Cross-Border Mergers and Acquisitions and Corporate Social Responsibility: Evidence from Chinese Listed Firms

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Abstract

This paper examines the impact of cross-border mergers and acquisitions (cross-border M&As) on acquirers' corporate social responsibility (CSR) using a sample of Chinese listed firms between 2009 and 2017. We find that firms with cross-border M&A activities experience an improvement in CSR performance during the post-acquisition period, and this positive effect is more pronounced when the acquisition of targets is from developed or high-quality governance markets than from emerging or low-quality governance markets. Our results appear robust to various measures of CSR and are valid when endogeneity concerns are addressed. The extended analyses reveal that cross-border M&A firms with superior CSR performance exhibit greater accounting-based performance, access to finance, and investment efficiency due to CSR-related takeover synergies, whereas they do not have a lower cost of equity. Overall, our findings add to the literature on the influence of legal and social norm origins on shaping stakeholder-oriented practices by showing how cross-border M&As may serve as a critical channel through which Chinese acquirers bond themselves to the better CSR practices of the host countries and observe capital market benefits.

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Keywords: Cross-border M&As, Corporate Social Responsibility, Corporate Governance, Bootstrapping Hypothesis.

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1. Introduction

Over the past decades, the integration of global financial and product markets has been accompanied by consistent increases in the number of firms operating in international markets, and to a large extent, cross-border M&As has become a vital driving force to propel such globalisation. The ongoing surge in international expansion brings significant human capital resources, cultural communication, knowledge resources, risk diversification, trade contacts, investment opportunities, and more appropriate capital allocation according to the world investment report (UNCTAD, 2017).

An extensive literature predominantly documents the benefits that domestic firms derive from cross-border M&A activities. Compared to their domestic peers, cross-border M&A firms can obtain access to new markets (Wang and Boateng, 2007), effectively integrate human capital (Gubbi et al., 2010), achieve product differentiation and value enhancement (Du and Boateng, 2015), gain patent-protected technologies and technological inputs (Conn et al., 2005), address capability deficits (Tao et al., 2017), and diversify political risk (Li et al., 2016). Advanced knowledge and management seeking purposes have been found as alternative drivers in M&As and are held in high regard among academies (Vermeulen and Barkema, 2001).

Also, the extant literature documents that cross-border M&As can exert significant influence on the quality of corporate governance and is an essential mechanism for corporate governance convergence. Martynova and Renneboog (2008) put forth a bootstrapping hypothesis in that acquirers from countries with inferior governance standards may use cross-border acquisitions to bond themselves to the more stringent corporate governance regulation that the target firms are subject to, thereby driving improvement on the acquirers' corporate governance (e.g., enhanced shareholder and creditor orientation).[1] In consonance with this

[1] An additional source of takeover synergy in cross-border M&As may be induced by improvements in the governance of the bidding and target firms as a result of bootstrapping effect of governance standards between the two firms, driving higher abnormal announcement returns.

bootstrapping effect, Goergen and Renneboog (2008) contend that during the merging process, the acquirers have to familiarise themselves with the system of stakeholder relations and the local administration prevailing in the host countries where the target firms operate. More specifically, Bhagat et al. (2011) point out that cross-border acquisitions of developed-market targets initiated by emerging-country acquirers characterised by inadequate investor protection generate higher announcement returns as a consequence of the increased quality of corporate governance (e.g., stronger anti-director rights, less concentrated ownership). Despite the aforementioned momentum in cross-border M&As, one crucial question yet to be justified in the literature is whether and how CSR-related practices, as an informal evaluation of governance that reflects a critical asset or management culture, may be affected through cross-border M&A activities by host countries' institutional backgrounds and environments.

CSR is a corporate social and environmental conduct that goes beyond the regulatory or legal rules faced by the firm (Boubakri et al., 2016), and has attracted extensive attention in recent years.[2] It is well acknowledged in CSR literature that effective use of CSR strategies can boost capital market benefits, which is often referred to as "doing well by doing good" (Deng et al., 2013; Flammer, 2015; Buchanan et al., 2018). Firms continuously engage in external and internal stakeholder-oriented activities, such as complying with local regulations of drainage and offering employee benefits, which increase stakeholders' willingness to support corporate business dealings and eventually exert a positive impact on shareholder wealth (Ferrell et al., 2016). Others consider the inverse, that is, "doing good by doing well," by studying whether profitable firms can afford to invest in CSR (Hong et al., 2012). However, one limitation to CSR studies is prior empirical work largely focuses on the ex post effects of philanthropy and

[2] For example, recent research by the economic and strategy consulting firm EPG (2015) reveals that the annual amount spent on CSR activities by Fortune Global 500 firms was on average over $19,929 million between 2011 and 2013. According to a survey of corporate responsibility reporting carried out by KPMG (2017), 93% of the world's 250 largest firms by revenues based on the Fortune Global 500 ranking include their environmental, social, and governance (ESG) information either in standalone sustainable reports or as a part of annual reports in 2017, while only about 64% disclosed ESG information in 2005.

CSR, emphasising on such outcomes as abnormal stock returns (Dimson et al., 2015), the cost of equity (El Ghoul et al., 2011), and reputation building (Brammer and Millington, 2005). It is equally important to examine whether and how cross-border M&As affect acquirers' CSR, which is a new ex ante impact in nature and the research gap that our paper is aiming to remedy.

Our empirical study is based on listed firms in China that have or have not experienced cross-border M&A activities during the sample period, which provides an ideal setting for examining this topic for several reasons. First, since the Chinese government launched its "Go Global" strategy in 2001, Chinese firms have actively engaged in the international market. In 2016, mainland firms, including public and private firms, had 920 cross-border M&A deals, up 142.1% from 2015, hitting a record high. Chinese outward FDI surged, rising 44% to US$183 billion, which propels China to be the second largest foreign investor after the U.S. (UNCTAD, 2017), and the largest cross-border M&A investor among the emerging markets.[3] Second, China is characterised by inferior governance and relatively low CSR performance (Bris and Cabolis, 2008; Liang and Renneboog, 2017). Through cross-border M&As, Chinese acquirers will be exposed to host countries' regulation, legal systems and cultural environments (Martynova and Renneboog, 2008), and they will also need to meet various stakeholders' expectations in the host countries, including customers, employees, and regulatory authorities, whose expectations are likely to be different from those stakeholders in the home country. Third, the World Health Organization referred to the 2008 Chinese milk scandal as one of the largest food safety incidents it had faced in recent years, and by November 2008, China reported an estimated 300,000 victims (Liang and Renneboog, 2017).[4] This milk poison event raises severe concerns about food safety and quality-related firms' awareness about Chinese firms' responsibility to ensure product safety, as many food processing and manufacturing

[3] According to the world investment report, although the FDI outflows from China significantly dropped by 36%, China still remained the largest cross-border M&A investor among the emerging markets in 2017.
[4] This food safety incident in China involved milk and infant formulas and other food components that had been adulterated with melamine.

firms import food materials from China. When accessing the global market via cross-border M&A activities, Chinese firms, as a latecomer in the field of CSR, should move up their social responsibility to eliminate negative perceptions from around the world.

Consequently, we posit that Chinese acquirers have greater incentives to ameliorate their substantive CSR initiatives after deal completion and this effect may be more significant if targets are from the host countries with better CSR-regime due to the following reasons. First, cross-border M&A activities tend to disturb key stakeholders and pose significant concerns among various stakeholders, because they jeopardise the continuity of existing long-term relations between the firm and its stakeholders (Deng et al., 2013). Acting morally responsible can assist firms to attract and retain the most talented people and effectively handle stakeholder relations, which is inevitably good for business and achieves broader societal goals aligned with the economic and societal goals of the "Go Global" policy. Second, Chinese firms managing their foreign business operations face a heavy liability of foreignness (Zhou and Guillén, 2015), which is further exacerbated by inferior governance quality. These shortcomings may hinder the implementation of strategies in foreign units and obstruct the path to becoming competitive global players. We thus conjecture that Chinese acquirers exploit catch-up strategies to overcome "latecomer disadvantages" and achieve goals regarding "industrial and technological upgrades" through CSR communications with target firms, which improve reputation, recognition and legitimacy, and counteract competitive weaknesses.

Besides, through cross-border M&A activities, firms will be exposed to target countries' stakeholder composition, social norms, and institutional environments. Provided that the acquirer standards are less strict than the target's, the acquirer may have to comply with the target corporate governance law and the regulatory rules (Martynova and Renneboog, 2008). CSR practices and standards have been well adopted for approximately 70 years in developed and well-governed economies such as the U.S., the U.K., Japan, and Germany (Husted, 2015),

leading to the fact that CSR performance of developed-market firms is on average higher than that of emerging-market firms. Thus, Chinese acquirers are more likely to ameliorate their corporate social conduct after acquiring targets from host countries with better CSR regime as those stakeholders demand higher levels of CSR expectations and engagement from acquirers.

In this paper, we construct a sample consisting of 4,145 firm-year observations covering 49 host countries and 799 listed firms between 2009 and 2017 to examine whether cross-border M&As have implications on CSR performance. We find that CSR performance is on average 6.124% higher for cross-border M&A firms than their counterfactual peers, consistent with our argument that acquirers tend to address stakeholder concerns in mergers and overcome their liability of foreignness in the international market through propelling their CSR practices. In particular, we document that the acquisitions of target firms from host countries with better CSR-regime drive acquirer CSR performance, pointing to a potential convergence of CSR engagement by cross-border M&As. In comparison, the acquisitions of targets from emerging markets or low-quality governance regions fail to drive such improvement. The results are in line with the bootstrapping hypothesis. Compliance with institutional requirements in the target countries is a necessary condition for Chinese acquirers to gain trustworthiness and legitimacy. Host countries with better CSR-regime demand greater CSR involvement, which, in turn, facilitates the improvement in CSR practices of Chinese acquirers. This effect appears robust to a battery of robustness tests including alternative measures of CSR, such as industry-adjusted CSR, change in CSR performance, the compliance with the Global Reporting Initiative (GRI) standards, and host country origins; and are valid when endogeneity concern is addressed with alternative research approaches including propensity score matching (PSM) and difference-in-differences (DiD). We have also carried out a test on parallel trend assumption, and our result confirms no significant increase in CSR performance of Chinese acquirers proceeding to the completion of cross-border M&As. To ensure that the increase in CSR is indeed due to cross-

border M&As, we analyse the changes in CSR in an event study framework (e.g., before and after deal completion) for the sub-sample of acquiring firms. Together, our result confirms the positive impact of cross-border acquisitions on CSR performance.

To deepen our analysis, we assess whether the CSR improvement associated with cross-border M&As can translate into future capital market benefits from four aspects, including profitability, access to finance, cost of capital raising and investment efficiency according to the extant literature. We find that CSR strategies of Chinese acquirers are successful in driving better operating performance, fewer capital constraints, and higher investment efficiency. However, these firms are not associated with a lower cost of equity.

This paper's contribution is threefold. First, our research contributes to the literature that explores the consequences of cross-border M&A activities on corporate finance. We provide the first attempt, to the best of our knowledge, to assess the effects of cross-border M&As on CSR performance. Existing research on cross-border M&As has centred on value and synergistic effects (Uhlenbruck et al., 2006; Bris and Cabolis, 2008; Gubbi et al., 2010; Ning et al., 2014), human capital (Gubbi et al., 2010), superior technology and knowledge seeking (Bresman et al., 1999), management practices (Vermeulen and Barkema, 2001; Luo and Tung, 2007). Our study enriches the existing literature on stakeholder implications of cross-border takeovers, namely CSR practices.

Second, our paper adds new evidence to the general literature on CSR. The determinants of CSR or factors influencing CSR performance have received relatively limited attention (Ferrell et al., 2016). Previous research has documented that CSR performance is influenced by political connections (Li et al., 2015), board gender and foreign ownership (McGuinness et al., 2017), institutional investors (Wang and Chen, 2017), and legal origins (Liang and Renneboog, 2017). In this paper, we reveal that the cross-border M&As can serve as another critical channel through which the Chinese acquirers bond themselves to better CSR practices,

which is a new ex ante in nature. Specifically, we contribute to the literature on the impact of legal and social norm origins on shaping corporate social performance by showing that exposure to host countries with better CSR-regime is associated with acquirers' improved CSR.

Last but not least, our study has important policy and capital market benefit implications. The "Go Global" initiative implemented by the Chinese government in 2001 aims at encouraging Chinese firms to involve in cross-border M&As and boosting the domestic economic and social development (Schweizer et al., 2017). We provide firm-level evidence proving that under the guidance of this policy, Chinese acquirers develop better CSR initiatives, and help achieve a social and environmental objective in the post-acquisition period. Cross-border M&A firms can benefit from the increased CSR performance, which should provide valuable implications for firms in other emerging markets and encourage their cross-border M&A firms to adopt and improve corporate social conduct.

The paper proceeds as follows. Section 2 reviews the literature and develops hypotheses. Sample selection, data, and models are covered in Section 3. Section 4 discusses the results. Section 5 addresses Endogeneity concerns. Section 6 extends the paper. Section 7 concludes.

2. Literature Review and Hypotheses Development

2.1 CSR practice in China

The concept of CSR was formally introduced to the Chinese capital market in 2006 (Wang and Chen, 2017).[5] Since then, Chinese entities now face greater pressure to engage in CSR in their market-place. External and internal demands for more information on environmental conditions, product and food quality, resource depletion and carbon emissions have forced China to develop a range of localized CSR reporting standards, which reflect the view that corporate social conduct can contribute to "building a harmonious society," a key

[5] The China CSR Recommended Standard and Best Practice issued by the China Business Council for Sustainable Development in 2006 to guide listed firms to build up their capability at taking social responsibility.

objective outlined by the Chinese government at the 2006 National People's Congress (Wang and Li, 2016; McGuinness et al., 2017). For example, to strengthen social consciousness, the Shenzhen Stock Exchange (SZSE) enacted the *Guidelines for Social Responsibility of Listed Companies* in 2006 (SZSE, 2006), which firstly encourages SZSE-listed firms to issue CSR reports along with annual reports.[6] Driven by the intensive regulatory intervention from the government and stock exchange regulators, EPG (2015) documents that the number of Chinese firms reporting CSR or ESG information increased from 121 in 2008 to 681 in 2014, leading to an exceptional increase by approximately 462.8%. According to the leading China's independent social rating agency, the RKS providing a broad-based composite measure of CSR (McGuinness et al., 2017), reveals that the total annual amount of Chinese firms' donation-in-kind has an approximately two-fold increase, from $292.76 million in 2014 to $574.39 million in 2017, mainly fuelled by the firms listed on the main board market.

