A Study of Determinants and Impacts of Leading Chinese Firms' Corporate Social Responsibility Activities

Shuangqi Wu, BSc, MSc

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Abstract

Being helpful and kind is a virtue rooted in Chinese culture. However, profit-making and fast-growth orientation in the Chinese business sector has caused a series of social issues. In 2008, the Sanlu milk scandal and firms' donations to Wenchuan-earthquake relief were typical bad and good examples of socially responsible behaviors. Given social responsibility on one side and social irresponsibility on another side, this thesis has threefold objectives in response to the lack of thorough CSR studies in China and potential methodology issues. With a combination of multiple theories including stakeholder theory, institutional theory, corporate governance theories and agency theory as theoretical foundations, this thesis first applies fixed-effect models to untangle the factors determining a good level of Chinese companies' overall social performance in the same year and a lagged year by using a sample of Chinese listed companies from 2008 to 2012. Then this thesis extracts corporate philanthropy from corporate social responsibility for analysis due to the wide practices among Chinese companies. Both quantitative and qualitative content analyses are employed to investigate the stakeholders and institutions driving philanthropy-disclosure compilations and activities disclosed of 120 leading Chinese multinational corporations in 2017. In a further step, whether or not cash and gift-in-kind giving would in turn benefit Chinese firms' value are examined based on a sample of Chinese listed companies used in the first chapter, but with the time period extends to 2016.

The findings suggest that managerial shareholdings reduce the level of overall

corporate social performance while rising wages, employment as well as tax payments are the main determinants of a better level of corporate social performance. The thesis also finds that the stakeholder framework, agendas, guidance and standards issued by international- and nation-wide-level institutions play key roles in shaping leading Chinese multinationals' philanthropy-disclosure compilations. A wider group of stakeholders (e.g. government, employees and charitable foundations), but less institutions, are found to influence the philanthropic activities disclosed. Also, a salient trend of corporate philanthropy development is traced among the leading corporations. The results of the final chapter reveal that corporate philanthropic giving could increase firm value measured by Tobin's q. Non-government ownership is not found as a moderator between the philanthropic giving-firm value relationship. While executives' shareholdings play a positive moderating role in the relationship, inferring senior managers' contrast attitudes towards overall corporate social performance and pure philanthropic giving.

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Declaration

I declare that the thesis is the result of my own work which has been mainly undertaken during my period of registration for this degree at the University of Nottingham. I have complied with the word limit for my degree.

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List of Abbreviations

Abbreviations	Full terms
CGOs	central government & organisations
CEO	chief executive officer
CASIC	China Aerospace Science and Industry Corporation
CBRC	China Banking Regulatory Commission
CBCSD	China Business Council for Sustainable Development
CCB	China Construction Bank
CEEC	China Energy Engineering Corporation
CFIE	China Federation of Industrial Economics
COFCO	China National Cereals, Oils and Foodstuffs Corporation
SINOMACH	China National Machinery Industry Corporation
CSCEC	China State Construction Engineering
CSRC	China Securities Regulatory Commission
CSSC	China State Shipbuilding Corporation
CSMAR	China Stock Market & Accounting Research
Sinopec	China Petroleum & Chemical Corporation
CASS	Chinese Academy of Social Sciences
CESA	Chinese Electronics Standardization Association
CSRC	Chinese Security and Regulatory Commission
CHINCA	China International Contractors Association
CCL	Control Chain Length
CFP	Corporate Financial Performance
CP	corporate philanthropy
CPG	corporate philanthropic giving
CECP	Corporate Purpose
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
DCF	discounted cash flow
EEO	equal employment opportunity
ESIs	environmentally sensitive industries
ESG	Environmental, Social and Governance
EXE	Executives' share ownership
FFE	foreign funded enterprises & others
FTSE	Financial Times Stock Exchange
GRI	Global Reporting Initiative
IT	information technology
LEV	leverage
LGOs	local government & organisations
PBT	profit before tax and after interest
PICC	poor farmers in Fuping county
RMB	Renminbi
R&D	research and development
RBV	resource-based view
ROA	return on assets
ROE	return on equity
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
SOE	state-owned enterprises
SAI	Social Accountability International
SER	social and environmental reporting
TSMC	Taiwan Semiconductor Manufacturing company
MIIT	Ministry of Industry and Information Technology of China

NPs	natural persons
NGO	nongovernmental organisation
non-SOEs	non-state-owned enterprises
NYSE	New York Stock Exchange
SASAC	state-owned Assets Supervision and Administration Commission of the State Council
ISO	International Organisation for Standardisation
OBOR	One Belt One Road initiative
UCS	Ultimate Controlling Shareholder
UN	United Nations Accountability
VIFs	variance inflation factors

1. Introduction of the Thesis

1.1 Introduction

Concerns about corporate social responsibility (CSR) have grown significantly during the last three decades in a global context. Friedman (1970) asserted that increasing profits was the only social responsibility of business. However, the separation of corporate ownership and control from the society in which it operates was argued to create opportunities and incentives for firms to benefit themselves to a free ride on public goods and resources, or even worse - subverting social welfare (Campbell, 2007). In the case of contemporary China, not a few state-owned and private enterprises used to be (and some still are) continuously more profit-making oriented and believed that maximising profits and meeting legislation requirements were the only responsibilities of their companies. However, due to their negligence of the social and environmental aspects of CSR, issues such as defective consumer products, worker suicides, low wages, toxic emissions within workplaces and high workloads have become important social problems (Sarkis, et al., 2011). For example, the 2008 milk scandal exposed that Sanlu Group added melamine to formula milk powder to boost the protein content, which could potentially cause infant kidney stones (Noronha et al., 2013).

With globalisation, the idea of CSR was introduced to China in the 20th century (Lin, 2010) and CSR-related business policies were also issued by the government to promote CSR in the business sector. The Harmonious Society of

the Government National People's Congress directed businesses to focus on harmony and social balance rather than only economic growth. Social responsibility was added to Chinese company law (Lin, 2010). Similarly, specific public companies listed on the Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) have been required for CSR information disclosure since 2008. These and several other CSR initiatives have led to a great deal of improvement in the corporate social performance (CSP) of Chinese companies, especially state-owned enterprises (SOEs) (Wang et al., 2012).

When Chinese companies are under pressures both nationally and internationally, what are the factors driving a good level of their CSP? What policies, standards and regulations do they follow when implementing particular CSR activities such as corporate philanthropy? Who are the main stakeholder groups the Chinese companies pay attention to? In turn, can companies themselves benefit from the philanthropic giving to the society? The thesis is going to answer these questions by sampling Chinese leading companies in the recent decade with mixed research methods. The answers would be meaningful to draw a clear picture of the extent to which Chinese companies understand CSR and engage in CSR activities at the current stage.

The remaining of the Introduction is organised as follows. The details of research objectives, research questions and expected value of the study are given following the introduction. The second section reviews literatures about CSR developed in western countries and summarizes the overall status of CSR in China. The third section briefly explains the methodologies the thesis uses. The

organisation of the three main studies of the thesis is summarised in the last section.

1.1.1 Research Objectives

The thesis aims to investigate the determinants, trends and impacts of leading Chinese companies' CSR activities. The research objectives are as follows:

1) Study financial capacities and vested interests of stakeholders that affect overall corporate social performance of Chinese listed companies.
2) Study the stakeholder groups and institutions that Chinese top companies focus on when engaging in corporate philanthropy – an important sub-dimension of CSR.
3) Investigate the impacts of corporate philanthropic giving on firm value measured by Tobin's q among the Chinese listed companies.

1.1.2 Research Questions

The research aims to answer the following questions by three different studies. In the first chapter, three sets of questions are raised in terms of the overall CSR ratings as a proxy of the level of corporate social performance,

1) Are the listed Chinese companies' CSR rating affected by their financial performance?

2) Do the vested interests of different stakeholders in the listed Chinese companies affect their level of CSR ratings?

3) Do the nature of listed Chinese companies' controlling shareholders and the

related control level affect their CSR ratings?

The second chapter particularly looks at one key sub-dimension of CSR – corporate philanthropy of the leading Chinese multinational companies and investigates how the stakeholder groups and institutions shape the philanthropy information disclosures and practices. The three main research questions are listed as follows:

4) What are the institutions shaping corporate philanthropy disclosures and practices of the leading Chinese multinational companies?

5) What are the frameworks the leading Chinese multinational companies have adopted for disclosing their philanthropic activities?

6) Who are the most relevant stakeholders to the leading Chinese multinationals' philanthropic activities?

The last chapter further explores the relationship between corporate giving - a widely-used form of corporate philanthropy and firm value of Chinese listed companies. The two main research questions are as follows:

7) Can corporate philanthropic giving increase firm value of the listed companies in China?

8) How do non-government ownership, managers' shareholdings and independent board members affect the relationship between corporate philanthropic giving and firm value of the listed companies in China?

1.1.3 Expected Value of the Thesis

The thesis is expected to make a number of contributions to the CSR literature and management practices. The first contribution made by the first chapter is that the stakeholder theory will be adapted to the Chinese context for understanding firm motivations for CSR. From the analysis of "stakeholder theory with Chinese characteristics", a series of hypotheses are proposed about the proximate determinants of CSR ratings in Chinese firms, centring on the interests of main. Since only few empirical studies have investigated how the treatment of employees affects corporate social performance of the listed companies in China. The first chapter fills the gap by exploring how employees' financial incentive bonds with CSR. In addition, as the prior research linking ownership structure with CSR examines the relationship between direct ownership and CSR, the first chapter makes the third contribution by tracing the ownership to the ultimate controlling shareholders who have the control right over the firm. Empirically, little existing research has used more than 2 years of data due to the short history of CSR practices in China (e.g. Gao, 2009; Kuo et al., 2012), making it hard to establish causality. This chapter uses firm panel data to test the causal relationship between firms' characteristics and their ratings for CSR in emerging markets.

The second chapter makes four main contributions to the existing literature. First, it thoroughly examines the influential factors, varieties and trends of the philanthropic activities fulfilled by leading Chinese multinational corporations. Second, it vertically compares and contrasts the respective stakeholders and institutions guiding compilations as well as actions disclosed. Third, it also

horizontally compares and contrasts the influential stakeholders and institutions addressed in various philanthropy-related society issues such as education, health service, disaster relief and poverty alleviation. last, a combination of quantitative and qualitative content analyses is uniquely designed to explore corporate philanthropic activities and disclosures in the Chinese context.

Finally, there are very limited studies theoretically and empirically investigating whether corporate philanthopic giving can increase firm value measured by Tobin's q in China in the past decade. Hence, the last chapter firstly makes a theoretical contribution by justifying Tobin's q as an optimal outcome measurement in the chapter of investigating the effect corporate philanthopic giving on firm value. In addition to investigate the direct relationship between corporate philanthopic giving and firm value, the empirical part contributes to the existing literature by investigating the moderating roles of three corporate-governance factors, namely government ownership, CEO's long-term pay in the form of shares and the proportion of independent board members.

1.2 Literature Review

1.2.1 What Are CSR, CSP and CSR Disclosures?

The contemporary concepts of CSR date back to the 1950s (Carroll, 1999). Bowen (1953), who was called the "father of corporate social responsibility" by Carroll, put forward the first definition of the social responsibility of businessmen[1]. However, after more than a half century, a consensus is not yet achieved on how CSR should be precisely defined. Because of different expectations and interests from different groups within the society, biases often occur in the formation of the definitions and conceptual models (Marrewijk, 2003). For example, trade unions emphasize the importance of employees' rights; while politicians may view CSR as a mean of improving global governance. Notwithstanding, five dimensions are found to be most frequently invoked in various definitions of CSR, which are economic, social, environmental, stakeholder and voluntariness dimensions (Dahlsrud, 2006). Hence, this study adopts a well-known definition in the history, which was set forth by Carroll (1979), alongside with a recently updated definition embracing the five dimensions that was offered by the European Commission (EC, 2011) as the conceptual foundation for further review and CSR analysis.

The four-part definition proposed by Carroll (1979, p.500) was a notable contribution to the development of CSR, as it was the first definition describing the social responsibilities of business in a sensible and clear logic:

[1] "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." (Bowen, 1953, p6).

> "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."

According to Carroll's (1999) elaboration of the definition, the four components are in a pyramidal structural. First, a fundamental and basic function of business is to provide goods and services and make profits. Second, business is expected to obey laws. The third and fourth parts extend business performance and activities beyond basic functions and legal obligations. Specifically, the ethical responsibility indicates that business is expected to follow ethical norms. Discretionary responsibilities represent voluntary roles that business pursues, which are neither required by law nor expected in an ethical sense, but which are driven by social norms and increasingly strategic. One example is making philanthropic giving and providing child care for working mothers (Carroll, 1979). Even though discretionary responsibilities left great latitude to managers' judgment and decisions, they are still expected by the society. It was emphasized that all the responsibilities should be fulfilled at the same time, rather than in sequence (Carroll, 1991).

Since the stakeholder theory was utilized by Freeman (1984) to explain CSR, the term "social" was specified to stakeholders who are specific groups within the society to which the corporation needed to be responsible. Therefore, more recent studies of CSR supplement the definition with the concept of "interaction with stakeholders". In addition, the "environmental issues" are also more frequently brought into concern in the social impacts.

In 2011, the European Commission put forward a new and simpler definition of CSR that evolves from "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (EC, 2001, p.4) to "the responsibility of enterprises for their impacts on society" (EC, 2011, p.6). The latter looks like a quite simple one, however, it is followed by a detailed depiction, of which the logic is similar to Carroll's (1979). The prerequisite responsibilities business should take on are fulfilling collective agreements with social partners and performing within the legal framework. Furthermore, "to fully meet their corporate social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" (EC, 2011, p.6).

CSP and CSR disclosure are two CSR-related concepts frequently used in the literature. CSP was defined by Waddock (2004, p.11) as "the broad array of strategies and operating practices that a company develops in its efforts to deal with and create relationships with its numerous stakeholders and the natural environment". CSR disclosure is the information provided by the organisation regarding its social performance. For example, an annual report is a type of disclosures of management and accounting information that is published to external investors and shareholders. However, CSR cannot fully represent CSP.

1.2.2 Mainstream CSR Models and Theories

Social and economic interests had no coupling or loose coupling in CSR studies before the 1980s. After that, a number of CSR models and theories were developed to place CSR into a more practical and managerial approach (Lee, 2008). This part mainly reviews and critically discusses two classical models, which were produced by Carroll (1979; 1985; 1991) and Wood (1991), and three system-oriented theories related to CSR: stakeholder theory, institutional theory and legitimacy theory.

1.2.3 Carroll's 1979 Model

The first fruitful CSR model in the history of the literature was proposed by Carroll (1979). His model of CSP suggests that firms or managers engaging in CSR activities need to 1) understand the four-part definition of CSR; 2) identify the social issues for which business should take responsibility and 3) specify the philosophy of responsiveness to the issues. In Carroll's model, economic and other social goals are no longer seen as incompatible trade-offs; rather, each of them is an integral part of the full responsibility of a corporation (Jamali, 2008; Lee, 2008). Moreover, this model lays a milestone in CSR studies for integrating CSR into corporation level study. For example, it helps managers to have a systematic assessment of major social issues and make strategic decisions. However, Carroll's model was found difficult to test as it did not provide the details and guidelines in each dimension. Scholars were not able to develop a methodology to evaluate corporate data relevant to CSR (Clarkson, 1995).

1.2.4 Wood's 1991 Model

In 1991, Wood attempted to refine the CSP model developed by Carroll (1979) and Wartick and Cochran (1985), aiming at putting CSR in a broad context and establishing an integrated and coherent conceptual framework for business and social research. To assess a firm's CSP, the researcher who applies Wood's 1991 model (see Appendix 1.1) would first exam the principles that motivate social responsibility actions taken by the firm at three levels: institutional, organizational and individual. At the second stage, the processes of corporate social responsiveness would be evaluated from three facets: environmental assessment, stakeholder management and issues management. In addition, the researcher would also assess the outcomes of corporate behaviour through examining the social impacts of the firm's actions, programs and policies.

Though her model presents a great advance from previous CSP models by incorporating a variety of theories (e.g., functional theory, legitimacy theory and stakeholder theory within the conceptual framework), it does not gain widespread application (Lee, 2008). From the perspective of research study, Wood's 1991 model suffers from the same shortcoming as Carroll's 1978 model: lacking clear and objective measurement of CSP. Hence it is problematic to measure and empirically test the model (Wood and Jones, 1995). With respect to management practices, Wood's 1991 model is argued to be failed to consider managers' needs for CSR programs implementation (Meehan et al, 2006; Waddock, 2004), and thus is less useful in influencing practices.

1.2.5 Stakeholder Theory

Since the mid-1980s, a stakeholder approach to CSR was rapidly developed by management scholars to solve the problem of measurement and testing left by previous theoretical models. The concept and models of stakeholder management is also easier for managers to understand and apply (Clarkson, 1995).

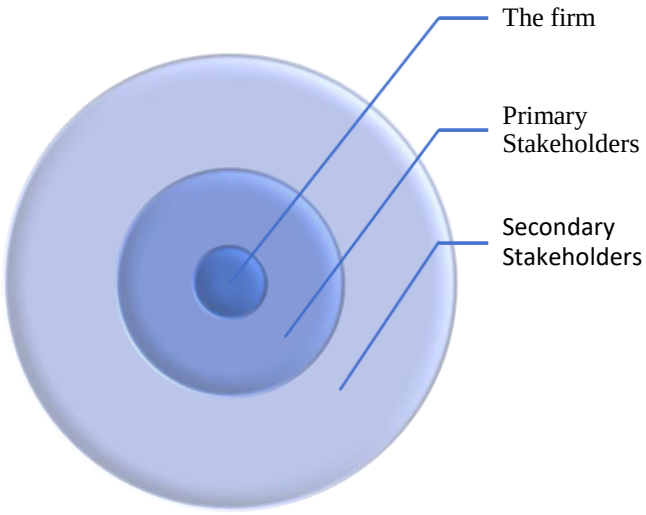
In 1984, Freeman constructed a coherent theory of stakeholder management in his landmark book: *Strategic Management: A Stakeholder Approach,* which defines stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman,1984, p.46). Thus, the survival of a firm from this view is influenced not only by its shareholders, but also many other groups, such as employees, government and local communities. A fundamental idea in stakeholder theory emphasizes that the organisation has dynamic and complex interactions with its environment.

There are two branches of stakeholder theory: one is an ethical (normative) branch and another is a managerial (instrumental) branch (Deegan, 2000). From the ethical perspective, stakeholders have the right to be treated equally by an organisation, and the organisation is expected to take on moral obligations to all stakeholders (Donaldson and Preston, 1995; Phillips, 2003). This theoretical view provides prescription of how organisations *ought to* satisfy stakeholder interests in an ethical way and believes that the normative commitment shapes strategies and affects financial performance (Harrison and Freeman, 1999). However, it does not play a direct role in explaining managerial performance

and has little explanatory power in a CSR context (Deegan, 2000).

The managerial (instrumental) branch of stakeholder theory is fundamentally a pragmatic concept (Freeman, 1999), which has been widely applied in the empirical studies of CSR (for example, Ullmann, 1985; Clarkson 1995; Orlitzky et al., 2003). It suggests that concern for stakeholders is motivated by the perception that it can strengthen the effectiveness of the organisation (Harrison and Freeman, 1999). Furthermore, the extent to which an organisation makes efforts to manage the relationships with its stakeholder groups depend on how important the groups are to the interests of the organisation (the interests need not be restricted to profit -seeking) (Gray et al, 1996).

Figure 1. 1 The primary level and secondary level of a company's stakeholders



Source: the diagram is drawn according to Clarkson's (1995) classification of stakeholders

Figure 1.1 illustrates the primary and secondary levels of a company's interactions with its substantive environment respectively (Clarkson, 1995).

Given that the company is viewed as the centre, a primary stakeholder group is one who has a direct impact on the continuing operation of the company (Clarkson, 1995). The primary stakeholder groups consist of shareholders, investors, employees, suppliers, banks, etc, with which the company interacts (at least in part) financially. Public stakeholder groups are like government and local authorities who issue laws and regulations that the company must obey, and to whom taxes and other obligations may be due.

Secondary stakeholder groups are not essential to the survival of the company as a going concern. However, a good management of the relationships with them is considered as means of company image enhancement. For instance, advertising is an interaction activity between a company and the media, which is very likely to be helpful in drawing the public's attention to particular products or services provided by the company and mobilizing public opinion in favour of a product or service. Another instance of a secondary stakeholder group is "environmental stakeholder". For example, a chemical company has to comply with the pollution prevention requirements produced by one of the first stakeholders - government, while it may go beyond the minimal requirements to gain support from environmentalists who are potential customers.

Within the framework of stakeholder view, empirical studies of CSR can be broadly divided into three categories. One is using qualitative research methods (e.g. survey, interview and content analysis[2] of CSR report) to explain CSP. For example, what are the motivations of managers to take CSR and disclose CSP?

[2] Krippendorff (1980, p24) defines content analysis as "a research technique for making replicable and valid inferences from data to their context".

How do they select different-level stakeholders and incorporate social and environmental activities into their business strategies? What are the outcomes of CSR activities? Longo et al. (2005) designed questionnaires based on stakeholder theory and conducted surveys among 312 small and medium-sized cross-sectional industries on the Italian territory in the Emilia Romagna region. Their study makes a contribution to identifying and classifying the interests of key stakeholders (employees, customers, suppliers and communities) apart from shareholders who were beneficial to a company's value creation. The findings suggested that 20 of 39 companies that performed socially responsible were motivated by either ethical reasons or value-creation purposes (e.g. increase market share and improve company image).

In their study of 40 British and German companies, Silberhorn and Warren (2007) undertook an analysis of the corporate CSR websites as well as interviews with senior managers. They found that first, there was a trend of integrating CSR into the company's comprehensive business strategy. Companies did so were mainly driven by performance considerations and stakeholder pressure. Second, most CSR policies addressed community, employee and customer issues. Third, German companies under examination might feel more obliged to embrace a broader and clearer notion of CSR in the future. Fourth, large companies have similarities in delivering CSR messages, but act slightly differently due to different institutional situations in two different countries (e.g. Germany has stricter legislation on employee rights). In Jamali's (2008) study, she followed the Ethical Performance Scorecard proposed by Spiller (2000) to assess CSR practices taken by a sample of Lebanese and Syrian firms that were considered

proactive in CSR activities. Based on the empirical findings, she tested a list of hypotheses derived from stakeholder theory. For instance, the data she obtained seem to support the hypothesis that "developing country firms prioritize their stakeholders based primarily on instrument considerations." In another result, managers did selectively address stakeholder issues for instrumental reasons.

Another mainstream of analysing CSR using a stakeholder approach is applying quantitative research method (e.g. regression analysis) to empirically test the relationship between CSR and CFP and/or risk. In addition, mixed methods are also utilised in CSR research. Taneja et al. (2011) found that quantitative and mixed methods have become the predominant research methods of strengthening the CSR subject knowledge among recent publications. The managerial branch of stakeholder theory suggests that CSP is positively related with CFP and negatively related with firm risk (Orlitzky, et al., 2003). The relationships could be argued from at least three points (Kurucz, et al, 2008): Cost and risk reduction; gaining competitive advantage and developing reputation (Carroll and Shabana, 2010).

Being socially responsible is argued to reduce costs and risk (e.g. Hart 1995; Berman et al., 1999). Cornell and Shapiro (1987) contend that the value of a firm depends on the costs of both explicit and implicit claims of its primary, and secondary stakeholders. Explicit claims are like shareholder agreements, employee wage contracts and product warranties. Implicit claims, such as job security to employees, quality service, and environmental and social

responsibility, are features “too nebulous and state contingent to reduce to writing at a reasonable cost” (Cornell and Shapiro, 1987, p.6). If a firm does not perform in a socially responsible manner, stakeholder groups having implicit contracts with the firm would probably attempt to transform those implicit contracts to more costly explicit contracts. For instance, in China, chemical companies might have met the standards of emissions set by the local authority, but failed to act beyond the basic requirements, which still resulted in serious pollution. Hence, the government agencies nowadays may attempt to pass more stringent regulations, constituting explicit contracts, to force companies to perform in a more socially responsible manner. Even though firms may incur significant expenses during the process of taking socially responsible actions, firms with a positive image of CSR could benefit from implicit claims that cause less cost and risk, and thus, have better financial performance. For example, companies that act proactively on environmental management could not only prevent present and future environmental spills, crises, fines and lawsuits, but also lower costs from materials waste, inefficient process and energy consumption (Klassen and McLaughlin, 1996).

A firm can also directly or indirectly enjoy value creation through gaining competitive advantage brought by certain CSR actions. Stakeholders will prefer the firm to its rivals when the firm engages in specific CSR initiatives that meet their perceived demands (Kurucz et al. 2008). Thus, companies can obtain competitive advantage through building essential relationships with targeted stakeholders by carefully conceiving CSR strategies and genuinely taking effective CSR practices. Smith (2005) maintained that explicit equal

employment opportunity (EEO) policies would allow companies to enjoy a competitive advantage in recruiting and retaining employees from widest talent pool. In addition, CSR initiatives play an important role in enhancing the relationship between a company and its customers (e.g. brand loyalty) and attracting investment from those who select companies with sound records on environmental management, employee relations and community involvement (Smith, 2005; Pivato et al., 2008). Corporate philanthropy may also be justified based on an economic rationale (Carroll and Shabana, 2010). However, philanthropic giving may have impact on a company's competitive context only on the premise that there is a "convergence of interests" between social and economic gains (Porter and Kramer, 2002, pp.58).

Reputation arguments contend that good CSP provides a vital source of enhancing a company's reputation (Porter and Kramer, 2006). Therefore, by aligning stakeholder interests through CSR activities, companies are able to build sound reputation in which economic gains can be acquired (Kurucz et al., 2008). Cause marketing[3] is a typical example of improving reputation through CSR activities. Companies utilise this marketing strategy to meet the needs of the different stakeholders in the society, and simultaneously enhance company and product images to evoke consumers' purchasing incentives, thus to pursue their financial goals (Smith and Alcron, 1991).

Empirical studies during the last three decades have yielded mixed results with

3 Cause marketing is a strategy where both product benefits and charitable giving are emphasised (Smith and Alcron, 1991).

respect to the association between CSR and CFP. Furthermore, the relationship mainly involves two research issues (Preston and O'Bannon, 1997): 1) what is the direction of the concurrent CSP-CFP relationship and 2) if there is a causal relationship between the two — does previous CSP (CFP) influence on subsequent CFP (CSP)? Or do they have a synergistic relationship?

In terms of the direction of the concurrent relationship, one group of studies reported a negative CSP - CFP relationship (e.g. Freedman and Jaggi, 1982). Some others failed to find significant linkages between these two performances (e.g. Wartick, 1988). A third group of scholars found positive results (e.g. Roberts, 1992; Graves and Waddock, 1994; Van de Velde, 2005). For example, Roberts (1992) adopted return on equity as the proxy of a firm's financial performance and found that corporations with greater economic performance were more likely to exhibit higher current levels of CSR disclosure. The findings of the Van de Velde et al. (2005) study suggested that on a style-adjusted basis, high sustainability-rated portfolios had better performance than those with low ratings. Beurden and Gössling (2008) concluded that literature study indeed shows clear empirical evidence for a positive correlation between CSP and CFP.

Among previous studies focusing on a causal relationship between CSP and CFP, McGuire et al. (1988) found that prior CFP is more closely related to CSR than subsequent CFP. Other researchers using a similar approach acquired different results. More recently, Margolis et al. (2007) and Orlizky et al. (2003) used meta-analysis to present strong support for the notion that corporate financial and social performance influence each other through a virtuous circle. Financial

successfully companies normally have greater levels of CSP and better CSP can contribute to a greater level of economic performance.

Stakeholder theory also supports that CSR actions could reduce firm risks, like losing talent employees, being fined by the government and getting access to capital funds. In quantitative research studies of CSR, firms' risks are mainly referred as accounting-based and market-based risks, as they could be measured and tested. A general negative relationship between CSP and firm risk is found in previous empirical studies. For instance, in their meta-analytic review of relevant literature between 1968 to 1985, Orlitzky and Benjamin (2001) found that the higher a firm's CSP, the lower its financial risk. Additionally, the results also suggested that CSP appeared to be more strongly correlated with market-based risk than accounting-based risk.

1.2.6 Legitimacy Theory

Stakeholder theory has gradually moved to the centre stage of research in business and society relations, which is underpinning a lot of interpretations and explanations of CSR practices (Lee, 2007). Nevertheless, a number of alternative theories, such as legitimacy theory and institutional theory, which have overlaps with, but also complement stakeholder theory in CSR studies.

The insights offered by stakeholder theory, legitimacy theory and institutional theory build on those emanating from political economy theory, which embraces the view that politics, society and economics are interconnected (Deegan, 2002).

By considering the political economy, a researcher can argue to be better able to address societal issues that influence how an organisation performs and what information it elects to disclose.

Legitimacy theory relies on the notion that the "social contract" exists between an organisation and its respective society (Guthrie et al., 2006). Organisations draw on resources provided by the society and waste products to the general environment. They are not considered to possess inherent rights to the resources and benefits (Mathews, 1993). Thus, an organisation's continuous existence will be threatened if it breaches the social contract. For example, consumers would boycott those products or companies that do not meet their expectations. From the perspective of legitimacy theory, a company has to operate within the norms and bounds of the society in which it operates and the norms and bounds could be changing all the time (Guthrie et al., 2006). However, an organisation can adopt a number of combative strategies, such as targeted disclosures to impact the perceptions of its relevant public when it perceives its legitimacy is in question (e.g. financial scandals or a serious pollution leak) (Lindblom, 1994).

Legitimacy theory is a variant of stakeholder theory. In brief, stakeholder theory highlights the direct effect that stakeholders have on managerial strategies for a company's actions and reporting. Legitimacy theory adds conflict and dissension to the picture, and it provides useful insights into social accounting practice (Gray et al., 2009) Therefore, a legitimacy perspective to CSR is often employed by the scholars who exam voluntary disclosures of CSR. Quite a few empirical studies viewed social and environmental reporting (SER) as a method

used by companies in response to external pressure (Guthrie and Parker, 1989; Deegan and Rankin, 1996). For instance, there is a general tendency for SER to emphasize the positive aspects of a company's performance rather than negative points. Such a disclosure approach may be explained as induced by legitimizing purposes (Deegan, 2002, 2007; O'Donovan, 2002).

The use of qualitative research method including content analysis and interviews is closely tied to the test of legitimacy theory in the empirical studies of CSR reporting. For example, Deegan et al. (2002) used content analysis to measure both media attention and corporate social disclosure of BHP Ltd from 1983 to 1997. The findings suggested that management released SAR to respond to unfavorable media attention, which lend support for legitimacy theory as an explanatory factor for social and environmental disclosures. O'Donovan (2002) adopted semi-structure interviews with senior personnel from three large Australian public companies and the findings supported legitimation motives for a company's environmental disclosures.

1.2.7 Institutional Theory

Institutional theory is closely related to both stakeholder theory and legitimacy theory, and institutional theory and legitimacy theory share the same notion (Deegan, 2002; Gray et al., 2009). Specifically, institutional theory suggests that organisations seek to legitimize themselves within a given environment by adapting their structure and operations, and attempt to become isomorphic with these environments (Dimaggio and Powell, 1991). Furthermore, neo-

institutional theory emphasizes the role institutions play in shaping organisations' behaviour (Doh and Guay, 2006). To investigate the conditions under which corporations are likely to behave in a socially responsible manner, Champbell (2007) offered a series of propositions based on institutional theory and comparative political economy, and argued that the relationship between corporate behaviour and economic conditions is mediated by a list of institutional conditions[4]. Doh and Guay (2006) extended neo-institutional and stakeholder theory in their study to explore how differences in the institutional environments of Europe and the United States impact on expectations about CSR through examining government policy, corporate strategy, and nongovernmental organisation (NGO) activism towards specific CSR issues. Based on theoretical and empirical research, and analysis of three case studies, they contended that different institutional structures and political legacies in the EU and US were significant factors in the dynamic interactions among corporations, NGOs and governments in resolving CSR related issues. Jones (1999) established an institutional framework for the determinants of CSR, suggesting that institutional structure, such as socio cultural, national economy, industry, firm, and individuals, mainly determines CSR.

Because the boundaries of these theories are always blurred, and because they can offer slightly different and meaningful insights, some scholars have

[4] Specifically, institutional conditions referred in the study are public and private regulation, the presence of nongovernmental and other independent organizations that monitor corporate behavior, institutionalized norms regarding appropriate corporate behavior, associative behavior among corporations themselves, and organized dialogues among corporations and their stakeholders.

managed to adopt more than one theory to explain CSR actions (e.g. Doh and Guay, 2006). For a comprehensive understanding of CSR, the thesis synthesizes theories to develop a systematic and coherent conceptual framework for studying CSR in China.

1.2.8 CSR in China

Since its appearance in North American business in the 1950s (Bowen, 1953; Carroll, 1999), CSR has developed as a multinational (Williams and Aguilera, 2008) and global business issue (Levy and Kaplan, 2008; Schrerer and Palazzo, 2008). There is a notable transition that CSR practices expanded to both other democratic capitalist countries (Habischet et al., 2005) and countries where the economy has been largely controlled by the state, e.g. Asia. (Chapple and Moon, 2005; Moon and Shen, 2010). Given that voluntariness is an important aspect of CSR by definition, CSR practices in China imposes a stark contrast to the traditional way it has been treated in most western countries. The government has been playing a critical role in interfering with CSR in China, due to the institutional environment with Chinese characteristics. As Chinse listed companies are distinguished from their counterparts in other markets in relatively large state stake (Tian and Estrin, 2008), the government as owner plays a role in Chinese listed firms quite out of line with that observed in other countries. In their study, Li and Zhang (2010) revealed that in the sample of 1481 Chinese public listed companies, 63.15% have the government as ultimate controller, comparing with the highest 23.50% in Singapore and the lowest 0.08% in the U.S., amongst all other countries. “The high extent of retained government

ownership of Chinese listed companies suggests that political interference becomes an important institutional characteristic of China's capital market" (Li and Zhang, p.633) and thus offers a great opportunity to study the government's role on CSR.

For example, the state-owned Assets Supervision and Administration Commission of the State Council (SASAC) issued *Notification on Issuance of the Guidelines on Fulfilling Social Responsibility by Central Enterprises* on 29 December 2007 (SASAC, 2008), which marks the call for CSR fulfilment of enterprises owned by the central government. Another important policy is that three types of companies listed on the Shanghai Stock Exchange (SSE) (i.e. companies from financial industry, companies listed in foreign stock exchanges and companies included in SSE corporate governance index) have to mandatorily disclose CSR information alongside with their annual reports since 31 December 2008. Likewise, companies in the SZSE 100 Component Index have been required for CSR disclosure from 2009. A number of other regulatory instruments and guidelines have also been coordinated to encourage voluntary disclosures of CSR information (Zhao, 2014).

There is evidence showing that the overall status of CSR practices (e.g. CSR disclosures) in China is still at the beginning stage (Moon and Shen, 2010; Yingjun, et al., 2015). For example, Li (2008) pointed out that the education and socialisation of owners and managers of Chinese companies do not extend to social responsibility, despite their relatively high levels of educational

attainment. Poor social accountability environment is another reason. For instance, there are misunderstandings over the interpreation of CSR, and attendant deficiencies of integrity, authenticity, reliability and standardization (Ling and Zhu, 2008). Gao (2009) utilised a content analysis of the official websites of the top 100 companies in China in 2007 and reported that only 19% of the companies released CSR-like reports, which was much lower than that of counterparts in the West. Even after 2009 when SSE and SZSE put in place formal regulations for CSR reporting, CSR disclosure was still underperforming. Based on the content analysis of CSR reports disclosed by 529 indigenous companies in 2010, Kuo et al. (2012) found that 41% of the companies in the sample failed to provide CSR information that allow stakeholders to understand their actions and less than half the companies provided text descriptions of their general CSR activities.

Albeit from a low base, CSR has been adapting itself in the Chinese context with the influences of multiple factors such as politics, institutions and corporate governance. Therefore, research focusing on CSR in China becomes valuable in exploring what and how multiple factors relates with CSR in emerging country settings. The regulations of CSR information disclosure have drawn scholars' attention on how political interference and regulation policy affects CSR reporting. As more than half of the listed companies in China are ultimately controlled by the government (Wang et al., 2012), it is also of scholars' interest to assess the impact of government ownership on CSR disclosures. Wang et al. (2012) carried out content analysis and regression analysis to test proposed hypotheses. The results demonstrated that companies controlled by the

government tended to disclose more comprehensive information of CSR. In addition, companies required for mandatory disclosure were found to provide more CSR information than those are not. Similarity, Li and Zhang (2010), who used regression analysis of a sample of companies from the manufacturing industry in 2007, found that controlling rights of the largest shareholder and the CSR score[5] imposed a positive relationship for SOEs, but a negative relationship for non-state-owned firms. Hence, previous empirical findings generally supported the crucial role that the government ownership and policies play in overall CSR disclosures.

However, when scholars split CSR activities into subtopics, for instance, corporate philanthropic giving (which is of particular interest in this study), the government's role seems to be challenged. In their study, Zhang et al. (2009) used a unique dataset of Chinese listed firms to examine the relationship between charitable giving amount and firms' ownership type in the Wenchuan earthquake that took place on 12 May 2008. They found that stated-owned firms contributed less to the disaster relief regarding either the amount of donation or the percentage of firms. Similar findings were obtained by Song et al. (2012) who investigated the market reactions to corporate philanthropic giving in response to the Wenchuan earthquake. Based on a sample of 136 Chinese listed companies, the results showed that private firms were not only quicker to respond but also were more generous in making donations than those controlled by the government. Scholars interpreted that non-state-owned enterprises have

[5] Based on Shanghai National Accounting Institute's (SNAI) CSR ranking

superior performance because philanthropic giving helps to increase firm reputation, attract customers, create political relations and increase profit (Peng and Luo, 2000; Dickson, 2003; Li and Zhang, 2007; Zhang, et al, 2009). SOEs are less concentrated on profit maximisation since the government has both political and economic objectives (Estrin and Perotin, 1991). Philanthropic giving made by SOEs was argued as more an ingratiating effort than a genuine manifestation.

The manager's perception on CSR issues was also explored. Zu and Song (2009) conducted a questionnaire survey among chief executives of 100 Chinese industrial enterprises between 2003 to 2004. By applying factor analysis, they found that the true nature of managers' desire to take on CSR activities could be more economic-oriented (e.g. avoiding costs caused by further government regulations) than morally led. They also employed binary logit model to explore what were the determinants of CSR orientation. The results suggested that a firm's productive features (e.g. firm's ownership) played a more important role than managers' personal characteristics; Another finding gained from the regression analysis supported the view that managers' CSR orientation was positively correlated with a firm's financial performance. Similar findings were acquired by Gao (2009), who found that among various CSR issues, economics seemed to be the most concerned issue and companies under investigation identified shareholders, government, customers, suppliers/partners and employees as their most important stakeholders. In summary, with respective to real implementation of CSR activities, not only government pressures, but also economic benefits drive managers' motivations. The social and environmental dimensions are significantly less considered. This may be partly due to their lack

of understanding of CSR. Managers' interpretations of CSR behaviours are still highly dominated by traditional concepts of producing profits and obeying regulations and laws (Zu and Song, 2009; Xu and Yang, 2010), which are placed at the first two fundamental levels of Carroll's (1979) definition of CSR. In contrast, the literature review in this study shows that companies in both the UK and Germany performed socially responsibly mainly because of performance considerations and stakeholder pressure.

1.2.9 Critique of Prior Research

A distinctive feature of CSR studies in China is that they tended to combine stakeholder theory and corporate governance approach to analyse the influential power of the government, a vital stakeholder in most companies in China. For instance, many empirical researches include variables such as 'political connections' and 'government ownership' in their regression analyses (e.g. Li and Zhang 2010; Wang et al., 2012) to explore how these variables determine Chinese firms' CSP. While the government's role in influencing CSR was substantially studied, some other potential factors might have been neglected. Therefore, more factors should be explored in the studies on how the level of CSP of Chinese companies is determined and how CSR activities impact on firm performance mediate on the factors other than government-related effects. For example, profit motivation of managers through company share-holdings can be tested as if it is a factor impacting a company's CSP or/and mediating the relationship between CSP and firm financial performance. Other factors could be payments to employees, proportions of outside board numbers and shares

owned by the company's ultimate owners.

Another limitation is that there is a lack of a systematic conceptual framework developed in the Chinese context (Xu and Yang, 2010). Stakeholder theory is the most widely applied in Chinese CSR studies. However, scant literature applies institutional theory and legitimacy theory. They are considered to be applicable in the Chinese context. Noronha et al., (2013) provided an overview of the CSR reporting requirements in China and made a comparison with major reporting trends such as the adoption of GRI-G3. Their overview indicated that CSR reporting in China was at a very preliminary stage so that more empirical research is urgently called for. Kuo et al. (2012) suggested that environmentally sensitive industries (ESIs) in China be significantly committed to environmental information disclosure. Such disclosures could be interpreted as a legitimation strategy. Ramasamy and Yeung (2009) contended that Carroll's model can be applied in China. Therefore, it is suggested that multiple theories be applied to comprehensively assess CSR in China.

A limitation about methodology is that most empirical studies on the quantitative research of CSR were conducted using cross-sectional data (Chen and Wang, 2011; Miska et al., 2016; Wang et al., 2016), making it hard to establish causality. This is probably because there were only a few companies reporting CSR information until late 2008 when stock exchanges mandatorily required CSR disclosures and Chinese CSR rating agencies began to publish rating information. So far, the development of CSR allows this thesis to employ panel data to either examine the concurrent relationship between CSR and firm performance, or the causal relationship between them.

