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Stakeholder Perceptions of Risk in Mandatory Corporate Responsibility Disclosure

***Running Head*: Corporate Responsibility Disclosure**

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ABSTRACT

The extraction of natural resources is a controversial business practice that has profound ethical and economic risk implications for both firms involved in extractive activities and society at large. In response to these implications, the Dodd-Frank Act of 2010 directed the Securities and Exchange Commission (SEC) to create the first ever rules requiring annual corporate responsibility disclosures. The two proposed rules, requiring disclosure of the source of "conflict minerals" and of payments to foreign governments by extractive firms, conjured intense debate among stakeholders, largely related to the risks of firms providing (or not providing) the information. These risks span from required disclosures increasing compliance costs for firms to *non*-disclosure threatening human rights. In this study we seek to understand the way in which stakeholders perceive the risks associated with corporate responsibility disclosures. We analyze comment letters submitted to the SEC related to the two disclosure rules through the lens of Mary Douglas's (1986) cultural perspectives of risk. We find consistencies across the two proposed disclosures with regards to the presence of three risk perspectives within the comment letter discourse for each proposal. We find inconsistencies, however, in the underlying nature of risk perceived across the two rules, which we argue reveals an aspect of risk that incorporates ethicality and is ultimately linked to reputational considerations. We complement these insights by analyzing the market reaction to the proposed regulations. Overall, our analysis suggests that stakeholders' perceptions of risk have consequences for how risk is perceived and acted upon in the market.

Keywords: risk perceptions; mandatory disclosure; corporate responsibility; ethics; comment letters; market reaction

Introduction

Stakeholders often implicate global firms in having a significant impact on the societies in which they operate—in terms of employment practices, environmental impacts, support for corrupt regimes, or advocacy for particular policies (UNDP 2000, p.79). At the same time, evidence exists that stakeholders both demand and respond to information about corporate responsibility related to social and environmental activities (Matsumura et al. 2014; Mufson 2017; Povaddo 2017; Sustainable Brands 2015). While firms often profess an ethical responsibility to consider societal impacts, a gap between this professed commitment and responsible social actions, including their disclosure, remains (Sikka 2011). In recent years, anxieties over corporate responsibility expanded to a number of issues, particularly in the area of natural resource extraction. For instance, stakeholders continue to expose the unfavorable environmental effects of natural resource exploration. Stakeholders also highlight a lack of societal progress, social unrest and human rights concerns, and unethical business practices such as bribery and corruption in contracting between firms involved in extractive activities and nation states (Juncker 2014; Santora 2015). Ultimately, the extraction of natural resources gives rise to economic and ethical risks that concern stakeholders when investing in extractive firms or firms affiliated with extractive activities (Healy and Serafeim 2016).

Legislative actors and civil society advocates have long called for increased reporting of corporate responsibility and societal impacts by firms associated with extractive activities. Prominent among these calls have been proposals for disclosure of: (1) the sourcing of "conflict minerals" by manufacturing companies[1], and (2) payments that extractive companies make to foreign governments.[2] Such calls were initially enacted into law under Sections 1502 and 1504 (respectively) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), after which point the Securities and Exchange Commission (SEC) assumed responsibility for the implementation of the law within the public

[1] The SEC defines the term "conflict mineral" as "cassiterite, columbite-tantalite, gold, wolframite, or their derivatives, or any other minerals or their derivatives determined by the Secretary of State to be financing conflict in the Covered Countries" (mainly, in the Democratic Republic of the Congo) (SEC 2012).
[2] We provide more details in the "Regulation Background" section.

company financial reporting framework in the US. Requirements for firms to disclose information regarding conflict minerals sourcing and payments to foreign governments represent the first SEC-mandated corporate responsibility disclosures.[3] The proposed rules invoked debate among firms, industry groups, non-governmental organizations (NGOs), investors and other stakeholders, largely regarding the ethical and economic risks associated with firms providing (or not providing) the required information.

In this study, we aim to understand stakeholder responses to the proposed corporate responsibility disclosure requirements through an examination of the risk-related discourse within the comment letters submitted to the SEC by numerous stakeholders regarding the two rules.[4] We treat stakeholders participating in the SEC rulemaking process as information mediators, or "infomediaries" (Deephouse and Heugens 2009), considering the role they play in public information exchange and in highlighting risk perceptions around corporate responsibility disclosures. Douglas and Wildavsky (1983) conceive of risk as a socially constructed notion. This necessitates the use of an interpretive perspective to study the risk perceptions of a broad set of actors (Gendron 2009). It is important to understand stakeholder perceptions regarding the risk associated with these disclosures because there is great public demand for,

[3] We refer to the government payments and conflict minerals disclosures as "corporate responsibility disclosures". The disclosures differ to some extent from traditional CSR disclosures, such as a firm's carbon emissions, diversity and equal opportunity initiatives, or customer health and safety practices. We contend, however, that underlying both the government payment and conflict minerals sourcing disclosures is a corporate social responsibility rationale. With regards to the government payment disclosure, "undisclosed payments may be perceived as corrupt" (S.1700, p.3). Thus, Congress intends to "support the commitment of the Federal Government to international transparency promotion efforts relating to the commercial development of oil" (Dodd-Frank Act, p.847). With regards to the conflict minerals disclosure, Congress intends to guide firms "to exercise due diligence on and formalize the origin…of conflict minerals used in their products and on their suppliers to ensure that conflict minerals used in the products of such suppliers do not…finance armed conflict or result in labor or human rights violations" (Dodd-Frank Act, p.841).
Indeed, recent research also refers to both supply chain due diligence (Arikan et al. 2017; Hofmann et al. 2018) and government payment disclosure (Aaronson 2005) as corporate social responsibility concerns.

[4] Note that we are *not* examining the firms' risk disclosures. Our paper also does not seek to assess the efficacy of the lobbying activities of stakeholders on regulatory proposals. Rather, we seek to understand the way in which stakeholders perceive risk related to a proposed set of corporate responsibility disclosures. The stakeholders we examine include (but are not limited to) firms, who generally voice the risks of corporate responsibility disclosure associated with compliance costs and competitive harm; investors, who express the risks of the SEC promulgating disclosure rules outside of its traditional boundaries; and NGOs or society-at-large, who focus on the risks of *non*-disclosure threatening peace, human rights, government stability, and wealth distribution.

and little SEC supply of, such regulations.[5] Understanding these perspectives may help inform future regulatory efforts to enhance corporate responsibility disclosure. Thus, we are interested in the nature of risks stakeholders discuss related to firms providing (or not providing) corporate responsibility information and whether stakeholders generally agree on those risks.

Our interpretive analysis follows the work of Douglas (1986), which indicates that risk perception is framed by culture. She contends that the endeavors of actors are upheld by shared beliefs, values and preferences (Douglas and Wildavsky 1983). According to Douglas (1986, p.68) culture provides the principles by which risks are recognized, subsequently prescribing what is proper and, conversely, improper to address and how to address it. Her work highlights four "worldviews" of risk adhering to distinct cultural principles: individualist, hierarchical, egalitarian, and fatalist.[6] A small number of studies employ aspects of cultural theory to understand stakeholder risk preferences in relation to various governance phenomena (Linsley and Shrives 2009, 2014; Malsch et al. 2012). Indeed, Malsch et al. (2012) "contend that cultural theory represents a promising analytical lens to be utilized in developing a better understanding of the social world of corporate governance, businesses, and economics" (p.417). We maintain that there is much more to learn about cultural perceptions of risk, particularly around regulatory and disclosure initiatives mandating corporate responsibility which are subject to contest and debate.

In examining cultural perceptions of risk mobilized by stakeholders when commenting on the SEC's proposed corporate responsibility rules, our analysis highlights the presence of individualist, egalitarian, and hierarchical perceptions of risk across both regulations. We show an individualist worldview, which

[5] For instance, in the 2019 proxy season, shareholders submitted proposals for increased disclosure regarding board of directors racial and ethnic diversity, community engagement and social impacts, environmental sustainability efforts, greenhouse gas emissions reduction information, and political spending (Westcott 2019). Although the SEC has issued *guidance* on some disclosures (e.g., climate change disclosures in 2010 and board diversity disclosures in 2019), the SEC has yet to explicitly *require* any corporate responsibility disclosures. Section 1503 of the Dodd-Frank Act also required mining firms to disclose mine safety information, but only a limited number of comment letters were submitted for this proposal, so we do not include it in our study.

[6] In brief, individualists value freedom and view the constraints of regulation as risky. Hierarchists respect authority and tradition and perceive risk in a lack of standards. Egalitarians revere ethics and view risk in self-promotion at the expense of broader groups. Fatalists resign themselves to fate and see risk in a world that is unpredictable. We provide more detail related to these worldviews in the "Theoretical Foundations" section.

speaks to risk themes surrounding the burden and cost of the disclosure to the firm and the lack of relevance of the disclosure to investors. In contrast, we also show an egalitarian worldview, which speaks to risk themes surrounding the role of disclosure in creating benefits (reducing risk), such as peace, wealth distribution, and government stability, across a broader set of stakeholders through transparency and accountability. Finally, we find the hierarchical worldview, which highlights risk related to the authority and expertise of the SEC in promulgating rules outside of its stated mission as well as the disclosure rules creating redundancies for firms. In sum, across both proposed disclosures, we find evidence of three of Douglas's (1986) cultural worldviews.

However, when comparing the prominence of risk-related discourse associated with each of the cultural worldviews, we find an interesting difference across the two disclosure proposals. Within the comment letters submitted on the conflict minerals proposal, the individualist risk perspective is more prominent than the egalitarian view. In contrast, within the comment letters submitted on the government payments proposal, the egalitarian risk perspective is more prominent than the individualist view. We observe this pattern mainly due to a large number of firms and industry associations (individuals and NGOs) whose letters contain individualist (egalitarian) perspectives on the conflict minerals (government payment) proposals. We next explore a potential explanation for the difference in the prominence of risk perspectives within the comment letters of the two proposed rules building further on ideas from cultural theory.

According to cultural theory, risk perceptions are founded on moral preferences around exposing others to danger (Lupton 1999, p.48). The disclosure of corporate responsibility for societal issues implies an ethical posture, attributable to firms exposing society to dangers. Those dangers include human rights violations and humanitarian crises stemming from the violence of war in relation to conflict minerals and to lack of societal progress stemming from bribery and corruption in relation to government payments. We find that stakeholder views of risk differ when stakeholders perceive a disclosure to reveal a *firm's* ethical responsibility (in the conflict minerals case) for exposing society to danger as opposed to revealing the ethical responsibility of *another party* (in the government payments case). For example, in the case of

human rights atrocities stemming from conflict minerals funding war, it is difficult for stakeholders to shift the responsibility away from the firm itself. This disclosure raises a significant reputational risk and potential costs to the firm of being associated with unethical behavior, which supports the more prominent individualist perspective of risk. In contrast, stakeholders more readily shift the blame away from the firm and to the foreign government itself where corrupt governments fail to utilize payments received for resource extraction activities in ways that benefit society. The information this disclosure provides on reputational risk, however, distances the firm from being associated with the bribery and corruption that limits societal progress. Stakeholders may view less of a threat to reputational risk related to this behavior and can recognize the societal benefits of the disclosure, supporting the more prominent egalitarian view.

