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CSR reporting under the Non-Financial Reporting Directive: Evidence from non-publicly listed banks

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Abstract

We investigate the role of stakeholders in mandatory CSR reporting of non-publicly listed savings banks in Germany. They are established by municipal trustees and serve clients in their distinct operating area. Reporting discretion under the Non-Financial Reporting Directive leads us to expect variation in mandatory CSR reporting arising from materiality assessment differences due to divergent interests of banks' stakeholders and impact of banks' activities on the stakeholders. We document that savings banks' CSR reporting is associated with the interests of municipal trustees and to a lesser extent with the interests of clients. The associations with less salient stakeholders, such as private clients, are more pronounced in banks with a holistic accountability approach. This indicates that savings banks consider interests of relevant stakeholders in the materiality assessment process and the resulting CSR reports. Our findings for medium-sized banks inform policy discussions about detailed CSR disclosure requirements (e.g., the European Sustainability Reporting Standards) and extension of reporting scope to small and medium-sized firms with regional orientation and absence of typical shareholders.

Keywords: Corporate social responsibility, mandatory reporting, materiality assessment, non-publicly listed banks, stakeholder groups

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1 Introduction

Increasing concerns about sustainability matters, and the adoption by 193 countries of the Sustainable Development Goals (SDGs) in 2015 have led firms to progressively adopt more socially and ecologically responsible behavior (UN, 2015a; 2015b). Consequently, demand for information about corporate social responsibility (CSR) and firms' environmental, social and governance (ESG) activities and policies has steadily risen (Amel-Zadeh & Serafeim, 2018). While firms used to disclose much of this information on a voluntary basis (Cho et al., 2015), many countries are introducing reporting mandates. In the EU, the Non-Financial Reporting Directive (Directive 2014/95/EU; hereafter NFRD) lays out rules for disclosing non-financial and diversity information for firms with more than 500 employees, including listed firms, banks, and insurance firms.[1] The NFRD requires firms to report a minimum set of non-financial information but without a mandate to use specific standards or guidelines. Granting firms "significant flexibility to disclose relevant information in the way they consider most useful" (EC, 2017, p. 2) inherently creates variation in reporting across firms. We investigate variation in CSR reporting under the mandate of the NFRD in non-publicly listed banks.[2]

We descriptively analyze the role of stakeholders in CSR reporting under the mandatory regulatory approach. Specifically, we analyze to what extent variation in stakeholders' interests and information needs is associated with CSR reporting. We perform our analysis on savings

[1] In January 2023, the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464, CSRD), which strengthens the reporting requirements compared to the NFRD, entered into force. Among other things, the CSRD extends the scope to all large and all listed (except micro) firms, requires compliance with European Sustainability Reporting Standards, and assurance of reported information. The CSRD will offer investors and other stakeholders the information they need to assess sustainability-related risks and foster transparency about firms' impact on people and the environment.

[2] We consider the term "non-financial" reporting (used in the NFRD), equivalent to "CSR", "sustainability" and "environment, social and governance" (ESG) reporting. While these terms can be used largely interchangeably to refer to a common underlying concept, we consistently refer to CSR reporting in this paper.

banks in Germany (i.e., *Sparkassen*) which represent approximately 25% of the German firms subject to the reporting mandate (Kluge & Sick, 2016). While Germany has the largest number of savings banks in Europe, savings banks also provide financial services to individuals and small and medium-sized firms in countries such as Austria, France, Italy, Norway, Spain, and Sweden.[3] Most importantly, the German Savings Bank Acts[4] (e.g., GSBA, 2005) define savings banks' business model and objective as (1) to provide financial services in their operating area, with a focus on small and medium-sized firms, (2) to strengthen competition in the financial services industry, (3) to support municipalities in their economic duties, regional policy and social commitments (e.g., arts, culture, sport, education), and (4) to promote a savings mentality and financial education of the population. In addition, the banks do not have typical shareholders as owners but are established under municipal trusteeship.[5] These institutional features require savings banks to focus on a broad group of stakeholders. Moreover, to the extent that relevant stakeholders' interests are considered in banks' materiality assessment process they should be reflected in CSR reports as the outcome of the process.

The NFRD and the supplementing non-binding Guidelines on non-financial reporting (EC, 2017; hereafter Guidelines on NFR) mandate and guide savings banks to disclose relevant, useful, and comparable CSR information that provides transparency to stakeholders. Following the key principles of materiality and stakeholder orientation, banks are expected to assess the materiality of reported information by considering the interests and information needs of all relevant stakeholders. However, since savings banks face stakeholders with diverging interests (e.g., Ayuso et al., 2014; She & Michelon, 2019), there is likely variation in the resulting CSR

[3] The German savings banks industry consisted of 390 savings banks as of December 31, 2017. Implementing a cross-country study design is challenging due to differences in governance structures and levels of regionality (ESBG, 2018). Moreover, the use of different languages in CSR reports hinders their comparability.
[4] There are 15 Savings Bank Acts, one for each German state that has at least one savings bank under municipal trusteeship.
[5] Trusteeship is a legal concept through which governmental bodies establish and participate in, for example, savings banks, schools, and hospitals. Entities under trusteeship typically cannot be acquired by private investors. While trustees have no financial obligation towards savings banks, trustees support banks in fulfilling their tasks. If trustees provide deposits, the trustees' liability is limited to the deposit.

