Corporate Social Responsibility Reporting and Organizational Stigma: The Case of "Sin" Industries

Abstract

We examine corporate social responsibility (CSR) reporting strategies by focusing on stigmatized firms belonging to the alcohol, tobacco, gambling, nuclear energy and firearm sectors. These are often described as "sins" due to their perceived deviation from broadly-endorsed standards. We employ a sample of 109 U.S. listed "sin" firms for a seven-year period (2003-2009) and control with another set of 109 similar-sized, non-"sin" firms for the same period. We find that "sin" firms are more prone to issuing standalone CSR reports. We also demonstrate that a greater risk of litigation by third parties increases the likelihood of a "sin" firm instigating CSR reports, while variations in ownership structure do not. By drawing upon literature on organizational stigma, we argue that CSR disclosures constitute an integral part of "sin" firms' strategic goal to distract attention from their controversial activities, lessen the negative consequences of stigmatization and neutralize the impact of litigation proceedings.

Keywords: Ethics, corporate social responsibility, organizational stigma, controversial industries, sin firms, voluntary disclosure.

1. Introduction

Prior research has illuminated the role of corporate social responsibility (CSR) disclosures as strategic tools (Groening & Kanuri, 2013; Herzig & Moon, 2013; Kemper, Schilke, Reimann, Wang, & Brettel, 2013; Lin-Hi & Müller, 2013; Perks, Farache, Shukla, & Berry, 2013) through which managers secure broader stakeholder support (Hillenbrand, Money, & Ghobadian, 2013; Park, Lee, & Kim, 2013) and attract the interest of institutional investors and analysts (Dhaliwal, Li, Tsang, & Yang, 2011). However, these findings cannot be generalized since limited attention has been paid to the CSR disclosure strategies of firms characterized by less-favorable reputations (Mishina & Devers, 2012). For instance, firms suffering organizational stigma, i.e. the "label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization" (Devers, Dewett, Mishina, & Belsito, 2009, p. 157), have been left largely unexplored; thus, there has been a call from academics for further research (Hudson, 2008; Philippe & Durand, 2011; Vergne, 2012).

The importance of such an investigation is of broader interest for two reasons. Firstly, any organization may be stigmatized by certain social audiences, either as a result of various anomalous events or due to their normal activities and operations[1] (Hudson, 2008; Hudson & Okhuysen, 2009). Secondly, intense public debates have been triggered by the activities of certain industries, including: mining and oil firms, due to their propensity for environmental

[1] Hudson (2008, p. 253) refers to abortion service providers, pornographers, strip clubs, men's bathhouses and professional wrestling franchises as additional examples of businesses that suffer organizational stigma because of their very nature of operation. Furthermore, well-known companies have suffered a stigma. For instance: Wal-Mart's discrimination against minority employees and its hiring and mistreating of illegal immigrants has caused a fierce reaction from activist groups who have labeled it as "evil" (Reuber & Fischer, 2010); Nike was stigmatized for child labor in Pakistan (Lund-Thomsen & Coe, 2013); Barclays was boycotted for its involvement in South Africa during the apartheid regime (Klein, Smith, & John, 2004); and Enron, Arthur Anderson, and Citibank have all been stigmatized for financial reporting irregularities which have resulted in serious public challenges and disputes (Galvin, Ventresca, & Hudson, 2005).

damage; utilities and hospitals due to billing policies; pharmaceutical companies due to drug-access policies; and manufacturers in the U.S. and Europe due to their controversial outsourcing policies (see Elsbach, Sutton, & Principe, 1998; Heal, 2008). While not all firms belonging to these groups have been stigmatized (Heal, 2008), other group members live with an increased likelihood of encountering the repercussions of social stigma.

While episodic negative situations which lead to event-stigmatization are often managed through public statements, excuses, justifications, concessions, apologies, denials and attacks (Carter & Deephouse, 1999; Dutton & Dukerich, 1991; Elsbach, 1994), core-stigmatization is usually associated with deeply-rooted negative evaluations which require systematic strategies to minimize their impact (Hudson, 2008; Hudson & Okhuysen, 2009). The latter is often accompanied by an increased probability of litigation by third parties (Grinols, 2004; Lytton, 2009), restrictive state interventions (Janofsky, 2005) and adverse reactions from various social groups or influential social movements (Banerjee & Bonnefous, 2011; Bansal & Clelland, 2004; Haniffa & Cooke, 2005).

Against this background, we bring to the fore the alcohol, tobacco, gambling, nuclear energy and firearms industries, often referred to as "sins" due to their core activities (Leventis, Iftekhar, & Dedoulis, 2013). Firms belonging to "sin" sectors ceaselessly strive to lessen the impact of core-stigmatization (Galvin *et al*., 2005; Hudson & Okhuysen, 2009) and are worthy of attention since their defensive strategies constitute prime examples for various firms confronting severe reputational challenges (see Brown, 2014).

Firms associated with "sin" industries do appear to engage in CSR practices (Ahrens, 2004; Rundle-Thiele, Ball, & Gillespie, 2008; Waxler, 2004). With this type of activity becoming prominent, we seek to understand whether managers of "sin" firms are more prone to initiating CSR reports than their counterparts in non-controversial firms and, if so, why? We then attempt to identify the characteristics of CSR-initiating “sin” firms, i.e. the determinants of this action. For this purpose, we employ a sample of 109 U.S. listed “sin” companies for a seven-year period (2003-2009) and control with a benchmark group of a further 109 non-“sin” companies belonging to the same two-digit SIC industry sector, for the same period. We demonstrate that, in comparison to the non-controversial group, “sin” companies appear to be more active disclosers of CSR reports. Moreover, we find that a greater risk of litigation by third parties increases the likelihood of a “sin” firm issuing voluntary CSR reports, while variations in ownership structure do not. Additionally, better governing structures, larger size, and a greater financial capacity are all variables which determine CSR disclosures.

Our study’s contribution is threefold. Firstly, we contribute to the literature on CSR by demonstrating that the instigation of discretionary CSR reports constitutes a proactive and/or reactive strategy primarily employed by firms experiencing negative social evaluations, in order to diminish the effects of social disapproval. Secondly, we extend the literature on organizational stigma, which has primarily examined various forms of public-relations efforts (Elsbach & Kramer, 1996; Elsbach *et al*., 1998; Ginzel, Kramer, & Sutton, 1992), by showing that voluntary CSR reporting constitutes a central defensive mechanism for “sin” firms. Thirdly, we contribute to current understandings by elucidating the profile of stigmatized firms which are more likely to engage in CSR reporting.