1.3 Methodologies

Quantitative and qualitative research methods are based on two fundamentally different world views (Johnson and Christensen, 2011). The quantitative view is advocated by positivists who believe that research is to uncover an existing reality (Balnaves and Caputi, 2001). It relies on the collection of numerical data and follows mathematical-based analytical methods. Qualitative research adopts a naturalistic approach aiming to retain fidelity to the real world and purists argue for the superiority of "social reality in subjects' perceptions of their environment" (Bryman, 1988, p70). Thus, how social reality should be studied is the major difference in views between two approaches (Gray and Densten, 1998). Despite the vigorous debates, combining the two approaches have merged as the third research paradigm that helps bridge the schism between qualitative and quantitative research (Onwuegbuzie and Lech, 2007). Just as Johnson and Onwuegbuzie (2004, p.14) stated, "both quantitative and qualitative research are important and useful." The goal of mixed methods research is to draw from the strengths and minimise the weakness of both in single or cross-studies (Johnson and Onwuegbuzie, 2004).

In the CSR area, the extensive usage of qualitative methods for analysing and concluding the results indicates its "novelty and nurturing nature" (Taneja et al., 2011, p.358). However, quantitative and mixed research methods are trendy among publications in recent years, hinting toward the strengthening of CSR subject knowledge (Taneja et al., 201). To fully explore "the determinants and impacts of leading Chinese firms' corporate social responsibilities activities", this thesis uses both qualitative and quantitative research methods.

1.4 Structure of the Thesis

The rest of this thesis is constituted as follows. The first chapter analyses the determinants of CSR ratings of Chinese listed companies from 2008 to 2012. The second chapter addresses the stakeholders and institutional factors influencing philanthropy information compilations and multi-themed activities disclosed. The final chapter investigates whether or not corporate philanthopic giving and its interactions with corporate-governance mechanisms affect firm value measured by Tobin's q in China. A full conclusion to the thesis will be presented at the end.

2. The Determinants of Virtue: Modelling the Changes in CSR Ratings of Chinese Firms 2008-2012

While China is on its way towards a harmonious society, corporate social responsibility (CSR) has become an essential adopted concept. This chapter applies stakeholder theory, agency theory and corporate governance to develop a comprehensive insight of CSR practices in China over the last decade. Empirically, most studies on CSR use cross-sectional data or case studies, making causality hard to establish. This chapter overcomes this limitation by using panel data on Chinese firms. Based on a five-year panel dataset consisting of 2,467 observations, the empirical results find no effect of last year's profitability on CSR ratings, although their negative contemporaneous relation suggests a trade-off. However, the positive effect of Tobin's q may indicate CSR is associated with intangible value to a firm. Managerial shareholdings reduce CSR ratings while rising wages and employment as well as tax payments are the main drivers of increasing CSR ratings. This suggests the CSR agenda is aligned with the interests of labour and government.

2.1 Introduction

A long-lasting debate over CSR is whether a business should be responsible for the general welfare of society (Zu and Song, 2009; Young and Makhija, 2014; Singer, 2015). If the answer is "yes", what mechanisms would firms chart in doing so? Following the principle of CSR, a firm should fulfil its social responsibilities, ensuing a social norm that observing a social contract that extends beyond profit-maximising commercial contracts is a virtue. The opposite argument was largely captured by Friedman's (1970, p.178) assertion that the "social responsibility of business" is to "make profit", and Gary Becker's response when he answered "no" to the question whether "*corporations have a social responsibility beyond stockholder value*?" was that *"……laws and contracts, and individual use of their own resources, rather than corporate behaviour, should be the way to implement various social goals*" (Becker-Posner Blog, July 2005). To Friedman and Becker, only if corporates can attract employees and customers that also value social responsibility can firms combine the profit motive with non-profit considerations including CSR (Kitzmueller and Shimshack, 2012).

In parallel with these normative debates, businesses have been confronted by the pressures to follow guidelines such as ISO26000 and GRI standards. The former is introduced by the International Organisation for Standardisation, aiming at helping organisations assess and address corporate social responsibilities (ISO, 2010). The latter are global standards for sustainability reporting, issued by the Global Reporting Initiative (GRI) (GRI n.d.). The key beneficiaries from ISO 26000 and GRI standards are intended to be employees, the natural environment

and local communities. In China, the concerns over the unbalanced development between economy and society have been emphasised by the Chinese government since the beginning of the 21st century. CSR-related business policies were thereafter introduced to promote local business further. Social responsibility was added to Chinese company law (Lin, 2010).

The last decade saw a rapidly growing salience of CSR fulfilment, which may be largely thanks to the pressures from the global organisations and counterparties, China home-government policies and several other CSR initiatives. Given the salient trend of CSR in China despite that costs will be incurred for taking in CSR activities, what would make Chinese corporations follow global guides, home-government regulations and other CSR policies? In responding to these concerns, the chapter initially reviews stakeholder theory, agency theory and corporate governance to understand CSR practices in China over the past decade. Then it examines empirically what factors in addition to institutional pressures drive firms to be socially responsible and why some firms are more socially responsible than others.

An extensive literature has documented the effect of corporate financial performance on CSR (e.g. Roberts, 1992; Orlizky et al., 2003). A profit-maximising firm would be able to invest, promote future growth, and provide employment so that it is socially and economically sustainable[6]. However,

[6] Profit maximisation theory is not primarily normative – about what firms should do – but more conventionally positive – about what firms actually do. For Chicago school economists such as Friedman, market competition will ensure that firms maximise profits. Any firms that attempt to deviate from profit maximisation – for example by following CSR – would, by virtue of their higher costs, in the long run be out-competed and driven out of business by pure profit-maximising firms. This "survival of the fittest" argument for profit maximisation

following Friedman (1970), when successful corporations donate to non-business-related activities (supporting local communities, making funds to treat pollution, or financing social agendas), this seems at odds with the simple capitalist theory. It raises the question of why some firms engage in such activities while others do not. By re-examining the relationship between corporate financial performance and CSR, this chapter could determine whether the former one would be a predictor of a higher level of the latter one in Chinese context.

However, Margolis and Walsh (2003) criticized the literature for neglecting factors other than corporate financial performance that might have an effect on CSR. In the upsurge of CSR practices in China, an increasing number of scholars become interested in the impact of government control and regulation as well as corporate governance on CSR (e.g. Gao, 2009; Zu and Song, 2009; Li and Zhang, 2010). As in most other studies, this chapter examines the relationship between corporate financial performance (CFP) and CSR, throwing light on whether CFP is a significant determinant of Chinese companies' CSP. Aside from the relationship with CFP, this chapter assesses how increasing the profit motivation of managers through company share-holdings has any effect on CSP. It also investigates how government's interests and the payments to workers affect the level of CSP.

assumes a high degree of competition. In oligopolistic markets with entry barriers, competitive pressures are likely to be insufficient to force out firms that do not maximise profits.

The “ultimate controlling shareholder” is another key stakeholder of Chinese listed companies. Control chain length, a corporate governance concept related to the ultimate controlling shareholder, is also examined for its influence on CSP. Therefore, this chapter looks at how vested interests of various stakeholders – managers, employees, ultimate controlling shareholders and governments – are aligned with CSR. With respect to methodologies, most empirical studies on CSR research were conducted using cross-sectional firm data or case studies (Chen and Wang, 2011; Miska, et al., 2016; Wang et al., 2016), making it hard to establish causality. This chapter, to the author’s best knowledge, is the one of the few studies to use firm panel data to try to determine the causal relationship between firms’ characteristics and their ratings for CSR in emerging markets. It uses panel data on Chinese A-share listed firms from 2008 to 2012. By linking firm balance sheet data with independent ratings of companies’ CSR activities, it provides evidence on the driving factors that promote CSR at the firm-level.

This chapter thus makes potential contributions to existing literature at least in three points. First, few empirical studies investigated how employee treatment affect a company’s CSP. This chapter filled the gap by exploring how employees’ incentive bonds with CSR. Second, prior research linking ownership structure with CSR examined the relationship between direct ownership and CSR. This chapter traced the ownership to the ultimate controlling shareholder. Last, little empirical research used more than 2 years data due to the short history of CSR practices in China (e.g. Gao, 2009; Kuo et al., 2012). However, this chapter collects 5-year data to constitute a panel data set for regression analysis and

causal relationship investigation.

The remainder of this chapter proceeds as follows. Section 2.2 reviews pertinent literature on the context and issues and develops a set of hypotheses. Section 2.3 describes the analytical framework including the introduction of data and variables used for the empirical analysis. Section 2.4 introduces the modelling strategies. The empirical results are discussed in Section 2.5 and Section 2.6 presents conclusions.

2.2 Literature Review and Hypotheses Development

2.2.1 Stakeholder Theory and CSR

Conventionally, a firm is expected to maximise profits (Friedman, 1970). Within this perspective, a firm that follows such goals is ethical and deviating from them is a violation of management's responsibility to shareholders or owners, provided it follows the law and regulations and pays taxes. A profit-maximising firm should be able to invest, promoting future growth, and provide employment so that it is socially and economically sustainable. Following Friedman, one expects that a firm should be treated as a business entity and its functions should not go beyond its business values. So, when successful corporations donate to non-business-related activities (supporting local communities, making funds to treat pollution, or financing social agendas), it raises the question of why some firms engage in such activities and others do not.

An alternative theoretical framework to pure profit maximisation centres on the concept of stakeholders, promoted by Freeman (1984) as a challenge to conventional capitalism. He argues that a firm should create value for all stakeholders, not just for shareholders. Stakeholders refer to "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p.46). Therefore, the survival of a firm from this view is influenced not only by its shareholders, but also by many other groups such as employees, government and local communities. Under the stakeholder theory, firms are run to promote the interests of all those with a stake in the firm, not just the owners. Stakeholder theory has a normative aspect, with advocates

arguing that it improves income distribution and creates a more benign face to capitalism, which hitherto was regarded as exploitative and cruel.

In its normative forms, stakeholder theory aligns well with the principles of CSR, which can be seen as a means used by firms to meet the expectations of multiple stakeholders from economic, legal, ethical and discretionary aspects (Carroll, 1999). Turker (2009) defines corporate behaviours as those that aim to positively affect stakeholders and to go beyond firms' economic interests. This led to an extension of stakeholder theory towards the concept of CSR with which, firms are encouraged to contribute to local communities and the general society.

CSR is defined by the European Community as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" (EC, 2001, p.4), In 2011, a more refined CSR definition was given as "the responsibility of enterprises for their impacts on society" (EC, 2011, p.6). Correspondingly, CSP is described as "the broad array of strategies and operating practices that a company develops in its efforts to deal with and create relationships with its numerous stakeholders and the natural environment" (Waddock, 2004, p.11) and CSR disclosure is the information provided by the organisation regarding its social performance.

While stakeholder theory of the firm can be seen as an alternative paradigm, the "enlightened self-interest" argument for CSR noted above suggests a potential convergence. This argument has sometimes been characterised as "instrumental

stakeholder theory" (Jones,1995). It contends that CSR activities can enhance firm reputation and brand image, which would attract more customers (and perhaps more employees) because its customers (or employees) value CSR (Lev et al., 2010). Thus, firms have greater growth potential and become more profitable.

It could be argued that stakeholder theory translates readily into the Chinese context of what is officially characterised as a "socialist market economy". The idea of unfettered capitalism, with private firms simply maximising profits as assumed by the Chicago School, is at odds with Communist ideology. While the private sector is now officially encouraged, the state plays a large role in the economy: it still fully owns many large strategic enterprises (Wang et al., 2020). At the macro level, government guidelines and laws constrain how all firms can operate, while at the micro level, Communist Party members have a significant organised role in almost all institutions in China (Qian, 2000). Egalitarianism remains a key socialist ideology, with concerns over jobs and pay of workers being important official concerns, rather an exclusive focus on profit margins.

Translating stakeholder theory to China requires some adjustment for "Chinese characteristics". In Western literature, the government is primarily conceptualised as an external stakeholder (Clarkson, 1995; Rodrigo and Arenas, 2008). However, in China, the government plays an internal role in the SOEs at least. In such firms, the top managers are directly appointed by the State authorities. Besides, the Chinese government is more reliant on the taxation from the firms for revenue than many Western economies. Revenue raising

creates a potential ambiguity in government motivations, giving them an incentive to maximise company profits (and therefore tax revenue), which may sometimes conflict with other social objectives (Shi et al., 2014). The pervasive role of the state in China almost constrains the power of other stakeholders such as workers and consumers. There are severe limits on the ability of citizens to organise independently of the state – independent trade unions, for example, do not exist[7].

While the concept of CSR was introduced to China from Western countries, it is potentially attractive to the Chinese government. Firms adopting CSR could be conceived as one way to soften the disruptive and potentially destabilising effects of transitioning from a planned economy to a market driven one (Moon and Shen, 2010). Concerns over unbalanced development between economy and society have been emphasised by the Chinese government since the beginning of the 21st century. CSR-related business policies were thereafter introduced to promote local business further. Social responsibility was added to Chinese company law (Lin, 2010). The government of China has set goals for promoting CSR (e.g. Li and Zhang 2010; Wang et al., 2016). The last decade saw the rapidly growing salience of CSR fulfilment. This was partly due to the pressures from the global organizations and international counterparts, such as ISO26000 and GRI standards[8]. However, CSR also seems a good fit with the Chinese

[7] Formal stakeholder institutions such as independent trade unions may not be necessary for stakeholder theory to be valid. The influence of consumers and workers may be more informal, with company managers sharing profits among stakeholders because they feel it appropriate, or want a quiet life, rather than because of formal bargaining with worker and consumer interest groups.

[8] The former is introduced by the International Organisation for Standardisation, aiming at helping organisations assess and address corporate social responsibilities (ISO, 2010). The latter are global standards for sustainability reporting, issued by the Global Reporting Initiative (GRI). The key beneficiaries from ISO 26000 and GRI standards are intended to be employees,

government's own emphasis on "harmonious development" in this period (See, 2009).

Stakeholder theory, adapted to reflect the reality of China's institutions, provides a useful framework for hypothesising about the determinants of CSP in Chinese firms. Specifically, it implies that one should identify the different types of stakeholders such as government, managers, employees and shareholders/owners. The interests of different stakeholders may not always be consistent. CSR decisions could be agreed on collectively or dominated by the stakeholder that has more controlling powers.

For example, companies ultimately controlled by the central government are particularly required to integrate a greater depth and breadth of understanding and activities into CSR practices (Gao, 2011). Employees within a company would focus on job sustainability and higher wages while some short-term focused ultimate controlling shareholders might want employees to receive lowest wages in return to obtain dividends to the highest level. As for managers, their role in firms' social activities could be complex. Agency theory (Jensen and Meckling, 1976; Eisenhardt, 1989) suggests that managers might make suboptimal strategic decisions to serve their own interests. The motivation for being a reputable manager may induce them to be the key driving force for either denying or promoting CSR. Furthermore, when the managers themselves have become shareholders, their decisions on CSR might vary through various ownership mechanisms.

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the natural environment and local communities.

Therefore, the extent to which the companies would achieve the level of CSP varies according to their shareholders' interests in addition to financial sizes. These issues suggest two sets of research questions in this chapter. First, would Chinese listed companies' CSP be affected by their financial performance? Second, would vested interests of different stakeholders in a company have an impact on CSP? Unveiling the effects of potential determinants is meaningful to related research and managerial practices.

2.2.2 Financial Performance

Being CSR active incurs some costs. When a firm supports a local community for social projects unrelated to its own business and pays for the cost, does the cost become a financial burden? There are differing perspectives on this. According to Friedman (1970), such outlays impose a competitive disadvantage on a firm, making it vulnerable to being out-competed by more profit-oriented rivals. From this perspective, such costs would be transient, with CSR activities eventually having to be reduced for the firm to survive. However, instrumental stakeholder theory contends that CSR activities can enhance firm reputation and brand image, which would attract more customers (and perhaps more employees) because its customers (or employees) value CSR (Lev et al., 2010). Thus, firms have greater growth potential and become more profitable. Therefore, it is reasonable to infer that firms with financial capacity might not regard the cost of CSR as a burden, but rather as an opportunity to create wealth.

Slack resources theory proposes a positive impact of CFP on social performance (Waddock and Graves 1997). The theory argues that better CFP potentially leads to the availability of slack (financial and other) resources, allowing the firms to invest in social performance domains such as employee relations, environment or community involvement. If a financially successful firm strategically uses CSR to strengthen its firm reputation and competitiveness, then better social performance would result from the allocation of the slack resources into the social domains.

In contrast, firms that are less profitable have fewer resources allocated to CSR activities. Such firms face the risks of suffering losses and hindering any increase in shareholder value. It is very likely for them failing to meet even the minimum threshold [9] of socially responsible behaviour (Campbell, 2007). Therefore, firms with weak financial performance might view CSR as a financial burden and are less likely to engage in CSR than firms whose financial performance is strong (e.g. Margolis and Walsh 2001; Orlitzky et al., 2003), and hence have a less desired level of social performance.

Empirical studies exploring the relationship between CFP and CSP have yielded mixed results. The findings can be classified into two broad categorises regarding different research issues (Preston and O'Bannon, 1997). One category is about the direction of the relationship (positive, negative or neutral); the other one is about the causal relationship: does one type of performance lead to another,

[9] Campbell (2007, p.951) explains that 'a minimum behavioral standard with respect to the corporation's relationship to its stakeholders' is the standard 'below which corporate behavior becomes socially irresponsible'.

or is there a concurrent relationship between the two?

With respect to the direction of the relationship, a group of researchers found a negative linkage between financial performance and CSP (e.g. Kedia and Kuntz, 1981; Freedman and Jaggi, 1982). Some others failed to obtain a significant result (e.g. Alexander and Buchholz, 1978; Wartick, 1988). Nevertheless, the findings provided by a large group of scholars (e.g. Roberts, 1992; Graves and Waddock, 1994; Van de Velde, 2005) gave the upper hand to a positive relationship between CSP and financial performance. For example, Orlizky et al. (2003) conducted meta-analysis[10] of 52 studies assessing the CSP - CFP relationship. The results presented strong support for the notion that CFP is positively correlated with CSP.

In their study, McGuire et al. (1988) first separated CFP into past, concurrent and subsequent to CSP periods and found that prior CFP is more highly correlated with CSR than subsequent CFP. Orlizky et al. (2003) further tested the positive synergy hypothesis proposed by Waddock and Graves (1997) and concluded that a CSP - CFP relationship does follow a virtuous circle: a great level of prior CFP contributes to more desirable subsequent CSP, which in turn leads future financial performance to a better level. Some empirical evidence on this was provided in the UK, where companies' "past financial performance can explain variation in certain elements of corporate social responsibility"

[10] In statistics, meta-analysis refers to methods focused on contrasting and combining results from different studies, in the hope of identifying patterns among study results, sources of disagreement among those results, or other interesting relationships that may come to light in the context of multiple studies.

(Balabanies et al., 1998, p.42). These arguments and empirical evidence suggest that more healthy financial performance would be a predictor of a greater level of CSP (Waddock & Graves 1997). Therefore, this chapter proposes that:

Hypothesis 1: Corporate finance performance positively affects the level of corporate social performance.

2.2.3 Managers' Share Ownership

Managers and directors probably have the best knowledge about the firm's situation and often play a significant influence on the firm's strategy and investments (Oh et al., 2011). Given the complexity of managers' role in decision making, it is worthwhile to study the top managers' share ownership as a compensation that can, or at least partly can, capture the effect of their decisions on firm's social performance.

The principal-agency relationship is defined as "a contract under which one or more persons (principals) engage another person (agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent (Jensn and Meckling, 1976, p.308). According to agency theory (Jensen and Meckling 1976; Eisenhardt 1989), top managers are authorised with the power to allocate resources among a broad range of stakeholders in a way assuring support from them. Their duties may range from anything covering company reputation-building, short-term and long-term profit attainment to profit-sharing between different objective-oriented shareholders and employees in the attempt of increasing productivities (suggested by Weitzman and Kruse, 1985). This is to say, managers' performance may be

measured by mixed metrics of indicators overlapping shareholders and employees in the firm.

However, principal-agency theory also assumes that both parties to the relationship are self-benefits driven. Hence, the agent's interests might not always be aligned with that of the principal. Principals aim at higher dividends while agents tend to pursue higher payoff, personal reputation and career development. Thus, the agency problem is raised accompanying agency costs, which can be either 1) the costs incurred when the agent uses the company's resources for own benefits; or 2) the costs involving preventing the agents from acting in their own benefits (Jensen and Meckling, 1976).

Share-based compensation is a type of incentive pay used to mitigate agency problems by aligning the interests of the managers with those of the owners (Kroll et al., 2008; McNamara et al., 2008). *A* priori, whether manager share ownership increases or decreases CSR depends on what one expects the impact of CSR to be on share ownership. The profit-maximisation view might characterise CSR investments as costly forms of "managerialism" that share ownership schemes would inhibit. Conversely, instrumental stakeholder theory would see taking part in CSR as increasing a firm's profitability and value (Orlitzky et al., 2003), in which case, stock ownership might boost the managers' incentives to engage in CSR. In their study, Johnson and Greening (1999) found a positive relationship between top management equity and CSP regarding environment and product quality. Zu and Song (2009) conducted a questionnaire survey among chief executives of 100 Chinese industrial enterprises in 2003 and

2004. By applying factor analysis, they found that the true nature of managers' desire to take on CSR activities could be more economic-oriented (e.g. avoiding costs caused by further government regulations) than morally led. Therefore, the second hypothesis is developed as follows,

Hypothesis 2: Managers' share ownership positively affects the level of corporate social performance.

2.2.4 Employee Pays

Employees are those who work for a particular firm as a non-management workforce (Rupp et al., 2006). Their livehood relies on the wages or salaries they receive from the firm (Haksever et at., 2004). Compared with top managers, employees are less likely to directly participate in the process of developing and implementing CSR policy. However, to a certain extent they can "engage in the employment context to advance social causes" (Ellis, 2008, p. 3).

There are three ways that companies link CSR to its employee engagement (Mirvis, 2012). First, many companies strive to establish a sound image showing that they are a responsible employer. In other words, how employees are treated is a litmus test of CSR for a company. For instance, CSR guidance, standards or codes like ISO26000, GRI standards and CASS-CSR 3.0 issued by Chinese organisations all include employee benefits, work safety, diversity and fair treatment as indispensable employment factors judging a company's CSP. Second, companies develop a positive reputation to demonstrate their commitment of CSR to different degrees by implementing a portfolio of CSR programs.

Third, companies engage employees directly in various CSR activities. For example, encouraging employees to make cash or in-kind gifts donations for disaster-relief is a common approach adopted by Chinese companies. In addition, there has been an increase in corporate volunteerism. The major forms include providing services (e.g. employees visit and care of elderly, children who suffer from diseases, or other vulnerable groups, and build community facilities and so on) and expertise (e.g. employees apply their managerial or technical skills to address social concerns) (Seifer et al., 2003). Zhou (2015) found that some Chinese companies were contributing their human resources in addition to making cash and in-kind donations, for instance, organizing employees to provide short-term voluntary teaching in rural China. Moreover, there is a trend among employees participating in on-the-job-CSR related activities such as cause-related marketing. In their study, Li et al. (2015) revealed that Chinese firms had been extending the scope of corporate philanthropy to community service, cause-related marketing activities and volunteering programmes. Last, for those employed by companies trading in international business may travel to other developing or underdeveloped countries to contribute the development of local communities or address other CSR concerns. (e.g. One Belt One Road).

Regarding the third way – employees' direct engagement, the effective delivery of CSR initiatives is dependent on their willingness to collaborate. Social exchange theory (Blau,1964) is in this regard helpful to understand the impact of individual employees' interests on the level of CSR commitment. Blau (1964) defined social exchanges as "voluntary actions of individuals that are motivated

by the returns they are expected to bring and typically do in fact bring from others." (p. 91) The centre premise underpinning social exchange theory is that the exchange of social and material resources is a fundamental form of human interaction. Employee engagement with CSR is regarded as a social contract within an organisational context (Slack, et al., 2015). In this view, commitment of employees to the organisation will be contingent on their perception of the value and benefit they receive from organisational membership (Shore & Wayne 1993, Wayne et al. 1997). Employee engagement with CSR may reflect actions more associated with economic exchange (Slack, et al., 2015).

The level of employee pay is probably the most explicit economic factor that captures employees' response to a firm's social responsibility. This paper argues that a higher level of spending on employee wages leads to a better social performance from both direct and indirect perspectives.

Labour costs often are a large component of a firm's expenditures. By arguments analogous to the naïve hypothesis about profits and CSR, one might expect profit-pursuit firms to keep labour costs to the minimum and have lower levels of social performance. However, among the three ways that companies link CSR to its employee engagement, there is an increase number of companies strive to be a good employer. "Employee wages and benefits" is a fundamental criterion judging the economic-dimension of CSR made by a firm to the society (GRI 401, 2016). Moreover, creating sound employee relations is also a key social-dimension performance. Therefore, paying employees decent wages and welfare benefits is regarded as being at least partially socially responsible. In other words,

a firm's better level of average employee pay would be one of the direct indicators of a firm's better social performance.

From an indirect perspective, stock exchange theory infers that employees' commitment to CSR to a better level may be associated with the exchange for higher average wages. According to stakeholder theory, the firm can affect and be affected by its employees (Clarkson, 1995). Therefore, employees enjoy benefits from CSR, and in turn advance the firm's social causes (Ellis, 2008, p.3). A higher level of wages would strengthen the current employees' commitment and loyalty (Mueller et al., 2012). Specifically, employees will be motivated to be more productive, which leads to a greater economic contribution of the firm. Meanwhile, a higher level of pay may also motivate employees to be more active in CSR activities, which often require employees' involvement such as donations and volunteer programmers. Thus, the level of a company's social performance would be improved. Therefore, this paper predicts that Chinese listed companies with a higher level of employee wages would have a higher level of social performance, leading to the following hypothesis:

Hypothesis 3: Employees' average wage positively affects the level of corporate social performance.

2.2.5 Corporate Taxes

There is little literature documenting how CSR is affected by corporate taxes. Therefore, this part establishes a theoretical linkage between corporate taxes and CSP. Paying corporate taxes is a one thing that links a firm to the society.

Christensen and Murphy (2004, p.37) argued that tax revenues are "the lifeblood of democratic government and the social contract". Standards for CSR include requirements for tax behaviour, including requirements to publish all necessary accounting information and to refrain from the use of profit-laundering vehicles created without substantial economic purpose. However, tax avoidance is common and can be done legally. Hoi, et al. (2013, p.2025) found that firms with "excessively irresponsible CSR activities are more aggressive in avoiding taxes" and they do so to "enable tax avoidance in every jurisdiction" they can. Consequently, there would be a positive relation between tax payments and CSP, so it was hypothesized as follows:

Hypothesis 4: Corporate tax positively affects the level of Corporate social performance.

2.2.6 Ultimate Controlling Shareholder (UCS) and CSP

There were very limited studies exploring the effect of a company's ultimate controlling shareholder on CSP. The agency theory suggests that as the firm owners' agents, managers do not bear all the consequences of their own decisions (Jensen and Meckling, 1976; Eisenhardt, 1989). The UCS has been arguably a key stakeholder having an influence on a company's decisions and policies on CSR (Zadek et al., 1997). The USC refers to the shareholder who has the determining voting rights of a company and not controlled by anybody else (Liu and Sun, 2005).

Before developing arguments on UCS-CSP, it is necessary to review some

literature on the relationship between ownership and CSR. Some prior literature explored how different types of ownership influence CSR (Eng and Mak, 2003; Khan, et al., 2013). Managerial ownership indicates that the company is owned by the manager or the director of the company who holds a significant portion of shares (Ghazali, 2007). Some scholars found a negative relationship between managerial ownership and the levels of voluntary CSR disclosure (e.g. Eng and Mak, 2003). Such findings were interpreted as a result of the dominance of family members in company management, since public accountability is not a major concern to them and they have weak motivations to invest heavily in socially responsible activities and to publish relevant information.

In contrary to managerial ownership, public and foreign ownerships are found to have positive impacts on CSR disclosures (Khan, et al., 2013). Some other scholars also contended that shareholders who have a high portion of shares possess a positive attitude on CSR. For example, by employing a dataset containing 3,000 corporations in the United States, Barnea and Rubin (2005) found that insiders including managers and large block holders affiliated with the firm are strongly willing to make over-investment in CSR to benefit themselves, as CSR facilitates them to gain a good reputation as being socially responsible global citizens.

La Porta et al. (1999) investigated the ultimate control beyond the direct ownership. The ultimate controlling shareholders of large corporations in the 27 richest countries were the families or the state. Pyramids are usually created by the UCS as a means to separate ownership of capital and control, and thus to

participate in management of and take control over a chain of companies to mitigate the threat from direct shareholders of each company (La Porta et al., 1999). Control chain length between the UCS and listed companies is a key concept related to pyramidal ownership structure.

According to the pyramidal structures shown in the annual reports of listed companies in China, the nature of UCSs can be divided into at least four types: central government & organisations (CGOs), local government & organisations (LGOs), natural persons (NPs) and foreign funded enterprises & others (FFE). Examples are illustrated in Table 2.1. However, for simplicity, it categorises CGOs and LGOs as state ultimate-controlling shareholders and NPS and FFE as non-state ultimate-controlling shareholders.

Table 2. 1 Examples of listed companies controlled by four types of UCSs (2012)

No.	Name of Listed Company	Stock Code	Name of UCSs	Nature of UCSs
1	Xi'an Aircraft International Corporation	000768	Aviation Industry Corporation of China	CGOs
2	Zhong Ke San Huan	000970	Chinese Academy of Science	CGOs
3	China Resources Sanjiu Medical & Pharmaceutical Co. Ltd.	000999	SASAC	CGOs
4	Rizhao Port Co. Ltd	600017	The government of Rizhao city	LGOs
5	China Southern Glass Holding Limited	000012	SASAC of Shenzhen City	LGOs
6	Chongqing Iron and Steel Company	601005	Chongqing Iron and Steel Group Co. Ltd	LGOs
7	Henan Tongli Cement Co. Ltd	000885	National Development and Reform Commission of Henan Province	LGOs
8	Guangdong Midea Electric Appliances Co. Ltd	000527	Mr. Xiangjian He	NPs
9	Ping'an Bank	000001	Hongkong and Shanghai Banking Corporation	FFE

Source: http://www.szse.cn & http://www.sse.com.cn

2.2.7 Control Chain Length (CCL)

The pyramidal level is used to represent control chain length. Figures 2.1 and 2.2 illustrate typical examples of control chain via which ultimately controlled by a natural person and the local government, respectively. Figure 2.1 shows that Midea Group is the shareholder having the greatest direct ownership of the private listed company Guangzhou Midea Electric Co. Ltd (000527). However, Mr Xiangjia He, a natural person, ultimately controls this company through both Midea Holding Co. Ltd and Midea Group Co. Ltd. Figure 2.2 demonstrates the pyramidal structure between Luzhou Laojiao Co. Ltd, one of the oldest distilleries in China, and its ultimate controlling shareholder. Luzhou City SASAC, as the third largest equity holder, directly controls 11.89% stocks of Luzhou Laojiao Co. Ltd. The two largest shareholders are Luzhou Laojiao Group Co., Ltd. (24.16% of the total shares) and Louzhou City Xinglu Investment Group Co., Ltd. (20.17% of the total shares). At first glance, Luzhou Laojiao Co., Ltd. might be regarded as under control of the legal person - Luzhou Laojiao Group Co., Ltd., since it is the majority shareholder of the company. However, a closer inspection reveals that Luzhou Laojiao Group Co., Ltd.is 100% owned by Luzhou City SASAC, so that the listed company is ultimately controlled by the local government.

With an increasing number of pyramidal levels between the UCS and the listed companies, the distance between them becomes wider. The principal-agency relationship between the agency of the listed company and the UCS becomes more complicated, which may lead to a more serious agency problem. Thus, managers of companies remote to the UCS are likely to assume less

responsibilities to perform socially responsibly to enhance the image of the whole group than those directly controlled by the UCS. Therefore, it is hypothesized that:

Hypothesis 5: Control chain length between the listed company and its UCS negatively affects the level of corporate social performance.

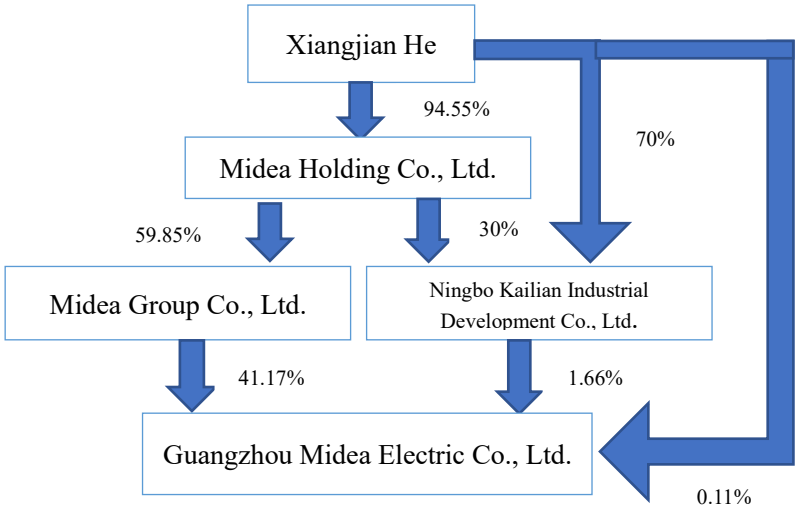


Figure 2. 1 Pyramidal Structure of Guangzhou Midea Electric Co., Ltd
Source: 2012 Annual Report of Guangzhou Midea Electric Co., Ltd. (000527)

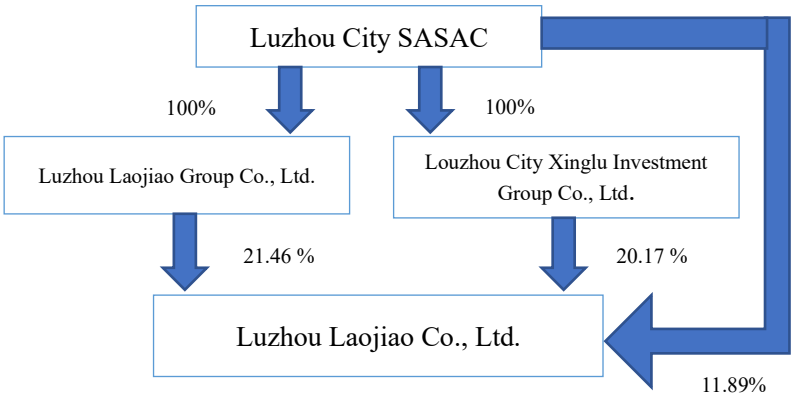


Figure 2. 2 Pyramidal Structure of Luzhou Laojiao Co., Ltd.
Source: 2012 Annual Report of Luzhou Laojiao Co., Ltd. (000568)

2.3 Data and Econometric Specifications

2.3.1 Sample and Period of Analysis

The empirical part of this chapter examines the determinants of the level of CSP proxied by CSR ratings using data on all A-share listed firms in China with CSR ratings. Since 2008, the Chinese Security and Regulatory Commission (CSRC) released *Guidance on the Disclosure of CSR Information* and required the publicly listed firms to report on CSR information solely or in their annual reports (Lin, 2010). Hence, the sample used for the empirical analysis covers a panel of five waves from 2008 to 2012, which is unbalanced as an increasing number of firms recorded CSR activities during the period.

This chapter obtains the CSR ratings as assessed by Rankins CSR Ratings and matches them with other firm-level information from a dataset of China's publicly listed firms known as The China Stock Market & Accounting Research (CSMAR) registered to Shanghai and Shenzhen Stock Exchanges [11]. The information on control chain length of all sampled companies is manually collected from each company's annual report. The annual reports are available on the official websites of the Shanghai Stock Exchange (http://www.sse.com.cn) and the Shenzhen Stock Exchange (http://www.szse.cn).

[11] In this analysis, we only retain the firms which disclose CSR ratings during the data period. Since our purpose is to estimate the variation in the rating not on a binary decision of whether CSR disclosure is made, we do not consider the sample is of a selection bias.

This chapter focuses on A-share listed firms as the shares of these firms, which are traded in Chinese currency *Renminbi* (RMB), rather than in foreign currencies, and are not restricted to foreign investors[12]. They are thus appropriate for examining the CSR behaviour of listed firms of various kinds of ownership and control in mainland China. Table 2.2 gives the breakdown of the sample by ultimate ownership type and by year. Within the five-year interval, the number of A-share listed firms that disclosed CSR information had dramatic growth, rising from 357 in 2008 to 639 in 2012 (Table 2.3)[13]. The companies ultimately controlled by private natural persons increased from 102 to 226, reaching more than twice more in half a decade. With respect to the state-controlled companies, those controlled by the central government and local government increased to 173 and 231 by 90.1% and 44.3%, respectively.

Table 2. 2 Sample: number of A-share listed companies with CSR ratings by ultimate ownership and by year (2008 – 2012)

Controlling shareholder	2008	2009	2010	2011	2012	Total observations
Central government	91	123	132	157	173	676
Local government	160	189	194	213	231	987
Private national	102	119	143	180	226	770
Foreign-funded enterprise and others	4	6	6	9	9	34
Total	357	437	475	559	639	2,467

[12] Three types of shares are issued in China. A-share is denominated in RMB which can be traded on either Shanghai or Shenzhen Stock Exchanges by all investors, Chinese or international. B-share is traded in US dollars but only on Shanghai Stock Exchange whilst in Hong Kong dollars on Shenzhen Stock Exchange. B-shares can only be traded by foreign investors (i.e., non-PR Chinese nationals). H-shares are issued by Chinese companies to foreign investors on Hong Kong, New York or London Stock Exchanges (Cheung, Jiang and Tan, 2012).

[13] The concept of CSR has only been considered by Chinese companies relatively recently: in 2006, only 18 Chinese companies produced annual CSR reports.

Sources: A sample of A-share listed firms at SSE and SZSE, drawn from the Chinese Stock Market Financial Statements Database (CSMAR 2008-2012).

Table 2. 3 Growth rate of number of A-share listed firms disclosing CSR information by ultimate ownership (2008 - 2012)

Ultimate owner / Year	Central govern-ment	Local govern-ment	Private natural person	Foreign-funded enterprise & others	Total
2008	91	160	102	4	357
2012	173	231	226	9	639
Growth rate	90.1%	44.3%	212%	125%	79.0%

Sources: Authors' calculations based on Table 2.2.

2.3.2 CSP Measurement

There are a number of methods measuring a company's CSP including 1) pollution indices, 2) managerial CSR principles and values, 3) CSR reputation indices, 4) content analysis of CSR performance disclosures and 5) data provided by third-party measurement organisations (Frederick et al., 1991; Igalens and Gond, 2005). Pollution indices like the Council of Concerned Business Pollution Performance Index (Bragdonand, 1972; Spicer, 1978) are widely used as a proxy of CSP measurement. Notwithstanding, they fail to reflect the economic and social dimensions of CSR performance (Bragdonand, 1972). Measurement of managerial CSR principles and values refers to a perceptual method assessing the principles and values inherent in a company's culture through conducting questionnaire-based surveys. This measurement is argued to heavily reply on skills and qualifications of assessors (Abbott and

Monsen, 1979).

The reputational index is another perceptual measurement of CSP, which assumes that a great CSR reputation is a reflection of a company's high level of CSR values and behaviours. One dominant reputation index is World's Most Admired Companies rankings (Fortune magazine) of a corporation's "responsibility to the community and environment" (McGuire et al, 1988; Fombrun and Shanley, 1990). One important factor in Fortune's ratings differ from other types of perceptual measurements is that respondents of the survey have knowledge of a particular sector rather than CSR only. Therefore, their understandings of CSP may differ from respondents particularly interested in CSR practices; thus, the indicator may be considered to offer a more comprehensive evaluations of a company's CSP. Nevertheless, such indicators may suffer from halo effects[14].

In some empirical studies, content analysis is used to assess a company's CSP through comparing the text of CSR reports against particular CSR codes and standards (e.g. Preston, 1978; Anderson and Frankel, 1980; Wolfe, 1991; Gao, 2009). However, CSR statements sometimes might be utilised by directors as a means to gain, maintain and repair legitimacy (McGuire et al., 1988). The last measurement category of CSP is using data provided by a third-party specialised in CSP evaluation. The KLD rating, which assesses large U.S. companies listed in Russell 3000 index for a whole array of exclusionary screens (i.e. alcohol, tobacco, etc.) and assessment criteria, became a requisite yardstick in Anglo-

[14] The "halo effect" is a cognitive bias generated in the judgments of a subjects' character.

American empirical literature in the 1990 (Igalens and Gond, 2005).

This study measures CSP using the Rankin CSR ratings published in mainland China, which provide a comprehensive assessment of Chinese listed companies' CSR disclosures (on a 0-100 scale) as judged by a group of independent CSR experts. Therefore, the CSP measurement this chapter applied could be categorised as a combination of methods 4 and 5 summarized above. The ratings are based on four broad categories: "macrocosm", "content", "technique" and "industry" with weights of 30%, 45%, 15%, and 10% respectively. Within these four broad dimensions, 15 criteria and 63 sub-criteria are each assessed based on the annual CSR reports published by the listed firms. "Macrocosm" comprises criteria evaluating the effectiveness of a firm's CSR strategy, governance and interactions with stakeholders. "Content" refers to a set of criteria on performance of economic, labour and human rights, environment, fair operations, consumers and community participation and development. In the category of "Technique", six criteria are included: balance of content, information comparability, innovation of report, reliability and transparency, reporting format and effectiveness of information transitivity. Last, Rankin classifies the industries into 22 types according to the China Securities Regulatory Commission (CSRC) and sets a number of criteria specific for the particular type of industry.

There are four reasons for choosing RKS ratings. First, as this chapter aims at investigating the factors influencing CSP in the Chinese context, the CSR rating system produced in China would be more appropriately designed for Chinese

listed companies. For example, RKS created a rating system with reference to ISO600015[16] and national conditions to assess CSR report quality from the four dimensions (i.e. macrocosm, content, technique and industry). Second, the approach used by RKS is transparent to the public. Moreover, as RKS is an independent and professional CSR rating agency, the data provided is more verifiable. Third, comparable data are available over the whole time period from 2008 to 2012. The last reason for choosing RKS ratings is that the number of companies allows a sufficient year-to-year sample size.