Indeed, CSR can exert significant effects on corporate strategies as motivated by the economic and social benefits of philanthropic activities. This positive impact on firm value can be explained by stakeholder theory, which suggests that business success relies on a firm's ability to maintain trustful and mutually respectful relationships with different stakeholders (Deng et al., 2013). For instance, Chinese customers transform a good CSR record into product differentiation and purchase intention, leading to enhanced earning capacity (Tian et al., 2011). More directly, Ye and Zhang (2011) find that better CSR firms are associated with a reduction in costs of debt financing in China, as the increased CSR reduces business risks and uncertainty by generating positive moral capital and building trust among Chinese stakeholders.

However, CSR engagement in China is still in the process of developing compared with developed economies that are commonly characterised by better CSR engagement and higher

[6] Later in 2008, the Shanghai Stock Exchange (SSE) promulgated the *SSE Guideline on Environmental Information Disclosure* in 2008 (SSE, 2008).

corporate governance standards (Stajkovic and Luthans, 1997; Husted, 2015; Sethi et al., 2017). Social welfare systems, labour right protection systems, and financial systems in developed markets are on average better than those in emerging markets (Ioannou and Serafeim, 2012). As indicated in Liang and Renneboog (2017), firms from capitalist and well-governed economies attach more attention to CSR issues than those from current and former socialist countries (e.g., Russia and China). As an overarching consideration, we emphasise that China is a relative newcomer to the field of CSR. Chinese firms may thus aspire to move up their social responsibility, and there is still substantial room for such improvement.

2.2 Cross-border M&As in China

Since the Chinese government launched its "Go Global" policy in 2001, Chinese firms have increasingly embarked on the international market to acquire strategic assets and expand business abroad (Schweizer et al., 2017). Cross-border M&As could be viewed as an indication of a substantial change in corporate strategies and business dealings (Tao et al., 2017).

Empirical evidence highlights the core value of cross-border M&A activities in China. First and foremost, Chinese firms can introduce superior management skills mostly from developed markets, strive to expand international business operations, facilitate structural adjustment, and promote industrial upgrading on a broader scale through cross-border acquisitions (Deng, 2009). Second, developing countries often suffer from capacity bottlenecks, such as limited technical capacity and absence of research capability (Li et al., 2012). The "Go Global" policy initiated by the Chinese government has been emphasising "industrial upgrade" (Schweizer et al., 2017), aiming to reduce reliance for economic growth on energy-intensive and high-polluting industries and encourage firms to rely more on high-tech and green energy. Last, the effects of cross-border M&As on the quality of corporate governance of acquirers have been highly regarded by academics in the last decade (Goergen and Renneboog, 2008; Martynova and Renneboog, 2008). In line with the bootstrapping hypothesis, weak-governed

acquirers are more likely to benefit from the governance-related takeover synergies derived from target countries. However, empirical evidence on the social effects of cross-border M&As is lacking. We next relate cross-border M&As to CSR performance in the Chinese context.

2.3 The link between cross-border M&As and acquirers' CSR performance

One possible explanation for the association between cross-border M&As and acquirers' CSR performance can stem from the positive view of CSR which states that CSR engagement can be considered as a strategic tool to address stakeholder concerns and maximum shareholder wealth. During the process of cross-border acquisitions, it is highly likely that mergers tend to disturb key stakeholders and drive significant concerns among various stakeholders in a firm, since they jeopardise the continuity of existing long-term relations between the firm and its stakeholders and force stakeholders to renegotiate their contracts with the new joint venture (Deng et al., 2013). In accordance with this view, Bekier et al. (2001) show that during a merger's integration period, key employees, investors, or customers could leave if the management team fails to handle stakeholder relations effectively or address their concerns.

Drawing on the positive view of CSR, socially responsible firms, such as firms that initiate efforts to initiate poverty-alleviation, dedicate substantial resources to philanthropy, protect labour rights and investors, and improve community relations, can do adhere to value-maximising corporate governance practices (Ferrell et al., 2016). Besides, when expanding and operating business abroad, acquirers may need to satisfy expectations of target-country stakeholders to obtain legitimacy. However, stakeholders from target countries usually lack information for rationally assessing these acquirers, and may develop negative perceptions about them based on negative stereotypes about their inferior country-level institutions (Kostova and Zaheer, 1999). Extensive CSR communications can thus effectively address these stakeholder concerns and build a positive image, and the social engagement of Chinese firms

would reflect their willingness to align practices with global stakeholder norms and expectations, assuring stakeholders of the acquirers' commitment to corporate social conduct.

Another plausible explanation for the improvement in acquirers' CSR performance can derive from the "liability of foreignness" in a cross-border acquisition. Although international expansion through acquisitions offers value-enhancing projects for firms, it also comes with challenges that jeopardise the potential hypothesised gains. An often-cited complexity in cross-border M&As is the difficulties pertaining to post-acquisition integration of the target firm, which is referred to as "liability of foreignness" (Aybar and Ficici, 2009). Simply put, this occurs owing to the high costs such as legal and administrative costs, and impaired ability to conduct business associated with being foreign in host countries. Such risks pertain to the differences in natural culture, business practices, customer preferences, and institutional forces, which obstacle the complete realisation of strategic objectives.

In the post-acquisition process, firms integrate the targets into their operations to realise the core value of investments (Aybar and Ficici, 2009), thus a greater stakeholder composition (e.g., foreign investors, employees, and regulators). However, foreign stakeholders may perceive the behaviours of board members and executives of Chinese acquirers as less accountable, transparent, and trustworthy (Ding et al., 2017). However, firms generally seek to operate within the boundaries and norms of respective societies. That is, they attempt to ensure that their activities are perceived as "trustworthy" by outsiders. Trustworthiness, as perceived by stakeholders, is a critical source of competitive edge, and is especially crucial for firms from markets with strong government intervention (Barney and Hansen, 1994).

Grounded in ethical theory, firms or managers are more likely to be ethical, trustworthy, and honest and to adhere to socially responsible behaviour in their business as such behaviour is beneficial to firms through its brand and reputation effect (Feng et al., 2018). Relatedly, Boubakri et al. (2016) document that CSR serves as a well-functioning mechanism of

reputation building for cross-listed firms to overcome the liability of foreignness, obtain recognition, and engage in competitive markets. Accordingly, we conjecture that engaging in CSR is a critical way for Chinese acquirers to overcome the liability of foreignness, build trust, and maintain a positive corporate image in the post-acquisition period.

Inversely, there may also be some concerns about post-acquisition integration and CSR investments. In the first place, acquirers need to allow for costs related to undertaking the M&As and integration process (Aktas et al., 2011). Apart from this, M&A deals in more competitive environments are more likely to require higher premiums (Offenberg and Pirinsky, 2015). After completing a cross-border M&A, Chinese acquirers may lack capabilities to engage in CSR activities. Second, although the positive view of socially responsible engagement has been highly regarded in literature, a number of studies argue that CSR involvement may simply reflect poor incentives of managers, which distorts other prospective investment opportunities (Krüger, 2015; Bhandari and Javakhadze, 2017). Thus, implementing CSR is viewed as a waste of financial resources, and the expected economic outcomes from CSR may fall short of the costs. Despite this argument, however, we posit that cross-border M&A activities provide a mechanism through which an acquirer from an inferior governance region, like Chinese firms, would commit itself to a higher level of CSR for the reasons outlined above. Based on the aforementioned arguments, we propose the first hypothesis:

Hypothesis 1. Cross-border M&A firms have greater future CSR performance than non-cross-border M&A firms.

Although the international competitiveness motivation and the positive view of CSR itself can, to some extent, explain why cross-border takeovers may drive CSR performance, it is insufficient to reveal what is behind such improvement. Therefore, we separate target locations from developed and emerging markets to further examine the relationship between cross-border M&As and CSR engagement.

First, the motives for acquisitions in developed and emerging markets are different. On the one hand, firms undertaking acquisitions in emerging markets are with the primary purpose of securing raw material suppliers to power and boost the country's economic growth, instead of competing in international markets (Deng, 2009). On the other hand, firms from emerging market as latecomers lack managerial experience and knowledge, which drives them to carry out acquisitions in developed markets in pursuit of strategic goals, such as expanding capabilities by learning new knowledge and realising corporate strategic transformation (Rui and Yip, 2008). Chinese acquirers investing in developed economies are more likely to view internationalisation as a mechanism to equip themselves with competitive advantages (Ding et al., 2017). These firms are characterized by a longer-term strategic perspective, and they develop their capability to organise overseas operations systematically. Thus, compared with firms acquiring emerging-market targets, firms targeting in developed markets may have stronger incentives to improve CSR-related initiatives subsequent to deal completion as CSR strategies are consistent with achieving these long-run strategic goals.

Second, the bootstrapping effect formulated by Martynova and Renneboog (2008) suggests that an acquirer from a country with inferior governance standards may voluntarily bootstrap to the better-governance regime of the target, bringing in an improvement on corporate governance of the acquirers, which, ultimately, results in positive investor perspectives and an increase in acquirers' financial performance.[7] Goergen and Renneboog (2008) also reveal that firms can deviate from their national corporate governance standards by opting into another system via cross-border M&As, which enable them to choose their preferred level of investor protection and regulation. In line with the bootstrapping hypothesis, they argue that acquirers from weak-governance countries especially emerging-market

[7] This bootstrapping occurs in both full and partial acquisitions.

multinational firms tend to use the acquisition to bond themselves to the stricter corporate governance of the targets in cross-border takeovers in pursuit of governance-based synergies.

Most studies recognise that firms from developed or well-governed economies on average have better CSR performance due to widespread adoption of CSR initiatives, more comprehensive CSR disclosure and socially responsible consciousness in these countries (Ioannou and Serafeim, 2012; Preuss et al., 2016; Liang and Renneboog, 2017).[8] Sethi et al. (2017) further highlight that the role of CSR in addressing environmental, bribery, and corruption issues is more salient among developed markets than among emerging markets.[9]

China, as the largest emerging market and the second largest economy, has relatively weak corporate governance (Lau et al., 2016), and low CSR performance and perception (Liang and Renneboog, 2017), which weakens Chinese firms' competitiveness in the international markets. Cross-border M&A activities, therefore, should encourage managers of acquirers to boost CSR through improved governance by bonding themselves to host countries' regulation, legal system and cultural environments to eliminate the negative perceptions and obtain trustworthiness, and generate CSR-based takeover synergies (e.g., leading to positive investor reaction to acquirers, better reputation, enhanced competitive advantages).

Similarly, CSR practices are affected by state regulations, institutional arrangements, economic development and societal preferences across countries. Firms are more likely to act in a socially responsible manner if they are subject to strong, well-enforced state regulations, or high quality of corporate governance (Campbell, 2007).[10] Based on the discussion above,

[8] Additionally, codes of conduct, as one of the most widespread CSR tools, have been adopted by over 90% of the firms in developed markets such as the U.S., and the U.K. when compared with emerging markets (Preuss et al., 2016). The British government has been one of the most innovative in the development of a political CSR framework, which links social responsibility to main challenges (e.g., environmental degradation caused by business activities) in societal governance faced by developed countries (Albareda et al., 2007).

[9] According to a global CSR sample, CSR allows firms to disseminate information for the impact of their normal business practices on larger public concerns dealing with economic, social, and governance issues.

[10] Using CSR ratings for 23,000 firms from 114 countries, Liang and Renneboog (2017) include a country's governance quality to proxy for the government's effectiveness in addressing social responsibility and market externalities in implementing policies and prove that the effectiveness in conducting firm-level CSR is positively

we postulate that the positive impact of cross-border M&As on acquirers' CSR performance should be more pronounced when the targets are from institutional environments with better CSR-regime, which leads to our second hypothesis below:

Hypothesis 2. The positive impact of cross-border M&As on acquirer CSR performance is more pronounced when targets are from developed markets than those from emerging markets.

3. Sample and Data

3.1 Sample and data

The firm-level dataset consists of sources and manually-collected information, including all firms incorporated in China and listed on either the Shanghai Stock Exchange (SSE) or Shenzhen Stock Exchange (SZSE) with CSR scores from 2009 to 2017. Following McGuinness et al. (2017), we choose 2009 as a starting point of sample period because the data on CSR performance is available since 2009.

Next, we follow Black et al. (2015) and Schweizer et al. (2017) to identify cross-border M&As by Chinese listed firms. The data on cross-border M&As is extracted from a combination of the M&A sector of Thomson One Banker, and China Stock Market & Accounting Research Database (CSMAR)[11] as there are some Chinese cross-border M&A records missing on Thomson One Banker. For a cross-border deal to be included in our sample, we apply the following criteria: (1) the acquirer nation in the sample is China and target nations are countries outside mainland China; (2) the acquirers should have been listed for at least one year prior to the acquisition, with a valid code such that public financial and governance information can be sourced in CSMAR; (3) the completion date lies between January 1st 2009 and December 31st 2017; (4) the deal value is greater than $1 million to account for relative

associated by country-level regulatory quality. Furthermore, firms are more susceptible to disclose comprehensive CSR in countries with better regulatory quality and government efficiency (Villiers and Marques, 2016).

[11] CSMAR is a leading economic, accounting, and financial information provider of Chinese capital market data.

size effect; (5) acquirers from financial sector are excluded (CSRC industry codes J66-J69); (6) any cases where the cross-border M&As occurred in tax havens are excluded.[12]

In cases of multiple entries in the dataset for one pair of acquirer and target, we focus only on one of the deals as the representative one in the given year to construct our panel dataset. Following Li et al. (2016) and Schweizer et al. (2017), we keep the cross-border M&A deal for the first time by year for each acquirer by dropping other duplicate deals, since the management and the board of firms consider the first M&A of the year as the most important one that may have major effects on other corporate strategies. Additionally, Goergen and Renneboog (2004) emphasize the shareholder wealth effects of the largest cross-border takeover bids. Thus, we also select the largest cross-border M&A based on the transaction value to construct our panel dataset for further robustness checks as the largest bid of a firm by year should also be the most influential event impacting corporate strategies. We then combine the data on cross-border M&As with CSR dataset, which generates a panel sample consisting of 4,145 firm-year observations with 799 listed firms covering 194 cross-board M&As over the 49 host countries.

