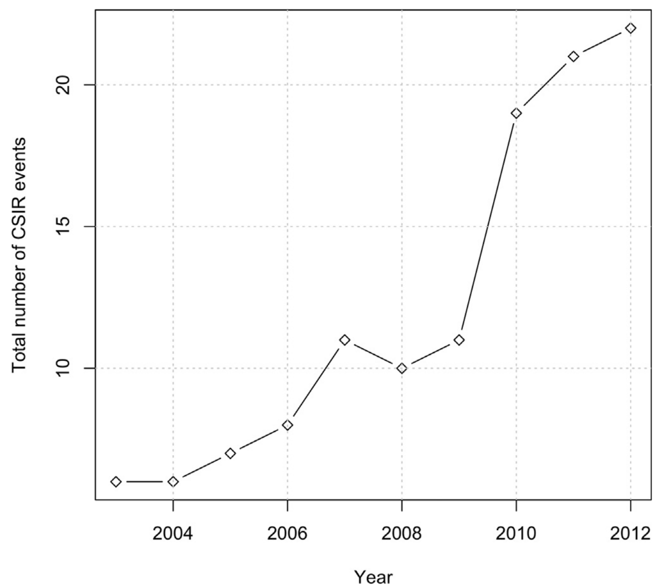

Fig. 1. Total number of CSIR events, by year.
Source: Authors' own elaboration based on BHRRC and Sustainalytics.

(d) year(s) in which the event took place, including for each event, the year in which the event is known to have started and the year in which it is considered to have ceased;
(e) the year in which the event was first denounced or reported;
(f) a unique code for the document(s) reporting evidence of the abuse(s). These document(s) contain full news or reports of the abuse(s), are stored separately, and are available for consultation.

Two different coders read the BHRRC and Sustainalytics material and checked it for its inclusion, accuracy and completeness in the dataset. Note that our data do not include events where the abuse manifestly was unrelated to firm-level decision making or operations. For instance, cases where an employee deliberately causes the death of other employees for personal or otherwise private motivations are not included as CSIR events. Similarly, our dataset does not include cases of accidents related to an individual employee's lack of diligence, or to a natural disaster, unless there is evidence that the accident was due to e.g. the firm's lack of plant maintenance, or other forms of complicity in the irresponsible event. Moreover, our document coding refers only to irresponsible events which caused harm to human rights, irrespective of whether a given behavior was believed by the perpetrator to be in line with its own duties or with profit-maximizing objectives (Armstrong, 1977).

Once the information was codified in the dataset, a business and human rights expert (see footnote 16) checked the events to ensure there were no errors or ambiguities in the events reported, and to check accurate coding of abuses. Data on CSIR events were collected for 1990–2014. However, due to an estimated time lag of two years from a reporting of an onset or ending of a particular CSIR event, we limited our analysis to year 2012. In addition, since data on emerging country internationalization through greenfield investments are available only from 2003 (see below), our time span is 2003 to 2012.[18]

Our dependent variable *CSIR* is the number of CSIR events in which the firm is involved at time *t*. Each CSIR event captures a different type of human right violation in which the firm has been reported as being involved in each year (e.g. if at time *t*, the firm is found abusing labor rights in one of its production plants, and in the same year, there is evidence of it violating indigenous communities' right to land, the CSIR value for this particular firm at time *t* would be 2). Each single event is counted yearly as 1, whether it occurs in one particular year only, or extends across more than a year (e.g. a firm poisoning the environment and violating the right to health of local residents over several years). In this case, we count this multi-year event as 1 for each year in which it has allegedly occurred.

Table 1 presents evidence of the cumulative number of CSIR events for our sample firms, disaggregated by type. Fig. 1 depicts the number of CSIR events reported in any year between 2003 and 2012. The growing trend observed is likely due to an increase over time of both media coverage and NGO reports of abuses. Thus, we

[18] Data on emerging country internationalization through greenfield investments are available only from 2003 onwards, which influences our sample. However, growth in FDI from emerging countries is observed in the past decade, which makes our observed cohort meaningful (UNCTAD, 2013).

Table 2
Descriptive statistics.

Variable	Min	Max	Mean (Proportion)	Standard error
Dependent Variable				
CSIR	0	10	0.288	0.997
Independent Variables				
HCSPF	0	3	1.310	1.230
Social Policies	0	1	0.831	0.367
CSR Report	0	1	0.686	0.459
Social Policies * HCSPF	0	3	1.100	1.211
CSR Report * HCSPF	0	3	0.987	1.185
Other Variables				
Size	3.090	12.110	9.730	1.446
Age	0	5.320	3.690	1.009
SOEs	0	1	0.143	0.361
ROE	−0.677	8.763	0.242	0.624
Risk	0.009	2.239	0.221	0.445
Internationalization	0	24	2.680	4.616
CSR Experience Social Policies	0	23	8.410	7.005
CSR Experience CSR Report	0	16	4.280	4.050
Media Exposure	0	0.033	0.001	0.012
Industry dummy I	0	1	0.217	0.412
Industry dummy II	0	1	0.274	0.446
Industry dummy III	0	1	0.486	0.500
Brazil	0	1	0.659	0.463
Mexico	0	1	0.341	0.463
IV- Social Policies	0.500	0.966	0.831	0.136
IV- CSR Report	0.429	0.933	0.686	0.166

include time dummies in the estimations. Descriptive statistics for *CSIR* are reported in Table 2.

3.2.2. Independent variables

Host country speech and press freedoms (HCSPF)

HCSPF measures the extent to which the firm's FDI portfolio includes countries with high (or low) protection of political rights to a free press and free speech and it is used to test Hypothesis 1. To measure firms' FDI, we rely on three complementary data sources. We use FDIMarkets for data on greenfield and brownfield FDI, and the Zephyr (Bureau van Dijk) and SDC Platinum (Thomson Reuters) databases for information on mergers and acquisitions (M&A) (we consider only majority and full stake M&A). To measure the extent to which free speech and a free press are affected by government censorship including ownership of media outlets, we rely on the Cingranelli and Richards (2010) Freedom of Speech and Press indicator (CIRI_SP).[19] In a given year a score of 1 indicates total government censorship of the media; 2 indicates some government censorship of the media; and 3 indicates no government censorship of the media.[20] The index *HCSPF* for firm *i* at time *t* is defined as follows:

$$HCSPF_{it} = \frac{\sum_{s=1}^{t}\sum_{j=1}^{J} P_{ijs} * CIRI\_SP_{js}}{\sum_{s=1}^{t}\sum_{j=1}^{J} P_{ijs}} \quad i = 1, \ldots, I; t = 1, \ldots, T;$$

where P_{ijs} is country *j* in which firm *i* invested at period *s*, and CIRI_SP is the value of the CIRI_SP indicator for each host country *j* at period *s*; $\sum_{s=1}^{t}\sum_{j=1}^{J} P_{ijs}$ is the number of countries in which firm *i* invested up to time *t*. The index ranges from 0 if there are no foreign investments, to a maximum of 3 if all investments are in countries with (strong) speech and press freedoms. Fig. 2 shows that in our sample, firms from Mexico invest in countries characterized by higher press freedoms, while Brazil's investments tend to be concentrated in countries with poor press freedom records although over time the gap reduces. This difference is explained at least in part by Mexican firms' relatively higher propensity to undertake direct investments especially M&As, in signatory countries to the North America Free Trade Agreement (NAFTA) – i.e. Canada and the U.S.[21] Descriptive statistics for this variable are presented in Table 2.