Our final analysis presents another approach to understanding the prominence of individualist and egalitarian risk perspectives as related to the implications the disclosure proposals may have for one particular stakeholder—shareholders. We examine the impact of the proposed SEC regulations on shareholder wealth through an event study of the market's reaction to the enactment of each rule. Research on disclosure regulation suggests that the market reacts negatively to disclosures wherein the costs of disclosing (e.g., proprietary costs and/or the compliance costs) exceed the benefits (e.g., increased transparency and reduced information asymmetry) (Bushee and Leuz 2005; Healy and Palepu 2001). In contrast to the results of prior research primarily studying market reactions to environmental disclosure regulations, which are often perceived to increase costs, we find the market reacts positively to the enactment of the government payments disclosure regulation. We also find a negative market reaction to the enactment of the conflict minerals disclosure regulation. These results suggest investors perceive the government payment disclosure as increasing transparency, thus lowering information risk (i.e., an egalitarian perspective); in contrast, investors view the conflict minerals disclosure as increasing proprietary and compliance costs, thus increasing regulatory risk (i.e., an individualist perspective).

This seemingly contradictory result becomes clearer when interpreted through the lens of our previous analyses regarding stakeholders' perceptions of risk surrounding and the ethical implications of the proposed corporate responsibility disclosures. For instance, the negative market reaction to the

conflict minerals regulation may be amplified by stakeholders' perceptions of dangers to society as difficult to attribute to others in terms of ethical responsibility. In contrast, the positive market reaction to the government payments regulation may be amplified by stakeholder's perception of dangers to society as the ethical responsibility of others, in particular corrupt foreign governments. Ultimately, we provide evidence consistent with stakeholders' perceptions of corporate responsibility risk potentially influencing how reputational risk is perceived and acted upon in the market.

This paper contributes to the regulation and disclosure literatures in several ways. First, much extant research relies on an agency theory perspective in aiming to understand stakeholder reactions to proposed regulations, mainly from the perspective of the shareholder or firms and the reaction of the market (Dillard et al. 2004). Where risk is addressed in such studies, the underlying risk concepts, risk types, and meanings of risk are often taken for granted (Brivot et al. 2017). Alongside an emerging segment of interpretive accounting and governance literature (Annisette 2017; Durocher and Gendron 2011; Gendron et al. 2015; Linsley and Shrives 2009, 2014; Malsch et al. 2012; Young 2014), we offer an alternative consideration of stakeholder reactions to proposed regulation using an approach which relies on ideas on culture, risk, and danger as socially constructed (Douglas 1966; Douglas and Wildavsky 1983).

Next, research elaborates on how corporate disclosure may come to the service of society on "wicked problems" (i.e., those societal issues that are the most difficult or impossible to solve) (Cooper et al. 2011; Gallhofer et al. 2011; Lauwo and Otusanya 2014; Reinecke and Ansari 2016). We build on this research by engaging with the development of regulations that require disclosure of corporate activities which may have grave societal impacts. We argue that the nature of what firms might be ethically responsible for and to whom that behavior can be attributed may influence perceptions of corporate reputation. In this way, our work contributes not only to the vast disclosure literature (Bushee and Leuz 2003; Fernandes et al. 2010; Healy and Palepu 2001; Lo 2003), but also to the literature on the constitutive role of concerns with risk and ethical responsibility and their reputational affects (Power et al. 2009).

Finally, previous research focuses on the market reaction to environmental regulation (Blacconiere and Northcut 1997; Shane 1995), social regulation (Hughes et al. 1986; Mitchell and Mulherin 1988), and

SEC-mandated non-CSR disclosure regulation (Fernandes et al. 2010; Lo 2003). Little to no research investigates shareholder reactions to government-mandated corporate responsibility disclosure, with the exception of Birkey et al. (2016), who examine market reactions to state-mandated supply chain transparency disclosure regulation. To the best of our knowledge, our paper is the first to investigate the market reaction to corporate responsibility disclosure regulation *mandated by the SEC*.[7] Furthermore, we find a positive market reaction to one corporate responsibility disclosure and a negative reaction to another disclosure, which allows us to use our comment letter analysis to better understand the contrasting reactions. Our research is among a limited set of studies that employ a mixed method approach (Lopez-Gamero et al. 2008; Martinov-Bennie and Mladenovic 2015; Brunk and de Boer 2018), which allows for a more holistic investigation into the phenomena we examine. This approach supports Howe's (1988) paradigm of pragmatism, a major tenet of which is that qualitative and quantitative methods are compatible, or complimentary, wherein the weaknesses of one methodological approach are alleviated by the strengths of another (Green et al. 1989). We begin with a discussion of the regulations that serve as the context of our study.

Regulation Background

As an essential component of our contemporary system of corporate governance, corporate financial reporting legislation is largely focused on the economic rights of shareholders (Dillard et al. 2004). The preferences of other stakeholders on the reporting of corporate responsibility have largely been relegated to areas of voluntary disclosure (Lauwo and Otusanya 2014; Radcliffe et al. 2017). Despite this, the last decade has witnessed increasing calls for mandatory disclosure of corporate responsibility associated with difficult societal issues. Such calls resulted in regulations proposed by the SEC which require reporting of the sourcing of "conflict minerals" by manufacturing companies and disclosure of payments that

[7] The lack of research regarding stakeholder reactions to SEC-mandated corporate responsibility disclosures stems from the lack of SEC regulation requiring this type of disclosure. We note that within Regulation S-K, Items 101, 103, and 103, the SEC provides rules for disclosing material environmental information. The materiality requirement, however, allows firms the flexibility to not provide such disclosures. Indeed, prior research shows the disclosure of environmental capital spending (and other environmental information) is quite limited (see, for example, Cho, Freedman, Patten 2012).

extractive companies make to foreign governments. The SEC assumed responsibility for implementing these rules as part of the Dodd-Frank Act. However, stakeholder demands for the disclosure of conflict minerals and government payment information existed for some time before their enactment under Sections 1502 and 1504 (respectively) of the Dodd-Frank Act. We briefly present relevant historical context in relation to the mandated conflict minerals and government payment disclosures.

Conflict Minerals

The Democratic Republic of Congo (DRC) suffered a civil war in 1996 (the First Congo War) and a Second Congo War that lasted from 1998 until 2003. Despite a signed peace agreement, the DRC continues to suffer from high levels of poverty and instability, including illegal armed groups committing widespread human rights violations. The illegal trade of extractive resources from the DRC supports conflict between militias and armed factions in neighboring countries (GAO 2007). Moreover, sexual violence and rape remain pervasive tools of war used by armed groups within the DRC.

Several past proposed US congressional bills highlight the desire for commercial entities to avoid purchasing raw materials from illegal armed groups in the DRC, ultimately so those purchases do not finance armed conflict or result in human rights violations (e.g., H.R. 2954). To our knowledge, the earliest mention of conflict minerals *disclosure* is within the Congo Conflict Minerals Act of 2009 (i.e., S. 891). Amongst the many efforts within the bill intended to promote peace and security in the DRC, the bill also proposes the SEC promulgate rules requiring firms to disclose annually to the SEC the origin of certain conflict-zone minerals. The bill, however, did not make it past the Senate.

On July 21, 2010, however, following the 2008 financial crisis, Congress passed the Dodd-Frank Act. Within the extensive regulation, Section 1502 directs the SEC to issue rules requiring companies to perform a reasonable "country of origin" inquiry in good faith to determine whether any of its minerals originated in the conflict countries and to disclose their use of conflict minerals annually (SEC 2014).[8] Congress enacted this portion of the bill due to concerns that conflict minerals traded by armed groups in

[8] Several studies provide extensive descriptions of the conflict minerals disclosure requirements. See Herda and Snyder (2013) and Sankara et al. (2016) for summaries of the rule.

the DRC region helped to fund conflict in that area, resulting in an emergency humanitarian crisis (SEC 2014). Following a lengthy stakeholder comment period, the SEC adopted the final conflict minerals rule on August 22, 2012.[9] Shortly thereafter in October, a series of legal battles occurred between industry groups and the SEC, ending with the US Court of Appeals deciding part of the conflict minerals rule violated the First Amendment free speech rights.[10] Then, on April 29, 2014, the SEC released a statement confirming that despite the recent court ruling, companies must still conduct supply chain due diligence as outlined in the original SEC rule. Since that time, the SEC has indicated that it will not enforce the section of the rule requiring disclosure of whether products are "DRC conflict free".[11]

Government Payments

Each year, firms pay billions of dollars to foreign governments for natural resources (H.R. 6066). Many developing, natural resource-rich countries suffer high poverty rates and weak governance. These foreign governments often fail to invest the receipts from natural resource companies into the infrastructure and sustainable development of their countries. Instead, poor governance and corruption perpetuate poverty and other social problems. The funds the government receives related to natural resources are often the singular source of wealth for those countries, making the close monitoring of such payments imperative (H.R. 6066).

A Congressional bill proposing the SEC requires issuers to disclose payments made to foreign governments for natural resource extraction was first introduced to the House on May 15, 2008 (H.R. 6066). A similar bill was introduced to the Senate on July 31, 2008 (S.3389) and then again on September 23, 2009 (S. 1700). All three bills never made it past committee. Then, on July 21, 2010, with the passage

[9] For details regarding the conflict minerals disclosure rules, see SEC Release No. 34-67716; File No. S7-40-10, Final Rule: "Conflict Minerals", issued August 22, 2012 (available online at: https://www.sec.gov/rules/final/2012/34-67716.pdf). Within the final rule, the SEC provides the Form SD Specialized Disclosure Report template and instructions (p.343).

[10] In particular, the court decided the portion of the rule that required disclosure regarding whether products were "DRC conflict free" or "not conflict free" was unconstitutional.

[11] Both the conflict minerals and the government payment disclosure rules have been effectively rolled back by executive order under the current US administration in February 2017. As of December 2017, the US Congress advanced votes to repeal both Section 1502 on conflict minerals and Section 1504 on government payments. Neither the court outcomes nor the roll-back of the laws impact our study as we focus on understanding stakeholder reaction to the enactment of regulation; however, it suggests a broader research focused on the phases of the regulatory cycle.

of the Dodd-Frank bill, Section 1504 directed the SEC to develop requirements for US extractive firms to disclose payments made to governments for the commercial development of oil, natural gas, or minerals.