The rest of the paper is organized as follows: In the next section, we discuss the theoretical perspectives underlying the study and we develop testable hypotheses. In the research design section, we describe the data-collection procedures and specify the empirical model. The results are discussed in the subsequent section and the robustness tests are presented in the sensitivity testing section. Finally, in the last section, we present the conclusions drawn from our analysis.

2. Prior Literature and Hypotheses Development

The literature on organizational stigma[2] focuses on firms negatively evaluated by groups of stakeholders (Barnett & Pollock, 2012; Hudson, 2008; Philippe & Durand, 2011). With its roots in labeling theory which is grounded in the sociology of deviance (Erickson, 1962; Gibbs & Erickson, 1975), researchers adopting this perspective draw attention to processes by which various stakeholders identify firms with negatively-evaluated groups of companies (Devers *et al*., 2009; Hudson, 2008). As a result of corporate actions, or because of inherent properties, different social audiences may view a firm as a member of a socially-discredited category: "[t]his categorization facilitates negative stereotyping because when we slot an entity into a category, we infer additional information about the entity from the attributes we normally consider associated with that category" (Reuber & Fischer, 2010, p. 41).

Groups of stakeholders often associate firms with stigmatized industries on the basis of their outputs, routines, actions and operations (Galvin *et al*., 2005; Hudson & Okhuysen, 2009; Vergne, 2012). Hudson (2008) characterized this type of stigma as "core". Core-stigmatization is usually of a permanent nature since it is based on a breach of institutionalized values which generate the perception that the organization's activities are incongruent with endorsed standards of corporate behavior.

"Sin" industries are stigmatized due to firmly-established perceptions that their core activities deviate from widely-endorsed standards of organizational behavior (Leventis *et al.*, 2013). Alcohol, tobacco and gambling firms have long been denounced for the addictive nature

[2] Although some studies use the terms "negative reputation" and "stigma" equivalently and interchangeably, we adopt Mishina and Devers' (2012) definitions and conceptual clarifications, according to which the former is understood as a collective, multidimensional judgment about a firm by its multiple stakeholders and the latter is conceived of as a label or descriptor denoting that an organization possesses a fundamental flaw that deindividuates and discredits the organization.

of their products and services and the devastating social impact on families and communities (Galvin *et al*., 2005; Grinols, 2004; Hudson, 2008; Vergne, 2012). Firearm manufacturers and retailers are increasingly considered as the facilitators of tragedies relating to small firearms misuse, environmental damage from artillery testing and the use of chemical and biological weapons (Brauer, 2000; Byrne, 2007; Vergne, 2012). The nuclear industry has also been associated with unprecedented environmental and social destruction (Janofsky, 2005) as a result of military nuclear testing, radiation spills from accidental reactor failures and the disposal of nuclear waste (Clemens & Papadakis, 2008). Moreover, stigmatized firms' externalities may occasionally spark industry crises, transgressing the organizational boundaries of the entities involved and aggravating negative public perceptions of the industry as a whole (Durand & Vergne, 2014; Yu, Sengul, & Lester, 2008). Thus, "sin" firms permanently live with what has been termed a "negative headline risk" and remain constantly under the social microscope of value judgments (Fabozzi, Ma, & Oliphant, 2008, p. 86).

Apart from negative social evaluations, "sin" industries encounter considerable hostility (Hudson, 2008) which may take the form of restrictive legislation (Janofsky, 2005) and/or adverse social activism (Banerjee & Bonnefous, 2011; Bansal & Clelland, 2004; Devers *et al*., 2009; Galvin *et al*., 2005; Haniffa & Cooke, 2005). Keeping disapproval at a minimum or mitigating the negative consequences of core-stigmatization is particularly crucial for "sin" firms, since the risk of scapegoating for stigmatized group members is extremely high (Hudson, 2008; Hudson & Okhuysen, 2009; Vergne, 2012).

Prior studies suggest that stigmatized firms attempt to polish their tarnished images or neutralize stakeholder criticisms by using impression-management tactics (Bansal & Clelland, 2004; Carter & Deephouse, 1999; Dutton & Dukerich, 1991; Elsbach, 1994; Elsbach & Kramer, 1996; Elsbach *et al*., 1998; Ginzel *et al*., 1992). They often resort to CSR to initiate a "dialogue between the company and its stakeholders" (Gray, Kouhy, & Lavers, 1995, p. 53), since such practices are contemporarily viewed as a social corporate "obligation" (Philippe & Durand, 2011, p. 971) which signals conformity to social audiences.

In particular, CSR reporting broadcasts important signals of institutional congruence which is highly likely to mask, or at least distract attention from, their core-stigmatized activities (Elsbach & Sutton, 1992). Thus, by initiating the issuance of CSR disclosures, "sin" firms employ a defensive mechanism of a proactive and/or reactive nature which can cushion the impact of negative evaluations of their operations and keep social disapproval at a low level (Vergne, 2012). Therefore, we argue that, as a result of the severe adversity "sin" firms encounter, "sin" firm managers may have a far greater incentive to issue CSR reports in order to disseminate signals of social and environmental conformity than managers in non-"sin" firms (Elsbach, 1994; Elsbach & Sutton, 1992; Philippe & Durand, 2011). Consequently, we hypothesize that:

> **H1**: *Ceteris paribus*, the probability of a company issuing standalone CSR reports is positively associated with its belonging to a "sin" industry.

Prior studies have illuminated that litigation instigated by third parties poses a severe threat for "sin" industries (Feldman, Soyka, & Ameer, 1997; Fooks, Gilmore, Collin, Holden, & Lee, 2013; Ghoul, Guedhami, Kwok, & Mishra, 2011; Hong & Kacperczyk, 2009; Lytton, 2009). It has been demonstrated that the number of court cases against "sin" firms has significantly increased in recent decades (Boyle, 1998; Kindt, 2004; Lytton, 2009; Stout, 2009) due to two reasons: firstly, advances in science, which enable third parties to make cases based on indisputable scientific evidence against the alcohol and tobacco industries (Grinols, 2004;

Sifferlin, 2014); and, secondly, social awareness and pressures which mount as a result of the intensification of organized social responses and activism by environmental and other groups against the nuclear, gambling and firearms activities (for instance, see Rehbein, Waddock, & Graves, 2004).

