

## Tone Management and Corporate Social Responsibility: The Moderating Role of Board Gender Diversity<sup>1</sup>

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Research Paper

### INTRODUCTION

Financial markets have become increasingly sophisticated, and merely quantitative information no longer satisfies their needs. This has led to qualitative reports becoming a focal point for many financial market stakeholders, who now consider Corporate Social Responsibility (CSR) as part of a company's vision, alongside financial statements. Given the absence of specific guidelines for textual disclosures, managers have the ability to manipulate the tone of reports by carefully selecting their words. The purpose of this study is to investigate how board gender diversity moderates the relationship between abnormal tone (tone management) and CSR, as well as the relationship between the tone of these reports and CSR.

### MATERIALS AND METHODS

To test the hypotheses, we utilized one of the most significant textual disclosures of companies, namely the Board of Directors' activity reports, along with the explanatory notes attached to the financial statements. The research sample consisted of 784 observations from a total of 112 companies listed on the Tehran Stock Exchange during the years 2015 to 2021.

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## RESULTS AND DISCUSSION

The results indicate that the presence of at least one woman on the board weakens the relationship between abnormal tone, abnormal tone from the previous year, and the tone of the Board of Directors' activity reports with CSR reporting. Additionally, a significant negative relationship was found between the abnormal tone of the previous year's Board of Directors' activity report and CSR reporting.

## CONCLUSION

Based on the research findings and considering the effectiveness of female oversight, their inclination toward responsible activities, conservatism, and other factors, the presence of women on the board reduces the negative impact of tone management on CSR. Furthermore, given the importance of company reports to stakeholders and society, and the potential damages within broad areas of social responsibility that may arise, it is recommended that relevant authorities (standard-setters and regulators) prioritize the development of specific guidelines and frameworks for presenting CSR activities in a separate report.

**Keywords:** Corporate Social Responsibility, Tone Management, Abnormal Tone, Gender Diversity.

**JEL Classification:** M14, M40, M41, E16.

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