Michelon, G., Rodrigue, M., & Trevisan, E. (2020). The marketization of a social movement: Activists, shareholders and CSR disclosure. *Accounting, Organizations and Society*, 80, [101074].
<https://doi.org/10.1016/j.aos.2019.101074>

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[10.1016/j.aos.2019.101074](https://doi.org/10.1016/j.aos.2019.101074)

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The marketization of a social movement: Activists, shareholders and CSR disclosure

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Acknowledgements:

We are grateful to the Chaire de recherche en gouvernance de sociétés of the Université Laval for providing funding for this project. We appreciate thoughtful comments from the Editor (David Cooper), two anonymous reviewers, Jean Bédard, Pietro Bonetti, Charles Cho, Jesse Dillard, Jeff Everett, Nicolás García Torea, Matias Laine, Michel Magnan, Dean Neu, Lynne Oats, Den Patten, Robin Roberts, Andrea Romi, Maria Tsipouridou and Dana Wallace. We also wish to thank participants at 12th Interdisciplinary Perspective on Accounting (IPA) Conference, the 2017 Critical Perspective on Accounting (CPA) Conference, the 40th European Accounting Association Congress, the 2016 South-Western Accounting Group (SWAG) Conference, the 28th International Congress on Social and Environmental Accounting Research (CSEAR), the 6th CSEAR North American Conference, the 8th APIRA conference, research seminars at the Concordia University, University of Exeter, ISCTE-IUL Business School, Université Laval, Newcastle University, University of Toulouse and Université du Québec à Montréal for their useful comments. Finally, we thank Janie-Claude Bouchard and Marie-Ève Buist for their helpful research assistance.

The marketization of a social movement: Activists, shareholders and CSR disclosure

Abstract

In this paper, we conceptualize shareholder activism demanding CSR transparency as an outcome of the marketization of a social movement. We argue that the infusion of profit-oriented motivations into the social justice ideals on which the original shareholder activism movement was founded has contributed to create a conceptualization of CSR as a risk to be managed. As marketized solutions to risk management privilege the provision of information, they contribute to explaining the emphasis placed by shareholders on transparency in their proposals. Drawing on a sample of U.S. firms over 2006-2012, our evidence suggests a marked increase in CSR disclosure for the sample firms targeted by transparency proposals. However, our analysis reveals that concerns over the CSR practices of the same firms worsen, suggesting that shareholder activism demanding CSR transparency does not inspire change in corporate activities beyond disclosure, at least in the short term. Our contribution to the accounting literature lies in conceptualizing how the emphasis placed on CSR *disclosure* contributes to ensconcing the social movement into a corporation-centric, market-driven approach, moving away from the initial ideals of social justice aiming to push corporations to *act* on societal concerns. Altogether, we expose how the accounting practice of CSR disclosure is complicit in the attrition of the initial ideals of shareholder activism on CSR.

The marketization of a social movement: Activists, shareholders and CSR disclosure

1. Introduction

Recent proxy seasons have witnessed a significant increase in the number of shareholder proposals¹ on corporate social responsibility (CSR) (e.g. Copland & O’Keefe 2016; Singer & Khursheed, 2017; Welsh & Passoff, 2018). The latest Proxy Monitor report documents CSR proposals account for more than 50% of all submitted requests (Copland & O’Keefe, 2017), with concerns such as climate risk, gender diversity and sustainability reporting sitting alongside traditional governance issues, and votes in their support growing (Ernst & Young, 2018). Furthermore, recent evidence on CSR proposals documents a significant rise in shareholders’ demands for improved transparency on firms’ social and environmental impacts, rather than in demands for actions affecting decisions or operations (Michelon & Rodrigue, 2015).

This focus on transparency is intriguing. In light of the enormous social and environmental issues facing humanity (Rockstrom et al., 2009; United Nations, 2015), why are activist shareholders so concerned with asking firms to provide information rather than, for example, to implement initiatives to reduce carbon footprints or avoid forms of modern slavery? How did shareholder activism move from its early radical battles for social justice (King & Gish, 2015; Marens, 2002) to requests for increased CSR disclosure? Our study reflects on these issues by conceptualizing and empirically examining shareholder activism demanding CSR transparency.

According to recent work on the marketization of social movements, the infusion of profit-oriented motivations into the foundational social justice ideals of the

¹ We use the term shareholder proposal (rather than resolution) because we consider all shareholder demands, independently of whether they will eventually be voted for at the annual general meeting.

original shareholder activism movement on CSR has contributed to the instrumentalization of CSR as a risk to be managed (King & Gish, 2015). Drawing on the argument that marketized solutions to risk management glorify the provision of information as the ultimate remedy for CSR issues (Andrew & Cortese, 2013; Malsch, 2013; Power, 2005; 2007), our study contributes to explaining the increasing popularity of collective action demanding CSR transparency among investors. Combining social movement (SM) theory and work on the marketization of SM, we theorize that CSR information becomes a “compromise solution” both for investors, meant to attenuate the tension between the ideals of social justice and the profit-seeking motivation, and for firms, under pressure for more transparency.

Focusing on a sample of U.S. firms over the period 2006-2012, we empirically investigate whether shareholders’ proposals for CSR transparency result in corporations expanding their CSR disclosure. Our focus is not on whether such proposals are individually implemented, but rather whether they collectively create a surge in disclosure, increasing CSR reporting more broadly. To support this claim, we use a quantitative approach relying on an identification strategy that allows a flexible specification (Rosenbaum & Rubin, 1983) and accounts for systematic differences in the baseline characteristics of firms that are targeted by demands for CSR transparency and the control group. Using propensity score matching (PSM), we match firms targeted on CSR transparency with firms targeted on other CSR issues and compare their disclosure levels after their respective CSR proposal².

The evidence is consistent with our theorization. We observe a notable increase in disclosure among the firms targeted by CSR transparency demands. While this

² Doing so ensures that our benchmark group is also under pressure from shareholders’ demands on CSR-related issues and hence prone to increasing CSR disclosures in response to shareholder pressure, thus making our effect estimates more conservative.

additional information may not be specifically what the shareholders requested in their proposals, we interpret this evidence as suggesting that the demand for CSR transparency drives firms to “produce” more information. Further, we observe that the pressure of both special interest groups and mainstream investors similarly influence the recourse to CSR disclosure, noting that the mobilizing power does not vary with the nature of the activist shareholders. As the marketization of the SM has “professionalized” special interest groups and positioned them at the junction of social ideals and profit seeking, we view the indistinguishability of the two groups of investors’ mobilizing power as further evidence supporting our conceptual framework. Finally, we illustrate that, in the context of the marketization of the movement, traditional mechanisms of pressure heighten the perception of CSR as a risk, and hence the recourse to disclosure. In particular, we document that two SM mechanisms, political opportunities and routines disruption, act as amplifiers of the effect of shareholder activism on the recourse to CSR disclosure, consistent with both mechanisms exacerbating the instrumentalization of CSR as a risk to be managed.

Having documented a surge in disclosure stemming from shareholders’ demands for CSR transparency, we examine whether these requests also trigger changes in CSR practices beyond disclosure, as both the accountability and the aspirational views on CSR disclosure suggest (Christensen Morsing, & Thyssen, 2013; Gray, Dey, Owen, Evans & Zadek, 1997). This additional analysis also represents a means for us to assess other societal implications of this type of shareholder activism. Our results reveal that concerns over the CSR practices of firms targeted by transparency requests worsen, at least in the short term. Hence, the societal relevance of CSR transparency requests resides mainly with additional information being available. This may help investors assess risks, but it does not extend to society more

broadly by inspiring changes in corporate practices. More troubling, it also suggests that the original social justice ideals may have lost ground over market-based considerations, threatening the foundations of the original movement.

Our study contributes to the accounting literature through its theorization of shareholders' requests for CSR transparency as the outcome of the marketization of the original shareholder activism movement. We conceptualize how the emphasis placed on CSR *disclosure* contributes to ensconcing the SM into a corporation-centric, market-driven approach, moving away from the initial ideals of social justice aiming to push corporations to *act* on societal concerns. Thus, we expose how the accounting practice of CSR disclosure is complicit in the attrition of the initial ideals of the SM. Our study joins an emerging stream of research revealing how some accounting practices have detrimental implications for social movements. While Martinez and Cooper (2017) expose how accountability pressures contributed to the 'NGOization' of a social movement, our study reveals the instrumentalization of CSR as a risk to be managed through requests for increased disclosure. Ultimately, both studies underline the importance of studying the influence of accounting in the transformation of social movements' aspirations.

Our study complements accounting research on SM involvement in corporate change. We offer a counterpoint to the enabling role of social movements in increasing firms' social accountability and transparency (Islam & van Staden, 2018; O'Sullivan & O'Dwyer, 2015), by nuancing the transformational potential of transparency-based social movements. While relying on the marketization of the shareholder activism movement helps us explain shareholders' focus and impact on transparency, it also opens up a discussion on the problematic message conveyed by these proposals. The transparency requests (and their corporate disclosure response) are suggestive that

“wicked” issues, like climate change, can be effectively managed through the disclosure of additional information, assigning short-range technical solutions to global challenges and promoting a highly reductive conception of crucial social and environmental issues (Andrew & Cortese, 2013; see also Roberts, 2009). Our conceptualization suggests that proposals are mainly relevant to support *investors’* risk management purposes. From a *societal* perspective, shareholder activism through proposals does not appear to convey the transformative potential of social movements (Mena & Waeger, 2014), resulting in a seemingly weak form of activism (Marens, 2008).

We further contribute to the literature on CSR disclosure. By combining SM theory and work on the marketization of social movements, we are able to theorize the forces lying beneath the social phenomenon at play (shareholder activism demanding CSR transparency) and to decompose the SM mechanisms leading firms to produce more CSR information, hence complementing at a theoretical level the understanding of CSR reporting.

Further, in light of the findings that requests for CSR transparency are associated with worse CSR practices, our study also reinforces the call (Brown & Dillard, 2013), and supports the attempts (e.g. Spence & Rinaldi, 2014; Thomson, Grubnic, & Georgakopoulos, 2014), to move away from disclosure as a central object of accounting studies to explore how accounting can positively help in dealing with social and environmental issues beyond marketized practices.

The remainder of the paper is organized as follows. Section two summarizes the history of shareholder activism on CSR while section three presents the conceptual framework and hypotheses. Section four presents the research method, and Section five the results. Section six discusses findings and draws conclusions.

2. Activists, shareholders and their demands

The origins of shareholder activism on CSR issues can be traced back to the 1960s and 1970s, when debates were already brewing about how managers interpreted their social responsibility and, most importantly, how they delimited it (Nichols, 1969). Shareholder activism on CSR intended to expand those social responsibility boundaries embedded in management's ideology (see Nichols, 1969). Hence, individual activists (gadflies) (Marens, 2002), advocacy groups (King & Gish, 2015) and religious organizations (Proffitt & Spicer, 2006) started using shareholder proposals to put pressure on companies about major social causes, such as those advocated by the civil rights and anti-Apartheid movements (King & Gish, 2015).