Litigation against stigmatized firms entails additional adversities, often with calamitous consequences (Garcia & Ewing, 2008). These effects could be realized in both direct and indirect ways (Kassinis & Vafeas, 2002). Whilst direct impacts include fines and expenses relating to the outcomes of lawsuits and settlements, indirect effects may refer to significantly-negative social responses, ranging from underpriced stocks (Hong & Kacperczyk, 2009) to product boycott (Grinols, 2004; Halpern & Snider, 2011; Klein *et al.*, 2004). In this sense, it is argued that the already tarnished images of “sin” firms would almost certainly suffer a further deterioration as a result of litigation proceedings against them.

Prior literature has demonstrated that there is an association between higher litigation risk and CSR practices (Barnett, Hartmen, & Salomon, 2014; Chen, Srinidhi, Tsang, & Yu, 2012; Fooks *et al.*, 2013; Ghoul *et al.*, 2011; Godfrey, Merrill, & Hansen, 2009; Zi-Hang, Yue-Yu, & Zhi-Wei, 2014). Godfrey (2005) argues that firms which violate regulations, ethical norms or customs and, thereby, face a higher litigation risk by third parties, are likely to undertake CSR activities to change the public’s opinion and provide compelling evidence of good character. More specifically, Tzavara (2009) illuminates the mechanism that relates litigation proceedings instigated by plaintiffs (third parties) to the defendant’s (corporation’s) CSR policies. She provides empirical evidence to argue that engagement in CSR activities promotes a socially-responsible corporate profile, which is fundamentally important for firms dragged through the courts (*ibid.*). This is because involvement in CSR is interpreted as social responsiveness and concern on the part of the defendant, which potentially reduces the plaintiff’s probability of winning the case in court and increases the probability of an out-of-court settlement on terms which are beneficial for the defendant (*ibid*.).

In light of the above, litigation may pose a severe threat for “sin” firms’ viability as it exponentially increases the complexity within which managers operate. Hence, it is expected that managerial efforts to keep social disapproval at a minimum and mitigate the negative consequences of core-stigmatization would be accompanied by systematic attempts to minimize the impact of lawsuit outcomes. Since engagement in CSR activities is broadly interpreted as social responsiveness, “sin” firm managers are expected to be more active in resorting to voluntary CSR reporting when firms are dragged through court battles, in order to increase the likelihood of disarming plaintiffs and reduce the direct and indirect costs associated with litigation proceedings. Therefore, we hypothesize that:

H2: *Ceteris paribus*, the probability of a “sin” firm issuing a standalone CSR report is positively associated with the instigation of litigation proceedings against the “sin” firm.

Prior literature suggests that ownership structure impacts on CSR policies and disclosures (Gamerschlag, Möller, & Verbeeten, 2011; Mahoney & Thorn, 2006; Nazli & Ghazali, 2007; Oh, Chang, & Martynov, 2011). Indeed, a higher level of institutional ownership is found to be associated with intense CSR disclosure, since institutional investors demand supplementary information for monitoring purposes (Gamerschlag *et al.*, 2011; Oh *et al.*, 2011). Additionally, these investors select socially-responsible businesses in order to promote signals of reliability and ethos (Siegel & Vitaliano, 2007). Finally, certain groups of institutional investors, and in particular banks, have established strict principles to ensure their involvement in socially-responsible investment activities (for instance, see Grougiou, Leventis, Dedoulis, & Owusu-Ansah, 2014).

In contrast, insider ownership is related to a lower tendency to instigate voluntary CSR disclosures for two main reasons. Firstly, insider ownership is associated with more inward-looking management policies, which quite often exclusively focus on short-term value-maximising activities (Gamerschlag *et al.*, 2011; Oh *et al.*, 2011). Secondly, demand for disclosing information for accountability and transparency purposes is relatively weak due to the limited representation of outsider interests. Hence, the cost of investing in CSR disclosures may outweigh the potential benefits of producing such reports (Barnea and Rubin, 2010; Gamerschlag *et al.*, 2011; Oh *et al.*, 2011).

"Sin" firms illustrate material peculiarities in terms of ownership structure (Ghoul *et al.*, 2011; Hong & Kacperczyk, 2009). "Sin" firms struggle to attract equity capital, including the interest of institutional investors, due to their stigma. This leads to higher costs of equity and debt capital (Ghoul *et al.*, 2011; Hong & Kacperczyk, 2009). Moreover, it has been shown that, despite offering excellent investment opportunities (Chong, Her, & Phillips, 2006; Hong & Kacperczyk, 2009; Salaber, 2009), "sin" stocks are held less often by norm-constrained institutions and pension funds and are discriminated against by various ethical funds (Ghoul *et al.*, 2011). Contrarily, "sin" firms constitute investment targets for mutual or hedge funds, or for other investors[3] with an exclusive focus on high returns (Ghoul *et al.*, 2011; Hong & Kacperczyk, 2009).

Against this background, we expect that stigmatized firms characterized by high institutional representation in equity capital would actively direct their efforts towards increasing

[3] Interestingly, there are funds that exclusively invest in "sin" industries. The most well-known are the Vice Fund, the Invesco Leisure Fund and the Morgan Fun Shares (Waxler, 2004).

institutional investment by employing CSR disclosures, in order to soften concerns that lead to discriminatory decisions by investors. However, we cannot rule out the possibility that, when "sin" firms are significantly controlled by institutional investors attracted by their high rate of returns (Ghoul *et al.*, 2011; Hong & Kacperczyk, 2009), CSR agendas and disclosures may not be a primary concern.

Additionally, while prior literature on mainstream firms suggests a negative association between insider ownership and CSR disclosures, we argue that, for "sin" firms and following the stigmatization theory rationale, a positive association is likely – especially when the owner-managers of stigmatized firms are personally identified with negatively-perceived corporate activities and events. In this case, they may vigorously seek ways to mitigate the negative consequences of core-stigmatization (Durnad & Vergne, 2014) and distance themselves as far as possible from tainted images and reputations by resorting to the instigation of CSR reports[4]. Therefore, discretionary CSR reports operate as vehicles through which "sin" firm owner-managers build their personal socially-responsive images and reputations in an attempt to dissociate themselves from questionable corporate practices and activities. Moreover, this strategy could also benefit owner-managers in alternative ways, since it may result in increased interest from investors and, in turn, enhanced share and operating performance through the reduced cost of equity and debt capital. In light of the aforementioned rationales, we hypothesize that:

[4] For instance, influential owners of "sin" firms have initiated CSR practices in addition to extensive philanthropic donations, including donations for medical research. Indicatively, James Buchanan "Buck" Duke (American Tobacco) left approximately half of his estate for medical research (Roberts, 2002). Owsley Brown Frazier (Brown-Forman) initiated many campaigns and programs to combat addiction to alcohol, along with many other CSR activities. He raised and donated more than half a billion dollars for various socially-responsible programs including medical research (Kemp, 2012). Kerkor "Kirk" Kerkorian, a key player in the establishment of the Las Vegas casino industry (e.g. Bellagio, MGM Grand, Mirage), has initiated programs concerned with responsible gaming, diversity and the environment; while donating over $1 billion to benefit educational, scientific and anti-poverty efforts. He also donated $100 million to UCLA for medical research (http://www.armeniapedia.org/index.php?title=Kirk_Kerkorian).