2.3.3 CFP Measurement

There are two subdivisions of CFP measurement, namely accounting-based and market-based measures (McGuire et al., 1988). The basic idea underlying the accounting-based measures is that different managerial strategies affect a company's earnings (Cochran and Wood, 1984). Alternatively, market-based CFP indicators reflect how shareholders' responses decide a company's value (Cochran and Wood, 1984). Thus, accounting-based financial performance plays an essential role in capturing internal abilities in allocating funds to different projects and policy choices, while market-based financial performance is forward-looking and reflects external market reactions to a company's activities. McGuire et al. (1988) found that prior year's stock returns and accounting-based performance measures are related to current measures of CSR. Orlizky et al. (2003) research results suggested that CSP appears to be more closely related to

[16] ISO26000 is a guidance on social responsibility assisting organisations in contributing to sustainable development.

accounting-based measures of CFP than with market-based ones.

This chapter adopts both accounting-based and market-based measures to explore which types of financial performance or both would impact CSP. One of the most important accounting-based indicators of a company's financial health, net profit margin (profitability) is adopted in the empirical chapter. In prior empirical studies, Griffin and Mahon (1997) and Heinze (1976) used the ratio between net profit and sales as a measurement of CFP. Within the Chinese context, net profit margin illustrates how much of each RMB yuan in revenue collected by a company translates into profit. To allow the measures to be consistent and comparable year by year, the ratios are calculated using the same formula by STATA. net profit margin is calculated as the net profit divided by the total revenue. The data of net profit and total revenue are both available in CSMAR and computed in STATA.

Tobin's q is used as a market-based CFP measurement. It is defined as the ratio of the market value of assets to their book value (James, 1969):

$$Tobin's\ q = \frac{equity\ market\ value}{equity\ book\ value}$$

When q is greater than 1, a firm's market value is greater than the value of its recorded assets (Hayashi, 1982). If q is less than 1, the firm is under-valued. Tobin's q could capture the capital market's valuation of the level of future profitability (Smirlock et al., 1986; Ben-Horim and Callen, 1989). Therefore, a higher Tobin's q may indicate a greater level of future profitability and potentially more slack resources allocated to CSR. In addition, a firm with a greater growth potential may need more reputation-building and thus more willing to make investments in CSR. The data of Tobin's q is available on

CSMAR.

2.3.4 Measurement of Other Independent Variables

Executives' share ownership (EXE) is measured as the number of shares owned by the executives divided by the total shares of the company. The average employee wage (WAGE) is measured as the logarithm of the total wage bill divided by the number of employees. Data on the total number of executive shares, the listed companies' total shares, employee wages and the total number of employees are all available on CSMAR. Tax is measured as a share of revenue.

Control chain length is measured as the number of pyramid levels between the listed company and UCS in a particular year. For instance, as Figure 2.1 illustrates, Guangzhou Midea Electric Co. Ltd is ultimately controlled by Mr. He through 3 levels of companies in the control chain, so the CCL takes the value of "3" representing 3 pyramid levels.

2.3.5 Control Variables

Aside from the average wage, the size of employment (SIZE) is another proximate cause of labour cost. This is controlled in this chapter's estimations as the number of employees is typically used to measure firm size, with large firms often seen as more "managerial" in their objectives, rather than purely profit-maximising. Based on previous studies, company size is a highly-profiled factor affecting CSP (e.g. Brammer and Millington, 2006; Turban and Greening, 1996). Larger firms generally receive a greater level of attention from the public,

which may in turn motivate them to perform in a more socially responsible way (Stanwick and Stanwick, 1998; Watts and Zimmerman, 1978).

Additionally, there are likely to be fixed costs in attaining CSR (for example, providing appropriate documentation) and it is likely to incur less of a burden in large companies. Conversely, the corporate benefits of CSR (for example, if it generates customer goodwill) may well scale with firm size. Given the use of firm fixed effects, the estimated coefficient on firm size captured variations over time ("within groups" estimator). Growing firms may have more resources to devote to raising CSR ratings.

Firm risk measuring the amount of CFP fluctuations over time (Donaldson, 1999) is also controlled. Debt to equity ratio[17] is a widely used ratio of leverage (LEV), which indicates the amount of gross borrowings in use by a company relative to the shareholders' equity. Generally, the heavier the debt in a company's capital structure, the higher risk that it will default (e.g. Baxter, 1967; Ben-Zion and Balch, 1973). Since a higher leverage ratio implies a greater financial risk, companies with higher financial risk seem more reluctant to allocate financial resources on CSR activities. Table 2.4 gives a summary of the variables and their measurements.

Another widely controlled variable is industry type (INDUSTRY). Initially, the empirical chapter used INDUSTRY dummies as control variables. However, STATA dropped all the INDUSTRY dummies due to collinearity. This is because during 2008-2012, the industry types were time invariant within firms. In this

[17] Debt to Equity Ratio = Total Liabilities/Shareholders' Equity

case, INDUSTRY dummies were removed from the estimation model. As fixed effects model has already controlled for all firm-constant variables including industry types, removing INDUSTRY will not have an impact on the estimation.

Table 2. 4 Definitions of variables used for the analysis

Variable	Abbreviation	Definition
CSR rating	CSR	Rankin CSR Rating (0-100)
Profitability	PROFITABILITY	Profits as a share of revenue
Tobin's q	Tobin's q	Equity market value divided by equity book value; Tobin′s $q = \frac{MVE+TL}{TA}$ is the formula used by CSMAR[18]
Average wage (log)	WAGE	Total wage bill divided by number of employees (logged)
Executive share ratio	EXE	Proportion of firm shares held by executive managers
Tax rate	TAX	Corporate tax paid as a share of revenue
Control chain length (log)	CCL	Number of levels in corporate pyramid structure (logged)
Employees (log)	SIZE	Number of employees (logged)
Corporate risk	LEV	Ratio of debt-to-equity

[18] where MVE represents the market value of equity at the end of the financial year; TL denotes the financial year-end total liabilities and TA is the total assets.

2.4 Econometric Specifications

Given that we are using panel data, we use a firm-level fixed effects estimator to allow for unobserved firm-level heterogeneity. The advantage of this estimator over simple regression is to remove potential biases from correlations between the firm-level fixed effects and the observed explanatory variables. A particularly important source of firm fixed effects may be selectivity: the number of firms with CSR ratings increased over the period and this was unlikely to be random.

In general terms, the model relates effects of CSR ratings, R_{it}, of firm *i* in year *t* to a set of time varying explanatory variables, X_{it} and control variables, Z_{it}:

$$R_{it} = \gamma X_{it} + \beta Z_{it} + a_i + e_{it} \quad (1)$$

where a_i is unobservable and a time-invariant firm-level fixed effect and e_{it} is a random error term. X_{it} includes PROFITABILITY, Tobin's q, WAGE, EXE, TAX, CCL and TAX while Z_{iti} includes SIZE and LEV. As the firm-level fixed effects may be correlated with the explanatory variables, the model was estimated by demeaning the variables using within groups transformation. Therefore, the focus of the model is on how short-term changes in explanatory variables over time affect CSR ratings of listed firms. It does not use long-term information on differences in variables across these firms.

While the contemporaneous model in equation (1) may be valid, a lagged specification is preferred as in equation (2):

$$R_{it} = \gamma X_{it-1} + \beta Z_{it-1} + a_i + e_{it} \quad (2)$$

Equation (2) allows for probable delays in publishing information. Using

lagged explanatory variables may also reduce some of the potential simultaneity problems, for example, if high CSR ratings lead to high sales and hence high profits.

2.5 Results and Discussion

2.5.1 Descriptive Statistics

Table 2.5 presents the descriptive statistics on CSR by year and Table 2.6 provides summary statistics of all variables. Most variables are presented as ratios, with the average wage, number of employees and length of the control chain being taken in logarithmic form.

Table 2.5 shows that the mean of CSR rating rose from 29 (scored out of a maximum 100) in 2008 to 39 in 2012. Huge gaps were observed between the minimum and maximum ratings each year. For the whole 5 years, the minimum is 11.7 and the maximum is 84.0. The data altogether indicates a relatively low level of CSP of Chinese listed companies. The accounting-based financial performance indicator, net profit margin, has a mean value of 0.15, which shows that on average, 15% of total company revenues are converted into net profit. The executive shares ownership also presents a significant difference between the minimum (0) and maximum (0.63) values. This means that executives of some companies hold no shares at all while those of some other companies have more than half of the company shares. On average, executives owned 2% shares of the company. The mean of natural logarithm transformed employee wage is 11.34 and that of natural logarithm CCL is 0.79. Appendix 2.1 presents the descriptive statistics of average wage, number of employees and length of the control chain before they are logarithm transformed.

Control chain length ranges from 1 to 8, with the mean of 2.412 and median of

2.000, which shows that the listed companies under survey are generally not far away from the control of their ultimate owners. After log-transformation, CCL is less skewed, with the values of minimum and maximum at 0.00 and 2.08 respectively with a mean of 0.79. The value of firm size ranges from 18.266 (equivalent to a total asset of RMB86 million) to 30.496 (equivalent to a total asset of RMB17.5 trillion) with a mean of 22.896.

As firm level fixed effects are used in the analysis, it removes any sample selection bias that may arise from the time invariant firm-level unobservable affecting both the decision to report CSR ratings and the ratings themselves.

Table 2. 5 Descriptive statistics on CSR rating by year

Variable	Mean	Std. Dev.	Min	Max	Number of firms
2008	29.4	9.7	15.2	72.1	357
2009	32.5	12.1	11.7	78.7	437
2010	34.7	13.8	13.3	81.5	475
2011	37.1	13.4	15.1	83.7	559
2012	38.9	12.3	18.5	84.0	639

Data source: Rankin CSR ratings

Table 2. 6 Descriptive statistics of all variables

Variable	Mean	Median	Std. Dev.	Min	Max
CSR rating	35.17	31.90	12.90	11.69	84.02
Profitability	0.15	0.10	0.19	-1.15	2.15
Tobin's Q	2.06	1.59	1.54	0.71	33.67
Employee average wage (log)	11.35	11.28	0.83	8.83	16.97
Executive share ratio	0.02	0.00	0.07	0.00	0.63
Control chain length (log)	0.79	0.69	0.40	0.00	2.08
Employees (log)	8.33	8.19	1.53	3.26	13.22
Tax rate	0.03	0.16	0.04	-0.27	0.42
Leverage	1.84	1.10	2.93	-8.08	35.68

Notes:

(1) Data source: CSR rating is obtained from the Rankin CSR ratings. 'Control chain length' is collected manually from the firms' CSR annual reports. Other variables are adopted from Chinese Stock Market Financial Statements Database (CSMAR 2008-2012).

(2) The number of observations included in Table 2.6 is 2,437.

There are not good instruments for the reporting decision, so further corrections for sample selection bias are not attempted and the results should be interpreted as being conditional on the firm reporting CSR information.

2.5.2 Results and Discussion

Table 2.7 presents the core results on the determinants of CSR ratings using company-level fixed effects models, estimated contemporaneously (equation 1) and with a one-year lag (equation 2). Both models are estimated with robust standard errors because the random error term e_{it} could be subject to heteroscedasticity and autocorrelation. The contemporaneous model has more explanatory power with an overall R-squared of 0.27 compared with 0.16 for the lagged model; the within groups R-squared of the model without lags is double

of that with. Despite the differences between R-squares, the results show that the signs of each variable's coefficient from two models are mostly consistent. In what follows, the results are interpreted mainly based on this contemporaneous model when the signs and significance of coefficients are consistent in both models, and highlight the causalities found in the lagged model if possible. However, when the sings or significances are inconsistent, an analysis of the differences is carried out.

Table 2. 7 Determinants of CSR ratings, company fixed effects models, contemporaneous and with a one-year lag

Dependent Variables	**(1) Contemporaneous model**		**(2) Model with lagged determinants**	
	Coefficient	T-ratio	Coefficient	T-ratio
Profitability	-6.676	-2.07*	-2.556	-1.03
Tobin's q	0.025	0.09	0.241	1.76 †
Executive share ratio	-7.120	-1.57	-26.018	-2.33*
Control chain length (log)	1.715	1.29	1.895	1.36
Average wage (log)	1.716	1.94 †	1.311	3.96 **
Employees (log)	2.270	2.61 **	1.222	3.74 **
Tax rate	41.266	2.53*	23.237	2.17*
Leverage ratio	1.411	5.28**	1.828	3.41**
Constant	-6.052	-0.36	8.937	1.94*
No. of observations	2,467		1,714	
No. of companies	706		594	
R-squared				
Within company	0.10		0.05	
Between company	0.26		0.13	
Overall	0.27		0.16	

Notes:

**p<0.01, *p<0.05, † p<0.10

Models include fixed effects for each company. T-ratios are calculated using robust standard errors.

There is a significant negative relationship between firm profits and CSR ratings

in the contemporaneous model (*ceteris paribus)*. The statistical significance is evaluated at the 5% level unless otherwise stated. In the lagged specification, the sign of the coefficient remains negative, but becomes wholly insignificant when profitability is entered with a one period lag. The insignificance is also evident in Table 2.6 where the samples are divided into state-controlled and non-state-controlled (details to be discussed later). At first glance, this seems consistent with Friedman's view that the pursuit of profits is inconsistent with adherence to CSR. This chapter interprets this lagged relation as implying that net profit margin, as a retrospective-looking measurement of financial performance is not a robust determinant of CSR ratings. The contemporaneous relationship is negative and contradicts the notion that a greater level of profitability would induce Chinese listed companies to devote more slack resources into CSR activities.

Another indicator of CFP, the market value of a firm's shares relative to their book value (Tobin's q), has a positive relationship with CSR rating in both the contemporaneous and the lagged models, though it was insignificant in the former one. As q>1 implies further expansion would be profitable (Hayashi, 1982), this argues that the increases of q value would result in the increase of CSR ratings, as firms might wish to channel scarce funds into activities that might promote CSR. Companies with greater growth potential are likely to place more emphasis on company reputation and brand image building via establishing good relationships with multi-level of stakeholders. For example, one could create a closer linkage with the government, gaining employees' and customers' loyalties. Therefore, companies with a higher q might be willing to

allocate more resources to CSR activities, which would be recognised by higher CSR ratings.

Thus, the results partly support hypothesis one that corporate finance performance is positively related with corporate social performance and also presents something interesting. Among Chinese A-share listed companies, the CFP-CSP positive relationship is conditional on how CFP is measured, net profit margin, the accounting-based and backward-looking measurement of corporate profitability, is not a factor positively affecting corporate social performance. However, Tobin's q, a market-based and forward-looking measurement of corporate financial performance, is found as a positive determinant of CSP.

How much senior executive managers own the companies' shares has a negative relationship with CSR ratings. The coefficient is insignificant in the contemporaneous specification, but significant at 5% level in the lagged model. The negative sign is inconsistent with the hypothesis that incentivizing managers to increase their company's share values may increase corporate social performance, but given the findings were insignificant in this pooled sample and contemporaneous specification. Later, when disaggregating between state controlled and other firms, the effects are significant for both subsamples. One tentative explanation is that the executives of Chinese A-share listed companies were still relatively short-term profit oriented. The increase in shareholdings seems is not an incentive mobilizing them to achieve better social performance, which would increase intangible assets of the firm (and therefore the market value) in a long term.

Both components of a company's wage bill (average bill and size of workforce) are significantly and positively related to CSR ratings. This is true in both versions of the model in Table 2.8, but the relationship is slightly stronger in the version of the contemporaneous model. As the two variables are natural logs, one can interpret the coefficient as the effect on the CSR rating of doubling values. Doubling either the workforce or average wages would raise the CSR rating by around 1.7 points in the contemporaneous model and 1.3 in the lagged model. In terms of the standardized coefficient[19], the size of the workforce has the largest absolute value in Table 2.7. A one standard deviation rise in the size of the workforce would raise CSR ratings by 3.5 points[20] (0.27 of a standard deviation of CSR), whereas for average wages, the equivalent rise would be 1.4 points. These findings suggest that increasing the wages and size of a company tends to lead to higher CSR ratings. One can interpret this as generous remuneration may lead to the company being rewarded in CSR ratings for its treatment of one of its most important groups of stakeholders, the workforce. It also argues that a higher level of wage would strengthen the current employees' commitment and loyalty (Mueller et al., 2012). For example, employees would be motivated to be more productive, which leads to a greater economic contribution of the firm. A higher level of pay may also motivate employees to be more active in CSR activities that often require employees' involvement such as donations and volunteer programmers.

[19] $\frac{coefficent\ of\ the varibale \times Standard\ deviation\ of\ the\ varibale}{Standard\ deviation\ of\ CSR\ rating} \times standard\ deviation\ of\ CSR\ rating$

[20] $2.27 \times 1.53 = 3.47$

Several tentative explanations might be given for the effect of employment on CSR. It may be that as a firm increases in size, it changes its objectives, perhaps becoming more managerial (rather than profit-maximizing) in its objectives. In other words, firms in a larger size are more likely to seek approaches aligning employee and business objectives into a cohesive system. And thus, they may be more willing to implement CSR activities. However, this explanation seems rather long-term, whereas this chapter considers year-on-year changes in employment. A shorter-term explanation is that some of any additional employment may be dedicated to work on such activities. Alternatively, the effect of the employment variable may capture firm growth more broadly and growing firms may be more likely to see rises in their CSR ratings (stagnant or declining firms may not have the resources, labour or otherwise, to devote to CSR).

The length of the control chain is negatively related to CSR ratings in the contemporaneous model, which seems to confirm the hypothesis that a closer distance between the firm and its ultimate owner would lead to a higher level of corporate social performance. However, the coefficient is not statistically significant. In the lagged model, the sign of coefficient turns to positive although it is not insignificant either. Thus, the chapter cannot conclude that the length of control chain was a determinant of CSP.

Another stakeholder for the listed firms is the government, which benefits directly from taxes paid by the company. The tax rate has a positive effect on CSR in Table 2.7, and the effect is significant in both the contemporaneous and

lagged models. The coefficients are very large, but the rate of corporate tax actually paid in the sample is rather low (less than 3% on average). The standardized coefficient is modest with a one standard deviation rise in the tax rate being associated with only a 1.7 rise in the CSR rating, *ceteris paribus*. The significant effect of the tax rate in the lagged mode also allows making causal inferences about the effect of the variable. Rising corporate tax payments in the prior year result in rising CSR ratings in the current year.

There is a view that the state-owned or controlled companies tend to behave in a more socially responsible way and issue CSR reports in a higher quality. For example, Teoh and Thong (1984) demonstrated that the more shares owned by the government, the more CSR disclosures the companies made. Ghazali (2007) contended that firms are more likely to perform in a socially responsible way and report their CSR activities if they are substantially controlled by the government. This is because government-owned companies are more politically sensitive for their engagement in the activities that are more in the public eyes. As a consequence, such companies are likely to disclose more social activities to legitimize their existence. Therefore, the motivations of state-controlled companies may differ fundamentally from those of private companies, so Table 2.8 splits the sample into two broad categories by ultimate controlling shareholders, separating state-controlled and non-state-controlled companies.

State-controlled companies form the majority of the sample, outnumbering the rest by around two to one. The findings discussed previously for the pooled sample largely held for the two sub-samples. In particular, the two labour-related

variables (average wages and number of employees) both have significant positive effects on CSR ratings. The other significant explanatory variable, Tobin's q, in the pooled model is only positive and significant for non-state-controlled companies in the lagged model. Interestingly, an executive's share ownership, which has a negative effect that is only "suggestive" in Table 2.7, is significantly negative in both sub-samples in Table 2.8.

Control chain length is found positive but insignificantly related to CSR ratings in the lagged model for the pool sample. However, the relationship becomes significant at the 0.10 significance level for state-controlled companies. The result demonstrates that the wider distance between the company and its ultimate owners, the more likely for the company to achieve a better level of CSP. The finding is inconsistent with the hypothesis. One tentative interpretation is that state-controlled companies that are remote to the government organisations (the ultimate controlling shareholders) are more active in fulfilling social responsibilities as such companies are more likely to use CSR as means to gain the recognition from the state.

A positive and significant relationship between LEV and CSR is found in the pooled sample as well as in the sample containing state-controlled companies only, which contradicts the theoretical arguments. The existing literature suggests that firms with lower risks are more certain in predicting a firm's future cash flows (Bettis and Thomas, 1990; Sharpe, 1990). Thus, it is more likely for them to allocate a sufficient level of slack resources to CSR activities. One possible reason why Chinese listed company ultimately controlled by the state

are able to sustain their CSP at a high level, even if facing a high level of financial risk, is that state-controlled companies always benefit from more favourable financing schemes. For instance, it is much easier for them to apply for a loan from banks in China. Generally, a state-controlled company's survival is not threatened even though it suffered illiquidity. Thus, the uncertainty to future cash is less likely to be an issue when state-controlled companies are taking actions on CSR.

Table 2. 8 Contemporaneous and one-year-lagged models: determinants by state-controlled and non-state-controlled companies

	State-controlled Enterprises				**Non-State-controlled Enterprises**			
	(1) Contemporaneous model		*(2) Model with lagged determinants*		*(1) Contemporaneous model*		*(2) Model with lagged determinants*	
	Coefficient	T-ratio	Coefficient	T-ratio	Coefficient	T-ratio	Coefficient	T-ratio
Profit rate	-3.956	-1.15	-1.692	-0.39	-4.446	-1.20	-4.688	-1.60
Tobin's q	-0.367	-1.67†	-0.022	-0.09	-0.311	0.681	0.693	3.61**
Executive share ratio	81.417	0.83	-359.947	1.79†	-7.735	-1.84†	-25.561	-2.57**
Control chain length (log)	2.956	1.85†	3.011	1.80†	-0.284	-0.11	-1.754	-0.68
Average wage (log)	2.090	1.30	1.055	2.71**	2.901	1.65†	2.285	3.32**
Employees (log)	2.431	1.73*	0.904	2.36*	3.869	3.21**	2.317	3.34**
Tax rate	36.303	2.22*	32.623	1.61†	20.079	1.25	26.308	2.12*
Leverage ratio	1.328	4.16†	2.221	3.20**	1.038	1.60	0.922	1.12
Constant	-9.952	-0.33	14.763	2.72**	-29.132	-1.03	-9.547	-1.17
observations	1663		1188		804		526	
groups	444		388		262		206	
R-squared								
Within	0.102		0.049		0.164		0.125	
Between	0.291		0.082		0.171		0.087	
Overall	0.312		0.135		0.177		0.097	

Notes:

(1) **p<0.01, *p<0.05, † p<0.10

(2) Models include fixed effects for each company. T-ratios are calculated using robust standard errors.

2.6 Conclusions

CSR is a relatively new concept in the Chinese business community, but it has become mainstream in the past decade with the institutional pressures growing nationally and internationally. Listed companies have been comprehensively rated for their CSP on an annual basis.

This chapter has constructed an analytical framework grounded on the stakeholder theory to develop hypotheses about the determinants of CSR of listed firms in China. The theory views firm behaviour as being determined by considering the interests of the internal primary stakeholders in a company such as owners, managers and workers and so on. However, in the Chinese context, to these stakeholders the study must also add the government – an internal stakeholder in SOEs and those with mixed ownership, and in all cases an important external stakeholder. The stakeholder theory is a good fit for understanding CSR of listed firms in China, which is also predicated on the assumption that firm behaviour should not be driven purely by the pursuit of profit.

Empirically, this paper analysed panel data for all rated A-share listed firms in mainland China from 2008-2012, identifying the proximate determinants of their CSR ratings. To reduce the biases from unobserved firm-level heterogeneity, firm-level fixed effects estimators were employed and focused on the effects of year-to-year changes in hypothesized determinants (“within group” estimates), rather than time invariant factors or longer run differences between firms (“between group” estimates). As such, our paper is an advance over most

of the literature that relies on cross-sectional or case study evidence.

The results of tests of our first three hypotheses – connected to corporate financial performance and issues of owner-control – were negative. Past firm profits did not appear to enhance CSR, nor did incentivising managers or having a shorter control chain for the ultimate owner. Our findings suggest that there may be conflicts of interests between those focusing on profit-maximisation – at least in the short term – and CSR objectives or strategies. There is a negative contemporaneous relationship between firm profits and CSR ratings. For non-state-controlled firms, more managerial share ownership was associated with lower CSR performance, ceteris paribus. Boosting CSR ratings this year is likely to come at a cost to this year's profit and managers paid in shares may be less enthusiastic about such activities as a consequence.

Conversely, the finding suggests a broad alignment between CSR and the interests of other stakeholders – workers and the government. Wages and corporate taxes are both associated with higher CSR ratings, ceteris paribus. The finding on wages can be explained at least in part because good treatment of workers as important company stakeholders is valued by CSR. The finding on taxes may be interpreted in terms of more tax compliance indicating a company that is more socially responsible in other dimensions as well. Broadly speaking, stakeholder theory and our empirical results suggest that workers and governments may embrace CSR objectives, while owners and managers may be reluctant due to concerns about their firms' bottom line profits.

There are important caveats to the results and promising avenues for further research. Although the empirical research controls for firm fixed effects and enter independent variables with lags, there remain potential problems of endogeneity bias and reverse causality. This chapter has focussed on the determinants of CSR, taking profits as a potential determinant. It would be interesting to use the same data set to look at the opposite direction of causality: to what extent is CSR at the expense of firm profits, as believed by the Chicago School, or is there a "win-win" situation at least in the long-run, as posited by the instrumental stakeholder theory in the emerging economies such as China. The period covered by our data was relatively short – five years – and covered only the initial period in which CSR ratings become mandatory in China. It would be interesting to update the analysis and check for robustness over time. Finally, we have focussed only on overall CSR ratings: disaggregating by different dimensions of CSR might help understand the extent to which wages, for example, have a direct impact on CSR – affecting only sub-indices concerned with worker welfare - or benefit CSR more broadly.

3. Content Analysis of Corporate Philanthropy Disclosures by Leading Chinese Multinational Corporations

This chapter adopts content analysis involving two steps to examine the philanthropy disclosures made by Chinese companies listed in the *2018 Fortune Global 500*. The frequency analysis shows that in 2017, 87% of the companies published 2017 CSR reports or CSR-themed statements that applied a "stakeholder framework" to compile disclosures, where philanthropic contributions are broadly categorized in the communications with the stakeholders who are "society and communities". The figures also suggest that among 51 institutional agendas, guidance and standards, the ones issued by international-level and nation-wide level institutions play key roles in shaping Chinese top global companies' philanthropy-information compilations. However, a wider group of stakeholders, but less institutions, are found to influence the actions disclosed. The directed qualitative content analysis is further carried out to identify respective stakeholders and institutions influencing 9 segmented philanthropy issues. The analysis also reveals a vigorous trend of philanthropy conducted by leading Chinese multinational corporations manifesting in four aspects: an advanced understanding of poverty alleviation, enhancing reputation for individual philanthropic programmes, making full use of the internet and creating more innovative methods for contributions. The purposes of innovations are to more effectively utilise resources, widen the beneficiary groups and involve more primary stakeholders into philanthropic activities.

3.1 Introduction

In recent years, Chinese giant companies such as Jingdong.com and Huawei have received increasing attention domestically and broadly because of their rapid expansions and growing influences. Being one of the world's most successful enterprises is regarded as a great honour by these Chinese companies. Proactively taking part in philanthropic activities and disclosing relevant information have become another critical renounce-builder. Alongside the tremendous rising awareness of being socially responsible, Chinese firms have attached a greater importance to corporate philanthropy as one significant dimension of corporate social responsibility (CSR) in their business strategy (Wang and Qian 2011). Particularly, enterprise giants, which are leading companies or groups, have been evolving their perceptions of and transforming their approaches to corporate philanthropy. With respect to the understanding of philanthropy, for example, quite a few companies like Geely (Geely, 2017) and China Life Insurance (China Life Insurance, 2017) have become aware that the function of philanthropic giving for poverty alleviation shall go beyond the pure "feeding" purpose, creating opportunities for the poor to gain wealth themselves that is far more important. An instance regarding the innovative donation method is vividly illustrated by Alibaba, which makes full use of the internet's advantages and has successfully attracted a wider group of stakeholders to involve in philanthropy such as Jessica Rudd, the daughter of the former Australian Prime Minister Kevin Michael Rudd, to join a philanthropic programme for Chinese orphans (Alibaba, 2017).

However, do all the leading Chinese multinational corporations disclose

philanthropy information? What are the institutional factors and stakeholder groups driving the giants to implement philanthropic activities and shaping their disclosures? What are the actual contents revealed in the disclosures? What is the trend of philanthropic activities undertaken by the most successful Chinese companies? What are the motivations underlying the innovations? These issues haven't been thoroughly addressed in previous literature using content analyses of philanthropy disclosures in the Chinese context. Answers to these questions are essential to have a better understanding of current corporate philanthropy development among China's most successful enterprises. These enterprises not only lead from the economic performance perspective, but also play a role as leading representatives of "philanthropists" among their peers and to smaller-sized firms. Therefore, the extent to which the enterprise giants contribute to the society could well reflect where the Chinese business area can reach so far to remedy the public welfare deficiencies (Brenker, 1992).

In terms of methodologies, Snider et al. (2003, p.177) pointed out that "Research involving CSR and social reporting on the internet has focused on the groups addressed and the types of messages directed to them. However, there is a lack of scholarship examining the content of what firms are actually saying to these stakeholders." To address the enquiry, this chapter integrates quantitative and qualitative content analytical methods to conduct a frequency analysis and to describe patterns under different themes in sequence. The latter draws on Snider et al. (2003) and Holcomb et al. (2007) approaches to uncover what these economically successful giants in China with different characteristics are actually doing and presenting about their philanthropic contributions.

Specifically, the findings are provided thematically with statements denoting appropriate exemplars. Different from frequency analysis, theses testimonials are representative of the range of responses discovered during the content analysis (see Ozanne et al., 1998). Such methods are helpful in discerning “the hidden messages inscribed in code” (Hebdige, 1979, p.18) and in understanding the phenomena that can be hardly captured by frequency analysis.

By doing so, this chapter makes the following main contributions to the existing literature. First, this chapter thoroughly examined the influential factors, varieties and trends of the philanthropic activities fulfilled by leading Chinese multinational corporations. Second, this chapter vertically compares and contrasts the respective stakeholders and institutions guiding compilations as well as actions disclosed. As corporate philanthopic actions are taken first and the information is disclosed after the actions have been taken, vertical comparisons and contrasts here refer to an investigation of the similarities and differences in the stakeholders and institutions influencing the two interrelated but independently implemented issues: real actions and reporting.

Third, this chapter also horizontally compares and contrasts the influential stakeholders and institutions addressed in various philanthropy-related society issues such as education, health service, disaster relief and poverty alleviation. As there is no priority or sequence among these issues, this study calls the assessment of the differences and similarities of their influential stakeholders and institutions as horizonal comparisons and contrasts. last, a combination of quantitative and qualitative content analyses is used to explore corporate

philanthropy disclosures in the Chinese context.

The remainder of this article is constituted as follows. The second section interprets the key concepts, reviews the stakeholder and institutional theories, as well as arguments on ownership. An integrative model based on stakeholder and institutional theories is established as the guidance for the empirical analysis. In the third and fourth sections, methodologies and findings are presented. Discussions are demonstrated in the fifth section. The sixth section provides conclusive remarks.

3.2 Literature Review and Integrative Model Development

3.2.1 Corporate Philanthropy

The "social" dimension of CSR concerns the impacts that the organisation has on the social systems within which it operates (see G4 guidelines by GRI n.d.). The *Social Category* is further classified into four sub-categorises: *Labour Practices* and *Decent Work*, *Human Rights*, *Society* and *Product Responsibility*. Corporate philanthropy largely belongs to the *Society* sub-category, which refers to the impacts that an organisation has on society and local communities. A local community is defined as "a self-defined, self-circumscribed group of people who interact in the context of shared tasks, values or goals and who are capable of establishing norms of ethical behaviour for themselves" (Donaldson and Dunfee, 1994, p.262). Corporate philanthropy has long been viewed as an effective approach for a firm to promote the welfare of others within the society and local communities (Wood and Jones, 1995; Berman et al., 1999; Seifer et al., 2003).

The primary forms of corporate philanthropy include cash donations to charities, given either directly or indirectly through a corporate-sponsored foundation that is a legal entity separate from the firm. Other forms of donation may include in-kind gifts of a firm's products, materials (e.g., food and stationery), use of facilities, services (e.g. volunteering activities), or managerial expertise (Seifer et al., 2003). In the Chinese context, some scholars have drawn attention to the varieties of corporate philanthropy beyond cash and in-kind donations. Li et al. (2015) critiqued their own study on corporate philanthropy for its sole focus on

cash and in-kind donations and noticed that Chinese firms had been extending the scope to community service, cause-related marketing activities and volunteering programmes (Hess et al., 2002; Amato and Amato, 2007; Li et al., 2015). Zhou (2015) found that some corporate philanthropists were contributing their human resources in addition to making cash and in-kind donations, for instance, organizing employees to provide short-term voluntary teaching in rural China.

3.2.2 Corporate Philanthropy Disclosures

Corporate philanthropy disclosures are a part of the CSR disclosure, which is a different concept from corporate social performance, though the former is used as a proxy for the latter in many studies. Disclosures work as a vehicle to communicate a company's socially responsible performance to interested groups (Crowther, 2000; Noronha et al., 2013). In their study, Esrock and Leichty (1998) found that a variety of communication formats were used by corporations to communicate the organisations' social responsibility. News releases, reports/annual reports and "hot links" to other web sites were found to be often adopted as social responsibility modes of communication. However, recent years have seen a global upward trend in CSR reporting (Gao, 2011; Noronha et al., 2013). For example, the percentage of *Global Fortune 250* companies publishing annual social reports has increased from 12% in 1993 to 52% in 2005 (KPMG, 2005). In addition, among *Global Fortune 250* companies, the prominent reporting type substantially shifted from environment, health and safety reporting to sustainability reporting (KPMG, 2005). Researchers have

been studying CSR reporting as a proxy of companies' actual CSR practices (Dawkins and Ngunjiri, 2008; Tang and Li, 2009). This chapter examines corporate philanthropy disclosures alongside CSR reports. CSR-themed web pages are alternatively studied if a company's CSR report is not available.

One issue about CSR disclosures that recently has received increasing attention from researchers is the content credibility. Lock and Seele (2016) stated that the credibility of CSR reports is a multilayer concept. They found that it is standardization and content that matter most for reporting. Thus, this chapter uses two methods to check the credibility of the philanthropy information disclosed. One is analyzing the framework, standards and codes the disclosures have used. Another is comparing the figure of the expenditure on philanthopic giving presented in corporate philanthropy disclosures with it in the financial reports. The results show that there is a high credibility of the reports studied in this study.

3.2.3 Government Ownership

Since 1992, many state-owned enterprises (SOEs)[21] in China have been privatised to different extents because of economic transformation. However, government ownership and control are still a distinctive feature in the Chinese corporate sector. Given the trend that the state encourages companies to implement CSR, those owned by the state seem to take greater responsibilities

[21]State-owned enterprises are referred as firms that have state ownership and control (Li, et al.,2016).

than others to achieve particular social objectives (Shleifer and Vishny, 1994). According to the Notification by state-owned Assets Supervision and Administration Commission of the State Council (SASAC) (2008), it is particularly significant for enterprises owned by the central government to fulfil social responsibilities due to their engagement in "backbone "activities (e.g. natural resource extraction and processing, power supply and generation). As such activities are more politically sensitive, SOEs are more burdened by pressures to undertake socially responsible activities and disclose relevant information to legitimatise their existence (Ghazali, 2007). Therefore, government ownership is an essential governance-factor influencing companies' engagement in philanthropic contributions.

3.2.4 Stakeholder Theory

As corporate philanthropy is a sub-category of CSR, theories applied to general CSR are reviewed first. Then an integrative model is created based on the theories to guide the empirical research into Chinese companies' philanthropy disclosures. Freeman defined stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p.46). Thus, the survival of a firm, in this perspective, is influenced not only by its shareholders, but also by many other groups, such as employees, government and local communities.

The managerial (instrumental) branch of stakeholder theory is fundamentally a pragmatic concept (Freeman, 1999), which has been widely applied in the

empirical study of CSR (for example, Ullmann, 1985; Clarkson, 1995; Orlitzky et al., 2003). It suggests that concern for stakeholders is motivated by the perception that it can strengthen the effectiveness of the organisation (Harrison and Freeman, 1999). Furthermore, the extent to which an organisation makes efforts to manage its relationships with its stakeholder groups depends on how important the groups are to the interests of the organisation (the interests need not be restricted to profit-seeking (Gray et al., 1996).

A primary stakeholder group is one who has a direct impact on the continuing operation of the company (Clarkson, 1995). Primary stakeholder groups consist of shareholders, investors, employees, suppliers, consumers, etc, with whom the company interacts (at least in part) financially; and public stakeholder groups like government and local authorities who issue laws and regulations that the company must obey, and to whom taxes and other obligations may be due.

Secondary stakeholder groups are not essential to the survival of the company as a going concern (Clarkson, 1995). However, a good management of relationships with them is argued as a means of company image enhancement. A wide range of special interest groups are considered as secondary stakeholders, for instance, potential customers in the community who are concerned about the company's actions on public welfare and philanthropy belong to the secondary stakeholder group.

Based on the stakeholder view, some empirical studies use qualitative research methods such as surveys, interviews and content analysis to explain corporate

social responsibilities and/or corporate philanthropy. For example, what are the managers' motivations for taking social responsibility and disclosing social performance? Which stakeholder groups is the company concerned about? What are the outcomes of its socially responsible and/or philanthropic activities? In their study of 40 British and German companies, Silberhorn and Warren (2007) conducted an analysis of the corporate CSR websites as well as interviews with senior managers and found that 1) there was a trend of integrating CSR into the company's comprehensive business strategy (companies that did so were mainly driven by performance considerations and stakeholder pressure); 2) most CSR policies addressed community, employee and customer issues; 3) German companies under examination might feel more obliged to embrace a broader and clearer notion of CSR in the future; and 4) large companies had similarities in delivering CSR messages, but acted slightly differently due to the different institutional situations in the two countries (e.g. Germany has stricter legislation in employee rights).

Moir and Taffler (2004) integrated the stakeholder model into the framework they proposed for analysing corporate philanthropy along with the dimensions of business/society interest and primary/secondary stakeholder focus. With the aim of uncovering the motivations for business giving to the arts in U.K., a formal content analysis of 60 texts describing different firm's involvement with the art was applied. The findings showed little evidence of pure altruism in this context. Maignan and Ralston (2002) compared the CSR and stakeholder issues from websites in the U.S. and Europe, revealing that countries differed significantly in the importance they attached to reporting socially responsible

behaviours as well as the CSR issues they wished to emphasize.

3.2.5 Institutional Theory

Institutional theory is closely related to stakeholder theory (Deegan, 2002; Gray et al., 2010). Specifically, institutional theory suggests that organisations seek to legitimise themselves within a given environment by adapting their structure and operations, and attempt to become isomorphic with these environments (Dimaggio and Powell, 1991). Furthermore, neo-institutional theory emphasizes the role that institutions play in shaping organisations' behaviour (Doh and Guay, 2006). To investigate the conditions under which corporations are likely to behave in a socially responsible manner, Campbell (2007) offered a series of propositions based on institutional theory and comparative political economy, and argued that the relationship between basic economic conditions and corporate behaviour is mediated by several institutional conditions. These are public and private regulation, the presence of nongovernmental and other independent organisations that monitor corporate behaviour, institutionalised norms regarding appropriate corporate behavior, associative behaviour among corporations themselves, and organised dialogues among corporations and their stakeholders. The Sanchez (2000) study applied institutional theory as one of the principal theories and explored what might motivate Salvadoran companies' practices in corporate philanthropy. The finding suggested that philanthropic acts by Salvadoran firms are driven by both altruistic and politically strategic motives.

3.2.6 An Integrative Model

Based on stakeholder and institutional theories, an integrative model (see Table 3.1 & 3.2) is created to understand the influential stakeholders and institutional factors of philanthropic contributions and information compilations. Though this integrative model can be applied universally to CSR issues of different companies from different countries, this chapter fills the existing research gap by applying it to examine by what and how corporate-philanthropy activities and disclosures of Chinese leading SOEs and non-SOEs are influenced by general stakeholders and institutional factors, as well as those with Chinese characteristics. The diversity in China's markets and institutional environments allows the study to observe large variations in some of the specific factors potentially relevant to corporate philanthropy (Wang and Qian, 2011). Meanwhile, the multinational nature of these companies also offers an opportunity to investigate the variations between domestic and global settings.

The integrative model follows Snider et al.'s (2003) findings to classify the stakeholder groups and institutions into two major categories, home national level and international level, because 1) ethical norms and expectations may vary between home and abroad stakeholders; and 2) national-level institutional regulations are adaptive to China national situations while global-level initiative can be more generally applied. In other words, people within a local community establish norms of ethical behaviour for themselves (Donaldson and Dunfee, 1994). Fundamental principles about moral rights and obligations reflect "a set of standards to which all societies can be held" (Walzer, 1992, p.9). Therefore, a company's "local" philanthropic contributions deal with its obligations based

on the standards of the local community (Husted and Allen, 2006). In contrast, "global standards" like CSR standards issued by the Global Reporting Initiative (GRI) are the ones all societies can be held. Given its property of running business in more than one country, a multinational company may subject to the ethical norms set by both national and international levels of stakeholders and institutions in either home community or overseas communities involvement.

Table 3. 1 Integrative model to understand leading Chinese multinational corporations' philanthropic disclosures and contributions

Segmented levels	**Stakeholder groups**	
	Primary stakeholders[22]	**Secondary stakeholders**
International Level	International peers, investors, suppliers, customers, distributors and collaborators	Local communities
	Local government and regulators	Local organisations (e.g. museums and universities)
	Employees	International and local charitable organisations, foundations and other international and local non-profit organisations.
Home National-Level	Home peers, investors, suppliers, customers, distributors and collaborators	Home Local-communities
	Home government and regulators	Home professional organisations (e.g. museums, libraries, media and performance professions)
	Employees	Home charitable organisations (e.g. Red cross), foundations and other non-profit organisations (e.g. Chinese Young Volunteers Association and Junior Achievement).

[22] Firm's managers are not included in this particular study, as managers' decisions are assumed aligned with the firm's performance in CSR and corporate philanthropy disclosures.

Table 3. 2 Integrative model to understand leading Chinese multinational corporations' philanthropic disclosures and contributions.