The SM perspective has been adopted to analyze the shareholder activism of these special interest groups, as the “early challengers of corporate power” (King & Gish, 2015, p. 715) and for which “it is difficult to explain their activism [...] unless their activity stems from a moral motivation with a long-term horizon” (Proffitt & Spicer 2006, p. 167). The literature on these original activists refers to the lack of financial stake as one feature that has characterized a patient and collaborative trait of activism, with the aim of shaping public discourse on global issues over the long term (Child, 2015; Marens, 2002).

In the 80s and 90s, once the legitimacy of their social agenda had been established, these special interest/advocacy groups started enlisting the support of other investors, such as large pension funds and asset management firms (Lee & Lounsbury, 2011; Proffitt & Spicer, 2006). From a SM perspective, the mobilization of such powerful and dominant constituencies was needed to push the social agenda forward, transform the “obsession to movement” (Marens, 2002, p. 375) and enhance the potential for change (Giugni, 1998; Luders, 2006). While religious institutions

were among the most active shareholders before the 2000s, recent years have witnessed an exponential growth in public CSR activism by investment and pension funds (Michelon & Rodrigue, 2015), so that institutional investors and other for-profit organizations now dominate the field (Child, 2015). Hence, shareholder proposals on CSR are currently filed by activists, driven mainly by ethical and social justice ideals; and by mainstream investors, whose requests stem predominantly from financial profit-seeking motives, expecting a value creating benefit from increased monitoring on social, environmental and governance issues (Guay, Doh & Sinclair, 2004; Subramanian, 2017).

The literature on shareholder activism on CSR³ has thoroughly investigated what prompts shareholders to target firms (Graves, Rehbein & Waddock, 2001), why shareholder demands for CSR may (not) be relevant for corporations (David, Bloom & Hillman, 2007; Goranova & Ryan, 2014), as well as criticized shareholder activism as a weak form of activism (Marens, 2008). Evidence on the intended (and unintended) consequences of shareholder activism on CSR is scant (Goranova & Ryan, 2014), mainly focused on implications for corporate financial performance (Baloria, Klassen, & Wiedman, 2018; Flammer, 2015; Grewal, Serafeim & Yoon, 2016) and overall, the case for change in practices remains contested (e.g. Clark & Crawford, 2012; David et al. 2007; Lee & Lounsbury 201; Reid & Toffel 2009).⁴

One neglected aspect of the current shareholder activism on CSR literature is the intense call for increased transparency that characterizes the submitted proposals.

³ The focus of this paper is on “social” rather than “financial” shareholder activism. A rather large stream of research in governance, organizations, management and finance has explored financial shareholder activism and its various outcomes, including changes in the composition of board of directors and executive pay. For a multidisciplinary literature review, refer to Goranova and Ryan (2014).

⁴ We note that at the empirical level some studies have focused on the effectiveness of shareholder activism in triggering the provision of the requested information (Reid & Toffel, 2009; McDonnell, King & Soule, 2015; Baloria et al., 2018).

Michelon and Rodrigue (2015) document a significant rise in shareholder demands for disclosures and show these are more frequent than demands for actions affecting business decisions or operations. Their evidence is aligned with Proffitt and Spicer's (2006, p.185) claims that “the [activist] agenda came to be less about specific outrages and more about ensuring generalized accountability”, and recently reiterated by King and Gish (2015, p.716), who note that proposals “make fairly modest demands, such as calling for companies to disclose information or review and report on a specific issue”.

Based on these premises, we proceed to reflect on how this recent wave of activism demanding CSR transparency is the outcome of the marketization of the original movement ideas and practices (King & Gish, 2015). We do so by considering to what extent the demand for CSR transparency leads companies to increase their CSR disclosure - broadly speaking and irrespective of the implementation of proposals - and by contemplating how the marketization of the movement has shaped the mechanisms of pressure used by shareholders.

3. Conceptual framework

SM theory has developed to contextualise the role of public, organized, and collective action in creating social change through public policy (e.g., Giugni, 1998; Soule & Olzak, 2004) and, more recently, in stimulating market reactions (e.g. Gomez-Carrasco & Michelin, 2017; King & Soule, 2007), industry (O’Sullivan & O’Dwyer, 2015) and organizational changes (e.g., Islam & Van Staden, 2018; Vasi & King, 2012). Social scientists have also focused on how market forces affect social movements and on the consequences of the marketization of their ideas (Dauvergne & LeBaron, 2014; Nickel & Eikenberry, 2009).

The conceptualization of shareholder activism as a SM was proposed in the

90s, on the grounds of the inability of efficiency-based approaches to explain the politics of corporate control, whereas SM theory “adds insights into the process by which actors translate shared interests into collective action” (Davis & Thompson, 1994, p.152). A rich stream of research has adopted this perspective, especially to describe activism on CSR issues as a driver for corporate change (Clark & Crawford, 2012; Lee & Lounsbury, 2011; Reid & Toffler, 2009)⁵. While initially grounded in a collective action for social justice, shareholder activism on CSR is now also described as “increasingly commodified, marketized and shaped by the ideals and practices of business and finance” (King & Gish, 2015, p.711; see also Marens, 2008).

The marketization of the movement is characterized by the entrance of large and powerful investment players in the field, along with the growth of for-profit socially responsible firms and products (King & Gish, 2015). Relatedly, marketization entails the internalization and magnification of risk management, cost efficiency and concerns for returns into the movement’s approach (Soederberg, 2009). Activists and observers alike share concerns about the consequences of such influence over the practice and outcomes of activism in this marketized context (Hoffman, 1996; Sadler & Loyd, 2009). King and Gish (2015, p.712) argue that the creation of a market for socially responsible investment has created a tension between ideals of “social justice and environmental social changes [which] emphasize redistribution of wealth, internalization of externalities and other ideals that potentially threaten business profits” with market-based expectations of “capital accumulation [which], by contrasts, emphasizes profits above all else”. Market-based expectations are not

⁵ According to Goranova & Ryan (2014), stakeholder theory has attracted the most traction in social activism research. They also note that while stakeholder theory is better equipped than agency theory to deal with the heterogeneity of activists’ interests, and demands, “social movement theory is often invoked to explain activism’s transformational role in challenging prevailing organizational frames” (p. 1252).

devoid of CSR considerations, but those considerations are subordinated to financial concerns, particularly when trade-offs are necessary (Solomon, Solomon, Joseph & Norton, 2013).

The tension between these two competing motivations affects the way CSR is constructed by activist shareholders. Rather than being a means for corporations to contribute to the social and environmental betterment of the planet, the marketized context leads all types of activist shareholders to instrumentalize CSR as source of risk, bearing threats and opportunities to corporations (Malsch, 2013; Marens, 2010). The rise of socially responsible investment (and related activism) has influenced the way in which financial risk is now conceptualised by mainstream investors (King & Gish, 2015; Vasi & King, 2012): CSR represents a “new” type of risk to be integrated and managed into broader risk management systems, along many others (Power, 2007). In parallel, special interest groups are socialized into viewing CSR as a risk to maintain the support of other large and powerful players to their social cause (Child, 2015; King & Gish, 2015).

3.1. Hypotheses development

This instrumentalization of CSR as component of risk management is key to explaining the increasing trend of CSR transparency requests observed in shareholder collective actions. The accounting literature has long recognized that communication is made central in risk management practices (Power, 2005). The quest for information is the centerpiece of the market-based approach underlying risk management: “the practices of financial market participants [are] characterized by a constant search for relevant information– a search which, according to financial economics, shapes their decisions” (Malsch, 2013, p.161). In other words, the provision of information is considered sufficient to deal with social and environmental risks, as the market is

ascribed the power to judge and punish the bad performers, forcing them to adjust their behaviours (Malsch, 2013). In the eyes of market participants “disclosure practices have become the ‘common sense’ currency for CSR driven change” (Andrew & Cortese, 2013, p.401). Thus, the instrumentalization of CSR as a risk leads disclosure to be conceived by activist shareholders as a lever both for social change and risk management. In turn, this marketized context stimulates the recognition, internalization and replication of market-based demands by managers (Ezzamel, Willmott, & Worthington, 2008; Roberts, Sanderson, Barker, & Hendry, 2006). The recourse to disclosing extensive CSR information therefore appears as a ‘natural’ response to shareholders’ pressure, regardless of whether the specific information requests are fulfilled.

Overall, the literature suggests that (1) the marketization of activism has infused financial considerations into the social ideals of the original shareholder activist movement, increasing the popularity of collective action on transparency among investors; and (2) the quest for, and provision of, information is central for managing risks. Thus, we argue that CSR information becomes a “compromise solution” both in the eyes of the investors (who demand it) and in the eye of the management (who supplies it).

While special interest groups compromise on the extent of social change they request (disclosure rather than action) in order to mobilise the support of powerful investors, mainstream investors compromise on the allocation of resources (devoting resources to CSR rather than to other profit-oriented activities). Ultimately, both groups end up in the position to request CSR information. That said, prior literature has documented that managers may not be receptive to shareholders demands on CSR (David et al., 2007). The low (although increasing) voting support these proposals

receive (Michelon & Rodrigue, 2015) and their non-binding nature, even in case of a majority of votes in support, leave management's response unclear (Goranova & Ryan, 2014). However, in a marketized context where the provision of information is central to manage risks, firms are likely to release additional CSR disclosures in response to the public, organized and collective action of shareholders. In other words, even if managers do not respond to the specific request for CSR information, they may still increase the disclosure level rather than maintaining it, as they see this recourse to additional CSR disclosure as a compromise solution to mitigate pressures from shareholders and manage risks. If so, we will observe an overall increase in how much CSR information they release. Hence, we hypothesize:

H1: Shareholder demands for CSR transparency are associated with an increase in the overall CSR disclosures by targeted firms.

The marketization of activism also finds ground in the way shareholders create and organize support around their proposals. SM theory asserts that the outcomes of a SM are related to its ability to mobilize resources and constituencies (Schneiberg & Lounsbury, 2007). Generally speaking, such mobilization requires access to resources and the support of stakeholders to impose significant pressure on firms (Lee & Lounsbury, 2011; Luders, 2006; O'Sullivan & O'Dwyer, 2015). In our setting, the ability of the movement to mobilize resources and organise constituencies is related to the nature of the shareholder(s) sponsoring the proposals and campaigning for transparency.