3.2 Model specification

Following prior CSR literature (Boubakri et al., 2016; McGuinness et al., 2017), we estimate the following fixed-effects panel regression model to investigate the relationship between cross-border M&As and CSR performance:

$$CSR_{i,t} = \alpha + \beta_1 CBMA_{i,t-t} + \beta_2 Control_{i,t-1} + Dum_{year} + Dum_{industry} + \varepsilon_{i,t}, \quad (1)$$

where $CSR_{i,t}$ is CSR performance rating of firm *i* in year *t*; $CBMA_{i,t-t}$ is a binary variable that equals 1 if a firm *i* completes a cross-border deal in year *t-1*, and 0 otherwise. $Control_{i,t-1}$ is a vector that contains firm-specific, governance, and economic condition variables.[13]

[12] Firms acquired in tax havens are not "producing" foreign firms, but "shell companies" (Schweizer et al., 2017).
[13] Control variables are collected from CSMAR database.

Following Schweizer et al. (2017), Dum_{year} and $Dum_{industry}$ are included to capture time effects and control for unobserved heterogeneity across industries. The standard errors are adjusted for heteroscedasticity and within-firm clustering as defined in Boubakri et al. (2016). We inspect the variance inflation factors (VIFs) to test for multicollinearity.

To test the validity of the second hypothesis about the impact of targets' location on acquirers' CSR performance, the regression is specified as follows:

$$CSR_{i,t} = \alpha + \beta_1 Target\_dev_{i,t-1} + \beta_2\, Target\_eme_{i,t-1} + \beta_3 Control_{i,t-1} + Dum_{year} + Dum_{industry} + \varepsilon_{i,t}, \quad (2)$$

where $Target\_dev_{i,t-1}$ can be replaced with $Target\_highQ_{i,t-1}$, and $Target\_lowQ_{i,t-1}$ can be substituted for $Target\_eme_{i,t-1}$.

3.3 Measurement of Key Variables

3.3.1 Corporate social responsibility

We follow Marquis and Qian (2014), Luo et al. (2017), and McGuinness et al. (2017) to obtain CSR ratings from the RKS rating system, which is developed by an independent and leading rating agency that details the contents of the CSR-related activities by Chinese listed firms and covers all listed firms issuing CSR reports.[14] We follow McGuinness et al. (2017) to employ raw CSR performance as our main dependent variable and details on CSR rating construction are outlined in Appendix A.

3.3.2 Cross-border M&A takeovers

Following Schweizer et al. (2017), we construct the dummy variable *CBMA* to indicate whether a firm has completed a cross-board M&A in a given year, which is the variable of our interest. We expect a positive sign on *CBMA* based on the effect of CSR strategies in addressing stakeholder concerns and delivering competitive advantages.

[14] An aggregate of 70 pointers are used to evaluate the independent CSR reports issued by Chinese listed firms, and the *RKS* rating system follows the evaluating system of the KLD and Global Reporting activity (GRI3.0) to construct its own rating system and scores vary from 0 to 100. More information on: http://www.rksratings.cn/.

To further differentiate the effect of target locations, we classify the host countries into developed and emerging markets according to the Country Classification, the United Nations (UNCTAD, 2018). We then introduce two dummy variables, *Target_dev* and *Target_eme*, the former receives a value of 1 if a firm acquirers its first target from a developed market in a given year, and 0 if it has no cross-border M&As or has acquired a target from an emerging market; and similarly, the latter is assigned a value of 1 if a firm completes its first acquisition from an emerging market in a given year, and 0 if it has no engagement in cross-border M&As or has acquired a target from a developed market in the same year.

To investigate whether target locations matter, we replace *CBMA* in Eq. (1) with *Target_dev* and *Target_eme*. In line with the bootstrapping hypothesis, we expect $Target\_dev$ to have a positive effect as Chinese acquirers, due to their inferior governance and relatively low CSR performance, may be more likely to voluntarily bond themselves to better CSR-regime in the host countries in pursuit of long-term strategic goals. We expect the sign on $Target\_eme$ to be insignificant as the bootstrapping effect might be invalid when the country-level corporate governance systems between the two countries are similar.

The classification of target locations regarding developed and emerging markets is collected from the Country Classification, the United Nations (UNCTAD, 2018). Following Liang and Renneboog (2017), the quality of governance is measured by World Governance Indicators (WGI) publicly available on the World Bank (World Bank, 2018). We first calculate an average score of all countries' regulatory scores which is one of the six dimensions of WGI for each year, and if the regulatory quality rating of a target home country is above the average level in year *t*, the target is classified as a high-quality governance firm, and vice versa.[15] Economic development classification and WGI indicator are defined in Appendix C.

[15] The value of WGI ranges from -2.5 to 2.5, with higher value corresponding to higher level of regulatory governance quality.

3.4 Control Variables

To address concerns regarding correlated omitted variables, we include conventional firms-specific, governance, and market-related controls that may affect a firm's CSR in our regressions.[16] Following Schweizer et al. (2017), we lag all controls by one year to control for pre-M&A effects as financial positions are affected during the year when M&As occur.

Specifically, we allow for state ownership status (*SOE*), firm size (*Size*), age (*Age*), leverage ratio (*Lev*), return on assets (*ROA*), Tobin's Q (*Q*), sales growth (*SalesGrowth*), ownership concentration (*HERF3*), and free cash flow (*FCF*) (Li and Zhang, 2010; Dam and Scholtens, 2013; Boubakri et al., 2016; Ferrell et al., 2016; Liu et al., 2016; McGuinness et al., 2017). Following McGuinness et al. (2017), we allow for corporate governance variables such as the total number of directors (*BoardSize*), CEO-Chairman duality (*Duality*), the percentage of independent directors (*Indep*), and the total number of executive managers (*ManagerialSize*), since well-governed firms tend to behave socially responsible. To account for cross-listing issues, we include a stock exchange dummy (*SSE*) to investigate the impact of different regulatory requirements on CSR performance. To take account of market economic condition, we include *GDP_percapita*, measured as the annual GDP over midyear population (in current CNY) (Liang and Renneboog, 2017). Following McGuinness et al. (2017), we winsorise all continuous variables at the 1st and 99th percentiles of their respective distribution to reduce the influence of outliers. Appendix B shows the full calculation and predicted signs for the controls.

[16] Control variables are collected from CSMAR database.

4. Empirical Results

4.1 Descriptive statistics

Table 1 summarises an overview of cross-border takeovers by Chinese listed firms by year, industry, and country/region during the sample period.[17] Panel A reports all complete cross-border M&As by mainland acquirers. It can be seen that the targets are geographically spread all over the world with the majority being from North America, Western Europe, and Australia, indicating that Chinese firms mainly target developed markets which reflect their high-value-added strategies following the "Go Global" policy. Panel B shows that the number of completed cross-border M&As in the sample is 194. Panel C breaks down the target locations by economic development and governance quality. For the first cross-border M&A, targets from developed/high-quality governance markets constitute 82.47%/88.66% of total cross-border acquisitions, whereas remainings are from emerging/low-quality governance economics account for 17.53%/11.34% in the sample.

[Insert Table 1 around here]

Table 2 reports the summary statistics related to our set of variables. *CSR* ranges between 14.14 and 87.948, with a mean value of 38.994 and a standard deviation of 12.189, which points to considerable variation in CSR performance among listed firms in China. *CSR_IA* varies from -35.667 to 47.165, with a mean of approximately 0.505 and a median of -1.3, indicating that more than half of the sample firms have industry-adjusted CSR performance lower than the average level. *CBMA*, the key independent variable, has a mean of 0.039, suggesting that only 3.9% of sample firms have completed at least one cross-border M&A during the sample period. Pertaining to the first cross-border deal, *Target_dev* (*Target_eme*) has an average value of 0.032 (0.007), indicating that 3.2% (0.7%) of sample firms have

[17] In unreported analysis, acquirers from industrial sector in the initial sample account for 75.8%, and 14% of the acquiring firms operate in public utility industry. However, acquirers from property, commerce, and conglomerate sectors take up 4.5%, 3.5%, and 2.2% respectively.

acquired developed-market (emerging-market targets) targets. Targets from high- and low-quality governance regions have a similar distribution.

[Insert Table 2 around here]

Table 3 presents a correlation matrix for the main regression variables. We find significantly positive correlation coefficients between *CBMA* and *CSR* (correlation=0.1) and between *Target_dev* and *CSR* (correlation=0.1), whereas the coefficient between *Target_eme* and *CSR* is insignificant. This lends initial support to the positive impact of cross-border M&As on CSR. None of the variables is highly correlated, ruling out potential multicollinearity issues.

[Insert Table 3 around here]

4.2 Main results

Table 4 presents the results with respect to the impact of the first cross-border M&A takeover on CSR performance. Panel A reports the estimates from for Eq. (1). In column 1, when controlling for firm-specific characteristics, a significantly positive relationship is found between cross-border M&A activities and CSR performance. Column 2 incorporates measures of corporate governance characteristics, and the finding still holds. Last, we report the baseline result in column 3 and control for exchange information and country-level economic status. The coefficient on *CBMA* is 2.388, which together with the average CSR performance of 38.994 (see Table 2) indicates that on average CSR performance is 6.124% higher (from 38.994 to 41.382) for cross-border M&A firms than non–cross-border M&A firms, ceteris paribus. These results support Hypothesis 1, suggesting that firms with cross-border M&As promote CSR performance than those with cross-border M&A activities.

[Insert Table 4 around here]

One possible explanation for the improvement in CSR performance after deal completion can be attributed to the positive view of CSR. To settle stakeholders and effectively handle their relations through CSR strategies (Deng et al., 2013), Chinese acquirers may devote

resources to stakeholder-oriented practices (e.g., caring employees' health problems, customer satisfaction), thus an increase in overall CSR performance. Another explanation for the observed increase in CSR can stem from the motive of increasing competitive advantages. To overcome the heavy liability of foreignness, Chinese acquirers attempt to actively engage in CSR in pursuit of international competitiveness. The mean variance inflation factors (VIFs) are 4.09, 3.96, and 3.87 for each regression, well below the general cutoff 10. This means that multicollinearity does not pose any concerns.

To examine whether the impact of cross-border takeovers on CSR performance varies across locations between developed and emerging markets, we then replace *CBMA* with *Target_dev* and *Target_eme* in Eq. (1) and results are reported in columns 4-6 of Table 4. As Hypothesis 2 suggests, the significantly positive coefficients on *Target_dev* indicate that cross-border acquisitions of targets from developed markets drive higher CSR performance, holding all the other predictors constant. However, the coefficients on *Target_eme* are insignificant in all specifications, suggesting that the acquisitions of targets from emerging markets cannot lead to an improvement in CSR performance.

The results supporting our previous argument can stem from two possible reasons. First, acquirers that mainly target developed/high-quality regions are with a primary motivation of competing in international markets (Deng, 2009). They have stronger incentives to improve CSR practices in pursuit of equipping themselves with competitive advantages in the long run than acquirers that invest in emerging/low-quality governance regions to secure raw materials.

Second, consistent with the bootstrapping hypothesis, by exposure to better corporate governance regime and stricter legal system in the host countries, acquirers from inferior governance countries use bootstrapping to adopt the corporate governance practices of the host countries (Goergen and Renneboog, 2008). As a result, after acquiring developed-market targets, Chinese acquirers promote and adopt their CSR practices according to the needs of

stakeholders and the contexts in host countries with better CSR-regime because of binding to higher CSR commitment and corporate governance requirements. However, since firms from emerging markets are characterised by low CSR engagement (Ioannou and Serafeim, 2012), there is no such an impact on CSR improvement when a target comes from an emerging market.

To study whether the impact of cross-border M&As varies between targets from high-quality and low-quality governance regions, columns 7-9 in Table 4 report the regression results. Likewise, the coefficients on *Target_highQ* are all significantly positive, while the coefficients on *Target_lowQ* are insignificant. For Chinese acquirers, compliance with host countries' institutional and regulatory requirements is a necessary condition for them to gain legitimacy and recognition. Similarly, institutional demand in the host countries for higher CSR standard and engagement can help improve the overall CSR practice of Chinese acquirers. In sum, the results in columns 4-9 offer support to Hypothesis 2. These findings imply that for firms from China with a weaker institution, they are more likely to initiate efforts to CSR when they are exposed to host countries with better CSR consciousness and practices.

4.3 Robustness checks

To examine the validity of our results suggesting a positive association between cross-border M&As and CSR performance, we perform the following robustness tests which evaluate the sensitivity of the results to alternative measures of CSR, a first-difference method, an event study approach and different deal types.[18]

4.3.1 Industry-adjusted CSR performance

CSR performance may vary considerably across different industries and years. In this regard, it is appropriate to judge a firm's CSR investments relative to peers in the same industry

[18] Goergen and Renneboog (2004) reveal that the largest bid of a firm by year tend to be the most essential event among all activities and emphasize the shareholder wealth effects of the largest cross-border M&As. In an unreported test, we specify a model by employing the largest deal sample to examine whether the largest cross-border M&As (based on transaction values) can affect their CSR. The results support Hypotheses 1 and 2.

and to also control for time effects (Borghesi et al., 2014). Following Johnson and Greening (1999), we use an industry-adjusted CSR measure, *CSR_IA*, which is measured by deducting a firm's CSR rating from the mean CSR rating for all firms in the same industry in a given year.[19]

We then re-estimate Eq. (1) by employing *CSR_IA* as an explained variable and report the results in columns 1-3 of Table 5. In conformity with Hypothesis 1, the significantly positive coefficient on *CBMA* in column 1 implies that all other things being equal, Chinese acquirers are expected to experience an increase in CSR performance by an average of 0.046. In line with Hypothesis 2, as shown in columns 2-3, the significantly positive coefficients on *Target_dev* and *Target_highQ* suggest that the positive effect of cross-border M&As on acquirers' CSR is more pronounced when they are exposed to host countries with a better socially responsible regime and consciousness. On the contrary, the insignificant coefficients on *Target_eme* and *Target_lowQ* indicate that the acquisitions of targets from emerging markets or low-quality governance regions have no impact on acquirers' CSR performance.

[Insert Table 5 around here]

4.3.2 First-difference estimator

One caveat of previous regressions is that we can only control observable firm characteristics. It is possible that some unobservable characteristics drive the results. If the unobserved characteristics are time-invariant, the first-difference method will address this concern. We follow Ding et al. (2016) to use first-difference method by employing change in CSR (e.g., $\Delta CSR_{i,(t,t-1)}=CSR_{i,t}-CSR_{i,t-1}$) as an alternative dependent variable. All other explanatory variables in Eqs. (1) and (2) are configured into change variable (e.g., Δ) form.[20]

Results in columns 4-6 of Table 5 reveal a significant positive relation between *CBMA* and *ΔCSR* (see column4). In line with main regressions, the coefficients on *Target_dev* and

[19] Industry classifications are based on the 2012 China Securities Regulatory Commission (CSRC).
[20] Change in SSE is excluded because of there being no change in firm's exchange-listed status over any given two years.