reports. We build on the sustainability reporting model by Deegan & Unerman (2011) and their distinction between strategic and holistic organizational accountability. While the NFRD and the Guidelines on NFR encourage banks to use a holistic accountability approach, banks themselves determine their relevant stakeholders and the content of their CSR reports. We link savings banks' institutional features to a narrow definition of stakeholders from Mitchell et al. (1997), and identify the following relevant stakeholders: municipal trustees, clients, and employees. The Guidelines on NFR stress that materiality assessment as the key principle of mandatory CSR reporting should take the interests of all relevant stakeholders into account (EC, 2017, p. 6). We therefore expect that variation in CSR reporting should arise primarily from materiality assessment differences due to divergent interests of banks' stakeholders and impact of banks' activities on these stakeholders. Thus, banks' CSR reports should contain relevant information in line with stakeholders' interests and information needs. Based on the theory of stakeholder salience (Mitchell et al., 1997), we further expect the interests of some stakeholders to be more strongly associated with banks' CSR reporting than the interests of other stakeholders.

We analyze the association of savings banks' CSR reporting with the interests and information needs of municipal trustees, private and public bank clients.[6] To capture the variation in their interests and information needs, we exploit the regional principle as a unique feature of the savings banks' institutional framework (GSBA, 2005). This principle stipulates that banks are allowed to operate in a prespecified geographical area only. The operating area defines where an individual bank is allowed to open branches and provide services to clients. Clients should have their place of residence or place of business in this area, which results in a geographically predetermined client base. Moreover, the operating area is generally the same as the administrative region of the municipality where the bank was established (GSBA, 2005).

[6] We cannot include banks' employees in our analysis since information on employees is not publicly available.

Each municipality is governed by a democratically elected municipal council. We measure stakeholders' interests and information needs via their sustainability orientation. Specifically, we capture the sustainability orientation of municipal trustees based on the political orientation of municipal council members. They are representatives of trustees and may also serve as banks' supervisory board members.[7] We measure the sustainability orientation of private and corporate clients with the presence of organic grocery stores and the ratio of firms preparing a voluntary CSR report within the operating area, respectively.

Importantly, prior to the NFRD, savings banks disclosed neither comprehensive voluntary nor mandatory CSR reports.[8] Their CSR communication was limited to information about social and community activities published on their websites or as digital and printed leaflets. But even in a mandatory setting, factors beyond the mandate may lead to variation in reporting practices. This is particularly true for CSR reporting because it covers a vast array of topics, considers diverse stakeholders in materiality assessment, and the NFRD and supplementing Guidelines on NFR permit significant reporting discretion (Cho et al., 2015; Laine et al., 2022; Tschopp & Huefner, 2015).

We select our sample from a universe of 390 savings banks spread throughout Germany as of December 31, 2017. We exclude banks outside the scope of the NFRD and banks with missing data. Our final sample has 365 bank-year observations from 127 unique banks in 2017-2019. For this sample, we compile a dataset that contains banks' financial data, annual financial and CSR reporting data, macroeconomic data from the banks' operating areas, and data on

[7] The German Savings Banks Acts stipulate that the mayor or country commissioner should serve as the savings bank's supervisory board chairperson (GSBA, 2005). The remaining supervisory board members include employee representatives, and persons appointed from a pool of municipal council members and qualified citizens. Savings banks that operate in several municipalities appoint one of the mayors as the supervisory board chairperson. The remaining mayors and members from all municipal councils can be appointed to the supervisory board, subject to availability of board seats.

[8] Since 2015, European Directive 2013/34/EU requires banks to report key performance indicators on environmental or employee matters if the indicators are necessary for understanding the bank's development, performance, or position. This information is reported in the management discussion and analysis section and does not constitute a comprehensive CSR report. Only six banks in our sample (i.e., 5%) published a more comprehensive voluntary CSR report for the year 2015 or 2016.

banks’ stakeholders. We use this dataset to investigate to what extent stakeholders’ interests and information needs are associated with CSR reporting.

Our findings document that savings banks’ mandatory CSR reporting is associated with the interests and information needs of municipal trustees and to a lesser extent of their clients. First, we find that the sustainability orientation of the mayor or county commissioner, who also serves as the supervisory board chairperson, is related to banks’ CSR reporting. Her affiliation with a left-wing or green party is associated with longer CSR reports and more disclosure on environmental, employee and human rights matters, and general CSR strategy. Second, a higher percentage of municipal council members (as representatives of trustees) from the Green Party is associated with more extensive disclosure on social matters. Third, sustainability orientation of corporate clients is positively associated with CSR reports. Comparison of these results suggests that, on average, CSR reporting is more strongly related to the interests of stakeholders with high legitimacy and power. Moreover, the results of our cross-sectional tests are in line with the prediction that the associations between CSR reporting and stakeholders’ interests, particularly for stakeholders with less legitimacy and power, are predominantly present in banks with a holistic accountability approach. Finally, a difference-in-differences analysis offers some evidence that banks extend their reporting following a CSR shock measured by significant media attention of the occupation of the Hambach Forest in 2018. Taken together, our findings suggest that, on average, interests of most salient stakeholders are considered in banks’ materiality assessment process and reflected in resulting CSR reports. But less salient stakeholders’ interests are also considered when banks use a holistic accountability approach to CSR reporting.