We broadly distinguish shareholders in terms of special interest groups and mainstream investors, consistent with the current filers of CSR proposals. Special interest groups resemble the activists of the original movement, such as advocacy

groups and religious institutions, who brought into the annual general meeting their search for social change (activists that become shareholders) (King & Gish, 2015; Marens, 2002; Proffitt & Spicer, 2006). Mainstream investors are those shareholders, such as investment and pension funds, who have become interested in a new financial product (e.g. socially responsible investment) and hence increasingly have been sponsoring CSR proposals (Michelon & Rodrigue, 2015; Tkac, 2006).

We argue that the current variety of sponsoring shareholders is part of the marketization of the original movement, in that the mobilization of mainstream investors was a necessary process for the survival of the activists' ideals in corporate rooms because of their power as predominant financial stakeholders to influence corporate practice (Marens, 2002; Proffitt & Spicer, 2006). Relatedly, this mobilization has also led to the transformation of the original activists into professional organizations that routinely engage with other shareholders, organise resources and submit proposals (King & Gish, 2015).

In this vein, Lee and Lounsbury (2011) refer to CERES, a network of constituencies (non-governmental organizations, labor unions, public interest and religious groups) that has mobilized institutional investors into pressuring firms to improve environmental practices. King and Gish (2015) discuss the role of Interfaith Center for Corporate Responsibility (ICCR), a non-profit organization representing faith-based investors, to work towards CSR and socially responsible investment. Non-profit collectives such as these are professional organizations that serve as “a clearinghouse for ideas and strategies” (King & Gish, 2015; 715), fulfilling the prominent role of ensuring interaction among the different shareholder groups of activists and investors, facilitating networking and coordinated demands. Just as multiple organizations can collaborate to sponsor a protest (King & Soule, 2007),

groups of shareholders can submit a proposal collectively. Through their increasing professionalization and their coordination role both in agenda-setting and exerting pressure on the corporations, activists' approaches become increasingly analogous to those of mainstream investors. Therefore, we posit that the mobilizing power of special interest activists is not different from that of mainstream investors, with both groups having similar influence over corporations. In other words, the marketization of activism dissolves the different "natures" of shareholders into an indistinguishable ability to mobilize resources and constituencies. Therefore, we formulate the following hypothesis:

H2: The effect of shareholder demands on targeted firms' CSR disclosures does not vary according to the type of sponsoring shareholder.

While our first two hypotheses focus on factors attesting of the marketization of the shareholder SM and the related centrality of CSR information for risk management purposes, our two next hypotheses concentrate on the effects that traditional SM mechanisms of pressure have in the context of the movement marketization. Specifically, we argue that the mechanisms may accentuate corporate recourse to disclosure as the compromise solution to deal with shareholders' marketized pressures. Our third hypothesis relates to the contextual opportunities that exacerbate the instrumentalization of CSR as a risk to be managed, and hence also the effect of shareholder demands for transparency on the overall CSR disclosure. SM theory refers to the mechanism of political opportunities, as "opportunities for mobilization imposed by the larger [social] movement environment" (King, 2008b, p.29). In our setting, political opportunities define the "macro level" relationship between shareholder activists and a corporation (Rowley & Moldoveanu, 2003), in

that “activists are galvanized by issues that they perceive as permeating the entire society” (Marens, 2002, p.367) and help the construction of the activists’ agenda (Proffitt & Spicer, 2006). These events from the broader environment heighten the perception of CSR as a risk to be managed in given social contexts. Therefore, they have the potential to increase the relevance of the shareholders’ demands for transparency but also put additional pressure for firms to release CSR disclosures.

Prior research shows that increased CSR disclosures result from peer pressure among industry members (Aerts, Cormier & Magnan, 2006), environmental catastrophes (Heflin & Wallace, 2017; Patten, 1992), and requests for changes arising from the social environment (Deegan & Blomquist, 2006; Islam & van Staden, 2018) – events that SM theory would identify as political opportunities (King, 2008b). Combining SM theory with these findings, we argue that the intensity of the shareholder activism’s effect on reporting policies is exacerbated by external events that trigger perceptions of CSR as risk and hence increase firms’ recourse to disclosure:

H3: The rise of political opportunities amplifies the effect of shareholder demands on targeted firms’ CSR disclosures.

Finally, routine disruption constitutes another pressure mechanism that may intensify the recourse to CSR disclosure. Routine disruption refers to the activists’ endeavor to take managers out of their comfort zones and bring CSR reporting to the forefront of the corporate agenda (Lee & Lounsbury, 2011). It intends to “focus managerial attention publicly and officially” (Proffitt & Spicer, 2006, p.173) on transparency with the hope of stimulating a response. Moreover, routine disruption may bring negative publicity to the firm via media attention (Lee & Lounsbury, 2011),

or by affecting investors' perceptions of risk (Eesley, Decelles & Lenox, 2016), and it imposes costs on corporations (Luders, 2006). When proposals expose CSR reporting concerns publicly, companies' reputations are at stake (Fombrun, Gardberg & Barnett, 2000), especially because social and environmental responsibilities are part of corporate reputation assessments (Bebbington, Larrinaga & Moneva, 2008). Indeed, firms targeted by shareholder activism tend to be seen as environmentally riskier than non-targeted firms (Vasi & King, 2012), and reputation-related challenges stimulate corporations to react to activism (King, 2008a).

The accounting literature suggests that CSR disclosures contribute to maintain and protect a firm's reputation (Cho, Guidry, Hageman & Patten, 2012) and appease media scrutiny (Cormier & Magnan 2003; Islam & Deegan, 2010), thereby reducing disruption costs. To the extent that routine disruption threatens a firm's reputation and affects the perception of CSR as a risk to be managed, it will amplify the recourse to CSR disclosure for firms targeted by transparency demands. Hence, we formulate the following hypothesis:

H4: The level of routine disruption amplifies the effect of shareholder demands on targeted firms' CSR disclosures.

4. Research method

4.1 Shareholder Proposals: Identifying the Demand for CSR Transparency

Shareholder proposals are official written requests of no more than five hundred words submitted to corporations under Securities and Exchange Commission (SEC) rules for firms listed on U.S. stock exchanges (Rule 14a-8).⁶ Any shareholder

⁶ See http://www.ecfr.gov/cgi-bin/text-id.x?SID=797d170e7970e40bfe223dfe9b8e0bbf&mc=true&node=se17.4.240_114a_68&rgn=div8. According to the SEC, a shareholder proposal is "your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the

who has held shares valued at a minimum of \$2,000 for at least one year is entitled to file a proposal for consideration, but submission does not necessarily guarantee that the proposal will be included in the proxy statement and voted on at the AGM.⁷ We approach shareholder proposals as a *public, collective and organized* action aimed at triggering corporate change, consistent with our theoretical framework.

We retrieve CSR shareholder proposals in the ISS/IRRC Governance database. We follow the coding procedure proposed by Michelin and Rodrigue (2015, p.159-160) to classify each proposal along two key dimensions: the CSR area to which it refers and its expected outcome. The identification of the CSR area follows the categorization of MSCI KLD: environment, community, human rights, employee relations, diversity, product, and governance (KLD, 2007). We chose this categorization because MSCI KLD has a long tradition in providing data to socially responsible investors (Waddock, 2009). The second dimension of the coding captures the desired effect, type of impact, or expected outcome that the proposal seeks to achieve. We are particularly interested in distinguishing CSR-transparency demands, hereafter labeled *transparency proposals*, from other type of requests (e.g., adoption of codes, policy or standards; changes in business operations or governance structure). To perform the coding, we rely on the description of each proposal provided by the ISS/IRRC database. To ensure the reliability of our coding procedure, we conducted a pilot test on a sub-sample of proposals, discussed all disagreements, and revised the coding rules/guidelines to address uncertain cases. In addition, we returned to the

company's shareholders." The proposal should state the course of action that the proponent wants the firm to follow.

⁷ The firm can take any of three actions in response to each proposal. It can petition the SEC for a "no-action letter" that allows it to omit the proposal from its proxy statement. It can opt to negotiate the proposal's withdrawal with the shareholder in exchange for improvements in the issue at stake. Finally, the firm can include the proposal in its proxy statement, allowing all shareholders to reflect and vote on it at the AGM. Regardless of the level of support the proposal obtains from the vote, it does not bind the management to act. For further details on the workings of shareholder proposals, see Tkac (2006).

original text of the proposal to validate the coding when descriptions in the database were ambiguous. The Appendix presents some examples of proposals.

4.2 Sample and Data

We retrieve and analyze 2,089 CSR-related proposals over the period 2006-2012.⁸ The proposals refer to 437 unique firms and 1,222 firm-year observations (since firms can be targeted by more than one proposal). We separately identify transparency proposals ($n = 1,104$) from proposals requesting other outcomes. When we merge the original dataset with data on CSR disclosure, financial controls, ownership, governance and CSR practices, our initial sample decreases to 1,697 proposals (of which 926 are transparency proposals).

We retrieved data on financial controls from Compustat Global, on ownership and governance from Thomson Reuters Institutional Holdings and ASSET4 ESG, and on CSR practices from the MSCI KLD ratings. To measure our outcome of interest, CSR reporting, we use the CSR disclosure scores from Bloomberg (Eccles, Ioannou & Serafeim, 2014; Eccles, Serafeim & Krzus, 2011). These are based on company documents including sustainability/CSR reports, annual reports and corporate websites, thus allowing for a wide coverage of corporate disclosures. Bloomberg assesses the completeness of reporting across a range of environmental, social, and governance items, and reports the extensiveness of reporting along a scale ranging from 0 to 100 percent based on the number of environmental social and governance data points the firm reported (Eccles et al., 2014).

4.3 Empirical Strategy

Ideally, in order to test whether shareholder demands for CSR transparency

⁸ We cover the proposals presented at the AGMs in fiscal years 2005-2011. As an AGM might take place in a different calendar year, it implies that we cover all shareholder proposals presented from 17 Jan. 2006 to 15 Nov. 2012.

leads to the recourse to CSR disclosures, one would want firms to be assigned randomly to the “CSR transparency proposal” treatment. However, the characteristics of targeted firms differ systematically from those not targeted (e.g., Goranova & Ryan, 2014).⁹ Other bias in our setting may arise from misspecification of the relationship between shareholder activism and CSR disclosure and differences in characteristics between firms that are subject to a demand for CSR transparency and those that are targeted on CSR issues other than transparency (Shipman, Swanquist & Whited, 2017). We address these concerns in two ways.

First, we restrict our analysis to firms that are targeted by any type of CSR proposal. This ensure that our benchmark group is also under pressure from shareholder concerns with CSR issues but is not targeted by specific transparency demands. This group might similarly be prone to increasing CSR disclosures in response to shareholders’ pressure on CSR, thus making our effect estimates more conservative. Furthermore, it is less likely that there will be confounding unobservable events, for example private engagement, that differentially affect transparency and non-transparency targeted firms (e.g. Angrist & Pischke, 2015).