H3: *Ceteris paribus*, the probability of a "sin" firm issuing standalone CSR reports is associated with ownership structure.

3. Research Design

Data collection procedure

Prior studies have highlighted the inherent difficulties in identifying "sin" companies (Fabozzi *et al*., 2008; Hong & Kacperczyk, 2009). Furthermore, "sin" companies often simultaneously engage in non-"sin" operations, aiming to reduce negative exposure by diversifying their portfolio of activities (Beneish, Jansen, Lewis, & Stuart, 2008), which further complicates data collection. We therefore rely on KLD[5] STATS in identifying "sin" companies, similar to Statman and Glushkov (2009), which is extensively applied in CSR research (Ghoul *et al.*, 2011; Waddock, 2003). It denotes as "sin" those companies relating to the manufacturing, licensing, trading, funding and ownership of alcohol, firearms, gambling, military, nuclear power, and tobacco activities (see Appendix, Panel A). We collect information on 109 "sin" companies whose full data could be found in both the KLD and Datastream databases for the period 2003-2009. We then gather a matched sample of control firms (benchmark firms) representing similar-sized firms in the same two-digit SIC codes as that of the "sin" firms[6] (see Hubbard, Kuttner, &

[5] Kinder, Lydenberg, Domini & Co. (KLD) dataset is the leading database providing data on CSR and social issues (Waddock, 2003). KLD data are based on multiple data sources, including annual surveys sent to firms' investor relations offices, firm Securities and Exchange Commission filings, annual reports, government surveys, general press releases, and academic journal research. It covers the Russell-3000 (the 3,000 largest firms in the U.S., which represent approximately 98% of the investable U.S. market). KLD includes multiple indicators in seven stakeholder or social issue areas and identifies "sin" (controversial) business issues (see Appendix).

[6] Thus, "sin" and non-"sin" firms are similar sized firms in the same two-digit SIC code industry, where "sins'" activities directly or indirectly include manufacturing, licensing, trading, funding and/or ownership of alcohol, firearms, gambling, military, nuclear power, or tobacco activities. The only exception is tobacco, which has its own two-digit SIC code, and so we control for tobacco firms with similar-sized firms in other two-digit SIC code industries.

Palia, 2002). Subsequently, we focus on CSR disclosure policies, based on voluntary, standalone CSR reporting, by collecting CSR reports from the Corporate Social Responsibility Newswire, CorporateRegister.com and various internet sources including company websites. We verify the disclosure by downloading the actual CSR report. Our final sample comprises of 109 listed “sin” firms and 109 control firms for seven years, with the overall sample consisting of 1,526 firm-year observations (see Table 1).

[Insert Table 1 about here]

Empirical model

We employ a logistic regression to examine the association between the probability of a company issuing standalone CSR reports and its belonging to a “sin” industry (Dhaliwal *et al.*, 2011). In this section, we explain the relevant proxies operationalized, while in the following section we explain the partial effect of each independent and control variable on our dependent variable and the relevant measurements.

We operationalize the “sin” industry sector (SIN) as a dummy variable taking the value 1 if a firm is involved in the manufacturing, licensing, trading, funding and/or ownership of alcohol, firearms, gambling, military, nuclear power or tobacco activities, and the value 0 otherwise. We measure litigation (LIT) by considering the actual federal legal proceedings whose disclosure is dictated by the Securities Exchange Commission regulation S-K §229.103. Data have been obtained from the Corporate and Legal subsection of the Audit Analytics database (www.auditanalytics.com). These include material cases, *inter alia*, related to civil rights, class action and legal proceedings, which are based on laws referring to administration, trade, disability, the constitution, employment, energy, health, and immigration. We measure litigation (LIT) based on a dichotomous variable that takes the value 1 if there is a material litigation case and 0 otherwise. Additionally, we consider ownership structure by including two variables in our model: insider ownership (INSID) and institutional ownership (INST). We measure INSID as the percentage of the total number of common stock outstanding held by corporate insiders. Officers, directors and beneficial owners are only included if they hold at least 1,000 shares. We measure INST as the percentage of total shares outstanding held by various organizations that have greater than $100 million of equity assets.

We control for variables which, according to prior literature, are statistically related to CSR reporting. Hence, we include CSR performance (Clarkson, Li, Richardson, & Vasvari, 2008). To avoid a self-imposed bias regarding the definition and measurement of CSR (Claasen & Roloff, 2012), we follow previous researchers (e.g. Benson & Davidson, 2010; Ghoul *et al.*, 2011) and use the externally-determined ratings data provided by KLD STATS. This database provides ratings for different aspects of CSR activities, classifying them into the following categories: community, diversity, employee relations, environment, human rights, and product (service) quality (see Appendix, Panel B). The ratings capture essential aspects of the complex nature of CSR performance. KLD assigns a binary (0/1) rating to a set of concerns and strengths for each category. We calculate a score for each company by totaling the positive (strengths) and negative (concerns) indicators in a given year. An overall CSR performance is obtained for each company by adding the scores from each category (Garcia-Castro, Arino, & Canela, 2010). Lower CSR scores are interpreted as indications of a weaker CSR performance.

Since CSR reporting is influenced by the choices, motives and values of those who are involved in formulating and making decisions in organizations, corporate governance is suggested as an important determinant (Gibbins, Richardson, & Waterhouse, 1990; Haniffa & Cooke, 2005; Khan, Muttakin, & Siddiqui, 2013). Indeed, prior studies find that CSR choice and disclosures are positively associated with strong corporate governance mechanisms (e.g., Jo &

Harjoto, 2011; Johnshon & Greening, 1999; Khan *et al.*, 2013). Accordingly, on the basis of the KLD ratings, we measure corporate governance activity (CGOV) and we apply the aforementioned procedure to construct an overall score, interpreting a higher corporate governance score as an indication of stronger governance structures (see Appendix, Panel C). Large firms generally have a greater impact on the community and influence a wider group of stakeholders; therefore they are expected to engage more actively in practices which confer legitimacy upon their role (Reverte, 2009) by disclosing significant information regarding their CSR activities (Gray *et al.*, 1995; Haniffa & Cooke, 2005). Additionally, larger firms are more visible to multiple audiences and are subject to greater scrutiny (McKinnon & Dalimunthe, 1993). Thus, we expect large firms to be more prone to issuing a standalone CSR report. SIZE is measured by the natural logarithm of sales. Size and the remaining control variables have been gathered from Thomson One database.