Our study makes various contributions. First, because savings banks have geographically limited operating areas, we can better identify relevant stakeholders’ interests and information needs. In particular, the regional principle offers innovative data on geographical variation in stakeholder characteristics as more direct proxies of stakeholders' sustainability orientation. Our documented associations are based on more direct measures of sustainability orientation and thus extend prior literature relying on cross-sectional variation in firm characteristics as more crude measures of stakeholders' sustainability orientation (e.g., Afeltra et al., 2021; Branco & Rodrigues, 2008; Campbell et al., 2006; Huang & Kung, 2010).

Second, studies of publicly listed firms naturally emphasize shareholders' information needs (e.g., Holder-Webb et al., 2009; Khan et al., 2013; Reverte, 2009) and consequently ignore the needs of broad and diverse stakeholder groups (Ayuso et al., 2014). Our results highlight the role of banks' municipal trustees and, for a subset of banks with holistic accountability approach, of private and corporate clients in mandatory CSR reporting. While these results suggest that savings banks consider interests and information needs of relevant stakeholder groups in the materiality assessment process, the variation in banks' CSR reporting also suggests that they differentiate between salient and less salient stakeholder groups.

Third, our study has implications for preparers of CSR reports, regulators and policy makers designing CSR reporting mandates. Our findings document that banks' mandatory CSR reporting is related to interests and information needs of relevant stakeholders, thus fulfilling a central aim of CSR reporting mandates (e.g., EU, 2014; 2022). Moreover, our documented limited response to the information needs of less salient stakeholders informs the discussion about more detailed disclosure requirements such as the European Sustainability Reporting Standards. Since our sample consists of medium-sized banks, the findings also contribute to the EU regulatory debate of extending the scope of mandatory reporting to all large and listed firms, and later even to small and medium-sized firms (EU, 2022).

Finally, our investigation of mandatory CSR reporting in non-publicly listed banks directly responds to the call from prior research to analyze firms other than publicly listed ones (e.g., Dinh et al., 2022; O'Dwyer & Unerman, 2016). While the CSRD will become relevant for many non-publicly listed firms, Dinh et al. (2022) screen academic studies on sustainability reporting in Europe and find no study which investigates sustainability disclosures of non-publicly listed firms. In addition, policy makers acknowledge the key role of the financial sector in the transition towards a more sustainable economy (EC, 2021) but research in this sector is very limited. Similar to Dinh et al. (2022), we find only few studies analyzing financial institutions (Contrafatto et al., 2019; Hummel et al., 2021; Pesci et al., 2015). We contribute to these studies by providing large-sample empirical archival evidence, rather than survey data or case studies, on the role of stakeholders in CSR reporting of non-publicly listed banks.

2 Institutional framework

2.1 The Non-Financial Reporting Directive

The European Commission (EC) acknowledged in 2013 that the contemporary level of CSR information quality and quantity did not satisfy users' demand (EC, 2013). In 2014, the EC passed the NFRD (Directive 2014/95/EU), requiring large public interest firms with more than 500 employees to disclose CSR information for fiscal years starting in 2017.[9] In 2017, the EC published accompanying but non-binding Guidelines on NFR (EC, 2017). Public interest firms are defined as publicly listed firms, banks, insurance firms, and other firms designated as public interest entities by member states (EU, 2013). Savings banks fall within the scope of the NFRD and must publish an annual CSR report if they have more than 500 employees. In line with the NFRD and the Guidelines on NFR, the CSR report should disclose relevant, useful and comparable non-financial information relating to, as a minimum, the following topics: environmental, social, and employee matters, respect for human rights, anti-corruption and

[9] All EU directives must be transposed into member state law. The *CSR-Richtlinie-Umsetzungsgesetz* implemented the NFRD into German legislation.

bribery matters. The auditors verify the existence of the CSR report and the supervisory board has the duty to approve it.[10]

The EC explicitly encourages firms to take advantage of the NFRD's flexibility and does not intend to hinder innovative reporting practices (EC, 2017, p. 3). The Guidelines on NFR provide balanced and flexible advice on reporting non-financial information in a way that helps firms disclose material information. They stress that materiality assessment as the key principle of mandatory CSR reporting should take interests and expectations of all relevant stakeholders into account (EC, 2017, p. 6). Moreover, the NFRD emphasizes the impact of a firm's activity as a particularly relevant consideration when assessing materiality because it allows the CSR report to reflect the firm's fair view of information needed by relevant stakeholders. Applied to our setting, banks' understanding of their business should help them identify key issues and asses what non-financial information is material. We expect that variation in CSR reporting should arise primarily from materiality assessment differences due to divergent interests of banks' stakeholders and impact of banks' activities on these stakeholders. Banks should disclose relevant information in line with stakeholders' needs.