Segmented levels	Institutional factors
International Level	International organisation and initiatives Local government policies and regulations Stock exchange regulations International Industrial regulations International and local professional organisations Company regulations
National Level	Home government policies and regulations Home professional organisations Home organisations such as Chinse Academy of Sciences Stock exchange regulations Home Industrial regulations Home professional organisations Company regulations

The stakeholders most relevant to corporate philanthropy are categorized into primary and secondary groups (Table 3.1). At international level, the primary stakeholders consist of employees, economic stakeholders such as international investors and customers, as well as local government and policy makers. The secondary stakeholders refer to local communities, international and local charitable organisations and other non-profit organisations (NGOs). At the national level, the primary stakeholders comprise employees, economic stakeholders as well as home government and regulators. Home communities, professional organisations, charitable organisations and other NGOs are included as the secondary stakeholders.

In general, Chinese stakeholders are deeply influenced by traditional values and communist ideologies (Hofstede, 2001; Leung, 2008) which share a same similar view that there should be no disparity in the distribution of wealth in society. Therefore, they are more likely to embrace the companies that contribute to the society generously. Two contrast examples associated with 2008

Wenchuan earthquake are presented to demonstrate Chinese stakeholders' response to the sizes of donations. Vanke, one of the largest real estate developers in China, made a donation of RMB 2 million for earthquake relief. However, it was criticized by the public for a relatively small amount of donation. The reputational crisis led to a 12 percent decrease in Vanke's stock price in just five days (15-20 May). In contrast, the JDB group, A Chinese company manufacturing beverage, donated 50 times of that Vanke did (RMB 100 million), though it is smaller than Vanke in terms of both total revenues and profitability. The news triggered a dramatic increase in sales of JDB's main product-Wanglaoji, an herbal tea (Gao, et al.,2012). Therefore, any actions taken for social causes taken by Chinese listed companies would take into considerations of the response of its domestic stakeholders to different extents. These stakeholders are mainly primary stakeholders including investors, customers, suppliers, collaborators and even potential employees.

Another stakeholder with Chinese characteristic that associate with Chinese company's CSP/corporate philanthropy is government-owned charitable organisations such as the Red Cross Society of China, Sunshine Education Foundation and Women and Children's' Foundation. the Red Cross Society of China, for example, is a social assistance organisation engaged in humanitarian work. It is a member of the International Red Cross Movement. As verified and effective donation given by firms for social causes must be transferred through charities or corporate-sponsored foundation independent from the firm, these government-owned charitable organisations play a significant role in collecting

and allocating funds received from different companies. Meanwhile, such organisations also initiate joint activities with companies to implement philanthropic campaigns. Thus, central- or provincial-government-owned charitable organisations are stakeholders having strong connections with Chinese companies' corporate philanthropic activities.

Regarding institutional factors, the model (Table 3.2) classifies international initiatives and standards, local government policies and regulations, as well as international and local professional organisations into the "international level" category. Home government policies and regulations, stock exchange regulations, company and industrial regulations are classified as "national level" institutional factors. Both international- and national-level institutions may also contain regulations of stock exchanges, industries and companies.

Four institutional factors relating to Chinese corporate philanthropy shall be highlighted, namely Chinese government policies, stock exchange regulations, industry regulations and international initiatives. Governments are playing a role in providing directions to society to remedy possible governance deficits. Moon (2004) contends that in the UK, traditional institutions are struggling with fulfilling societal demands as well as state and market shortfalls, so the UK government especially takes interest in advocating CSR in the nation widely, which has been seen as a potential contributor to their amelioration. By implementing CSR, corporates help to alleviate "public welfare deficiencies"

such as illiteracy, lack of sufficient funding for educational institutions, inadequate health care delivery systems, etc. (Brenkert, 1992).

Similarly, the Chinese government's action in encouraging CSR could also be partially explained by the correction of particular societal governance deficits. China has undergone a dramatic economic transformation since 1992. In order to keep pace with the economic development, institutional evolution has also become a key focus of the Chinese government. Chinese government endeavors to create a more supportive institutional environment for firms to operate by improving political and regulatory systems, legal frameworks and market structures. However. institutional transition in China is still in an early age, formal institutions including the legal, regulatory and political systems remain relatively weak (Hitt and Xu, 2016). Therefore, informal institutions such as CSR implementation play a complementary role in regulating firm behaviors and correcting societal governance deficits. Such informal institutions seem workable to both state-owned enterprises and non-state-owned enterprise.

Though the economic transformation has involved large-scale privatization, Chinese firms remain highly dependent on their national government. According to the Notification issued SASAC (2008), companies controlled by the state seem to take greater responsibilities than others as their engagement in politically sensitive activities (e.g. natural resource extraction and processing, power supply and generation) (Ghazali, 2007). They are also responsible to

achieve particular social objectives (Shleifer and Vishny, 1994). Meanwhile, as corporate philanthopic giving helps to remedy the resource-shortage problem of local government, some Chinese private companies are also motivated to engage in philanthopy-related programs to establish sound relationships with the government and thus gain better access to financial resources and favorable treatment.

In addition to center- and local-government policies and regulations, Chinese listed companies are also subject to the stock exchange regulations. For example, Suning.com Co., Ltd[23]. is listed on Shenzhen Stock Exchange (SZSE) and Alibaba Group is listed on New York Stock Exchange (NYSE), so they may face different stock exchange regulations on CSR/corporate philanthropy. In China, since 2008 when the state released various documents to enhance CSR, specific public companies listed on the SSE and SZSE have been required to disclose CSR information following each stock exchange's own guidelines on CSR (including philanthropy) disclosures. Moreover, particular industries set their own regulatory frameworks and standards. A system of well-organised and effective industrial self-regulations is essential in shaping companies' understanding, performance and disclosures on social performance (Campbell, 2007). Appendix 3.1 presents the public-list information of each company.

[23] Suning.com Co., Ltd. Is one of the largest retailers in China. Its operation categories include physical merchandise such as home appliances, household commodities, as well as service merchandise.

An external factor promoting Chinese corporate philanthropy is globalisation (Chapple and Moon, 2005). Many Chinese giant companies or groups have established subsidiaries overseas for business expansion. Moreover, home government policies with unique Chinese characteristics such as *One Belt One Road* have also boosted the communications between Chinese companies and participating parties. With the increase of interactions with foreign companies and local communities, Chinese companies have been more restricted by global agenda and international standards on ethical performances. Appendix 3.2 lists and interprets the four types of important institutions with examples provided.

3.3 Research Questions

Along with the examination of the 120 companies' CSR reports or CSR-themed web pages, the chapter raises five broad research questions about the philanthropy discourse rate, the content of philanthropy disclosures, and the institutional factors and stakeholder groups shaping the compilation as well as the contents regarding actions.

RQ1. What is the proportion of leading Chinese multinational corporations disclosing philanthropy information?

RQ2. What are the institutions shaping corporate philanthropy disclosure compilations?

RQ3. What are the institutions driving corporate philanthropy contributions?

RQ4. What are the frameworks the companies adopt for philanthropy disclosures?

RQ5. Who are the most relevant stakeholders to the companies' philanthropy activities?

RQ6. What philanthropy issues are most widely addressed in CSR reports or on CSR-themed web pages?

RQ7. What types of philanthropic activities are most frequently adopted by these companies?

Furthermore, to response to Snider et al.'s call (2003) for the examination of the content of what firms are actually saying, this study further carried out a qualitative content analysis describing and explaining the patterns in terms of different themes by using examples to address the following research questions:

RQ8.What is the content of each society issue like disaster relief, education and health service regarding the respective influential institutions and stakeholder groups?

RQ9.What is the content of each society issue regarding the trend of philanthropic activities undertaken by the leading Chinese companies?

RQ10. What is the content of each society issue regarding the motivations underlying philanthropy innovations?

3.4 Methodology

3.4.1 Sample and Data

The sample used in this chapter consists of 120 leading Chinese multinational enterprises: all the Chinese companies listed in the *2018 Fortune Global* 500. Every year, *Fortune* magazine ranks the world's 500 largest companies by total revenues for their respective fiscal years ended on or before 31 March of the ranking-report year (Fortune, 2018). For instance, *Fortune Global 500* published in 2018 lists the world's top 500 companies whose fiscal year ended on or before 31 March 2018[24]. These companies have generated $30 trillion in revenues and $1.9 trillion in profits in 2017 (Fortune, 2018). Among them, 24% (120 companies) are from China, including those based in mainland China, Hongkong and Taiwan. Though the characteristics of firms from mainland China, Hong Kong and Taiwan are quite different, they are all categorized as the 'firms from China' by *Fortune Global 500* from geographical and political perspectives.

Some prior studies examining CSR or corporate philanthropy have used rankings by *Fortune* magazine. By applying a random sample of *Fortune 500* companies, Esrock and Leichty (1998) found that 90% of them had web pages and 82% of the sites addressed at least one CSR issue. Muller and Whiteman (2009) analysed the philanthropic donation announcements made by *Fortune Global 500* firms from North America, Europe and Asia to look for regional

[24] In mainland China and Taiwan, the fiscal year of 2018 is between 1 January 2017 and 31 December 2017.The end dates of fiscal year in Hong Kong, UK and US are 31 March.

patterns across three disasters. By conducting two-round research, they found that the organisational behaviour in response to major disasters appears to vary systematically across regions. When considering all three disasters (namely 2004 Tsunami, 2006 Hurricane Katrina and 2006 Kashmiri earthquake) together, North American firms were the most likely to donate, followed by European firms and then Asian firms. In their study, Legendre and Coderre (2013) applied a content analysis of the 2009 sustainability reports published by companies listed in the *Fortune Global 500*. The results from binary logistic regression revealed that the adoption of GRI G3 guidelines was influenced by company size, profitability, business culture of a country and industry.

This study uses a sample scoured from the *Fortune Global* 500 rather than a random-selection from *Fortune 500 China* for two reasons. First, *Fortune Global* 500 and *Fortune 500 China* are produced by *Fortune* magazine and *Fortune China* magazine respectively. The former is considered more comparative with the prior studies using *Fortune* rankings. Second, *Fortune 500 China* provides information on Chinese listed companies while *Fortune Global* 500 includes the biggest companies all over the world regardless whether they are listed or not. It is noteworthy that many Chinese giant enterprises are enterprise groups (e.g. State Grid and China Resources) that are not overall listed. Unlike listed companies (e.g. Vankee and Suning.com) that are mandatorily required to disclose CSR by stock exchanges, enterprise groups publish the information of both parent and subsidiaries on a voluntary basis. A sample of companies subjecting a mixture of types of CSR disclosure requirements would

be important to compare the disclosure rate and factors between companies. The data used for this investigation is online publications of CSR reports or CSR-themed web pages that contain information of philanthropic activities.

3.4.2 Data Analysis

To conduct the empirical research, an integration of quantitative and qualitative content analyses is used. Content analysis is "a technique for gathering and analysing the content of text data. The content refers to words, meanings, pictures, symbols, ideas, themes[25], or any message that can be communicated" (Neuman, 2003, p. 219). Such a method can be applied to a wide range of organisational phenomena as it offers a replicable methodology to examine collective structures such as cognitions, attitudes and values (Huff, 1990; Kabanoff, 1996; Duriau et al., 2007). Among the existing literature, there is extensive use of content analysis in management including CSR and one of its dimensions: corporate philanthropy (e.g. Ullmann, 1985; Gray et al., 1995; Unerman, 2000).

As a research method, content analysis is flexible as it can be used either quantitatively or qualitatively. In quantitative content analysis, findings are presented in the form of frequency expressed as actual numbers or a percentage of explicit categories (Bos and Tarnai, 1999; Neuendorf, 2002; Krippendorff,

[25] Theme – "a single assertion about some subject" (Holsti, pp. 647).

2004). Through quantitative analytical procedure, the researcher seeks to answer questions about *how many* and summarizes rather than reports all details concerning a message set (Neuendorf, 2002; Krippendorff, 2004; Bengtsson, 2016). In qualitative content analysis, data are demonstrated in words and themes, making it possible to draw some interpretation of the content of text data (Bengtsson, 2016). Hsieh and Shannon (2005) summarised three approaches of qualitative content-analysis applications: conventional, directed and summative. The major differences among them are related to coding and trustworthiness. The coding categories in conventional content analysis are derived directly from the text data, while those of the directed content analysis are directed by existing theories or relevant research findings. A summative content analysis involves counting and comparisons followed by interpretation of underlying context. This chapter applies quantitative content analysis and directed qualitative content analysis in sequence. The frequency analysis is helpful in assessing the value, importance and intensity of a particular variable, especially when exploring stating trends in mass communications (Bos and Tarnai, 1999).

However, purely quantitative procedure is criticized as limited to the manifest part of content (Bos and Tarnai, 1999); frequency analysis would be insufficient to capture the latency of text contents; and the connotative character of language or the change in the indicators that carry meaning according to the sociocultural environment and current situation (Bos and Tarnai, 1999). Thus, directed qualitative content analysis is employed to examine the specific combinations of stakeholders and institutions influencing the companies' philanthropic

activities in different settings (e.g. ownership, location and periods) and the respective motivations underlying various innovative philanthropic approaches.

The directed approach is considered to be suitable to this research as a deductive category application (Mayring, 2000). The goal of the directed content analysis is to validate or extend conceptually a theoretical framework or theory (Hsieh and Shannon, 2005). The purpose of the qualitative content analysis of this study is to find evidence supporting or non-supporting the existing theories in corporate philanthropy, as well as enriching the existing understanding to corporate philanthropic approaches. Meanwhile, the directed content analysis provides "predictions about the variables of interest or about the relationships among variables, thus helping to determine the initial coding scheme or relationships between codes" (Hsieh and Shannon, 2005, p.1281). To start a directed content analysis, researchers identify key concepts or variables as initial coding categories based on existing theory or prior research (Potter and Levine-Donnerstein, 1999). In this study, the frequency analysis is already prepared for the initial coding scheme within the theoretical framework created in section 3.3. Therefore, there is little barrier between quantitative content analysis and qualitative content analysis. In addition, Curtis et al. (2001) suggested the use of rank order comparisons of frequency of codes, as it is unlikely that the coded data obtained from the study design and analysis can be compared meaningfully using statistical tests of difference. Hence, the findings would be meaningful by combining the ones obtained from frequency analysis. Table 3.3 presents a summary table of the variables used in quantitative and qualitative analyses.

Table 3. 3 Summary table of variables used in quantitative and qualitative content analyses

Type of Content Analysis	Research Questions	Variables
Quantitative content analysis	Disclosure rate	CSR report
		CSR-themed webpages
		Corporate philanthropy statement
	The framework and institutions guiding compilations	Stakeholder frameworks
		51 institutional guidance, guidelines and standards
Quantitative content analysis and qualitative content analysis	Forms of philanthropic contributions	4 forms of philanthropic contributions
	Issues related with corporate philanthropy	9 social Issues related with corporate philanthropy
	Stakeholders and Institutions shaping actions	10 types of stakeholders
		6 institutions

3.4.2.1 Step one: frequency analysis

Step one attempts to answer research questions RQ1, RQ2 and RQ4[26]. To do so, the coding method for frequency analyses is applied. Each variable is coded as "yes" or "no" under the coding scheme. According to Miles & Huberman (1994), an initial list of coding categories from the model can be generated at the preliminary stage and a modification of the model within the course of analysis could be made as new categories merge inductively. The procedure starts with the search and identification of the official websites of each individual Chinese company listed in the *Fortune Global* 500; Second, the websites are scanned in their entirety for 2017 CSR reports. Companies found disclosed CSR reports are coded with "yes". Otherwise, "no". Those companies having missing data on CSR reports are alternatively searched for CSR-themed web pages with philanthropy disclosures. A company not found with philanthropy disclosures

[26] RQ1: What is the proportion of leading Chinese mltinational companies disclosing philanthropy information?
RQ2: What are the institutions shaping corporate philanthropy disclosures?
RQ4: What are the frameworks the companies adopt for philanthropy disclosures?

for 2017 (neither in the CSR report or CSR-themed web pages) is coded with "no" under the "philanthropy statement" category. Some companies' websites provide little information on CSR; however, they have links to outside locations including possibly subsidiaries. In such cases, the study follows Esrock and Grey's (1998) method to exclude subsidiaries' pages that use different bases' URLs[27] from that of the parent company under study. Therefore, the unit of analysis is each company's annual CSR report or CSR-themed Web page if a CSR report was not available.

Given the integrative model established in section 3.2.6 and previous literature on CSR reporting in China (e.g. Noronha et al., 2013), the investigation then moves to reveal the frameworks and influential institutions shaping the companies' philanthropy reporting compilations. Each CSR report or CSR-themed web-page is coded for the presence or absence of the framework's name (i.e. stakeholder framework) and also that of all institutions relating to philanthropy disclosures at both international and national levels.

To answer questions RQ3 and RQ5-7[28], the frequency analysis concentrates on philanthropy statements. Specifically, the analysis focus is made on identifying and categorising all instances of stakeholders and influential institutions relevant to philanthropy actions, philanthropy activities' varieties, as well as the

[27] URL is short for a Uniform Resource Locator, colloquially termed a web address.

[28] RQ3: What are the institutions driving corporate philanthropy contributions?
RQ5: Who are the most relevant stakeholders to the companies' philanthropy activities?
RQ6: What philanthropy issues are most widely addressed in CSR reports or on CSR-themed web pages?
RQ7: What types of philanthropic activities are most frequently adopted by these companies?

contribution methods used by the leading companies. This step involves reading the transcript and highlighting all text that on first impression appeared to represent stakeholder groups, institutions, philanthropy issues and contribution approaches. Regarding RQ3, RQ5 and RQ6, each unit is coded for the presence or absence of all highlighted passages relating to 10 types of stakeholders (see table 3.10), 6 categories of institutions (see table 3.11) and 9 philanthropy content areas (see table 3.9). The 9 philanthropy issues include 2 international-level issues (OBOR and over-seas communities) and 7 national-level issues (national-level poverty alleviation, education, disaster relief, healthcare, science/culture/arts/sports, home communities and vulnerable groups [29]). Messages addressing any other philanthropy issues are coded into a general "other issues" category. Likewise, with respect to RQ7, each unit is coded for the presence or absence of all categorises of contribution methods adopted by the companies for philanthropic activities (cash contribution, material contribution, voluntary contributions, innovative approaches). Any text with appearances of new types of methods is coded into the "other methods" category. An intercoder reliability test of 20% randomly selected CSR report or CSR-themed web-page was conducted on the stakeholder framework, 10 types of stakeholders, 6 categories of institutions, 9 philanthropy issues and 4 types of contribution methods.

Intercoder reliability is the degree of consistency between coders who apply the same set of categories to the same content (Kassarjian, 1977). This chapter applies a widely used measure to generate the intercoder reliability, which is the

[29] Topic on environmental protection related with philanthropy is excluded from the study because many companies include eco-philanthropy in the "environment" dimension rather than "society" dimension.

ratio of coding agreements to the total number of coding decisions. In this study, the level of agreement was 90.12% of all the items coded, which was acceptable (Bereleson, 1952; Kassarjian, 1977).

In addition to the examination of the CSR report/CSR themed-webpages and philanthropy statements, a variety of attributes for each company were noted including *2018 Fortune Global 500* ranking, industry types, ownership types and locations of headquarters, which are available in *Fortune* magazine (Fortune, 2018).

3.4.2.2 Step two: directed qualitative content analysis

The coding procedures conducted for RQ3 and RQ5-7 made preparations for the examination of RQ8 to RQ10[30]. With reference to Snider et al.'s (2003) approach of qualitative content analysis, this step involves rereading the highlighted statements relating to the 10 types of stakeholders, 6 categories of institutions, 9 philanthropy issues and 4 types of contribution methods several times. The possibility of differences between SOE and non-SOE Chinese global-top companies, and also differences among companies based in different locations are explored among the issues. Following the presentation of results from step one, the next section demonstrates the findings from step two data collection. Under each society issue, philanthropy statements from various CSR reports or

[30] RQ8:What is the content of each society issue regarding the respective influential institutions and stakeholder groups?
RQ9:What is the content of each society issue regarding the trend of philanthropic activities undertaken by the leading Chinese companies?
RQ10: What is the content of each society issue regarding the motivations underlying philanthropy innovations?

CSR-themed web pages that denote appropriate exemplars are illustrated.

3.5 Findings

3.5.1 Findings from Step One Frequency Analysis

Table 3.4 shows a whole list of Chinese multinational companies on the *Fortune Global 500* (hereafter, *list*) revealed in 2018 with the information regarding their names, industry types, ownership types, locations of headquarters as well as the availability of respective CSR reports and philanthropy statements in 2017. The *list* comprises 120 companies classified into 25 types of industries (Fortune, 2018) from utilities, internet services & retailing to aerospace & defense. Among them, 84 companies are owned by the state (mainland central and local governments). Of the 36 non-SOEs, 5 are based in Hong Kong and 9 are based in Taiwan. All of the non-SOEs are privately-owned except CPC Corporation, a petroleum, natural gas and gasoline company owned by the Taiwanese government (Fortune, 2018). The above figures show that 1) SOEs have an overwhelming number of the competitive rankings in the world's most successful companies; and 2) the number of mainland-China-based non-SOEs on the *list* is more than those in Hong Kong and Taiwan.

All the companies studied in this research have their own official websites and seventy-five percent of them (90 companies) are found with stand-alone CSR reports or CSR reports in their annual reports for 2017. Of the CSR reports studied, 100% revealed philanthropy activities. This indicates that in 2017, there is a relative high proportion of leading Chinese multinationals that used CSR

reports as one of the communication modes[31] to disclose their philanthropic activities. Of the remaining 30 company websites which failed to contain individual CSR reports, one-third (10 companies) had web pages for statements on corporate philanthropy for 2017. Hence, five-sixths of those 120 companies (100 companies) have delivered messages on philanthropic contributions undertaken in 2017. 68% disclosures are provided by SOEs. From the geographic perspective, none of the companies based in Taiwan and Hong Kong are found lacking philanthropy disclosures.

Table 3.5 demonstrates the actual amount of philanthropic giving each Chinese Global 500 company provided in 2017 and also the philanthropy measured as a ratio to the revenue and also profits. On average, the actual amount of philanthropic giving was 105.73 million Chinese yuan, approximately 15.65 million US dollars. The CP/revenue rate shows that for every 100 US-dollar revenue, 0.03 US dollars were given to the community and society. At first glance, only a small proportion of revenue has been allocated to philanthopic activities. However, the average rate of CP/profits shows that out of 100 US-dollar profits, 7.57 US dollars were contributed to corporate philanthropy, indicating a large philanthopic contribution as a percentage of these companies' profits (7.57%), as compared to their counterparties.

In their empirical study, Campbell et. Al. (2002) found that donations for all FTSE (Financial Times Stock Exchange) companies rose form a mean of 0.11%

[31] Some companies simultaneously use other communication methods to disclose CSR information such as press releases, annual reports, links to outside web pages and so on,

of PBT (i.e. profit before tax and after interest) in 1985 to 0.405% in 1999. More recently, the annual survey of corporate philanthropy and employee engagement in 2018 (Giving in Numbers) taken by Corporate Purpose (CECP), a coalition of more than 200 of the world's largest companies, revealed that the median percentage of these companies' contributions as a percentage of their profit grew from 0.83 in 2016 to 0.94 percent in 2018 (Forbes, 2020). Hence, the mean philanthopic-giving of Chinese global 500 companies in 2017 is about ten times or more of those of its counterparties, indicating an overwhelming performance in giving to the community and society.

Table 3. 4 Chinese companies listed on *Fortune Global 500* in 2018

No.	*Fortune Global 500* 2018 ranking	Company name	Industry-sector	CSR report 2017	Public-welfare & Philanthropy Statement 2017	SOE	Headquarter Mainland	Headquarter Hongkong	Headquarter Taiwan
1	2	State Grid Corporation	Utilities	Yes	Yes	Yes	Yes	No	No
2	3	SINOPEC Group	Petroleum Refining	Yes	Yes	Yes	Yes	No	No
3	4	China National Petroleum	Petroleum Refining	Yes	Yes	Yes	Yes	No	No
4	23	China State Construction Engineering	Engineering & Construction	Yes	Yes	Yes	Yes	No	No
5	24	Hon Hai Precision Industry	Electronics, Electrical Equip.	Yes	Yes	No	No	No	Yes
6	26	Industrial & Commer. Bank of China	Banks	Yes	Yes	Yes	Yes	No	No
7	29	Ping An Insurance	Insurance	Yes	Yes	No	Yes	No	No
8	31	China Construction Bank	Banks	Yes	Yes	Yes	Yes	No	No
9	36	SAIC Motor	Motor Vehicles & Parts	Yes	Yes	Yes	Yes	No	No
10	40	Agricultural Bank of China	Banks	Yes	Yes	Yes	Yes	No	No
11	42	China Life Insurance	Insurance	Yes	Yes	Yes	Yes	No	No
12	46	Bank of China	Banks	Yes	Yes	Yes	Yes	No	No
13	53	China Mobile Communications	Telecommunication	Yes	Yes	Yes	Yes	No	No
14	56	China Railway Engineering	Engineering & Construction	Yes	Yes	Yes	Yes	No	No
15	58	China Railway Construction	Engineering & Construction	Yes	Yes	Yes	Yes	No	No
16	65	Dongfeng Motor	Motor Vehicles & Parts	Yes	Yes	Yes	Yes	No	No
17	72	Huawei Investment & Holding	Network & Other Communication Equipment	Yes	Yes	No	Yes	No	No
18	86	China Resources	Pharmaceuticals	Yes	Yes	Yes	No	Yes	No
19	87	China National Offshore Oil	Mining, Crude-Oil Production	Yes	Yes	Yes	Yes	No	No
20	91	China Communications Constructions	Engineering & Construction	Yes	Yes	Yes	Yes	No	No
21	96	Pacific Construction Group	Engineering & Construction	No	No	Yes	Yes	No	No
22	98	Sinochem	Trading	Yes	Yes	Yes	Yes	No	No
23	101	China Energy Investment	Mining, Crude-Oil Production	Yes	Yes	Yes	Yes	No	No

No.	*Fortune Global 500* 2018 ranking	Company name	Industry-sector	CSR report 2017	Public-welfare & Philanthropy Statement 2017	SOE	Headquarter Mainland	Headquarter Hongkong	Headquarter Taiwan
24	109	China Minmetals	Metals	Yes	Yes	Yes	Yes	No	No
25	110	China Southern Power Grid	Utilities	Yes	Yes	Yes	Yes	No	No
26	111	Amer International Group	Metals	No	No	No	Yes	No	No
27	113	China Post Group	Mail, Package & Freight Delivery	No	No	Yes	Yes	No	No
28	117	People's Insurance Co. of China	Insurance	Yes	Yes	Yes	Yes	No	No
29	122	COFCO	Trading	No	No	Yes	Yes	No	No
30	124	Beijing Automotive Group	Motor Vehicles & Parts	Yes	Yes	Yes	Yes	No	No
31	125	China Faw Group	Motor Vehicles & Parts	Yes	Yes	Yes	Yes	No	No
32	132	Tewoo Group	Trading	No	No	Yes	Yes	No	No
33	140	China North Industries	Aerospace & Defence	Yes	Yes	Yes	Yes	No	No
34	141	China Telecommunications	Telecommunication	Yes	Yes	Yes	Yes	No	No
35	149	CITIC Group	Banks	No	No	Yes	Yes	No	No
36	161	Aviation Industry Corp. of China	Aerospace & Defence	Yes	Yes	Yes	Yes	No	No
37	162	China Baowu Steel Group	Metals	Yes	Yes	Yes	Yes	No	No
38	167	ChemChina	Chemicals	Yes	Yes	Yes	Yes	No	No
39	168	Bank of Communications	Banks	Yes	Yes	Yes	Yes	No	No
40	181	JD.com	Internet Services & Retailing	Yes	Yes	No	Yes	No	No
41	182	PowerChina	Engineering & Construction	Yes	Yes	Yes	Yes	No	No
42	185	Shandong Weiqiao Pioneering	Textiles	No	No	Yes	Yes	No	No
43	194	Sinopharm	Pharmaceutical	No	No	Yes	Yes	No	No
44	202	Guangzhou Automobile Industry Group	Motor Vehicles & Parts	Yes	Yes	Yes	Yes	No	No
45	213	China Merchants Bank	Banks	Yes	Yes	Yes	Yes	No	No
46	220	China Pacific Insurance	Insurance	Yes	Yes	Yes	Yes	No	No
47	222	Aluminum Corp. of China	Metals	Yes	Yes	Yes	Yes	No	No
48	227	Shanghai Pudong Devel. Bank	banks	Yes	Yes	No	Yes	No	No
49	230	China Evergrande Group	Real estate	Yes	Yes	No	Yes	No	No

No.	*Fortune Global 500* 2018 ranking	Company name	Industry-sector	CSR report 2017	Public-welfare & Philanthropy Statement 2017	SOE	Headquarter Mainland	Headquarter Hongkong	Headquarter Taiwan
50	234	Shandong Energy Group	Mining, Crude-Oil Production	No	Yes	Yes	Yes	No	No
51	235	Hengli Group	Textiles	No	No	No	Yes	No	No
52	237	Industrial Bank	Banks	Yes	Yes	No	Yes	No	No
53	239	HBIS Group	Metals	Yes	Yes	Yes	Yes	No	No
54	240	Lenovo Group	Computers, Office Equipment	Yes	Yes	No	No	Yes	No
55	242	China South Industries Group	Aerospace & Defense	Yes	Yes	Yes	Yes	No	No
56	243	China National Building Material Group	Building Materials, Glass	Yes	Yes	Yes	Yes	No	No
57	245	China Shipbuilding Industry	Shipping	Yes	Yes	Yes	Yes	No	No
58	251	China Minsheng Banking	Banks	Yes	Yes	No	Yes	No	No
59	252	Greenland Holding Group	Real estate	No	No	No	Yes	No	No
60	256	SINOMACH	Industrial Machinery	Yes	Yes	Yes	Yes	No	No
61	267	Zhejiang Geely Holding Group	Motor Vehicles & Parts	Yes	Yes	No	Yes	No	No
62	270	Wuchan Zhongda Group	Trading	Yes	Yes	Yes	Yes	No	No
63	273	China United Network Communications	Telecommunication	Yes	Yes	Yes	Yes	No	No
64	280	China Merchants Group	Mail, Package & Freight Delivery	Yes	Yes	Yes	No	Yes	No
65	283	Jardine Matheson	Motor Vehicles & Parts	No	Yes	No	No	Yes	No
66	285	Pegatron	Electronics, Electrical Equip.	Yes	Yes	No	No	No	Yes
67	288	Shaanxi Yanchang Petroleum	Mining, Crude-Oil Production	Yes	No	Yes	Yes	No	No
68	289	China Huaneng Group	Energy	Yes	Yes	Yes	Yes	No	No
69	294	Shaanxi Coal & Chemical Industry	Mining, Crude-Oil Production	Yes	Yes	Yes	Yes	No	No
70	295	AIA Group	Insurance	Yes	Yes	No	No	Yes	No
71	300	Alibaba Group Holding	Internet Services and Retailing	Yes	Yes	No	Yes	No	No
72	312	China Poly Group	Real estate	No	No	Yes	Yes	No	No
73	322	China Everbright Group	Banks	Yes	Yes	Yes	Yes	No	No
74	323	Midea Group	Electronics, Electrical Equip.	Yes	Yes	No	Yes	No	No
75	331	Tencent Holdings	Internet Services and Retailing	Yes	Yes	No	Yes	No	No

No.	*Fortune Global 500* 2018 ranking	Company name	Industry-sector	CSR report 2017	Public-welfare & Philanthropy Statement 2017	SOE	Headquarter Mainland	Headquarter Hongkong	Headquarter Taiwan
76	332	China Vanke	Real estate	Yes	Yes	No	Yes	No	No
77	333	China Energy Engineering	Engineering & Construction	Yes	Yes	Yes	Yes	No	No
78	335	China COSCO Shipping	Shipping	Yes	Yes	Yes	Yes	No	No
79	339	Noble Group	Trading	Yes	Yes	No	No	Yes	No
80	343	China Aerospace Science & Technology	Aerospace & Defence	Yes	Yes	Yes	Yes	No	No
81	346	China Aerospace Science & Industry	Aerospace & Defence	Yes	Yes	Yes	Yes	No	No
82	353	Country Garden Holdings	Real estate	Yes	Yes	No	Yes	No	No
83	354	Quanta Computer	Computers, Office Equipment	Yes	Yes	No	No	No	Yes
84	359	Jizhong Energy Group	Mining, Crude-Oil Production	No	No	Yes	Yes	No	No
85	360	Xiamen ITG Holding Group	Trading	Yes	Yes	Yes	Yes	No	No
86	361	Cedar Holdings Group	Trading	Yes	Yes	No	Yes	No	No
87	362	Xiamen C&D	Trading	No	Yes	Yes	Yes	No	No
88	364	Jiangsu Shagang Group	Metals	No	No	Yes	Yes	No	No
89	368	Taiwan Semiconductor	Semiconductors & Other Electronic Components	Yes	Yes	No	No	No	Yes
90	369	China Electronics	Electronics, Electrical Equip.	Yes	Yes	Yes	Yes	No	No
91	370	Jiangxi Copper	Mining, Crude-Oil Production	No	Yes	Yes	Yes	No	No
92	371	China National Aviation Fuel Group	Trading	Yes	Yes	Yes	Yes	No	No
93	374	CK Hutchison Holdings	Specialty Retailers	Yes	Yes	No	No	Yes	No
94	375	Xiamen Xiangyu Group	Trading	No	Yes	Yes	Yes	No	No
95	381	Xinxing Cathay International	Metals	No	No	Yes	Yes	No	No
96	385	CRRC	Industrial Machinery	No	No	Yes	Yes	No	No
97	388	China Electronics Technology Group	Aerospace & Defence	Yes	Yes	Yes	Yes	No	No
98	393	China State Shipbuilding	Shipping	Yes	Yes	Yes	Yes	No	No
99	395	State Power Investment	Energy	Yes	Yes	Yes	Yes	No	No
100	397	China Huadian	Utilities	Yes	Yes	Yes	Yes	No	No
101	399	Yankuang Group	Mining, Crude-Oil Production	No	Yes	Yes	Yes	No	No

No.	*Fortune Global 500* 2018 ranking	Company name	Industry-sector	CSR report 2017	Public-welfare & Philanthropy Statement 2017	SOE	Headquarter Mainland	Headquarter Hongkong	Headquarter Taiwan
102	404	Compal Electronics	Computers, Office Equipment	Yes	Yes	No	No	No	Yes
103	410	Cathay Life Insurance	Insurance	Yes	Yes	No	No	No	Yes
104	427	Suning.com Group	Specialty Retailers	Yes	Yes	No	Yes	No	No
105	428	Ansteel Group	Metals	Yes	Yes	Yes	Yes	No	No
106	431	Shougang Group	Metals	No	Yes	Yes	Yes	No	No
107	432	Wistron	Computers, Office Equipment	Yes	Yes	No	No	No	Yes
108	436	CPC	Petroleum Refining	Yes	Yes	No	No	No	Yes
109	456	Xinjiang Guanghui Industry	Trading	No	Yes	No	Yes	No	No
110	464	Yango Longking Group	Diversified Financials	No	No	No	Yes	No	No
111	465	China Taiping Insurance Group	Insurance	No	Yes	Yes	No	Yes	No
112	468	China Datang	Energy	Yes	Yes	Yes	Yes	No	No
113	479	Fubon Financial Holding	Insurance	Yes	Yes	No	No	No	Yes
114	481	Shanxi Jincheng Anthracite Coal Mining	Mining, Crude-Oil Production	No	No	Yes	Yes	No	No
115	489	Taikang Insurance Group	Insurance	No	No	No	Yes	No	No
116	494	Yangquan Coal Industry Group	Mining, Crude-Oil Production	No	No	Yes	Yes	No	No
117	495	Shanxi LuAn Mining Group	Mining, Crude-Oil Production	No	Yes	Yes	Yes	No	No
118	496	Henan Energy & chemical	Mining, Crude-Oil Production	No	Yes	Yes	Yes	No	No
119	497	Datong Coal Mine Group	Mining, Crude-Oil Production	Yes	Yes	Yes	Yes	No	No
120	499	Qingdao Haier	Electronics, Electrical Equip.	Yes	Yes	No	Yes	No	No

Source: Information from Fortune global 500 2018 on http://fortune.com/global500/

Table 3. 5 CP/revenue & CP/Profit rates of Chinese *Global 500* in 2018

No.	*Fortune Global 500* 2018 ranking	Company name	Corporate Philanthropy (Chinese Yuan million)	Corporate Philanthropy (US dollars million)	Revenues (US dollars million)	Profit (US dollars million)	CP/ Revenue (%)	CP/ Profits (%)
1	2	State Grid Corporation	636	94.14	348,903	9,533.00	0.0270	0.9875
2	3	SINOPEC Group	298	44.11	326,953	1,537.80	0.0135	2.8684
3	4	China National Petroleum	1086	160.75	326,008	-690.50	0.0493	-23.2802
4	23	China State Construction Engineering	64	9.47	156,071	2,675.20	0.0061	0.3540
5	24	Hon Hai Precision Industry	66	9.77	154,699	4,559.90	0.0063	0.2143
6	26	Industrial & Commer. Bank of China	78	11.55	153,021	42,323.70	0.0075	0.0273
7	29	Ping An Insurance	56	8.29	144,197	13,181.40	0.0057	0.0629
8	31	China Construction Bank	78	11.55	138,646	9,561.30	0.0083	0.1208
9	36	SAIC Motor	30	4.44	128,819	5,091.30	0.0034	0.0872
10	40	Agricultural Bank of China	44	6.51	122,274	-5,786.00	0.0053	-0.1125
11	42	China Life Insurance	171	25.31	120,224	266.50	0.0211	9.4972
12	46	Bank of China	64	9.47	115,423	25,509.20	0.0082	0.0371
13	53	China Mobile Communications	82	12.14	110,855	10,932.00	0.0110	0.1111
14	56	China Railway Engineering	65	9.62	102,767	1,169.80	0.0094	0.8224
15	58	China Railway Construction	10	1.48	100,855	1,308.80	0.0015	0.1131
16	65	Dongfeng Motor	25	3.70	93,294	1,400.00	0.0040	0.2643
17	72	Huawei Investment & Holding	1	0.15	89,827	7,020.80	0.0002	0.0021
18	86	China Resources	195	28.86	82,184	3,151.90	0.0351	0.9156
19	87	China National Offshore Oil	93	13.77	81,482	3,018.50	0.0169	0.4562
20	91	China Communications Constructions	27	4.00	79,417	1,544.70	0.0050	0.2589
21	96	Pacific Construction Group	0	0.00	77,205	3,143.90	0.0000	0.0000
22	98	Sinochem	32	4.74	76,629	3,266.60	0.0062	0.1451
23	101	China Energy Investment	169	25.02	75,522	2,494.90	0.0331	1.0028
24	109	China Minmetals	-	-	72,997	-210.70	-	-
25	110	China Southern Power Grid	101	14.95	72,787	1,937.90	0.0205	0.7715
26	111	Amer International Group	0	0.00	72,766	1,545.80	0.0000	0.0000
27	113	China Post Group	0	0.00	72,197	4,960.70	0.0000	0.0000
28	117	People's Insurance Co. of China	85	12.58	71,579	2,382.00	0.0176	0.5281
29	122	COFCO	0	0	69,669	393.50	0.0000	0.0000
30	124	Beijing Automotive Group	1	0.15	69,591	1,554.50	0.0002	0.0096
31	125	China Faw Group	99	14.65	69,524	2,855.80	0.0211	0.5130
32	132	Tewoo Group	0	0.00	66,577	121.90	0.0000	0.0000
33	140	China North Industries	17	2.52	64,646	857.70	0.0039	0.2938
34	141	China Telecommunications	58	8.59	63,974	1819.90	0.0134	0.4720
35	149	CITIC Group	0	0.00	61,316	3,224.70	0.0000	0.0000
36	161	Aviation Industry Corp. of China	2	0.30	59,263	7,863.00	0.0005	0.0038
37	162	China Baowu Steel Group	127	18.80	59,255	21.90	0.0317	85.8447
38	167	ChemChina	1	0.15	57,989	-739	0.0003	-0.0203
39	168	Bank of Communications	26	3.85	57,711	10,3990.30	0.0067	0.0037
40	181	JD.com	-	-	53,965	-22.50	-	-
41	182	PowerChina	15	2.22	53,870	946.70	0.0041	0.2345
42	185	Shandong Weiqiao Pioneering	0	0.00	53,203	1,270.00	0.0000	0.0000
43	194	Sinopharm	0	0.00	51,844	690.10	0.0000	0.0000
44	202	Guangzhou Automobile Industry Group	89	13.17	50,323	989.20	0.0262	1.3314