Corporate social responsibility

We consider two alternate measures of explicit CSR: *Social Policies* and *CSR Reports*, measured as follows:

- *Social Policies*: refers to the firm's adoption of CSR policies conceived as discretionary activities favoring different stakeholders, including donations and philanthropic initiatives for society. We are interested in the year when the policy was formally introduced at the corporate level. We retrieved this information from direct contacts with corporations, and corporate websites and CSR-specific web-pages described as "Social Corporate Responsibility", or variations such as "Social Responsibility", "Corporate Responsibility and Sustainability", etc. *Social Policies* is a dummy variable that takes the value 1 if the firm has undertaken any kind of social policy at time *t*, and 0 otherwise.
- *CSR Reports*: refers to the firm's preparation and publication on its website of a CSR report, or an annual report with a dedicated CSR section. We downloaded and checked the reports. The

[19] Data are from the Cingranelli-Richards Human Rights Data Project (http://www.humanrightsdata.org). Information for coding the Freedom of Speech and Press indicator is from Cingranelli and Richards (2014, pp. 27–29).

[20] Due to the need to distinguish between firms with no foreign investments at time *t*, and those investing in countries with low levels of press freedom, we recoded the index which originally went from 0 to 2.

[21] For instance, over the observed period, direct investments by the Mexican firms in our sample in Canada and the U.S. account for more than half of Mexico's total foreign investments, while Canada and the U.S. account for only about a third of overall Brazilian foreign investments.

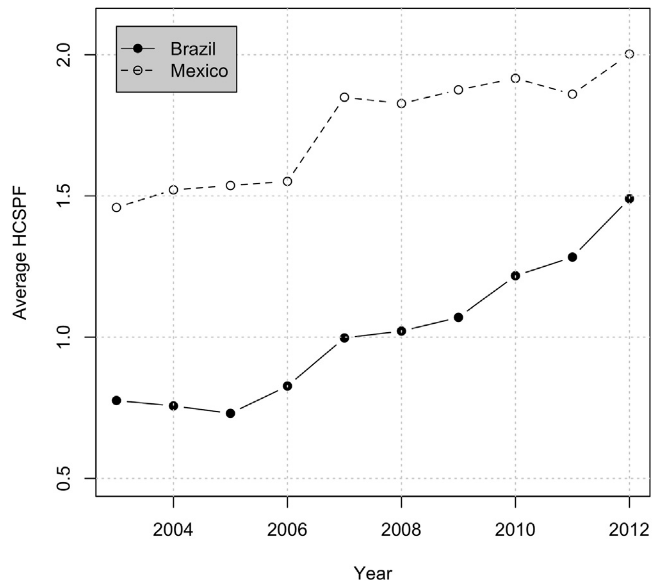

Fig. 2. Speech and press freedoms of host countries, disaggregated by country of origin.
Source: Authors' own elaboration.

variable *CSR Report* takes the value 1 if the firm produced a CSR report at time *t*, and 0 otherwise.

Descriptive statistics of these variables are presented in Table 2. Fig. 3 depicts the share of the firms in our sample that adopted either of the CSR policies discussed above, in any year in the period 2003 to 2012. As expected, *Social Policies* are more frequent among our sample firms. Notice also that the importance of CSR reporting increases over time, with almost all firms in the sample publishing a CSR report in 2012.

Interaction

To test Hypothesis 2, we use the interaction term between *HCSPF* and the two CSR variables (*Social Policies* and *CSR Reports*). Descriptive statistics are reported in Table 2.

Control variables

We also include a set of control variables in the analysis (see Table 2), to account for factors that might explain firms' involvement in CSIR events, based on earlier research. Among the firm-level controls, we include firm size (*Size*) proxied by the log of the number of workers in each year. We control for size because larger firms may have more operations and activities to govern which may increase the chances of being involved in irresponsible behavior (Strike et al., 2006). We control also for age using the log of firm age (*Age*), and ownership status (*SOEs*) – i.e. state owned (coded 1) versus private ownership (coded 0), because both characteristics might influence the propensity for substantive socially responsible conduct (Marquis & Qian, 2014). We control for firm performance and risk since they are likely to influence managers' rent-seeking strategies. To measure firm performance we use return on equity (*ROE* at *t-1*), measured as the ratio between firm *i*'s net income and equity at *t-1*; firm's risk (*Risk*) is measured on the basis of ROE volatility (i.e. based on annual fluctuations in ROE around its trend value, calculated using non-parametric estimation). We rely on Datastream for these data.

To control for firms' internationalization we developed a quantitative indicator to measure the number of different countries in which the firm invested (in the form of greenfield, brownfield, majority, or full stake M&A) in each year in the period 2003–2012 (*Internationalization*), based on FDIMarkets, Zephyr and SDC Platinum data. This measure is similar to international dispersion measured as the total number of foreign countries in which the firm has subsidiaries, used in earlier studies (Strike et al., 2006). Because firms with CSR experience might have accumulated more skills to hold control on CSIR, we control for the cumulative number of years in which the firm had a given CSR policy up to year *t* (*CSR Experience*). Moreover, since the likelihood that the firm is associated with a CSIR event depends also on the extent to which it is on the media and NGO radar, we control for *Media Exposure,* which proxies for the company's visibility in the global and local media (Marquis & Qian, 2014). We use Lexis Nexis (News section) as the data source for this variable which is computed as the log of the ratio between the number of news items/articles mentioning firm *i* at time *t*, and the total number of articles mentioning any of our sample firms at time *t.*

We use industry dummies to control for industry-related specificities in connection with CSIR. We draw on Giuliani and Macchi (2014) to identify groups of industries that are relatively homogeneous in terms of their firms' risk of being involved in human rights abuses (e.g. oil extraction involves a process that generates negative impacts on society; other industries can be organized in ways that make firms more/less prone to involvement in abuses of human rights). The reference group (*Industry dummy I*) include firms in the extractive industries (Oil, Mining and Steel), the second group (*Industry dummy II*) includes Retail, Banking, Chemicals and Pharmaceuticals, and the third group (*Industry dummy III*) includes Cosmetics, Pulp and Paper, Aerospace, Heavy Industry, Telecommunications (TLC), Food and Beverages, Electricity and other Utilities, Real Estate. Based on available evidence, *Industry dummy II* and *Industry dummy III* firms are expected to be less involved in CSIR events compared to the reference group.

Finally, we control also for country-specificities (country dummies, *Brazil* being our reference group) since each country has a different history and different regulation and internal institutional arrangements which might result in different valuation of human rights and ethics (Matten & Moon, 2008). Since the number of reported CSIR events may increase over time due to the expected increased availability of information on their occurrence, we include time dummies (*Time dummies*) in the analysis.