Target_highQ are positive and statistically significant (see column 5), but the coefficients on *Target_eme* and *Target_lowQ* are insignificant (see column 6).

4.3.3 Global Reporting Initiative: CSR reporting practice

In pursuit of economic growth through internationalisation, extensive attention has been attached to the concept of CSR and accountability in business. By January 2011, over 60 countries and 3000 organisations had made commitments to compile sustainable reports in accordance with the GRI guidelines (Feng et al., 2018), which call for actions to ensure that firms are accountable, responsible, and sustainable to the society.

The GRI guidelines and implications are deeply rooted in the interests of various stakeholders and are developed based on the objectives of addressing critical social issues such as social well-being, climate change, and information environments (Levy et al., 2010). Thus, firms complying with the GRI standards are generally recognised as socially responsible firms. However, emerging-market firms rarely disclose CSR reports or comply with the GRI, and the CSR reporting of Chinese firms has been particularly criticised for its imperfect structure and poor quality (Marquis and Qian, 2014). On the contrary, firms are more predisposed to disclose sustainability or CSR reports under the GRI guidelines in countries with better government efficiency and regulatory quality, and with more press freedom (Villiers and Marques, 2016).

Based on the positive view of CSR and bootstrapping hypothesis, Chinese acquirers may be subject to host countries' CSR demand and requirement. If an acquirer completes an M&A in a developed market or a region with high-quality governance, we posit that the acquirer is more likely to follow the GRI to adopt CSR reporting in the subsequent years.

We follow Levy et al. (2010) to include *GRI* as an alternative dependent variable to measure a firm's socially responsible behaviour.[21] To examine the impact of cross-border

[21] As discussed earlier, compliance with GRI is an attribute of CSR evaluation (Levy et al., 2010), we thus use the same control variables as used in Eq. (1).

M&As on the likelihood of issuing CSR reports following the GRI guidelines, we specify a panel probit model by replacing *CSR* with *GRI* as a dependent variable in Eq. (1), which is assigned a value of 1 if a firm voluntarily discloses CSR reports in accordance with the GRI reporting standards, and 0 otherwise.[22]

Columns 7-9 of Table 5 report the results of probit regressions. In column 7, cross-border M&A firms are on average 4.6% more likely to comply with the GRI in the following year than non-cross-border M&A firms as suggested by the marginal effect. In columns 8-9, firms are 5.3% (4.6%) more likely to comply with the GRI when the target firm comes from a developed market or a high-quality governance region. In contrast, the marginal effects on *Target_eme*, and *Target_lowQ* are not statistically significant, indicating that CSR-based synergies do not occur when the target is from an emerging market or a weak governance region. The evidence further supports Hypotheses 1 and 2.

4.3.4 Year-window event study

To investigate how CSR performance changes across years around completed cross-border M&As among acquirers, we conduct a long-window event study following Boubakri et al. (2016). Assessing the dynamics of their relationship can mitigate concerns about self-selection bias. If Chinese acquirers attempt to build a good perception among stakeholders through CSR strategies, we should observe an increase in CSR afterwards. Further, if they experience greater exposure to better CSR-regime in the host countries, there should be a greater increase in CSR among acquirers targeting in developed markets or high-quality governance regions. The outcome variable is the change in CSR performance. We study how changes in CSR react to the completed deals in year windows [-1, 0], [0, 1], [-1, 1], [-2, 2], and [-3, 3]. We use the year windows in place of day windows for the following two reasons: one

[22] GRI information is publicly available: http://database.globalreporting.org/search/.

is that it takes time for CSR practices to reflect on CSR performance (McGuinness et al., 2017); the other reason is that we only possess annual CSR performance data.

Table 6 presents changes in CSR performance for the pooled sample of completed cross-border M&As as well as the subsamples of different target locations. In Panel A, around the year of completion, changes in CSR are significantly positive with values of 3.396, 3.259, 5.668, 10.410, and 15.486 in all windows, respectively. The results indicate that, on average, cross-border M&As firms are associated with increased CSR performance across years.

Panel B provides univariate analysis regarding how CSR changes around cross-border M&As between the subsample of developed-market targets and the subsample of emerging-market targets. Based on the difference test between the subsamples, we find that Chinese acquirers are more likely to improve CSR when experiencing greater exposure to better CSR-regime in host countries.[23] In Panel C, we find similar results between targets from markets with different levels of governance quality. Collectively, the positive relation between cross-border M&As and CSR remains unchanged in the robustness checks.

[Insert Table 6 around here]

5. Endogeneity Concerns

A possible concern with our main analysis above is potential endogeneity of cross-border M&As, as socially responsible firms may be more likely to complete a cross-border M&A deal. It may be possible that the cross-border M&As and CSR are simultaneously affected by omitted firm characteristics. We address the potential endogeneity issue by employing a propensity score matching (PSM), and difference-in-difference (DiD) approach.

[23] For windows [-1, 0], [-1, 1], [-2, 2], and [-3, 3], the changes in CSR of firms targeting developed markets are 3.378, 4.938, 6.252 and 11.932 significantly higher than those of firms targeting emerging markets.

5.1 Propensity score matching estimation

Following Stiebale and Trax (2011) and Schweizer et al. (2017), we employ the PSM estimation to examine the pure effect of cross-border M&As on CSR performance. We start by estimating propensity scores using a probit model. Without replacement, we use the nearest propensity score matching approach with caliper set at 0.01 to match acquirers in the year before the acquirer completes its cross-border deal with non-acquiring firms on the vector of firm-level variables (*ROA*, *Age*, *Size*, and *Lev*) and year and industry dummies. We identify the average treatment effect on the treated (ATT), in which the "*Treatment*" includes *CBMA*, *Target_dev* and *Target_highQ*, respectively. When "*Treatment*" is *CBMA*, ATT is the average difference between CSR of the acquirers and their counterfactual CSR if firms had not engaged in any cross-border M&As, and so forth. After matching, we employ the balancing test to assess whether the mean of each covariate differs between the treatment and control groups.

In Table 7, we present a propensity score analysis of firms undertaking their cross-border M&As for the first time by year. We show in Panel A that the difference between CSR of the treatment group and that of the control group is statistically significant at the 5% level. Chinese acquirers experience an increase of 3.523 on future CSR performance when comparing to their counterfactual peers. The balancing test indicates that the sample is well-balanced.

We show in Panel B that firms acquiring developed-market targets on average exhibit an increase of 3.364 in CSR performance. Similarly, in Panel C, we find that acquirers with targets from high-quality governance regions exhibit an increase of 3.239 in CSR performance. Accordingly, the positive effect of cross-border M&As on acquirers' CSR is more pronounced when they are exposed to better CSR-regime of the host countries.

[Insert Table 7 around here]

5.2 Difference-in-difference estimator

Violation of the parallel trend assumption will result in biased estimation of the causal effect, we follow Boubakri et al. (2016) to test parallel trend assumption and employ a quasi-experimental technique (DiD). If this assumption holds, the CSR performance between cross-border M&A firms and their counterfactual firms should be constant over time in the absence of cross-border acquisitions. During the post-acquisition period, acquirers should experience a significant improvement in CSR performance than non-acquirers.

We then re-estimate Eqs. (1) and (2) by regressing CSR performance on cross-border M&A dummies, namely Year 1 before the acquisition, Year of the acquisition, Years 1-2 after the acquisition, and so on, up to Years 5-6 along with the usual control variables. The regression results are reported in Table 8. In columns 1-3, the coefficients on *Year_1_before*, *Year_1_before*_dev, and *Year_1_before_highQ* are insignificant, implying that our results are not driven by a pre-acquisition trend. Further, *Year_of_Acq*, *Year_of_dev*, *Year_of_highQ*, and all post–acquisition year dummies are significantly positive, implying that CSR increases after acquisitions and the magnitude of CSR improvement rises with the number of years since deal completion. Taken together, these results suggest that Chinese acquirers improve their CSR performance relative to that of non-cross-border M&A firms only after the completion of cross-border acquisitions, but not before. Thus, reverse causality does not explain our main result that cross-border acquisitions drive acquirers' CSR performance in the Chinese context.

[Insert Table 8 around here]

Next, we employ to ensure that the estimates are not biased by unobserved differences between the treatment and control groups. We re-estimate Eq. (1) by additionally incorporating a dummy variable, *CBMA_since*, which equals zero in all years preceding the completion year of the first cross-border M&A, and receives value one in the year of the completion of the first cross-border acquisition and afterward. *CBMA_since* can be viewed as the DiD term, which

captures the change in CSR performance for the treated group relative to the change in CSR for the control group during the same period.

Similarly, we augment Eq. (2) with *Target_dev_since* and *Target_eme_since.* *Target_dev_since* (*Target_eme_since*) is a dummy variable equal to zero in all years preceding the completion year of the first developed-market (emerging-market) target, and equal one in the year of the completion of the first cross-border M&A in a developed (emerging) market and afterward. Likewise, *Target_highQ_since* and *Target_lowQ_since* are included when we re-estimate Eq. (2) to examine the differential impact of targets from high-quality governance regions and from low-quality governance regions on acquirers' CSR performance.

Table 9 reports DiD analysis using the full sample. In column 1, the significantly positive coefficient on the DiD term (*CBMA_since*) indicates that cross-border M&As exert a positive impact on CSR performance. As indicated in columns 2-3, the significantly positive coefficients on *Target_dev_since* and *Target_highQ_since* suggest that the acquisitions of targets from host countries with higher levels of socially responsible consciousness and CSR regime are associated with an increase in future CSR. Such improvement does not occur when Chinese acquirers are not exposed to better CSR regime. In sum, the positive relation between cross-border M&As and CSR is robust to the above endogeneity tests.

[Insert Table 9 around here]

6. Extended Study

The analyses above consistently show that firms with cross-border M&A activities exhibit better CSR performance than their counterfactual peers, and this positive impact is more pronounced when targets are from developed or high-quality governance regions with better CSR regime. In this section, we assess whether the enhanced CSR performance associated with M&A activities may also have real consequences for a firm's business strategies. Prior studies find that high CSR firms have better firm performance (Lins et al., 2017), easier access to

finance (Cheng et al., 2014), lower cost of equity (Dhaliwal et al., 2014), and higher investment efficiency (Benlemlih and Bitar, 2018). In this section, we argue that the predicted positive impact of cross-border M&As on CSR performance may also have consequences for a firm's business strategies. Therefore, we investigate the incremental effects of CSR from cross-border M&As from these four dimensions below.

6.1 Cross-border M&As, CSR, and operating performance

We first examine the profitability implication of the increased CSR performance after completing a cross-border M&A. Empirical studies reveal that CSR strategies are consistent with the value maximization view (Deng et al., 2013; Lins et al., 2017). Within markets in which consumers have greater social awareness, better CSR record can enhance brand value, translating into more favourable product evaluations by consumers and thus higher sales growth and performance (Brown and Dacin, 1997). Thus, we are interested in whether Chinese acquirers can experience profitability-related benefits from the increased CSR performance.

Following Chen et al. (2018), we employ *ROE*, computed as net income over total shareholder equity, to capture profitability as it is a critical indicator for monitoring managers' profitability and financial control capabilities. We estimate the following regressions:

$$ROE_{i,t} = \alpha + \beta_1 CBMA_{i,t-1} + \beta_2 CBMA_{i,t-1} \times CSR_{i,t-1} + \beta_3 CSR_{i,t-1} + \beta_4 Control_{i,t-1} + Dum_{year} + Dum_{industry} + \varepsilon_{i,t}, \quad (3)$$

$$ROE_{i,t} = \alpha + \beta_1 Target\_dev_{i,t-1} + \beta_2 Target\_dev_{i,t-1} \times CSR_{i,t-1} + \beta_3 Target\_eme_{i,t-1} + \beta_4 Target\_eme_{i,t-1} \times CSR_{i,t-1} + \beta_5 CSR_{i,t-1} + \beta_6 Control_{i,t-1} + Dum_{year} + Dum_{industry} + \varepsilon_{i,t}, \quad (4)$$

where $ROE_{i,t}$ is the measure of profitability for firm *i* in year *t*.[24] The interaction term between $CBMA_{i,t-1}$ and $CSR_{i,t-1}$ captures the differential impact of cross-border M&As on operating

[24] We follow Nguyen et al. (2017) to multiply the dependent variable by 100, and consequently the coefficients for the interaction terms capture the percentage change in operating performance of a one-standard deviation increase in both cross-border M&A proxies and the CSR proxy.

performance, which is of our interest and is predicted to be positive since the effect of increased CSR should reflect better profitability of the acquirers. We control for a variety of factors (e.g., $Size$, Lev, Age, ROA, SOE, Q, and $SalesGrowth$) known to affect firm profitability following Fama and French (1993), Li and Zhang (2010), Wang and Li (2016), and Chen et al. (2018).

In cases when targets are from developed markets, the acquisitions are more likely to drive CSR, thereby increasing acquirers' profitability. We thus expect a positive sign on *Target_dev×CSR*. As acquiring emerging-market targets fail to lead to an improvement in acquirers' CSR, these acquirers are less likely to benefit from the increased CSR, thus an insignificant sign on *Target_eme×CSR*.

Our findings are reported in columns 1-2 of Table 10. In Column 1, the significantly positive coefficient on *CBMA×CSR* suggests that cross-border M&A firms with better CSR exhibit higher operating performance relative to their counterfactual peers. In Column 2, the coefficient on *Target_dev×CSR* is significantly positive, whereas the coefficient on *Target_eme×CSR* is insignificant. This implies that, compared with firms acquiring targets from emerging markets, firms acquiring developed-market targets are more likely to benefit from the increased CSR. The result is in line with the bootstrapping effect and we provide an additional mechanism (e.g., CSR) through which cross-border M&A firms can exhibit better firm performance. Further, the significantly positive coefficients on *CSR* in both columns indicate that CSR strategies are in line with value maximization view (Lins et al., 2017).

[Insert Table 10 around here]

6.2 Cross-border M&As, CSR, and access to finance

Next, we investigate the capital raising implications of the increased CSR performance. Prior studies suggest that superior performance on CSR practices can drive greater access to finance (Cheng et al., 2014; Mishra, 2017). CSR performance reflects a firm's engagement with, as well as its commitment to, various stakeholders on the basis of cooperation and mutual

trust (Lins et al., 2017). From a capital constraints' perspective, firms have incentives to pursue CSR to build a good relationship with stakeholders (Mishra, 2017). Better access to finance can be attributed to ethical stakeholder engagement and more complete transparency in disclosures regarding operations and financial position, thus the reduced informational asymmetry (Cheng et al., 2014). We thus expect that firms with increase in CSR performance driven by cross-border M&A may exhibit easier access to finance.