Firms with a better financial performance (PERF) tend to have more resources with which to engage in CSR activities and produce CSR reports (Dhaliwal *et al.*, 2011). Moreover, since highly-profitable firms are more exposed to political pressures, CSR reports could be an effective response to public scrutiny (Ng & Koh, 1994). Furthermore, prior evidence suggests that profitability may be associated with CSR disclosures (see Gray *et al.*, 1995). We compute profitability (ROE) as income before extraordinary items scaled by equity (Cowen, Ferreri, & Parker, 1987). Share performance, capital structure, liquidity and market risk have also been suggested as being influential to CSR disclosures (Leventis & Weetman, 2004). We therefore include share return (SHR), estimated as [(market price year end + dividends per share + quarterly special dividends) / (previous year's market price year end - 1)] *100. Similar to Dhaliwal *et al.* (2011), we include BETA to control for market risk. Additionally, we include: the market to book ratio (MB) (Benson & Davidson, 2010); current ratio (CUR), measured as current assets to current liabilities (Leventis & Weetman, 2004); and leverage (LEV) (Gainet, 2010), measured as total debt to total assets. Finally, we control for time (YEARS) and industry effects (INDUSTRIES) by including relevant dummies. We specify the functional form of the model based on the following logistic regression:

$$CSR = \alpha_o + \alpha_1\, SIN + \alpha_2\, LIT + \alpha_3\, INSID + \alpha_4\, INST + \alpha_5\, PERF + \alpha_6\, CGOV + \alpha_7\, SIZE + \alpha_8\, BETA + \alpha_9\, ROE + \alpha_{10}\, CUR + \alpha_{11}\, LEV + \alpha_{12}\, MB + \alpha_{13}\, SHR + \sum \alpha_j \mathrm{YEARS} + \sum \alpha_j\, INDUSTRIES + u_j$$

Where:

CSR	=	CSR reporting, equals 1 if a firm has disclosed a CSR report, 0 otherwise,
SIN	=	Sin firm, equals 1 if a firm is involved in alcohol, firearms, gambling, military, nuclear power or tobacco operations, 0 otherwise,
LIT	=	Litigation, equals 1 if a firm has material legal proceedings, 0 otherwise,
INSID	=	Insider ownership, percent of total shares outstanding held by all inside owners,
INST	=	Institutional ownership, percent of total shares outstanding held by institutions,
PERF	=	CSR performance measure, based on KLD STATS,
CGOV	=	Corporate governance measure, based on KLD STATS,
SIZE	=	Natural logarithm of sales,
BETA	=	Market risk, relationship between stock volatility and the market volatility,
ROE	=	Return on equity, measured as the ratio of income before extraordinary items over net assets,
CUR	=	Current ratio, measured as the ratio of current assets to current liabilities,
LEV	=	Leverage, measured as total debt to total assets,
MB	=	Market to book value of equity,
SHR	=	Share return, measured as [(market price year end + dividends per share + quarterly special dividends) / (previous year's market price year end – 1)] *100,
YEARS	=	Dummy variables for years 2003-2009,
INDUSTRIES	=	Dummy variables for industries based on two-digit SIC code category.

4. Empirical Findings

Table 2 presents the summary statistics of the variables used for both "sin" and non-"sin" firms. The mean (median) of the CSR variable is .287 (.452) for the "sin" group and .141 (.348) for the control companies, suggesting that "sin" companies disclose significantly more CSR reports (*.000*). "Sin" companies have a higher litigation occurrence (*.002*) and they underperform in CSR (*.000*) when compared to the control group. "Sin" companies are better governed (*.007*). Additionally, summary statistics support the findings of prior studies by describing "sin" industries as profitable (*.000*), with less institutional shareholding (*.000*) (see, for instance, Hong & Kacperczyk, 2009). The non-significance of size between the two samples (*.210*) is partial evidence of the effectiveness of our matching procedure. Nevertheless, limitations related to "imperfect matching" are discussed in the next section. The remaining variables do not differ significantly between the two groups. Table 3 presents the Pearson correlations between the regression variables and *p*-values from the two-tailed tests. CSR is significantly correlated with SIN with a positive sign. Other inferences suggest that multicollinearity is not a serious problem.

[Insert Table 2 about here]

[Insert Table 3 about here]

The results of the logistic regression (estimated on robust standard errors) are presented in Table 4. The overall model is significant (Wald $\chi^2 = 317.96$, $p < .001$) and adequately fits the data (Hosmer-Lemeshow: 5.26, $p = .7293$; the area under the ROC curve is *.8996*). The SIN variable is significant at 1% with a positive sign, suggesting that "sin" companies tend to disclose more CSR reports compared to the control group which provides support to our first hypothesis. The PERF variable is significant at 1%, suggesting that companies with superior CSR performance tend to communicate this by voluntarily issuing CSR reports. SIZE is the most statistically-significant variable, which is similar to the results of many CSR studies (e.g., Dhaliwal *et al.*, 2011; Gray *et al.*, 1995). BETA is significant at 5% with a negative sign, suggesting that companies which are less-involved in risky market behavior tend to be better CSR reporters (Dhaliwal *et al.*, 2011). The CGOV variable is significant at 5%, suggesting that firms with stronger corporate governance structures appear to issue more voluntary CSR reports. Again, this result is similar to that reported by Haniffa & Cooke (2005). Finally, INSID and SHR are significant at 5%, suggesting that companies with more insider ownership and those whose shares perform better are more prone to issuing CSR reports. The other variables are not statistically significant. The overall results suggest that "sin" companies tend to disclose considerably more CSR reports.

