Abstract We empirically examine the impact of corporate social responsibility (CSR) on CEO compensation using a large sample of the US firms from 1996 to 2010. We develop and test two hypotheses, the overinvestment hypothesis based on agency theory and the conflict–resolution hypothesis based on stakeholder theory. We find that the lag of CSR adversely affects both total compensation and cash compensation, after controlling for various firm and board characteristics. Our estimates show that an interquartile increase in CSR is followed by a 4.35% (2.78%) decrease in total (cash) compensation. We also find an inverse association between lagged employee relations and CEO compensation. Our results are robust to the correction for endogeneity using instrumental variable approach. Taken together, our results support the conflict–resolution hypothesis, but not the CSR overinvestment argument.

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