Consistent with Kaplan and Zingales (1997), we use their regression coefficients to construct a KZ index for each firm-year observation in our sample. Higher values of the *KZ_index* suggest that the firm is more capital constrained. We then regress $KZ\_index_{i,t}$ on the interaction between $CBMA_{i,t-1}$and $CSR_{i,t-1}$, which captures the incremental contribution of CSR performance from cross-border M&A takeovers, along with firm size.[25]

The interaction term between cross-border M&A proxy and CSR performance is of our interest. We predict a negative coefficient for *CBMA*×*CSR* as the enhanced CSR performance is expected to drive easier access to finance among acquirers, reducing their capital constraints. Moreover, we posit that the acquisitions of developed-market targets are accompanied by CSR takeover synergies, thus a negative sign for *Target_dev*×*CSR*.

Columns 3-4 in Table 10 report the empirical results. In column 3, the significantly negative coefficient on *CBMA*×*CSR* implies that on average, cross-border M&A firms perform better at propelling CSR practices, consequently driving easier access to finance. In column 4, the negative coefficient on *Target_dev*×CSR is statistically significant, while the coefficient on *Target_eme*×*CSR* is insignificant. This suggests that, compared with firms acquiring targets from emerging markets, firms acquiring developed-market targets experience greater access to finance from the increased CSR performance.

[25] Following Cheng et al. (2014), we do not include any other control variables except firm size because *KZ_index* accounts for cash flow, payout policy, leverage, and revenue growth in the derivation.

6.3 Cross-border M&As, CSR, and cost of equity

Prior research suggests that CSR conveys information relevant to investor decisions and socially responsible firms exhibit lower cost of equity (Dhaliwal et al., 2011; Dhaliwal et al., 2014). For example, a high level of CSR reduces the monitoring cost shared by equity investors and thus they demand a lower required rate of return for holding stocks, relative to firms with low CSR performance (Dhaliwal et al., 2014). We thus examine whether Chinese acquirers exhibit lower cost of equity from the increased CSR performance.

Following Fu et al. (2012), we use the expected returns based on Capital Asset Pricing Model (CAPM) as a measure of cost of equity to reduce the noise of using realized returns, since realized returns are easily affected by unexpected cash flow and news regarding discount rates. We compute the cost of equity by running the following regression: r_CAPM_t= α + β $r_{M,t}$+ ε_t, where $r_{M,t}$ indicates the market return and r_CAPM_t represents the stock return. For each firm-year observation, α and β are estimated using daily data. We use value-weighted market index return (e.g., SSE and SZSE index return) as a proxy for the market return. After estimating parameters, we plug in the market return in year *t* to obtain the estimated required rate of return, namely r_CAPM_t. Higher values of *r_CAPM* indicates higher cost of equity.

Next, we regress $r\_CAPM_{i,t}$, as an outcome variable for firm i in year t, on the interaction term, which reflects the differential impact of cross-border M&As on cost of equity across firms with different CSR performance. Following El Ghoul et al. (2011), Fu et al. (2012), and Dhaliwal et al. (2014), we control for the conventional factors that may affect the cost of equity, including firm size ($Size$), book-to-market ratio (BTM), and beta (*BETA*).

As for interaction terms between cross-border M&A proxies and *CSR*, we predict a negative sign on CBMA×*CSR* as cross-border M&A firms are expected to experience lower cost of equity due to the increased CSR. Further, we argue that the acquisitions of developed-

market targets can significantly generate CSR-related takeover synergies, thereby reducing the required rate of return on acquirers. We thus expect a negative sign for *Target_dev*×*CSR*.

Empirical findings are reported in columns 5-6 of Table 10. In column 5, the coefficient on *CBMA*×*CSR* is insignificant, implying that cross-border M&A firms do not experience a lower cost of equity as a result of the increased CSR performance. In column 6, the insignificant coefficients on both interaction terms indicate that irrespective of the target locations, Chinese acquirers with better CSR performance cannot observe a reduction in the cost of equity.

6.4 Cross-border M&As, CSR, and investment efficiency

Finally, we investigate whether Chinese acquirers with better CSR performance exhibit higher efficiency of capital investment. Previous research documents that high levels of CSR involvement increases investment efficiency, as high CSR firms enjoy low information asymmetry and high stakeholder solidarity (Benlemlih and Bitar, 2018). Non-financial disclosure such as information on CSR provides investors with extra details about business operation and prospects, which mitigates information asymmetry between insiders and outsiders (Cui et al., 2016). If high CSR firms are associated with better information quality, this should be reflected in investment efficiency. We follow Chen et al. (2011) in the development of our model to employ the Q-framework:

$$INV_{i,t} = \alpha + \beta_1 Q_{i,t-1} \times CBMA_{i,t-1} + \beta_2 CBMA_{i,t-1} + \beta_3 Q_{i,t-1} \times CSR_{i,t-1} + \beta_4 CSR_{i,t-1} + \beta_5 Q_{i,t-1} \times CBMA_{i,t-1} \times CSR_{i,t-1} + \beta_6 CBMA_{i,t-1} \times CSR_{i,t-1} + \beta_7 Q_{i,t-1} + \beta_8 Control_{i,t-1} + Dum_{year} + Dum_{industry} + \varepsilon_{i,t}, \quad (5)$$

$$INV_{i,t} = \alpha + \beta_1 Q_{i,t-1} \times Target\_dev_{i,t-1} + \beta_2 Target\_dev_{i,t-1} + \beta_3 Q_{i,t-1} \times Target\_eme_{i,t-1} + \beta_4 Target\_eme_{i,t-1} + \beta_5 Q_{i,t-1} \times CSR_{i,t-1} + \beta_6 CSR_{i,t-1} + \beta_7 Q_{i,t-1} \times Target\_dev_{i,t-1} \times CSR_{i,t-1} + \beta_8 Target\_dev_{i,t-1} \times CSR_{i,t-1} + \beta_9 Q_{i,t-1} \times Target\_eme_{i,t-1} \times CSR_{i,t-1} + \beta_{10} Target\_eme_{i,t-1} \times CSR_{i,t-1} + \beta_{11} Q_{i,t-1} + \beta_{12} Control_{i,t-1} + Dum_{year} + Dum_{industry} + \varepsilon_{i,t}, \quad (6)$$

where the dependent variable $INV_{i,t}$ is a measure of investment expenditures of a firm *i* in year *t*; $Q_{i,t-1}$captures growth opportunities; the interaction term between $CBMA_{i,t-1}$ and $CSR_{i,t-1}$

represents the impact of increased CSR on investment expenditures. The interaction between $Q_{i,t-1}$ and $CBMA_{i,t-1} \times CSR_{i,t-1}$ is captures the incremental effect of CSR on investment sensitivity to Q when comparing high CSR acquirers with low CSR acquirers. Similarly, the interaction between $Q_{i,t-1}$ and $Target\_dev_{i,t-1} \times CSR_{i,t-1}$ examines whether investment expenditures are sensitive to opportunities for firms (acquiring developed-market targets) with better CSR. We follow Chen et al. (2011) to control for a vector of factors including *Size*, *Lev*, *Age*, *SOE*, and *CFO* of a firm *i* in year *t-1*. The control variable that has not been defined is *CFO*, which is measured as the ratio of net operating cash flow scaled by beginning total assets.

We expect the coefficient on *Q*×*CBMA*×*CSR* to be significantly positive if the increased CSR of acquirers is found to have a positive impact on efficient investment. Moreover, we conjecture that the acquisitions of developed-market targets can generate CSR-based takeover synergies, and thus investment expenditures should be significantly more sensitive to opportunities for these acquirers. We predict a positive coefficient on *Q*×*Target_dev*×*CSR*.

We report the results in columns 7-8 of Table 10. In column 7, the significantly positive coefficient on the triple interaction term Q×*CBMA*×*CSR* suggests that investment expenditures are significantly more sensitive to opportunities for cross-border M&A firms with better CSR performance. In column 8, investment expenditures are significantly more sensitive to investment opportunities for acquirers (acquiring targets from developed markets) with better CSR, as indicated by the significantly positive coefficient on *Q*×*Target_dev*×*CSR*.

Collectively, providing support for the positive view of CSR, we find that Chinese acquirers could achieve greater operating performance, and experience easier access to finance through the increased CSR performance during the post-acquisition period. Also, investment expenditures are significantly more sensitive to opportunities in these firms. However, Chinese acquirers cannot observe lower cost of equity from the improved CSR.

7. Conclusions

Different from prior literature on cross-border M&As, we study the impact of cross-border M&A activities on CSR. Consistent with our hypotheses, cross-border M&As are associated with improved corporate social conduct. Particularly, the acquisitions of target firms from developed markets or high-quality governance regions drive acquirer's CSR. In contrast, the acquisitions of targets from host countries with inferior CSR-regime do not lead to an increase in CSR. Going beyond the comparison between cross-border M&A firms and their counterfactual peers, we analyze changes in CSR of Chinese acquirers in an event study framework. Overall, our results support that the role of better CSR regime and engagement of target countries reshapes Chinese acquirers' post-acquisition CSR practices through cross-border M&As. The prevailing CSR of Chinese cross-border M&A firms represents the process of economic and institutional transition that has left cultural values, and ethics in a state of flux.

Findings in extended analysis indicate that cross-border M&A firms perform better in propelling CSR practices, thereby exhibiting higher profitability and easier access to finance. We find that investment expenditures are significantly more sensitive to opportunities for Chinese acquirers with better CSR. Although Chinese acquirers perform better at propelling socially responsible activities, we do not observe lower cost of equity from the increased CSR.

Our results have important implications of interest to academics and the wider business community. Our findings should be of interest to boards of directors and the management team, who have a responsibility to promote CSR engagement to mitigate stakeholder concerns and deliver competitive advantages after a merger to achieve broader corporate objectives.

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Table 1. Overview of cross-border M&As by Chinese listed firms.

Panel A. Number of overall completed mainland Chinese cross-border M&As by regions from 2009 to 2017.

Target	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total	Share
United States	7	6	10	11	5	9	17	29	11	105	16.99
United Kingdom	1	0	1	1	1	2	11	8	4	29	4.69
Australia	9	4	4	6	3	3	5	8	3	45	7.28
Belgium	0	1	0	0	0	0	0	1	1	3	0.49
Canada	3	6	3	6	3	2	5	4	7	39	6.31
Singapore	2	2	1	2	2	1	2	4	2	18	2.91
Japan	2	5	3	5	1	1	4	5	2	28	4.53
Hong Kong	3	5	4	8	15	5	14	11	11	76	12.30
South Korea	0	0	0	0	0	1	5	1	0	7	1.13
Germany	0	1	2	8	4	9	6	16	10	56	9.06
Finland	0	0	0	0	0	0	0	1	3	4	0.65
France	2	0	1	2	2	2	2	3	1	15	2.43
Italy	1	1	0	0	0	2	7	4	6	21	3.40
Netherlands	0	0	3	0	0	1	1	1	1	7	1.13
Norway	0	0	1	0	0	0	3	0	0	4	0.65
Spain	0	0	0	1	2	1	2	5	0	11	1.78
Switzerland	0	0	0	0	0	0	3	3	4	10	1.62
Sweden	0	0	0	0	1	0	1	1	1	4	0.65
New Zealand	2	1	0	0	0	0	0	1	2	6	0.97
Brazil	0	3	2	0	0	1	1	3	3	13	2.10
Thailand	0	1	1	2	0	0	1	0	1	6	0.97
Malaysia	0	0	0	1	0	0	2	1	1	5	0.81
Vietnam	0	0	0	1	0	0	1	1	1	4	0.65
Other	2	13	8	11	9	11	9	26	13	102	16.50
Total	34	49	44	65	48	51	102	137	88	618	100.00

Note: All completed cross-border M&As transactions are undertaken by mainland Chinese listed firms. Firms incorporated in China and listed on stock exchanges except SZSE and SSE are excluded. Firms whose deal's status is classified as status unknown, pending, withdrawn, intended, or rumor are excluded. Source: M&A sector, Thomson One Banker.

Panel B. Number of completed cross-border M&A transactions by Chinese listed firms (2009-2017).

No. of completed cross-border M&A deals by Chinese listed firms	631
After excluding deals whose targets are from tax havens and offshore finance centres	618
After excluding duplicate M&A deals	496
After excluding deals missing CSRC industry classification	486
After excluding firms from financial sector	463
After excluding deals whose acquirers with no CSR performance	194

Panel C. Location classification of cross-border M&As.

Deal's Types:	First Cross-Border M&A	Largest Cross-Border M&A
No. of deals (developed markets)	160	159
No. of deals (emerging markets)	34	35
Total	194	194
No. of deals (regions with high quality governance)	172	171
No. of deals (regions with low quality governance)	22	23
Total	194	194

Table 2. Descriptive statistics.

This table plots summary statistics (the number of firm-year observations, mean, standard deviation, minimum, 25%, 50%, and 75% quantiles, and maximum) for all variables between 2009 and 2017.