45	213	China Merchants Bank	26	3.85	47,951	10,379.40	0.0080	0.0371
46	220	China Pacific Insurance	636	94.14	47,319	2,169.40	0.1989	4.3394
47	222	Aluminum Corp. of China	13	1.92	46,684	-428.60	0.0041	-0.4480
48	227	Shanghai Pudong Devel. Bank	10	1.48	46,295	8,138.10	0.0032	0.0182
49	230	China Evergrande Group	12	1.78	46,002	1,765.20	0.0039	0.1008
50	234	Shandong Energy Group	4181	618.86	45,650	489.30	1.3557	126.4786
51	235	Hengli Group	0	0.00	45,563	1,016.00	0.0000	0.0000
52	237	Industrial Bank	-	-	45,462	754.00	-	-
53	239	HBIS Group	21	3.11	45,390	-119.20	0.0069	-2.6091
54	240	Lenovo Group	6	0.89	45,350	-189.30	0.0020	-0.4702
55	242	China South Industries Group	37	5.48	44,785	739.60	0.0122	0.7409
56	243	China National Building Material Group	73	10.81	44,701	15.20	0.0242	71.1184
57	245	China Shipbuilding Industry	23	3.40	44,431	716.30	0.0077	0.4747
58	251	China Minsheng Banking	4	0.59	43,298	7,370.30	0.0014	0.0080
59	252	Greenland Holding Group	0	0.00	42,970	1,337.20	0.0000	0.0000
60	256	SINOMACH	26	3.85	42,638	471.80	0.0090	0.8160
61	267	Zhejiang Geely Holding Group	3	0.44	41,172	1,820.30	0.0011	0.0242
62	270	Wuchan Zhongda Group	70	10.36	40,929	330.70	0.0253	3.1327
63	273	China United Network Communications	4	0.59	40,664	63.00	0.0015	0.9365
64	280	China Merchants Group	13	1.92	39,971	4,039.40	0.0048	0.0475
65	283	Jardine Matheson	338	50.03	39,338	904.00	0.1272	5.5343
66	285	Pegatron	-	-	39,238	482.60	-	-
67	288	Shaanxi Yanchang Petroleum	0	0.00	38,898	166.80	0.0000	0.0000
68	289	China Huaneng Group	31	4.59	38,872	215.60	0.0118	2.1289
69	294	Shaanxi Coal & Chemical Industry	556	82.30	38,483	73.60	0.2139	111.8207
70	295	AIA Group	55	8.14	38,330	6,120.00	0.0212	0.1330
71	300	Alibaba Group Holding	1	0.15	37,771	9,673.10	0.0004	0.0016
72	312	China Poly Group	0	0.00	37,002	1,152.60	-	-
73	322	China Everbright Group	-	-	35,840	1,895.10	0.0000	0.0000
74	323	Midea Group	63	9.33	35,794	2,557.30	0.0261	0.3648
75	331	Tencent Holdings	21	3.11	35,179	10,580.60	0.0088	0.0294
76	332	China Vanke	820	121.37	35,117	4,150.50	0.3456	2.9242
77	333	China Energy Engineering	104	15.39	35,048	371.70	0.0439	4.1404
78	335	China COSCO Shipping	13	1.92	34,668	1,404.30	0.0055	0.1367
79	339	Noble Group	2	0.30	34,421	-4,938.20	0.0009	-0.0061
80	343	China Aerospace Science & Technology	4	0.59	34,254	2,225.20	0.0017	0.0265
81	346	China Aerospace Science & Industry	6	0.89	24,073	1,607.10	0.0037	0.0554
82	353	Country Garden Holdings	6	0.89	33,572	3,856.30	0.0027	0.0231
83	354	Quanta Computer	793	117.38	33,564	472.20	0.3497	24.8581
84	359	Jizhong Energy Group	22	3.26	33,188	-141.50	0.0098	-2.3039
85	360	Xiamen ITG Holding Group	7	1.04	32,902	106.30	0.0032	0.9784
86	361	Cedar Holdings Group	7	1.04	32,712	1,068.10	0.0032	0.0974
87	362	Xiamen C&D	0	0.00	32,588	305.10	0.0000	0.0000
88	364	Jiangsu Shagang Group	0	0.00	32,561	1,061.80	0.0000	0.0000
89	368	Taiwan Semiconductor	3	0.44	32,126	11,339.30	0.0014	0.0039
90	369	China Electronics	66	9.77	31,990	166.80	0.0305	5.8573
91	370	Jiangxi Copper	49	7.25	31,964	113.50	0.0227	6.3877
92	371	China National Aviation Fuel Group	12	1.78	31,942	401.60	0.0056	0.4432
93	374	CK Hutchison Holdings	34	5.03	31,892	4,504.50	0.0158	0.1117
94	375	Xiamen Xiangyu Group	32	4.74	31,676	147.20	0.0150	3.2201
95	381	Xinxing Cathay International	0	0.00	31,078	440.00	0.0000	0.0000
96	385	CRRC	0	0.00	30,634	1,597.70	0.0000	0.0000
97	388	China Electronics Technology Group	16	2.37	30,176	1,774.30	0.0079	0.1336
98	393	China State Shipbuilding	23	3.40	29,797	370.80	0.0114	0.9169
99	395	State Power Investment	20	2.96	29,727	198.60	0.0100	1.4904

100	397	China Huadian	55	8.14	29,612	333.30	0.0275	2.4422
101	399	Yankuang Group	50	7.40	29,474	-280.10	0.0251	-2.6419
102	404	Compal Electronics	21	3.11	29,175	189.00	0.0107	1.6455
103	410	Cathay Life Insurance	-	-	28,805	1,192,80	-	-
104	427	Suning.com Group	-	-	27,806	623.30	-	-
105	428	Ansteel Group	19	2.81	27,792	61.10	0.0101	4.5990
106	431	Shougang Group	23	3.40	27,489	0.90	0.0124	377.7778
107	432	Wistron	64	9.47	27,480	127.70	0.0345	7.4158
108	436	CPC	14	2.07	27,106	1,324.90	0.0076	0.1562
109	456	Xinjiang Guanghui Industry	87	12.88	26,092	-1,684.10	0.0494	-0.7648
110	464	Yango Longking Group	0	0.00	25,605	452.50	0.0000	0.0000
111	465	China Taiping Insurance Group	-	-	25,598	449.20	-	-
112	468	China Datang	-	-	25,299	341.70	-	-
113	479	Fubon Financial Holding	70	10.36	24,688	1,778.90	0.0420	0.5824
114	481	Shanxi Jincheng Anthracite Coal Mining	0	0.00	24,659	57.30	0.0000	0.0000
115	489	Taikang Insurance Group	0	0.00	24,058	1,683.20	0.0000	0.0000
116	494	Yangquan Coal Industry Group	0	0.00	23,793	-117.10	0.0000	0.0000
117	495	Shanxi LuAn Mining Group	2	0.30	23,785	0.50	0.0013	60.0000
118	496	Henan Energy & chemical	15	2.22	23,699	-68.60	0.0094	-3.2362
119	497	Datong Coal Mine Group	3	0.44	23,698	66.80	0.0019	0.6587
120	499	Qingdao Haier	12	1.78	23,563	1,024.70	0.0076	0.1737
		Average	105.73	15.65	59610.31	3330.55	0.03	7.57

Source: the data of amount of corporate philanthropy is from each company's CSR report or annual report; the data of revenue and profit is from Fortune Global official website, available at https://fortune.com/global500/2018/search/?hqcountry=China;

Chinese Chinese Yuan - US dollars annual exchange rate in 2017 is set as the yearly annual rate: 6.756;

"-" indicates missing value ,which is treated as 0 when average rates are calculated

Tables 3.6 and 3.7 list the frequency of frameworks and institutional guidance or standards used by the companies to compile CSR (including corporate philanthropy) disclosures respectively. Of the 100 companies that published CSR activities with philanthropy information available, 87% applied *Stakeholder Framework* to communicate with different levels of stakeholders with respect to various CSR issues. Generally, the information of corporate philanthropy activities is disclosed in the section targeting at the stakeholder group of "society and communities", which falls into the second stakeholder group in the integrative model (see Table 3.1). The primary stakeholders are

those who can critically and directly affect the companies' day-to-day operations, such as employees, investors and customers, as well as local government and policy makers. While the secondary stakeholders refer to those not essential to the survival of the company as a going concern (Clarkson, 1995). Examples include local communities, charitable organisations and other non-profit organisations (NGOs). Therefore, the finding suggests that the concept of "stakeholders" has been widely employed by Chinese top global companies to compile corporate philanthropy disclosures, and the main targeting stakeholder of corporate philanthropy is society and communities, who are not considered to directly affect these companies' daily business.

Table 3. 6 Frequency of frameworks adopted for CSR disclosures by Chinese companies listed in *2018 Fortune Global 500*.

CSR Disclosure Modes	Framework for CSR Disclosures	Number of CSR Reports or CSR-themed Webpages	Percentage of CSR Reports or CSR-themed Webpages (%)
CSR reports[32]	Stakeholder framework	84	84%
CSR-themed Web pages		3	3%
CSR reports	No framework specified	6	6%
CSR-themed Web pages		7	7%

In Table 3.7, sixth levels of institutional agenda, guidance, and standards shaping the Chinese top global companies' CSR including corporate philanthropy disclosures are summarised based on the integrative model. Some of them are principles or guidance for social responsibilities (reporting as well as actions) and some are specialised for reporting. At the international level, sixth organisations are found having an impact on the disclosures, namely Global Reporting Initiative (GRI), United Nations (UN), International Organisation for

[32] The study categorised stand-alone CSR reports and CSR reports integrated into annual reports as "CSR eports".

Standardisation (ISO), Accountability, Social Accountability International (SAI) and American Petroleum Institute. None of them are local government or authorities. GRI, UN and ISO are the most influential global institutions. Of the 100 CSR reports or CSR-themed web pages, 8%, 28% and 33 % employed GRI G3.1, GRI G4 and the newest version of GRI (GRI Standards[33]), respectively. In other words, more than half of the disclosures were prepared in accordance with guides and standards published by GRI. Meanwhile, 26% and 32% of companies took UN's agenda and/or principles and ISO's guides for references, respectively.

At the national level, institutions affected Chinese leading companies' disclosures at the nationwide, provincial, stock-exchange, industrial and company levels. At the nationwide level, Chinese Academy of Social Sciences (CASS), SASAC and National Standards are most frequently referred by the companies. Specifically, 43% ,37% and 33% disclosures were directed by the three institutions' guides or standards respectively. Among the 69 disclosures offered by SOEs, more than half (37) voluntarily followed the central government's (SASAC) guidance uniquely designed for SOEs.

[33] Note that the G4 Guidelines have been superseded by the GRI Standards, released on 19 October 2016. Use of the GRI Standards will be required for all reports or other materials published on or after 1 July 2018; the G4 Guidelines will remain available until this date. First-time reporters are strongly encouraged to use the GRI Standards instead of G4 (GRI, 2016).

Stock exchanges seem to play a less influential role in guiding the Chinese top global companies' reporting. This may be because only 41 companies on the *list* are publicly listed (see Appendix 3.1). The disclosures using *Environmental, Social and Governance (ESG) Reporting Guide* by HKEX account for the most (17%) and the number of those following *Guideline for the Preparation of the Report on Performance of Corporate Social Responsibility* by SSE ranks second (14%). The use frequencies of the other guides or standards issued by SZSE and TWSE are all less than 5%. In addition, the study also finds that relatively few companies (less than 10%) took references of provincial-level, industrial-level and company-level guidance or standards. An exception is the *Guidelines on Social Responsibilities of Chinese Industrial Enterprises and Industrial Associations* issued by China Federation of Industrial Economics, where the references account for 11%. Therefore, these figures infer that international-level and nation-wide level institutions play key roles in shaping Chinese top global companies' philanthropy reporting.

Table 3. 7 Frequency of institutional principles, guides or standards adopted by the companies to compile CSR (including corporate philanthropy) disclosures.

	Name of Guidance or Standards and Publishing Institutions	Number of disclosures	Percentage of disclosures
Global Level			
1	Global Reporting Initiative (GRI G3.1)	8	8%
2	Global Reporting Initiative （2013） (GRI G4)	28	28%
3	Global Reporting Initiative （2016）(GRI)	33	33%
4	United Nations' 2030 Agenda	15	15%
5	Ten Principles of the United Nations Global Compact	11	11%
6	IISO 26000:2010 by the International Organisation for Standardisation (ISO)	32	32%
9 7	AccountAbility's AA1000 Assurance Standards 2008	3	3%
8	Social Accountability International (SAI)	1	1%
9	Oil and Gas Industry Guidance on Voluntary Sustainability by American Petroleum Institute（2010）	1	1%
10	Oil and Gas Industry Guidance on Voluntary Sustainability by American Petroleum Institute（2015）	1	1%
National Level			
Nation-wide level			
1	Guidelines to the State-Owned Enterprises directly under the Central Government on Fulfilling Corporate Social Responsibilities by SASAC	28	28%
2	*Guiding Opinions on Better Fulfilling Social Responsibilities of State-Owned Enterprises* by SASAC	9	9%
3	China Corporate Social Responsibility Recommended Standard and Good Practices by China Business Council for Sustainable Development (CBCSD)	1	1%
4	Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises - Chinese Academy of Social Sciences (CASS) (No version specified)	5	5%
5	Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises First Edition - Chinese Academy of Social Sciences (CASS) CASS-CSR1.0	1	1%
6	CASS-CSR2.0	3	3%
7	CASS-CSR3.0	16	16%
8	CASS-CSR4.0	17	17%
9	Rating Criteria on Corporate Social Responsibility Reporting for Chinese Enterprises 2018 by CASS	1	1%
10	Guidance on social responsibility reporting by National Standards GB/T 36000-2015	5	5%
11	Guidance on social responsibility reporting by National Standards GB/T 36001-2015	24	24%
12	Guidance on social responsibility reporting by National Standards GB/T 36002-2015	4	4%

Provincial level	**Name of Guidance or Standards and Publishing Institutions**	**Number of disclosures**	**Percentage of disclosures**
1	Guide on Social Responsibility for Industrial enterprises in Shaanxi by Shaanxi Provincial People's Government	1	1%
2	Guidance on fulfilment of social responsibilities for provincial state-owned enterprises by SASAC of Shaanxi Province	1	1%
3	Guidelines on Social Responsibilities for Real Estate Enterprises of Guangdong Province by Guangdong Real Estate Association	1	1%
Stock Exchanges	**Name of Guidance or Standards and Publishing Institutions**	**Number of disclosures**	**Percentage of disclosures**
1	Guideline for the Preparation of the "Report on Performance of Corporate Social Responsibility" by SSE	14	14%
2	Notice on Further Improving Disclosure of Poverty Alleviation Work of Listed Companies published by SSE	3	3%
3	Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Main Board	3	3%
4	Guideline of Corporate Social Responsibility for Listed Companies by SZSE	1	1%
5	Environmental, Social and Governance (ESG) Reporting Guide by HKEX	17	17%
6	Taiwan Stock Exchange corporation rules governing the preparation and filing of corporate social responsibility reports by TWSE listed companies by TWSE	2	2%
Industry-level	**Name of Guidance or Standards and Publishing Institutions**	**Number of disclosures**	**Percentage of disclosures**
1	Guidelines on Social Responsibilities of Chinese Industrial Enterprises and Industrial Associations by China Federation of Industrial Economics (CFIE) 2nd version（CSRI-China2.0）	11	11%
2	Opinions on Strengthening the Social Responsibility of Banking Financial Institutions China Banking Regulatory Commission (CBRC)	7	7%
3	Guidelines on the Corporate Social Responsibility of Banking Institutions of China by China Bank Association	6	6%
4	Guidelines for Social Responsibility in Outbound Mining Investments	1	1%
5	CASS-CSR3.0: Construction Industry	2	2%
6	CASS-CSR3.0: Petroleum and Chemical Industry	1	1%
7	CASS-CSR3.0: Power Supply Industry	1	1%
8	CASS-CSR3.0: Power Generation Industry	1	1%
9	Guide on Social Responsibility for Chinese International Contractors by China International Contractors Association (CHINCA)	1	1%
10	*Guidance on Social Responsibility of Information and Communication Technology* by Ministry of Industry and Information Technology of China (MIIT)（SJ/T16000-2016）	1	1%
11	Social Responsibility Guidance for Chinese Electronic and Information Industry by the Committee on Social Responsibility of the Chinese Electronics Standardization Association (CESA)[34]	1	1%
12	Social Responsibility Management System for Chinese Information and Communication Industry Enterprise by China Association of Communications Enterprises (2016 version)	2	2%
Company level	**Name of Guidance or Standards and Publishing Institutions**	**Number of disclosures**	**Percentage of disclosures**
1	State Grid CSR Performance Guide	1	1%
2	China Resources Group's 13th Five-Year Social Responsibility Plan	1	1%

[34] CESA, 2012

Company level	Name of Guidance or Standards and Publishing Institutions	Number of disclosures	Percentage of disclosures
3	Social Responsibility Management Approach for China Resources Group	1	1%
4	Social Responsibility Workbook for China Resources Group	1	1%
5	China Southern Power Grid《CSG-CSR2.0》	1	1%
6	Social Responsibility Management Approach for China National Building Material Group	1	1%
7	Social Responsibility Management information collection method for China National Building Material Group	1	1%
8	China Aerospace Science and Industry Group's Social Responsibility Indicator-System Template	1	1%

Regarding the forms of corporate philanthropic contributions, Table 3.8 reveals that cash donation is the most widely adopted contribution method, followed by volunteering activities. Gifts in-kind donations except volunteering activities are not as popular as the former; however, it also accounts for a proportion (76%) of the disclosures. In addition, 37% of disclosures stated that they had implemented new-styled forms of philanthropic contribution, mainly referring to the use of internet and apps and other innovated ways.

Table 3. 8 Forms of philanthropic contributions

Forms of philanthropic contributions	Number of statements	Frequency of statements (%)
Cash	91	91%
Gifs in kind (except volunteering activities)	76	76%
volunteering activities	85	85%
New styled	37	37%

To investigate the varieties of philanthropy issues these Chinese leading companies are interested in, the study categorised the "philanthropy issues" into global and national levels. Regardless of the overlaps between society issues, it counts the frequency of each topic referred by each statement. Table 3.9 displays the frequency with which each society issue appeared on the one-hundred philanthropy disclosures in 2017. The topic on environmental protection related with philanthropy is excluded from the study because many companies include

eco-philanthropy in the “environment” dimension rather than the “society” dimension.

There are two issues related to corporate philanthropy at the global level: *One Belt One Road* and contributions to overseas communities and societies. Not a few Chinese companies listed on *Fortune Global 500* have reported their economic contributions to OBOR, but only 25% of the statements revealed philanthropic activities such as donations for education to the regions where the OBOR projects are implemented. Meanwhile, 48% of companies had materials on “philanthropic contributions to overseas community”, which comprised the philanthropic activities related to OBOR; however, they were not limited to it. For instance, during the same year, the parent company fulfilled philanthropic activities in the countries participating in OBOR projects while its subsidiaries contributed to local communities in other countries where the subsidies locate or business takes place.

In the national community and society involvement, 6 major segmented issues are summarised. “Education” is the most frequently referred issue involving corporate philanthropy. Specifically, 94 out of 100 statements claimed that they made corporate giving or other philanthropic actions for education in 2017. Among 36 non-SOEs, only 5 companies are not found to have any contributions to education. The finding suggests that leading Chinese multinational companies nowadays have strong awareness of improving young generation education. The

second most frequently stated issue is “Poverty alleviation and supports for underdeveloped areas (e.g., Tibet, Xinjiang and Qinghai)” (hereafter, poverty alleviation). This topic may overlap with education, healthcare or some other segmented topics. It is noteworthy that the number of statements on poverty alleviation disclosed by SOEs (65) is even more than that on education (63%), which suggests that in mainland China, SOEs regard the issue of “minimising the gaps between the poor and the rich” as the priority among a list of philanthropy topics. It is also evident that “state ownership” plays an important role in directing the companies to achieve the government goal. In addition, other segmented issues that have been documented by half or more of the statements are “disaster relief” (67%), “health care” (57%) and “vulnerable and other groups” (50%). The philanthropy issues related with “culture, arts, sports and science account for 47% of the statements studied. In contrast to Tables 3.6 and 3.7, Tables 3.10 and 3.11 show the frequencies of stakeholders and institutions about the Chinese leading companies are concerned when undertaking philanthopic practices respectively.

Table 3. 9 Frequency of society issues involving companies' philanthropic activities in 2017

			Number of statements			Frequency of statements (%)		
Segmentation	**No.**	**Society issues involving corporate philanthropy**	**SOE**	**Non-SOE**	**Total**	**SOE**	**Non-SOE**	**Total**
Global level	1	One Belt One Road	22	2	25	22%	2%	25%
	2	Overseas community involvement	38	10	48	38%	10%	38%
National level	1	Poverty alleviation & support for underdeveloped areas (e.g. Tibet, Xinjiang and Qinghai)	65	21	86	65%	21%	86%
	2	Disaster relief	49	18	66	49%	18%	67%
	3	Health services	44	13	57	44%	13%	57%
	4	Education	63	31	94	63%	31%	94%
	5	Culture, arts, sports and science	29	18	46	29%	18%	47%
	6	Vulnerable and other groups (vulnerable groups, i.e., the old, the disabled, children, unemployed women in disadvantaged families, migrant workers and minorities; other groups: e.g., families of martyrs and bus drivers)	50	26	76	50%	26%	76%
Others		i.e., old district development, promotion of knowledge on laws, finance and security among communities, family events.	15	6%	21%	15%	6%	21%

In Table 3.10, employees who are one of the key primary stakeholders to a company are found to play a significant role (the frequency is 57%, ranking the second among all the stakeholders) in corporate philanthropy practices. This is because the majority of companies having devoted themselves into volunteering activities require employees' contributions to large extent. It is evident that among international level stakeholders, global and local initiatives, charities and NGOs have the most connections (21%) with Chinese top global companies' philanthropic contributions. 15% of the disclosures claim that the companies' actions have involved local government and regulatory bodies. Global and local peers, investors, customers, suppliers and business collaborators are the primary stakeholders; however, they are not the most frequently referred. Only ten disclosures demonstrate their consideration of these primary stakeholders when they make philanthropic contributions to local communities. Other global and local organisations such as universities and museums are also relevant to some companies' activities (11%).

Compared with the number of international-level stakeholders under each category, that of national-level ones becomes great larger. Home government and regulatory bodies are the primary stakeholders accounting for the most frequencies. Specifically, 74% companies are found to cooperate and follow different level governments and relevant regulatory bodies to carry out philanthropic events, or at least a part of the activities. The second most important stakeholders are charitable and non-profit organisations. The figures show that 63% companies have joined charitable and NGOs to fulfil their

philanthropic contributions within the country. Another group of key primary stakeholders, investors, suppliers, clients, peers and business collaborators arefound least frequently (31%) referred in the disclosures.

Table 3. 10 Stakeholder groups influencing corporate philanthropy practices

		Stakeholder groups	**Number of statements**			**Frequency of statements (%)**		
Segmentation	No.		**SOE**	**Non-SOE**	Total	**SOE**	**Non-SOE**	Total
Both global and national levels								
	1	Employees	57	27	84	57%	27%	84%
Global-level								
	1	Global peers, investors, suppliers, clients, peers and business collaborators	6	4	10	6%	4%	10%
	2	Local government and regulatory bodies	12	3	15	12%	3%	15%
	3	Charitable and non-profit organisations	15	6	21	15%	6%	21%
	4	Other global and local organisations	8	3	11	8%	3%	11%
National-Level								
	1	Investors, suppliers, clients, peers and business collaborators	21	10	31	21%	10%	31%
	2	Home government and regulatory parties	58	16	74	58%	16%	74%
	3	Charitable and non-profit organisations	36	27	63	36%	27%	63%
	4	Other professional organisations	40	19	59	40%	19%	59%
Others		e.g. The public, scientists and specialists, project managers…	12	7	19	12%	7%	19%

In terms of the institutions influencing the leading Chinese multinationals' philanthropic practices, home government policies and regulations are found most frequently (67%) referred to in the statements. Policies on corporate philanthropy issued by companies themselves are the second most utilised, though the frequency is only about half of that of government policies. In addition, 26% disclosures are found influenced by the guides and agenda published by international initiatives and NGOs for both international and national level contributions. It is interesting to find that none of the companies explicitly stated that their actions were restricted by other institutions listed in table 3.7 such as stock exchanges and industrial unions.

Table 3. 11 Institutions influencing corporate-philanthropy practices

		Name of Institutions	Number of statements			Frequency of statements (%)		
Segmentation	No.		**SOE**	**Non-SOE**	Total	**SOE**	**Non-SOE**	Total
Both global and national levels								
	1	International Initiatives and organisations	19	7	26	19%	7%	26%
Global level								
	1	Local government policies and regulations	4	0	4	4%	0%	4%
	2	Other local organisations	1	0	1	1%	0%	1%
National level								
	1	Home government policies and regulations,	52	15	67	52%	15%	67%
	2	Home organisations such as Chinese Academy of Sciences,	2	0	2	2%	0%	2%
Company Level	1		24	8	32	24%	8%	32%

3.5.2 Findings from Level Two Research

At the second level of research, following brief explanations of each themed issue categorised in Table 3.9, statements containing information of institutional factors, stakeholders and other contents that denote appropriate exemplars are provided. By following the integrative model, similarities and contrasts between SOEs and non-SOEs are also be illustrated.

3.5.2.1 Generalized statements

At the very beginning of the "society and community" section in the CSR reports or CSR-themed web pages where most corporate philanthropy issues are presented, many companies briefly outlined the ultimate goals and main actions guiding the accomplishment of their mission within the society. Relatively few companies using press releases like news are found to present such generalized statements. The statements are significant indicators of who are the key stakeholders the company pays attention to. Some of them also highlighted the driving institutional policies or agenda. Both SOEs and non-SOEs described

aiding the poor and vulnerable as well as paying back to the community, either domestically or internationally. However, some SOEs entitled themselves a supplemental role in improving the public welfare within the context of their own market domains, which strongly supports the argument on state ownership.

State Grid, ranking second in the *list* and first among the Chinese companies, provides a typical example among SOEs. It highlighted three goals set by the UN's 2030 Agenda that are also applied to current conditions of China and the secondary stakeholder groups (i.e. the poor, the vulnerable and children) to be targeted.

Poverty elimination – Eliminate extreme poverty from the global populations; implement policies suitable to the national conditions to help the poor and the vulnerable to a large extent; ensure that the poor and the vulnerable enjoy equal rights to access economic resources and primary social services.

High-quality education – Ensure that all the children complete free, fair and high-quality primary and middle school educations and also achieve relevant and effective study results; provide all the people with secure, tolerative and effective educational environments.

Inequality reduction – adopt public finance, wage and social security policies to achieve equality step by step; realise the special and different treatment to undeveloped areas (State Grid, 2018, p.69).

China Aerospace Science and Industry Corporation (CASIC), ranking 346th in

the *list* and 81st among Chinese companies, offers a good example in emphasizing its "state-owned" characteristic and supportive role in settling a list of national social issues:

> CASIC proactively implements social responsibilities, assists (the state) to solve major social problems, continuously promotes accurate poverty alleviation programmes, actively engages in disaster relief, enhances the development of aerospace science and philanthropic activities, broadcasts our love, and plays a key role as the "the eldest son of the Republic" in building a harmonious society (CASIC, 2018, p.72).

China Petroleum & Chemical Corporation (Sinopec), another giant SOE, directly quoted the report of the *19th National Congress of the Communist Party* as the framework under which it pursues the societal objectives along with what the enterprise group has been doing for the stakeholders (nation, society and community):

> With adherence to the goal that "pay back to the nation and serve the people, bring benefits to the mankind", (we) contribute to the country's tax income, serve national economy and society development by paying tax; strengthen community management, build harmonious community and improve residential living environment; engage in public welfare activities, devote ourselves to giving back to the society, provide services to people's livelihood, and make every effort to complete the building of a moderately prosperous society (Sinopec, 2018, p.80).

Rather than emphasizing their political role as SOEs, non-SOEs generally viewe themselves as global citizens paying back to the secondary stakeholders: the society and communities. For example, Hon Hai Precision Industry Co., Ltd (also known as Foxconn), and Taiwan Semiconductor Manufacturing company (TSMC), which ranked 24th and 368th on the *list* respectively, expressed their social missions as follows:

> Hon Hai Precision Industry have been actively taking part in activities in the society for a long term. With the spirit of "take it from the society and use it for the society", and the company culture of "love, confidence and determination", we devote ourselves into philanthropy, proactively pay back to the society, and sowing the seed of hope in the communities at home and abroad together with the efforts made by our peers (Foxconn, 2018, p. 55).

> With the mission of uplifting society, TSMC diligently strives to carry out the responsibilities of a good corporate citizen through the TSMC Education and Culture Foundation as well as the TSMC Charity Foundation. Our actions include supporting culture and arts, promoting aesthetic appreciation, caring for the livelihood and education of the underprivileged, and actively revitalizing traditional values of filial piety. By integrating the internal and external resources of the Company and its employees, we hope to bring positive changes in society" (TSMC, 2018, p.163).

3.5.2.2 Global level statements

3.5.2.2.1 One Belt and One Road

Shown in Table 3.9, only two privately-owned companies are found to disclose corporate philanthropy via OBOR in 2017. Hence, only an SOE representative is illustrated. China National Cereals, Oils and Foodstuffs Corporation (COFCO), ranking 122th on the *list*, offers an excellent example of what philanthropic activities a state-owned enterprise has done for the secondary stakeholders: the region participating in OBOR and how it meets the expectations of the primary and secondary stakeholder groups, respectively (Chinese government and international organisations). Moreover, like some other SOEs, COFCO demonstrated its critical role in representing the Chinese government within the global context:

> On June 2, 2017, a shipment of 2,821.75 tons of rice produced by COFCO Corporation departed Shanghai and arrived in Somali, Africa via the Maritime Silk Road as aid for about 223,500 draught-ravaged people over a period of four months. This is a concrete step taken by the Chinese government to fulfil its pledge of grain aid made at the Belt and Road Forum for International Cooperation, where China proposed to provide RMB 60 billion worth of aid over the next three years to developing countries and international organizations that joined the "Belt and Road" initiative. The aid included RMB 2 billion worth of emergency grain aid to developing countries along the “Belt and Road” Meanwhile, COFCO Grains & Cereals displayed a high level of political awareness and ensured the processing quality of the rice through the fully

> integrated value chain's quality control and modern processing technique. It not only received a high level of recognition from Entry-Exit Inspection and Quarantine Bureau but also enhanced Chinese rice and Chinese government's international image and influence (COFCO, 2018, p.52).

3.5.2.2.2 Other overseas-community involvements

Companies trading in international business engage in local community contributions with the aim of matching the expectations of local government, organisations, clients and residents to gain sound images and competitive advantages (Hillman and Keim, 2001; Brammer and Pavelin, 2009). The analyses of philanthropy statements disclosed by Chinese top global companies lends support to the notion and reveals a number of good examples. In their statement, Huawei, a world-renowned telecommunication privately owned enterprise, is a good exemplar demonstrating its interactions with the primary stakeholders (local government and clients) as well as the secondary stakeholders (NGOs and local communities):

> Huawei join with governments, clients and non-profit organisations in different countries to fulfil various philanthropic activities …(we) are committed to be a socially responsible global citizen meeting expectations of stakeholders all over the world by supporting local community's environmental protection, traditional culture activities, talent-training and education, as well as caring the vulnerable groups. (For example), Huawei has been running business in Nigeria for more

> than 18 years and taking social responsibilities all the time. At the material-donation handover ceremony held on 10 February 2017; the Nigeria Minister of the Interior expressed his thankfulness by stating that refuges relief is not only the responsibility of the government, but also of the companies, who shall learn from Huawei helping the refugees during difficult times (Huawei, 2018, p.63).

China Energy Engineering Corporation (CEEC), an SOE, is a good example of stating its good relationship built with local residents in Pakistan who are the secondary stakeholders thanks to philanthropic activities. On May 23, 2017, just before Ramadan[35] started, the HUBCO Project team visited local primary schools and mosques and sent stationery, school bags, and daily supplies like lamb, rice, noodles and oil for free. This helped its project team to live harmoniously with local people (CEEC, 2018, p.75).

More than meeting the expectations of local stakeholders, some companies involved in global level community contributions also aim to represent Chinese companies to create sound images among international stakeholders. The following message presented voluntary sea rescues taken by China COSCO Shipping Corporation Limited (COSCO) along with the recognitions received from the secondary stakeholders (embassies and Maritime Affairs Bureau and Port Authority):

> COSCO take the safety of marine navigation as our own responsibility, so we join in global sea-rescue actions and thus to maintain the safety of

[35] Ramadan is the ninth month of the Islamic calendar, when Muslims fast during daylight hours (BBC, 2011).

> marine navigation. During 2017, we have participated search and assist in sea-rescue missions 38 times. We have successfully rescued the crew in distress 6 times and successfully rescued and assisted the rescue of 29 crews in distress. It has fully reflected our group's professionalism and international humanitarianism… (For example,) on 28 February 2017, COSCO's "Da Ji" ship has successfully rescued 10 international crews in the danger of flooding cabins on the "ANNA" ship at Mediterranean and we have received complimentary remarks and recognitions from multi-nations' embassies and the persons in charge of Maritime Affairs Bureau and Port Authority (COSCO, 2018, p.74).

3.5.2.3 State level statements

3.5.2.3.1 Poverty alleviation and underdeveloped area support

Poverty alleviation is one of the most important issues in the 2030 agenda of SDGs initiated by the United Nations (UN, 2015). Most companies from mainland, Taiwan and Hong Kong have actively devoted themselves into this general but serious social problem. SOEs and non-SOEs from mainland China undertaking philanthropic activities on the issues of poverty elevation and support of undeveloped areas are strongly influenced by the government policies and the incentives of receiving a sense of group honour from the government, the primary stakeholder and also the media, the secondary stakeholders.

Two representative examples of messages reported by China Construction Bank Corporation (CCB, an SOE) and Haier (non-SOE) are presented below, followed with a statement by a Hong Kong-based company for comparison:

> CCB is proud of being the winner of the "Financial Enterprise Poverty-Alleviation Innovation Award" in the 2017 Financial Enterprise Poverty Alleviation Seminar and Poverty Alleviation Innovation Awards organized by Sina[36]…In 2017, the total public-welfare donation made by our bank is RMB 77.86 million Yuan and RMB 49.81 million Yuan is used for public welfare projects on targeted poverty alleviation…The projects mainly comprise road hardening and road repair, dilapidated house renovation and school building construction, water diversion project and drainage system and so on…CCB's long-term highly-reputed public welfare projects such as *CCB's Mother Health Express Train* and *Growth Project* offering financial support to poor high school students, the *Poor Model Mother Funded Programme* and *Hope Primary School Teacher Training programme* will be more concentratedly implemented among targeted poverty alleviation villages (villages pointed by the government) (CCB, 2018, p.35-36).

Haier, ranking 499th, is a multinational consumer electronics and home appliances company headquarter in Qingdao. Though it is not owned by the government, promoting public welfare and philanthropic activities by following the government policy on poverty alleviation is shown as an important legitimate action in its statement:

> In response to the government's call for poverty alleviation and to strengthen the poverty alleviation work done by Haier Industrial Finance

[36] Sina is a Chinese technology company, recognized by *Southern Weekend* as the "China's Media of the Year" in 2003.

> on regional enterprises… Haier Industrial Finance cooperated with China Development Bank and made trials in pilots of accurate poverty alleviation in Guizhou. On 13 December 2017, the very first industrial poverty alleviation ABN in China was successfully registered (Haier, 2018, p.51).

Privately-owned companies on the *list* based in Hong Kong and Taiwan seem less likely influenced by the government (primary stakeholder) and its policies. Nobel Group Limited, a Hong Kong-based commodities trader across a range of industrial and energy products, claimed that:

> We have a vision to work for the greater good outside of our daily activities - it is in our culture to contribute and give back to society…Founded in 2007, the Noble Foundation provides philanthropic contributions to address the root cause of poverty and underdevelopment. Through collaboration with local organisations, we are dedicated to acting at the grassroots level… (For example,) The PathFinders organisation is dedicated to protecting the rights of migrant worker women and their children in Hong Kong…In 2017, the programme supported 37 families to return home, and almost 100 mothers attended home preparation classes in Hong Kong. With the reintegration support provided by Pathfinders, the babies and children and their mothers are now able to access essential medical services and re-integration support that is culturally and linguistically appropriate (Nobel Group, 2018, pp.15-16).

3.5.2.3.2 Education

Apart from the support of compulsory education to poverty and underdeveloped areas and disadvantaged students or families, some companies also endeavoured to offer co-curricular, patriotism, mental health and technical educations to a wider group of young generations. Enriching the young generations' (secondary stakeholders) knowledge on a variety of subjects for the country's future development is probably the most influential driving factor for the companies to contribute to education. In some cases, companies used their own advantages to cultivate talents for the society and in turn, benefit from the investment. Four messages regarding four different philanthropic activities on education, along with the companies' focus on slightly different types of stakeholders, is illustrated below. The messages are given by an SOE, three non-SOEs based in mainland China, Taiwan and Hong Kong, respectively.

China State Shipbuilding Corporation (CSSC), ranking 393th on the *list*, devoted itself in the national defense education to strengthen the public's awareness of nation defense and patriotism:

> On September 19, 2017, the China Institute of Marine Technology & Economy of the CSSC launched a three-year volunteer activity called "Shipbuilders' Academy education of national defence science and technology for students" in Yongjing County[37]. Major General Zhao Dengping[38] was invited to give a lecture to the CPC and governmental leaderships of Yongjing County, teachers and students of some middle

[37] Located in Linxia Hui Autonomous Prefecture, Gansu Province.
[38] Former deputy director of the Naval Equipment Department.

> schools on the national marine security situation in China, helping them to better know and understand the importance of national security and marine safety, the situation of China's marine safety, and how to deal with regional marine threats (CSSC, 2018, p.74).

Lenovo Holdings is a world-leading multinational technology company headquartered in Beijing. In its message, Lenovo presents a typical example (others like Geely and Country Garden) explicitly stating that their philanthropic donations to education are not only to cultivate future talents for the society and enhance the company's global influence, but also to serve Lenovo's clients and employees, the primary stakeholders in both home and overseas communities:

> Lenovo's philanthropic and social investments are focused on STEM (science, technology, engineering, math) education and empowering diverse and under-resourced populations, themes that are integral to the success of our business…By focusing on the social investment objectives below, Lenovo meets the diverse needs of the communities where Lenovo employees and consumers live and work: 1) partner with charitable organizations, educational institutions and civic organizations to amplify the impact of Lenovo's social investments around STEM education and empowering diverse and under-resourced populations; 2) connect employee expertise and talent with students and community members who will benefit from exposure to tech talent; 3) provide resources to increase digital inclusion while enhancing STEM education for diverse and under-resourced populations (Lenovo, 2018, p.62).

Quanta Computer is a Taiwan-based manufacturer of computers and electronic

hardware, ranking 354th on the *list*. It provids an excellent example of developing children's' creative and independent-learning abilities and pursuing the role as educational innovation promoters and connectors of ancient and modern as well as Chinese and foreign cultures:

> The key target of Quanta Culture & Education Foundation in 2017 is to build a multivariate education platform enabling children to learn critical thinking and challenge impossibilities in the future by playing with arts… (For example,) Quanta's *Smart Education* Programme allows the students and teachers to play integral roles in teaching and learning process and thus to develop students' critical-thinking abilities via the opportunities of designing and planning exhibitions. In 2017, this programme has involved 18 schools, 92 teachers and 630 students in total (Quanta Computer, 2018, p.79).

Headquartered in Hong Kong, Jardine Matheson Holdings Limited is a motor vehicles & parts enterprise group ranking 283th on the *list*. Its 'Health in Mind' programme has successfully combined the help of mentally ill young people with the promotion of the students' awareness and a positive attitude towards mental illness. Such a programme illustrates a great example of philanthropic programmes targeting at multi-secondary stakeholders: young people with mental health problems and school students:

> In 2017/18 alone, the programme recruited more than 400 student advocates from 27 secondary schools in Hong Kong. One of the major events of the "Health in Mind" programme is the City Orienteering. Guided by Jardine Ambassadors, student advocates join those

> recovering / living with mental health issues from NGOs in a one day event promoting social inclusion and the de-stigmatisation of mental illness. The event provides those recovering from mental health issues an opportunity to reintegrate into the community and to practice their planning, time management, budget allocation and decision-making skills while enhancing the students' understanding of those suffering (Jardine Matheson, 2018).

3.5.2.3.3 Disaster relief

When facing natural disasters, most Chinese top global companies are active in taking part of disaster relief by offering manpower, financial and material support. There are three major groups of stakeholders relevant to disaster relief actions. First, victims, the secondary groups of stakeholders, have direct benefits from the company. Second, such actions could be an aid to local government, the primary stakeholders, for the government's lack of human and financial resources; Third, enhancing the company's image in the public is also viewed as an important motivation. China State Construction Engineering (CSCEC) is a good exemplar demonstrating the three groups of stakeholders in their various disaster relief activities:

> In August 2017, a magnitude 9 earthquake occurred in Jiuzhaigou[39]. The affiliated companies and projects of CSCEC located in the earthquake zone took actions overnight under the leadership of Party organisations at all levels…(we) organised manpower and equipment and went to the

[39] Located in Abei Zhou, Sichuan Province.

> front-line to implement rescues as the response to the request (CSCEC, 2018, p.90).

Another disaster-relief case by CSCEC was a typhoon rescue in Macau. In the next message, CSCES stated:

> Typhoon "Tiange" hit Macau in August 2017, though CSCEC Group's affiliated company in Macau also suffered from severe attack. (The Group still) provided help for disaster relief with *no hesitation; (we) have won the complimentary marks from the government and the public* (CSCEC, 2018, p.90).

3.5.2.3.4 Health care, vulnerable group & other groups and community involvement

Most statements on contributions to healthcare are related to poverty alleviation, so that the stakeholders and institutions involved are similar with those of poverty alleviation. For both SOEs and non-SOEs, and companies based on the mainland or not, engaging in healthcare philanthropic activities is to help the people with health problems on one hand. On the other hand, building a good relationship with the government and obtaining group honour by assisting the government to solve healthcare problems were the other two potential driving factors:

> For example, in their statement, China National Machinery Industry Corporation (SINOMACH) reported that with the purpose of paying back to the society and building a harmonious society, the company attended the 9th *"Big Love Without Boarders*" international bazaar held

> by Ministry of Foreign Affairs on 29 October 2017. The funds raised would be used to repair and build health centres in poor areas[40] via the China Foundation for poverty alleviation. The group has donated RMB 11 million Yuan and accepted the donation honour certificate issued by Minister of Foreign Affairs Yi Wang and his wife Wei Qian (SINOMACH, 2018, p. 62).

Another example of healthcare contribution overlaps with the care of the vulnerable group and community involvement. Fubon Financial Holding Co., Lid is a Taiwan-based financial investment holding company. The group highlighted its role in solving the problem of the government's shortage of resources. Fubon demonstrated that:

> …the main purpose of the "Emergency Assistance" Fubon Charity foundation is to provide supports to vulnerable individuals or families who needs urgent aid when they meet difficulties. For instance, the foundation subsidizes the medical expenses of the poor. This programme has shown the group's positive actions on caring the vulnerable, enhanced the group's public image and also assisted the government for its lack of resources (Fubon, 2018, p.122).

