

# Does Mandatory CSR Disclosure Pressure Firms to Engage in CSR-washing?

**Jia Guo**

The Hong Kong Polytechnic University

[gina-jia.guo@polyu.edu.hk](mailto:gina-jia.guo@polyu.edu.hk)

**Jeffrey Ng**

The University of Hong Kong

[jeffngty@hku.hk](mailto:jeffngty@hku.hk)

**Hong Wu**

Fudan University

[hongwu@fudan.edu.cn](mailto:hongwu@fudan.edu.cn)

**Qi Zhang**

Shandong University

[qizhang@sdu.edu.cn](mailto:qizhang@sdu.edu.cn)

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## ABSTRACT

A firm's exaggeration of its corporate social responsibility (CSR), known as CSR-washing, raises significant concerns regarding CSR disclosure. Utilizing a difference-in-differences research design that leverages China's 2008 requirement for certain firms to disclose their CSR activities, we analyze the impact of mandatory CSR disclosure on CSR-washing. Our findings indicate that, compared to firms not affected by the mandate, affected firms engage in more CSR-washing, suggesting that mandatory CSR disclosure pressures firms to misrepresent their CSR efforts. Additionally, we document that the post-mandate increase in CSR-washing is particularly evident among affected firms that enhance their CSR disclosures following the mandate, those facing greater financial constraints, those experiencing more substantial peer pressure to disclose, or those subject to less external monitoring. Furthermore, our research shows that firms engaged in CSR-washing tend to receive more CSR awards, lower their debt costs, and enjoy improved stock liquidity, aligning with the notion of benefits associated with CSR-washing.

**Keywords:** mandatory CSR disclosure; CSR-washing; China

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