Following a stakeholder comment period, the SEC adopted a final rule on August 22, 2012. Shortly after, an industry group-led lawsuit challenged the rule, which resulted in the US District Court for the District of Columbia vacating the government payment rule, stating the SEC erroneously mandated public disclosure of government payment reporting and failed to include exemptions for countries that prohibit such disclosure. After another lengthy period, the SEC reassessed the rule and adopted a final rule on June 27, 2016.[12] However, as part of the roll-back of Section 1504 of the Dodd-Frank Act enacted by the subsequent US administration, the SEC will not enforce its ruling on government payment disclosures.[13]

Theoretical Foundations

Much of the disclosure literature understands regulatory developments by quantifying the risk associated with the disclosure in terms of costs of regulation (Bushee and Leuz 2005; Cormier et al. 2005) and information (Healy et al. 1999; Heflin et al. 2005). Under this view, costs and benefits of firm disclosure are evaluated using calculative techniques in order to justify policy decisions (Froud 2003). The calculative assessment of risk typically aims to model risk as impact (e.g., direct costs to the firm); however, impacts can extend beyond direct harm to include significant indirect impacts (e.g., loss of confidence in institutions, alienation within a community, other reputational effects) (Froud 2003, p.102). In addition, the nature of risks has changed, becoming more global, less readily identifiable, more complex and sophisticated, and less manageable (Beck 1992). As such, some conceptions of risk suggest it is less an objective or fixed definition of calculative features and more about subjective notions of danger and harm in society (Gephart et al. 2009). That is, risk is socially produced by diverse groups who perceive different risks and interpret those risks differently (Gephart et al. 2009).

[12] For details regarding the government payment disclosure rules, see SEC Release No. 34-78167; File No. S7-25-15, Final Rule: "Disclosure of Payments by Resource Extraction Issuers", Issued July 27, 2016 (available online at: https://www.sec.gov/rules/final/2016/34-78167.pdf). Within the final rule, the SEC provides the Form SD Specialized Disclosure Report template and instructions (p.257).
[13] http://thehill.com/policy/energy-environment/319488-trump-signs-repeal-of-transparency-rule-for-oil-companies

Gephart et al. (2009) point to the work of Mary Douglas as a promising interpretive lens for understanding risk perceptions. Douglas's (1986) cultural theory explains risk from a qualitative perspective with a focus on how risks are conceived by and relevant to actors in policy decisions (Gephart et al. 2009). According to Douglas (1986), risk is framed by culture, which provides the "principles by which hazards and dangers are recognized, subsequently prescribing what is proper and, conversely, improper to address" (p.68). The principles guiding perceptions of risk refer to worldviews or ideologies embedded in prevailing social structures (Douglas 1986, 1994). Douglas (1986, 1994) and Douglas and Wildavsky (1983) differentiate between four worldviews: individualists, hierarchists, egalitarians, and fatalists. Each worldview maintains fundamentally different understandings about the nature of the world and ways of structuring social relations that reconcile with different ways of life (Wildavsky and Dake 1990).[14] These templates differ significantly with regards to what is risky, how risky it is and how to prevent the associated risk and, therefore, may suggest certain risks are to be ignored, diagnose contrasting policy problems and advocate contrasting solutions (Douglas and Wildavsky 1983).

For instance, the individualist worldview promotes competition and self-regulation, considering a free market environment the most appropriate configuration for addressing risk primarily of an economic nature (Douglas and Wildavsky 1983). Individualists claim that opportunity generated by release from the harmful constraints of regulation and restrictions on the free market compensates for any hazard from this freedom (Wildavsky and Dake 1990). In contrast, the hierarchical worldview upholds that activities endorsed by rules, standards and certifications reduce harm (Wildavsky and Dake 1990). Hierarchists adhere to authority, tradition and customs which dictate institutional life and manage threats to it (Wilkinson 2001). Within this group, experts establish systems and rules to respond to risks of delinquency (Wildavsky and Dake 1990). For hierarchists, risk arises when rules and expert advice are not adhered to.

[14] Note that the notion of "culture" within Douglas' cultural perspectives is not at the country-level. In fact, cultural theory proposes that within any community (or organization or nation), the four cultural worldviews are present and at war with one another (Douglas 1999). As Linsley and Shrives (2014) explain, "…the notion of cultural dialogues implies that culture is not static and cultural theory does not equate nation states and cultures."

The egalitarian worldview orients toward broader societal well-being and perceives risks in relation to fairness, ethics, equality and justice, and the natural environment (Wilkinson 2001). For instance, egalitarians claim that nature is fragile and promote sharing the earth's resources. Egalitarians reject the hierarchy of who is allowed to do what and with whom and see inequality as dangerous (Wildavsky and Dake 1990). As such, egalitarians perceive risks associated with corporate activities, outsiders and experts that increase distinctions between people, such as along the lines of wealth and authority (Wildavsky and Dake 1990). The final cultural classification is the fatalist worldview for whom social roles are constraining and sense of belonging is lacking, even within their own group (Douglas and Wildavsky 1983). This view is alienated and believes it is impossible to influence the outcomes of events (Wilkinson 2001). The fatalist response to risk and danger is, therefore, resignation as a victim of fate (Douglas and Wildavsky 1983).

Based on these descriptions, different worldviews structure perceptions of risk differently in relation to the object of attention (Wildavsky and Dake 1990).[15] For instance, prior research finds that, compared with egalitarians who perceive risk relative to objects which impair society and the environment, individualists perceive risk with respect to objects which disrupt markets and subject people to severe controls, while the hierarchical view perceives risk in relation to objects which encourage deviance from established rule and procedure (Wildavsky and Dake 1990). That certain dangers represent different kinds of risks to various factions of society is therefore expected under cultural theory (Gephart et al. 2009). By comparison across these factions, we can learn whether there is a general tendency towards risks of a particular nature and whether perceptions of risks have broader implications for policy arrangements.

Douglas's followers largely come from the field of public policy and aim to better understand how groups address issues such as climate change (Verweij and Thompson 2006) and seat belt legislation (Adams 2006). Prior accounting research employs Douglas's work in the context of asbestos claims (Moerman and van der Laan 2012) and, more recently, the UK Financial Reporting Council's complexity project (Linsley and Shrives 2014). It has also been employed to explain the way that stakeholders make

[15] The idea is not that individualist and hierarchical worldviews favor risk taking or that egalitarians are risk averse.

sense of risk events, as in the demise of Enron and Arthur Andersen (Linsley and Shrives 2009), and risk management, as in the work of compensation committees (Malsch et al. 2012) and board members (Gendron et al. 2015). We agree with Malsch et al. (2012) that there is a vacuum around stakeholder responses and understandings of risk around regulatory initiatives.

Douglas's cultural theory is appropriate to study the ways stakeholders think about risk and corporate responsibility disclosure, as we expect stakeholders to hold different views of risk and to perceive different risks as important. Thus, within the context of our study, the definition of risk is not the same for each stakeholder engaging in the SEC rulemaking process. Cultural theory predicts that the risks of corporate responsibility disclosure from an individualist perspective mainly stem from the burden of producing the disclosure, including compliance costs and/or competitive harm.[16] These are risks borne primarily by firms and/or investors. From the hierarchical perspective, the risks relate to whether the SEC has the authority to promulgate corporate responsibility disclosure rules. These risks mostly affect society, firms, and investors. Egalitarians perceive the risks of *non*-disclosure of corporate responsibility as threatening to human rights (conflict minerals), wealth distribution (government payments), and transparency. These are risks to society and investors. Last, fatalists likely view risk as the inability to incite change via disclosure.

Risk is frequently associated with the negative and construed as "bad" or "dangerous" (Young 2001). As Ericson and Doyle (2003, p.5) explain, "(Risk) is used… to mobilize moral communities for dealing with danger in particular ways, and to force accountability." The determination of which risks are more dangerous and hence need to be disclosed, is a moral judgment (Annisette 2017). The ethical aspect of danger works to "uphold certain moral values and to define certain social rules" (Douglas 1966, p.4). These ideas work as a dialogue to create distinctions, for instance, between corporate responsibility and the responsibility of others (Douglas 1966; Linsley and Shrives 2009). Our paper draws insights from Mary Douglas's work, not only to characterize stakeholder responses to perceived risks, but also to consider what those perceptions reveal about (disclosure of) potentially unethical corporate behaviors.

[16] Table 2 summarizes the link between cultural perspectives and risk concepts as well.

Research Method

This paper represents an in-depth study of stakeholder responses to two SEC-mandated regulations requiring the disclosure of: (1) conflict minerals sourcing and (2) foreign government payments. In requiring such disclosures, regulators aim to uncover the responsibility of firms in environmental degradation, humanitarian crisis, bribery, corruption and poverty and social ills. We focus on perceptions of risks related to the two disclosure regulations as expressed by a broad set of stakeholders and what that tells us about how stakeholders conceptualize risk in corporate responsibility disclosures. To observe risk perceptions, we analyze comment letters submitted by a variety of stakeholders to the SEC on the SEC's rules surrounding these disclosure regulations. We perform content analysis of the comment letters submitted using an iterative approach in that we begin with risk perceptions, look for patterns and trends within the comment letter discourse, and then went back to the perceptions of risk to help understand these patterns and trends in relation to the proposed rules.

Data Collection

To assemble the sample of stakeholders for our analysis of stakeholder risk perceptions, we collect comment letters submitted on the SEC's proposed rules surrounding the conflict minerals and government payment disclosures. Stakeholders submitted comment letters primarily between the date the disclosure was introduced and the adoption of a final disclosure rule by the SEC. We study stakeholder perceptions in this period because not only are they publicly available via comment letters, but also, they give an indication of risk perceptions associated with the proposed disclosure in its strictest form.

We collect 442 comment letters on conflict minerals and 364 comment letters on government payments, which are publicly available on the SEC website. We categorize the comment letters submitted by different groups of stakeholders in line with prior research (Arikan et al. 2017). Both individuals and organizations submitted letters. Our analysis relies on the notion that organizational actors, as well as individual actors, "think" (Douglas 1986) and that the language of public documents is representative of each actor's way of thinking (Douglas and Wildavsky 1983). Language is a social artefact which reflects

codes, expectations, ideological pressures and presuppositions occurring in specific contexts (Phillips and Hardy 2002). The text of public documents is an example of language-in-use (Phillips and Hardy 2002) and the production of public documents structures identities, makes them visible and marks the realm of various actors and relations (Prior 2004). Once written and in the public domain, statements are not easy to disclaim or ignore (Prior 2003). Furthermore, the SEC indicated the importance of the content of comment letters in the rulemaking around these proposals (SEC 2012).