Midea Group, a Chinese electrical appliance manufacture, is one of the few companies explicitly claiming that they help the vulnerable groups with the spirit of "giving for nothing" (pure altruism):

> In September 2017, Midea joins with Aiyou Charity Foundation to

[40] Supo Town and Jinping Town in Yunnan Province.

> organise the event of “Love has pain, Midea accompanies”, which is a love visit of postoperative children suffered from congenital heart disease. Philanthropy is nothing with paying back, only related with children’s health (Midea, 2018, p.29).

3.5.2.3.5 Science, culture, arts and sports

Contributions made to science, cultures, arts and sports by the leading Chinese multinationals manifest themselves in a variety of forms and the main purposes includes enriching people’s lives, protecting traditional culture, promoting development of human civilisation, and enhancing national strengths. Stakeholders involved are communities, the state, and the organisations related with science, culture, arts and sports.

By fully using the company’s advantages at professions and finance, Vanke is a good exemplar in making commitment to heritage culture not only in underdeveloped areas but also in cities. In the company’s statement, Vanke presented a list of cases showing its cooperation with relevant organisations for the project implementation, and one of them is as follows:

> By means of donations and cooperation, Vanke Foundation supports the protection and repairment of ancient buildings, retaining the ancient architectures’ historical significance and unique architectural style and structure, as well as guarding the precious spiritual wealth left by the national ancestors… (An instance is) Forbidden City Cultural Heritage Protection… Built in 1925, the Forbidden City Museum is known as the largest museum of ancient culture and art in China…In 2017, the project

> mainly carries out the jobs of preliminary data research, surveys, on-site reconnaissance and so on (Vanke, 2018, pp.89).

With respect to the social responsibilities undertaken for the development of science, the companies normally have duo purposes. On one hand, the research projects donated are potentially beneficial to the company's future development. On the other hand, it could also enhance the research strengths of participating organisations (e.g., universities), the relevant industry and even the country in specific disciplines. Baowu Steel Group explicitly illustrated the two purposes along with showing the beneficial stakeholders in its statement:

> In 2017, Baowu continued to work with the National Natural Science Foundation of China to promote the management and operation of the "Steel Joint Research Fund", to strengthen basic research and applied basic research in the industry, and subsidize a number of key research and cultivation projects at the forefront of the industry, including……By 2017, the foundation has accumulatively funded 224 million yuan (of which Baowu has invested RMB 112 million Yuan in total) (Baowu, 2018, p.62).

The companies engaging in contributions to sports and arts tended to be more concentrated on commercial sponsorship to a match, a show or a TV programme. Relatively less non-commercial supports to the sustainable development of sports and arts are found among the Chinese top global companies. This is probable that the stakeholders of sports and arts are relatively smaller secondary groups and less influential to the company's reputation and development. The FAW Group is the fourth largest state-owned automotive manufacturing

company on the *list*. It presents a leading model in boosting the development of sports in China using a philanthropic approach:

> The FAW group actively promotes sports-related public welfare activities and launches socially responsible football programmes, aiming at driving more companies to join the team of enhancing China's youth football development, and truly realize China's football dream. In 2017, the FAW-Volkswagen Youth Football Training Camp's main job is to support youth-football daily training and solidly promote the football education in the places where the factory is located. At the same time, the secondary job is to implement activities such as foreign teacher training and factory visits (FAW, 2018, p. 88).

Quanta Computer is one of a few companies truly aiming at solving the lack of resources problem of the arts performing groups and promoting the development of arts. In the next message, a quote of Quanta Computer's statement is presented:

> Quanta Arts Foundation is committed to the promotion of Taiwan's performance arts…By strengthening the construction of talent cultivation, cooperating with cross-straits academic and performance organisations, implementing educational concepts, and starting various related course and workshops, we have injected new strength into Taiwan and even the whole Chinese theatre industry. For example in 2017, with the theme of focusing on Taiwan, we invited representative high-quality drama, dance, music and cross-border performances from Taiwan to participate in the exhibition in Beijing, and connected with

> professionals from the mainland through video promotion. At the same time… the recommended lecturers shared the experience from Taiwan and truly shared the cross-strait performance art resources and experience (Quanta, 2018, p.91).

3.5.2.4 Salient trends of philanthropic contribution in China

Previous literature summarised that the overall status of CSR in China was still at a relatively low level (e.g. Gao, 2009; Kuo et al., 2012). However, this study find that a salient trend of philanthropic contributions made by the most successful Chinese multinationals, which is characterised by four major challenges to the traditional styled corporate philanthropy.

Specifically, these are an advanced understanding to poverty alleviation, individual philanthropic-programme reputation enhancement, making full use of the internet and creating more innovative methods of contributions that are frequently referred by the statements. With the development of philanthropic contributions, a wider group of stakeholders are thus involved.

Building good reputations for individual philanthropic projects or specific modes is a trendy strategy emphasized by Chinese top global companies such as Alibaba, National Grid, Suning, Bank of Communications and China Energy Investment Corporation. China Resources provides a good example in

demonstrating the incentive, approach and achievements of enhancing reputations for public welfare projects:

> In recent years, the Group has launched a series of public welfare campions to promote the group operations and **reputation development** of public welfare projects. The Group's "China Resources Hope Town" programme for the construction of new rural areas and "Haiyuan Model"[41] for the targeted poverty alleviation, not only fully use the Group's advantages in diversified resources, but also properly follows the government strategy on poverty alleviation. As a consequence, the reputation and social influence of the Group brand has been largely enhanced… (China Resources, 2018, p.98).

With a wider application of the internet in recent years, many companies like China Mobile, Pingan Insurance, Jingdong, Suning and Tecent are found to utilise the internet as the tool to conduct philanthropic activities. While providing the online platform for disadvantaged groups to start businesses or seek jobs, the companies also make endeavours to allure more primary stakeholders including sellers, consumers and investors to involve in philanthropy. Alibaba is a representative company not only in establishing reputations for various philanthropic activities, but also in successfully connecting different levels of stakeholder groups by making the most of the internet:

[41] Haiyuan Model: a model particularly designed for poverty alleviation in Haiyuan area

Alibaba has long been committed to creating an inclusive and fair platform for disadvantaged groups to engage in entrepreneurship and employment…During the last decade, the "Magic Bean Mother" project has been continuously upgraded to help mothers in difficulties to become self-reliant… "Public Welfare Baby" is another online fundraising platform established by Alibaba which provides supports to charity organisations and public welfare projects. The underlying idea is that when the consumer completes purchases of any goods marked with the sign of "Public Welfare Baby", the platform will donate a certain amount correspondingly to the non-profit organisations or public welfare projects at the proportion set by the seller… "Public Welfare Baby" has built up the connections between the consumers, merchants and charity organisations and used a commercial way to involve public participation. For years, "Public Welfare Baby" has raised funds for several charity organisations, so that charity organisations can obtain sustainable sources of funding to help those in need. (For example,) Alibaba join hands with business women/men from Australia and New Zealand to conduct corporate philanthropy…Jessica Rudd, the daughter of the former Australian Prime Minister Kevin Michael Rudd, whose online shop in Taobao Mall International[42] has joined the "Public Welfare Baby" philanthropic programme…The funds raised for the "Public Welfare Baby" by the Australian and New Zealand merchants are used in the

[42] A business-to-consumer online retail.

> Orphan Parenting Project of Chunhui Boai Children's Relief Foundation in mainland China (Alibaba, 2018, pp.20, 28 &72).

Apart from the internet, some companies are seeking other innovative approaches to adapt the requirements of different vulnerable groups and mobilize specific ranges of groups to engage in philanthropic contributions. The two exemplars below from China Minsheng Bank and c presented such messages, respectively:

> The charitable trust was established based on the *Charity Law of the People's Republic of China* promulgated in 2016, which is a relatively flexible charity tool in our country. Our bank's first family trust contract Minsheng Ci 001 was signed on 26 April 2017, which marks the signing of the first family trust in our country. With the family clients as the promoters, the family charitable trust focuses on those high net worth entrepreneurial client groups. Such a trust plays an essential role in mobilising entrepreneurial clients to undertake social responsibility and meet the expectations of entrepreneurial clients (China Minsheng Bank, 2018, p.41).

PICC created an innovative mode of poverty alleviation for the elderly in Fuping county, Hebei Province:

> By allowing poor people who are 63 years old or above and unable to work to become shareholders of a cooperative, (we) have increased the age upper limit of lenders set by conventional financial institutions and further expanded the financing targets for poverty alleviation…(we)

have provided approximately RMB 170 million Yuan to 1,713 poor farmers in Fuping county (PICC, 2018, p.27).

3.6 Discussions

With the same materials, step one frequency analysis (quantitative content analysis) and step two direct qualitative content analysis adopt different angles to present the data and provide complementary findings. The overall CSR disclosure rate is evident to be substantially improved in the last decade. Gao (2009) applied content analysis of the official websites of top 100 companies in China in 2007 and found that only 19% companies published CSR-like reports. Several years later, in their study that also used content analysis, Kuo et al. (2012) found that 41% of 529 indigenous companies failed to provide CSR information. The findings from this chapter suggests that in 2017, 75% of the leading Chinese multinational corporations had published CSR reports and even more (83%) of them disclosed corporate philanthropy information. Although the samples are different from study to study, the data shows a positive trend of CSR development in the Chinese business sector during the last 10 years.

Such an overall positive trend can be explained at global and national levels. At the global level, Chinese world-leading multinational companies have been confronted by the pressures to implement CSR/corporate philanthropy or disclose relevant information by following guidelines such as UN agenda, ISO26000 and GRI standards. At the national level, the concerns over the unbalanced development between economy and society have been emphasised by the Chinese government since the beginning of the 21st century. For instance, specific public companies listed on SSE and SZSE have been required to disclose CSR information since 2008. These and several other CSR initiatives have led to a great deal of improvement in the CSP of Chinese companies (Wang

et al., 2012). Meanwhile, Chinese companies themselves also have become more aware of the importance of attaching corporate philanthropy as one significant dimension of corporate social responsibility (CSR) in their business strategy (Wang and Qian 2011).

A wide application of the stakeholder framework in philanthropy-information compilation is found among the Chinese giant corporations from the frequency analysis. Consistent with the guides of GRI, philanthropic contributions are mostly categorised into communications with the secondary stakeholders who are communities and publics.

The frequency analysis also extensively examines the other influential stakeholders who might relate to these leading Chinese multinational corporations' philanthropic activities. The findings reveal that a wider group of stakeholders are involved, not least to communities and publics. At both national and international levels, charitable and non-profit organisations are regarded as one of the most important stakeholders to SOEs and non-SOEs. This is mainly due to their functions on establishing connections between the company and the gift recipients. Also, linkages with such organisations are good for reputation building, since there is a rapid growth of NGOs in a number of international influence (Boli and Thomas, 1997; Doh and Teegen, 2003). Another group of influential primary stakeholders for both SOEs and non-SOEs at national and international levels is employees, who have been largely (84%) involved in corporate philanthropic activities. The finding is consistent with the results that there is a high frequency of volunteering activities (85%) which require

employees' involvement to a large extent. This may infer that employees are vital human resources to the fulfilment of corporate philanthropy (Zhou, 2015), so that effectively encouraging and motivating employees to engage in philanthropic activities is important to CSR practices and corporate management.

Non-SOEs seem to pay more attention to the group of peers, investors, suppliers, clients and business collaborators (of 36 non-SOE's statements, international and national economic stakeholders account for 11% and 27.8% respectively) than SOEs either at the national or international level (of 84 SOE' statements, international and national economic stakeholders account for 7% and 25% respectively). This probably because non-SOEs more value the perceptions of their economic stakeholders as they the primary stakeholders who can critically and directly affect the companies' day-to-day operations. For instance, customers are argued to have the ultimate power to make organisations adopt social codes (Frooman, 1999). Meanwhile, SOEs have more connections with governments and regulatory bodies at international level. One interpretation is that corporate philanthropy is used as a political means for strengthening the relationship between Chinese government and other governments. The interpretation is supported by the second step qualitative content analysis. That is, SOEs generally emphasize their political role in representing the state and how they meet the expectations of different authorities, while non-SOEs are more concerned about the primary shareholder groups who have direct impact on the success of their overseas businesses. An example of non-SOEs is given by Huawei, which explicitly stated their efforts on building good relationship

with local governments and clients by participating philanthropic activities. SOEs like China National Cereals, Oils and Foodstuffs Corporation actively engaged in *OBOR* who claimed that it had realised their political roles in representing and supporting the Chinese government.

At the national level, the home government and regulatory bodies do have substantial linkages with leading Chinese companies, particularly mainland-based ones, on issues of poverty alleviation, disaster relief and healthcare. Non-SOEs from mainland China are found generally to have shifted their focus to the interactions with home governments from that with the stakeholder group of peers, investors, clients, suppliers and business collaborators regarding the poverty alleviation issue. For example, Haier cooperated with China Development Bank, a policy bank to promote the development of Guizhou. The main driving factor is an institutional factor: the government's policies on poverty alleviation and supports for underdeveloped areas. This is evidence supporting the argument that private firms in China utilise corporate philanthropy to establish and maintain good relationships with the government for favourable treatment (Wang and Qian, 2011). Some companies like China Construction Bank Corporation, an SOE, involving in philanthropic activities like poverty alleviation also rely on media, the secondary stakeholder, to gain and broadcast a positive company image. Media is powerful in influencing the perceptions of a company's stakeholders. Philips (2007) expressed that activist groups and NGOs today often attempt to focus media attention on business practices they consider to be unethical or irresponsible. 'Unwanted media

attention can seriously tarnish corporate reputation, which in turn can lead to decreases in sales or employee dissatisfaction' (Philips, 2007, p.449). In contrast, favorable media attention would benefit a firm's future growth.

Health is one of the biggest and historical social issues worldwide (UN, 2015), as in mainland China, Hong Kong and Taiwan. The vulnerable, government and charity foundations are the main stakeholders involved. Making philanthropic contributions to healthcare is used as a means for these economically successful companies to assist the government for its lack of resources and in turn, acquire the recognition from the government. In most cases, the young generation is the major stakeholder of philanthropic activities on education. Good examples are illustrated by companies based in mainland China, Taiwan and Hong Kong. However, some non-SOEs like Lenovo and Greely also explicitly stated their incentives more than altruism in promoting education. Cultivating the next generation of technical talents is to strength the young people's personal competitiveness and career development on one hand. On the other hand, it also serves their first stakeholders, employees and clients, and benefits the company's future development.

In addition, it is also interesting to find from the frequency analysis that professional organisations such as colleges, universities, museums, theatres, clubs and offices (e.g. Offices of Science and Technologies) which are a secondary group of stakeholders have frequent connections with corporate philanthropy to both SOEs and non-SOEs at the national level. This implies that the implementation of the giant companies' philanthropic activities nowadays

heavily rely on the cooperation with various national professional organisations. The second step analysis further identifies that companies engaging in philanthropic activities related with culture, science, arts and sports generally rely on such professional bodies. The incentives underlying most cases are not only benefiting the community and the society, but also are enhancing the company's reputation and the companies' own future developments.

By applying the institutional view of the integrative model, step-one frequency analysis found that among 51 institutions ranging from the global agenda issued by United Nations to individual company-level guidance, each company follows one or more of them to compile philanthropic activities information. The results from a further investigation from frequency analysis infers that much fewer institutional factors are constraining real actions taken by the companies.

The *17 goals* set by the *UN's 2030 Agenda*, the central government's policies on issues such as OBOR and poverty alleviation, requirements raised by the provincial level governments and companies' own policies on social responsibilities are evident to be the most influential ones to guide the leading Chinese multinational corporations' philanthropic activities. Guidelines from stock exchanges, industrial associations and international organisations other than the UN seem to be relatively less mentioned by the statements. No regulations or policies issued by overseas governments are referred to as an institutional factor having an impact on both information compilation and

philanthropic activities. The second-level directed content analysis demonstrates that the *UN's 2030 Agenda* is generally referred in the general statements as the companies' ultimate goals for public welfare and philanthropic contributions, while government policies are emphasised by both SOEs and non-SOEs in mainland China on issues of OBOR and poverty alleviation. However, companies whose headquarters are in Hong Kong and Taiwan seem more independent of Chinese government policies.

The finding infers that the issuance of policies and guidance on fulfilling philanthopic activities are mostly concentrated on the Chinese government and global leading non-government orgnaisations. While the institutions offering guidance and standards for the report of philanthopic activities extends to different levels and types such as stock exchanges, industrial unions and individual companies. That is, real actions are more government- and UN-guided and the report compilations of these actions is relatively flexible, which can be conducted with reference to guidance and standards issued by different-level or -type institutions depending on the firm's factors such as ownership and industrial type.

Although the frequency analysis suggests that the new-styled forms of philanthropic contributions account for less than 40% among all statements, the second level direct content analysis found a positive and dynamic trend in corporate philanthropy among leading Chinese multinational companies. The trend manifests in at least four aspects. First, companies like China Mobile Communications, China Energy Investment and China Minerals highlighted that

the perceptions and measures taken regarding poverty alleviation shall go beyond merely "blood transfusion" (i.e. cash donation and gift aid) to enable the poor to create wealth themselves. Such an improvement might be thanks to the government's policy on *Target Poverty Alleviation*, which directs the companies to properly and effectively use donated resources. Second, quite a few companies such as China Resources have emphasised the importance of enhancing reputations for individual philanthropic projects. Such a trend indicates that while contributing to the community and society, leading Chinese multinationals have become more aware to utilise the opportunities to establish reputations for corporate philanthropy campions, thus to achieve marketing effect. This supports the argument of the managerial branch of stakeholder theories that the companies engaging in CSR purse win-to-win outcome (Falck and Heblich, 2007).

In addition, many companies (e.g. China Mobile, Pingan Insurance and Alibaba) fully employ the modern information technologies such as internet and apps to implement philanthropic activities. While Some others seek other new approaches like family trust to pay back the community and society. The main purpose is to involve more investors, clients, suppliers and business collaborators to engage in the company's philanthropic activities and allow a wider group of people and organisations to benefit from the created resources.

3.7 Conclusions

In light of the recent increasing influence of leading Chinese multinationals nationally and philanthropy, the institutional factors worldwide, studies on the trends of how they pay back to the society by the means of and stakeholder groups shaping their philanthropic activities as well as disclosures grow in importance. This chapter has made two vital contributions to the existing research on corporate philanthropy in China. First, an integrative model based on the stakeholder and institutional theories was created to understand the influential stakeholders and institutional factors of philanthropic contributions and information compilations. Second, this chapter applied a uniquely designed research method combing quantitative and qualitative content analyses to thoroughly examine the philanthropy disclosures provided by the Chinese companies listed in the *2018 Fortune Global 500*.

With respect to the integrative model, this chapter fills the gap in the existing literature by applying it to examine by what and how corporate-philanthropy activities and disclosures of Chinese leading SOEs and non-SOEs are influenced by general stakeholders and institutional factors, as well as the ones with Chinese characteristics. The stakeholders most relevant to corporate philanthropy are categorized into primary and secondary groups. Among the primary stakeholders, Chinese stakeholders, including investors, customers, suppliers and stockholders, are deeply influenced by traditional values and communist ideologies which share a same similar view that there should be no disparity in the distribution of wealth in society. Therefore, they are more likely

to embrace the companies that contribute to the society generously. Therefore, any actions taken for social causes taken by Chinese companies especially large companies which catch the eyes of the public would take into considerations of the response of its domestic stakeholders to different extents.

A secondary stakeholder with Chinese characteristic that associate with Chinese company's CSP/corporate philanthropy is government-owned charitable organisations, which play a significant role in collecting and allocating funds received from different companies. Meanwhile, such organisations also initiate joint activities with companies to implement philanthropic campaigns. Thus, central- or provincial- government owned charitable organisations are stakeholders having strong and inevitable connections with Chinese companies' corporate philanthropic activities.

Chinese institutional environment provides a unique lens to study corporate philanthopic activities and disclosures of Chinese companies. Chinese government's action in encouraging CSR could be partially explained by the correction of particular societal governance deficits. As institutional transition in China is still in an early age, formal institutions including the legal, regulatory and political systems remain weak. Therefore, informal institutions still play a complementary role in regulating firm behaviors and correcting governance deficits. Specifically, companies controlled by the state are required to take greater responsibilities than others as their engagement in politically sensitive

activities (Ghazali, 2007). They are also responsible to achieve particular social objectives (Shleifer and Vishny, 1994). Meanwhile, as corporate philanthopic giving helps to remedy the resource-shortage problem of local government, some Chinese private companies are also motivated to engage in corporate philanthropy to establish sound relationships with the government and thus gain better access to financial resources and favorable treatment which can be hardly acquired through formal institutions. In addition, Chinese listed companies are subject to follow the stock exchange regulations alongside government regulations and particular industrial regulatory frameworks and standards.

An external factor promoting Chinese corporate philanthropy is globalization. Foreign policies with unique Chinese characteristics like One Belt One Road have boosted the communications between Chinese companies and participating parties. With the increase of interactions with foreign companies and local communities, Chinese companies have been more restricted by global agenda and international standards on ethical performances.

With the application of the integrative model, the two-step content analysis shows that the overall CSR disclosure rate was evident to be substantially improved in the last decade compared to the prior findings. The majority companies that had published 2017 CSR reports or CSR-themed webpages were found to apply a “stakeholder framework” to compile disclosures, where philanthropic contributions were broadly categorised in communications with

the “society and communities”, the secondary stakeholders. Meanwhile, the figure suggested that the agenda, guidance or standards issued by international-level institutions (e.g. GRI and UN), and nationwide-level government-owned institutions such as SASAC, played key roles in shaping Chinese top global companies’ philanthropy reporting. In addition, the frequency analysis also demonstrated the varieties of the philanthropic activities Chinese leading companies had engaged in. Poverty alleviation and education were the two issues that received the most concerns and contributions. This is highly consistent with the prioritization made by *UN 2030 Agenda* and Chinese government.

A wider group of stakeholders, but less institutional factors, were found to influence the actions revealed. At the international level, the primary stakeholders were found to include local government and economic stakeholders such as suppliers, clients and business collaborators who have a direct impact on their local operations. Local communities receiving aid from the companies had an impact on whether the company could get along with local residents. Another set of secondary stakeholders were international and local organisations, which played an essential role in granting the company honours and awards. Meanwhile, home government was another critical primary stakeholder to the companies engaging in OBOR or SOEs undertaking other overseas community involvement, as they represented the government or the nation to influence and be influenced by the international stakeholders.

Home government was also a key primary stakeholder of many mainland SOEs and non-SOEs engaging in poverty-allocation, natural disaster relief and

healthcare at national levels. Both types of companies assisted the central and local governments to solve the problems of resource shortages. Employees was found as another important primary stakeholder for both SOEs and non-SOEs at national and international levels. This may infer that employees are vital human resources to the fulfilment of corporate philanthropy, so that effectively encouraging and motivating employees to engage in philanthropic activities is important to CSR practices and corporate management. Regarding themed issues like education, arts, culture, science and sports, some companies like Lenovo and Baowu Steel Group explicitly presented that their purpose was more than altruism.

Thus, the findings demonstrate that the integrative model created based on stakeholder theory and institution theory is a good fit for understanding corporate philanthopic disclosures and activities of Chinese companies. This chapter has provided some important implications for further study on CSR/corporate philanthopic of Chinse global companies. In the involvement of international-level philanthopic activities, state-owned multinationals had more interactions with political bodies while non-state-owned multinationals were more concerned with stakeholders affecting their own business development. At national level, both types of companies except some based in Hongkong and Taiwan were directed by government policies and requirements to large extent. Companies engaged in arts, culture, science and sports were led by altruism purposes. In other words, leading Chinese multinationals prefer strategically using corporate philanthropy on these areas for win-to-win outcomes. Some

even developed education to serve own benefits in addition to cultivate the younger generations.

A vigorous trend of philanthropy conducted by leading Chinese multinational companies should be highlighted. It manifests in four aspects: an advanced understanding to poverty alleviation, enhancing reputations for individual philanthropic programmes, making full use of the internet and creating more innovative methods of contributions. The purposes were to more effectively utilise resources, widen the beneficiary groups and to involve more primary stakeholders into philanthropic activities. Such a trend signals that the leading Chinese multinational corporations have become a more important player than ever in making philanthopic contributions to the society home and abroad, remedying the public welfare deficiencies and strengthening relationships between home government and other governments.

4. Does Corporate Philanthropic Giving in China Increase Firm Value?

Considering the inconsistent findings on the relationship between corporate philanthropic giving and firm performance among previous literature, and very limited relevant studies in Chinese context, this chapter investigates the effect of corporate philanthropic giving on firm value with a justification of Tobin's q as the outcome measurement. By using a panel data set of Chinese A-share listed companies from 2008 to 2016, it finds an overall positive and significant relationship between corporate philanthropic giving and Tobin's q, lending support to the notion that corporate philanthropic giving increases intangible value and the market valuation of a firm's future performance potential. In addition, non-government ownership is not found to play a stronger moderating role than government ownership in the corporate giving-firm value relationship. This chapter also finds that the association between corporate giving and Tobin's q is enhanced as CEO's shareholding increases. The findings lead to some important implications. Corporate philanthropic giving may serve as another determinant of the overall intangible value of the firm. However, the effect is moderate, so managers who seek a tremendous market effect should increase the philanthropic giving to a much higher level. Private firms are encouraged to donate more than existing giving if managers in private firms strategically embed corporate philanthropic giving as an important dimension of corporate social responsibilities (CSR).

4.1 Introduction

With growing attention being paid to the topics around CSR, whether philanthropic giving as an important component of CSR can increase firm performance (e.g., profitability, revenue generation and firm value) has become a major research interest. Both theoretical arguments and empirical findings have yielded inconclusive answers (Godfrey, 2005). From a theoretical point of view, some scholars argue that corporate philanthropic giving negatively affects corporate financial performance as it imposes a pure expenditure that diverts valuable resources to areas irrelevant to business operations (Friedman, 1970; Barnett and Salomon, 2003; Masulis and Reza, 2015). However, another group of scholars contend that philanthropic giving could enhance corporate financial performance in the way of gaining competitive advantage and strengthening a company's reputation and "moral capital" (Porter and Kramer, 2002; Brammer and Godfrey, 2005; Millington, 2005; Surroca et al 2010). Empirically, some studies failed to find a significant relationship between them (Griffin and Mahon, 1997; Berman et al., 1999; Seifert et al., 2004). The findings of some other studies by scholars like Orlitzky, et al. (2003) and Plewnia and Guenther (2017) suggest that philanthropic giving was positively and significantly correlated with corporate financial performance.

The previous literature on corporate philanthropy mainly focuses on developed market economies where CSR has been studied for about a half century. Very limited research theoretically and empirically investigates whether philanthropic giving can enhance firm performance in an emerging market economy such as China in the recent decade (Song et al.,2012). In contrast to CSR development

in China (which is still at a preliminary stage), philanthropic giving has been a long-term practice in the business sector (Zhou, 2015). Therefore, it is worthwhile to examine the extent to which firms can strategically benefit from philanthropic giving on firm value creation and thus to provide meaningful implications to managerial practices of Chinese firms.

Though there is still an ongoing transition from a centrally controlled to a market-based economy, government ownership and control remain a strong feature among Chinese listed companies (Liu and Sun 2005; Li et al., 2015). The fact that Chinese government still has considerable influence on corporations (Liu, 2006) provides a unique lens to examine whether the government plays a moderating role in how the market valuates the philanthropic giving made by the listed companies. In addition, in response to Su and Sauerwald (2008)'s argument that the debates on the relationship may boil down to whether managers utilise corporate philanthropy for their own interests or for benefit of the firm, this chapter will also assess whether corporate-governance factors moderate the philanthropic giving-firm value relationship.

One reason why firm value as the outcome measurement is of particular interest is that the impact of corporate philanthropic giving on firm value remains relatively understudied (Jo and Harjoto, 2011). Compared to a firm's profitability and revenue-generation ability, firm value can capture the cumulative valuation effect of corporate giving through various channels. Thus it represents the intrinsic value of a company based on the future potential of the business model that strategically includes corporate philanthropic giving as a

non-business-related activity. The indicators of firm's abilities to generate sales and profits are more short-term oriented. In some circumstances, higher (lower) short-term profitability or revenue-generation ability does not necessarily lead to a higher(lower) level of firm value. In other words, it is possible for some firms to sacrifices profitability by engaging in corporate giving that would potentially contribute to the firm value.

Another concern is related to the measurement problem of corporate financial performance. Inappropriate treatment of the measurement matrix would result in unexpected findings (Waddock and Graves 1997; Orlitzky et al, 2003) and this may be the cause of inconsistent empirical results. With the aim of assessing the impact of corporate philanthopic giving on the firm's accumulated valuation that captures the market participants' perceptions on the firm's future growth potential, and the view to avoid the drawbacks of accounting-based and purely-market-based approaches, this chapter uses Tobin's q as the proxy of firm value.

To make contributions to fill in loopholes in the literature, this chapter starts in section two with an elaboration and comparison of the concept of corporate giving in western countries and China. A justification of why Tobin's q is an optimal measurement of firm value reflecting the effect of corporate philanthropic giving is given in section three. In the fourth section, by applying resource-based view, it argues that philanthopic giving adds value to firms, which can be captured by Tobin's q. An integration of the corporate governance mechanism with corporate giving is presented for a deeper analysis of the relationship between corporate giving and Tobin's q. The fifth section

demonstrates the methodologies, results and discussions. Conclusions are given in the final sixth section.

4.2 Literature Review and Hypotheses Development

4.2.1 Corporate Philanthropic Giving

In western literature, corporate philanthropic giving (CPG) is defined by researchers and practitioners as contributions that involves unconditional transfer of cash or other assets made by corporations to social and charitable causes, for example, support for health care, education, arts, culture, minorities and natural disaster relief via registered charities or community organisations (FASB, 1993; Seifert et al., 2004; Godfrey, 2005; Wang et al., 2008; AF, 2018). "Other assets" encompass "securities, land, buildings, use of facilities or utilities, materials and supplies, intangible assets, services, and unconditional promises to give those items in the future" (FASB, 1993, p 6). CPG is a form of corporate philanthropy, a component of the larger domain of CSR (Buchholtz, et al.,1999).

According to the definition, CPG is more than pure charitable donation that refers to the giving made by a company to non-profit organisations (NGOs) or charities. It can also be community contributions and non-commercial sponsorship (e.g. sponsoring infrastructure constructions) (Bennett, 1997). Bennett stated that in countries like the UK, no compulsory standardized criteria is legally required to distinguish charitable from "community" donations. However, it is necessary to distinguish CPG from commercial-sponsorship as the latter has an explicit pursuit of business success while the former is made without explicit tied benefits (Meenaghan, 1991; Collins, 1994). Therefore, commercial-sponsorship cannot be treated as CPG. Figure 4.1 demonstrates the relationship between CPG, its sub-types and commercial sponsorship.

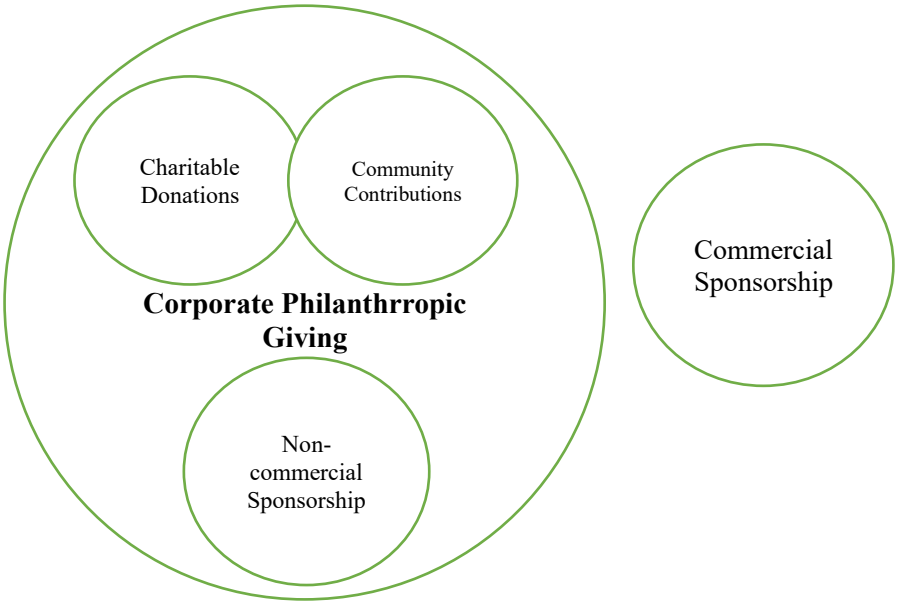


Figure 4. 1 Relationship between corporate philanthropic giving, its sub-types and commercial sponsorship

The concept of CPG can also be applied in China. However, more detailed criteria and a more significant role in supporting public welfare should be highlighted. Even though implementing corporate giving is on a voluntary basis, it is advocated by the government to a large extent. The *Law of the People's Republic of China on Donations for Public Welfare* (National People's Congress, 1999) was issued in 1999 to guide firms to appropriately and effectively support the public-welfare construction. Based on the guidance, many listed companies have published company policies to interpret CPG and specify its purposes and scopes.

According to the official document of the state-owned Assets Supervision and Administration Commission of the State Council (SASAC) (SASAC, 2009) and the company policies, CPG refers to the contributions made by a company in the forms of voluntary transfer of its legal properties that the company has the rights

to dispose to another legal entity with the aim to benefit the public welfare rather than business operations. CPG in China is officially categorised into three major types:1) donations for disaster relief and given to disaster-affected areas, targeted poverty alleviation areas, targeted aid areas or social vulnerable groups; 2) donations for social welfare construction, i.e., development of education, science, culture, health, sports, environmental protection and other social welfare utilities such as infrastructures; and 3) other donations for humanitarianism and construction of social welfare. Compared with western countries, CPG in China, a socialist country, has a stronger connection with the state's development of social welfare with a stronger implication to the firm-government relationship.

4.2.2 Using Tobin's q as Measurement of Firm Value

Before linking CPG to firm value creation, a justification of why Tobin's q is adopted to measure firm value is presented. The q value was first introduced by James Tobin in 1969 (Tobin 1969, 1978) for predicting a firm's future investments. Based on the assumption that financial markets are efficient, the q value is theoretically defined as the ratio of the firm's present value of future cash flows to the replacement value of its assets (Lindenberg and Ross, 1981).

According to the assumption that the long-run equilibrium market value of a firm must equal to the book value of its assets, q value should gravitate toward one (Jose et al., 1986; Bharadwaj,1999). Thus, a q ratio less than 1 indicates that a firm's capital is not worth replacing and a q ratio greater than 1 signifies that

the market value has reflected some unmeasured value of assets.

Tobin's q overcomes the shortcomings of accounting-based and purely-market-based measures of financial performance. The accounting-based indicators such as return on assets (ROA) and return on equity (ROE) are widely used in empirical studies on firm financial performance and its association with CSR. Accounting-based measurements reflect a firm's internal efficiency of decision-making and managerial performance rather than external market responses to the actions taken by the firm (Cochran and Wood 1984). However, they suffer a number of drawbacks: 1) backward looking, so only reflect past information; 2) not adjusted for risk; and 3) do not incorporate future cash flows to capture present value of the investment on corporate giving (Fisher and McGowan 1983; Montgomery and Wernerfelt, 1989; Bharadwaj, et al., 1999).

As an alternative, market-based measures are forward-looking and reflect the reactions of the market (Bharadwaj et al., 1999). Different from profitability and sales generation ability, the way firm value is measured must take into consideration a firm's future performance. The market value of a company is dependent on its stock price and a firm's stock price is determined by the satisfaction of the firm's shareholders, who trade their shares largely relying on their perceptions of past, current and future stock returns and risks (Cochran and Wood, 1984; Orlitzky et al., 2003). However, purely market-based measures like stock returns need to be adjusted to account for risk (Cantwell et al, 2004).

For instance, the computation of discounted cash flow (DCF)[43] requires the beta

[43] DCF is a financial model employed by analysts to value a company. Specifically, the present value of the firm is estimated by using future cash flows and discounting them with applying a

value, a measure of the volitivity of a company's stock relative to the general market stock. However, beta has its own drawbacks and a proper risk adjustment instruments is not easy to find (Jose, et al., 1986; Lang and Stulz, 1994). Tobin's q does not require risk adjustment, since it incorporates the valuation of the firm's actions on corporate giving at a given point in time (Lang and Stulz, 1994; Cantwell et al., 2004).

There has been an extensive use of Tobin's q in fields like economics, finance, management and information technology (IT) (e.g. Morck et al., 1988, Waddock and Graves, 1997; Bharadwaj et al, 1999). Among them, quite a few scholars use Tobin's q as a measurement of firm value. For example, in studies of financial management, Tobin's q was used as the measurement of the value of multiproduct firms by Jose et al. (1986) to examine the contributions of diversification, promotion, and research and development (R&D). In their study, Mak and Kusnadi (2005) investigated the impact of board size on firm value of Singaporean and Malaysian firms. They measured the q ratio greater than 1 indicating that the market value reflected some unmeasured value of asset, which was generally attributed to the intangible value enjoyed by the firm (Bharadwaj, 1999). Therefore, some studies evaluated the effects of intangible value created by R&D, advertising, brand equity and IT investment on firm value measured by the q ratio. (Jose, 1986; Chauvin and Hirschey, 1993; Bharadwaj,1999; Connolly and Hirschey, 2005).

required annual rate, which is normally calculated using the weighted average cost of capital (WACC). One significant component of WACC is the cost of equity and its computation using capital asset pricing model (CAPM) requires the beta.

Tobin's q is considered as an appropriate measurement of firm value in this study as CPG has different types of forms. Some are once-off and some are long-term projects; the latter ones may take several years or a longer period to implement. For example, BP in the UK has a five-year Enterprising Science programme focusing on addressing the shortfall of graduates in science, technology, engineering and math (which are collectively referred to as STEM) (BP, 2016). Therefore, the valuation of CPG should be future-oriented and aggregated. In addition, brand image, firm reputation and moral capital created by corporate giving are considered as intangible assets that will ultimately contribute to the market valuation of the firm.

4.2.3 Relating CPG to Tobin's q

As noted earlier, there are very limited studies both theoretically and empirically examining the relationship between CPG and Tobin's q. Some studies used market-based approaches other than the q ratio to evaluate the impact of corporate giving on firm value. Some others had mixed use of Tobin's q and accounting-based measurement of firm performance to assess the contribution of philanthropic giving, but did not elaborate theoretical arguments on how the giving relates to the q value.

Cuypers et al. (2016) employed a sample covering U.S. firm's philanthropic activities over a 19-year period to examine how the nature of philanthropic programs and characteristics of firm engaging in such programs differentially impact on stakeholder perceptions and firm value. In that study, they measured

the firm value using the firm's share price and found that the quantitative and qualitative aspects of giving had different impacts on shareholders' perceptions and affected firm value to different extents. Additionally, they found that firm characteristics also had an effect on firm value via influencing shareholders' perceptions. The focus on the response of capital markets to CPG led the study to generate results supporting the notion that corporate giving can add value to firms, but with conditions.

Some studies using Tobin's q have made contributions to explaining different moderating factors that stimulate the relationship between CPG and firm value, but with less theoretical arguments on how capital markets eventually evaluate philanthopic giving and affect Tobin's q. Wang et al. (2008) employed ROA and Tobin's q as the two measures of corporate financial performance. They argued that the corporate philanthropy-financial performance relationship is best captured by an inverse U-shape and the U-shape relationship varies with the level of dynamism in the firm's operational environment. The arguments were supported by their empirical study that used panel data consisting of 817 firms listed in the Taft Corporate Giving Directory from 1987 to 1999. In a more recent study based on a sample of Fortune 500 firms during 1996 to 2003, Su and Sauerwarld (2015) found that CEO tenure and multiboard outside directors can positively and negatively moderate the relationship between corporate philanthropy and firm value respectively.

In the Chinese context, Wang and Qian (2011) used ROA and market-to-book

ratio[44] as the accounting and market-based measurements respectively. Based on the data of Chinese firms listed on stock exchanges from 2001 to 2006, they obtained supportive results that corporate philanthropy can enhance CFP by enabling firms to receive better stakeholders' responses and gain political resources.

By applying the resource-based view (RBV) and drawing on the existing arguments that CPG benefits the firm's competitive advantage, firm reputation and risk-reduction (e.g. Godfrey, 2005; Wang et al., 2008), this chapter develops the arguments surrounding two central points: CPG contributes to intangible value and enhances long-term firm performance both of which can be captured by Tobin's q.

4.2.4 CPG and Intangible Value

The core insight of the RBV is that the resources essential to firms' survival is not fully controlled by the organisation, but also by its key stakeholders, therefore the organisation faces uncertainty in obtaining and securing the resources (Pfeffer and Salancik,1978; Frooman,1999). CPG is to some extent a raised concern to a portion of stakeholders, so its association with firm value should be studied in the context of interaction between the firm and its stakeholders (Wang et al., 2008). Therefore, RBV is helpful in this regard as it focuses on the impact of relevant parties external to the firm on organisational decision-making and its outcomes (Pfeffer and Salanci, 1978; Berman, 2005).

[44] calculated as the book value of a firm's equity divided by the year-end market value of its equity

According to RBV, philanthropic giving can help firms to gain competitive advantages by facilitating them with access to resources that are rare, valuable and costly to imitate in a better term (Dierickx and Cool, 1989; Barney, 1991; Haley, 1991; Berman et al., 1999, 2005). Among these resources, some are intangible and unique to the firm and may take several years to develop (Dierickx and Cool, 1989). Many of the intangible resources are relationship-based, so they are referred to as "relational wealth" by Clarkson (2002) and Godfrey (2005). Typically, the relational wealth created by CPG includes legitimacy from communities and regulators (Godfrey, 2005), firm's reputation (McGuire et al., 1988; Fombrun and Shanley, 1990) and brand image (File and Prince, 1998).

