SFB/Transregio 266

ACCOUNTING FOR TRANSPARENCY

Research on Corporate Transparency

Element 23: Non-Financial Reporting - Findings

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Determinants of voluntary CSR reporting

Positively associated with CSR reporting

- Size
- Operating in a CSR-sensitive or controversial industry
- Dispersed (private) ownership
- Strong corporate governance
- Positive managerial attitude towards CSR
- Climate-related catastrophes
- Stakeholder pressure (investors, government, NGOs, consumers)

Mixed evidence on how CSR activities and CSR reporting interact (signalling versus green-washing)

Effects of CSR activites

- Very active but also disputed area in the literature
- Conceptually: Need to separate positive NPV CSR activities from negative NPV CSR activities in terms of shareholder value and shareholder welfare (Hart and Zingales, JLFA 2017)
- Overall: Meta-Studies show small positive association of CSR activities with firm profitability but no robust association of CSR activities with firm value (Atz et al., SSRN, 2021)
- There is evidence for a carbon risk factor and exposure (Bolton and Kacperczyk, SSRN 2021)
- Hart to make any causal statements, evidence is predominantly associative

Effects of CSR reporting - Financial effects

- Again, a large part of the evidence is associative and mixed
- Ioannou and Serafeim (2017, SSRN) use the adoption of mandatory CSR reporting in China, Denmark, Malaysia, and South Africa as an instrument and document reporting effects and a positive effect on Tobin's Q
- Short window event studies show that investors react to CSR reports but the direction of the price reaction can be ambiguous.
- Grewal et al. (2019) show negative market reaction to the announcement of the E.U. CSR mandate but this negative reaction is muted for firms that have good CSR reporting and/or are voluntary CSR reporters
- CSR reporting seems to have positive liquidity effects, risk effects are unclear (and likely indirect)

Effects of CSR reporting - Real effects

- Fiechter et al. (SSRN, 2020) show that firms tend to increase their CSR activities prior to the E.U. disclosure mandate
- Rauter (JAR, 2020) shows that extractive industries disclosure requirements leads to firms paying higher extraction right fees and obtaining fewer extraction rights
- Christensen et al. (JAE, 2017) find that the SEC-regulated disclosure of mining accidents reduces their frequency and increases the likelihood that firms shut down dangerous mine facilities

Insights on CSR measurement

- Measuring CSR activities and performance is far from trivial
  - multi-dimensional constructs
  - non-monetary in nature
- Grewal and Serafeim (FoundTrendsAcc, 2020) propose to differentiate by:
  - Principles,
  - Input measures, and
  - Outcome measures
- Existing CSR ratings vary widely (Berg et al., SSRN 2020)

Literature

- Atz, Van Holt, Liu and Bruno (SSRN, 2021): http://dx.doi.org/10.2139/ssrn.3708495
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- Rauter (JAR, 2020): https://doi.org/10.1111/1475-679X.12332