Second, we employ the PSM to control for systematic differences in observable baseline characteristics between treated and non-treated firms (where, in our case, treatment is being targeted by a CSR transparency proposal). Compared with regression analysis, PSM further allows to reduce the bias that stems from confounding variables and may arise from assumptions about the functional form specification of the relation between our variables of interest (shareholder activism and CSR reporting) (Rosenbaum & Rubin, 1983). Specifically, we consider whether the effect of the treatment (CSR proposals that demand transparency) on the outcome

⁹ On CSR-related proposals, see also Lenox and Eesley (2009) and Rehbein, Waddock and Graves (2004).

(CSR disclosure) can be estimated by comparing outcomes directly between treated (targeted on transparency) and untreated (not targeted on transparency) firms.¹⁰

Although not a new method (Rosenbaum & Rubin, 1983), its application in accounting research is relatively recent (Lennox, Francis & Wang, 2012; Tucker, 2010) and mostly circumscribed to auditing and financial accounting research (e.g. Shipman, et al., 2017). By employing PSM and combining *transparency requests* with *disclosure outcomes*, our empirical strategy is rigorous and more tightly matched than prior work on activism and CSR reporting (Roberts and Wallace, 2015).

Since each firm in our sample can be targeted by a CSR transparency proposal in any year, we follow a *dynamic treatment-assignment setting* (Sianesi, 2004); in other words, each year we compare treated firms (e.g. firms that are subject to a transparency demand in that year) with control firms (observationally identical firms) that are not subject to transparency demands in that same year. We first estimate the propensity score with a probit specification using the set of covariates described below for each year in our sample period. We then apply a nearest-neighbor-matching algorithm, choosing for each treated firm the closest control (i.e., the one that minimizes the absolute distance in the estimated propensity score). We perform the matching such that the same control firm could serve as the nearest-neighbor control for more than one treated firm.

¹⁰ The use of PSM assumes that, conditional on the propensity score, the distribution of the measured baseline characteristics is similar between the treated group and the control group and that conditioning on the observed confounders is sufficient to regard the chance of a firm's being subject to transparency demands as random (the so-called Conditional Independence Assumption (CIA)). Failing to meet this standard, yet untestable assumption, would lead to a biased estimation of the effect of CSR demand for transparency proposal on CSR disclosure. Undoubtedly, the soundness of CIA rests crucially on the available set of information on potential confounders. Given the large set of relevant confounders considered and discussed below, CIA does not seem implausible in our setting. Besides, time invariant unobservables, which reasonably affect both current and lagged outcomes, can be controlled for through the inclusion of lagged outcomes in the set of conditioning variables (Wooldridge, 2000), which is a feature of our research design. Other yet uncovered time-varying confounders are accounted to the extent they are correlated with observed confounders.

Our matching is based on a set of observable firm-level determinants that we identify by combining evidence from prior research on shareholder activism and CSR disclosure. First and foremost, our matching procedure accounts for the level of CSR disclosure in the year preceding the submission of the shareholder proposal for transparency. While it is reasonable to expect that the ex-ante level of disclosure is related to the demand for CSR information, including this measure in the matching allows us to capture directly the *change* in the disclosure behavior, which is our main variable of interest (i.e. increase in the overall CSR disclosures). Once our matched sample is formed, we estimate the treatment effect by directly comparing the outcomes of treated and untreated firms in the matched sample. Because in our case the outcome (CSR disclosure) is continuous, we can interpret the effect of transparency proposals as the difference between the average increase in CSR disclosure for targeted firms and that for the control group in the matched sample.

Since highly visible firms are more likely than less visible firms to be the targets of activism (Rehbein et al., 2004) and are more likely to disclose CSR information (Berthelot, Cormier & Magnan, 2003), we consider *size* (measured as the natural logarithm of sales), *industry*, and *profitability* (measured as ROA) as proxies for visibility and exposure to shareholder pressure. Furthermore, in light of evidence in the CSR accounting literature (e.g., Cho & Patten, 2007) and the CSR activism stream (Lenox & Eesly, 2009), we also argue that firms that are perceived to have poor CSR practices face greater exposure to the public than do firms perceived to have good CSR practices. Therefore, we rely on the MSCI KLD database and consider the number of KLD concerns as our proxy for *CSR practices*.¹¹ In addition, corporate

¹¹ We note that KLD ratings are hardly an objective measure of CSR performance, rather an external assessment about firms' CSR practices, made by specialized analysts for investors interested in considering CSR in their investment decision. We discuss the implications of such point in our discussion section.

governance is an important antecedent of both disclosure (Mallin, Michelon & Raggi, 2013; Peters & Romi, 2014) and shareholder activism (Judge, Gaur & Muller-Kahle, 2009). Following Renneboog and Szilagi (2011), we consider *board independence* (measured as the proportion of independent directors) and *CEO duality* (measured as a dummy that is equal to 1 when the CEO also chairs the board, and zero otherwise). Furthermore, as evidence suggests that the board's CSR orientation is associated with both CSR practices (Mallin & Michelon, 2011; Walls, Berrone & Phan, 2012) and disclosure (Michelon & Parbonetti, 2012; Peters & Romi, 2014), we also include the presence of a *CSR committee* as a potential driver of the demand for CSR transparency. Finally, as institutional investors are generally more active in the proxy season (Ferri & Sandino, 2009), our matching procedure includes *institutional ownership* (measured as the proportion of shares held by institutional investors) to account for active constituents in the shareholder base.¹² Table 1 summarizes the variables' definitions.

Insert table 1 about here

5. Results

5.1 CSR Proposals

We start our analysis by providing some descriptive insights into the CSR

¹² As explained, our research design adopts a very conservative matching procedure by comparing the recourse to disclosure of firms *targeted on CSR transparency* with the recourse to disclosure of firms *targeted on other CSR outcomes*. We argue that it is unlikely that other forms of activism would be *systematically* different between the two groups, leading us to claim a proposal-effect. However, to rule out this possibility, we conduct an additional (un-tabulated) test. We collect instances of environmental, social and governance controversies from Thomson Reuters Asset4. The variable indicates whether the firm is under the spotlight on a variety of issues (including high executive or board compensation, shareholder rights, insider dealings, aggressive or non-transparent accounting issues, anti-competitive behavior, biodiversity, spills or other environmental impacts, human and civil rights, labor practices, etc.), that may also trigger a recourse to disclosure. If firms in the treated vs. control groups were systematically different in terms of how exposed they are to these controversies, then we would be erroneously attributing to shareholder proposals the effect we document on disclosure. We therefore include this variable as a covariate in the propensity score matching and our main evidence does not change. Because of missing data and hence a sample reduction, we do not include it in the main analysis.

proposals we retrieved and analyzed. Table 2 Panel A shows the distribution of the CSR proposals during the period 2006-2012, while Panel B documents that the majority of these proposals are demands for transparency (52.8%), followed by requests to adopt codes, policy and standards, consistent with assertions from King and Gish (2015).

****Insert Table 2 about here****

Table 3 provides insights into the transparency proposals. Panel A shows that this type of proposal has maintained steady importance over time, while Panel B reports details about the CSR areas over which shareholders demand more transparency. Disclosure on political spending and contributions is the most frequent transparency request, with 95 out of the 365 proposals presented in year 2012 (untabulated). Requests related to climate change and greenhouse gas emissions make up more than 40 percent of environmental transparency proposals, while others refer to topics including energy use, water use, hydraulic fracturing, and recycling. Almost 10 percent of transparency demands are related to product responsibility, particularly disclosures on animal testing (for cosmetic/pharmaceutical companies) and animal welfare (for farming/food companies). Finally, proposals related to diversity, employee relations and human rights account for 7.4 percent of the sample, with the remaining proposals covering either community (e.g., charitable contributions) or controversial operations (e.g., weapons, nuclear power, and tobacco).

****Insert Table 3 about here****

5.2 Initial Sample and Propensity Score Matching

Table 4 Panel A presents descriptive statistics for all observations and, separately, for the two subsamples of proposals. This preliminary univariate evidence shows that companies targeted by transparency proposals present a marginally higher

average CSR disclosure score. We also note that targeted firms are, on average, less profitable than the control group and that the CEO is also usually the board chair. They also tend to have more independent boards and are more likely to have CSR committees, although a one-tailed t-test (untabulated) shows that their CSR practices are slightly worse. Size and institutional ownership do not appear to differ across the two groups. Finally, Table 4 Panel B shows that the likelihood that a firm is targeted by a CSR transparency proposal is not related (at the univariate level) to its membership in a socially or environmentally sensitive industry (ESSI).

****Insert Table 4 about here****

The variables used in the PSM allow us to balance these baseline characteristics between the two groups, resulting in 629 “treated” observations. The variables that weight most heavily in the propensity score are *size*, *board independence*, and *CEO duality*. To gauge the success of the adjustment, Figure 1 shows the estimated propensity scores’ distributions for treated and control firms before and after matching. Before matching, the distributions of the two groups differ substantially, while the distributions overlap to a great extent after matching. In other words, the PSM we implement succeeds in minimizing the baseline differences between treated and untreated firms.¹³

****Insert Figure 1 about here****

5.3 Main Evidence

Table 5 reports the average treatment effect on the treated (ATT) testing for H1. The ATT estimates on average how the observed CSR disclosure of the firms that have been targeted by a transparency demand differs from the hypothetical CSR

¹³As mentioned before, if PSM fails to fully capture fundamental differences between treated and untreated firms, the estimation of the effect will be biased. In general, this would lead to an overestimation of the impact of demand for transparency on CSR disclosure. However, Fig.1 shows that the PSM succeeds in capturing differences between the two groups.

disclosure had these firms not been targeted by a transparency demand¹⁴ and is defined as the “difference between expected outcome values with and without treatment for those who actually participated in treatment” (Caliendo & Kopeinig, 2008, p. 34). In our setting, treatment refers to a firm being targeted by transparency demands, so this parameter focuses directly on firms that are targeted by transparency proposals and determines the average increase in disclosure with respect to the control group. We report the ATT considering the change in disclosure in both year t (the year in which the proposal is submitted) and year $t+1$. We observe the change in disclosure in both year t and $t+1$ because doing so takes into account the possibility of overlapping between the timing of the AGM and Bloomberg’s measurement of CSR disclosure. In addition, the deadlines for submission of proposals are company-specific and they vary up to 120 days before the AGM. Thus, the pressure that results from shareholders demanding more transparency may already have affected the firm’s CSR disclosures in the year of the AGM. In both cases, the parameter is positive and significant, providing support to our hypothesis that shareholder activism increases targeted firms’ CSR disclosures.¹⁵ The documented increase in disclosure for treated firms in year t ($t+1$) is 2.363 (3.020), corresponding to a 7.94% (9.69%) increase with respect to the average disclosure level of control firms, in line with our expectations (H1) that the presence of shareholder activism on transparency leads firms to increase their overall

¹⁴ In our setting, the CSR disclosure outcome for a firm being targeted by a transparency proposal is observed, but the disclosure outcome of not-being targeted for the same firm is never observed and is referred to as a “counterfactual” outcome. In our non-experimental setting, we use PSM to compare the outcomes of treated firms with those of control firms, where the control firm is identified as a firm in the untreated group with a propensity score close to that of the treated firm. In other words, the counterfactual outcome, which is not observed, is proxied by the average outcome of control firms selected by PSM.