2.2 Governance structure and objective of savings banks

The German banking industry has three pillars – the commercial banking industry (represented by banks such as Deutsche Bank and Commerzbank), the cooperative banking industry (i.e., *Genossenschaftsbanken*) and the state-owned banking industry. Savings banks belong to the state-owned banking industry and are not publicly listed but established under municipal trusteeship. They are, however, independent banks run by licensed bankers operating under normal market conditions. As Fig. 1 illustrates, the Savings Banks Finance Group also consists of twelve associations and includes five central banks (i.e., *Landesbanken*) that provide

[10] By statute, savings banks are audited by licensed auditors of the Savings Banks Finance Group. Each of the 12 regional associations has an auditing bureau in charge of the banks within the respective association.

specialized financial and other services to savings banks (GSBA, 2016). As of December 31, 2017, there were 390 savings banks in Germany. These provide us with a large group of homogeneous banks that operate under the same business model and in the same regulatory environment.

[Insert Fig. 1 around here]

Savings banks' governance structure follows a two-tier system entailing a management and a supervisory board. The management board consists of banking professionals, who independently run the daily business. The supervisory board includes, among other members, representatives of municipal trustees that monitor how the bank fulfils its legal requirement of supporting the municipality in its economic duties. Municipal trustees can be municipal cities, counties, urban municipalities (cities with county status), or special-purpose associations consisting of several municipalities or counties (Kötter & Popov, 2020; Markgraf & Rosas, 2019). The municipal trustees are represented on banks' supervisory boards by members of the respective municipal or county-level council. In addition, the mayor or county commissioner is generally the chair of the supervisory board. Consequently, supervisory board membership allows municipal trustees to participate in important decisions such as branch closures, bank consolidations, bailouts in case of distress, and replacement of bank management.

Savings banks can open branches and serve private and corporate clients if their place of residence or corporate headquarters is within the banks' operating area. The banks' role in their local communities (municipalities) is largely shaped by their public mandate. It is defined in respective laws and regulations (e.g., GSBA, 2005) that stipulate the banks' core responsibilities as follows: (1) to provide financial services in their operating area, with a focus on small and medium-sized firms, (2) to strengthen the competitive environment of the financial services industry, (3) to support the municipality in its economic duties, regional policy and social and cultural commitments (e.g., arts and culture, sports activities, and education), and (4) to promote a savings mentality and financial education among the population in their operating area.

In addition, a savings bank must not accumulate profits but should use any excess profit to strengthen its equity base to ensure that it can fulfill its public mandate in the future. At the discretion of the supervisory board, remaining profits may be paid out as dividends to municipal trustees (GSBA, 2005). Nevertheless, dividend payments and profit accumulation are not the primary aims of these banks. Instead, savings banks spend much of their excess income on sponsoring local sports teams or donating to cultural initiatives or public schools. Involvement in the local community through donations represents the primary type of CSR activity that savings banks engage in (Flagmeier & Gulenko, 2023).[11]

3 Literature and hypothesis development

3.1 Related literature

We define CSR as encompassing corporate activities and policies to assess, manage, and govern the firm's activities and positive and negative contributions toward the goal of fostering sustainable development that meets the needs of the present generation without compromising the needs of future generations (Keeble, 1988). Accordingly, CSR reporting refers to the firm's practice of publicly disclosing its economic, environmental, and social impacts and hence its contributions – positive or negative – to sustainable development (GRI, 2020).

Regulators' interest in banks' CSR reporting is intensified by banks' unique intermediary role in sustainable development. On the one hand, banks engage in their own CSR activities and report them, such as reducing their greenhouse gas emissions and energy consumption (Contrafatto et al., 2019; Pesci et al., 2015). On the other hand, banks act as users of CSR

[11] While banks frequently report on individual donations and sponsoring activities on their websites, social media and through news articles, they do not disclose the total amount donated annually. In the income statement, charitable expenses are subsumed within non-operating expenses, along with other line items.

information through their lending and investing decisions that can influence the environment and society at large (Eliwa et al., 2021; O'Sullivan & O'Dwyer, 2015; Scholtens, 2009). In this capacity, banks contribute to sustainable development by facilitating sustainable investments, by integrating borrowers' sustainability risks and performance into their lending decisions, or by offering their clients socially responsible investment products (Cerin & Scholtens, 2011; Eliwa et al., 2021; Scholtens, 2009; Wang, 2023).[12] While the intermediary role of banks amplifies the impact of their CSR activities on the environment and society (Hummel et al., 2021; Weber, 2014), this paper focuses solely on banks as prepares of CSR reports.

The NFRD requires firms to disclose CSR reports but it does not mandate application of specific standards or guidelines. It gives significant flexibility to disclose relevant information in the way that firms consider most useful for stakeholders. The EC openly encourages firms to take advantage of the NFRD's flexibility and gives flexible guidance on reporting in such a way that helps firms disclose material information (EC, 2017). We therefore expect that factors beyond the mandate lead to variation in reporting practices. This may especially apply to mandatory CSR reporting because: (1) it covers a vast array of topics that vary considerably across and within industries (Laine et al., 2022), (2) it considers a diverse set of stakeholders in the materiality assessment process (Cho et al., 2015; Tschopp & Huefner, 2015), and (3) the NFRD and supplementing Guidelines on NFR give firms considerable reporting discretion. For example, Fiechter et al. (2022) show that especially firms with low CSR reporting or performance increased their CSR activities in response to the NFRD even before the mandate went into force. They attribute these CSR activities to internal learning, public attention, and anticipated stakeholder reactions.