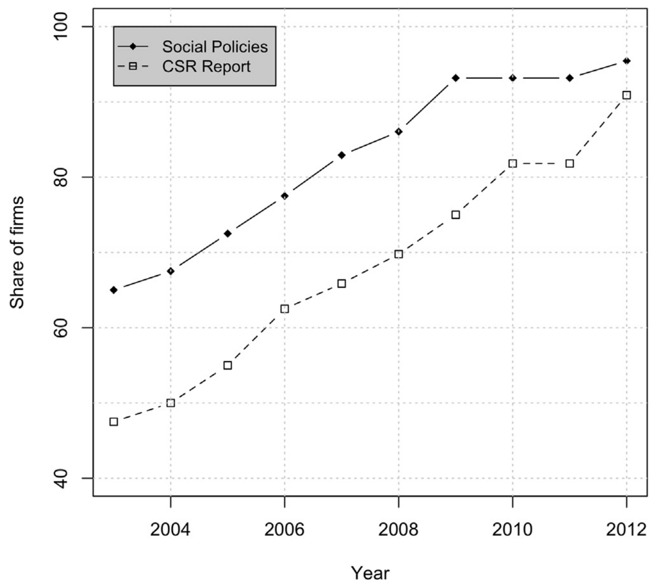

Fig. 3. Adoption of different types of CSR policies.
Source: Authors' own elaboration.

3.3. Econometric methodology

There are two critical methodological issues related to our estimations. First, the presence of unobserved heterogeneity at firm level which our controls cannot fully account for (which suggests use of panel data estimates).[22] Second, suspected endogeneity of *Social Policies* and *CSR Report* (and thus interaction with *HCSPF*), since the factors that lead firms to adopt CSR policies may be the same factors that induce them to behave irresponsibly (Fiaschi et al., 2015; Kotchen & Moon, 2012). Fig. 4 provides indirect support for our suspect of the presence of unobserved factors positively affecting both CSR and CSIR.

We run tests to account for both these problems. First, we run the endogeneity test following Wooldridge (2010, pp. 352, 358) to assess whether we need to apply an instrumental variable (IV) approach. Second, we run a Hausman test to check whether the unobserved heterogeneity is uncorrelated with or is dependent on the observed explanatory variables, in order to decide about use of a random effects (RE) or a fixed effects (FE) model (Wooldridge, 2010, p. 328). Based on the endogeneity and Hausman tests, a RE-IV panel two-stage least squares (RE2SLS) seems the most appropriate estimation method.

The IVs for CSR (*Social Policies*, *CSR Report*) for firm *i* are given by the share of firms in our dataset belonging to the same country as firm *i* which adopted the specific CSR policy (*IV-Social Policies*, *IV-CSR Report*). The IV for the interaction between *Social Policies* (or *CSR Report*) and *HCSPF* are built following Wooldridge (2010, p. 122), by multiplying *IV-Social Policies* and *IV-CSR Report*, for *HCSPF* respectively. *IV-Social Policies*, *IV-CSR Report* and their interactions with *HCSPF* appear to satisfy the two conditions for a good IV: conceptually, they are strongly related respectively to CSR and to the interactions between *HCSPF* and CSR variables, and they are weakly related to CSIR by firm *i*.

We estimate the following panel models (second stage):

$$\mathrm{CSIR}_{it} = \alpha_i + \alpha_1 \mathit{HCSPF}_{it} + \alpha_2 \mathit{Social\ Policies\ (CSR\ Report)}_{it} + \alpha_3 \mathit{Size}_{it} + \alpha_4 \mathit{Age}_{it} + \alpha_5 \mathit{SOE}_{it} + \alpha_6 \mathit{ROE}_{it-1} + \alpha_7 \mathit{Risk}_{it} + \alpha_8 \mathit{Internationalization}_{it} + \alpha_9 \mathit{Social\ Policies(CSR\ Report)Experience}_{it} + \alpha_{10} \mathit{Media\ Exposure}_{it} + \alpha_{11} \mathit{Industry\ dummies}_i + \alpha_{12} \mathit{Home\ country\ dummies}_i + \alpha_{13} \mathit{Time\ dummies}_t + \mu_{it} \quad (1)$$

$$\mathrm{CSIR}_{it} = \alpha_i + \alpha_1 \mathit{HCSPF}_{it} + \alpha_2 \mathit{Social\ Policies\ (CSR\ Report)}_{it} + \alpha_3 \mathit{Social\ Policies\ (CSR\ Report)}_{it} * \mathit{HCSPF}_{it} + \alpha_4 \mathit{Size}_{it} + \alpha_5 \mathit{Age}_{it} + \alpha_6 \mathit{SOE}_{it} + \alpha_7 \mathit{ROE}_{it-1} + \alpha_8 \mathit{Risk}_{it} + \alpha_9 \mathit{Internationalization}_{it} + \alpha_{10} \mathit{Social\ Policies(CSR\ Report)Experience}_{it} + \alpha_{11} \mathit{Media\ Exposure}_{it} + \alpha_{12} \mathit{Industry\ dummies}_i + \alpha_{13} \mathit{Home\ country\ dummies}_i + \alpha_{14} \mathit{Time\ dummies}_t + \mu_{it} \quad (2)$$

Appendix B reports the results of first stage estimates. Table B1 shows the first stage estimates taking *Social Policies* (Models 1–2) and *CSR Report* (Models 3–4) as the dependent variables. The coefficients for *IV-Social Policies* and *IV-CSR Report* are positive and significant ($\beta = 0.80$, $p < 0.01$ in Model 1, and $\beta = 1.03$, $p < 0.01$ in Model 2; $\beta = 0.78$, $p < 0.01$ in Model 3 and $\beta = 1.07$, $p < 0.01$ in Model 4). The marginal effect of *HCSPF* on adoption of a CSR policy on average is positive, based on the sum of the positive direct effect ($\beta = 0.15$ and $\beta = 0.17$ in Models 2 and 4 respectively) and a negative effect of the interaction, which on average, is lower than the former effect (although the effect of *CSR Report* is stronger). Table B2 presents the first step estimates for the interaction between the two CSR variables and *HCSPF*: the instrumental variables *IV Social Policies * HCSPF* and *IV CSR Report * HCSPF* are positive and significant (respectively $\beta = 0.90$, $p < 0.01$ in Model 1, and $\beta = 0.66$, $p < 0.01$ in Model 2). Based on these results, we can say that our IVs are not weak (Wooldridge, 2010, p. 108).

Note that the correlations are presented in Appendix C. To investigate the potential multicollinearity problem we computed variance inflation factors (VIFs). The maximum VIF obtained in any of the full models is 4.59 (the interaction term between *HCSPF* and *Social Policies*); mean VIF is 1.84 in the model with *CSR Report*as explanatory variable, and 2 in the model with *Social Policies* as the explanatory variable, which are below the rule-of-thumb cutoff of 10. Therefore, multicollinearity is unlikely to affect our estimates significantly. In all the estimates *p*-values are calculated on the

[22] Tests for the absence of unobserved heterogeneity are rejected in all our regressions (Wooldridge, 2010, p. 299).