¹⁵ Given the predominance of proposals on political spending reported in the descriptive evidence, we re-run the main analyses, excluding them. Untabulated results show that the evidence is consistent, although the ATT on CSR disclosure in year t is positive but not significant. We also re-run the analysis considering social and environmental disclosure as our dependent variable (thus excluding the governance disclosure score), and our main inferences remain the same.

CSR disclosures, consistent with the marketization of the movement.¹⁶

We further restrict our analysis to firms for which a majority of proposals is put to vote, to gauge the effect on CSR disclosure conditional on whether the firm is exposed to a public debate at the AGM where perceptions of CSR as source of risk would be increased.¹⁷ The evidence, reported in Panel B, documents a significant ATT for firms that have a majority of proposals put to vote. This conditional analysis suggests the visibility and publicity of shareholders' demand for transparency via the proxy statement and discussion at the AGM intensifies the risk that CSR represents and as such stimulate greater disclosure.

****Insert Table 5 about here****

Our next test considers whether the marketization of the original movement has made the mobilizing power of the special interest groups and mainstream investors similar, in which case we would not expect to see differences in the disclosure effect for proposals submitted by these two types of sponsoring shareholders. We consider socially responsible investment firms (SRI) and pension funds as mainstream investors, as they can draw on large resource bases in their attempt to influence corporate activities. Special interest groups include religious institutions (e.g. The Sisters of St Dominic of Caldwell), NGOs and advocacy groups (e.g. People for the Ethical Treatment of Animals) and unions (e.g. the International Brotherhood of

¹⁶ Our results are qualitatively the same when we run an OLS regression on the unmatched sample and control for all the variables used in the propensity-score-matching. Considering whether firms are targeted by at least one transparency proposal or one proposal in the same CSR area in prior years does not alter the interpretation of our findings. In another sensitivity analysis, we restrict the analysis to proposals on which votes were taken and include the percentage of votes in support as an additional covariate in our PSM procedure described above. Results are aligned with our main findings.

¹⁷ Each firm could potentially be targeted by more than one proposal per year. However, as explained in footnote 7, firms can try to omit a proposal or the sponsor could withdraw it, precluding public discussion of the issue at stake. Hence, in this test we separately identify the subsample of firms for which a majority of the submitted proposals is being discussed and voted for.

Teamsters). We test H2 by identifying firms that received at least one transparency proposal from special interest groups vs. SRI or pension funds. Table 6 shows that a change in CSR disclosure occurs for both groups of firms (and untabulated evidence suggest that the change is not statistically different across the two groups) supporting the argument that the mobilizing power of different shareholders is similar (H2). We interpret this lack of difference as evidence of the marketization of the original activist movement.

****Insert Table 6 about here****

To test H3, we select three events that occurred during the period of investigation and that constitute external political opportunities: the Lehman Brothers collapse, the Occupy Wall Street (OWS) movement, and the BP oil spill in the Gulf of Mexico. We exploit each of these events as a sub-setting in which to test our third hypothesis empirically. Because we use these events as a source of time variation in the demand for CSR information and heterogeneity in the pre-event shareholder activism as a source of cross-sectional variation, we combine a difference-in-differences design with PSM. Similar to the general setting, the PSM method controls for possible differences between treated and untreated pre-event trends in the outcome variable and allows us to compare the difference in the corporate disclosure change before and after the events between treated and control groups.

The failure of Lehman Brothers on September 17, 2008 is considered by many to mark the beginning of the banking crisis (Swedberg, 2010). The 158-year-old financial institution's filing for bankruptcy was attributed to inadequate regulation, market inefficiency, and lack of transparency (Zingales, 2008). This failure and the recession that followed had significant social consequences on thousands of people

who lost their jobs and/or savings as a result (The New York Times, April 30, 2014).¹⁸ This epic failure generated a significant crisis of confidence in the banking and financial systems (Swedberg, 2010). Observers called for improved market discipline through which shareholders and creditors would assume the losses of their failed corporations (Bernanke, 2010). Given the call for increased transparency aimed at rebuilding public confidence, we argue that the collapse of Lehman Brothers stimulated interest in more complete corporate disclosures. In a similar vein, the OWS movement started on September 17, 2011, in New York City when a group of activists camped in Zuccotti Park to protest social and economic inequality worldwide. According to DiStaso (2015, p.100), the protesters' message that they "represented 99 percent of Americans resonated with many people across the globe as it quickly spread and put pressure on political figures, big companies, financial institutions, and banks." After the movement fizzled out, business journalists agreed that more transparent communication was the way to repair corporate reputation (DiStaso, 2015). Hence, we posit that the Lehman Brothers collapse and the OWS movement triggered an increase in the demand for CSR transparency arising from the social context, which may have stimulated firms to provide more CSR information overall.

Table 7 Panel A shows the comparison of the average change in CSR disclosures between treated and control firms after the bank collapse and OWS. Treated and control firms are matched following the same procedure described in section 4.3. We determine the diff-in-diff by considering the disclosure change in the year *prior* to the bank collapse (2007) and OWS (2010) vs. the year *after* the bank collapse (2009) and OWS (2012).¹⁹ For both events, the ATT is highly significant and

¹⁸ The New York Times: http://www.nytimes.com/2014/09/30/business/revisiting-the-lehman-brothers-bailout-that-never-was.html?_r=1

¹⁹ This approach is consistent with our main analysis, wherein we focus on disclosure at times t and $t+1$ while controlling for disclosure at time $t-1$. The ATTs can be interpreted in the same way as the

positive. The increase in disclosure for treated firms of 5.125 (5.773) in the bank collapse (OWS) event corresponds to 18.95% (20.22%) increase with respect to the average disclosure of control firms.

Our second sub-setting is specific to the demand for environmental transparency. The Deepwater Horizon oil spill in the Gulf of Mexico started on April 20, 2010, after the explosion of the oilrig on the BP-owned *Macondo Prospect*, operated by Transocean. The spill, which continued until July 2010, was the largest marine oil spill in the history of the petroleum industry (The New York Times, August 2, 2010²⁰). Although the oil spill did not lead to the failure of BP, public concern became a determinant of mobilization and additional pressure for transparency on the environmental effects of corporate activities. We anecdotally observe reference to the BP oil spill in transparency proposals and, consistent with Heflin and Wallace (2017), who document an increase in environmental disclosure in the year following the spill, we posit that the spill triggered increased demand for environmental disclosure.

Table 7 Panel B shows the results for the diff-in-diff in the year before the oil spill (2009) vs. the year after (2011) for both the CSR and environmental disclosure scores. In this last setting, the CSR performance and the disclosure score at $t-1$ used in the matching are environmentally specific. Both ATTs are positive and significant, and the parameter for environmental disclosure is higher than the parameter for CSR disclosure. The documented ATT of 6.562 corresponds to an increase of 26.61% in the average environmental score for treated firms with respect to the average score of control firms. Overall, the evidence supports H3 and shows how political opportunities exacerbate the corporate disclosure response to shareholders' pressure. This suggests

interaction variables between the “post-event” dummy and the “treatment” dummy in a traditional regression setting.

²⁰ http://www.nytimes.com/2010/08/03/us/03spill.html?_r=0

that external events conveying perceptions of heightened CSR risks amplify the effect of shareholder activism on corporate recourse to CSR disclosure.

****Insert Table 7 about here****

We test our last hypothesis using intensity of activism (number of proposals per year) as a proxy for routine disruption. Since more proposals are likely to bring CSR reporting to the forefront of the corporate agenda, in line with H4, we expect to see a greater recourse to CSR disclosure among firms that are targeted by more than one transparency proposal than among firms that are not. Table 8 shows the breakdown of the ATT for disclosure at time t and $t+1$ by the number of proposals received each year. Overall, the evidence reported in Table 8 shows that the ATT is not statistically different from zero for firms targeted by only one proposal, which we interpret as evidence that an overall increase in CSR disclosure relates to cumulative requests for transparency. As routine disruption intensifies, so does perception of CSR risks, which leads corporations to fulfill the market's need for information with increased disclosure, consistent with H4. The magnitude of the ATTs reported in Table 8 varies between an increase of 16.05% and 39.18% with respect to the average disclosure of control firms.

****Insert Table 8 about here****

5.4 No pressure, no diamonds? An analysis of the societal relevance of increased CSR disclosure

In order to provide additional evidence for our arguments that the marketization of the SM has contributed to the instrumentalization of CSR as a risk and that marketized solutions to risk management glorify the provision of information as the ultimate remedy for CSR issues, we now consider the societal relevance implications of shareholder activism on CSR transparency.

On one side, one may argue that the societal relevance of this type of activism is high, given that shareholder pressure channeled by means of proposals is effective in increasing voluntary CSR disclosure, leading companies to be more transparent (ergo: no pressure, no diamonds). Hence, increased levels of CSR disclosure may be considered *per se* a positive societal outcome. Figure 2 attests of this outcome. It displays the disclosure trends over the period considered in this study for three groups of firms: (1) firms targeted by shareholder activism on CSR transparency, (2) firms targeted by shareholder activism on CSR issues other than transparency and (3) firms *not* targeted by CSR shareholder activism.²¹ As Figure 2 shows, the disclosure level at the beginning of the period is similar for firms that are not targeted by shareholders (group 3) and those under pressure for more disclosure by shareholders (group 1). CSR disclosure for firms in group (3) presents a decreasing trend, and the gap between targeted and non-targeted firms (groups 1 and 2) widens. Further, firms in group (1) tend to increase their disclosure over time,²² corroborating our arguments that shareholder activism on CSR transparency is likely related to firms' recourse to CSR disclosure. Such transparency outcome may be particularly important for shareholders, in that, through information, they are able to better monitor management, assess their risks, and adjust their investment decisions accordingly.

Insert Figure 2 about here

On the other side, one may argue that shareholders' interest in CSR transparency may not necessarily be the ultimate end to which some activist

²¹ Untabulated descriptive statistics for these firms show that they are generally smaller, less profitable, and have fewer CSR concerns than the firms in our analysis. They also have a lower proportion of independent directors and are less likely to have CEO duality or a CSR committee. On average, the rate of institutional ownership among these firms is higher than it is for the firms in our sample.