Generally, intangible value is the present value of a firm's excess earning power over the normal rate of return due to strong market position, effective product differentiation, good will or brand equity (Simon and Sullivan 1993; Wu and Bjornson 1996). Existing studies have emphasised that R&D and advertising are two key determinants of a firm's intangible value. For instance, the investment on R&D can improve superior knowledge and technological capabilities, which enables the firm to provide products with greater quality and performance (e.g. Hall, 1993), while advertising expenses contributes to brand equity and customer goodwill (e.g. McWilliams and Siegel 2001). Regarding CPG, the relational wealth it creates represents a direct source of a firm's intangible value. When the intangible value created by the firm increases proportionately with respect to total capital, the q ratio will increase (Bharadwa et al., 1999).

4.2.5 CPG and Long-term Firm Performance

Some scholars argued that philanthropic giving diverts valuable firm resources away from a firm's business operations, presenting a disadvantage to a firm's economic success (Friedman, 1970). There are at two categories of attendant costs associated with CPG. The first category is the direct expense incurred to a firm, such as cash, cheques, goods and equipment (Ullmann, 1985; Bamett and Salomon, 2006). The second category of corporate donations may also cause a firm's rising capital, administration and human resource costs (McWilliams and Siegel, 2001; Wang et al., 2008). For instance, more office space and communication equipment may be required to facilitate the progress of philanthropic programs. Hence, capital costs will increase accordingly. Some corporate giving programs may involve the voluntary participation of existing staff. For firms that largely devote to corporate giving, it may also be necessary to recruit additional members of staff or even establish an individual department to strengthen the management of social contributions and interactions with stakeholders. Thus, the overall costs of administration and human resources are likely to rise. Compared with companies that have little engagement in philanthropic activities, those who perform proactively incur higher expenditures, which impose a competitive disadvantage to them (Friedman, 1970; Jensen, 2002).

Despite the various costs generated from CPG, the overall firm value is hypothesized to be positively affected in a long-term perspective. Bharadwa et al. (1999) pointed out that "the true contribution of any capital investments must be assessed by considering its association with both the level and the risk of

current and future profitability". This also applies to the spending on CPG, though it is unlike capital investments on IT and R&D that are directly related to a business operation. This chapter goes beyond the costs of CPG and firm's current profitability to investigate the "true contribution" of CPG on the basis of arguments that philanthropic giving absorbs intangible resources.

The relational wealth created by CPG such as firm reputation and brand image makes it possible for firms not only to acquire satisfaction, credit, loyalty and support from existing customers, but also to attract prospective ones (Lev et al., 2010). Socially conscious customers may increase demands for the products or services, or even be willing to pay premium prices (Bhattacharya and Sen 2003). As a consequence, CPG may lead to future revenue growth, greater profitability and business expansion. The denominator of the q ratio incorporates the valuation of the present value of discounted future cash flows.

Merely focusing on the size of income streams is not sufficient to reveal the true contribution of CPG. The effect of corporate giving on risk to a firm's income stream is also important. The relationship-based intangible resources generated by CPG can mitigate the uncertainties under which the companies operate. CPG acts as an insurance-like protection for firms by minimising the risks of reputation loss and bankruptcy during negative events (Godfrey, 2005). This is because the well-built moral capital would evoke selective treatment by the government and social actors within the community (Oliver, 1991) and divert adverse attention from constituents that could impair opportunities (Meyer and Rowan, 1977). For example, commitment to education can mobilize community

support, easing tensions between firms and regulators and reducing compliance costs (Spicer, 1978; Freedman and Stagliano, 1991).

The increased probability of risk reduction would boost a firm's future performance by luring certain investors, particularly institutional ones and allowing the firm to realize valuable investments. Since companies proactive in CPG are considered to have less default risk, certain investors such as institutional owners, who are believed to be risk-adverse, are more willing to include the stock of companies with strong social performance like corporate giving into their mutual funds or pension funds (Coffey and Fryxell, 1991; Graves and Waddock 1994). In addition, lower risks of receiving costly fines imposed by regulatory bodies would also increase firms' incentives and ability to undertake and achieve net present value investment projects (Ghoul et al., 2017). Tobin's q can well capture the capital market's valuation of the level as well as the risk of future profitability (Smirlock et al., 1986; Ben-Horim and Callen, 1989), so that it produces an estimation of the firm's long-term growth.

In China, the lack of government transparency and a rule of law increases the firm's risks of achievement of business goals (He and Tian, 2008; Young et al., 2008). CPG can play a role in reducing the need for government to impose costly regulations, such as labour and consumer protection (Adams and Hardwick, 1998). Therefore, the support and preferential treatment by government is critical to help firms deal with such uncertainties (Wang and Qian, 2011). Emerging economies also have weak property rights regimes (He & Tian, 2008; Peng et al., 2008; Young et al., 2008; Zhao, 2012), which may increase a firm's

operating risks that result from government interference and commercial disputes (Song, et al.,2016). CPG thus helps a firm to enhance the relationship with the regulatory bodies which enables firms to enjoy more legal and informal protections (Bai et al., 2006; Su & He, 2010), and thus mitigate a firm's operating risks. Another typical presence of political uncertainty in China is due to the frequent rotations (typically every five years) of local political leaders (i.e. community party secretaries and mayors). Such uncertainty requires local firms to rebuild their relationships with new political leaders. CP is used as a common method to re-establish the connections with local government in China (Chan and Feng, 2019). In their study, Chan and Feng (2019) used a sample of Chinese listed companies and found that during a period of political uncertainty, a firm can use CP to reduce the adverse effect of political uncertainty and secure tangible benefits to enhance the firm value. Thus, with less potential risks, firms are likely to possess more confidence in undertaking and realising NPV investments.

4.2.6 Associating Corporate Giving to Tobin's q in China

Being helpful and willing to give is probably one of the moral principles deeply rooted in many Chinese market participants and customers, due to the profound effect of the widely accepted religion within the country (Buddhism) as well as traditional cultural philosophies (i.e. Daoist and Confucian philosophies) that advocate virtues (Gao, 2011). Meanwhile they are also strongly influenced by communist socialism that embraces the ultimate goal to eliminate polarization

and achieve common prosperity (Hofstede, 2001; Leung, 2008). Moreover since 2008, Chinese listed companies have become increasingly vigorous in fulfilling CSR disclosures as required by the state and stock exchanges. Consequently, CPG as a larger domain component of CSR is regarded as a proper and legitimate corporate activity by a growing number of stakeholders (Wang et al., 2008; Wang and Qian, 2011). Some of them are particularly in preference to companies proactive in making contributions to the society. For example, by using a sample of 136 Chinese listed companies, Song et al. (2012) found a significant and positive seven-day cumulative abnormal rise in the share prices of companies making donations in the Wenchuan earthquake to those that did not. Stakeholders' awareness and expectations on CPG have offered companies' opportunities to gain firm reputation and brand image, which would help a company to improve current and long-run performance.

Another essential source of intangible value CPG can create for Chinese companies would be trust and satisfaction built up with the government. Having close connections with the government is extremely important to Chinese firms, as political access allows firms to enjoy government support and favourable policies as well as reduce the risks of facing high compliance costs when political uncertainty or the firm's negative events occur. In China, the central and local governments control and allocate the resources critical to firms' competitive abilities, long-term development and even survival, such as licenses and permits, subsidies and project approvals (Li et al., 2008). CPG is a means for gaining such resources as it is embraced by the government for alleviation of financial burdens, especially when there is a shortage of resources devoted

into community and social welfare projects (Dickson, 2003).

Though the heritage of Communism/Socialism argued that Communism/Socialism discourages individual and corporate philanthropy, as in such systems the state is meant to provide (all) social services, the ultimate goal of Communism/Socialism is to eliminate the wealth polarisations. Rather, reciprocity principle in social relationships suggests that the government does have expectations of businesses (Li, et al., 2015). In fact, the Chinese government heavily relies on corporate giving as it does not always have sufficient resources to engage in community and social welfare projects. For example, after the Sichuan earthquake taking place in 2008, the Chinese government explicitly required firms to contribute to disaster relief (Jia and Zhang, 2011). Firms engaging in social-welfare contributions can be rewarded with a number of tangible benefits such as tax exemption, better terms of access to external financing and smoother project approvals (Wang and Qian, 2011; Chen, et al., 2015) and improvement of social status of the firm's owners (Ma and Parish, 2006).

Moreover, as the scope of regulatory policies changes and grows over time, uncertainties faced by firms would critically affect business operations (Hillman et al., 1999). The relationship-based intangible assets established by the firm with its stakeholders are described as relational wealth by Godfrey (2005). A firm's relational wealth cannot be protected through traditional insurance markets and contracts as the underlying assets do not meet the criteria for the

formation and maintenance of functioning insurance market. However, philanthopic activity, through the positive moral capital it generates, can act as an insurance-like protection for a firm's relational wealth. Godfrey (2005, p.786) contended that "positive moral capital acts as insurance as it protects relational wealth against loss by mitigating negative stakeholder assessments and related sanctions when bad acts occur."

In China, the lack of government transparency and a rule of law increases the firm's risks of achievement of business goals (He and Tian, 2008; Young et al., 2008). CPG can play a role in reducing the need for government to impose costly regulations, such as labour and consumer protection (Adams and Hardwick, 1998). Therefore, the support and preferential treatment by government is critical to help firms deal with such uncertainties (Wang and Qian, 2011). Emerging economies also have weak property rights regimes (He & Tian, 2008; Peng et al., 2008; Young et al., 2008; Zhao, 2012), which may increase a firm's operating risks that result from government interference and commercial disputes (Song, et al.,2016). CPG thus helps a firm to enhance the relationship with the regulatory bodies which enables firms to enjoy more legal and informal protections (Bai et al., 2006; Su & He, 2010), and thus mitigate a firm's operating risks. Another typical presence of political uncertainty in China is due to the frequent rotations (typically every five years) of local political leaders (i.e. community party secretaries and mayors). Such uncertainty requires local firms to rebuild their relationships with new political leaders. CP is used as a common method to re-establish the connections with local government in China (Chan and Feng, 2019). In their study, Chan and Feng (2019) used a sample of Chinese

listed companies and found that during a period of political uncertainty, a firm can use CP to reduce the adverse effect of political uncertainty and secure tangible benefits to enhance the firm value. Thus, with less potential risks, firms are likely to possess more confidence in undertaking and realising NPV investments.

In summary, the overall relationship between CPG and firm value measured by the q ratio in China can be analysed based on the viewpoints developed in the last section. CPG helps Chinese listed firms to 1) enhance reputation and brand image with their stakeholders; 2) improve the relationship with the government for political and financial supports, and reduce the risks of going bankrupt when political uncertainty or firm's negative events occur; 3) strengthen future growth potential and realising investment projects by obtaining these hard-to-imitate intangible resources. The intangible value added to the firm and the market's valuation regarding the long-term performance with considering its risk reduction factors as reflected in the q ratio. Therefore, hypotheses 1 is proposed as follows,

> *Hypothesis 1: Corporate giving positively affects Tobin's q of listed companies in China.*

4.2.7 Moderating Role of Non-government Ownership

As a fast-growing emerging country under a socialist market economic system, government ownership and control remain a strong feature of many listed

companies in China. Although a portion of firms have been privatised since the economic reform taking place in 1992, the data shows that more than half of listed companies were still owned by central or local governments in 2008[45] and before (Guthrie, 2009; Marquis and Qian, 2014), indicating a high dependency of Chinese firms on the state. Companies owned by the state seem to take greater responsibilities than others to achieve particular social objectives (Shleifer and Vishny, 1994), because of their engagement in politically sensitive "backbone" activities (e.g. natural resource extraction and processing, power supply and generation).

However, China's transition environment places non-state-owned firms in a less competitive position in terms of acquisition of support and resources dependent on political access (Wang and Qian, 2011). For example, it is more difficult for them to get access to debt financing from banks (many banks in China are state-owned) than state-owned enterprises (SOE) (Nee, 1992). Emerging economies are often characterised by underdeveloped formal institutions and the void of formal institutions are usually filled by informal ones such as trust and *guanxi*[46] (Puffer, et al., 2010). For SOEs, establishing close ties with the government and getting political access is not as big concern as to the stakeholders of privately controlled enterprises because the former already has advantages over the resources relying on the government such as access to bank loans and product markets (Frye and Shleifer, 1997). This is evident in the Hellman et al. (2003) study that suggested SOEs enjoy greater contractual rights, more secure property

[45] The listed state-owned firms account for 83.12% of all companies in 1999 and 60.43% in 2008 (Marquis and Qian, 2014).
[46] *Guanxi* refers to the existence of direct particularistic ties between two or more individuals (Jacobs, 1979).

and closer connections with the government.

In the absence of trust and satisfaction with the government, non-SOEs in China would face quite a few blocks hindering their business growth, including less contractual rights, more bankruptcy risks and political uncertainties, difficulties in enjoying favourable policies and getting access to capital resources. Therefore, to overcome these disadvantages, non-SOEs in China would have greater incentives to use a series approaches like philanthropic giving to establish close relationships with regulatory bodies and government officials (Peng and Luo, 2000; Li and Zhang, 2007). For example, in their empirical study examining firm response to the wenchuan earthquake by using a sample of companies listed on the Chinese stock market, Zhang, et al. (2009) found that the donations of SOEs for disaster relief was less than that of privately-controlled firms. In a relevant survey, more than 99% of all public officials and 80% of all private Chinese entrepreneurs agreed that the financial performance of privately-controlled firms improves when they contributed to local causes (Dickson, 2003). A study by Wang and Qian (2011) used data on Chinese firms listed on stock exchanges from 2001 to 2006 and found that the positive relationship between corporate philanthropy and financial performance was stronger for privately controlled firms than for government-controlled firms.

Though government ownership seems make companies in China with more burden to engage in CSR activities and disclose CSR information, it is argued that non-government ownership offers companies with more incentives to use cash and gift-in-kind giving to gain scarce resources and preferential treatment

from the government and regulatory bodies.

Therefore, with increasing the same amount of CPG, non-SOEs are expected to achieve higher political return than SOEs, which can be captured by the q ratio. The above arguments lead to hypothesis 2:

> *Hypothesis 2: non-government ownership has stronger moderating effect than government ownership on the relationship between corporate philanthopic giving and Tobin's q.*

4.2.8 Moderating Role of CEO's Shareholdings

Since top managers play a significant role in making allocation decisions regarding corporate giving on behalf of the shareholders (Werbel and Carter 2002; Godfrey, 2005), this study further investigates whether the chief executive officer's (CEO) compensation in the form of shares would be a moderating effect on the corporate giving-firm value relationship. The principal-agency relationship is defined as "a contract under which one or more persons (principal(s)) engage another person (agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (Jensn and Meckling, 1976, p.308). Agency theory assumes that both parties to the relationship are self-benefits driven, hence the agent's interests might not always be aligned with that of the principal. Principals aim at profit maximisation white agents tend to pursue higher payoffs, personal reputation and career development. Thus, the agency problem is raised accompanied by agency costs, which can be either 1) costs incurred when agents use the

company's resources for their own benefits; or 2) costs involving preventing agents from acting in their own benefits (Jensen and Meckling, 1976).

Financial incentive packages are a typical example of agency costs. As the value of shares rely on the firm's future growth, share-based compensation is a type of long-term incentive pay used to motive the CEO's to maximise shareholders' wealth and prevent them from focusing on the short-term firm performance (Kroll, et al., 2008; McNamara, et al., 2008). As CPG positively affects firm value and the q ratio can appropriately reflect the incremental market valuation of the firm, this infers that CEOs with a higher percentage of the firms' shares will have a greater incentive to fulfil corporate giving to improve firm value. This is because the value of the shares in their hands will also increase along with the rise of the overall value of the firms. This also argues that with the same amount of CPG, CEOs with a higher level of shareholdings would endeavour to exploit a better use of such resources to achieve better firm performance and relationships with stakeholders, which will be reflected by the capital market's valuation. In other words, CEOs with more shareholdings are not willing to make the stakeholders treat the expenditures on corporate philanthropy as a waste of corporate resources with little impact on firm performance. Such an impression would result in a negative effect on market participants' valuation (Ioannou and Serafeim, 2015; Su and Sauerwald, 2018). This discussion leads to the third hypothesis:

Hypothesis 3: Interaction between corporate philanthropic giving and CEOs' shareholdings has a positive effect on Tobin's q.

4.2.9 The Moderating Role of Independent Board Members

In an organisation, the board of directors play a crucial role in monitoring the strategic allocation of the organisation's resources under managerial discretion (Kroll, et al., 2008). Some members of the board are also appointed as officers in their firms (insiders, e.g. CEO duality), and others are non-management board members who are also called outsiders and intendant board of directors (Wang and Coffey, 1992). In particular, independent boards of directors are those having no business ties to the company on whose board they serve and are responsible to overview the decisions of corporate insiders (Wright et al., 2002; Kroll et al, 2008;). Extant research highlighted the positive influence brought by independent outsider directors on the improvement of principal-agent relationships and firm performance (Dalton et al., 1998; Wright et al., 2002). Therefore, a higher proportion of independent board members may imply greater monitoring on managers' decision-making, maximizing the effect of CPG on firm value and making sound impressions in the market participants, which can be reflected in Tobin's q. Based on this discussion, the fourth hypothesis is developed as follows:

> *Hypothesis 4: Interaction between corporate giving and the proportion of independent board members has a positive effect on Tobin's q.*

4.3 Methodologies

4.3.1 Sample and Time Period

This chapter targets all Chinese A-share companies listed on the Shenzhen and Shanghai Stock Exchanges. Due to various reasons like trading suspension, some companies have missing data on Tobin's q for one or more years. Hence, the final sample comprises 3,079 A-share listed companies from 2008 to 2016, which constitute 20,432 observations in total. 2008 is determined as the initial year of the research time period because the data of two independent variables that are companies' annual expenses on R&D and advertisement are only available from 2008. The data used in this study is obtained from two sources: 1) China Stock Market & Accounting Research (CSMAR) database; and 2) compilations and computations using STATA based on the data from CSMAR. As one of the major databases on China's listed firms, CSMAR provides firms' financial statements as well as primary sources of information on China's stock markets (Wang and Qian, 2011). However, the complete data of A-share listed companies' CPG is not offered by CSMAR or any alternative databases. The study acquired each company's annual reports from CSMAR and manually collected the data of corporate philanthropic giving from the "expenditure details" and compiled them following the notes outlined by SASAC. Companies' contributions that do not fall into the category of corporate giving for philanthropic purposes are excluded from the dataset. Missing values are treated as zeros.

4.3.2 Measurement of Dependent Variable

Tobin's q serves as the dependent variable in the study. According to the definition, its simplest form can be expressed as: $\text{Tobin}'\text{s } q = \frac{market\ value\ of\ the\ firm}{replacement\ value\ of\ total\ assets}$. Rather than calculating the q ratio, the data provided by CSMAR is used. The formula adopted by CSRMAR is shown below,

$$\text{Tobin}'\text{s } q = \frac{MVE+TL}{TA}$$

where MVE represents the market value of equity at the end of the financial year; TL denotes the financial year-end total liabilities and TA is the total assets. Tobin's q is tested to be highly skewed. As suggested by Hirsch and Seaks (1993) and Barontini and Caprio (2006), Tobin' q is taken natural-logarithm transformed (Lnq). This is because transformation allows q ratios to have better statistical distribution properties than raw q ratios,

4.3.3 Measurement of Independent Variable

The data of corporate philanthropic giving is manually-collected from a company's income statement in a given year. Due to high skewness, the raw data of CPG is transformed into the natural-log form (lnGiving). The method is consistent with the lead of previous studies (Adams and Hardwick, 2002; Wang and Qian, 2011).

4.3.4 Measurement of Moderating Variables

A dummy variable SOE is created to represent the type of a company's government ownership. Specifically, the dummy variable is coded as 1 if the company is ultimately owned by the government and 0 otherwise. Non-government owned companies include foreign-funded enterprises, the ones under private ownership and mixed ownership. The CEO's shareholding (CEO) is calculated as the number of shares owned by the senior managers divided by the total shares of the company. For better interpretation, it is multiplied by 100. As suggested by Fernandes (2008), the proportion of independent board of directors is expressed as INDEPDENCE and is calculated as the number of independent board members divided by the total number of directors on the board and multiplied by 100.

4.3.5 Measurement of Control Variables

In addition to key independents and moderating variables, it also includes a set of control variables commonly used in the previous studies (Wagner, 2009; Cuypers et al, 2016): company size (SIZE), debt ratio (DEBT), sales growth rate (Salesgrowth), R&D intensity (R&Dbysales), advertisement intensity (ADbysales), industry type (Industry) and year dummies.

In financial economics, unusually high returns to small firm stocks remain an enduring puzzle (Connolly and Hirschey, 2005), which shows firm size is an essential factor in assessing a firm's market responses. Fama and French (1992) also suggested that firm size may affect market returns. Moreover, firm size is found negatively related to Tobin's q in many studies (e.g. King and Lenox, 2008;

Su and Sauerwald, 2018). Therefore, the variable SIZE, as measured by the natural logarithm of a company's total assets, represents the firm size in the study.

Debt ratio (DEBT) is an indicator of a company's extent of leverage which can be treated as a proxy of financial risks of a firm (Waddock and Graves, 1997). It is measured as a firm's total debt to total assets and adjusted by multiplying by 100 for interpretation, representing the percentage of a firm's assets that is financed by debt.

Growing firms tend to enjoy higher valuations (Klapper and Love, 2004). Therefore, sales growth rate (Salesgrowth) is used for control. In econometrics, there are two main methods for calculating a firm's sales growth rate: one is dividing the sales difference between the current year and the previous year by the sales of previous year. The other one is taking the natural log difference between the sales of two periods. In this chapter the "log difference" approach is applied to measure the sales growth rate, as such method is more appropriate when dealing with exponential growth (Pemberton and Rau, 2011).

There have been quite a few studies emphasizing the effects of R&D investments on firm value with the argument that R&D is a crucial contributor to a firm's intangible value (e.g. Hall1993; Simon and Sullivan,1993; McWilliams and Siegel 2001). Thus, the study controls for R&D intensity (R&Dbysales) for estimations. It is calculated as the ratio of R&D expenditures by the firm's total revenues and multiplied by 100. Advertising is another key factor argued to enhance a firm's intangible assets as it may serve as a proxy for product

differentiation (e.g. McWilliams and Siegel 2001). Therefore, advertising intensity (ADbysales), as measured by annual advertising expenditures divided by total revenues and multiplied by 100, is also included for control purposes.

Industry characteristics are argued to have a potential impact on a firm's q value (Seifert et al., 2004; Su and Sauerwald, 2018). Therefore, the dummy variables of industry types (INDUSTRY) are controlled in the model. The data gained from CSMAR has already been coded based on the guidelines for the Industry Classification of Listed Companies (hereinafter referred to as Guidelines) 2012 version issued by the China Securities Regulatory Commission (CSRC). There are 19 main industry types. The Guidelines are followed to create 16 industry dummies except for the education, health, entertainment industries. Because of a relatively small number of companies belonging to education, health and entertainment industries, a single dummy variable is created for the three-types of companies. While the dummy variable for the manufacturing industry is treated as the baseline dummy and dropped in the estimations because this industry type has a greater number of companies than those of others.

Last, to capture unobserved year effects, year dummies (YEAR) have been added to the models and year 2008 is automatically set as the baseline year by STATA. Table 4.1 presents a summary of variables and their descriptions and formula.

Table 4. 1 Descriptions and formulas of variables

Variable name	Description	Formula
Dependent variables **Lnq**	Natural logarithm of Tobin's q.	$Lnq = Log(\frac{MVE+YEL}{TA})$
Independent variables LnGiving	Proportion of corporate giving expenditure in a company's annual total revenues and the ratio is natural-log transformed.	$log\ (Corpaorte\ giving\ expenses\ /total\ \ Revenues)$
Moderating variables SOE	Dummy variable of state ownership: SOE=1 represents firms owned by the government; non-SOE=0, otherwise.	
CEOShare (ratio)	CEO's shares as a percentage of the firm's total shares.	$(CEO'\ shares/firm's\ total\ shares)\ *100$
INDEPENDENCE	Proportion of independent board members of a firm's board.	$(number\ of\ independent\ board\ / total\ numberof\ \ board\ memebrs)\ *100$

Control variables	**Description**	**Formula**
SIZE	Size of a firm.	log $(total\ assets)$
DEBT (ratio)	Leverage ratio, a measurement of firm's fanatical risk.	$(Total\ liabilities/total\ assets) * 100$
Salesgrowth (ratio)	Firm's growing power.	$[Log(total\ sales) - log(total\ sales_{n-1})] * 100$
R&Dbysales (ratio)	Research and development intensity.	$(R\&D\ expenditure/total\ sales) * 100$
ADbysales (ratio)	Advertisement intensity.	$(Advertisement\ expenditure/\ total\ sales)$ *100
INDUSTRY	Dummy variables of industry types.	
YEAR	Dummy variables of years.	

4.3.5 Empirical Model Specifications

Regression model (1) is created to test hypothesis 1 that CPG positively affects the Tobin's q of listed companies in China. In order to check the consistency of the results, it is estimated in model (1) using the two samples that are the whole sample and the sub-sample containing observations engaging in CPG only. At this stage, the fixed-effect model is carried out to test the equation. The fixed-effect approach is robust to the presence of omitted firm-specific variables that would lead to biased estimates in OLS:

$$Lnq_{it} = \beta_0 + \beta_1 LnGiving_{it} + \sum_{k=1}^{7} \theta_k CONTROL_{kit} + a_{it} + e_{it} \quad \ldots\ldots\ldots\ldots (1)$$

where β_0 represents the constant, i indexes firms, t denotes years, CONTROL includes the seven control variables (SIZE, DEBT, Salesgrowth, R&Dbysales, ADbysales, INDUSTRY and YEAR), a_{it} denotes the unobserved fixed effects and e_{it} is an error term.

Hypotheses 2 argues that the interaction between CPG and non-government ownership has a positive effect on Tobin's q. Model (2) is established for the estimation:

$$Lnq_{it} = \beta_0 + \beta_1 LnGiving_{it} + \beta_2 SOE + \beta_3 LnGiving_{it} \times SOE + \sum_{k=1}^{7} \theta_k CONTROL_{kit} + a_{it} + e_{it} \quad \ldots\ldots\ldots\ldots (2)$$

where β_3, the coefficient on the interaction between corporate giving (LnGiving)

and the dummy variable of government ownership (SOE), has the value implication of CPG on Tobin's q between government and non-government owned companies.

Likewise, to test hypothesis 3 that is the interaction between CPG and the CEO's shareholdings has a positive effect on Tobin's q, model (3) is created as below:

$$Lnq_{it} = \beta_0 + \beta_1 LnGiving_{it} + \beta_2 CEOShare + \beta_3 LnGiving_{it} \times CEO + \sum_{k=1}^{7} \theta_k CONTROL_{kit} + a_{it} + e_{it} \quad \ldots\ldots\ldots\ldots (3)$$

In model 3, β_3 denotes the coefficient on the interaction between LnGiving and the percentage of shares owned by the CEO over the company's total shares. It gives the value implication of the extent to which a same level of corporate giving is exploited by CEO with different levels of long-term pay in the form of shares.

Last, model (4) is established for the estimation of hypothesis 4 that is the interaction between CPG and board members' shareholdings has a positive effect on Tobin's q,

$$Lnq_{it} = \beta_0 + \beta_1 LnGiving_{it} + \beta_2 INDEPENDENCE + \beta_3 LnGiving_{it} \times INDEPENDENCE + \sum_{k=1}^{7} \theta_k CONTROL_{kit} + a_{it} + e_{it} \quad \ldots\ldots\ldots\ldots (4)$$

β_3 in model 4 is the coefficient on the interaction between LnGiving and the percentage of shares owned by the board members over the company's total

shares. It offers the value implication of the extent to which board members with different levels of shareholding monitor managers' decisions on the same level of CPG.

By adding all the interactions variables in one equation, model (5) is presented as follows:

$$Lnq_{it} = \beta_0 + \beta_1 LnGiving_{it} + \beta_2 SOE + \beta_2 LnGiving_{it} \times SOE + \beta_3 CEOShare + \beta_4 LnGiving_{it} \times CEO + \beta_5 INDEPENDENCE + \beta_6 LnGiving_{it} \times INDEPENDENCE + \sum_{k=1}^{7} \theta_k CONTROL_{kit} + a_{it} + e_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (5)$$

4.4 Results

4.4.1 Descriptive Statistics

Table 4.2 presents the descriptive statistics of continuous variables used in the estimations from 2008 to 2016 by two groups: observations having data on CPG and those that do not. The number of observations with CPG is 13,794, accounting for 67.5% of the whole sample. It is nearly twice the number of observations with zero or missing values of CPG (6,638). Missing values are treated as zero in the model estimations. With respect to Lnq, the mean value of observations with no corporate giving (0.97) is greater than that of the other group (0.77).

For LnGiving, the key variable, its average is 12.51, while the maximum is 20.65 and the minimum is -0.65. Regarding the ownership variables, the means of executives' ownerships and the board members' ownerships of the observations with participating philanthropic donations are both larger than those of the rest group. There is no difference between groups regarding the average ratio of intendant board members. Both groups of companies have 37% independent board members on average.

In terms of the control variables, the average size of companies engaging in corporate philanthopic giving is slightly larger than that of the other ones, implying that the two groups of companies under observation have similar scales of total assets. However, it seems that the average debt ratio of companies without information on corporate giving (54.32%) is higher than it of another

group (45.58%), which means that the former one is likely to face higher financial leverage and risks. The data on firm growth demonstrates that companies willing to denote themselves on social welfare enjoy more rapid growth rate (14.55%) on average than those less willing (8.68%) by 5.87%.

Last, the mean and median data on R&D intensity as well as advertisement intensity show small gaps between the two groups. However, because of huge variations between the minimum and maximum, the mean of R&D intensity of companies having no engagement in CPG is little bit higher. Moreover, it is worth notice that on average, the advertisement intensity of the group involving CPG (0.23%) is slighter larger than the other group (0.15%) by 0.08%. This might imply that the former group are more proactive in contacting with the public and advertising themselves.

Table 4. 2 Descriptive statistics of continuous variables by companies engaging and not engaging in corporate giving

	count	mean	medium	sd	min	max
CPG: NO						
Lnq	6638	0.97	0.86	0.74	-0.63	10.84
LnGiving	0	.	.	.	.	.
SOE	6638	0.46	0.00	0.50	0.00	1.00
CEOShare	6499	3.73	0.00	9.91	0.00	66.80
INDEPENDENCE	6599	37.00	33.00	5.00	13.00	8.00
SIZE	6638	21.66	21.40	1.69	11.35	30.81
DEBT	6638	54.32	42.46	246.77	-19.47	13837.77
Salesgrowth	6091	8.68	7.25	60.35	-813.62	1181.01
RD/sales	6499	3.13	1.08	9.21	0.00	572.90
AD/sales	6510	0.15	0.00	0.92	0.00	29.59
CPG: Yes						
Lnq	13794	0.77	0.69	0.56	-0.69	4.22
LnGiving	13794	12.51	12.61	2.11	-0.65	20.65
SOE	13794	0.42	0.00	0.49	0.00	1.00
CEOShare	13610	4.34	0.00	11.07	0.00	80.01
INDEPENDENCE	13730	37.00	33.00	5.00	9.00	8.00
SIZE	13794	22.12	21.91	1.36	17.05	30.54
DEBT	13794	45.81	45.36	28.31	0.71	1212.74
Salesgrowth	12778	14.55	11.36	44.46	-425.72	985.02
RD/sales	13623	2.53	1.26	4.00	0.00	98.39
AD/sales	13625	0.23	0.00	1.01	0.00	24.90
Total						
Lnq	20432	0.84	0.74	0.63	-0.69	10.84
LnGiving	13794	12.51	12.61	2.11	-0.65	20.65
SOE	20432	0.44	0.00	0.50	0.00	1.00
CEOShare	20109	4.15	0.00	10.71	0.00	80.01
INDEPENDENCE	20329	37.00	33.00	5.00	9.00	8.00
SIZE	20432	21.97	21.76	1.49	11.35	30.81
DEBT	20432	48.58	44.44	142.61	-19.47	13837.77
Salesgrowth	18869	12.66	10.20	50.21	-813.62	1181.012
RD/sales	20122	2.72	1.22	6.19	0.00	572.90
AD/sales	20135	0.20	0.00	0.98	0.00	29.59
N	20432					

Table 4. 3 Summary statistics of SOE and non-SOE by groups (SOE=1; non-SOE=0)

	CPG:No	CPG:Yes	Total
Non-SOE	3,560	7,939	11,499
	53.63%	57.55%	56.28%
SOE	3,078	5,855	8,933
	46.37%	42.45%	43.72%
Total	6,638	13,794	20,432
	100%	100%	100%

Source: calculation using STATA

The statistics shown in table 4.3 indicates that the number of non-SOEs is greater than that of SOEs by about 15.15% for companies engaging in corporate philanthopic giving. Compared with the percentage of non-SOE in the whole sample (56.28%), the one in the sub-sample with CPG increases to 57.55% by 1.27%. It is evident that non-SOEs are more proactive in "doing good".

In table 4.4, the correlation coefficients between variables are presented. Lnq is found to be significantly correlated with each other variable. The natural log term of corporate giving has a negative correlation with Lnq (-0.18). Government ownership is negatively correlated with Lnq. Either the percentage of shares owned by the CEO or the proportion of intendent board members has a positive correlation with Lnq. Furthermore, an investigation was carried out to detect a potential multicollinearity problem. The results of variance inflation factors (VIFs) show that the mean VIF is 1.08 and the highest value of VIF is 1.22 (SOE). According to the rule-of-thumb cut off of 10.00 for regression models raised by Ryan (1997), multicollinearity would not be a significant issue for the results.

Table 4. 4 Correlation coefficients between variables

	Lnq	LnGiving	SOE	CEOShare	INDEPENDENCE	SIZE	DEBT	Salesgrowth	RDsales	AD/sales
Lnq	1.00									
LnGiving	-0.18***	1.00								
SOE	-0.30***	0.03***	1.00							
CEOShare	0.20***	-0.05***	-0.31***	1.00						
INDEPENDENCE	0.06***	-0.01	-0.05***	0.09***	1.00					
SIZE	-0.51***	0.44***	0.30***	-0.20***	0.03**	1.00				
DEBT	-0.28***	0.07***	0.22***	-0.19***	-0.02*	0.31***	1.00			
Salesgrowth	0.05***	0.06***	-0.05***	0.03***	0.01	0.07***	0.02*	1.00		
RD/sales	0.33***	-0.10***	-0.26***	0.23***	0.06***	-0.20***	-0.28***	-0.01	1.00	
AD/sales	0.10***	0.09***	-0.03**	0.00	0.00	0.00	-0.05***	-0.00	0.01	1.00

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$ indicate 10%, 5% & 1% significance level

4.4.2 Results and Discussion

The models are initially tested using pooled OLS, random-effect and fixed-effect models. As the data set is a panel dataset, pooled OLS would be inappropriate when there are unobserved fixed effects. The advantage of this estimator over simple regression is to remove potential biases from correlations between the firm-level fixed effects and the observed explanatory variables. Moreover, the Hausman test suggests the rejection of the random-effect model; each table only presents the results obtained from the fixed-effect model. For the robustness check, each model is estimated using the subsample containing companies with CPG in addition to the whole sample. As Tsao and Ling (2012) suggest, the subsampling method for robust estimation can be applied to all regression models.

Model 1 is applied to test hypothesis 1 and the results are presented in table 4.5. The overall R squares of the whole sample and subsample are 53% and 47% respectively, demonstrating that 53% and 47% of the variance can be explained by model 1. With respect to the signs of coefficients, the results are consistent between the two samples. The coefficient of LnGiving is 0.0021 for the whole sample, significant at the level of 0.01. This indicates that any 100% increase of the expenditure on CPG will lead to an increase of 0.15%[47] in Tobin's q. For the subsample containing companies engaging in CPG, a 100% increase of the expenditures on corporate giving would expect a 4-times higher (0.75%) value of the q ratio than that of the whole sample. These results support hypothesis 1

[47] $(1 + 100\%)^{0.0021} - 1 = 0.0015$

that is CPG positively affects Tobin's q of listed companies in China. However, the statistics show that the effect is moderate. Supposing a company's current Tobin's q is 1.1 and the expenditure on CPG is ¥10,000 yuan (approximately £1,112 pounds). Tobin's q will increase to 1.102 (using the coefficient of 0.0021) when the giving amount increases to ¥20,000 yuan (approximately £2,222 pounds).

Therefore, the finding is in line with the argument that CPG can reflect the intangible value CPG adds to the firm and the market valuations of the firm's future long-term growth, whereas the size of effect is relatively small. The moderate relationship between CPG and firm value may indicate that corporate philanthopic giving is not the best strategy for a business to enhance its firm value. However, if a firm strategically uses philanthropic giving for gaining relational wealth with its stakeholders, such as customers' loyalty to a brand and making market participants have a positive evaluation of its risks and future growth potential, the amount of CPG expenditure needs to be increased dramatically based on the existing one. For example, in order to gain an 0.001 increase in Tobin's q, a firm needs to allocate around 1.7 times of cash or cash-equivalents to the its corporate philanthropy activities compared to the last time.

Regarding control variables, firm size is negatively and significantly related to Tobin's q, while R&D intensity and advertisement intensity are both positively and significantly related with Tobin's q. The results are consistent with previous empirical research (e.g. King and Lenox, 2008; Su and Sauerwald, 2015).

Table 4. 5 Results from estimations of model 1 using fixed-effect model

VARIABLES	(1) Whole sample	(1-sub) Giving: yes
LnGiving	0.0021***	0.0108***
	(0.0006)	(0.0019)
SIZE	-0.4128***	-0.3205***
	(0.0138)	(0.0134)
DEBT	0.0003***	0.0003
	(0.0001)	(0.0004)
Salesgrowth	0.0006***	0.0009***
	(0.0001)	(0.0001)
RDbysales	0.0011**	0.0064**
	(0.0005)	(0.0026)
ADbysales	0.0154***	0.0205***
	(0.0051)	(0.0051)
Agriculture &others	-0.1040	-0.0057
	(0.1024)	(0.0797)
Mining	0.1181*	0.0458
	(0.0695)	(0.0709)
Power, heat, gas &water	0.0253	0.0683
	(0.0537)	(0.0653)
Construction	0.0762	0.0774
	(0.0614)	(0.0681)
Wholesale & retail	0.0403	0.0295
	(0.0267)	(0.0300)
Transport, warehouse & postal	0.0351	0.0387
	(0.0657)	(0.0591)
Accommodation & catering	0.2409**	0.2222
	(0.0987)	(0.1400)
IF, transmissftware &IT	0.1236**	0.1261*
	(0.0532)	(0.0658)
Financial industry	0.0808	0.0248
	(0.1019)	(0.1181)
Real-estate	0.0401	0.0438
	(0.0374)	(0.0348)
Leasing & business	0.1456*	0.1245*
	(0.0783)	(0.0705)
Scientific & technical	0.1235	0.1744**
	(0.0981)	(0.0872)
Water & public facilities	0.0292	0.1200*
	(0.0739)	(0.0620)
Education & Entertainment	0.2844***	0.2285***
	(0.0735)	(0.0858)
Multi-industry	-0.0355	0.0037
	(0.0311)	(0.0311)
Constant	9.2925***	7.1987***
	(0.2944)	(0.2861)
Observations	18,869	12,778
Number of stockcode	2,843	2,544
R-sq within	0.53	0.48
R-sq between	0.56	0.55
Industry FE	YES	YES
Year FE	YES	YES

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$ indicate 10%, 5% & 1% significance levels

Table 4.6 demonstrates the results obtained from models 2-5. Results from model 1 are also included for comparison. Model 2 tests hypothesis 2 that the interaction between CPG and non-government ownership has a stronger effect on Tobin's q than government ownership. However, the results are contrary to the prediction. Both samples indicate a positive and significant relationship between the interaction term (LnGiving × SOE) and Tobin's q. With respect to the whole sample, the coefficient of the interaction term is 0.0036, significant at the level of 0.001, indicating that holding other variables constant, with an 100% increase of the expenditure on CPG, government ownership will add 0.2%[48] increase to Tobin's q. One can infer that compared with non-SOEs, the overall value added by CPG to the firm that is dependent on government ownership is greater, though it is argued that philanthropic giving can help non-government-owned companies to acquire more political return than SOEs. Figures 4.2 and 4.3 depict the effects of the interaction term on Tobin' q. Both figures show that with a same level increase of CPG, government ownership enables the company enjoy a greater rise in Tobin's q. In other words, the market has a greater reaction to the philanthopic giving by government-controlled firms. A tentative explanation is that firms controlled by the state have strong market power and it is easier for them to gain reputation capital than the non-state-controlled firms (Song, et al., 2012).

The finding thus leads to a practical implication that non-stated owned firms in China are encouraged to donate more than their existing ones if managers in non-SOEs strategically embed corporate philanthropic giving as an important

[48] $〖(1+100\%)〗^{(0.0004+0.0036)}-1 \approx 0.002$

dimension of CSR and pursue strong response from its clients and the market.

Table 4. 6 Results from estimations of models 1 - 5 using fixed-effect model and two samples.