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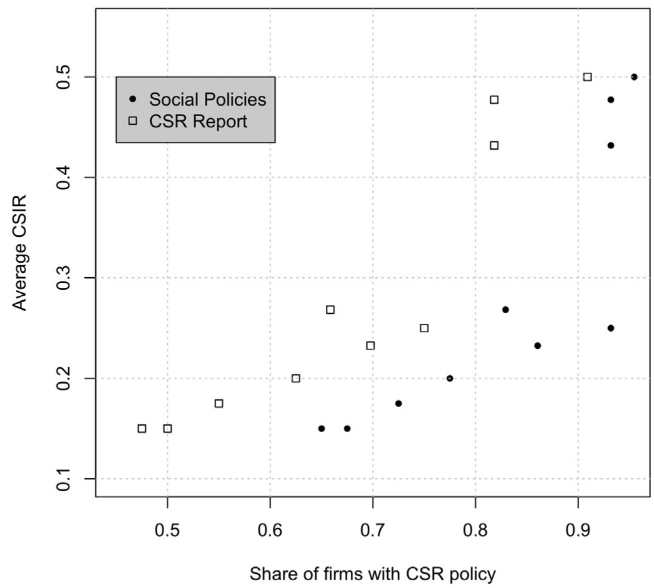

Fig. 4. The relationship between CSR policies and CSIR.
Note: Each point in the figure represents the combination of CSIR (average number of CSIR event per firm) and CSR policy (share of firms in the sample having adopted that particular CSR policy) in each year.
Source: Authors' own elaboration.

basis of robust standard errors given the presence of serial and cross-sectional correlation (we tested for this, see Wooldridge, 2010, p. 320), and heteroskedasticity (see Wooldridge, 2010, p. 172). All the models report statistics of the adjusted R^2, F-statistics and the serial correlation test. All the estimates are made in *R* and performed using the routines provided by various packages but primarily *plm* (Croissant & Millo, 2008).

4. Empirical results

4.1. Regression results

Table 3 shows the results of the econometric estimations. In Models 1 and 3 the coefficient of *HCSPF* is not significant (at the usual significance level) which does not support Hypothesis 1. However, when we interact *HCSPF* with the two CSR variables, the estimates change quite radically. In Models 2 and 4 the coefficients of the interaction term are negative at the 1% significance level. The negative sign of these coefficients supports Hypothesis 2. In particular, Figs. 5 and 6 report the relationships (and their relative standard deviations) between *HCSPF* and the number of CSIR events for CSR adopters and non adopters: the patterns are consistent with our prediction of a moderating effect of CSR in the relationship between internationalization and CSIR. Our data suggest that for adopters of *Social Policies* the predicted marginal impact on the number of CSIR events ranges from – 0.22 (when the investment is in countries characterized by low speech and press freedoms) to – 0.66 (when the investment is in countries characterized by strong speech and press freedoms) (see Fig. 5). A similar pattern is observed for firms with *CSR Reports* (see Fig. 6). Moreover, if firms do not adopt *Social Policies* but are involved in a process of internationalization, the predicted number of CSIR events increases from 0.64 (0.37) in the case of firms internationalizing in countries characterized by low speech and press freedoms, to 1.92 (1.11) in the case of firms internationalizing in countries characterized by strong speech and press freedoms.The results are similar for firms with CSR reports. Firms adopting *Social Policies* which have not internationalized are expected to show, on average, a decrease of 1.11 in the number of their alleged CSIR events. However, adoption of CSR reporting (*CSR Report*) of non internationalizing firms does not significantly affect the number of a firm's alleged CSIR events.

Since the results suggest that Models 1 and 3 are poorly specified if some firm-level characteristics such as the adoption of CSR policies are not taken into account jointly with the variable of interest, the following comments refer only to the results of Models 2 and 4. Among the control variables, the coefficient of *Internationalization* is positive and statistically significant: investing in one additional foreign country increases the predicted number of CSIR events by 0.10 (Model 2) or 0.14 (Model 4) which is in line with previous research (Strike et al., 2006). As expected, increased media exposure is associated to greater involvement in CSIR events, confirming the importance of controlling for this variable when estimating these kinds of models (Marquis & Qian, 2014). In particular, we observe that an increase of 1% in the firm's exposure to the media, involves an expected increase of 0.62 (Model 2) or 0.41 (in Model 4) in the number of its CSIR events.

We observe also that a 1 unit increase in the firm's risk implies involvement in a smaller number of CSIR events (−0.47 and −0.31 in Models 2 and 4 respectively). This finding is in line with the idea that risky operations tend to lead firms proactively to reduce their risk by engaging in less irresponsible business conduct. The coefficient of *Age* is positive and significant only in Model 2, suggesting that older firms are involved in more CSIR events: an 100% increment in firm's age (i.e. doubling the firms' age) implies an increase of 0.2 in the expected number of its CSIR events.

Finally, our results show that Mexican firms are (on average) involved in fewer CSIR events than the reference group of Brazilian firms: Mexican firms have an average of 0.66 (Model 2) and 0.61 (Model 4) fewer CSIR events compared to Brazilian firms. Firms in the *Industry dummy III* are involved in an average number of CSIR events 0.88 (Model 2) and 0.66 (Model 4) fewer than firms in *Industry dummy I*, and firms in the *Industry dummy II* are involved in 0.49 (significant only at the 10% level, Model 2) fewer CSIR events compared to firms in *Industry dummy I*. Therefore, firms in the extractive industries are more socially irresponsible than firms

Table 3
Results of regression analyses.

Model	(1)	(2)	Model	(3)	(4)
Dependent variable	*CSIR*	*CSIR*	Dependent variable	*CSIR*	*CSIR*
Estimation Method	*RE2SLS*	*RE2SLS*	Estimation Method	*RE2SLS*	*RE2SLS*
HCSPF	−0.06	0.64***	*HCSPF*	−0.03	0.37*
	(0.06)	(0.16)		(0.05)	(0.19)
Social Policies	2.42**	−1.11*	*CSR Report*	−0.45	0.22
	(1.21)	(0.59)		(0.83)	(0.63)
*Social Policies * HCSPF*		−0.86***	*CSR Report * HCSPF*		−0.59**
		(0.20)			(0.28)
Size	0.12	0.06	*Size*	0.06	0.02
	(0.08)	(0.05)		(0.08)	(0.06)
Age	0.36*	0.20***	*Age*	0.08	0.10
	(0.19)	(0.07)		(0.10)	(0.09)
SOEs	−0.05	0.11	*SOEs*	−0.00	0.18
	(0.45)	(0.36)		(0.34)	(0.34)
ROE	0.01	−0.01	*ROE*	0.05	0.01
	(0.04)	(0.03)		(0.06)	(0.05)
Risk	−0.32	−0.47***	*Risk*	−0.36**	−0.31**
	(0.20)	(0.17)		(0.17)	(0.15)
Internationalization	0.09*	0.10**	*Internationalization*	0.11**	0.14***
	(0.05)	(0.05)		(0.05)	(0.05)
CSR Experience Social Policies	−0.00	0.03***	*CSR Experience CSR Report*	0.01	0.18
	(0.03)	(0.01)		(0.07)	(0.07)
Media Exposure	59.64***	61.89***	*Media Exposure*	40.95**	41.06**
	(22.30)	(17.26)		(17.66)	(16.85)
Industry dummy II	−0.54	−0.49*	*Industry dummy II*	−0.34	−0.40
	(0.43)	(0.29)		(0.26)	(0.25)
Industry dummy III	−0.89*	−0.88**	*Industry dummy III*	−0.68**	−0.66*
	(0.48)	(0.35)		(0.33)	(0.30)
Mexico	−0.87**	−0.66**	*Mexico*	−0.53**	−0.61**
	(0.36)	(0.26)		(0.25)	(0.25)
Time dummies	YES	YES	*Time dummies*	YES	YES
Number of observations	394	394	Number of observations	394	394
Adjusted R^2	0.14	0.17	Adjusted R^2	0.22	0.22
F-statistics	176.1***	101.04 ***	F-statistics	125.4***	113.4***
	(df 1;349)	(df 1;349)		(df 1;349)	(df 1;349)
Test of Serial Correlation	0.58***	0.71***	Test of Serial Correlation	0.56***	0.54***
	(0.04)	(0.05)		(0.50)	(0.05)

Note: *** *p*-value <0.01; ** *p*-value <0.05; * *p*-value <0.1; robust standard errors in brackets. *RE2SLS:* Random Effect Panel Two-Stage Least Squares.

in the other two groups (*Industry dummy II* and *Industry dummy III*) which confirms the previous evidence on the problematic implications for society of extractive industries (Giuliani & Macchi, 2014).