²² The evidence reported in Figure 2 is also useful in responding to concerns about potential selection bias because of our choice to restrict the analysis to firms that are targeted by shareholder activism on CSR (i.e., groups (1) and (2)). Because the firms in group (3) are the least transparent and their disclosure average is decreasing over time, by not including them in our control group, we estimate a lower bound of the effect of shareholder activism on CSR transparency.

shareholders aim for, having broader societal goals in mind than the content of their proposal itself (King & Gish, 2015; Tkac, 2006). Requests for transparency may be meant to have an aspirational role, wherein disclosure sets the CSR goals to reach (Christensen et al., 2013; Gibassier, Rodrigue, & Arjaliès, 2018) and reporting bears the potential for firms to learn and become accountable, bringing changes in corporate practices (Buhr, 2007). However, from a managerial perspective, the accounting literature has extensively warned that CSR disclosure may be driven by legitimacy purposes (Cho & Patten, 2007; Cho et al. 2012; Cho, Laine, Roberts, & Rodrigue, 2015; Neu, Warsame, & Pedwell, 1998).

With this debate in mind, we explore whether shareholder demands for transparency trigger changes in CSR practices beyond increased disclosure. We do so by re-running our main analyses but considering KLD concerns, our proxy for CSR practices, rather than CSR disclosure, as our dependent variable. Our aim is to assess whether shareholders' transparency demands, which lead to greater disclosure, are also associated with a decrease in the concerns over CSR practices of the targeted firms, which would be consistent with disclosure inspiring changes in corporate practices (Christensen et al., 2013). Since KLD concerns are included as a covariate in the PSM, we can interpret the ATT directly as the *change* in the variable (before and after the firm is targeted). In Table 9, the ATT estimates the average change in the total number of KLD concerns with respect to the control group (Panel A) for all submitted transparency proposals, whereas Panel B restricts the sample to the proposals that are voted for. Overall, despite improved disclosures, the evidence shows that the targeted firms are not improving their CSR practices, at least in the short term. Quite the contrary, as the number of total concerns increases, it appears that the CSR practices

of the targeted firms deteriorate.²³ We further elaborate on the implications of this finding in the following section.

****Insert Table 9 about here****

6. Discussion and conclusion

We theorize shareholders' CSR transparency requests as the outcome of the marketization of the original activism movement ideas. The infusion of profit-oriented motivations into the original social justice ideals on which the movement was founded has contributed to create a conceptualization of CSR as a risk. Marketized solutions to risk management privilege the provision of information (Power, 2005; Malsch, 2013) and contribute to explaining the emphasis placed by shareholders on transparency in their proposals, as well as the recourse to additional CSR information by firms, as attested by the marked increase in disclosure of the sample firms targeted by shareholder demands for transparency. However, such increase does not necessarily mean that individual requests are taken into account and implemented, rather that firms respond to the movement's pressure with increased disclosure. We interpret this evidence as CSR information becoming a compromise solution not only to manage the tensions between the social justice ideals and profit motivation of activist shareholders, but also to mitigate the SM pressures experienced by managers. We further document a similar corporate response to the pressure arising from special interest groups and mainstream investors alike, which we interpret as evidence that, with the marketization of activism, the mobilizing power of one group over the other

²³ While concerns identify poor (or lack of) practices in specific CSR areas, strengths assign scores to positive practices. Our inference does not change if we proxy CSR practices using KLD strengths rather than concerns (un-tabulated). To perform this test, we include the KLD strengths as a covariate in the PSM procedure, so that we can capture directly the *change* in the number of good CSR practices. The ATTs we obtain are negative (i.e. decrease in strengths) and not significant, suggesting a non-statistically significant change in CSR practices measured as strengths, in line with the evidence discussed above.

is indistinguishable, and hence similarly influence the recourse to CSR disclosure. The marketization of shareholder activism is also observed in the effect of political opportunities on disclosure, where external events accentuating perceptions of CSR as a risk intensifies the effect of shareholder activism on corporate recourse to disclosure. Similarly, routine disruption contributes to the perception of CSR as a risk threatening a firm's reputation and amplifies the recourse to disclosure.

We argue that shareholders' focus on transparency is problematic in light of transparency itself. By requesting more information on corporate practices, shareholders may assume implicitly that the information can be reported free of error, whereas recent research exposes the presence of restatements in CSR information (Michelon, Patten & Romi, 2018; Ballou, Chen, Grenier & Heiger, 2018). Relatedly, shareholders may assume firms know about the entirety of their operations. Gold and Heikkurinen (2018, p.325) argue that such an assumption is not plausible for multinational corporations operating complex and distant supply chains – often the targets of activist shareholders: “focal firms could be regarded as systematically unaware of what they are ‘orchestrating’”, due to the opacity (Messner, 2009) present in such setting. More importantly, activists indicate to corporations that they will be monitored on reporting terms – on whether or not their provision of information is sufficient (Roberts et al., 2006). Corporate actors are therefore incentivized to focus their energy on managing “what is transparent to powerful but distant others” (Roberts, 2018, p.58). This bears the risk of orienting managers towards fulfilling reporting requirements rather than towards transforming corporate activities or focusing more comprehensively on the CSR issue(s) at stake (Gold & Heikkurinen, 2018). It casts aside the complexities and interdependencies of dealing with wicked sustainability issues (Bebbington & Larrinaga, 2014). The focus on disclosure risks

failing to engage more broadly with the interrelations underlying many CSR issues – interrelations that need to be considered for significant transformations to be achieved (Brown & Dillard, 2013). Such emphasis on disclosure is also highly reductive of many CSR issues like climate change and human rights, as it could imply that they can be “dealt with” via increased disclosure, assigning simple, technical solutions to global, complex problems (Andrew & Cortese, 2013; Soederberg, 2009). Such an interest in transparency on the part of shareholders may have the (unintended?) consequence to encourage myopia and the development of blind spots in *their* approach to CSR – both their own and their firms’. If the variety of investors engaged in activism on CSR are interested in creating a better world and seek social change (Ross Sorkin, 2018; Straub, 2018), the requests for information, rather than change in corporate actions, may turn out to be an empty, if not rhetorical, exercise.

Indeed, despite increased recourse to disclosure, our last empirical investigation shows that CSR practices do not improve – they actually worsen. This finding has to be taken with some caution and can be interpreted in different ways, which are dependent also on the epistemological stance of the reader (Chatterji, Durand, Levine & Touboul, 2017; Gond & Palazzo, 2008; Orlitzky, 2011). For those who view our proxy (CSR concerns) as an external assessment of CSR practices, our evidence may suggest that the additional disclosures prompted by the proposals enabled the identification of further CSR concerns, and hence led to a worse score (Bouten, Cho, Michelon & Roberts, 2017; Deephouse & Heugens, 2009). If one considers our proxy an objective (and valid) measure for “true CSR performance”, our finding could be interpreted as evidence of camouflaging practices via disclosure (Cho & Patten, 2007; Cho, Roberts & Patten, 2010). Whatever the interpretation attributed to CSR practices metrics and the limitations they bear (Chelli & Gendron, 2013), it

remains that we document a disturbing decline in this measure for the targeted firms. While more discussion on what CSR practices metrics capture is certainly a valuable endeavor, it is beyond the scope of our work. What matters to us is to reflect on the societal relevance of shareholder transparency requests more broadly - beyond triggering increased levels of disclosure.

Our findings fail to reveal broader societal relevance arising from this wave of transparency requests, as their reach does not seem to extend to parallel improvements in the social and environmental practices of targeted corporations. It appears that the aspirational appeal of disclosure to stimulate change in corporate actions (Christensen et al., 2013; see also Albu and Flyverbom, 2019) through greater accountability (Gray et al., 1997) is not conveyed by shareholder transparency requests, at least in the short term. Overall, our findings suggest that the societal relevance of transparency requests seems to be confined to investors' risk management needs. The pressure arising from shareholder activism, as a SM, triggers changes in corporate behavior, although these changes are of a modest (reporting) nature. Our findings confirm King and Gish's (2015; 712) assertion that the current demands from shareholders ask "to modify, rather than radically change, corporate structures and practices", and support Dauvergne and Lebaron's (2014; 133) argument that "the change sought is moving away from systemic sources towards micro-solutions". Adding these observations to the problematic issues arising from the focus on transparency we highlighted above, the quest for transparency does not appear to work as an "intelligent" form of accountability (Roberts, 2009), bearing only partially the power of transformation offered by social movements (Mena & Waeger 2014), and configuring shareholder activism as a relatively weak form of activism (Marens, 2008). This echoes the belief of some of King and Gish's (2015) interviewees that other forms of non-shareholder

activism are needed to generate greater societal change. This is highly concerning, as it suggests that the social justice ideals have lost ground over the profit motivation within the activist movement.

Shareholder activism has been conceptualized as a SM for some time (Davis & Thompson, 1994). Our findings hint towards its alteration as a SM. We document that political opportunities and routine disruption amplify the recourse to disclosure in presence of transparency requests. However, the mobilization of resources and constituencies seems not to be relevant in the shareholder activism context, suggesting that the marketization of the movement has “professionalized” the original activists, and ultimately made their mobilizing power indistinguishable from that of mainstream investors in the CSR context. As such, shareholder activism only partially mirrors the mechanisms of change mobilized by social movements (Giugni, 1998; Luders, 2006). Further research is needed to see how its marketization will impact its evolution as a SM.

Our study contributes to the accounting literature by theorizing how shareholders’ request for CSR transparency and the consequent corporate recourse to CSR disclosure can be envisioned as the outcome of the marketization of a SM. Our findings expose how this accounting practice is complicit in the erosion of the SM’s original motivations. In this respect, our study joins that of Martinez and Cooper (2017) who showed how accountability requirements – of which accounting is a great part – contributed to the disarticulation of a social movement, transforming the movement into “official” international development NGOs submitted to legal, accounting and administrative boundaries. These boundaries confined its ways to operate and re-shaped its initial motivation: “the social movement’s political aspirations [were channeled] into relations and goals that are technically and

politically useful for the international development assemblage” (Martinez & Cooper, 2017; 29). Along these lines, our theorization conceptualizes how the importance attributed to the *reporting* of corporate practices and performance – rather than to the *practices and performance per se* – contributes to entrenching the SM into a market-driven, corporation-centric system, whereas the initial ideals of shareholder activism were meant to open corporations to broader societal concerns of justice and environmental protection. Together with Martinez and Cooper’s (2017), our findings underline the importance of continuing to deepen our understanding of how accounting contributes to the transformation of social movements.