Insert Table 1 about here

We use Python to identify letters that contain passages that speak to risk.[17] To identify letters that speak to risk, we start with the root word "risk" and its English variants, including "risks", "risky", and "riskiness". Since letters may speak to risk without specifically using the word "risk", we refer to the work of Young (2001) on risk metaphors to guide us in ascertaining words associated with risk.[18] We randomly selected 40 comment letters across the proposed rules (approximately 5% of total letters) and, guided by Young (2001), two co-authors separately read the letters for terms indicative of risk and compared results. We agreed on 34 terms indicative of risk, and their English variants, that we programmed Python to use in identifying comment letters which speak to risk.[19] Python identified 371 conflict minerals letters (of 442, or 83.9%) and 357 government payment letters (of 364, or 98.1%) in which stakeholders speak about risk, and we narrowed our sample to analyze those particular comment letters. Table 1 reflects the number of comment letters that we analyze within each category of stakeholder and for each proposed rule.

Data Analysis

We analyze the comment letters which speak about risk using an interpretive lens guided by an

[17] See http://www.nltk.org/.
[18] Young (2001) distinguishes the following eight risk metaphors, risk as a: quality, direction, substance, change, burden, exposure, disease and adversary.
[19] The 34 risk terms are represented here within the appropriate metaphorical category: risk as a quality (extreme, significant); risk as a direction (implicate, effect, impact, affect); risk as a substance (consequence, exception, concern, situation); risk as something changing (instable, ambiguous, uncertain, insecure); risk as burden (burden, penalty, cost, expense, liability, pressure); risk as exposure (exposure, chance, vulnerable, likely, likelihood, threat), risk as disease (harm, damage, suffer, detriment, violence); and risk as adversary (problem, challenge, deal).

understanding of the four risk views as laid out in the work of Douglas and Wildavsky (1983) and its limited applications in accounting (Linsley and Shrives 2014; Malsch et al. 2012). Table 2 depicts the general and specific themes and associated risk concepts related to each worldview that guide our analysis. Cultural theory expects that all four risk views will co-exist and compete to varying degrees in any context. At the same time, Douglas and Wildavsky (1983) consider the individualist and hierarchical worldviews as being at the "center" of society, while egalitarians exist on the "border" or "periphery", and fatalists operate at the "margins" of society. The fatalist worldview is often unobservable due to lack of participation.

Insert Table 2 about here

We manually code each letter as indicating one or more of the worldviews by identifying topics related to the general and specific themes among the worldviews in Table 2. Using an interpretive framework brings depth of understanding to our study and allows for subtleties and distinctions between worldviews and, ultimately, in perceptions of risk to emerge. For instance, if a letter refers to general concepts such as competition, market exchange, and corporate wealth or to accounting concepts such as profit, costs, shareholders, and efficiency, we code the letter as containing *individualist* themes. As our coding progressed, we recognized similar and recurring sub-themes addressed within the discussions of risk surrounding the two proposals. For example, within the *individualist* worldview, we identify general recurring themes focused on how the proposed rules disadvantage firms in terms of wealth and competition and how the rules have unintended consequences causing more economic harm than good. We also note recurring accounting themes focused on the burden or cost associated with the disclosure and the relevance of the disclosure to particular stakeholders, mainly investors.

As discussed above, our coding of letters may indicate one or more of the worldviews. Cultural theory lays the groundwork for different groups of stakeholders to hold certain worldviews (Moerman and van der Laan 2012). We elect not to impose a worldview on different groupings ex ante as Douglas (1986) perceives actors as agents with the freedom to choose within prevailing conditions of social regulation. Hence, actors are at liberty to commit to a different worldview or to convey aspects of more

than one worldview. Indeed, cultural factions rarely exist in pure form, especially in a contemporary society where preferences cannot be neatly partitioned (Malsch et al. 2012). In interpreting stakeholders' perceptions of risk around each disclosure rule, we analyze the frequency with which each worldview appears in the comment letters of different stakeholder groups. Table 2 shows recognized patterns in the concepts and sub-themes addressed within the letters by each group of stakeholders that we discuss in our findings. Furthermore, as we analyze the comment letters for risk perceptions, we also uncover themes related to ethicality and danger, subsequently reexamining our material in light of the stakeholder risk perceptions we observed.

Stakeholder Engagement

Cultural Perceptions of Risk

We examine the perceptions of risk mobilized by stakeholders when making sense of proposed disclosures of corporate responsibility and societal impacts through the worldviews set forth by Douglas and Wildavsky (1983) and Douglas (1986). Table 3 illustrates our final coding structure, showing the general and specific risk themes within each risk perspective that form the basis of our analysis, along with representative data showing stakeholders' risk perspectives on each of the disclosure regulations.

Insert Table 3 about here

First, general individualist themes of disadvantaging firm wealth and competition due to regulation are apparent in our analysis of stakeholder risk perceptions in response to both of the proposed disclosures. For instance, we observe perceptions of risk that allude to the competitive harm to firms created by the conflict minerals disclosure (Table 3, 1.A). Furthermore, individualist themes express how requiring the disclosure may cause more economic harm than good (Table 3, 1.B). Relative to the proposals, individualist themes highlight certain unintended consequences of the disclosure either to the operating region or to US industry.

Underlying these general themes are references to accounting-specific individualist themes, including the burden or cost of complying with the disclosure (Table 3, 2.A) and the relevance or usefulness of the

disclosure to particular stakeholders, mainly investors (Table 3, 2.B). Individualist themes discuss the relevance and usefulness of the disclosure primarily through the eyes of investors, denoting both the difficulties in compiling information and the extent of information affecting the relevance and usefulness of information to investors. These themes also relate to the notion of minimizing "unnecessary" work by firms to prepare the disclosures as some stakeholders consider the costs to produce irrelevant information as occupying time and resources better spent on other endeavors. Overall, the individualist perspective highlights risks in terms of competition, harm to the local (DRC) and US economies, compliance costs, and the usefulness of the disclosures.

Second, general hierarchical themes of authority and respect for traditional boundaries and the necessity and purpose of the proposed regulation within the established system are apparent in our analysis of stakeholder responses to both of the proposed disclosures. For instance, we observe perceptions of risk that speak to the traditional market-based domain of the work of the regulators, the SEC, and challenges to the authority of regulators to govern particular areas (Table 3, 3.A). In addition, general hierarchical themes challenge the need for and purpose of the proposed regulation, questioning whether its purpose fits within the established financial system and the supposed aims of that system (Table 3, 3.B).

These general themes are also reflected in accounting-specific hierarchical themes whereby we observe hierarchical arguments promoting alternative disclosure rules, standards and certifications (Table 3, 4.A). In particular, we identify references to a global set of voluntary standards governing the disclosure of government payments and standards developed at multiple levels—by international organizations, industry associations and individual firms—in relation to both conflict minerals and government payments. However, while promoting alternative disclosure rules, hierarchical themes also encourage comprehensiveness and integration of systems in order to ensure a level playing field for those using the disclosure and to address global gaps (Table 3, 4.B). The theme of standards and certifications also relates to the theme of experts and professionals who are employed to assess performance against standards and certify that performance. We observe these themes underlying accounting-specific

hierarchical views referencing the integrity and credibility effects that certifications and due diligence bring to firms subject to disclosure. In total, the hierarchical perspective focuses on the risks of corporate responsibility disclosure related to the authoritative boundaries and expertise of the SEC as well as the redundancy and comprehensiveness of the rule.

Finally, general egalitarian themes of justice, equality and fairness, and ethical actions oriented towards the common good of society are apparent in our analysis of stakeholder responses to both of the proposed disclosures. For example, we note perceptions of risk that suggest the conflict mineral and government payment disclosures will help to address issues of justice, equality and fairness in living conditions in parts of the world affected by a firm's operations (Table 3, 5.A). General egalitarian themes also point to an orientation towards a responsibility to consider the effects of firm activities on the common good and a broader set of societal stakeholders (Table 3, 5.B).

Such themes are also present in accounting-specific egalitarian themes that focus on the role of disclosure in accountability and transparency (Table 3, 6.A) and on the possibility for disclosure to influence the spread of financial benefits resulting from firm actions across a broader stakeholder group (Table 3, 6.B). For instance, accounting-specific egalitarian themes anticipate that enforcement of the proposed disclosure laws might be designed to bring monetary benefit to affected regions or might reveal the gap between expected and actual contributions firms make to countries in which they operate. Overall, egalitarians perceive the risks of *non*-disclosure of corporate responsibility information as threatening: the peace and human rights in the DRC, government stability and wealth distribution in oil-rich countries, as well as the role of disclosure in transparency efforts.

All four worldviews are present in our analysis of stakeholder risk perceptions; however, as anticipated, we found that fatalist perceptions of risk appear very infrequently in our analysis (e.g., we code only four conflict minerals letters and two government payment letters as containing fatalist perspectives). Within the three prominent worldviews—individualist, hierarchical, and egalitarian—we reflect coding frequencies by stakeholder in Table 4. Perhaps not surprisingly, our coding suggests an alignment of certain worldviews with particular stakeholders. Specifically, we find that the individualist

worldview, which reflects perspectives on increased regulatory risk associated primarily with the costs of complying with regulation and releasing proprietary information, is held primarily by firms and industry actors, as well as professional advisors to such actors. In contrast, we find the egalitarian worldview, which reflects perspectives on reduced information risk through improved transparency around corporate responsibility and the societal impacts of firm operations, is most prominent in the perspectives of individuals and NGO actors. Finally, the hierarchical view reflects a perception that risk arises in a world where firms deviate from standards and procedures on the one hand yet promotes standards which are voluntary and, presumably, less costly, on the other. Hierarchical perceptions of risk appear frequently in the comment letters of institutional investors, policy and political advisors and professional advisors. However, hierarchical risk perceptions also appear as key to the views presented in the comment letters of other types of stakeholders. Indeed, on an overall basis we find that the hierarchical view is more prominent than both individualist and egalitarian perspectives in our analysis of both disclosure regulations.

Insert Table 4 about here

More interesting is the difference between the prominence of the individualist and egalitarian perspectives within each of the regulations. Table 4 shows that the individualist perspective is more prominent than the egalitarian perspective in the risk-related discourse within comment letters submitted on the conflict minerals proposal. Regarding the risk-related discourse within comment letters submitted on the government payments proposal, the egalitarian view is more prominent than the individualist view. This is mainly due to a large contingent of firms and industry associations (individuals and NGOs) whose letters contain individualist (egalitarian) themes participating in the conflict minerals (government payment) proposals. We further explore the difference in the prominence of cultural perspectives by examining the patterns in the way stakeholders conceptualize risk in relation to ethical considerations.

Ethical Perspectives

According to cultural theory, risk perceptions are founded on moral preferences around exposing others to danger (Lupton 1999, p.48). Across the cultural perceptions of risk we observe in our initial analysis run themes of danger in relation to the proposed disclosures. With this in mind, in this section we explore stakeholder risk perceptions through preferences around the ethical misbehaviors (i.e., dangers) related to the two corporate responsibility disclosures. This analysis sheds light on the varied prominence of cultural perspectives within the comment letters across the two disclosure rules (i.e., more individualist discourse for conflict minerals and more egalitarian discourse for government payments).

