



## **Corporate Social Responsibility Reporting in Controversial Industries**

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### **A B S T R A C T**

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We examine the sustainability reporting activities of companies in controversial industries (e.g., alcohol, firearms, for-profit prisons, gambling, tobacco, marijuana and payday loans), and identify for each industry its controversial social problem – the “elephant in the room.” We then examine whether the company issued a sustainability report in the last three years and, if so, how the report dealt with the firm’s controversial social issue, and categorize responses as: (1) No report; (2) Reported but did not mention the issue; (3) Reported but deflected or minimized the importance of the issue; and (4) Reported and addressed the issue in a meaningful way. We find a lower publishing rate by controversial industries for CSR-type reports of 28% versus two other sectors (grocery stores and department/discount stores) of 43%. Reporting controversial firms engage in alternative strategies – to either address the problem, to minimize it, or to deflect attention away from it, with 62% addressing the controversial issue in a meaningful way, such as admitting a serious problem and describing efforts undertaken to address the issue, with only about 10% choosing to ignore the issue entirely. We also find differences in how the two groups of companies allocate space in their CSR reports, categorizing pages in the reports as dedicated to social and community efforts or environmental issues. The non-controversial companies devote significantly more of their reports to environmental issues than do controversial companies that have a higher ratio of their reports dedicated to social and community activities. This suggests that firms in controversial industries use social and community actions to attain legitimacy to offset the social ills inherent in their core business.

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