Our findings also support the recent attempts (e.g. Spence & Rinaldi, 2014; Thomson et al., 2014; Rodrigue, Magnan & Boulianne, 2013; Arjaliès & Mundy, 2013) to move away from disclosure-oriented studies to generate a better understanding of CSR practices. Similar to activist shareholders, accounting researchers risk taking the wrong path if, as a group, our focus remains too intensely focused on disclosure rather than on the practices of corporations. We echo O’Dwyer and Unerman (2016) and Brown and Dillard (2013) calling accounting researchers to take disclosure off its (research) pedestal and redouble efforts to study how accounting can positively contribute to the management of social and environmental issues beyond market-driven practices (see Bebbington & Larrinaga, 2014; Bebbington & Unerman, 2018). Relatedly, we call for further research to fully disentangle and comprehend the relation between various forms of shareholder (and stakeholder) activism, CSR disclosure and CSR practices, and what type of societally beneficial change may emerge from such endeavors. If (social and environmental) accounting researchers wish to accentuate the societal relevance of their work (Hopper & Bui, 2006; Dillard & Vinnari, 2017), we have to embrace the challenge to be more

reflexive about the importance and implications of studying disclosure-related matters.

We acknowledge some caveats in our research. First, as with any quantitative study, causality is difficult to prove. We believe our analysis is rigorous and comprehensive, with an empirical strategy carefully designed to control for firms' observable characteristics that may explain our results, while also minimizing the likelihood that other, non-observable factors, may be driving our evidence. However, we acknowledge that we cannot completely rule out that other forces concur to explain our findings and we recognize the limitations associated with the use of proxies to measure our variables of interest. Second, we are aware that our research design does not rule out that there may be individual instances where transparency requests lead not only to the release of that information, but also to a change in the underlying practice, or that such changes may be observed over longer time frames. Finally, our evidence may be different if we considered more recent times or different institutional environments.

While our concern is that the marketization of the SM through its focus on transparency threatens its foundations, we also acknowledge that it may contribute to increase awareness of the major challenges our planet and humanity itself face today. Nevertheless, if shareholders (and activists) want to trigger extensive transformation, they should be aware that the focus on disclosure is leading to (unintended?) consequences, where more information is available, but further transformational impacts are unclear. Disclosure as the "compromise solution" does not appear to be an adequate concession to achieve shareholder activism's social ideals.

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Appendix

Excerpt from proposal submitted to Abbott Laboratories for consideration at the 2005 AGM

CSR concern/area as per coding: Governance / Political spending

“The Mercy Investment Program, 205 Avenue C, #10E, New York, New York 10009, owner of 150 Abbott common shares, and three other proponents have informed Abbott that they intend to present the following proposal at the meeting.

Resolved, that the shareholders of Abbott Laboratories ("Company") hereby request that the Company provide a report updated semi-annually, disclosing the Company's:

1. Policies and procedures for political contributions (both direct and indirect) made with corporate funds.
2. Monetary and non-monetary contributions to political candidates, political parties, political committees and other political entities organized and operating under 26 USC Sec. 527 of the Internal Revenue Code including the following:
 - a. An accounting of the Company's funds contributed to any of the persons described above;
 - b. The business rationale for each of the Company's political contributions; and
 - c. Identification of the person or persons in the Company who participated in making the decisions to contribute.” (2005 proxy statement, p.27)

Excerpt from proposal submitted to Kellogg for consideration at the 2006 AGM

CSR concern/area as per coding: Governance / Standalone reporting

“Whereas:

Investors increasingly seek disclosure of companies’ social and environmental practices in the belief they impact shareholder value. Many investors believe companies that are good employers, environmental stewards, and corporate citizens are more likely to be accepted in their communities and to prosper long-term. (...)

RESOLVED: Shareholders request that the Board of Directors issue a sustainability report to shareholders, at reasonable cost, and omitting proprietary information, by September 1, 2006. (...)

The report should include the company’s definition of sustainability, as well as a company-wide review of company policies and practices related to long-term social and environmental sustainability.

We recommend that the company use the Global Reporting Initiative’s Sustainability Reporting Guidelines (“The Guidelines”) to prepare the report.” (2006 proxy statement, p.26)

Excerpt from proposal submitted to Bristol-Myers Squibb for consideration at the 2010 AGM

CSR concern/area as per coding: Product / Animal testing

“RESOLVED: shareholders encourage Bristol-Myers Squibb Company (“Bristol-Myers Squibb”) to increase its corporate social responsibility and transparency around the use of animals in research and product testing, by including information on animal use in its sustainability report (“Report”). We encourage the Report to include non-proprietary information, as follows: (1) species, numbers, and general purpose of each use (e.g., research and development, efficacy testing, or toxicity testing), and (2) Bristol-Myers Squibb’s efforts in the preceding year and future goals towards reducing and replacing animal use. (...)

In addition to the ethical imperative, there are scientific and financial imperatives for moving away from animal use. Astonishingly, 92% of drugs deemed safe and effective in animals, fail when tested in humans.² In the 8% of FDA-approved drugs, half are later relabeled or withdrawn due to unanticipated, severe, adverse effects. A 96% failure rate not only challenges the reliability of animal experiments to predict human safety and efficacy, it creates enormous risks of litigation, adverse publicity, and wasted resources. Primary reasons for this significant failure rate are the anatomical and physiological differences between humans and other species. To deliver safer, more effective products, pharmaceutical companies need to focus on experimental models with greater human relevance. (...)

Given the ethical and scientific implications of animal use for drug development and testing, we urge shareholders to vote in favor of this proposal for Bristol-Myers Squibb’s consideration to increase transparency about its animal use and replacement efforts in the Report.” (2010 proxy statement, p.69-70)

Excerpt from proposal submitted to Chevron for consideration at the 2011 AGM

CSR concern/area as per coding: Environment / Environmental impact

“Be it Resolved: That the shareholders of Chevron Corporation recommend preparation and delivery to all shareholders a report that includes,

- a) The numbers of all offshore oil wells (exploratory, production and out-of-production) that Chevron Corporation owns or has partnership in
- b) Current and projected expenditures for remedial maintenance and inspection of out-of-production wells
- c) Cost of research to find effective containment and reclamation following marine oil spills.

Supporting Statement

BP’S out-of-control deepwater drilling rig explosion and subsequent oil spill has brought into focus the hazards of offshore oil production. The BP incident resulted in catastrophic loss of share value and distress sale of corporate assets. Chevron Corporation had an oil spill in the Gulf of Mexico in the 1970’s that resulted in massive fines by the U.S. E.P.A. for multiple violations in which blow-out-preventers (storm chokes) were not installed. Shareholders need to know the amount of exceptional risk associated with offshore drilling. Furthermore, shareholders need to know the internal planning response of Chevron Corporation’s management to the BP disaster. Please vote FOR this proposal for needed Information regarding the extraordinary risks associated with offshore oil production.” (2011 proxy statement, p.86)

“WHEREAS in 2007, the Intergovernmental Panel on Climate Change’s Fourth Assessment Report stated it is “very likely” that anthropogenic greenhouse gas emissions have heavily contributed to climate change. Furthermore, “there is substantial economic potential for the mitigation of global greenhouse gas emissions over the coming decades, that could offset the projected growth of global emissions or reduce emissions below current levels.” (...)

WHEREAS, increasingly investors believe that there is an intersection between climate change and corporate financial performance. Goldman Sachs reported in May, 2009, “We find that while many companies acknowledge the challenges climate change presents . . . there are significant differences in the extent to which companies are taking action. Differences in the effectiveness of response across industries create opportunities to lose or establish competitive advantage, which we believe will prove increasingly important to investment performance.” (...)

WHEREAS, companies such as Apple Inc disclose information regarding the environmental footprint, including greenhouse gas emissions, of major electronic products. Amazon.com currently discloses no such information regarding the Kindle, self-described by the company as its best-selling product. (...)

Resolved:

Shareholders request that within 6 months of the 2012 annual meeting, the Board of Directors provide a report to shareholders, prepared at reasonable cost and omitting proprietary information, describing how Amazon.com Inc is assessing the impact of climate change on the corporation, and specifically risks related to greenhouse gas emissions, energy use, and logistics, and the corporation’s plans to publicly disclose this assessment.” (2012 proxy statement, p.13-14)

Figure 1. Estimated propensity score distributions, treated and controls

Before matching

After matching

Figure 2. Disclosure trends

CSR disclosure trends for three groups of firms: Group 1 - firms that are subject to shareholder activism on CSR transparency; Group 2 - firms that are subject to shareholder activism on CSR issues other than transparency; and Group 3 - firms that are not subject to CSR shareholder activism.

Table 1. Variables definitions

Name	Definition	Source
<i>Dependent Variable</i>		
CSR disclosure score	Environmental, social and governance disclosure	Bloomberg
<i>Independent Variables*</i>		
CSR disclosure score	Environmental, social and governance disclosure score for the year preceding the shareholder proposal	Bloomberg
Size	Logarithm of the revenues at the end of the fiscal year	Compustat Global
Profitability	(ROA) EBIT divided by the end-of-the year book value of total assets	Compustat Global
CSR Practices	Sum of total KLD concerns (community, diversity, employee relations, environment, governance, human rights, product responsibility)	MSCI
Board Independence	Proportion of independent directors	Thomson Reuters Asset4
CEO duality	Dummy variable equals 1 if CEO is also Chairman of the board, and 0 otherwise	Thomson Reuters Asset4
CSR Committee	Dummy variable equals 1 if there is a CSR committee at the board level, and 0 otherwise	Thomson Reuters Asset4
Institutional Ownership	Percentage shares held by institutional investors at fiscal year end	Thomson Reuters Institutional Holdings

**All independent variables are measured at (t-1), i.e. the year before the proposal is submitted.*

Table 2. CSR Proposals*Panel A. Breakdown by year*

Year of the Annual General Meeting	Frequency	Percent	Cum.
2006	302	14.5%	14.5%
2007	312	14.9%	29.4%
2008	337	16.1%	45.5%
2009	300	14.4%	59.9%
2010	307	14.7%	74.6%
2011	279	13.3%	87.9%
2012	252	12.1%	100.0%
<i>Total</i>	<i>2,089</i>	<i>100.0%</i>	

Panel B. Breakdown by expected outcome

Expected outcome	Frequency	Percent	Cum.
Transparency and reporting	1,104	52.8%	52.8%
Codes, policy, standards	423	20.3%	73.1%
Actions on business operations	308	14.7%	87.8%
Governance and other	254	12.2%	100.0%
<i>Total</i>	<i>2,089</i>	<i>100.0%</i>	

Table 3. Transparency Proposals*Panel A. Breakdown by year*

Year of the Annual General Meeting	Frequency	% of total proposals
2006	134	44.37%
2007	169	54.17%
2008	153	45.40%
2009	151	50.33%
2010	175	57.00%
2011	136	48.75%
2012	186	73.81%
<i>Total</i>	<i>1,104</i>	