4.2. Robustness checks

We control for robustness of the estimates by changing the industry grouping specifications, by reducing the number of control variables,[23] and by using lagged variables for *Internationalization* and *HCSPF*. We also ran the estimations using as a measure of CSR policy the adoption of the UN Global Compact, one of the world's largest corporate sustainability initiative, which calls firms to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals.[24] The results of the second stage regressions are largely in line with our findings using *Social Policies* and *CSR Report* as explanatory variables (results available from the authors on request).

5. Discussion and conclusion

5.1. Discussion

It is generally assumed that emerging country firms suffer from a legitimacy deficit due to their home countries' weak institutions and poor reputation. To earn international legitimacy, these firms adopt numerous CSR policies, a phenomenon which has attracted considerable recent scholarly attention (Fiaschi et al., 2015; Gugler & Shi, 2009; Marano et al., 2016; Marquis & Qian, 2014; UNCTAD, 2008; Zheng et al., 2015; among others). Drawing on neo-institutional theory and its extensions (Kostova & Roth, 2002; Kostova et al., 2008; Marano & Kostova, 2015), we follow prior research in arguing that emerging country firms may be adopting a dual strategy as part of their internationalization plans. They may adopt CSR policies to gain global legitimacy but – possibly due to rent seeking – they may do harm and be socially irresponsible. This kind of duality is seldom discussed in the context of EMNEs' global legitimacy building, or in studies of internationalizing firms more generally. In this paper we conjectured that host country speech and press freedom is a key conceptual construct influencing *Multilatinas*' CSIR conduct, and that CSR plays a moderating role in the relationship between *Multilatinas*' host countries' speech and press freedoms and CSIR.

Our study of a sample of large public Brazilian and Mexican firms shows investing in countries of varying institutional quality related especially to speech and press freedoms, does not affect the probability that the firm will be involved in CSIR events. However, we found that the characteristics of investing EMNEs influence

[23] Following the suggestion of one of the reviewers, we dropped *ROE*, *Risk*, and *CSR Experience*, on the grounds that too many explanatory variables could affect the robustness of our estimates. Re-running the regressions without these variables did not change our key results significantly, thus, for conceptual reasons, we decided to retain the original full model.

[24] For details on the UN Global Compact, see https://www.unglobalcompact.org.

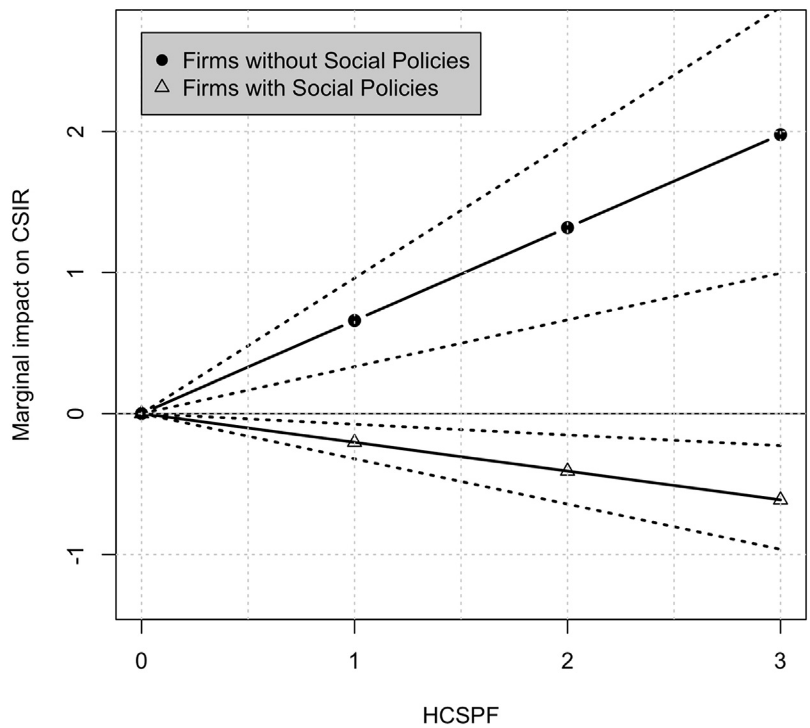

Fig. 5. Interaction effect between Social Policies and HCSPF.
Note: Dotted lines represents 95% confidence bands of the estimates.

their CSIR conduct across different host country institutional environments. In particular, *Multilatinas* that adopt explicit CSR policies are involved in a smaller number of CSIR events the more their investments are oriented towards countries characterized by strong speech and press freedoms. This finding is coherent with the view that managers likely adjust their rent-seeking, irresponsible business conduct on the basis of the associated de-legitimation risks. Our work is original in showing that two conditions are required to curb CSIR: the adoption of explicit CSR policies, *and* pressure from the media and other reporting agencies to inform the relevant constituencies and promote critical debates on firms' involvement in CSIR. This result suggests also that *Multilatinas* which adopt CSR policies may be able strategically to maneuver their irresponsible conduct in order to preserve their legitimacy. In contrast, *Multilatinas* that do not adopt explicit CSR policies may be less savvy and less capable of controlling their irresponsible behavior. This may be due either to these firms' lacking the relevant skills, or to their lack of interest in using CSR and CSIR to build legitimacy. We elaborate further on the implications of these results in the section below.

5.2. Contributions

We highlight some noteworthy contributions. First, we add to neo-institutional theorizing on the process of MNE legitimacy building with particular reference to EMNEs. We concur that MNEs/EMNEs are organizationally complex which makes it difficult to understand their adaptation to the different institutional environments in which they invest. Our work suggests that MNEs/EMNEs are not equally isomorphic with the institutional environment – i.e. they respond differently to the same institutional pressures. This is in line with the active agency perspective which suggests that MNEs are able to exploit institutions to their own advantage, rather than homogeneously conforming to them (Marquis & Raynard, 2015). Within this framework, our study is original in theorizing a different form of institutional pressure based on the host countries' degree of speech and press freedoms than the coercive, mimetic, and normative behaviors identified in the literature (DiMaggio & Powell, 1983). Governments protecting and guaranteeing speech and press freedoms within their own jurisdictions do not impose rules and standards of conduct on MNEs/EMNEs – nor is there pressure for conformity to given norms. Nonetheless, the presence of such freedoms can influence the legitimation building processes of MNEs/EMNEs as stronger speech and press freedoms will increase the broadcasting and critical assessment of any news of irresponsible behaviors. This in turn reduces information asymmetries in firms' involvement in CSIR by increasing MNEs/EMNEs exposure to public scrutiny and criticism which jeopardizes their legitimacy vis a vis important constituencies in the case of irresponsibility. Hence, speech and press freedoms might be another important manifestation of the institutional pressure that shapes MNE/EMNEs CSIR conduct. Speech and press freedoms may also influence the cognitive pillar of the host country's institutional environment by shaping the cognitive structure of the host country's constituencies, and determining what is legitimate in society (Kostova & Zaheer, 1999; Scott, 1995).