Variable	Obs.	Mean	SD	Min	P25	Median	P75	Max
CSR	4145	38.994	12.189	14.140	30.640	36.319	44.791	87.948
CSR_IA	4145	0.505	10.627	-35.667	-6.553	-1.300	5.315	47.165
⊿CSR	4056	2.156	6.552	-38.341	-0.733	1.057	3.979	68.730
GRI	4145	0.158	0.365	0.000	0.000	0.000	0.000	1.000
CBMA	4145	0.039	0.193	0.000	0.000	0.000	0.000	1.000
Target_dev	4145	0.032	0.176	0.000	0.000	0.000	0.000	1.000
Target_eme	4145	0.007	0.080	0.000	0.000	0.000	0.000	1.000
Target_highQ	4145	0.034	0.181	0.000	0.000	0.000	0.000	1.000
Target_lowQ	4145	0.005	0.068	0.000	0.000	0.000	0.000	1.000
SOE	4145	0.648	0.478	0.000	0.000	1.000	1.000	1.000
Size	4145	23.035	1.452	18.266	21.986	22.899	23.919	28.509
Age	4145	2.758	0.365	0.693	2.565	2.833	2.996	3.638
Lev	4145	0.502	0.198	0.071	0.358	0.514	0.655	0.943
ROA	4145	0.046	0.057	-0.145	0.014	0.039	0.075	0.230
Q	4145	2.153	1.383	0.877	1.238	1.703	2.514	8.357
SalesGrowth	4145	0.140	0.309	-0.487	-0.030	0.097	0.244	1.711
HERF3	4145	0.195	0.133	0.012	0.087	0.170	0.273	0.588
FCF	4145	0.040	0.159	-0.550	-0.025	0.065	0.136	0.363
BoardSize	4145	2.213	0.211	1.386	2.197	2.197	2.398	2.890
Duality	4145	0.152	0.359	0.000	0.000	0.000	0.000	1.000
Indep	4145	0.374	0.057	0.300	0.333	0.364	0.400	0.571
ManagerialSize	4145	1.927	0.380	0.693	1.609	1.946	2.197	3.332
SSE	4145	0.608	0.488	0.000	0.000	1.000	1.000	1.000
GDP_percapita	4145	10.638	0.221	10.174	10.502	10.689	10.825	10.896
ROE	4050	0.082	0.069	-0.050	0.032	0.078	0.125	0.223
KZ_index	4029	1.449	1.505	-0.525	0.505	1.004	1.834	8.467
r_CAPM	3868	0.087	0.117	-0.171	0.031	0.091	0.179	0.349
BTM	3868	1.316	1.270	0.122	0.507	0.876	1.670	11.005
BETA	3868	1.128	0.243	0.132	0.971	1.141	1.292	1.940
INV	3914	0.003	0.009	0.000	0.000	0.000	0.001	0.092
CFO	3914	0.057	0.092	-0.321	0.011	0.055	0.106	0.404

Table 3. Correlation matrix.

This table presents Pearson correlation coefficients for the variables used in the main empirical analysis. The bold figures indicate significance at least the 10% level.

	Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
(1)	CSR	1.0																				
(2)	CBMA	**0.1**	1.0																			
(3)	Target_dev	**0.1**	**0.9**	1.0																		
(4)	Target_eme	0.1	**0.4**	0.0	1.0																	
(5)	Target_highQ	**0.1**	**0.9**	**1.0**	**0.1**	1.0																
(6)	Target_lowQ	0.1	**0.3**	0.0	**0.8**	0.0	1.0															
(7)	SOE	**0.1**	0.0	0.0	0.0	0.0	**0.0**	1.0														
(8)	Size	**0.5**	**0.2**	**0.1**	**0.1**	**0.2**	**0.1**	**0.3**	1.0													
(9)	Age	0.0	**0.0**	**0.0**	0.0	**0.0**	0.0	**0.1**	**0.0**	1.0												
(10)	Lev	**0.1**	**0.0**	**0.0**	0.0	**0.0**	0.0	**0.2**	**0.5**	**0.1**	1.0											
(11)	ROA	0.0	**0.0**	**0.0**	0.0	**0.0**	0.0	**-0.1**	**0.0**	**-0.1**	**-0.4**	1.0										
(12)	Q	**-0.2**	**0.0**	0.0	**0.0**	0.0	**0.0**	**-0.3**	**-0.5**	**-0.1**	**-0.5**	**0.3**	1.0									
(13)	SalesGrowth	**0.0**	**0.0**	**0.0**	0.0	**0.0**	0.0	**-0.1**	0.0	**-0.1**	**0.1**	**0.2**	**0.1**	1.0								
(14)	HERF3	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.3**	**0.3**	**-0.2**	**0.1**	**0.1**	**-0.1**	0.0	1.0							
(15)	FCF	**0.1**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**-0.1**	**0.2**	**0.0**	**-0.1**	**0.1**	1.0						
(16)	BoardSize	**0.2**	**0.0**	0.0	0.0	**0.0**	0.0	**0.2**	**0.2**	0.0	**0.1**	**0.0**	-0.2	**0.0**	0.1	**0.0**	1.0					
(17)	Duality	**-0.1**	0.0	**0.0**	0.0	**0.0**	0.0	**-0.3**	**-0.1**	**0.0**	**-0.1**	**0.1**	**0.1**	**0.0**	**-0.1**	**0.0**	**-0.1**	1.0				
(18)	Indep	**0.0**	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.1**	**-0.1**	**0.0**	0.0	0.0	0.0	**0.1**	**0.0**	**-0.4**	**0.1**	1.0			
(19)	ManagerialSize	**0.2**	**0.1**	**0.1**	0.0	**0.1**	**0.0**	**0.1**	**0.3**	**-0.1**	**0.1**	**0.0**	**-0.1**	0.0	0.0	0.0	**0.2**	**0.0**	0.0	1.0		
(20)	SSE	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.3**	**0.2**	**0.1**	**0.2**	**-0.1**	**-0.2**	**-0.1**	**0.2**	**0.0**	**0.1**	**-0.2**	0.0	**0.0**	1.0	
(21)	GDP_percapita	**0.3**	0.0	0.0	0.0	0.0	0.0	**-0.1**	**0.1**	**0.3**	**0.0**	**-0.1**	**0.0**	**-0.1**	**0.0**	0.0	**-0.1**	**0.1**	**0.0**	0.0	**0.0**	1.0

Table 4. The impact of the first cross-border M&As and target locations on acquirers' CSR performance.

This table presents the results regarding the first cross-border M&A takeovers. Panel A reports the effect of overall cross-border M&A takeovers on acquirers' CSR performance over the period from 2009 to 2017. Panel B presents the impact of targets' locations of cross-border M&As on acquirers' CSR performance. Columns 4-6 report the influence of targets from developed and emerging markets in cross-border M&As. Columns 7-9 present the impact of target regions with high and low quality of governance in cross-border takeovers. Dependent variable is raw CSR performance. Independent variables are lagged by one year. All regressions control for industry and year fixed effects. Standard errors are clustered at the firm level. T-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent variable = CSR	First Cross-Border M&As								
Variable	Panel A: Cross-Border M&As and CSR			Panel B: Target Locations and CSR					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CBMA	2.364**	2.429***	2.388***						
	(2.576)	(2.664)	(2.583)						
Target_dev				3.011***	3.057***	2.966***			
				(2.981)	(3.038)	(2.908)			
Target_eme				-1.083	-0.919	-0.706			
				(-0.555)	(-0.484)	(-0.366)			
Target_highQ							2.683***	2.733***	2.645***
							(2.695)	(2.772)	(2.640)
Target_lowQ							-0.261	-0.069	0.254
							(-0.119)	(-0.032)	(0.117)
SOE	0.458	-0.143	0.236	0.469	-0.133	0.242	0.465	-0.137	0.239
	(0.541)	(-0.160)	(0.261)	(0.554)	(-0.150)	(0.268)	(0.549)	(-0.154)	(0.265)
Size	4.546***	4.208***	4.202***	4.547***	4.211***	4.206***	4.550***	4.213***	4.207***
	(10.926)	(9.620)	(9.675)	(10.937)	(9.632)	(9.690)	(10.921)	(9.616)	(9.674)
Age	-1.628	-1.438	-1.074	-1.612	-1.423	-1.169	-1.621	-1.431	-1.175
	(-1.488)	(-1.327)	(-1.121)	(-1.474)	(-1.314)	(-1.077)	(-1.481)	(-1.320)	(-1.082)
Lev	-6.238***	-6.505***	-6.033***	-6.319***	-6.585***	-6.122***	-6.278***	-6.544***	-6.081***
	(-2.776)	(-2.891)	(-2.662)	(-2.805)	(-2.920)	(-2.695)	(-2.789)	(-2.902)	(-2.678)
ROA	-9.228*	-10.068*	-10.545*	-9.282*	-10.121*	-10.603*	-9.277*	-10.116*	-10.596*
	(-1.662)	(-1.799)	(-1.897)	(-1.670)	(-1.807)	(-1.906)	(-1.669)	(-1.806)	(-1.905)
Q	0.774***	0.779***	0.695***	0.773***	0.778***	0.696***	0.773***	0.778***	0.695***
	(2.867)	(2.948)	(2.687)	(2.866)	(2.949)	(2.690)	(2.865)	(2.947)	(2.688)
SalesGrowth	0.074	-0.130	-0.267	0.106	-0.100	-0.236	0.093	-0.112	-0.249
	(0.150)	(-0.264)	(-0.547)	(0.212)	(-0.201)	(-0.483)	(0.188)	(-0.225)	(-0.509)
HERF3	2.962	4.379	5.201	2.967	4.380	5.195	2.963	4.377	5.195
	(0.916)	(1.359)	(1.642)	(0.918)	(1.360)	(1.642)	(0.916)	(1.358)	(1.640)
FCF	2.313**	2.324**	2.426**	2.275**	2.286**	2.392**	2.292**	2.304**	2.410**
	(2.293)	(2.315)	(2.428)	(2.258)	(2.281)	(2.398)	(2.273)	(2.297)	(2.413)
BoardSize		3.246*	3.231*		3.229*	3.217*		3.226*	3.216*
		(1.716)	(1.742)		(1.708)	(1.734)		(1.703)	(1.730)
Duality		-0.995	-1.109		-1.005	-1.117		-1.003	-1.115
		(-1.447)	(-1.616)		(-1.465)	(-1.631)		(-1.459)	(-1.624)
Indep		1.547	1.472		1.496	1.445		1.538	1.484

		(0.291)	(0.278)		(0.281)	(0.273)		(0.289)	(0.280)
ManagerialSize		2.899***	2.875***		2.894***	2.867***		2.900***	2.872***
		(3.008)	(2.973)		(3.005)	(2.963)		(3.008)	(2.965)
SSE			-2.051***			-2.035***			-2.040***
			(-2.785)			(-2.761)			(-2.766)
GDP_percapita			12.507***			12.522***			12.508***
			(10.794)			(10.707)			(10.685)
_cons	-66.733***	-72.215***	-198.814***	-66.771***	-72.215***	-198.645***	-66.820***	-72.267***	-198.550***
	(-7.029)	(-7.435)	(-17.299)	(-7.036)	(-7.441)	(-17.436)	(-7.029)	(-7.436)	(-17.407)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SEs. Clustered	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm
No. of obs.	4,199	4,145	4,145	4,199	4,145	4,145	4,199	4,145	4,145
Adj. R-square	0.384	0.394	0.399	0.384	0.394	0.399	0.384	0.394	0.399
Mean VIF	4.09	3.96	3.87	4.06	3.93	3.84	4.06	3.93	3.84

Table 5. Robustness Checks.

This table presents the impact of first cross-border M&A takeovers on industry-adjusted CSR performance, the results of first difference estimator and the likelihood of compliance with Global Reporting Initiative (GRI) guidelines over the period from 2009 to 2017. In columns 1-3, the dependent variable is industry-adjusted CSR performance, CSR_IA, namely the firm's CSR rating less the mean CSR rating for all firms in the same industry in a given fiscal year. Columns 4-6 present the impact of cross-border M&As on change in CSR performance using first difference estimator. The dependent variable is measured as $\Delta CSR_{i,(t,t-1)}=CSR_{i,t}-CSR_{i,t-1}$. All other explanatory variables in Eqs. (1) and (2) are configured into change variable (e.g., Δ) form. Changes in SSE is excluded because of there being no change in firm's exchange-listed status over any given two years. Columns 7-9 display the impact of cross-border M&As on the likelihood of complying with the Global Reporting Initiative (GRI) guidelines among the acquirers. Dependent variable is a dummy GRI, which equals 1 if a firm complies with GRI reporting standards, and 0 otherwise. Marginal effects of explanatory variables are reported. Z-statistics are reported in parentheses. All regressions control for industry and year fixed effects. Independent variables are lagged by one year. Standard errors are clustered at the firm level. T-statistics are reported in parentheses (see columns 1-6). ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent variable =	CSR_IA			ΔCSR			Global Reporting Initiative (GRI)		
				First-difference method			Probit regression (marginal effects)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CBMA	0.046**			2.272**			0.046*		
	(2.121)			(2.518)			(1.743)		
Target_dev		0.059**			2.605**			0.053*	
		(2.468)			(2.452)			(1.880)	
Target_eme		-0.019			0.832			0.007	
		(-0.452)			(0.800)			(0.139)	
Target_highQ			0.051**			2.515**			0.046*
			(2.212)			(2.505)			(1.711)
Target_lowQ			0.005			0.623			0.043
			(0.108)			(0.641)			(0.800)
SOE	0.016	0.016	0.016	-2.730*	-2.733*	-2.733*	-0.040	-0.040	-0.040
	(0.746)	(0.753)	(0.749)	(-1.799)	(-1.799)	(-1.801)	(-1.408)	(-1.405)	(-1.408)
Size	0.092***	0.092***	0.092***	2.016***	2.017***	2.025***	0.098***	0.097***	0.098***
	(9.811)	(9.819)	(9.809)	(3.231)	(3.236)	(3.247)	(9.444)	(9.445)	(9.450)
Age	-0.027	-0.027	-0.027	12.655***	12.572***	12.586***	-0.054	-0.053	-0.054
	(-1.072)	(-1.063)	(-1.068)	(2.672)	(2.660)	(2.662)	(-1.589)	(-1.585)	(-1.589)
Lev	-0.129**	-0.131**	-0.130**	-2.840	-2.902	-2.880	-0.173**	-0.174**	-0.174**
	(-2.454)	(-2.480)	(-2.463)	(-1.591)	(-1.624)	(-1.614)	(-2.239)	(-2.251)	(-2.237)
ROA	-0.211	-0.212	-0.212	-4.236	-4.257	-4.219	-0.412**	-0.413**	-0.412**
	(-1.541)	(-1.547)	(-1.545)	(-1.269)	(-1.275)	(-1.264)	(-2.081)	(-2.084)	(-2.080)
Q	0.013**	0.013**	0.013**	-0.301*	-0.299*	-0.299*	0.009	0.009	0.009
	(2.075)	(2.076)	(2.075)	(-1.868)	(-1.858)	(-1.858)	(1.015)	(1.010)	(1.015)
SalesGrowth	-0.007	-0.007	-0.007	-0.393	-0.387	-0.390	-0.006	-0.006	-0.006
	(-0.588)	(-0.536)	(-0.561)	(-1.262)	(-1.246)	(-1.254)	(-0.369)	(-0.345)	(-0.367)
HERF3	0.127*	0.127*	0.127*	3.706	3.622	3.570	0.060	0.059	0.060
	(1.728)	(1.728)	(1.727)	(1.183)	(1.161)	(1.145)	(0.662)	(0.658)	(0.662)
FCF	0.048*	0.047*	0.047*	0.949*	0.940*	0.942*	0.006	0.006	0.006
	(1.916)	(1.885)	(1.901)	(1.695)	(1.680)	(1.684)	(0.161)	(0.153)	(0.161)
BoardSize	0.082*	0.082*	0.082*	-0.605	-0.648	-0.658	0.111**	0.110**	0.111**