VARIABLES	(1) Whole Sample (LnGiving only)	(1-sub) CG: Yes (LnGiving only)	(2) Whole Sample (×SOE)	(2-sub) CG: Yes (×SOE)	(3) Whole Sample (×CEO-Shares)	(3-sub) CG: Yes (×CEO-Shares)	(4) Whole Sample (×INDEPEN-DENCE)	(4-sub) CG: Yes (×INDEPEN-DENCE)	(5) Whole Sample (all)	(5-sub) CG: Yes (all)
LnGiving (**H1**)	0.0021*** (0.0006)	0.0108*** (0.0019)	0.0004 (0.0009)	0.0070** (0.0028)	0.0020*** (0.0005)	0.0093*** (0.0018)	0.0073** (0.0029)	0.0052 (0.0098)	0.0047* (0.0030)	-0.0025 (0.0085)
SOE			-0.1185*** (0.0313)	-0.1583*** (0.0594)					-0.1228*** (0.0313)	-0.2014*** (0.0459)
CEOShares					-0.0021*** (0.0007)	-0.0081*** (0.0022)			-0.0029*** (0.0013)	-0.0100*** (0.0023)
INDEPENDENCE							0.0018** (0.0009)	-0.0019 (0.0033)	0.0016** (0.0007)	-0.0021 (0.0028)
LnGiving× SOE (**H2**)			0.0036*** (0.0012)	0.0080** (0.0038)					0.0040*** (0.0012)	0.0113*** (0.0033)
LnGiving× CEOShares (**H3**)					0.0001 (0.0001)	0.0005** (0.0002)			0.0001** (0.0001)	0.0007*** (0.0002)
LnGiving× INDEPENDENCE (**H4**)							-0.0001*	0.0002	-0.0001**	0.0002
							(0.0001)	(0.0003)	(0.0001)	(0.0002)
SIZE	-0.4128*** (0.0138)	-0.3205*** (0.0134)	-0.4108*** (0.0138)	-0.3196*** (0.0133)	-0.4128*** (0.0051)	-0.3205*** (0.0072)	-0.4124*** (0.0138)	-0.3207*** (0.0134)	-0.4102*** (0.0138)	-0.3194*** (0.0072)
DEBT	0.0003*** (0.0001)	0.0003 (0.0004)	0.0003*** (0.0001)	0.0003 (0.0004)	0.0003*** (0.0000)	0.0003 (0.0002)	0.0003*** (0.0001)	0.0003 (0.0004)	0.0003*** (0.0001)	0.0003* (0.0002)

Salesgrowth	0.0006***	0.0009***	0.0006***	0.0009***	0.0006***	0.0009***	0.0006***	0.0009***	0.0006***	0.0009***
VARIABLES	Whole Sample (LnGiving	CG: Yes (LnGiving	Whole Sample (×SOE)	CG: Yes (×SOE)	Whole Sample (×CEO-Shares)	CG: Yes (×CEO-Shares)	Whole Sample (×INDEPEN-DENCE)	CG: Yes (×INDEPEN-DENCE)	Whole Sample (all)	CG: Yes (all)
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0000)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)
RD/sales	0.0011**	0.0064**	0.0012***	0.0063**	0.0011**	0.0063***	0.0011**	0.0064**	0.0012***	0.0063***
	(0.0005)	(0.0026)	(0.0004)	(0.0026)	(0.0004)	(0.0013)	(0.0005)	(0.0026)	(0.0004)	(0.0013)
AD/sales	0.0154***	0.0205***	0.0151***	0.0203***	0.0152***	0.0204***	0.0154***	0.0205***	0.0150***	0.0202***
	(0.0051)	(0.0051)	(0.0052)	(0.0051)	(0.0034)	(0.0041)	(0.0051)	(0.0051)	(0.0052)	(0.0041)
Constant	9.2925***	7.1987***	9.3064***	7.2499***	9.2996***	7.2239***	9.2204***	7.2720***	9.2467***	7.3746***
	(0.2944)	(0.2861)	(0.2922)	(0.2878)	(0.1078)	(0.1502)	(0.2916)	(0.3052)	(0.2903)	(0.1877)
Observations	18,869	12,778	18,869	12,778	18,869	12,778	18,869	12,778	18,869	12,778
Number of stockcode	2,843	2,544	2,843	2,544	2,843	2,544	2,843	2,544	2,843	2,544
R-sq within	0.53	0.48	0.53	0.48	0.53	0.48	0.53	0.48	0.53	0.48
R-sq between	0.56	0.55	0.57	0.55	0.56	0.54	0.56	0.55	0.57	0.54
R-sq overall	0.50	0.47	0.51	0.48	0.50	0.47	0.50	0.47	0.50	0.48
Industry dummies	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year dummies	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$ indicate 10%, 5% & 1% significance levels

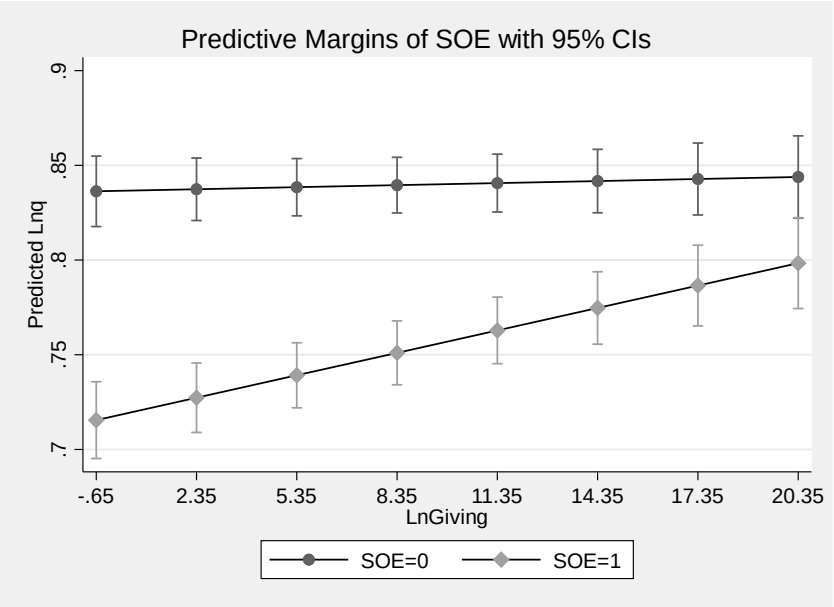


Figure 4. 2 Interaction between CPG and government ownership for whole sample
Source: STATA plotting

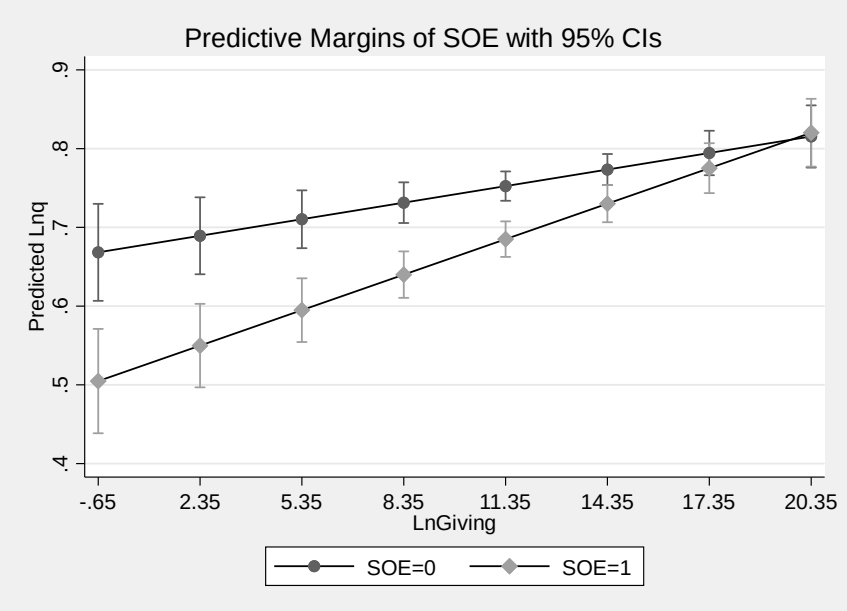


Figure 4. 3 Interaction between CPG and government ownership for subsample
Source: STATA plotting

Hypothesis 3 argues that the interaction between CPG and CEO's shareholdings has a positive effect on Tobin's q and this is tested by model 3. The results suggest a positive relationship between the interaction term and Tobin's q, which

is in line with the hypothesis and consistent with findings by Su and Sauerwald (2018). The coefficient is 0.0005 at the significant level of 0.5% for the subsample, while it is 0.0001 and less significant for the whole sample. However, model 5 that includes all interaction variables shows that the relationship is significant for both samples. For a further investigation into the relationship, mathematical and graphic methods are employed. By applying a mathematical approach with using the coefficient of 0.0005 for the subsample as an example, it is inferred that holding the other variables constant, only when the expenditure on CPG increases by 15.2[49] times or more, the effect on Tobin's q of CPG starts to become positive with a one-percent increase of CEO's share percentage over the company's total shares. For instance, a company's current level of philanthropic giving on an annual basis is ¥10,000 yuan. A higher CEO's share ownership will have a positive impact on Tobin's q only if the philanthopic giving increases to ¥152,000 yuan. Likewise, for the whole sample, the boundary level of CPG starts to positively affect Tobin's q with an 1% increase of CEO's percentage share is 21 times of the current expenditure. Otherwise, the overall effect on Tobin's q is negative even if there is an increase of CEO's share.

From another way, using the coefficient of 0.0005 for the subsample as an example, if the CEO's shareholding increases by 10% to 1.1 times of the current shareholdings, then a 100% increase of corporate giving will add 0.068% [50]value to Tobin's q. When the CEO's shareholding is 1.2 times of the current

[49] Keep other variable fixed, $Lnq = \alpha + C_1 LgGiving + C_2 CEOshare + C_3(LgGiving \times CEOshare) + \varepsilon = \alpha + 16.2C_1 + (C_2 + 16.2C_3)CEOshare + \varepsilon = \alpha + 16.2C_1 + (-0.0081 + 16.2 \times 0.0005)CEOshare + \varepsilon$.

[50] Keep other variable fixed, $Lnq = \alpha + C_1 LgGiving + C_2 LgGiving + C_3(LgGiving \times CEOshare) + \varepsilon = \alpha + 1.1C_1 + (C_2 + 1.1C_3)LgGiving + \varepsilon = \alpha + 1.1C_1 + (0.0093 + 1.1 \times 0.0005)CEOshare + \varepsilon$

shareholdings, a same level increase (100% increase) of philanthropic giving will add 0.069% value to Tobin's q. With regard to the whole sample, if the CEO's share increases by 10% to 1.1 times of the current shareholdings, a 100% increase of corporate giving will enable a 0.015% increase in Tobin's q. These mathematical analyses show that the positive effect of the interaction between corporate giving and CEO's shareholdings on Tobin's q is conditional and moderate. A small amount of philanthropic giving would not attract the CEO's big concern on its impact on the stakeholders' perceptions and thus affect its market valuation. However, when the amount raises to a certain amount, CEOs become more serious about the market reactions to effective allocation of the expenditure on corporate giving. Figures 4.4 and 4.5 illustrate how the interaction term affect Tobin's q using the two samples. One can see that with a same level increase of philanthropic giving, higher long-term pay in the form of shares creates a larger difference of value than a lower level of CEOs' shareholdings. Therefore, one implication to managerial practices is that increasing mangers' incentive pays in the form of shares would be an appropriate approach to enhance the positive effect of CPG on firm value.

Last, model 4 is employed to test hypothesis 4 that is the interaction between corporate giving and the proportion of independent board members has a positive effect on Tobin's q. Regarding the whole sample, the interaction term is found negatively and significantly related to Lnq. It failed to support the hypothesis. However, the results seem not robust as the coefficient becomes positive and insignificant when the subsample is used. The contradictory results challenge the notion that having a larger proportion of independent board of

directors improves governance of the firm. Some scholars like Bhagat and Black (2002) and Fernandes (2008) also cast doubts on the positive roles played by the independent board members. One reason might be that the statistical information of the independent board members is accurate, but whether they are "truly intendent" or "related directors" is less clear (Fernandes, 2008).

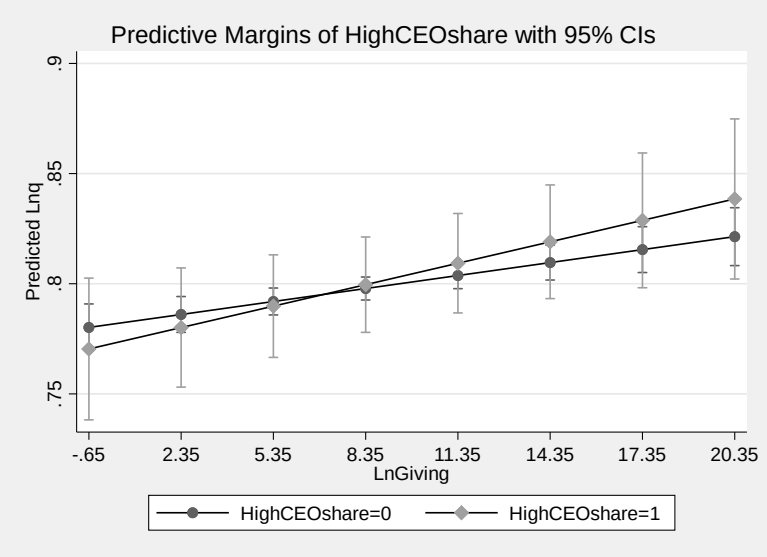


Figure 4. 4 Interaction between corporate giving and CEO shareholdings for whole sample
Source: STATA plotting

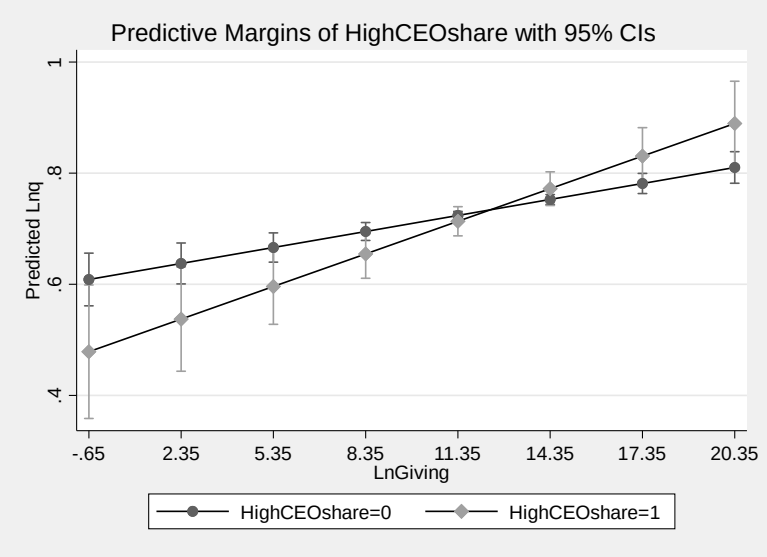


Figure 4. 5 Interaction between corporate giving and CEO shareholdings for the subsample
Source: STATA plotting

4.5 Conclusions

The primary objective of the current chapter was to theoretically and empirically investigate the effect of corporate philanthropic giving on firm value in China during the recent decade. Understudied relationship between CPG and firm performance in China and inconsistent findings on the relationship among previous literature in western countries demands finding a more appropriate approach to examine the relationship.

This chapter has made a robust theoretical contribution to the existing literature by developing the arguments on the CPG – firm value relationship surrounding two central points: CPG contributes to intangible value and enhances long-term firm performance both of which are more accurately captured by Tobin's q than other measurements. By linking CPG and China's traditional value and political factors, CPG was further systematically argued to increase the firm value of Chinese listed firms through 1) enhancing reputation and brand image with their stakeholders; 2) improving the relationship with the government for political and financial supports, and reducing the risks of going bankrupt when political uncertainty or firm's negative events occur; 3) strengthening future growth potential and realising investment projects by obtaining these hard-to-imitate intangible resources. The chapter also theoretically analysed whether the impact of CPG on firm value was contingent on other factors including non-government ownership, executives' long-term incentive pays and independent board members.

The empirical results obtained suggested an overall positive and significant

relationship between CPG and Tobin's q, lending support to the notion that CPG increases intangible value and positively affects a firm's future performance potential, which can be captured by the q ratio. However, the moderate relationship between CPG and firm value may indicate that corporate philanthopic giving is not the best strategy for a business to enhance its firm value.if a firm strategically uses philanthropic giving for gaining relational wealth with its stakeholders, the amount of CPG expenditure needs to be increased dramatically based on the existing one.

The chapter added three interaction terms: 1) interaction between CPG and government ownership; 2) interaction between CPG and CEO's long-term pay in the form of shares; and 3) interaction between CPG and the proportion of independent board members. The chapter acquired results consistent with the hypotheses as well as the ones showing a contradictory outcome. First, the government ownership was found to significantly and positively moderate the relationship between CPG and Tobin's q, which is inconsistent with the prediction. It was hypothesized that CPG would help privately-owned firms to gain more intangible firm value than SOEs through establishing sound relationship with the government. However, the finding inferred that the former would not be guaranteed to enjoy higher political relationship and less uncertainties with increasing a same amount of donations. Second, consistent with agency theory, the study found that CEO long-term pay in the form of shares positively moderates the effect of corporate philanthropic giving on Tobin's q. Last, the hypothesis that the proportion of the independent outside directors positively moderates the CPG -firm value relationship was not

supported by the results. This finding is consistent with some prior studies that casted doubt on the effective monitoring role of the independent board members.

Several implications could be drawn from the study results. The positive linkage between CPG and the q ratio suggests that philanthropic giving may serve as another determinant of the overall intangible value of the Chinese listed firm. From a practical perspective, privately-owned firms need to devote more than SOEs to achieve favourable perceptions with the government, the customers and market participants.

Despite the positive relationship between CPG and firm value, the effect is moderate, which infers that corporate philanthopic giving might not the best strategy for a business to enhance its firm value. Therefore, if a firm strategically uses philanthropic giving for gaining relational wealth with its stakeholders, such as customers' loyalty to a brand and making market participants have a positive evaluation of its risks and future growth potential, the amount of CPG expenditure needs to be increased dramatically based on the existing one. Last, the finding shows that CEO's shareholdings positively moderate the CPG-firm value relationship. However, the effect is either moderate or conditional on the amount of CPG expenditure. Only when the expenditure on CPG increases by a certain fraction, the interaction effect on Tobin's q starts to become positive. Therefore, a CEO who has shares of the company may need better monitoring on the allocation of relatively small amounts of corporate giving, as the misuse of small-sized expenditures normally would not catch stakeholders' attention and affect the market value of the CEO's shares.

5. Conclusion to the Thesis

There is no doubt that the business sector has made substantial economic contributions to the rapid growth in China. However, Chinese companies have been wandering between socially responsible and irresponsible decisions and behaviours. With the aim to understand the current status of CSR practices in China during the last decade, the first chapter investigated the determinants of a good level of overall CSP. Then the second chapter extracted corporate philanthropy, a larger domain component of CSR, to examine the stakeholders and institutional factors that influence both philanthropy-disclosure compilations and actual philanthopic activities.

The last chapter examined the outcomes of corporate philanthropic giving (CPG), a major component of corporate philanthropic activities, with a particular look at firm value as proxied by Tobin's q as the outcome measurement. A summary of the studies is presented from four aspects: theoretical arguments and contributions, empirical findings, contributions and implications, and limitations and future work.

5.1 Theoretical Arguments and Contributions

In the investigation of the determinants of a good level of CSP, the positive relationship between corporate financial performance and social performance suggested by the slack resource theory (Waddock and Graves, 1997) was demonstrated as applicable in the Chinese context. Chinese companies with healthier financial performance potentially have the availability of slack

(financial and other) resources to invest more in socially responsible activities. Therefore, it was argued that better financial performance leads to a greater level of CSP. Moreover, a higher level of prior finance performance leads to a better level of subsequent CSP. Stakeholder theory was applied to emphasize the importance of vested stakeholders' interests in addition to financial health to the implementation of CSR. By applying the agency theory, this chapter argued that the more shares of the company owned by the managers, the more likely will be a higher level of CSP. Employee pay and corporate tax paid to the government were also argued to positively influence the overall social performance of a Chinese firm. With reference to the study on ultimate controlling shareholders by La Porta et al. (1999), the first study developed the argument that the longer control chain length between the listed company and the ultimate controlling shareholder, the less likely the company will perform socially responsibly. In short, the impacts of corporate financial performance, together with a number of factors related to stakeholders' interests including managers' share ownership, employee pay, corporate tax paid to the government and control chain length were theoretically analysed.

A limitation of the current studies on CSR in China is a lack of a systematic conceptual framework (Xu and Yang, 2010). Hence, the second chapter attempted to make a contribution to the existing literature by synthesising the stakeholder theory and the institutional theory to establish a model guiding the empirical analysis of Chinese multinational corporations' philanthropic disclosures and contributions. The model classified the stakeholders and institutional factors into national and international levels. Thus, philanthropy

disclosure compilations and philanthropic activities could be examined thoroughly by grouping different levels of stakeholders and institutions.

The last chapter made a theoretical contribution to the research on the relationship between CPG and CFP in China by clarifying and elaborating the arguments on why CPG of Chinese companies can increase firm value as measured by Tobin's q. Philanthropic giving fulfilled by Chinese companies was argued to contribute to intangible value including firm reputation and brand image, and their relationship with the government. Philanthropic giving was also argued to reduce the risks of going bankrupt when political uncertainty or a firm's negative events occur and strengthen the firm's future growth potential as well as realise investment projects. These could be captured by Tobin's q. In addition, three mediating terms were further addressed to assess whether the CPG-firm value relationship was contingent on other factors. Specifically, non-government ownership, CEO's shareholdings and the proportion of the independent outside directors were argued to positively moderate the CPG-firm value relationship.

5.2 Empirical Findings, Contributions and Implications

The empirical studies filled some gaps in both methodologies and findings and also offered important implications to the literature and managerial practices. Consistent and inconsistent findings between the three studies will be summarised and interpreted. By employing panel data with a five-year wave from 2008 to 2012, the first chapter overcame the methodology problem caused by a lack of data on CSR rating and explored both concurrent and causal

relationships between possible determinants and CSR ratings. Inconsistent with the hypotheses proposed, the estimates showed no effect of firm net profit margin on subsequent CSR ratings. The negative contemporaneous relation even casted doubt on the argument that Chinese companies with slack resources would devote more on CSR. However, when Tobin's q was used as the measurement of financial performance, the causal relationship turned to be positive. This indicated that companies with a greater growth potential, or potential to have slack resources, would be more likely to perform more socially responsibly. This finding was evident to be particularly true for non-state-controlled listed companies and consistent with the argument that non-state-controlled firms in China are more likely to use CSR as means to build sound relationships with the government for favourable treatment (Wang and Qian, 2011).

The finding regarding managers' share ownership was inconsistent with the hypothesis. It reinforced the finding on the negative relationship between net profit margin and CSR rating and inferred that increasing shareholding would not be an incentive approach to improve the overall CSP. In other words, the attitude of managers in Chinese companies towards overall CSR investment at the current stage is still relatively conservative.

Employee pay and corporate taxes are understudied measurements of workers' and government' interests respectively in the existing literature. Therefore, the second contribution to the empirical studies shed light on their impacts on the level of overall CSP. Workers' interests seem to align with the CSR agenda as

both wages and employment were strongly linked to CSR ratings. Thus, the importance of employees' interests to the level of overall CSP should be highlighted as good treatment of workers is not only partially valued by CSR. The benefits of meeting the employees' expectations also extend to the improvement of overall CSP such as increasing economic performance and better fulfilment of philanthropic activities. In addition, the interests of the government as measured by corporate taxes were also found as a positive determinant of CSP either simultaneously and causally. That is, a higher level of taxes committed to the government might infer a better level of social performance that the company pursues.

A third contribution made by the studies to the empirical research was that a combination of quantitative and qualitative content analyses was adopted to thoroughly examine the philanthropy disclosures provided by the Chinese multinational companies listed in the *2018 Fortune Global 500*. The high overall CSR and philanthropy disclosure rates showed a positive development of corporate philanthropy among leading Chinese multinationals. The "stakeholder framework", international-level institutions like GRI and the UN and nationwide-level institutions like SASAC played key roles in shaping the companies' philanthropy disclosure compilations. Consistent with the goals of the *UN 2030 Agenda* and Chinese government, poverty alleviation and education were the two issues that received the most concerns and contributions.

Compared with those influencing compilations, a wider group of stakeholders, but less institutional factors, were found to influence the activities disclosed. Among various international-level and national–level stakeholders, home

government and employees as two key primary stakeholders were found to be referred with high frequencies in both international-level and national-level philanthropy involvement. This finding was in line with the results obtained in the first chapter that concluded the interests of employees and the government positively affected the level of overall CSP.

The chapter also highlighted a vigorous trend of philanthropy conducted by these leading Chinese multinational companies that manifested in four aspects: an advanced understanding of poverty alleviation, creating brands for individual philanthropic programmes, making full use of the internet and creating more innovative methods of contributions. The purposes were to more effectively utilise resources, to widen the beneficiary groups and to involve more primary stakeholders into philanthropic activities.

With respective to the outcome of CPG, the empirical results obtained from the third chapter suggested an overall positive and significant relationship between CPG and Tobin's q. This lent support to the notion that CPG contributes to a firm's intangible value and positively affects a firm's future performance potential, which can be captured by the q ratio. Non-government ownership was not found as a moderator that could lead to a greater effect of CPG on firm value compared with government ownership, although non-government-controlled companies with a higher prior Tobin's q were found to lead to a higher level of subsequent CSP in the first chapter. Therefore, the chapter inferred that non-state-owned enterprises (non-SOEs) with a higher firm value would perform more socially responsibly. However, when philanthropic giving was examined solely from CSR, non-SOEs might not receive a higher market valuation than

SOEs with the same amount of corporate giving donated.

CEO's share ownership was found to positively moderate the effect of CPG on firm value, which indicated that the more shares owned by the CEO, the more philanthropic giving the CEO is willing to give to the society. This is in contrast with the finding in the first chapter that executives' share ownership negatively influenced the level of overall CSP. The contrasted findings are important to the literature and managerial practices. CPG is a major form of corporate philanthropic activities and the latter is a large domain of CSR. However, managers in Chinese listed companies nowadays seem much more positive on the effect brought by philanthropic giving than the overall CSR. The reasons could be complex as it might relate to the perceptions and expectations of different stakeholders.

Godfrey et al. (2009) argued that some types of CSR activities are more likely to create goodwill and provide insurance-like protection than other types. They found that participation in CSR activities aiming at a firm's secondary stakeholders or society at large provides an "insurance-like benefit", while participation in those CSR activities targeting a firm's trading partners yields no such benefits. Therefore, one interpretation is that managers in China embedding CSR into business strategies might have learned different stakeholders' reactions to different types of CSR activities against the overall CSR from their experiences. This chapter did find that philanthropic giving, as one of the CSR activities targeting the community (a firm's secondary stakeholders), positively affects the firm value of Chinese listed companies. Hence, a conclusion could be drawn from this analysis that executive managers of Chinese listed companies

would be more willing to strategically use philanthropic giving to create and strengthen the relationship with its stakeholders rather than some other types of CSR.

Last, the proportion of the independent outside directors was not found to positively moderate the CPG-firm value relationship. This was consistent with some prior studies that casted doubt on the effective monitoring role of the independent board members.

5.3 Limitations and Future Work

The set of studies made a number of theoretical and empirical contributions to the existing literature on CSR studies in China, and also offered some important implications. However, it was not without limitations. The studies mainly focused on Chinese listed companies and leading Chinese multinational corporations, which have relatively large sizes in terms of both capital and employees. They could not represent all the types of firms in China. Therefore, small - and medium – sized companies should also be analysed for a thorough understanding of CSR development in China.

The second and third studies concentrated on topics related to corporate philanthropy, rather than CSR as a whole. Apart from corporate philanthropy, CSR also involves many other aspects such as environmental protections, supplier relationships, political relationships and anti-occupations. Therefore, merely studying the influential factors and effects of corporate philanthropy is not enough to provide a comprehensive insight of CSR.

Another limitation was relevant to the measurement of CSR ratings. The CSR ratings provided by the third party might subject to the halo effect. Therefore, the findings would be more robust if a set of new CSR ratings of each company's CSR disclosures could be produced by the author for comparisons.

Continuous work is required to overcome the limitations of the three studies. Meanwhile, more advanced econometric models can be adopted in the future to check and overcome the possible endogeneity problems if they exist. Future work is also required to find the patterns of how different companies prioritise different topics of CSR by using content analysis of CSR reports. Meanwhile, the study focusing on the credibility of Chinese companies' corporate philanthropy/CSR reports is also important. Credibility can be conceptualized as a multi-layered construct along CSR and communication theories. Therefore, a synthesis of theoretical and empirical research will be helpful in identifying how good are the quality and veracity of the reports, whether they correspond with the actual quality of activities on the ground, how extensive are these engagements and to what extent they are truly altruistic or indirectly serving the interests of the companies.

It will also be interesting to look at how changes of policies on CSR affect CSR implementations or the level of CSP. Field work is called for to investigate how different CSR activities are conducted within an organisation and how each CSR activity conflicts with the others. For example, recruiting new employees is considered as a positive CSR behaviour. However, reducing labour costs might involve laying off old employees, which shows unfair treatments to different

groups of employees.

Appendices

Appendix 1.1

The Corporate Social Performance Model (Wood, 1991)
Principles of corporate social responsibility
Institutional principle: legitimacy
Organizational principle: public responsibility
Individual principle: managerial discretion
Processes of corporate social responsiveness
Environmental assessment
Stakeholder management
Issues management
Outcomes of corporate behavior
Social impacts
Social programs
Social policies

Source: Wood, 1991

Appendix 2.1. Descriptive statistics of employment average wage and control chain length before log transformed.

Variable	Mean	Median	Std. Dev.	Min	Max
Employee Average wage (million)	0.14	0.079	6.06	0.00	23.5
Control chain length	2.37	2.00	1.00	0.00	8.00

Appendix 2.2. Pearson correlation and sig. (2-tailed) of variables

	CSR	profitability	Tobin's q	CCL	EXE	WAGE	TAX	SIZE	LEV
CSR	1.00								
profitability	0.11	1.00							
Tobin's q	-0.14	0.15	1.00						
CCL	-0.07	-0.13	-0.04	1.00					
EXE	-0.06	0.02	0.11	-0.38	1.00				
WAGE	0.21	0.20	-0.21	0.02	-0.10	1.00			
TAX	0.15	0.85	0.09	-0.11	-0.04	0.21	1.00		
SIZE	0.48	-0.13	-0.26	0.05	-0.18	-0.08	-0.09	1.00	
LEV	0.38	0.16	-0.26	-0.08	-0.10	0.24	0.24	0.34	1.00

Appendix 3.1 Public-list information of Chinese companies (*2018 Fortune Global 500)*

Company Name	SZSE & SSE stock exchanges	HKEX	TWEX	NYSE	LSE	SGX	BSX
State Grid Corporation	No	No	No	No	No	No	No
SINOPEC Group	No	No	No	No	No	No	No
China National Petroleum	No	YES	No	No	No	No	No
China State Construction Engineering	No	No	No	No	No	No	No
Hon Hai Precision Industry	No	No	YES	No	No	No	No
Industrial & Commercial Bank of China	YES	YES	No	No	No	No	No
Ping An Insurance	YES	YES	No	No	No	No	No
China Construction Bank	YES	No	No	No	No	No	No
SAIC Motor	YES	No	No	No	No	No	No
Agricultural Bank of China	YES	YES	No	No	No	No	No
China Life Insurance	No	YES	No	YES	No	No	No
Bank of China	YES	YES	No	No	No	No	No
China Mobile Communications	No	No	No	No	No	No	No
China Railway Engineering	No	YES	No	No	No	No	No
China Railway Construction	YES	YES	No	No	No	No	No
Dongfeng Motor	No	YES	No	No	No	No	No
Huawei Investment & Holding	No	No	No	No	No	No	No
China Resources	No	No	No	No	No	No	No
China National Offshore Oil	No	YES	No	No	No	No	No
China Communications Constructions	No	YES	No	No	No	No	No
Pacific Construction Group	No	No	No	No	No	No	No
Sinochem	No	No	No	No	No	No	No
China Energy Investment	No	No	No	No	No	No	No
China Minmetals	No	No	No	No	No	No	No

Company Name	SZSE & SSE stock exchanges	HKEX	TWEX	NYSE	LSE	SGX	BSX
China Southern Power Grid	No	No	No	No	No	No	No
Amer International Group	No	No	No	No	No	No	No
China Post Group	No	No	No	No	No	No	No
People's Insurance Co. of China	No	YES	No	No	No	No	No
COFCO	No	No	No	No	No	No	No
Beijing Automotive Group	No	No	No	No	No	No	No
China Faw Group	No	No	No	No	No	No	No
Tewoo Group	No	No	No	No	No	No	No
China North Industries	No	No	No	No	No	No	No
China Telecommunications	No	YES	No	No	No	No	No
CITIC Group	No	No	No	No	No	No	No
Aviation Industry Corp. of China	No	No	No	No	No	No	No
China Baowu Steel Group	No	No	No	No	No	No	No
ChemChina	No	No	No	No	No	No	No
Bank of Communications	YES	YES	No	No	No	No	No
JD.com	No	No	No	No	No	No	No
PowerChina	YES	No	No	No	No	No	No
Shandong Weiqiao Pioneering	No	No	No	No	No	No	No
Sinopharm	No	No	No	No	No	No	No
Guangzhou Automobile Industry Group	No	No	No	No	No	No	No
China Merchants Bank	YES	YES	No	No	No	No	No
China Pacific Insurance	YES	YES	No	No	No	No	No
Aluminum Corp. of China	YES	YES	No	YES	No	No	No
Shanghai Pudong Development Bank	YES	No	No	No	No	No	No
China Evergrande Group	No	YES	No	No	No	No	No
Shandong Energy Group	No	No	No	No	No	No	No
Hengli Group	No	No	No	No	No	No	No
Industrial Bank	YES	No	No	No	No	No	No

Company Name	SZSE & SSE stock exchanges	HKEX	TWEX	NYSE	LSE	SGX	BSX
HBIS Group	No	No	No	No	No	No	No
Lenovo Group	No	YES	No	No	No	No	No
China South Industries Group	No	No	No	No	No	No	No
China National Bldg. Material Group	No	No	No	No	No	No	No
China Shipbuilding Industry	No	No	No	No	No	No	No
China Minsheng Banking	YES	YES	No	No	No	No	No
Greenland Holding Group	YES	No	No	No	No	No	No
SINOMACH	No	No	No	No	No	No	No
Zhejiang Geely Holding Group	No	No	No	No	No	No	No
Wuchan Zhongda Group	YES	No	No	No	No	No	No
China United Network Communications	YES	YES	No	YES	No	No	No
China Merchants Group	No	YES	No	No	No	No	No
Jardine Matheson	No	YES	No	No	No	YES	YES
Pegatron	No	No	YES	No	No	No	No
Shaanxi Yanchang Petroleum	No	No	No	No	No	No	No
China Huaneng Group	No	No	No	No	No	No	No
Shaanxi Coal & Chemical Industry	No	No	No	No	No	No	No
AIA Group	No	YES	No	No	No	No	No
Alibaba Group Holding	No	No	No	YES	No	No	No
China Poly Group	No	No	No	No	No	No	No
China Everbright Group	No	No	No	No	No	No	No
Midea Group	YES	No	No	No	No	No	No
Tencent Holdings	No	YES	No	No	No	No	No
China Vanke	YES	No	No	No	No	No	No
China Energy Engineering	No	YES	No	No	No	No	No
China COSTO Shipping	No	No	No	No	No	No	No
Noble Group	No	No	No	No	No	YES	No
China Aerospace Science & Technology	No	No	No	No	No	No	No

Company Name	SZSE & SSE stock exchanges	HKEX	TWEX	NYSE	LSE	SGX	BSX
China Aerospace Science & Industry	No	No	No	No	No	No	No
Country Garden Holdings	No	YES	No	No	No	No	No
Quanta Computer	No	No	YES	No	No	No	No
Jizhong Energy Group	No	No	No	No	No	No	No
Xiamen ITG Holding Group	No	No	No	No	No	No	No
Cedar Holdings Group	No	No	No	No	No	No	No
Xiamen C&D	No	No	No	No	No	No	No
Jiangsu Shagang Group	No	No	No	No	No	No	No
Taiwan Semiconductor	No	No	YES	YES	No	No	No
China Electronics	No	No	No	No	No	No	No
Jiangxi Copper	No	No	No	No	No	No	No
China National Aviation Fuel Group	No	No	No	No	No	No	No
CK Hutchison Holdings	No	YES	No	No	No	No	No
Xiamen Xiangyu Group	No	No	No	No	No	No	No
Xinxing Cathay International	No	No	No	No	No	No	No
CRRC	YES	YES	No	No	No	No	No
China Electronics Technology Group	No	No	No	No	No	No	No
China State Shipbuilding	No	No	No	No	No	No	No
State Power Investment	No	No	No	No	No	No	No
China Huadian	No	No	No	No	No	No	No
Yankuang Group	No	No	No	No	No	No	No
Compal Electronics	No	No	YES	No	No	No	No
Cathay Life Insurance	No	No	No	No	No	No	No
Suning.com Group	YES	No	No	No	No	No	No
Ansteel Group	No	No	No	No	No	No	No
Shougang Group	No	No	No	No	No	No	No
Wistron	No	No	YES	No	No	No	No
CPC	No	No	No	No	No	No	No

Company Name	SZSE & SSE stock exchanges	HKEX	TWEX	NYSE	LSE	SGX	BSX
Xinjiang Guanghui Industry	No	No	No	No	No	No	No
Yango Longking Group	No	No	No	No	No	No	No
China Taiping Insurance Group	No	YES	No	No	No	No	No
China Datang	No	No	No	No	No	No	No
Fubon Financial Holding	No	No	YES	No	YES	No	No
Shanxi JIncheng Anthracite Coal Mining	No	No	No	No	No	No	No
Taikang Insurance Group	No	No	No	No	No	No	No
Yangquan Coal Industry Group	No	No	No	No	No	No	No
Shanxi Luan Mining Group	No	No	No	No	No	No	No
Henan Energy & chemical	No	No	No	No	No	No	No
Datong Coal Mine Group	No	No	No	No	No	No	No
Qingdao Haier	YES	No	No	No	No	No	No

Appendix 3.2

Home government policies and regulations	
One Belt One Road	*One Belt One Road* initiative (OBOR), also known as *Silk Road Economic Belt* and the *21st- century Maritime Silk Road*, is described as a development strategy advocated by the Chinese government aimed at building a platform for sustainable cooperation with participating countries and organisations on infrastructures and investments (Chen, 2018). One important aspect OBOR emphasizes is social reasonability and culture tolerance (Chen, 2018). Companies' involvement in local communities on the *Belt* and *Road* plays an important role in strengthening the communications and relationships with the participating countries.
Targeted Poverty Alleviation	The *Targeted Poverty-Alleviation* policy was initiated by the Chinese central government in 2014, aiming to lift the poor out of poverty by adopting targeted measures (Li et al., 2015). In contrast to previous measures of poverty alleviation, *Targeted Poverty-Alleviation* policy addresses the importance of effective merger and use of poverty alleviation resources and effective implementation of targeted measures to ensure that assistance reaches poverty-stricken villages and households (China Daily, 2014). To remedy the resources shortfall of the local government, companies become a key contributor in providing human, material and financial support for poverty alleviation issues like education, healthcare, infrastructure and so on.
Notification on Issuance of the Guidelines on Fulfilling Social Responsibility by Central Enterprises	Regarding CSR (including philanthropy) disclosures, the introduction of the CSR initiative by the state-owned Assets Supervision and Administration Commission of the State Council (SASAC) on 29 December 2007: *Notification on Issuance of the Guidelines on Fulfilling Social Responsibility by Central Enterprises* (SASAC, 2008) marks the call for CSR fulfilment of enterprises owned by the central government. Directly controlled by the State Council, SASAC is either the majority shareholder or owner of many of China's giant business groups. Given its political power, the *Notification* represents a strong indication that increasing importance is needed to be attached to CSR strategy. Likewise, a series of guidelines at the national level have also been issued correspondingly to offer companies guidance on implementation and disclosure of CSR, and on public-welfare and philanthropic activities. For example, The Research Centre of CSR China Academy of Social Sciences (CSSS) has successively launched four versions of Preparation Guides

	(CSSS-CSR), which are CSSS-CSR 1.0, 2.0, 3.0 and 4.0 since 2008.
Stock exchange regulations	Listed companies in China are subject to the stock exchange regulations. Shenzhen Stock Exchange (SZSE), Shanghai Stock Exchange (SSE), Hong Kong Stock Exchange (HKEX) and Taiwan Stock Exchange (TWSE) all have issued their own guidelines on CSR (including philanthropy) disclosures. In September 2006, SZSE promulgated the *Shenzhen Stock Exchange Social Responsibility Instructions To Listed Companies* (SZSE, 2006). In May 2008, SSE issued the *Notice of Improving Listed Companies' Assumption of Social Responsibilities* that aims to guide the listed companies to actively fulfil social responsibilities and pay attention to the mutual benefits shared with stakeholders (SSE, 2008). Likewise, HKEX includes Appendix 27 *Environmental, Social and Governance Reporting Guide* in the appendices of rules and guidance for companies listed on the Main Board (HKEX official website). The document published by TWSE, *Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies,* also provides listed companies with CSR criteria to follow (TWSE official website). Stock exchanges in other countries also have their own policies on CSR and corporate philanthropy.
Home industrial regulations	Particular industries also set their own regulatory frameworks and standards. A system of well-organised and effective industrial self-regulations is essential in shaping companies' understanding, performance and disclosures on social performance (Campbell, 2007). An example is the Social Responsibility Guide of the China Industrial Companies and Industrial Associations jointly issued by eleven industrial associations: coal, mechanics, steel, petroleum and chemicals, light industry, textiles, building materials, non-ferrous metals, electricity, and mining industries (Lin, 2010). This guide seeks to connect international standards and advance CSR (including corporate philanthropy) implementation across industries.
International organisations and initiatives	
United Nations' (UN) 2030 Agenda for Sustainable Development	In 2015, the United Nations' (UN) 2030 Agenda for Sustainable Development announced 17 Sustainable Development Goals (SDGs) was raised and defined by UN global compact. Among them, "end poverty and hunger" was listed as the primary goal (UN, 2015). In the Chinese context, the Targeted Poverty-Alleviation policy matches the goal. Hence, Chinese companies' contribution to poverty alleviation is potentially influenced by

	duo institutions.
Global Reporting Initiative (GRI)	A typical example of international-level institution shaping Chinese companies' philanthropy disclosures is the Global Reporting Initiative (GRI). GRI is an international independent standards organisation helping "business and governments worldwide understand and communicate their impact on critical sustainability issues such as social well-being…the GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in the public interest" (GRI).
ESG reporting guidelines	Environmental, Social and Governance (ESG) factors are promoted by the UN Principles for Responsible Investment (PRI) to help investors to integrate ESG factors into analysis of listed equity investments in the most widespread responsible investment practice in the market (United Nations Principles for Responsible Investment). The reporting guidelines are used by companies to communicate with its investors.

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