However, this kind of pressure does not translate into a unique legitimacy building strategy since it works heterogeneously across firms – in this context, it serves to curb CSIR only among CSR policy adopters. There are different explanations for why CSR adopters are less likely to do harm when investing in countries with strong speech and press freedoms. One interpretation which we have used to develop our hypothesis is that they are aware that they are under scrutiny due to the adoption of CSR policies (Ashforth & Gibbs, 1990; Morsing & Schultz, 2006; Zhang & Luo, 2013), and therefore they are more exposed to attributions of irresponsibility. Alternatively, firms that have adopted CSR policies may also be either more ethical, or more skilled at managing their operations without doing harm – not least because they may be able to undertake human rights due diligence or a human rights impact assessment. Finally, it is possible that it is in the EMNE's interest to

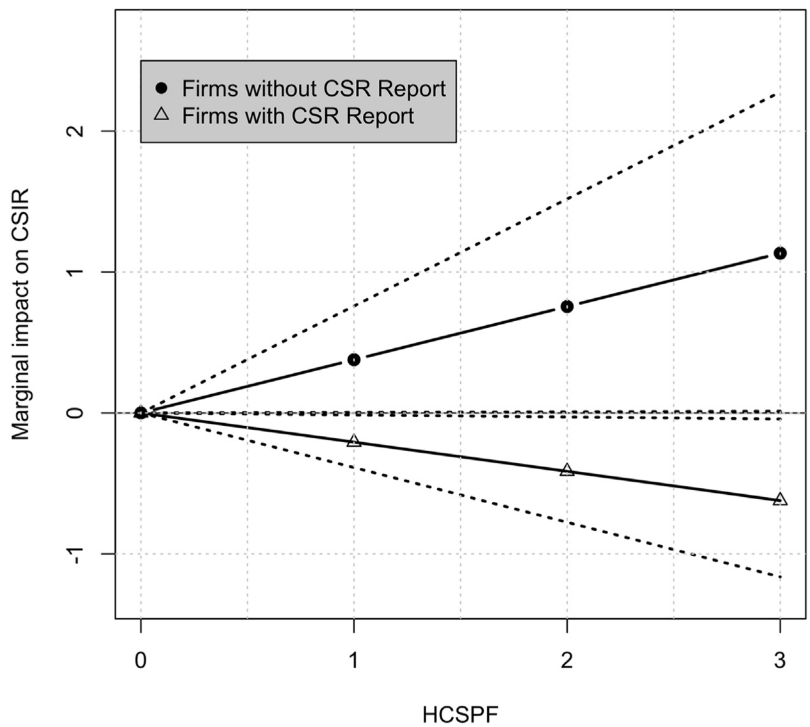

Fig. 6. Interaction effect between CSR Report and HCSPF.
Note: Dotted lines represents 95% confidence bands of the estimates.

maintain internal legitimacy within its organization (Kostova & Zaheer, 1999) since information on irresponsible behavior from sources outside the firm, could infiltrate the firm's divisions and subsidiaries resulting in harmful intra-organizational tensions. These various interpretations call for more research to investigate the internal and external pressures that influence processes of legitimacy building by doing no harm.

This leads to our second contribution to the international business and management literatures on CSIR and related constructs. We noted that compared to CSR, CSIR has been somewhat overlooked by international business and management scholars (Giuliani et al., 2016; Whiteman & Cooper, 2016). Earlier research shows that internationalization can increase instances of MNEs' involvement in irresponsible business conduct (Strike et al., 2006), and that MNE headquarters transfer irresponsible practices to subsidiaries located in relatively weak institutional environments (Surroca et al., 2013). Extant research suggests also that CSR and CSIR tend to coexist (Idemudia, 2009; Strike et al., 2006; among others), or that CSIR is a predictor of CSR (Fiaschi et al., 2015; Kotchen & Moon, 2012; Muller & Kraussl, 2011). However, few studies try to predict CSIR or assess the effectiveness of existing CSR policies for curbing CSIR. We found that the adoption of CSR policies is not sufficient to reduce incidences of CSIR, since CSR adoption is not effective when firms invest in countries with lower speech and press freedoms. This calls for caution in attributing value to voluntary and explicit CSR policies, which in turn points to the normative implications of CSR research and practice. The 2015 UN Sustainable Development Goals and the 2011 UN Guiding Principles on Business and Human Rights are two of the most recent initiatives promoting the human rights agenda in the business sector. They reflect a broader international agenda to ensure business firms' respect of human rights in their operations, and are establishing a new frontier to CSR practice based on respect and promotion of universal human rights – i.e. neatly defining the responsibility of international firms to do no-harm. *Multilatinas*, similar to other EMNEs, are learning fast, and research shows that they are aligning quickly to international CSR practices and standards. However, it remains to be seen whether their adherence to this new agenda implies that they will be less likely to do harm in the future, and whether this extends to all the countries in which they have investments. We think that this remains a major untapped challenge for *Multilatinas* as well as for many MNEs around the world.

Our research contributes to scholarship as it offers also a different perspective on *Multilatinas*' internationalization. Earlier research on the internationalization of Latin American firms focuses either on the motivations and factors affecting their internalization strategies and entry modes (e.g. Ciravegna, Lopez, & Kundu, 2014; Cuervo-Cazurra, 2008; Gonzalez-Perez & Velez-Ocampo, 2014; Losada-Otálora & Casanova, 2014; Santiso, 2008), on the barriers to internationalization (e.g. Ciravegna, Lopez, & Kundu, 2016), or on the factors contributing to their achievement of a competitive edge in the home and the host countries (e.g. Cuervo-Cazurra & Genc, 2008; Tavares, 2007). We add to this literature by providing evidence on *Multilatinas*' strategies for meeting the expectations of the institutional environment where they invest, and on improvements over time in the institutional quality of their host countries, observed through the growing share of FDI in countries characterized by strong speech and press freedoms. This might reflect the increased ability of *Multilatinas* to operate in more demanding institutional contexts, and suggest that some *Multilatinas* may have the capabilities to control their socially irresponsible conduct when they invest in such contexts. *Multilatinas* are an ideal context to investigate the proposed research questions because of their long-standing involvement in resolving societal issues ignored by the home governments (Fiaschi et al., 2015), and because of their intense engagement in both corporate giving and other CSR policies (Araya, 2006;

Griesse, 2007; Medeiros Peliano et al., 2002; Puppim de Oliveira, 2008; Vives, 2012). Having mature CSR-related skills may provide these firms with the capabilities needed also to avoid doing harm – for instance, vis a vis other geographical contexts, *Multilatinas*' managers may be more familiar with concepts such as human rights, poverty reduction, etc. However, these are qualities which remain hidden unless these firms' investments are in institutionally more strict contexts where strong speech and press freedoms put their legitimation at risk. This result calls for more research to better understand CSIR in the Latin American context, and in turn to achieve a better understanding of how *Multilatinas* differ from purely-domestic firms, or from foreign firms investing in Latin America. Some of the qualitative research on Latin America reports gross violations of human rights in the context of the forestry (Whiteman & Cooper, 2016), extractive (e.g. Dougherty & Olsen, 2014), agro-food (Lapegna, 2014), and many other industries (see Giuliani & Macchi, 2014). This body of work provides very detailed accounts about the contexts that engender irresponsibility, and about the reactions of local constituencies – often indigenous communities – to being abused. Further research could investigate this on a larger scale, and delve into the different outcomes generated by different types of firms and their strategies.