	(1.941)	(1.934)	(1.932)	(-0.447)	(-0.478)	(-0.485)	(2.262)	(2.249)	(2.258)
Duality	-0.019	-0.019	-0.019	-0.639	-0.647	-0.648	0.032	0.032	0.032
	(-1.083)	(-1.095)	(-1.090)	(-1.195)	(-1.209)	(-1.210)	(1.135)	(1.126)	(1.134)
Indep	0.061	0.060	0.061	-4.750	-4.825	-4.849	0.076	0.076	0.076
	(0.468)	(0.461)	(0.467)	(-1.128)	(-1.146)	(-1.151)	(0.439)	(0.439)	(0.439)
ManagerialSize	0.075***	0.075***	0.075***	0.096	0.110	0.103	0.030	0.030	0.030
	(3.484)	(3.480)	(3.483)	(0.186)	(0.214)	(0.201)	(1.128)	(1.128)	(1.128)
SSE	-0.065***	-0.064***	-0.065***				-0.035	-0.035	-0.035
	(-3.733)	(-3.713)	(-3.719)				(-1.456)	(-1.450)	(-1.455)
GDP_percapita	-0.071**	-0.071**	-0.071**	68.509***	68.478***	68.564***	-0.285***	-0.286***	-0.285***
	(-2.553)	(-2.542)	(-2.550)	(6.382)	(6.387)	(6.389)	(-5.268)	(-5.267)	(-5.268)
_cons	-1.491***	-1.495***	-1.493***	-8.977***	-8.964***	-8.980***			
	(-5.497)	(-5.513)	(-5.501)	(-7.505)	(-7.511)	(-7.511)			
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SEs. Clustered	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm
No. of obs.	4,145	4,145	4,145	3,951	3,951	3,951	3,827	3,827	3,827
Adj./Pseudo R-square	0.207	0.207	0.207	0.048	0.048	0.048	0.252	0.252	0.252
Mean VIF	3.87	3.84	3.84	3.74	3.70	3.70	3.89	3.86	3.86

Table 6. Event Study Analysis: Changes in CSR performance around cross-border M&As.

This table presents changes in CSR performance around cross-border M&As by Chinese listed acquiring firms from 2009 to 2017. Panel A reports basic cross-section analysis regarding how overall CSR performance reacts to cross-border M&As. Panel B provides fundamental cross-section analysis regarding how overall CSR performance reacts to cross-border M&As between the subsample where targets are from developed markets and the subsample where targets come from emerging markets. We consider all acquisition attempts when the acquirer makes multiple acquisitions during a year. The classification is based on the open public information from the Developed Countries sector, the United Nations Conference on Trade and Development. Panel C provides fundamental cross-section analysis regarding how overall CSR performance reacts to cross-border M&As between the subsample with high-quality governance regions and the subsample with low-quality governance regions. The classification is based on the Worldwide Governance Indicators (WGI), the World Bank. All results reported are in the year windows [-1, 0], [0, 1], [-1, 1], [-2, 2], and [-3, 3]. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A. Changes in CSR performance around cross-border M&As.

Outcome variable: Change in overall CSR performance					
Event window (year)	Obs.	Mean	SEs	SD	T-Stat
Change in overall CSR performance (-1, 0)	220	3.396	0.643	9.544	5.278***
Change in overall CSR performance (0, +1)	246	3.259	0.635	9.962	5.131***
Change in overall CSR performance (-1, +1)	201	5.668	0.794	11.261	7.136***
Change in overall CSR performance (-2, +2)	97	10.410	1.165	11.478	8.933***
Change in overall CSR performance (-3, +3)	47	15.486	1.584	10.857	9.778***

Panel B. Targets from developed regions and developing regions.

Dependent variable: Change in overall CSR performance											
	Target: Developed markets (A)					Target: Emerging markets (B)					Difference test	T-Stat
Event window (year)	Obs.	Mean	S.E.	SD	T-Stat	Obs.	Mean	S.E.	SD	T-Stat	Mean (B-A)	Two-sample
Change in CSR (-1, 0)	165	4.241	0.817	10.495	5.191***	55	0.863	0.690	5.114	1.251	-3.378	-2.295**
Change in CSR (0, +1)	184	3.682	0.815	11.051	4.519***	62	2.005	0.697	5.487	2.877***	-1.677	-1.146
Change in CSR (-1, +1)	147	6.995	0.985	11.948	7.098***	54	2.057	1.115	8.191	1.845*	-4.938	-2.802***
Change in CSR (-2, +2)	73	11.957	1.468	12.541	8.146***	24	5.705	1.057	5.179	5.397***	-6.252	-2.370**
Change in CSR (-3, +3)	38	17.771	1.729	10.663	10.274***	9	5.839	1.579	4.739	3.697***	-11.932	-3.259***

Panel C. Targets from regions with high quality of governance and regions with low quality of governance.

Dependent variable: Change in overall CSR performance											
	Target: Regions with high quality of governance (A)					Target: Regions with low quality of governance (B)					Difference test	T-Stat
Event window (year)	Obs.	Mean	S.E.	SD	T-Stat	N	Mean	S.E.	SD	T-Stat	Mean (B-A)	Two-sample
Change in CSR (-1, 0)	186	3.930	0.743	10.139	5.286***	34	0.476	0.723	4.214	0.659	-3.454	-1.953*
Change in CSR (0, +1)	207	3.197	0.737	10.601	4.338***	39	3.591	0.885	5.526	4.058***	0.394	0.226
Change in CSR (-1, +1)	167	6.105	0.911	11.766	6.705***	34	3.521	1.397	8.148	2.520***	-2.584	-1.221
Change in CSR (-2, +2)	80	11.381	1.362	12.179	8.358***	17	5.841	1.352	5.576	4.319***	-5.54	-1.829*
Change in CSR (-3, +3)	38	17.771	1.729	10.663	10.274***	9	5.839	1.579	4.739	3.697***	-11.932	-3.259***

Table 7. Propensity Score Matching Approach.

This table reports the results of propensity-score-matching approach. We conduct this procedure by first estimating a probit regression to model the probability of being a treatment firm using the data from 2009 to 2017. We identify the average treatment effect on the treated (ATT), in which the "$Treatment$" includes *CBMA*, $Target\_dev$ and $Target\_highQ$. We match each treatment firm to the control firm using the nearest neighbor matching (one-nearest neighbor matching and caliper set at 0.01) with no replacement. ATT=E{[$CSR_{i,t}(1) - CSR_{i,t}(0)$] | $Treatment_{i,t-1}$=1, $Control_{i,t-1}$}. For all regressions, outcome variable is CSR performance in year *t*. Standard errors are also corrected and robust in the t-effects. All variables (matching criteria: ROA, firm age, firm size, leverage) in the PSM approach are winsorized at the 1% (99%) and matching criteria are all in year *t-1*. Year and industry dummies are included. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Panel A. PSM Estimator: Cross-border M&As and CSR performance.

Average treatment effect on the treated (ATT) estimated regarding CSR performance after matching					
(Treatment-effects) Dependent variable = CSR	ATT	Robust SEs.	T-Stat	No. of Obs.	Treated : Control
CBMA (1 vs 0)	3.523**	1.65	2.13	4,291	165 : 4,126
Univariate balanced test for pairs of treatment and control firms after matching					
Matching criteria	Treated (mean)	Control (mean)	%bias reduction	Diff.	p-Value
ROA	0.055	0.063	25.1	-0.008	0.170
Age	2.710	2.749	38.1	-0.039	0.355
Size	24.219	24.154	95.3	0.065	0.706
Lev	0.552	0.545	85.3	0.007	0.712

Panel B. PSM Estimator: Targets from developed markets.

Average treatment effect on the treated (ATT) estimated regarding CSR performance after matching					
(Treatment-effects) Dependent variable = CSR	ATT	Robust SEs.	T-Stat	No. of Obs.	Treated : Control
Target_dev (1 vs 0)	3.364*	1.992	1.69	4,291	137 : 4,154
Univariate balanced test for pairs of treatment and control firms after matching					
Matching criteria	Treated (mean)	Control (mean)	%bias reduction	Diff.	p-Value
ROA	0.058	0.066	36.2	-0.008	0.215
Age	2.691	2.699	88.9	-0.008	0.869
Size	24.171	24.061	90.9	0.11	0.556
Lev	0.549	0.522	43.9	0.027	0.183

Panel C. PSM Estimator: Targets from regions with high and low quality of governance.

Average treatment effect on the treated (ATT) estimated regarding CSR performance after matching					
(Treatment-effects) Dependent variable = CSR	ATT	Robust SEs.	T-Stat	No. of Obs.	Treated : Control
Target_highQ (1 vs 0)	3.239*	1.992	1.774	4,291	146 : 4,145
Univariate balanced test for pairs of treatment and control firms after matching					
Matching criteria	Treated (mean)	Control (mean)	%bias reduction	Diff.	p-Value
ROA	0.059	0.057	84.4	0.002	0.739
Age	2.695	2.687	88.8	0.008	0.871
Size	24.190	24.189	99.9	0.001	0.994
Lev	0.543	0.547	91.0	-0.004	0.844

Table 8. Validity of Parallel Trend Assumption.

This table reports the results of parallel trend assumption. We assess the dynamic effects of cross-border M&A activities on CSR performance. Dependent variable is a firm's CSR performance. Independent variables include a set of year dummies indicating the year in which cross-border acquisitions are completed or the year after deal completion. All regressions control for industry and year fixed effects. Standard errors are clustered at the firm level. T-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent variable = CSR			
Variable	CBMA	Different Target Locations	
	(1)	(2)	(3)
Year_1_before	0.072		
	(0.096)		
Year_of_Acq	**2.490*** **		
	(2.603)		
Years_1-2_after	**1.917***		
	(1.912)		
Years_3-4_after	**2.919*** **		
	(3.019)		
Years_5-6_after	**3.879*** **		
	(3.524)		
Year_1_before_dev/highQ		0.379	0.477
		(0.514)	(0.618)
Year_of_dev/highQ		**3.087*** **	**2.789*** **
		(3.090)	**(2.865)**
Years_1-2_after_dev/highQ		**2.263** **	**1.860***
		(2.159)	**(1.790)**
Years_3-4_after_dev/highQ		**3.196*** **	**2.743*** **
		(2.992)	**(2.669)**
Years_5-6_after_dev/highQ		**3.504*** **	**3.030*** **
		(3.039)	**(2.668)**
Year_1_before_eme/lowQ		-1.565	-2.203
		(-0.799)	(-0.742)
Year_of_eme/lowQ		-0.104	0.123
		(-0.054)	(0.045)
Years_1-2_after_eme/lowQ		-0.086	1.185
		(-0.039)	(0.438)
Years_3-4_after_eme/lowQ		2.010	5.904**
		(0.835)	(2.241)
Years_5-6_after_eme/lowQ		3.860	7.175**
		(1.175)	(2.006)
_cons	-191.728***	-192.092***	-191.895***
	(-16.360)	(-16.433)	(-16.390)
Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
SEs. Clustered	Firm	Firm	Firm
No. of obs.	4,145	4,145	4,145
Adj. R-square	0.406	0.407	0.407
Mean VIF	3.79	3.68	3.68

Table 9. Difference-In-Differences Estimator.

This table reports the impact of cross-border M&As on acquirers' CSR performance within a DiD setting. All regressions control for industry and year fixed effects. Standard errors are clustered at the firm level. T-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

Dependent variable = CSR			
Variable	Difference-In-Differences		
	(1)	(2)	(3)
CBMA	-0.114		
	(-0.136)		
CBMA_since	**3.362*** **		
	(2.782)		
Target_dev		0.122	
		(0.142)	
Target_dev_since		**3.520*** **	
		(2.820)	
Target_eme		-3.937*	
		(-1.890)	
Target_eme_since		**3.143**	
		(1.278)	
Target_highQ			0.275
			(0.282)
Target_highQ_since			**3.079** **
			(2.214)
Target_lowQ			-0.613
			(-0.279)
Target_lowQ_since			**0.152**
			(0.130)
SOE	0.289	0.332	0.313
	(0.323)	(0.372)	(0.350)
Size	3.973***	3.906***	3.991***
	(9.563)	(9.365)	(9.570)
Age	-1.264	-1.283	-1.245
	(-1.192)	(-1.213)	(-1.173)
Lev	-5.882***	-5.827**	-5.924***
	(-2.621)	(-2.579)	(-2.634)
ROA	-10.090*	-9.858*	-10.093*
	(-1.803)	(-1.762)	(-1.807)
Q	0.679***	0.670***	0.676***
	(2.627)	(2.590)	(2.614)
SalesGrowth	-0.230	-0.221	-0.233
	(-0.478)	(-0.457)	(-0.483)
HERF3	4.855	4.673	4.871
	(1.543)	(1.491)	(1.548)
FCF	2.373**	2.315**	2.377**
	(2.384)	(2.324)	(2.387)
BoardSize	3.488*	3.551**	3.500*
	(1.918)	(1.966)	(1.924)
Duality	-1.287*	-1.307*	-1.271*
	(-1.877)	(-1.915)	(-1.855)
Indep	1.871	2.130	1.903
	(0.359)	(0.410)	(0.365)
ManagerialSize	2.928***	2.920***	2.917***
	(3.060)	(3.068)	(3.045)
SSE	-1.942***	-1.965***	-1.972***
	(-2.645)	(-2.670)	(-2.669)
GDP_percapita	12.352***	12.390***	12.400***
	(10.548)	(10.630)	(10.554)
_cons	-192.359***	-191.391***	-193.304***
	(-16.341)	(-16.254)	(-16.403)
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
SEs. Clustered	Firm	Firm	Firm
No. of obs.	4,145	4,145	4,145
Adj. R-square	0.404	0.406	0.403
Mean VIF	3.85	3.90	3.80

Table 10. Incremental effects of CSR performance in cross-border M&As on profitability, access to finance, and cost of equity.