[Insert Table 4 about here]

[Insert Table 5 about here]

The results of the logistic regression on the "sin" group are presented in Table 5. The overall model is significant (Wald χ^2 = 125.22, $p < .001$) and adequately fits the data (Hosmer-Lemeshow: 10.46, $p = .2342$; the area under the ROC curve is *.8975*). "Sin" companies with a significant litigation record (LIT) are more prone to displaying indicators of responsible corporate citizenship which provides support to our second hypothesis. Thus, "sin" firms confronted with a higher litigation risk are more likely to resort to CSR reporting, aimed at building a socially-responsible profile which might assist them in disarming plaintiffs and minimizing the considerable direct and/or indirect costs of such proceedings. Contrary to the results obtained from the matched sample, INSID is not significant within the "sin" group. Moreover, INST has no explanatory power. Both results suggest that our third hypothesis does not hold. We argue that this might be the outcome of the peculiarities of the "sin" firm ownership structure. While certain groups of institutional investors demand CSR agendas and disclosures, others may be indifferent and focus only on financial and stock performance, which overall might marginalize any strong impact of institutional ownership on CSR reporting. Also, in the absence of dominant “outsiders”, insiders might focus on inward-looking management policies, or respond to CSR challenges in the same manner, due to “isomorphism” (DiMaggio & Powel, 1983). Furthermore, our results suggest that the case of notable “sin” owners who resort to CSR disclosures in order to dissociate themselves personally from the repercussions of organizational stigma is not a widely applied practice. Additionally, “sin” firms with superior CSR performance appear to be more active disclosers. Thus, “sin” firms which intensively invest in CSR are more incentivized to instigate standalone CSR statements in order to report measurable and objective CSR indicators and, thereby, to stand out from the rest of the industry and signal their enhanced responsibility to multiple stakeholders.

Similar to the matched sample, SIZE, CGOV and BETA are statistically significant. Thus, “sin” firms which have a greater impact on various stakeholders and remain subject to greater scrutiny due to their size, engage more actively in disclosing their CSR activities – thus aiming to offset any negative effects resulting from their stigmatized operations. Our findings on CGOV and BETA suggest that “sin” firms which are relatively better governed and less risky (less volatile investments) tend to engage in more CSR activities and disclosures. These results suggest that extant prior literature on mainstream firms, regarding the association between size, corporate governance attributes, risk and CSR reporting, can also be extended to cover stigmatized firms.

We also demonstrate that “sin” firms with a superior financial position (LEV) and performance (ROE) disclose significantly more CSR reports. “Sin” firms with higher debt obligations engage more actively in CSR activities and produce CSR reports aimed at reducing the abnormal interest rates attributed to stigmatized operations and profiles, as evidenced by recent literature (see Goss & Roberts, 2011). Moreover, profitable stigmatized firms engage more actively in CSR reporting since they are more exposed to political pressures and negative attention from various social constituencies and/or simply because they can easily afford it.

Overall, our results suggest that different variables influence “sin” company disclosure policies when compared to the overall group. We interpret this result as “sin” companies experiencing different characteristics, incentives or pressures which form unique policies in terms of CSR information dissemination.

5. Sensitivity Testing

The results are robust according to a battery of sensitivity analyses. We sensitivity-tested a number of further variables argued to be influential by prior literature, however these variables have not been included in the model for data and/or specification reasons. In this context we tested: industry competition (Fernandez-Kranz & Santalo, 2010), using the Herfindahl-Hirschman index; media exposure (Brammer & Millington, 2006), measured by the number of major headlines in worldwide publications appearing in the LexisNexis database; and foreign activity (Kolk & Pinkse, 2010), measured by the percent of international sales to total sales. Untabulated results suggest that the inclusion of these variables is not significant and does not change our inferences. We tested alternative definitions for size (such as total assets and number of employees), leverage, liquidity and profitability for both the matched and single “sin” models. In addition, we operationalized litigation based on the actual number of litigation cases, obtained from the Inter-University Consortium for Political and Social Research (www.icpsr.umich.edu). We also tested PERF including only “strengths” or only “concerns”. Results were not materially different. Additionally, we tested the lagged variables of the model. All inferences remain similar.

Since matched-samples are not random, concerns about the validity due to non-randomness should be carefully investigated (Cram, Karan, & Stuart, 2009). To test whether our results are conditional to industry and size groupings, we employed a conditional logit model

(Long & Freese, 2006, p. 297-306). Conditional logit model results were qualitatively similar to those of the logit model. Additionally, considering that "perfect matching" of sample companies is unlikely, we investigated whether the residual pair-wise differences explain differences in outcomes. We included quadratic transformations of the size variables to soak up the effect of residual pair-wise size differences, as suggested by Cram *et al.* (2009). Our inferences do not change.

Finally, the degree to which "sin" firms are exposed to organizational stigma, and the very nature of these challenges, may substantially differ due to corporate involvement in distinctively divergent activities which range from exploiting addictive proclivities (alcohol, gambling and tobacco) and supplying arms to address human conflict (firearms and military) to activities that could cause a major catastrophe (nuclear power). Therefore, "sin" firm responses, including CSR reporting initiatives, may also differ substantially. For this reason, we tested the sensitivity of our results to these more specific social pressures and threats by dividing our sample into three different groups, controlling for firms belonging to the same two-digit SIC code level, and ran the regressions again. The SIN coefficient appears significantly positive (at 1%) in all three "sin" subcategories.

6. Conclusions

In this paper, we examine CSR reporting practices by focusing on companies belonging to core-stigmatized industries. We therefore bring to the fore "sin" industries, which operate in adverse contexts. Specifically, we develop models to investigate whether managers in these firms are more active in initiating CSR reports than their counterparts in non-"sin" firms and, if so, why? We then identify the corporate profile of the "sin" firms which are more prone to disclosing discretionary CSR reports. Our results demonstrate that "sin" firms are more active in CSR disclosures than non-“sins”. Additionally, we argue that “sin” firms confronted by a high litigation risk employ CSR reporting with the aim of neutralizing the direct and indirect effects of litigation proceedings, which threaten to deteriorate the already adverse context within which they operate. Finally, our results demonstrate that, despite “sin” firm peculiarities with regard to ownership structure, variations of this variable do not differentially affect CSR disclosure policies.

We interpret our results by employing elements of CSR and organizational stigma literature. Managers of “sin” firms, whose activities are perceived to deviate from accepted organizational practices and therefore suffer negative social evaluations, resort to the instigation of CSR reports since such practices signal conformity and congruence with generally-accepted corporate values. In this way, managers deflect attention from their heavily-criticized activities and mitigate the effects of negative evaluations on their tarnished images.