Finally, our work should be useful to practitioners particularly but not exclusively, MNE/EMNE managers. One of the biggest challenges current managers face is achieving a 'social license to operate'. Most efforts have been based on creating favorable relationships with both local and global relevant stakeholders, via sets of initiatives which can be considered as CSR related e.g. community support, stakeholder management, adoption of principle-based initiatives, etc. However, social expectations change constantly, and in the contemporary international scenario respect for human rights is prioritized by several international organizations, as discussed in the paper. Hence, failure to respect human rights can no longer be offset by CSR policies, and there will be demands for rigorous due diligence in relation to human rights before firms can establish business activities in given territories. There will be a requirement for firms to address such questions as: Is this new investment likely to harm the right to health of local residents? For how long? How seriously? Has the acquisition of this new piece of land been accompanied by consultation with local indigenous communities? Is there a clear understanding about indigenous people's requirements in relation to respect for their right to land? It is likely that response to these and similar questions will become mandatory. The soon this is accepted by MNE/EMNE managers, the more this will reinforce internationalizing firms' legitimacy building processes, and the better it will be for society as a whole.

5.3. Limitations and further research

This paper has some limitations and the results should be interpreted with some caution. First, our study is based on a restricted sample of large public companies in Brazil and Mexico which are not representative of the population of Brazilian and Mexican firms. However, our sample firms are very visible and very resourceful which makes them convenient for this kind of analysis. Focus on these two countries also mean that our results apply to our sample of the largest Brazilian and Mexican public companies, not to smaller *Multilatinas* or to purely domestic firms.

Second, the adoption of CSR policies as measured in this paper provides very little information on the magnitude and quality of these companies' CSR investments. Unfortunately, data on CSR investments are not publicly available. To address this limitation and to check the robustness of our results, we used adoption of the UN Global Compact as another CSR measure, and found consistent results. However, we would recommend that future research uses more refined measures of CSR. For instance, the development of measures of the quality of CSR policies based on content analysis of firms' CSR reports, could be one way to advance this research area.

Third, in the measurement of CSIR we used information on alleged human rights violations, which may not finally be judged as such by a domestic court since only a small minority of human rights violations result in lawsuits and receive a final judicial decision. This is due to many constituencies lacking access to justice, and friendly settlements (Kobrin, 2009). Another reason for not using final judicial decision as a measure of CSIR is that there is wide cross-country variety in how human rights' treaties are incorporated into national legal systems.[25] Thus, relying only on violations attached to a final judicial decision would underestimate our variable of interest. Moreover, we acknowledge that human rights violations are likely to be less intensively broadcast in contexts of weak political and civil rights, limited press freedom, and repression of local communities, NGOs, and other civil society actors. Thus, the present work and other similar works (e.g. Marquis & Qian, 2014; Strike et al., 2006; Surroca et al., 2013; among others), relies on evidence of social conduct or misconduct being reported (by the press, NGOs, activists, governments, residents, etc.), which means that there is a discrepancy between actual human rights violations, and observed or reported violations. However, our study was not aimed at explaining the intensity of CSIR *as such* but rather the inter-firm differences in CSIR conduct. In this context, there might be a problem if we have a reason to believe that some firms are *observed more closely* (and therefore their CSIR events receive more reporting attention) than others. To account for this, we controlled for media exposure – as in Marquis and Qian (2014). Nevertheless, we believe that the measurement of CSIR and human rights violations, and the elaboration and use of measures that contribute to understanding corporate wrongdoing, deserve more careful consideration.

This study does also not allow us to investigate in more depth some of the motivations for our observed empirical results, and leaves them open to speculation. The existing international business research shows that MNEs are characterized by heterogeneous governance models and other characteristics which condition the extent to which headquarters are able to control the operations of their subsidiaries and influence the capacity to generate value (Ambos & Schlegelmilch, 2007). So far very little research has investigated how the heterogeneity of different intra-MNE characteristics such as headquarters-subsidiary relationships, mode of intra-MNE global governance, degree of subsidiary autonomy in decision making, and local managers' stewardship, condition the irresponsible conduct of MNEs from both advanced and emerging countries. These are issues whose investigation would contribute to a better understanding of the firm-level drivers of CSIR.

Finally, we focused on how host country speech and press freedoms influence MNEs' strategic choices with reference to CSIR; it would be interesting also to investigate how MNEs influence the speech and press freedoms in host countries to obtain more advantage from their investments. We hope that future endeavors will explore this topic.

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[25] For an overview, see http://indicators.ohchr.org/, last accessed November 13, 2015.

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Appendix A. List of firms included in the study with country and industry specifications

Firm	Country	Industry
ALFA	Mexico	Metals and Mining (Hld)
America Movil	Mexico	TLC
Banco Bradesco	Brazil	Banking
Banco do Brasil	Brazil	Banking
Banrisul	Brazil	Banking
Bradespar	Brazil	Banking
Brasil Foods	Brazil	Food and Beverages
Braskem	Brazil	Chemicals and Pharma
Cemex	Mexico	Heavy Industry
Cemig	Brazil	Electricity and other Utilities
Cielo	Brazil	Banking
Companhia Siderurgica Nacional	Brazil	Metals and Mining
Copel	Brazil	Electricity and other Utilities
Cosan Industria e Comercio	Brazil	Electricity and other Utilities (Hld)
CPFL Energia	Brazil	Electricity and other Utilities
El Puerto de Liverpool	Mexico	Retail
Eletrobras	Brazil	Electricity and other Utilities
Embraer	Brazil	Aerospace
Femsa	Mexico	Food and Beverages
Fresnillo	Mexico	Metals and Mining
GF Norte	Mexico	Banking
Grupo Bimbo	Mexico	Food and Beverages
Grupo Carso	Mexico	Retail (Hld)
Grupo Elektra	Mexico	Retail
Grupo Inbursa	Mexico	Banking
Grupo Mexico	Mexico	Metals and Mining
Grupo Pão de Açúcar	Brazil	Food and Beverages
Grupo Televisa	Mexico	TLC
Industrias Penoles	Mexico	Metals and Mining
Itau Unibanco Holding	Brazil	Banking
Itausa – Investimentos Itau	Brazil	Banking (Hld)
JBS	Brazil	Food and Beverages
Lojas Americanas	Brazil	Retail
Metalurgica Gerdau	Brazil	Metals and Mining
Minera Frisco	Mexico	Metals and Mining
Natura Cosmeticos	Brazil	Cosmetics
OGX Petroleo e Gas Participacoes	Brazil	Metals and Mining
PDG Realty	Brazil	Real Estate
Sabesp	Brazil	Electricity and other Utilities
Sul America	Brazil	Banking
Suzano Papel e Celulose	Brazil	Pulp and Paper
Tele Norte Leste	Brazil	TLC
Usiminas	Brazil	Metals and Mining
Vale	Brazil	Metals and Mining