In our analysis of conflict minerals comment letters, stakeholders establish the primary ethical dilemma as human rights violations connected to firms sourcing minerals from the DRC, specifically that the purchase of minerals finances armed DRC groups that support civil war, rape and child labor abuses. This comes across in the conflict minerals quotes in Table 3 and additionally in the following vignette:

> "Rebel militias fight to control Congo's mines which are rich in minerals using rape, mutilation and murder to intimidate civilians and control the mines. Profits gained by the rebel groups from these conflict minerals fund more horrific violence. The legislation would make it more difficult for rebel groups to make money selling conflict minerals and without profits they have a much harder time continuing their violent acts… Electronics companies in question are some of the most profitable and innovative in our nation. We are confident they can afford to support human rights and figure out how to make this process work." (CM, Individuals, May 2012)

In contrast, the primary ethical dilemma in relation to the government payments disclosure rule is corruption and bribery, along with an associated lack of societal progress in health, education and infrastructure. This is seen here and in the government payments exemplars in Table 3 (e.g., Table 3, 5.A):

> "In Africa and elsewhere, natural resources represent the best chance to finance development and reduce poverty and aid dependency. Africa's resources were worth $246 billion in exports in 2009, which is 6 times greater than development assistance to the continent that year, and 7 times the value of agricultural exports. Little of this value remained in Africa and transparency of financial flows is critical to ensure these resources are transformed into public benefits. In the most secretive jurisdictions, corruption, poverty and instability flourish and risk to investors is greatest. The provisions of 1504 are consistent with and should reinforce the US government's long-standing policy against corruption." (GP, Bill and Melinda Gates Foundation, Feb 2012)

Stakeholders generally deem firms to have an obligation to consider risks of impacting human rights in relation to the conflict minerals disclosure and to consider risks around a lack of societal progress linked

to government corruption and bribery in relation to the government payments disclosure. However, there is a difference across the proposed disclosure rules regarding to whom responsibility might be attributed.

For instance, in the case of conflict minerals, responsibility for human rights issues is largely described as belonging to the firm while, in the case of government payments, responsibility for a lack of societal progress is attributed to the government receiving the payments. More specifically, it is the firm's action of sourcing conflict minerals from the DRC that is attributed to funding civil war, as in:

> "The truth today is that unknown origin [of minerals] is worse than knowing the origin is DRC. The latter implies that the issuer has undertaken greater efforts to determine origins and will sooner be in a position to eliminate human rights abuses and profits to illegal armed groups from their supply chain. If issuers don't know where their minerals are coming from, they could be - intentionally, recklessly or otherwise, supporting civil war and contributing to an emergency humanitarian situation." (CM, World Evangelical Alliance, Feb 2012)

By contrast, it is not necessarily the firm's action of making payments to governments which is in question but what the government recipient actually does with those payments. This implies that responsibility for the lack of societal progress realized from extractive operations is shared with, or even transferred to, the receiving government, despite the industry role. The following passage expresses this idea:

> "Transparency is needed for citizens to be able to hold governments accountable and creates a strong incentive for resource companies to resist pressure by governments to enter into investment agreements that only benefit a select group of insiders… creates strong incentive for governments to promote investment agreements that can serve as a pathway to poverty reduction, stable economic growth and development, including safer workplaces." (GP, United Steelworkers, Mar 2011)

Our results suggest divergent stakeholder risk perspectives in relation to the ethical responsibilities of the primary actors associated with the two corporate responsibility disclosure regulations. The comment letter analysis suggests the ability of stakeholders to (at least discursively) distance the firm from the ethical dilemma that the government payment disclosure regulation seeks to address but not from the ethical dilemma addressed by the conflict minerals disclosure regulation. Specifically, stakeholders' risk perceptions concern holding *firms* accountable when it comes to sourcing materials from the DRC and the *government* accountable for the misallocation of resource extraction payments. In the former, the reputation of the company is at risk, considering that firm may be associated with human rights issues

(e.g., child labor and armed conflict) that are unethical. In the latter, the unethical behavior (e.g., corruption and bribery) associated with government payments is less precise, and the benefits of increased transparency may not create significant threats to firm reputation. This potentially explains the more prominent individualist perspective within the conflict minerals comment letters. Our work shows that stakeholders acknowledge that the impact of corporate activities on society exposes firms to various risks, including reputational.

Market Engagement

Our comment letter analyses suggest that the conflict minerals risk-related comment letter discourse features the individualist perspective (as compared to the egalitarian perspective), focuses on the cost and constraints of the regulation, and places the ethical responsibility for humanitarian crises on the firm. On the other hand, we find the government payments risk-related comment letter discourse highlights the egalitarian perspective, emphasizes the transparency benefits of the regulation, and places the ethical responsibility for corruption on the government itself. In this section, we measure the stock market reaction to the conflict minerals and government payment disclosure rules and interpret our results based on the conclusions from our comment letter analyses.

Economic Foundations of Risk

Research attempts to capture the market's view on the costs and benefits of a new regulation by measuring the shareholder response to events surrounding the passage of the regulation.[20] Prior to the passage of the conflict mineral and government payment disclosure regulations, stakeholders were largely uninformed regarding firm involvement in these activities, resulting in an information gap between the firm and outsiders. Increased disclosure, however, serves as a mechanism to overcome such information asymmetry gaps (Diamond and Verrecchia 1991; Healy et al. 1999; Heflin et al. 2005; Welker 1995).

[20] A large number of studies examine the stock market response to increased accounting and business regulation (e.g., Chow 1983—1933 and 1934 Securities Acts; Karpoff and Malatesta 1989—takeover laws; Atkas et al. 2004—business combination regulation; Weber 2004—Staff Accounting Bulletin No. 96; Wintoki 2007—Sarbanes-Oxley Act; Larcker et al. 2011—corporate governance regulation; Reid and Carcello 2016—mandatory audit firm rotation).

Thus, increased firm disclosure regarding conflict mineral sourcing and government payment amounts likely reduces information risk via reduced information asymmetry. Moreover, the conflict mineral and government payment disclosures serve as a form of "civil regulation", such that civil society actors pressure firms to adhere to certain social norms (Murphy and Bendell 1999). This type of disclosure promotes increased transparency that allows stakeholders to assess firm behavior. In turn, greater disclosure "allows investors and shareholders to gauge risk and respond accordingly by rewarding or punishing firms in the stock market" (Matisoff 2013 p. 580). Under the reduced information risk view, therefore, stakeholders perceive the corporate responsibility disclosures as a means to lower information risk via reduced information asymmetry and increased transparency. If this perspective dominates, we expect a positive market reaction surrounding corporate responsibility disclosure regulatory event dates.

In contrast, other research examining market responses to disclosure regulation hypothesizes firms' reluctance to disclose information if managers feel it is costly due to its proprietary, commercially or politically sensitive nature (Birkey et al. 2016; Blacconiere and Northcut 1997; Lo 2003; Bushee and Leuz 2005; Cormier et al. 2005; Shane 1995). The proprietary cost theory claims outside parties (e.g., competitors, activist groups) may use newly disclosed information in ways that are harmful to the firm's interests. Within our study, the disclosure of conflict minerals sourcing and government payment information certainly represents a proprietary risk. Prior evidence suggests that proprietary costs of disclosure are critical to a firm's actions regarding disclosure (Cormier et al. 2005; Graham et al. 2005). Another important cost stakeholders consider when assessing disclosure regulations is the cost to comply. Compliance costs were at the heart of the debate throughout both the conflict minerals and government payment rulemaking processes.[21] If shareholders believe the regulatory costs associated with the new corporate responsibility disclosures (i.e., proprietary and compliance costs) outweigh the benefits, we will observe a negative stock market reaction surrounding the passage of the regulations.

In the section that follows, we investigate the stock price response to regulatory events which increase

[21] The SEC estimated initial costs of complying with the conflict minerals (government payments) disclosure rules ranging from $3 billion to $4 billion ($44 million to $1 billion) for affected firms (SIFMA.org).

the likelihood of conflict minerals and government payments disclosure rules. We perform this analysis to further understand stakeholder perceptions of the risks of the two disclosure rules. Here, we use the event study approach, as utilized by prior literature, in order to understand the viewpoint of one particular stakeholder—shareholders. Prior research examining the market reaction to new regulation supports both the reduced information risk (positive market reaction) and increased regulatory risk (negative market reaction) perspectives. Thus, we make no ex ante prediction regarding the direction of the response. We note, however, that the reduced information risk view, which suggests the market perceives the benefits of the disclosure rule outweighing the costs, is most consistent with the egalitarian worldview from our cultural analysis. Here, the transparency benefits of the disclosure outweigh the issuer's costs of making that disclosure. On the other hand, the increased regulatory risk view, which suggests the market perceives the costs of the disclosure rule outweighing the benefits, is most consistent with the individualist worldview. In this case, the issuer-imposed costs of the disclosure outweigh the transparency benefits.

Market Analysis

To compose the sample for our event study-based shareholder reaction tests, we focus on those industries anticipated to be most affected by each regulation. For the government payments sample, we rely upon the SEC final rule (Release No. 34-78167, p.155, footnote 523) to generate our sample, within which the SEC estimates the number of potentially affected issuers by SIC code.[22] For the conflict minerals sample, we rely upon various post-regulation sources to determine those industries most impacted (Audit Analytics 2014; Development International 2016; Schwartz 2016). We also add to the sample the industries of publicly listed firms that submitted SEC comment letters in reference to the proposed conflict minerals disclosure rule, since this is a strong indication that the rule affects those

[22] We provide the industry composition for each of our samples in Table 5.

industries. For both samples, we match the source SIC to the SIC listed in CRSP to determine the sample firms used for stock market tests.[23] We utilize stock return data from CRSP.