[12] For example, the EU Regulation (EU) 2019/2088 requires financial market participants and advisors to collect and disclose information on sustainability-related risks and impacts of their investment products (EU, 2019). It is applicable as of March 2021.

Our investigation of mandatory CSR reporting practices in savings banks draws on the hierarchical staged process model by Deegan & Unerman (2011). The model groups sustainability reporting decisions into four stages: (1) why does a firm report, (2) who are the stakeholders, (3) what are material issues and stakeholders' information needs, and (4) how is the report compiled. Decisions at different stages of the model are interlinked. In addition, CSR reporting can range between strategic and holistic organizational accountability (Laine et al., 2022, pp. 104-105). Under strategic accountability, firms direct their CSR reporting towards economically powerful stakeholders and focus on achieving their financial goals. Under holistic accountability, firms report to a much wider range of stakeholders because they see the need to be accountable for their activities. In reality, firms, including savings banks in our sample, are somewhere between the two extremes.

While the NFRD requires a CSR report (i.e., stage one), savings banks determine relevant stakeholders and the reports' contents themselves (i.e., stages two and three). We posit that the CSR reporting first depends on whether banks choose holistic or strategic accountability, and second on their materiality assessment considering relevant stakeholders. Although we cannot directly observe savings banks' choice of holistic or strategic accountability, the NFRD, the Guidelines on NFR, and the Savings Banks Acts likely nudge them towards a holistic CSR approach. In this case, banks perform materiality assessment and disclose CSR information needed by relevant stakeholders. In this paper, we can identify banks' relevant stakeholders by linking the specific institutional features of savings banks with a narrow definition of stakeholders as groups on which firms depend for their survival (Freeman & Reed, 1983) or that have contractual relationships, legal rights, or interests in firms (e.g., Clarkson, 1995; Cornell & Shapiro, 1987). As a result, we focus on customers and suppliers of financial resources (i.e., clients) and municipal trustees as savings banks' relevant stakeholders since information on employees is not publicly available.[13]

Savings banks operate in a single industry sector with a uniform policy and regulatory framework, with their business model and strategy stipulated by the Savings Bank Acts. We therefore expect potential variation in CSR reporting practices to come primarily from materiality assessment differences due to divergent interests of relevant stakeholders and the impact of banks' activities on them.[14] The role of stakeholders is theoretically underpinned by social legitimacy theory and stakeholder theory which have prevailed in explaining CSR variation in prior studies. First, legitimacy theory (e.g., Deegan, 2002) assumes an implicit contract between a firm and the society it operates in. The firm can use a CSR report to show itself and its operations in line with values and expectations of the society. Second, stakeholder theory argues that a firm must consider and manage interests of its stakeholders (Clarkson, 1995). We apply stakeholder salience (Mitchell et al., 1997) to predict how banks give priority to divergent stakeholders' interests when disclosing CSR information. Taken together, we expect that most banks should perceive CSR reporting in line with holistic organizational accountability and thus consider a broader range of stakeholders and their needs but stakeholders' salience should also play a role.

3.2 Hypotheses

The first stakeholder group in our analysis is banks' municipal trustees, represented by municipal council members. We expect that the representatives of municipal trustees have different sustainability orientation leading to different information needs. Specifically, we posit that green and left-wing political parties emphasize environmental and social matters more in

[13] Other transregional stakeholders, such as national media outlets or nongovernmental organizations (NGOs), first play a less prominent role for savings banks due to their regionally limited operating area, and second are not in line with the narrow definition of stakeholders used in this paper.
[14] Materiality assessment should consider factors like business model, strategy and principal risks; main sectoral issues; interests and expectations of relevant stakeholders; impact of the activities; public policy and regulatory drivers (EC, 2017, p. 6).

their political decisions (Carter, 2013; Farstad, 2018; Thomeczek, 2017) compared to conservative or Christian democratic parties. We therefore use the party affiliation of municipal council members as a proxy for trustees' CSR information needs.

Selected representatives of municipal trustees serve as supervisory board members and participate in important operating decisions of savings banks. We expect that this statutory decision-making power grants them power and legitimacy over the banks (Mitchell et al., 1997). Usually, two-thirds of the supervisory board members are appointed from the municipal or county-level council, and their term of office is tied to the legislative period of the council (ESBG, 2018). By law, the banks' supervisory board chairperson is the mayor or county commissioner of the municipal trustee. Savings banks are therefore likely to consider municipal trustees' interests and information needs in the materiality assessment and the resulting CSR report. We phrase our hypotheses related to municipal trustees in alternative form as:

> ***H1a:*** *Banks' CSR reporting is positively associated with membership of the supervisory board chairperson in the Social Democratic Party, the Left Party, or the Green Party.*[15]
>
> ***H1b:*** *Banks' CSR reporting is positively associated with the proportion of municipal trustees belonging to the Social Democratic Party and the Left Party.*
>
> ***H1c:*** *Banks' CSR reporting is positively associated with the proportion of municipal trustees belonging to the Green Party.*

The second stakeholder group that we deem relevant is bank clients. Banks depend on their clients since they can either deposit financial resources with the bank or request funding from the bank. Thus, bank clients have a double, and potentially powerful, role as customers and suppliers. To prevent negative actions by clients (e.g., choosing a different bank), banks may

[15] We combine our prediction on mayors belonging to the Social Democratic Party, the Left Party, and the Green Party into one hypothesis because our sample contains only one mayor from the Left Party and five mayors from the Green Party.

also use information in CSR reports. For example, sustainably oriented clients motivate banks to practice sustainability which may further lead to more CSR disclosure (Yip & Bocken, 2018). However, we expect banks' materiality assessment to result in different outcomes due to their clients' sustainability orientation and information needs.