Prior studies have shown that the deployment of CSR is a significant strategic tool (Kemper *et al.*, 2013; Lin-Hi & Müller, 2013; Perks *et al.*, 2013) through which managers influence third-party perceptions of their organizations (Groening & Kanuri, 2013; Herzig & Moon, 2013) by promoting the fact that their organizations’ operations are in line with socially-endorsed practices (Hudson, 2008; Philippe & Durand, 2011; Vergne, 2012). In relation to these studies, our findings show that the issuance of CSR reports constitutes a prime defensive strategy systematically employed by “sin” firm managers who endeavor to cushion the impact of core stigmatization. In this sense, we contribute to the CSR literature by demonstrating that the instigation of CSR reports constitutes an integral part of the corporate strategies employed by firms experiencing social disapproval. Moreover, we extend prior understandings of organizational stigma by illuminating that, apart from impression-management tactics such as public statements (e.g. Carter & Deephouse, 1999; Elshbach, 1994), denials and attacks, the initiation of CSR reports constitutes a central defensive mechanism for "sin" firms. Finally, we sketch the corporate profile of stigmatized firms which are more likely to deploy such strategies.

The implications of our analysis are important for managers, investors, analysts and other market participants. Managers who operate within adverse contexts could benefit from our empirical analysis which suggests that the initiation of CSR reports is a central, long-term strategic approach through which unobserved CSR qualities can be brought to light. However, business participants should be aware that standalone CSR reports may often constitute an opportunistic practice, within a broader impression-management strategy (Elsbach & Sutton, 1992), which may not reflect the directors' genuine attitudes regarding commitment to prevailing business norms and understandings. For this reason, interested parties should exercise caution when they factor CSR engagement into their financial decision-making analyses.

We note some limitations to this study which may, however, provide inspiration for further research. Firstly, our data refer to 109 U.S. "sin" firms only, subject to data availability from the KLD database. Researchers could employ cross-country datasets in order to overcome this limitation. However, researchers should also take into consideration that institutional and cultural differences in relation to CSR and understandings of "sin" could pose additional difficulties. Secondly, it would be interesting to know what benefits are enjoyed by stigmatized companies that issue CSR reports. Relevant areas for such an investigation might include litigation risk, corporate image and media exposure through the development of proxies that adequately capture organizational stigma. Finally, current understandings of CSR disclosure practices by "sin" industries could be enriched by employing behavioral and/or organizational frameworks.

Table 1: Firm Representation by Sinful Activity and Industry

KLD Sin Firms	KLD No	SIC Code	SIC Industries	Sin Firms	Control Firms
Alcohol	6	20	Food	3	3
Gambling	18	21	Tobacco	6	6
Tobacco	6	26	Paper	1	1
Firearms	4	28	Chemicals	5	5
Military	54	30	Rubber and Plastics	2	2
Nuclear Power	21	33	Metal	2	2
		34	Fabricated Metal	7	7
		35	Industrial and Commercial Machinery	14	14
		36	Electronics	8	8
		37	Transportation Equipment	13	13
		38	Measuring, Analyzing and Controlling Instruments	5	5
		39	Miscellaneous Manufacturing	2	2
		44	Water Transportation	1	1
		49	Electric, Gas and Sanitary Services	21	21
		50	Wholesale Trade and Durable Goods	1	1
		51	Wholesale Trade and non-Durable Goods	1	1
		58	Eating and Drinking Places	1	1
		70	Hotels, Rooming Houses and Lodging	6	6
		73	Business Services	3	3
		79	Amusement and Recreation Services	5	5
		87	Engineering and Management Services	2	2
	109			109	109

Table 2: Summary Statistics

Variables	Sin Firms					Control Firms					Mean Difference
Variable	**Mean**	**Median**	**Std. Dev.**	**Min**	**Max**	**Mean**	**Median**	**Std. Dev.**	**Min**	**Max**	**p-value**
CSR	.287	.452	0	0	1	.141	.348	0	0	1	.000
LIT	.209	.407	0	0	1	.149	.356	0	0	1	.002
INSID (%)	2.44	5.48	.52	0	37.11	2.94	7.41	.68	0	46.77	.130
INST (%)	65.80	19.82	70.1	0	99.99	73.23	37.16	78.23	0	99.99	.000
PERF	-.834	2.31	-1	-9	13	-.357	2.46	-1	-7	10	.000
CGOV	-.201	.899	0	-3	3	-.313	.702	0	-3	2	.007
SIZE	7.88	1.64	8.09	3.66	12.10	7.58	1.44	7.49	3.97	12.08	.210
BETA	1.17	.677	1.1	0	3.48	1.10	.835	1.12	0	3.25	.092
ROE (%)	13.04	27.77	12.61	-66.47	55.52	3.91	2.31	10.04	-50.53	65.62	.000
CUR	1.89	1.55	1.49	.27	18.65	1.96	1.26	1.61	.31	12.9	.403
LEV	41.10	34.53	67.44	24.22	195.89	35.60	32.43	48.115	.650	122.36	.723
MB	2.29	10.33	2.19	-21.33	77.17	1.58	15.71	1.97	-63.79	78.26	.548
SHR	17.43	44.87	15.23	-85.24	116.67	17.46	54.03	11.11	-88.9	111.02	.991

Table 3: Correlation Matrix

Var	CSR	SIN	LIT	INSID	INST	PERF	CGOV	SIZE	BETA	ROE	CUR	LEV	MB	SHR
CSR	1.000													
SIN	.177	1.000												
	.000													
LIT	.076	.078	1.000											
	.002	.002												
INSID	.053	-.038	.081	1.000										
	.036	.130	.001											
INST	-.051	.206	-.157	.088	1.000									
	.044	.000	.000	.000										
PERF	.115	-.099	-.021	.197	.129	1.000								
	.000	.000	.396	.000	.000									
CGOV	.032	.068	-.108	.007	.140	.037	1.000							
	.211	.007	.000	.762	.000	.149								
SIZE	.449	.025	.165	.068	.070	-.058	-.189	1.000						
	.000	.357	.000	.009	.008	.026	.000							
BETA	-.080	.043	.002	.155	.314	.113	-.106	-.004	1.000					
	.001	.092	.916	.000	.000	.000	.000	.863						
ROE	.032	.056	-.041	.001	.234	-.001	.010	.042	-.010	1.000				
	.224	.032	.115	.954	.000	.954	.680	.111	.703					
CUR	-.202	-.022	-.100	.087	-.015	.124	.045	.423	.095	.024	1.000			
	.000	.403	.000	.001	.561	.000	.086	.000	.000	.358				
LEV	-.002	.009	-.016	.005	-.030	-.014	-.008	.008	-.004	.127	-.013	1.000		
	.930	.723	.542	.843	.239	.587	.747	.754	.875	.000	.613			
MB	.010	.016	.010	.003	.013	.013	.008	.002	.007	.155	.006	.436	1.000	
	.696	.548	.681	.897	.605	.604	.737	.935	.767	.000	.821	.000		
SHR	.004	-.001	-.034	.009	.078	.024	.034	-.042	.075	.038	.013	-.022	.001	1.000
	.874	.991	.246	.708	.003	.364	.197	.112	.004	.151	.624	.407	.992	