Insert Table 5 about here

Our event dates include the two major milestones shared by each regulation. First, we utilize the date the disclosure rule was proposed to Congress (in the years prior to the Dodd-Frank Act), which captures initial legislative steps toward the passage of each regulation. The conflict minerals rule was introduced to Congress once, whereas the government payments rule was introduced three different times. Next, we utilize the date the SEC adopted a rule for each disclosure (as mandated by the Dodd-Frank Act), which captures regulatory action related to the disclosure requirements. In the case of both the conflict minerals and government payments disclosure rules, the SEC adopted a final rule which was later challenged, modified, and then readopted. Thus, we include two rule adoption dates for each regulation. Overall, we investigate three (five) event dates for the conflict minerals (government payment) disclosure regulations.[24]

Consistent with prior research that utilizes the event study methodology (e.g., Armstrong et al. 2010; Birkey et al. 2016; Lo 2003), we compute 3-day (days -1, 0, +1) cumulative abnormal returns (CAR) centered on each event date. We compute daily abnormal returns using the market model as follows:

$$R_{it} = \alpha_i + \beta_{1i} R_{mt} + e_{it} \quad (1)$$

where R_{it} is the return for firm i on day t, α_i is intercept for firm i, R_{mt} is the return on the CRSP value-weighted[25] market portfolio on day t, and e_{it} is the error term with mean zero. We estimate the parameters α_i and β_1, over the 200-day window prior to the ten days before each event.[26] We calculate daily

[23] We note that matching the SICs listed in Congressional documents and other reports with SICs listed for firms within CRSP is not a perfect process. Several academic studies note the lack of cohesion between the SIC codes assigned to firms listed in CRSP, Compustat, and the SEC's EDGAR system (Bhojraj et al. 2003; Guenther and Rossman 1994; Kahle and Walkling 1996).
[24] We list the events included in each market test in Table 6.
[25] Results are similar when we use the CRSP equal-weighted market portfolio as the benchmark.
[26] Alternatively, we estimate the parameters over a common estimation window for each sample, prior to the first legislative event related to each rule. We use the 200-day window ending on December 31, 2009 for the conflict minerals sample and ending December 31, 2008 for the government payments sample. Our results remain significant and in the same direction and are generally more significant using this alternative approach.

abnormal returns (AR_{it}) using prediction errors, subtracting the predicted daily return (using the aforementioned parameter estimates) from the actual return.[27] We calculate the cumulative abnormal return ($CAR_{i,t}$) for each firm and event window by summing across the three days in an event window. We also compute an overall mean CAR for each of our regulations by aggregating the mean CARs from each of the event dates.[28]

Table 5 provides the industry composition of our two samples (Panel A) and select descriptive statistics by sample (Panel B). The firms in the government payments sample are larger and more profitable, on average, than the conflict minerals sample, likely due to the presence of oil and gas firms in the government payments sample. Table 6 shows the average short-window market-model-excess returns for the key regulatory dates associated with each of the disclosure regulations. In general, firms in industries most likely affected by the conflict minerals disclosure regulation experienced significantly *negative* abnormal returns surrounding regulatory dates. Specifically, the average CAR across the three conflict minerals regulatory dates is -0.006 (p-value < .001).[29,30] This evidence is most consistent with the increased regulatory risk view, suggesting that shareholders anticipate the regulatory costs associated with increased corporate responsibility disclosure outweigh the benefits of disclosure.

In contrast, firms within the extractive industries, and thus most affected by the government payment disclosure regulation, experienced significantly *positive* abnormal returns surrounding regulatory event dates. The average CAR across the five government payment regulatory dates is 0.015 (p-value < .001).[31]

[27] We also consider two other approaches to measuring abnormal returns. First, we follow prior research that uses simple market-adjusted abnormal returns (e.g., Armstrong et al. 2010; Larcker et al. 2011). We measure market returns using the CRSP value-weighted index. Second, we utilize a methodology developed by Schipper and Thompson (1983), which estimates a seemingly unrelated regression that explicitly accounts for the cross-correlation of error terms across equations (Fernandes et al. 2010). Our results are qualitatively similar using either of these approaches.

[28] Although our event selection procedures likely minimize any bias related to the inclusion (exclusion) of non-(relevant) events, it is possible confounding events occurred on the event dates under examination. To alleviate some of this concern, we follow prior research (e.g., Armstrong et al. 2010) and read the daily *Wall Street Journal* headline summaries for our event dates. Overall, we do not observe an alternate news pattern that might bias our inferences.

[29] The average CAR is -0.005 (p-value < .001) using the CRSP equal-weighted index.

[30] We acknowledge that our market response evidence is concentrated in just one of the event dates, which implies the market remained indifferent regarding the conflict minerals rule until the SEC's final adoption of the rule.

[31] The average CAR is 0.017 (p-value < .001) using the CRSP equal-weighted index.

This evidence supports the reduced information risk perspective, which suggests shareholders view the benefits of corporate responsibility disclosure, such as increased transparency and lower information asymmetry, as outweighing the costs of disclosure.

In sum, our results suggest opposite shareholder reactions to the two mandatory corporate responsibility disclosure regulations. While we made no predictions regarding the direction of the market response for each disclosure regulation in our study, we anticipated the reaction would be in the *same* direction since both mandated disclosures relate to corporate responsibility. Considering the varied shareholder reactions to the SEC-mandated corporate responsibility disclosure requirements, we might better understand these market responses through the risk perceptions of the broader set of stakeholders. First, our comment letter analysis suggests the individualist perspective, which focuses on the burden, cost, or competitive impacts of regulation, was most dominant in the stakeholder discourse surrounding the conflict minerals disclosure. This is consistent with the results of the event study, which suggest investors also perceive the costs of the conflict minerals disclosure as outweighing the benefits. In the case of government payments regulation, our comment letter analysis revealed the egalitarian perspective was most dominant, which focuses on ethics, accountability, and transparency. This is consistent with our event study results, which suggest investors view the benefits of the government payments disclosure rule as outweighing the costs.

Second, our comment letter analysis suggests the differential market reaction may be linked to the ability of the firm to distance itself from the unethical behavior that the regulation seeks to address. In the case of conflict minerals, the negative perception of disclosure revealing a *firm's* ethical responsibility for exposing society to danger is likely stronger than when the disclosure is perceived to reveal the ethical responsibility of *another party* (i.e., the government) for exposing society to danger, as is the case with government payments. Our results suggest shareholders also appear to hold companies accountable when it comes to sourcing materials from the DRC and the government accountable for the misallocation of resource extraction payments. In the former, the reputation of the company is potentially more at risk, considering the human rights dangers (e.g., child labor and armed conflict) are clearly unethical. In the

latter, the reputation of the company is potentially less at risk as the ethicality of the dangers (e.g., corruption and bribery) is less precise and increased transparency may not incriminate the firm. Overall, the corporate responsibility risk responses of a broader set of stakeholders help inform the risk responses of shareholders.

Insert Table 6 about here

Conclusion

All companies impact society. Those impacts are quite prominent within natural resource extraction activities, where billions of dollars flow between companies and foreign governments of resource-rich countries that suffer from poverty and other humanitarian crises. The passage of legislation within the Dodd-Frank Act aims to address certain social problems by tasking the SEC with creating the first mandated corporate responsibility disclosures. The rules require companies that utilize minerals often obtained from conflict zones in Africa to trace the source of those minerals and extractive firms to report payments to foreign governments. We analyze comment letters on the proposed rules to assess: (1) how stakeholders perceive risks around corporate responsibility; (2) how those perceptions reflect ethical attributes of corporate responsibility; and (3) whether the overall stakeholder risk perceptions surrounding the corporate responsibility disclosures are linked to the reaction of one particular stakeholder—shareholders. This topic is important because for decades, stakeholders have pressured both public companies to provide, and the SEC to mandate, disclosure of corporate responsibility information with limited success. Thus, our examination of the first SEC-mandated corporate responsibility disclosures contributes in important ways to informing future regulatory efforts to promulgate rules related to this type of disclosure.

First, we contribute to literature contending that cultural theory of risk, as developed by Douglas (1986), is useful in understanding the social world of governance and the regulation of business (Malsch 2012). We find individualist, hierarchical and egalitarian views of risk within the comment letter discourse of both of the corporate responsibility disclosures. Individualist views focus mainly on the risks of the disclosure to firm competition and market position, while hierarchical views of risk focus on the

disclosure rule not meeting the intended purpose of SEC rulemaking or not respecting traditional boundaries. Both the individualist and hierarchical perspectives primarily involve concerns for financial stakeholders, investors or the firms themselves. By contrast, egalitarian views focus on the societal risks that underlie what the corporate responsibility disclosure aims to reveal. Specifically, egalitarians demand information on the effect that corporate activities have on the world and society around it, highlighting the role of disclosure in bringing these effects to light and holding someone responsible. This suggests that the social world of governance and the regulation of business understands risk in a much broader sense, affecting a wider range of stakeholders than are traditionally considered the province of regulatory bodies such as the SEC.

Second, our work on risk perspectives contributes to literature specifically engaging with the disclosure of corporate responsibility and concerns with the ethical nature of corporate activities. We find that the individualist (egalitarian) perspective is more prominent than the egalitarian (individualist) perspective in the risk-related discourse from the comment letters submitted on the conflict minerals (government payments) rule proposal. In exploring this difference further, we illustrate how stakeholders associate the dangers of conflict minerals (e.g., child labor and armed conflict) generally with the firm itself, whereas stakeholders assign dangers related to government payments (e.g., bribery and corruption) to the foreign government. As such, our comment letter analysis reveals that in the case of government payments, stakeholders can distance the firm from ethical responsibility, whereas in the case of conflict minerals, stakeholders struggle to assign the ethical responsibility to other actors. Thus, we extend the body of research on risk perception in financial disclosure (see Koonce et al. 2005) to risk perceptions in non-financial data showing "transferability of blame" to be a factor influencing stakeholder risk perceptions.

This insight is complemented by the results of an event study in which we find that shareholders react positively (negatively) to events that increase the likelihood of a government payments (conflict minerals) disclosure regulation. Our comment letter analysis suggests the market may react differently when stakeholders perceive risks as related to corporate responsibility for human rights violations, which

implicate firms in the violence of war and rape, compared to risks related to corporate responsibility for bribery and corruption, which are perhaps less ethically precise. Related to this, our analysis implies that the negative market reaction to the conflict minerals regulation may have been amplified by stakeholders' perceptions of human rights violations as difficult to distribute to others in terms of responsibility. In contrast, disclosure of societal dangers which can be attributed to other actors, such as government bodies, as in the case of government payments by extractive firms, is viewed more positively by the market since responsibility for the unethical behavior can be spread to other actors. Our work contributes to scant literature investigating shareholder reactions to government-mandated corporate responsibility disclosures.

Finally, in the spirit of Canning et al. (2018), we contribute to research promoting a mixed-methods approach, echoing that "openness to cross-paradigmatic engagement… leads to a more informed and richer debate" (p.169). More specifically, market responses can be understood by studying the underlying risk perceptions of a broad set of stakeholders. If the market reacts differently to rules, then perhaps stakeholders' role as public "infomediaries" (Deephouse and Huegens 2009), and the language expressed in the SEC rulemaking process, may work to socially amplify or attenuate risk perceptions to an extent that has not been adequately acknowledged (Kasperson and Kasperson 2005), particularly in relation to corporate responsibility. Our work on risk suggests that reputational risk as an important component of the study of disclosure regulation. We agree with Power et al. (2009), who suggest that reputational risk, including how such risk is acted upon in the market both in specific contexts and as a general and pervasive practice, is a complex and underexplored construct in accounting and suggest future research in this regard.

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TABLE 1
Stakeholder distribution of comment letters.