To measure bank clients' sustainability orientation, we distinguish between private and corporate clients. Surveying over 3,500 private bank clients, Krause & Battenfeld (2019) identified characteristics distinguishing clients of social banks from those of conventional banks. Since savings banks are similar to social banks (Cornée et al., 2016; Weber & Remer, 2011), we expect that the sustainability orientation of private clients is aligned with their sustainable buying behavior such as grocery shopping for organic or fair-trade products (Krause & Battenfeld, 2019). Similarly, we expect that the sustainability orientation of banks' corporate clients is mirrored in their own CSR activities and disclosure of voluntary CSR reports. To sum up, we posit the following hypotheses for private and corporate clients:

> ***H2:*** *Banks' CSR reporting is positively associated with the organic buying behavior of private bank clients.*
>
> ***H3:*** *Banks' CSR reporting is positively associated with the disclosure of voluntary CSR reports of corporate bank clients.*

Facing a range of stakeholders with divergent and competing needs, a savings bank cannot satisfy all its stakeholders with one CSR report. Therefore, we follow the argument of Mitchell et al. (1997) that a firm will choose the degree to which it prioritizes competing stakeholders' interests. In particular, existence of power-dependence relationships, legal or implied contracts, or exchange relationships with stakeholders are important for the materiality assessment and the resulting CSR report (e.g., Mitchell et al., 1997; Hummel et al., 2021). We posit that municipal trustees have both high legitimacy and power as they established the bank and have a few seats on the supervisory board, whereas clients have less legitimacy and power.

Ultimately, the association between CSR reporting and stakeholders' interests and information needs is an empirical question.

4 Data and research design

4.1 Data

We construct our sample from 390 savings banks operating in Germany as of December 31, 2017. Because CSR reporting became mandatory under the NFRD for banks with more than 500 employees for fiscal years starting in 2017, we exclude banks outside the scope of the NFRD and those that are not under municipal trusteeship. The final sample consists of 365 bank-year observations from 127 distinct savings banks that published a mandatory CSR report in any of the fiscal years 2017, 2018, or 2019. The number of banks per year varies between 118 and 124, due to bank consolidations or fluctuations in the number of employees. Table 1 shows the details of the sample selection process.

[Insert Table 1 around here]

We construct our dataset by combining banks' financial information from Bureau van Dijk's BankFocus database with data from hand-collected CSR reports and demographic and macroeconomic data at the municipality level for each of the 365 bank-years. To collect the CSR reports of our sample banks, we visit the banks' websites and the website of the German Federal Gazette (*Bundesanzeiger*). If banks prepared integrated annual reports, we extract the CSR reports from the integrated reports.[16] We then preprocess the CSR reports by excluding punctuation, numbers, currency symbols, and URLs. Excluding stop words does not materially affect our results, so we opt to include them. Further preprocessing (e.g., transforming to lower-case letters or lemmatization/stemming) is not necessary because it does not affect our dependent variables. Moreover, we identify each bank's operating area from its annual report.

[16] The NFRD allows firms to publish their CSR report (1) either on the firm's website or on the website of the German Federal Gazette and (2) in a separate report or as part of the annual report.

For 144 bank-years, it is the case that the focal bank operates in a single municipality. The rest of the observations operate in multiple municipalities, so we compute demographic and macroeconomic variables as an average across these municipalities weighted by the residents.[17]

4.2 Research design

To empirically investigate variation in banks' CSR reporting practices, we estimate the following OLS regression as our main model:

$$
\begin{aligned}
CSR\_reporting_{it} \\
&= \alpha + \beta_1 chair\_left\_green_{it} + \beta_2 trustee\_left_{it} + \beta_3 trustee\_green_{it} \\
&+ \beta_4 priv\_csr_i + \beta_5 corp\_csr_i + \delta X_{it} + \gamma_i + \epsilon
\end{aligned}
$$

We provide all variable definitions in Table A1 in the appendix.

Dependent variables: $CSR\_reporting_{it}$ represents a measure of the reporting practice of bank *i* in year *t*. Because longer reports contain more CSR information than shorter reports (Li, 2008; Muslu et al., 2019), we use the natural logarithm of the CSR report's length in words (CSR_{it}) to measure the information content within the reports.[18] While report length can also be an indicator of information complexity or readability (Li, 2008), this is likely not a concern in our setting because our sample consists of savings banks only, which are homogenous firms with similar information complexity in the cross-section. Moreover, the word count is in line with the notion of breadth and depth of CSR reporting emphasized in the Guidelines on NFR (EC, 2017, p. 8). Breadth of a report means that reported information should provide a comprehensive picture of a firm in the reporting year and depth of information on a particular issue depends on its materiality. The firm should report the breadth and depth of information that helps stakeholders understand its development, performance, position, and the impact of its activities.