Table 3. Transparency Proposals (cont'd)*Panel B. Breakdown by concern/CSR area*

Concerns	Frequency	Percent
Governance	558	50.5%
Political spending	365	65.4%
Standalone reporting	142	25.4%
Lobbying and others	51	9.2%
Environment	270	24.5%
Climate change and GHG Emissions	113	41.8%
Environmental impacts/other	75	27.8%
Energy	38	14.1%
Fracturing	16	5.9%
Water and recycling	28	10.4%
Product responsibility	105	9.5%
Animal testing/welfare	38	36.2%
Miscellaneous	24	22.9%
Predatory lending	11	10.5%
Safety	11	10.5%
Drug prices	10	9.5%
Genetically modified organisms	9	8.6%
Pesticide	2	1.8%
Diversity/ Employee/ Human Rights	82	7.4%
Equal employment opportunity	21	25.6%
Miscellaneous	21	25.6%
Human rights standards	20	24.4%
Safety	14	17.1%
Indigenous peoples/Child labor	6	7.3%
Community	54	4.9%
Charitable contributions	36	66.7%
Miscellaneous	18	33.3%
Controversial Issues	35	3.2%
Weapons	18	51.4%
Nuclear power	9	25.7%
Tobacco	7	20.0%
Alcohol	1	2.9%
Grand total	1104	100.0%

Table 4. Initial sample after merging of all data sources*Panel A. Descriptive statistics*

Variable	N	Mean	S. D.	Min	25th	Median	75th	Max
<i>Overall initial sample</i>								
CSR disclosure	1697	33.92	14.51	11.16	21.90	33.06	44.63	75.52
Size	1697	10.14	1.44	5.96	9.20	10.11	11.15	13.01
Profitability	1697	0.11	0.08	-0.33	0.06	0.10	0.16	0.53
CSR practices	1697	6.71	4.18	0.00	3.00	6.00	9.00	18.00
Board independence	1697	83.25	8.88	33.33	78.57	84.62	90.91	100.00
CEO duality	1697	0.73	0.45	0.00	0.00	1.00	1.00	1.00
CSR committee	1697	0.62	0.49	0.00	0.00	1.00	1.00	1.00
Institutional ownership	1697	0.67	0.22	0.00	0.57	0.68	0.79	3.07
<i>CSR transparency pressure sample</i>								
CSR disclosure	926	34.44*	14.35	11.16	22.73	33.27	44.21	75.10
Size	926	10.16	1.41	6.15	9.29	10.13	11.13	13.01
Profitability	926	0.11***	0.08	-0.30	0.06	0.10	0.15	0.53
CSR practices	926	6.58	4.10	0.00	3.00	6.00	9.00	18.00
Board independence	926	84.04***	8.37	33.33	80.00	85.71	90.91	94.44
CEO duality	926	0.76***	0.42	0.00	1.00	1.00	1.00	1.00
CSR Committee	926	0.65***	0.48	0.00	0.00	1.00	1.00	1.00
Institutional ownership	926	0.67	0.19	0.00	0.58	0.68	0.79	2.15
<i>Other CSR pressure sample</i>								
CSR disclosure	771	33.30	14.67	11.16	20.00	32.64	45.18	75.52
Size	771	10.13	1.47	5.96	9.11	10.09	11.16	12.98
Profitability	771	0.12	0.08	-0.33	0.06	0.11	0.17	0.47
CSR practices	771	6.87	4.27	0.00	3.00	6.00	10.00	18.00
Board independence	771	82.29	9.38	33.33	76.92	84.62	90.00	100.00
CEO duality	771	0.68	0.47	0.00	0.00	1.00	1.00	1.00
CSR committee	771	0.58	0.49	0.00	0.00	1.00	1.00	1.00
Institutional ownership	771	0.67	0.25	0.00	0.57	0.67	0.79	3.07

Panel B. Transparency proposals in environmentally or socially sensitive industry (ESSI)

	Transparency proposals	Other proposals	Total
ESSI	339	268	607
Non ESSI	587	503	1090
<i>Total</i>	<i>926</i>	<i>771</i>	<i>1697</i>

*, **, *** indicate that the mean for the “CSR transparency pressure” sample differs significantly from the mean of the “Other CSR pressure” sample at 10%, 5%, and 1% significance values (two-tailed), respectively.

All variables are defined in Table 1.

Table 5. Main analysis*Panel A. CSR disclosure change between the treated and the control group*

	Obs.	ATT	S.E.
CSR disclosure change at time t	629 ^(a)	2.363***	(0.729)
CSR disclosure change at time t+1	624 ^(b)	3.020***	(0.754)

Panel B. CSR disclosure change conditional on proposal being voted for

	Obs.	ATT	S.E.
<i>CSR disclosure change at time t</i>			
Firms with majority of voted proposals	302	2.129*	(1.139)
<i>CSR disclosure change at time t+1</i>			
Firms with majority of voted proposals	292	2.311**	(1.175)

*, **, *** indicate 10%, 5% and 1% level of significance, respectively.

^(a) Our sample size is decreased from 1697 to 629 because of the PSM procedure.

^(b) Our sample size is decreased from 629 to 624 because of missing disclosure data in t+1.

Table 5 reports the average treatment effect on the treated (ATT) testing for H1 on the overall sample (Panel A) and on the sample restricted to firms where a majority of proposals was voted for (Panel B). The ATT estimates on average how the observed change in CSR disclosure for the firms targeted by a transparency demand differs from the change in CSR disclosure had these firms not been targeted by a transparency demand, as proxied by the average change in CSR disclosure for control firms selected by PSM. CSR disclosure change at time t indicates the change in the disclosure score between year t (the year in which the proposal was submitted) and year t-1. CSR disclosure change at time t+1 indicates the change in the disclosure score between year t+1 and year t.

Table 6. Types of shareholder pressure

	Obs.	ATT	S.E.
<i>CSR disclosure change at time t</i>			
Proposal from special interest groups	217	2.789**	(1.251)
Proposal from SRI and pension funds	412	2.139**	(0.897)
<i>CSR disclosure change at time t+1</i>			
Proposal from special interest groups	211	3.497***	(1.939)
Proposal from SRI and pension funds	413	2.776***	(0.912)

*, **, *** indicate 10%, 5% and 1% level of significance, respectively.

Table 6 reports the breakdown of the ATT by the type of investors (special interest vs. mainstream), testing for H2, i.e. the mobilizing power of the various shareholders. Hence, for each subgroup defined by the type of investors, the ATT estimates on average how the change in CSR disclosure for the firms in the subgroup targeted by a transparency demand differs from the average change in CSR disclosure for control firms selected by PSM. CSR disclosure change at time t indicates the change in the disclosure score between year t (the year in which the proposal was submitted) and year t-1. CSR disclosure change at time t+1 indicates the change in the disclosure score between year t+1 and year t.

Table 7. Political opportunities*Panel A. Diff-in-diff on the Lehman Brothers Collapse and the Occupy Wall Street movement*

	Obs.	ATT	S.E.
<i>CSR disclosure change</i>			
ATT 2007-2009 (Bank Collapse)	93	5.125***	(1.637)
ATT 2010-2012 (OWS)	99	5.773***	(2.094)

Panel B. Diff-in-diff on the BP oil spill

	Obs.	ATT	S.E.
<i>CSR disclosure change</i>			
ATT 2009-2011	76	4.810**	(2.060)
<i>Environmental disclosure change</i>			
ATT 2009-2011	68	6.562**	(2.828)

*, **, *** indicate 10%, 5% and 1% level of significance, respectively.

Table 7 reports the ATT testing for H3, i.e. the moderating effect of political opportunity. We select the Lehman Brothers collapse, the Occupy Wall Street movement (Panel A) and the BP oil spill in the Gulf of Mexico (Panel B) as events that accentuated the relevance of shareholders' transparency demands. Because we use these events as a source of time variation in the demand for CSR information and heterogeneity in the pre-event shareholder activism as a source of cross-sectional variation, we combine a difference-in-differences design with PSM. Hence, the ATT is the difference in the average change of CSR disclosure for the treated group (firms targeted by a transparency proposal) before and after the political opportunity event minus the difference in the average change of CSR disclosure for the propensity-score matched control group before and after the political opportunity event.

Table 8. Intensity of shareholder pressure*Number of proposals per year*

	Obs.	ATT	S.E.
<i>CSR disclosure change at time t</i>			
1 proposal	326	-1.309	(0.986)
2 proposals	153	4.623***	(1.487)
3 proposals	76	4.861**	(2.003)
4 or more proposals	74	11.303***	(1.965)
<i>CSR disclosure change at time t+1</i>			
1 proposal	320	-0.687	(1.024)
2 proposals	148	5.792***	(1.529)
3 proposals	80	3.471***	(2.149)
4 or more proposals	76	12.470***	(1.961)

*, **, *** indicate 10%, 5% and 1% level of significance, respectively.

Table 8 reports the breakdown of the ATT by the number of proposals received each year - testing for H4, i.e. the moderating effect of routine disruption. Hence, for each subgroup defined by the breakdown by the number of proposals, the ATT estimates on average how the change in CSR disclosure for the firms in the subgroup targeted by a transparency demand differs from the average change in CSR disclosure for control firms selected by PSM. CSR disclosure change at time t indicates the change in the disclosure score between year t (the year in which the proposal was submitted) and year t-1. CSR disclosure change at time t+1 indicates the change in the disclosure score between year t+1 and year t.

Table 9. Additional analysis on CSR practices*Panel A. CSR practices change between the treated and the control group*

	Obs.	ATT	S.E.
Change in CSR concerns at time t	506	0.765***	(0.172)
Change in CSR concerns at time t+1	400	0.800***	(0.194)

Panel B. CSR practices change conditional on proposal being voted for

	Obs.	ATT	S.E.
<i>Change in CSR concerns at time t</i>			
Firms with majority of voted proposals	260	1.265***	(0.261)
<i>Change in CSR concerns at time t+1</i>			
Firms with majority of voted proposals	212	1.146***	(0.287)

*, **, *** indicate 10%, 5% and 1% level of significance, respectively.

Table 9 reports the results of our main analyses using CSR practices as our dependent variable. Panel A reports the average treatment effect on the treated (ATT) for on the overall sample and Panel B the ATT for the sample restricted to firms where a majority of proposals was voted for. The ATT estimates on average how the observed change in CSR practices for the firms targeted by a transparency demand differs from the change in CSR practices had these firms not been targeted by a transparency demand, as proxied by the average change in CSR practices for control firms selected by the propensity score matching procedure. Change in CSR concerns at time t indicates the change in the number of CSR concerns between year t (the year in which the proposal was submitted) and year t-1. Change in CSR concerns at time t+1 indicates the change in the number of CSR concerns between year t+1 and year t.