Table 4: Results of Logistic Regression Analysis - Matched Sample

Variables	Coef.	Robust St. errors	Z	P>|z|	95% Conf. Interval	
(Constant)	-9.26	1.01	-9.14	.000	-11.25	-7.27
SIN	1.17	.234	5.02	.000	.717	1.63
LIT	.248	.233	1.06	.288	-.209	.706
PERF	.250	.043	5.80	.000	.165	.335
INSID	.041	.019	2.16	.031	.003	.078
INST	.001	.004	.271	.784	-.007	.009
CGOV	.287	.125	2.30	.022	.042	.532
SIZE	.958	.095	10.03	.000	.771	1.14
BETA	-.408	.177	-2.30	.021	-.756	-.060
ROE	.001	.002	.451	.653	-.003	.005
CUR	-.234	.145	-1.62	.106	-.519	.049
LEV	-.000	.000	-.861	.389	-.001	.001
MB	.011	.008	1.41	.159	-.004	.028
SHR	.004	.002	2.11	.035	.003	.008
Year Dummies					Included	
Industry Dummies					Included	
Wald χ^2 (p) =		317.96 (.000)				
Pseudo R^2 =		39.86				
Hosmer-Lemeshow χ^2 (p) =		5.26 (.7293)				
Area under the ROC curve =		.8996				

Table 5: Results of Logistic Regression Analysis - Sin Sample

Variables	Coef.	Robust St. errors	Z	P>|z|	95% Conf. Interval	
(Constant)	-10.88	2.00	-5.43	.000	-14.80	-6.95
LIT	.824	.312	2.64	.008	.211	1.43
INSID	.038	.030	1.25	.213	-.022	.098
INST	.012	.012	1.03	.301	-.011	.036
PERF	.224	.057	3.92	.000	.111	.336
CGOV	.660	.185	3.57	.000	.297	1.02
SIZE	1.06	.169	6.27	.000	.730	1.39
BETA	-.588	.262	-2.24	.025	-1.10	-.074
ROE	.021	.006	3.33	.001	.008	.034
CUR	-.317	.383	-0.83	.408	-1.06	.434
LEV	-.001	.001	-2.10	.036	-.009	-.001
MB	-.053	.033	-1.58	.113	-.119	.012
SHR	.003	.004	.831	.408	-.005	.012
Year Dummies					Included	
Industry Dummies					Included	
Wald χ^2 (p) =		125.22 (.000)				
Pseudo R^2 =		38.14				
Hosmer-Lemeshow χ^2 (p) =		10.46 (.2342)				
Area under the ROC curve =		.8975				

Appendix: KLD Ratings Definitions

Panel A: Controversial ("sin") business issues

Alcohol

Licencing
Manufacturers
Manufacturers of products necessary for production of alcoholic beverages
Retailers
Ownership by an alcohol company
Ownership of an alcohol company
Alcohol other concern

Gambling

Licencing
Manufacturers
Owners and operators
Supporting products or services
Ownership by a gambling company
Ownership of a gambling company
Gambling other concern

Tobacco

Licensing
Manufacturers
Manufacturers of products necessary for production of tobacco products
Retailers
Ownership by a tobacco company
Ownership of a tobacco company
Tobacco other concern

Firearms

Manufacturers
Retailers
Ownership by a firearms company
Ownership of a firearms company

Military

Manufacturers of weapons or weapons systems
Manufacturers of components for weapons or weapons systems
Ownership by a military company
Ownership of a military company
Minor weapons contracting involvement
Major weapons-related supplier
Military other concern

Nuclear power

Construction and design of nuclear power plants
Nuclear power fuel and key parts
Nuclear power service provider
Ownership of nuclear power plants
Ownership by a nuclear power company
Ownership of a nuclear power company
Design
Fuel cycle/key parts
Nuclear power other concern

Panel B: CSR measurement

Community

Strengths

Charitable Giving
Innovative Giving
Non-US Charitable Giving
Support for Housing
Support for Education
Indigenous Peoples Relations
Volunteer Programs

Concerns

Investment Controversies
Negative Economic Impact
Indigenous Peoples Relations
Tax Disputes
Other Concern

Diversity

Strengths

CEO
Promotion
Board of Directors
Work/Life Benefits
Women & Minority Contracting
Employment of the Disabled

Concerns

Controversies
Non-Representation
Other Concern

Gay & Lesbian Policies	
Other Strength	

Employee Relations

Strengths	***Concerns***
Union Relations	Union Relations
No-Layoff Policy	Health and Safety Concern
Cash Profit Sharing	Workforce Reductions
Employee Involvement	Retirement Benefits Concern
Retirement Benefits Strength	Other Concern
Health and Safety Strength	
Other Strength	

Environment

Strengths	***Concerns***
Beneficial Products and Services	Hazardous Waste
Pollution Prevention	Regulatory Problems
Recycling	Ozone Depleting Chemicals
Clean Energy	Substantial Emissions
Communications	Agricultural Chemicals
Property, Plant, and Equipment	Climate Change
Management Systems	Other Concern
Other Strength	

Human Rights

Strengths	***Concerns***
Positive Record in South Africa	South Africa
Indigenous Peoples Relations Strength	Northern Ireland
Labor Rights Strength	Burma Concern
Other Strength	Mexico
	Labor Rights Concern
	Indigenous Peoples Relations Concern
	Other Concern

Product

Strengths	***Concerns***
Quality	Product Safety
R&D/Innovation	Marketing/Contracting Concern
Benefits to Economically Disadvantaged	Antitrust
Other Strength	Other Concern

Panel C: Corporate Governance measurement

Strengths	***Concerns***
Limited Compensation	High Compensation
Ownership Strength	Ownership Concern
Transparency Strength	Accounting Concern
Political Accountability Strength	Transparency Concern
Other Strength	Political Accountability Concern
	Other Concern

Source: RiskMetrics Group, Inc. (2010) *How to use KLD STATS and ESG ratings definitions*.
Panel A is summarized following Ghoul *et al.* (2011).

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