	Conflict Minerals				Government Payments			
Stakeholder type	*# of Letters Submitted*	*% of Total Letters*	*# of "Risk" Letters*	*% of Submitted*	*# of Letters Submitted*	*% of Total Letters*	*# of "Risk" Letters*	*% of Submitted*
Firm and industry actors	141	31.9%	137	97.2%	41	11.3%	40	97.6%
Individuals	131	29.6%	75	57.3%	216	59.3%	214	99.1%
Institutional investors	10	2.3%	9	90.0%	22	6.0%	21	95.5%
Non-governmental actors	63	14.3%	57	90.5%	58	15.9%	56	96.6%
Policy and political actors	63	14.3%	62	98.4%	20	5.5%	19	95.0%
Professional advisors	34	7.7%	31	91.2%	7	1.9%	7	100.0%
Total letters	442	100.0%	371	83.9%	364	100.0%	357	98.1%

Table 1 reflects the distribution of comment letters by proposed disclosure regulation in terms of the number of letters submitted by each type of stakeholder and the number of letters submitted by each type of stakeholder as a percentage of total letters submitted. This table also reflects the number of letters identified as containing passages referring to risk, as described in our methods section. We present the number of letters containing risk passages and the number of letters containing risk passages as a percentage of the number of letters submitted for each stakeholder category.

TABLE 2
Cultural theory interpretive guidelines.

	General Concepts	Accounting Concepts	Risk Concepts
Individualist	Individual freedoms, competition, entrepreneurial activity, personal/corporate gain or wealth or success, opportunity for trade or exchange, negotiation	Burden or cost of regulation, minimizing unnecessary work, practice over theory, superiority of markets, shareholder/investor over other stakeholders	Risk associated with constraints of regulation, restriction of free market (e.g. competition, compliance burdens) Opportunities created by market compensate for any damage/hazards (e.g. usefulness of disclosure, local economic decline)
Hierarchical	Tradition, authority, policing access, necessity of regulation, theory over practice, concerns over respect for boundaries, loyalty, experts	Promote rules, standards certifications, need for organized rulemaking bodies, professional integrity, qualifications, accounting expertise	Risk associated with rules, standards, certifications (e.g. redundant requirements, (lack of) comprehensiveness) Systems/structure/experts helping respond to risk of delinquency, unconventional behavior (e.g. SEC authority, misalignment with SEC mission)
Egalitarian	Idealism, justice, equality, fairness, acting ethically, environment, philanthropy, common good	Sustainability, social accounting, corporate citizenship, accountability and transparency, fairness in taxation, allocation of returns to broader stakeholders	Risk associated with status/class and self-promotion at expense of broader group (e.g. human rights / stable and democratic government, peace and human life / wealth distribution) Business, outsiders, experts increase inequality, decrease fairness (e.g. (lack of) transparency, fair trade / fair tax)
Fatalist	Arbitrariness, isolation, resignation to fate, impossible to influence outcomes, lack of participation	Accounting, regulation, disclosure does not lead to change	Risk is that world is uncontrollable and unpredictable No opportunity to influence/avoid discourages participation/voice

Adapted from: Linsley and Shrives (2014)

TABLE 3
Cultural theory and risk perceptions.

	Representative Data from Comment Letters	
Individualist Worldview	**Conflict Minerals**	**Government Payments**
1. General Themes		
A. Disadvantaging firm wealth, competition, due to regulation *Risk concepts:* Competition *Risk to:* Firms	"requiring issuers to submit a conflict minerals report and identify products as not DRC conflict free when issuers can't determine origin after making reasonable inquiry would significantly increase reputation risk, place issuers at a competitive disadvantage, and damage investor relations." (CM, National Association of Manufacturers, Aug 2014)	"[the disclosure] has the potential to … have significant adverse effects on efficiency, competition and capital formation ... Substantial value could be lost to SEC filers and shareholders because of competitive harm from disclosure of overly detailed information." (GP, American Petroleum Institute, Aug 2011) "Disclosure of commercially sensitive information disadvantages US listed companies … would result in our inability to compete fairly causing significant harm to our company and shareholders." (GP, Exxon Mobil Corp, Jan 2011)
B. Cause more economic harm than good, unintended consequences *Risk concepts:* Local economic decline *Risk to:* Society	"it will be less expensive to source minerals from other areas of the world, creating a de facto embargo on DRC minerals even before the SEC has finalized its rules. Inflexible and expensive SEC rules could remove future incentives to invest in conflict free minerals … and could also deprive the area of much-needed economic development." (CM, Viasystems Group, Inc., Aug 2012)	"the oil and gas industry … supports more than 9 million American jobs, while millions of additional Americans invest in the industry. The true impact of the proposed rule will be felt by every business and household throughout the country, with the potential to lead to higher prices due to costly and burdensome reporting expenses and lower competitiveness, but also more instability in supply and price." (GP, US Chamber of Commerce, Mar 2011)
2. Accounting-Specific Themes		
A. Burden or cost of disclosure *Risk concepts:* Compliance burdens *Risk to:* Firms	"requires companies to estimate and approximate, for some registrants, millions of transactions involving hundreds of thousands of suppliers, and covers the conduct and representations of third parties outside of the company's control. This type of data has not been compiled in the past for any purpose and the informational infrastructure necessary to develop this data does not currently exist." (CM, Society of Corporate Secretaries and Governance Professionals, Aug 2012)	"we expect to collect information from over 100 operations in 40 countries (which themselves consolidate information from individual sites), dealing with different accounting systems, multiple charts of accounts, foreign currencies, different financial statement layouts, etc. Data has to be extracted, formatted, and uploaded by local management, reviewed and analyzed centrally and queries resolved before consolidated and published. This information is not readily available at the push of a button contrary to what some parties think." (GP, Rio Tinto, Mar 2011)

B. Relevance or usefulness of the disclosure to particular stakeholders, mainly investors *Risk concepts:* Usefulness of disclosure *Risk to:* Investors	"because of the inherent problems many companies will face in tracking their supply chain, they may not be able to reach a definitive conclusion as to whether their minerals were derived from a tainted source. Unable to provide unequivocal proof of the negative, many companies would have to report potentially unjustifiably negative information that may not be accurate, to the detriment of investors." (CM, US Chamber of Commerce, Jul 2012)	"one of the stated purposes of the rule is to provide useful information to investors… investors do not benefit by being overloaded with large amounts of raw data... Current SEC rules are replete with guidance that directs registrants to provide information they believe is necessary to give an investor insight and understanding. Mandating inclusion of detailed information without a clear and proven benefit to investors sets an unwarranted precedent." (GP, PricewaterhouseCoopers, Mar 2011)

	Representative Data from Comment Letters	
Hierarchical Worldview	**Conflict Minerals**	**Government Payments**
3. General Themes		
A. Traditional boundaries and respect for boundaries, authority of regulator *Risk concepts:* SEC authority *Risk to:* Investors	"I take no position on whether these Sections usefully advance the humanitarian purposes intended but I think if they are going to be required, they should be lodged with a more logical government agency to administer with public visibility beyond the investor community." (CM, Individual, Apr 2011)	"[refers to] 'intrusive disclosure'… inconsistent with long-standing US policy goals and conflicting with international norms agreed to under EITI…. Disturbing implications of casting the SEC as the enforcer of rules that have no obvious nexus to the Commission's core function. …. to compel the SEC to assume a role for which it is ill-suited and seems fundamentally at odds with the SECs primary responsibility of protecting investors and ensuring fair and efficient functioning of US capital markets." (GP, Split Rock Intl, Mar 2011)
B. Necessity and purpose of regulation outside of established systems *Risk concepts:* Rule's misalignment with SEC Acts *Risk to:* Investors	""[Dodd-Frank sections] address a purpose fundamentally different from the 1933 and 1934 acts, they are intended to achieve humanitarian objectives by affecting conduct, not to protect investors through disclosure…" (CM, Individual, Apr 2011) "The purpose of this social-type disclosure is qualitatively different from typical financial disclosures subject to certification." (CM, Society of Corporate Secretaries and Governance Professionals, Aug 2012)	"1504, like 1502 and 1503, present SEC with new and unusual challenge and for purposes that are fundamentally different from the purposes underlying the existing reporting system. Unlike the existing system, which focuses on information that is material to investors from a financial perspective, these sections require disclosure designed to increase transparency and, in our view, is best understood as focusing on other issues and on the dissemination of information to a broader audience not limited to investors." (GP, Attorney with Extractive Clients, Mar 2011)
4. Accounting-Specific Themes		
A. Alternative accounting/disclosure rules, standards, certifications	"for many years GAM has lead the charge among tantalum producers to ensure a socially responsible and "conflict free" supply chain …Several OEMs have taken the lead in undertaking due diligence efforts and a number of industry associations (EICC, GeSI, AIAG) are developing a standard	"rather than subject cross-listed companies to an array of slightly different disclosure regimes, the SEC should defer to disclosure regimes in other countries or allow a foreign private issuer to satisfy the disclosure requirement of 1504 by following the rules of its home country or primary

	Risk concepts: Redundant requirements *Risk to:* Firms	template to simplify the process of tracking "conflict minerals" throughout the supply chain." (CM, Advanced Metals Pty, Aug 2012)	trading market. We also believe that the SEC should allow disclosure of payments to conform to applicable EITI disclosure requirements." (GP, Vale S.A., Mar 2011)
	B. Comprehensiveness and integrated systems, global playing field and platforms *Risk concepts:* Comprehensiveness of the rule *Risk to:* Society/Investors	"fully addressing the situation in DRC requires more than value-chain verification by US businesses… ambiguities surrounding definitions and standards will encourage tendency to subvert the law, coordinated pressure along the entire illicit chain of conflict minerals would be more effective than a stand-alone intervention aimed solely at the extractive stage, manufacturers engage suppliers on how to best implement supply chain due diligence and third party verification. Lack of a binding global due diligence regime leaves a gap in the fight to end the crisis." (CM, Brookings Institute, Oct 2011)	"creating reporting exceptions risks creating loopholes that could undermine the rule's creation of a level playing field. Should not exempt companies where laws in host-country prohibits required reporting as this creates incentives for countries to pass laws against transparency… Should not exempt small firms as larger companies might attempt to engage in complex corporate maneuvers to create affiliates that qualify for the exemption. Defining concepts ["project"] so as to create level playing field and produce meaningful comparable information. Issuers are likely to define terms differently and create questions about their disclosures, creating a patchwork of information that impedes investor and public analysis of developments and trends." (GP, US Senator, Feb 2011)