[17] An average bank in our sample operates in an area covering 3.17 municipalities.
[18] Number of words is a commonly used textual variable with high explanatory power. For example, Clarkson et al. (2020) show that it ranks first among the top 50 textual features that can predict firms' CSR performance. The number of words along with number of sentences can predict CSR performance with 81% accuracy.

Our sample selection also alleviates concerns that longer CSR reports may be associated with greenwashing or boilerplate reporting rather than true signals of CSR activities (Clarkson et al., 2008) because banks have relatively low-pollution business models and are legally obliged to support the municipality in its economic duties and social and cultural commitments (e.g., arts, culture, sport, education) (GSBA, 2005). The requirement to fulfill the public mandate should give savings banks little incentive to hide their CSR performance in boilerplate reports. We therefore expect longer reports to reflect more CSR information being reported.

We expect that some topics are more relevant to banks than others as an outcome of the materiality assessment considering relevant stakeholders and their needs. Thus, we refine our measure of the CSR report's length by determining the importance of particular topics covered by the report. Variable (1) ENV_{it} measures the length of text on environmental matters, (2) SOC_{it} on social matters, (3) $EMPL_{it}$ on employee matters, (4) HUM_{it} on human rights matters, (5) $BRIB_{it}$ on anticorruption and bribery matters, and (6) $STRAT_{it}$ provides insights into the business model and strategic approach to relevant CSR matters (i.e., the remaining text).

To compute the measures, we identify the beginning and end of texts relating to these topics. We add indicators at the beginning and end of each relevant text string, which can subsequently be read by a computer to extract the report section on a particular topic.[19] The section labeling is facilitated by the common structure of the reports because banks follow one of two sets of guidelines – the German Sustainability Code or the savings banks guidelines.[20] Every report is thus clearly structured under the six topics. Compared to topic modeling

[19] Including topics as measures of reporting practices further alleviates the concern that savings banks use boilerplate language because any uninformative text is likely concentrated under the strategy topic.

[20] The German Sustainability Code (*Deutscher Nachhaltigkeitskodex*) was developed by the German Council for Sustainable Development. It is less comprehensive than international initiatives such as the Global Reporting Initiative (GRI), making it especially attractive to small and medium-sized firms. Firms reporting under the German Sustainability Code must disclose non-financial performance indicators as defined in either GRI or European Federation of Financial Analysts Societies (EFFAS) standards. The savings banks guidelines were developed as a sector-specific supplement to the German Sustainability Code and are more context specific. Savings banks that report under these guidelines do not provide additional non-financial performance indicators.

approaches that use supervised or unsupervised machine learning (e.g., Blei, 2012; Jaworska & Nanda, 2018), this approach is more precise. Rather than introducing bias from authors' subjective labeling or using machine learning models trained on vastly different text corpora, we rely on the banks' original content classification. Table A2 in the appendix describes how the reporting guidelines are mapped to the six topics.

Independent variables: Our main variables of interest relate to municipal trustees, and private and corporate clients. We capture the sustainability orientation of a municipal trustee via political party affiliation of its municipal council members since CSR matters are more important to left-wing and green parties than to conservative or Christian democratic parties (Thomeczek, 2017). We collect data about the political orientation of mayors and county commissioners, as well as municipal council members. In particular, we predict that the left-wing or green political orientation of the supervisory board chairperson (i.e., the mayor) is positively associated with CSR reporting. $Chair\_left\_green_{it}$ indicates if the chairperson is a member of the Social Democratic Party, the Left Party or the Green Party as of December 31.[21] Similarly, we expect positive associations of $trustee\_left_{it}$ and $trustee\_green_{it}$ with banks' CSR reporting. $Trustee\_left_{it}$ and $trustee\_green_{it}$ are percentages of municipal council members belonging to either the Social Democratic Party and the Left Party or the Green Party as of December 31, respectively.[22] If a bank operates in multiple municipalities, we take the municipality with the largest population into account because this municipality likely has the majority in the supervisory board.[23]

[21] The six main political parties (in alphabetical order) in Germany are the Alternative for Germany (*AfD*), the Christian Democratic Union/Christian Social Union (*CDU/CSU*), the Free Democratic Party (*FDP*), the Green Party (*Grüne*), the Left Party (*Die Linke*) and the Social Democratic Party (*SPD*). Three of them (the Left, the Social Democratic, and the Green Parties) are considered more egalitarian than the others on a political spectrum of egalitarianism to elitism (Thomeczek, 2017). Being located on the left side of the spectrum, egalitarianism is colloquially referred to as a left orientation.
[22] We exclude municipal council members that do not belong to one of the six main parties because smaller parties often cannot be clearly categorized as egalitarian or elitist.
[23] We check changes in the political party composition of municipal councils during our sample period. While municipal elections took place in 12% of our bank-year observations, these elections led to changes in political majorities in fewer than 5% of the observations.