This table reports that the influence of cross-border M&As (e.g., acquisitions of targets from developed/emerging markets) on CSR performance has consequences for a firm's investment and financing activities focusing on the first deal. Columns 1-2 present the incremental effects of CSR performance on firm profitability. Both columns report the results from regressing profitability on cross-border M&A behaviour, CSR performance, their interaction term, and the controls. Column 3-4 report the results regarding the incremental effect of CSR performance on access to finance. Access to finance is measured using KZ index and higher values of the KZ index suggest that the firm is more capital constrained. Construction of the KZ index is defined in Appendix D. Columns 5-6 reveal the impact of increased CSR performance on cost of equity. Higher values of *r_CAPM* means higher cost of equity or higher required rate of return. Columns 7-8 present the impact of increased CSR performance on investment efficiency by employing Q model. All independent variables are one-year lagged. Industry and year dummies are included. Standard errors are clustered at the firm level. T-statistics are reported in parentheses. ***, **, and * indicate significance at the 1%, 5%, and 10% level, respectively.

First Cross-Border Deal	Profitability[a]		Access to Finance		Cost of Equity		Investment Efficiency[b]	
Dependent variable =	ROE	ROE	KZ_index	KZ_index	r_CAPM	r_CAPM	INV	INV
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
CBMA	-2.039*		0.691**		0.001		0.541	
	(-1.837)		(2.026)		(1.624)		(1.303)	
CBMA×CSR	**0.046****		**-0.016****		-0.000		-0.012*	
	(2.147)		**(-2.036)**		(-1.186)		(-1.706)	
Target_dev		-1.859		0.799**		0.001		0.673
		(-1.519)		(2.324)		(1.595)		(1.532)
Target_dev×CSR		**4.477***		**-0.016****		-0.000		-0.014*
		(1.915)		**(-2.020)**		(-1.197)		(-1.840)
Target_eme		-2.906		0.400		0.001		-0.547
		(-1.501)		(0.417)		(0.523)		(-0.585)
Target_eme×CSR		5.288		-0.020		-0.000		0.011
		(1.252)		(-0.944)		(-0.291)		(0.637)
Q×CBMA							-0.274	
							(-1.496)	
Q×Target_dev								-0.340*
								(-1.790)
Q×Target_eme								0.498
								(0.816)
Q×CSR							-0.003**	-0.003**
							(-2.066)	(-2.045)
Q×CBMA×CSR							**0.007***	
							(1.683)	
Q×Target_dev×CSR								**0.008***
								(1.907)
Q×Target_eme×CSR								-0.012
								(-0.944)
CSR	0.021**	2.068**	-0.004	-0.004	-0.000	-0.000	0.009***	0.009***

[a] With respect to the proxy for profitability, ROE in columns 1-2 are multiplied by 100.

[b] The level of investment expenditures is multiplied by 100.

	(2.171)	(2.149)	(-0.966)	(-0.930)	(-0.110)	(-0.111)	(2.668)	(2.638)
Size	0.422***	0.423***	0.250***	0.245***	-0.000***	-0.000***	-0.064***	-0.063***
	(3.402)	(3.416)	(5.930)	(5.866)	(-3.044)	(-3.047)	(-3.223)	(-3.200)
Lev	8.360***	8.346***					0.175	0.171
	(10.479)	(10.480)					(1.185)	(1.157)
Age	0.406	0.408					0.058	0.058
	(1.245)	(1.250)					(0.962)	(0.967)
ROA	72.707***	72.690***						
	(24.270)	(24.270)						
SOE	-0.492*	-0.490*					0.071*	0.071*
	(-1.858)	(-1.850)					(1.711)	(1.723)
Q	0.810***	0.810***					0.102	0.101
	(8.004)	(8.003)					(1.493)	(1.477)
SalesGrowth	0.786**	0.793**						
	(2.472)	(2.486)						
CFO							-0.230	-0.226
							(-1.234)	(-1.209)
BTM					0.000*	0.000*		
					(1.669)	(1.670)		
BETA					0.005***	0.005***		
					(19.563)	(19.541)		
_cons	-10.614***	-10.632***	-4.378***	-4.244***	0.018***	0.018***	1.294***	1.285***
	(-3.613)	(-3.624)	(-4.833)	(-4.735)	(16.433)	(16.424)	(2.909)	(2.897)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
SEs. Clustered by	Firm	Firm	Firm	Firm	Firm	Firm	Firm	Firm
No. of obs.	4,050	4,050	4,029	4,029	3,868	3,868	3,914	3,914
Adj. R-square	0.479	0.478	0.286	0.285	0.949	0.949	0.029	0.029
Mean VIF	4.22	4.42	4.38	4.61	4.18	4.40	4.1	4.02

Appendix A. Description of CSR rating system composition.

CSR performance in Category	Code	Indicator
Macrocosm	M1	Overall CSR strategic objective; methodology; risk identification.
-Strategy	M2	Impact of climate change, social issues, and change in macroeconomic environment on corporate sustainability.
	M3	Impact of product or service provided on society and environment.
	M4	Corporate representative's (Chairman's and CEO's) declarations regarding social responsibility/corporate sustainability.
	M5	Long-term and short-term plans regarding corporate social responsibility.
-Governance	M6	Disclosure of basic corporate information, related industrial information, and its social environment information.
	M7	Corporate social responsibility values and code of conduct.
	M8	Institutional structure of the board of director; the management setting.
	M9	Information disclosure regarding corporate social issues, economic issues, and environmental issues.
	M10	Institutional settings regarding information disclosure.
	M11	Assessment of general risk; identify and address risks in terms of corporate sustainability.
	M12	Disclosure of institutional norms regarding anti-corruption and anti-commercial bribery.
	M13	CSR promotion among affiliated enterprises and subsidiaries.
-Stakeholders	M14	Recognition of stakeholders; recognition of importance of stakeholders.
	M15	Communication mechanism with stakeholders; feedbacks from stakeholders; additional improvement.
	M16	Review and comments from stakeholders' perspective.
Content	C1	Disclosure of annual total income, profits, and dividend distribution plans.
-Economic performance	C2	Disclosure of change in annual total income, profits, and dividend distribution plans on a year-on-year basis.
	C3	Sales volume of service and product; market share of service and product; innovation of service and product.
-Labour and human rights	C4	Gender structure; age distribution; total number of employees; total number of temporary employees; Formal labour contracts.
	C5	Training hours and training hours per person; policies for the training and development of employees.
	C6	Policies covering health and safety at work; safety protection facilities; health management of employees.
	C7	Employee complaints and relevant solutions; declaration on the prohibition of the use of child labour; equal pay for equal work.
	C8	Compensation of employees as per legally mandated minimum salary and insurance; employee holiday; other benefits except remuneration; care for special employees.
	C9	Employee entertainment; family care; survey of employee satisfaction.
	C10	Employee training in terms of sustainability.
-Environment	C11	Annual environmental investment; certification of environmental management system.
	C12	Emission of pollution and waste identification; measure, record, and report the source of contamination; take measures to control pollution.
	C13	Recognition of energy, and source of water; conserve energy, reduce emissions; replace non-renewable energy sources; measure, record, and report energy and water consumption.
	C14	Identify the source of greenhouse gas emission; take climate change into consideration; measure, record, and report greenhouse gas emission; greenhouse gas emission reduction measures; reduce or avoid the adverse effects of climate change.
-Fair operation	C15	Anti-corruption policy and practices; audit and encouragement of reporting issues.
	C16	Promote cognition of social responsibility; review the commitment of social responsibility.
-Customers	C17	The elaboration and certification of the quality management system; technological innovation of service and product.
	C18	Customer relationship management system; customer satisfaction survey.
	C19	Qualification rate of main product and service; safety profile of main service and product; recycling mechanism of main product.
	C20	Customer complaints and related solutions.
	C21	Customer privacy protection.

	C22	Product instructions; consumer legal right protection.
-Community participation and development	C23	Total public social welfare donation; explicit information in terms of public social donation.
	C24	Volunteer service; per capita social contribution.
	C25	Political participation regarding social responsibility.
	C26	Job creation for society and the number of employees recruited by year.
	C27	Participation in technology development projects; cooperation with university research institutes.
	C28	Support community enterprises.
	C29	Promote health awareness.
	C30	Investment environment screening.
Technique	T1	The comprehensive coverage of stakeholders' responsibilities.
-Information coverage		
	T2	Negative information disclosure and challenges.
-Consistency	T3	Reporting form; calculation methods; explanations on hypotheses.
	T4	Coverage of CSR ratings; CSR reporting; CSR reports ranking information.
-Reporting innovation	T5	Interpretation innovation; reporting structure innovation.
	T6	Efficiency of innovation; Popularity.
-Reliability and transparency	T7	Disclosure level of stakeholders' suggestions.
	T8	Assurance agencies.
	T9	The authority certification of assurance agencies.
	T10	Report readers' suggestion and feedbacks.
-Normalization	T11	The time of the report; coverage; cycle of release; information regarding participants and producers.
-Standard	T12	Standard selection and control groups.
-Rigorism	T13	Typos.
-Information effectiveness	T14	The language version of CSR reports.
	T15	Special methods for special people to obtain CSR reports.
	T16	Typesetting.
	T17	Graphing.

Appendix B. Variable definitions.

Variables	Definition	Expected Signs
CSR	A firm's raw Corporate Social Responsibility reporting ratings.	
CSR_IA	$CSR_{i,t}$ is calculated as the firm's raw CSR performance less the mean CSR performance for all firms in the same industry in a given fiscal year.	
Δ*CSR*	Change in raw CSR performance is the absolute change in a firm's CSR performance between year *t* and year *t-1*, e.g., $\Delta CSR_{i,(t,t-1)}=CSR_{i,t}-CSR_{i,t-1}$.	
GRI	A dummy variable equals 1 if a firm discloses CSR reports based on Global Reporting Initiative guidelines, and 0 otherwise.	
CBMA	CBMA is a dummy variable which equals 1 if a firm has completed at least one cross-border M&A deal in year *t* and 0 otherwise.	+
Target_dev	A dummy variable equals 1 if the target comes from a developed market, and 0 if a firm does not carry out any cross-border M&As or if the target is from an emerging market in the same year.	+
Target_eme	A dummy variable equals 1 if the target comes from an emerging market, and 0 if a firm does not carry out any cross-border M&As or if the target is from a developed market in the same year.	Insignificant
Target_highQ	A dummy variable equals 1 if the target comes from a high-quality governance region, and 0 if a firm does not carry out any cross-border M&As or if the target comes from a low-quality governance region in the same year.	+
Target_lowQ	A dummy variable equals 1 if the target comes from a low-quality governance region, and 0 if a firm does not engage in any cross-border M&As or if the target comes from a high-quality governance region in the same year.	Insignificant
SOE	A dummy variable that equals one if the ultimate controlling shareholder of a firm is the central or local government, or a government agency, and zero otherwise.	+/–
Size	Natural logarithm of total assets.	+
Age	Natural logarithm of the number of years since incorporation.	+
Lev	Total debts over total assets.	–
ROA	Earnings before interests and taxes (EBIT) over total assets.	+
ROE	Net profits over total shareholders' equity.	
Q	Total assets minus the book value of equity plus the market value of equity, all scaled by the book value of total assets.	+/–
SalesGrowth	Annual percentage change in total revenues.	+
HERF3	Sum of squares of shareholding percentage of top three negotiable shareholders.	–
FCF	Net operating cash flow (calculated as earnings before interest, taxes and depreciation, or EBITDA, less net capital expenditure) over total assets.	–
BoardSize	Natural logarithm of total number of directors.	+
Duality	Dummy=1 for any of the following combinations: CEO and board chair are the same person; vice-CEO and chair are the same; and/or CEO and vice-Chair are the same (otherwise=0).	–
Indep	The percentage of independent directors in the board.	+
ManagerialSize	Managerial size measured as the natural logarithm of the total number of executive managers.	+
SSE	A dummy variable equals 1 if the acquirer is listed on the Shanghai Stock Exchange, and 0 otherwise. (Note: if equals 0, the acquirer is listed on the Shenzhen Stock Exchange.)	+
GDP_percapita	The annual GDP divided by midyear population (in current CNY). Source: World Bank.	+
KZ_index	$KZ\_index_{i,t}$=- $1.002\times\frac{CF_{i,t}}{Assets_{i,t-1}}-39.36\times\frac{CashDividend_{i,t}}{Assets_{i,t-1}}-1.315\times\frac{CashBalances_{i,t}}{Assets_{i,t-1}}+3.139\times Leverage_{i,t}+0.283\times Q_{i,t}$.	
INV	Cash payments for fixed assets, intangible assets, and other long-term assets from cash flow statements minus cash receipts from selling them, scaled by beginning total assets.	
CFO	Net operating cash flow scaled by beginning total assets.	
r_CAPM	The required rate of return: $r\_CAPM_t=\alpha+\beta\, r_{M,t}+\varepsilon_t$.	
BTM	The book-to-market ratio calculated as the ratio of book value of equity to the market value of equity.	
BETA	β coefficient: $r\_CAPM_t=\alpha+\beta\, r_{M,t}+\varepsilon_t$.	

Appendix C. Economic development and World Governance indicators.

Panel A: Targets' nation classification by economic development.

Targets from developed markets	**Americas** Canada, United States **Europe & Middle East** Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Malta, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom **Pacific** Australia, Hong Kong, Japan, New Zealand, Singapore
Targets from emerging markets	**Americas** Argentina, Brazil, Chile, Colombia, Mexico, Peru **East Asia** Indonesia, Malaysia, Philippines, Taiwan, Thailand, Vietnam

Source: Country Classification, the United Nations (UNCTAD, 2018). We disclose all developed countries in the list but only some selected emerging markets due to the large number of the emerging countries.

Panel B: World Governance Indicators.

Overall WGI (Overall quality of governance)	Description
Voice and accountability	Reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
Political stability and absence of violence	Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.
Government effectiveness	Reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
Regulatory quality	Reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
Rule of law	Reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.
Control of corruption	Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

Source: World Bank (2018).

Appendix D. Construction of access to finance.

We follow the extant literature in corporate finance (Kaplan and Zingales, 1997; Cheng et al., 2014) in measuring the level of capital constraints (access to finance) by constructing the KZ index for every firm-year observation in our sample. We use their regression coefficients to derive the KZ index for each firm-year, consisting of a linear combination of five elements: (1) cash flow to total assets; (2) cash dividends over total assets; (3) cash and cash equivalents over total assets; (4) leverage ratio; and (5) Tobin's Q. More formally:

$$KZ\_index_{i,t}\text{=-}1.002\times CF_{i,t}/Assets_{i,t-1}\text{-}39.36\times CashDividend_{i,t}/Assets_{i,t-1}\text{-}1.315\times CashBalances_{i,t}/$$

$$Assets_{i,t-1}\text{+ }3.139\times Leverage_{i,t}\text{+}0.283\times Q_{i,t}$$