Appendix B. First step estimations

Table B1 First step regressions, CSR

Model Dependent variable Estimation Method	(1) *Social Policies* *RE2SLS*	(2) *Social Policies* *RE2SLS*	Model Dependent variable Estimation Method	(3) *CSR Report* *RE2SLS*	(4) *CSR Report* *RE2SLS*
IV Social Policies	0.80*	1.03*	*IV CSR Report*	0.78*	1.07*
	(0.31)	(0.32)		(0.28)	(0.29)
HCSPF	−0.00	0.15*	*HCSPF*	0.016	0.17
	(0.02)	(0.09)		(0.02)	(0.07)
*IV Social Policies * HCSPF*		−0.18*	*IV CSR Report * HCSPF*		−0.23
		(0.10)			(0.09)
Size	0.00	−0.02	*Size*	0.06*	0.04*
	(0.02)	(0.02)		(0.02)	(0.02)
Age	0.07	0.04	*Age*	−0.09	−0.09
	(0.05)	(0.04)		(0.04)	(0.04)
SOEs	−0.02	−0.04	*SOEs*	−0.00	−0.00
	(0.11)	(0.11)		(0.13)	(0.13)
ROE	−0.01	−0.01	*ROE*	0.05	0.04
	(0.01)	(0.01)		(0.05)	(0.05)
Risk	−0.01	−0.07	*Risk*	0.01	−0.01
	(0.04)	(0.05)		(0.14)	(0.15)
Internationalization	−0.01	−0.00	*Internationalization*	−0.01	−0.00
	(0.00)	(0.00)		(0.01)	(0.01)
CSR Experience Social Policies	0.01	0.01*	*CSR Experience CSR Report*	0.07*	0.07*
	(0.01)	(0.01)		(0.01)	(0.01)
Media Exposure	8.28	8.80	*Media Exposure*	6.46	4.82
	(3.39)	(3.41)		(4.61)	(4.53)
Industry dummy II	−0.14	−0.10	*Industry dummy II*	−0.14	−0.11
	(0.09)	(0.10)		(0.12)	(0.13)
Industry dummy III	−0.15	−0.13	*Industry dummy III*	−0.19	−0.12
	(0.01)	(0.09)		(0.12)	(0.13)
Mexico	−0.07	−0.05	*Mexico*	−0.04	0.07
	(0.08)	(0.08)		(0.11)	(0.11)
Time dummies	YES	YES	*Time dummies*	YES	YES
Number of observations	394	394	Number of observations	394	394
Adjusted R^2	0.62	0.63	Adjusted R^2	0.55	0.55
F-statistics	29.72* (df 22; 372)	30.19* (df 23; 371)	F-statistics	23.38* (df 22; 372)	22.15* (df 23; 371)

Note: *** p-value < 0.01; ** p-value < 0.05; * p-value < 0.1; robust standard errors in brackets. *RE2SLS:* Random Effect Panel Two-Stage Least Squares.

Table B2 First step regressions, interaction CSR and HCSPF

Model	(1)	Model	(2)
Dependent variable	*Social Policies *HCSPF*	Dependent variable	*CSR Report *HCSPF*
Estimation Method	*RE2SLS*	Estimation Method	*RE2SLS*
IV Social Policies	0.03 (0.45)	*IV CSR Report*	0.01 (0.56)
HCSPF	0.07 (0.20)	*HCSPF*	0.26* (0.15)
*IV Social Policies * HCSPF*	0.90* (0.22)	*IV CSR Report * HCSPF*	0.66* (0.18)
Size	0.01 (0.04)	*Size*	0.03 (0.04)
Age	0.00 (0.06)	*Age*	−0.05 (0.07)
SOEs	0.08 (0.01)	*SOEs*	0.16 (0.16)
ROE	−0.03 (0.03)	*ROE*	0.00 (0.03)
Risk	−0.07 (0.09)	*Risk*	0.11 (0.13)
Internationalization	−0.01 (0.01)	*Internationalization*	0.02 (0.01)
CSR Experience Social Policies	0.02 (0.01)	*CSR Experience CSR Report*	0.09* (0.02)
Media Exposure	18.50 (7.38)	*Media Exposure*	12.50 (9.09)
Industry dummy II	−0.03 (0.16)	*Industry dummy II*	−0.07 (0.24)
Industry dummy III	−0.27 (0.20)	*Industry dummy III*	−0.29 (0.23)
Mexico	0.17 (0.18)	*Mexico*	−0.04 (0.21)
Time dummies	YES	*Time dummies*	YES
Number of observations	394	Number of observations	394
Adjusted R^2	0.76	Adjusted R^2	0.69
F-statistics	54.65* (df 23; 371)	F-statistics	38.42* (df 23; 371)

Note: $^{***}p$-value < 0.01; $^{**}p$-value < 0.05; $^{*}p$-value < 0.1; robust standard errors in brackets. *RE2SLS:* Random Effect Panel Two-Stage Least Squares.

Appendix C. Correlation table

	Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	CSIR	1																			
2	HCSPF	0.135	1																		
3	Social Policies	0.099	0.059	1																	
4	CSR Report	0.134	0.171	0.502	1																
5	Social Policies*HCSPF	0.164	0.85	0.406	0.328	1															
6	CSR Report*HCSPF	0.155	0.76	0.275	0.558	0.82	1														
7	Size	0.136	0.449	0.019	0.129	0.374	0.333	1													
8	Age	0.135	0.084	0.183	0.119	0.145	0.135	0.308	1												
9	SOEs	0.019	−0.102	0.075	0.086	−0.04	−0.001	0.01	0.197	1											
10	ROE	−0.028	−0.035	0.072	−0.006	−0.029	−0.02	−0.157	−0.04	−0.052	1										
11	Risk	−0.081	−0.119	0.15	−0.087	−0.08	−0.055	−0.173	−0.088	−0.102	0.512	1									
12	Internationalization	0.463	0.437	0.038	0.187	0.369	0.417	0.409	0.107	−0.067	−0.024	−0.058	1								
13	CSR Experience Social Policies	0.191	0.101	0.545	0.413	0.291	0.278	0.201	0.383	0.237	0.055	0.073	0.189	1							
14	CSR Experience CSR Report	0.079	0.232	0.384	0.712	0.359	0.511	0.146	0.204	0.077	−0.068	−0.065	0.344	0.527	1						
15	Media Exposure	0.101	0.174	0.093	0.145	0.188	0.208	0.018	−0.155	−0.082	−0.038	0.119	0.255	−0.019	0.166	1					
16	Industry dummy I	0.19	−0.025	0.098	−0.03	0.038	0.032	−0.134	0.058	−0.215	0.024	0.014	0.005	0.065	−0.102	0.013	1				
17	Industry dummy II	−0.119	−0.101	0.021	0.002	−0.015	0.004	−0.122	−0.051	−0.098	0.124	0.26	−0.112	−0.02	0.007	−0.12	−0.323	1			
18	Industry dummy III	−0.042	0.047	−0.083	0.083	−0.054	−0.001	0.171	0.014	0.284	−0.126	−0.226	0.111	0.002	0.126	0.11	−0.511	−0.597	1		
19	Mexico	−0.059	0.279	−0.207	−0.177	0.194	0.111	0.206	0.008	−0.296	−0.05	−0.092	0.174	−0.307	−0.091	0.107	0.165	−0.109	−0.104	1	
20	Brazil	0.059	−0.279	0.207	0.177	−0.194	−0.111	−0.206	−0.008	0.296	0.05	0.092	−0.174	0.307	0.091	−0.107	−0.165	0.109	0.104	−1	1

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