		Representative Data from Comment Letters	
Egalitarian Worldview		**Conflict Minerals**	**Government Payments**
5. General Themes			
	A. Justice, fairness, equality and moral/ethical considerations *Risk concepts:* Human rights / stable and democratic government *Risk to:* Society	"miners' livelihoods that overnight became panacea of 1502 campaign haven't the least drawn the attention of either local or international industry for over 15 years… Dire poverty and slavery like conditions exacerbated by almost non-existent basic social infrastructure despite the conflict minerals market boom and relentless and serious human rights violations." (CM, SOS Africa, Oct 2011) "we want to know if our electronics were made from CM and if so not to purchase these items. Congo's wealth gives the country huge potential for development however if the money is funneled into supporting activities of militia groups rather than services for people (roads, schools, health care) then the consequences will be devastating." (CM, Individual, Mar 2012)	"proposed rules are a step towards strengthened governance and civil society in anti-corruption efforts. Contributes towards US government foreign policy goals of supporting stable and democratic governments … and role in providing assistance to resource rich countries in support of economic growth, transparency and building civil society. 1504 could contribute to the efficient and effective use of US development dollars and complement US development strategies ensuring resource extraction dollars benefit developing countries rather than increase the wealth of particular individuals." (GP, US Agency for International Development, Jul 2011)
	B. Orientation towards the common good and wider set of societal stakeholders	"in the long term, people's livelihoods cannot truly improve while armed groups control the economy and people live with insecurity and violence. While some lose income from	"in the last few years, host populations have been registering their opposition to environmental destruction brought about by large-scale mining projects and deplore

Risk concepts: Peace and human life / wealth distribution *Risk to:* Society	mining in the short term, there will be gains in the medium term as rules will have a profound moral as well as economic impact." (CM, Episcopal Conference of Catholic Bishops of the DRC, Nov 2011) "Economic interests cannot be an overall excuse for doing nothing to break the link between armed conflict and minerals exploitation. We can find an alternative to minerals exploitation but not to peace or preserving life and dignity of people." (CM, Delly Mawazzo Sesete (NGO), Dec 2011)	the fact that benefits from these have accrued to a small minority….We are not anti-mining but we believe the extraction of vital non-renewable resources should be done in a manner that is beneficial to all stakeholders, the national government, the local government, local populations and investors." (GP, Bantay Kita (NGO), Dec 2011)
6. Accounting-Specific Themes		
A. Role of disclosure in accountability and transparency *Risk concepts:* (Lack of) Transparency *Risk to:* Investors/Society	[Consumers] want to make a choice of whether or not to invest in business whose mineral sourcing practices contribute to on-going DRC crisis … transparency in supply chain is at the heart of legislation to label products "DRC conflict-free" and companies should be required to clearly document the proof that their products merit that label and documentation of this claim should be available to the public. Information about sourcing practices that benefit armed groups who commit human rights violations are important to my purchasing and investment decisions." (CM, Individual, May 2011)	"Corrupt officials, money launderers, and others use US companies and financial institutions to conceal, transfer and spend suspect funds evidencing the need for transparency in transactions to stop abuses fueling crime and undermining rule of law. … [Disclosure of government payments is] critical for investors to understand the extent of a company's exposure when operating in countries where the company may be subject to expropriation, political or social turmoil, pressure from corrupt officials or reputational risks." (GP, US Senator, Feb 2011)
B. Financial benefits (fairness in taxation, allocation of returns) spread across broader stakeholder group *Risk concepts:* Fair trade / Fair tax *Risk to:* Society	"Companies, countries as well as individuals have named and shamed yet there has been almost no change in behavior. The court of public opinion is not enough to deter behaviors of members… If well balanced and implemented 1502 could help the Congo in the long run… 1502 places emphasis solely on illicit extraction or trade of 4 minerals; however, armed groups could switch to other lootable resources or other minerals. We urge the rule to be expanded to any illicit trade or exploitation and that a financial penalty be placed on products used to sustain conflict. These penalties could be placed into an account used to fund education, build hospitals, infrastructure, other programs." (CM, Save the Congo (NGO), Nov 2011)	"Growing list of regulations and laws intended to ensure companies make adequate contributions to public finances by curtailing activities such as tax avoidance. Negative perceptions that lead to such laws are aggravated by the lack of information in the public domain about precisely what taxes and how much tax companies pay. Tax disclosure provides investors with an understanding of relative exposure to internal risk and also provides evidence to shareholders that issuers have an efficient capital structure and the company is doing all it can to provide an attractive return on investment." (GP, Calvert Asset Management Company, Mar 2011)

Table 3 reflects the aggregation of our themes (i.e., numbers) into the general and specific perspectives (i.e. letters) within each worldview of risk. In addition, Table 3 provides examples of the representative data from comment letters that we coded under each of these themes.

TABLE 4
Frequency of worldviews by stakeholder.

Conflict Minerals

Stakeholder type	*# of "Risk" Letters*	**Individualist**		**Hierarchical**		**Egalitarian**	
		# of Letters	*% of Letters*	*# of Letters*	*% of Letters*	*# of Letters*	*% of Letters*
Firm and industry actors	137	83	60.6%	104	75.9%	7	5.1%
Individuals	75	9	12.0%	18	24.0%	48	64.0%
Institutional investors	9	1	11.1%	6	66.7%	3	33.3%
Non-governmental actors	57	5	8.8%	25	43.9%	39	68.4%
Policy and political actors	62	26	41.9%	27	43.5%	13	21.0%
Professional advisors	31	18	58.1%	26	83.9%	1	3.2%
Total letters	**371**	**142**	**38.3%**	**206**	**55.5%**	**111**	**29.9%**

Government Payments

Stakeholder type	*# of "Risk" Letters*	**Individualist**		**Hierarchical**		**Egalitarian**	
		# of Letters	*% of Letters*	*# of Letters*	*% of Letters*	*# of Letters*	*% of Letters*
Firm and industry actors	40	30	75.0%	22	55.0%	0	0.0%
Individuals	214	5	2.3%	95	44.4%	120	56.1%
Institutional investors	21	7	33.3%	15	71.4%	10	47.6%
Non-governmental actors	56	14	25.0%	35	62.5%	25	44.6%
Policy and political actors	19	9	47.4%	10	52.6%	4	21.1%
Professional advisors	7	4	57.1%	4	57.1%	0	0.0%
Total letters	**357**	**69**	**19.3%**	**181**	**50.7%**	**159**	**44.5%**

Table 4 reflects the frequencies (number of letters and number of letters as a percentage of letters containing passages with risk terms) with which we identified aspects of each worldview – individualist, hierarchical, and egalitarian- in comment letters submitted by different stakeholder groups on the proposed conflict mineral and government payment disclosure rules. The fatalist view is not reflected in this table since, as anticipated, we found very few letters (e.g., 4 conflict minerals letters and 2 government payment letters) exhibiting the fatalist perspective.

TABLE 5
Descriptive statistics

Panel A: Industry composition

Conflict Minerals

SIC	*Industry*	*n*
2834	Pharmaceutical Preparations	110
3312	Steel Works, Blast Furnaces, And Rolling Mills	16
3533	Oil and Gas Field Machinery and Equipment	10
3571	Electronic Computers	8
3661	Communications	17
3663	Radio And TV Broadcasting And Communications Equipment	25
3670	Electronic Components And Accessories	45
3674	Semiconductors And Related Devices	74
3679	Electronic components	16
3690	Miscellaneous Electrical Machinery, Equipment & Supplies	5
3711	Motor Vehicles and Passenger Car Bodies	12
3714	Motor Vehicle Parts And Accessories	24
3841	Surgical And Medical Instruments And Apparatus	41
3845	Electromedical And Electrotherapeutic Apparatus	19
4813	Telephone Communications, Except Radiotelephone	39
7372	Services – Prepackaged Software	67
	Total	528

Government Payment

SIC	*Industry*	*n*
1011	Iron Ores	3
1021	Copper Ores	2
1040	Gold And Silver Ores	38
1061	Ferroalloy Ores, Except Vanadium	1
1081	Metal Mining Services	9
1090	Miscellaneous Metal Ores	7
1220	Bituminous Coal And Lignite Mining	2
1311	Crude Petroleum and Natural Gas	55
1321	Natural Gas Liquids	12
1381	Drilling Oil and Gas Wells	13
1382	Oil and Gas Field Exploration Services	27
1389	Oil and Gas Field Services	12
2911	Petroleum Refining	13
	Total	194

Panel B: Firm characteristics

	Conflict Minerals Sample (*n=528*)			**Government Payments Sample** (*n=194*)		
Variable	Mean	Median	Std. Dev.	Mean	Median	Std. Dev
Assets (in millions)	10,122.18	473.65	34,050.57	24,060.37	2,575.79	61,406.51
log(Assets)	6.40	6.16	2.47	7.64	7.85	2.62
MarketCap (in millions)	10,033.89	623.08	32,810.86	18,442.86	1,779.14	47,588.38
log(MarketCap)	6.63	6.43	2.37	7.46	7.48	2.47
ROA	-0.10	0.02	0.42	0.62	0.02	12.09

Table 5 provides descriptive statistics for sample firms in our market reaction analysis. Our analysis includes the examination of events surrounding two regulations—conflict minerals disclosure and government payments disclosure. Panel A reports the industry distribution of the two respective samples. Panel B reports descriptive statistics for select firm characteristics. For the conflict minerals sample, the mean statistics are reported across the six-year event period, from fiscal year 2009 through 2014. For the government payments sample, the mean statistics are reported across the nine-year event period, from fiscal year 2008 through 2016. *Assets* is total assets. *MarketCap* is market capitalization. *ROA* is net income divided by total assets.

TABLE 6
Market reaction analysis.

	Event	Date	*n*	Mean CAR
	Conflict Minerals			
(1)	S. 891 - Congo Conflict Minerals Act of 2009 introduced in Senate	4/23/2009	*528*	-0.003 (-0.80)
(2)	SEC adopts final Conflict Minerals Rule	8/22/2012	*528*	0.002 (1.13)
(3)	SEC readopts final Conflict Minerals Rule	4/29/2014	*528*	-0.016*** (-5.46)
	Mean return across events		*528*	**-0.006***** **(-3.42)**

	Event	Date	*n*	Mean CAR
	Government Payment			
(1)	H.R. 6066 – Extractive Industries Transparency Disclosure Act introduced in House	5/15/2008	*194*	0.022*** (3.93)
(2)	S.3389 – Extractive Industries Transparency Disclosure Act introduced in Senate	7/31/2008	*194*	0.008*** (2.56)
(3)	S. 1700 – Energy Security through Transparency Act of 2009 introduced in Senate	9/21/2009	*194*	-0.001 (-0.28)
(4)	SEC adopts final Resource Extraction Rule	8/22/2012	*194*	0.018*** (5.60)
(5)	SEC readopts final Resource Extraction Rule	6/27/2016	*194*	0.028*** (5.04)
	Mean return across events		*194*	**0.015***** **(7.53)**

Table 6 provides the results of our market reaction analysis. Our analysis includes the examination of abnormal stock returns surrounding the events of two regulations—conflict minerals disclosure and government payments disclosure. Abnormal returns are the prediction errors from a market model estimation, using the CRSP value-weighted index to measure market returns. Firm-specific *CAR* is the cumulative abnormal return, computed as the sum of the 3-day abnormal return surrounding each event date. Mean *CAR* is the average of all sample CARs for each event date. *t*-statistics are provided in parentheses. *** denotes statistical significance at the 1% level (two-tailed).