Guo et al. (2017) suggest that firms report more CSR information in the presence of more socially responsible customers. Thus, we include two variables to capture the sustainability orientation of banks' (existing and potential) private and corporate clients, which we predict to be positively associated with CSR reporting. In line with Krause & Battenfeld (2019), $priv\_csr_i$ is measured as the number of organic grocery stores per 10,000 residents in the municipalities of a bank's operating area, weighted by the residents per municipality.[24] $Corp\_csr_i$ represents the number of voluntary CSR reports published in the online database of the German Council for Sustainable Development by firms in the a bank's operating area.[25] To make the measure comparable across banks and because municipality-level data on firms is not available for year 2019, we divide it by the number of firms in 2017.

Control variables: Our first control variable $holistic_{it}$ indicates whether banks perceive CSR reporting in line with holistic organizational accountability. Such banks report to a wide range of stakeholders because of the need to be accountable for their activities rather than merely complying with the applicable reporting mandate (Hummel et al., 2021; Laine et al., 2022). We screen the CSR reports for a CSR manger in each year and collect data from Twitter's API for Academic Research to identify banks with CSR-related tweets in each year. We aggregate this data into the variable $holistic_{it}$ that takes the value of 1 if a bank has a CSR manager or at least one CSR-related tweet in a year. We expect it to be positively associated with CSR reporting.

Interviews with savings banks' representatives suggest that banks use CSR to differentiate themselves from their competitors and attract clients interested in engaging with sustainable

[24] For example, *Sparkasse Nürnberg* operates in (1) the city *Nürnberg*, which had 16 organic stores in year 2019 and 518,370 residents as of December 31, 2019, and (2) in the county *Nürnberger Land*, which had 21 organic stores in year 2019 and 170,792 residents as of December 31, 2019. We compute the number of organic stores per 10,000 residents in each municipality and take the average weighted by the number of residents per municipality.
[25] We match firms publishing a CSR report with a savings bank that operates in a given area via the zip code. We include only voluntary reports (i.e., by firms not subject to mandatory reporting). Because some firms disclose CSR reports irregularly (e.g., every two years), we collect reports for an extended period (fiscal years 2010-2020) and use the aggregate of all reports. https://www.deutscher-nachhaltigkeitskodex.de/Home/Database.

firms.[26] This is in line with empirical evidence that retail banking customers favorably perceive sustainable business models used by banks and that higher customer loyalty can lead to a bank's stronger competitive position (Yip & Bocken, 2018). Thus, we control for $priv\_competition_{it}$ as a measure of the competitive pressure on banks to attract and keep private clients. It is the weighted average of net emigration of residents in a bank's operating area as a percentage of total residents. $Corp\_competition_i$ measures competitive pressure to attract and keep corporate clients. It is calculated as the difference in registered firms in year 2018 and year 2016, as a percentage of firms in 2018. We take the weighted average percentage in a bank's operating area.[27] We predict both variables to be positively associated with CSR reporting.

We also include bank-specific characteristics and macroeconomic conditions. To control for variation in CSR reporting due to the greater public visibility and cost advantages of larger banks, we include $size_{it}$, measured as the natural logarithm of total assets (Adams et al., 1998; Gallo & Christensen, 2011). We include $profitability_{it}$ for similar reasons, measured as operating income as percentage of average total assets (Beccalli, 2007). The length of the annual report (ar_length_{it}) controls for a bank's general tendency to disclose more and is measured as the natural logarithm of words in the annual report. Gdp_capita_{it} controls for the economic situation within a bank's operating area (Halkos & Skouloudis, 2016) and is the natural logarithm of the average GDP per capita, weighted by the residents per municipality. $Year\_2018_t$ and $year\_2019_t$ are indicators for 2018 and 2019, respectively. They capture time trends in banks' CSR reporting that may arise due to increased experience or reporting pressure.

[26] To better understand the savings banks industry and collect anecdotal evidence about variation in their CSR reporting, we conducted ten telephone interviews with banks' representatives who are directly involved in the preparation of mandatory CSR reports. Two of the ten interviewees explicitly mentioned that they consider CSR a competitive advantage that must be communicated to existing and potential clients.

[27] Municipality-level data on registered firms from the Federal Statistical Office is available only until 2018. We therefore use the difference between 2018 and 2016 as an approximation for the change during our sample period.

All banks in our sample follow either the German Sustainability Code or the savings banks guidelines in their CSR reports. We include $guidelines\_spk_{it}$ as an indicator if a bank uses the savings banks guidelines. If a bank follows the German Sustainability Code guidelines, CSR reports tend to be longer because they additionally contain non-financial performance indicators as defined in either Global Reporting Initiative (GRI) or European Federation of Financial Analysts Societies (EFFAS) standards. To control for variation in the report length arising specifically from the reporting GRI indicators, we include indicator variable $indicators\_gri_{it}$. Finally, we include association fixed effects that control for reporting practices common to all savings banks within one association. Our sample banks belong to ten regional associations that provide various services to their members, e.g., marketing, legal, and educational services (see Section 2).[28] Anecdotal evidence suggests that some associations promote CSR more intensely than others.[29]

Finally, we perform two additional analyses. First, we investigate whether our hypothesized associations exhibit plausible cross-sectional variation. We posit that the relevant stakeholders' interests are appropriately considered particularly by banks which see the need to be accountable for their activities. Committing to holistic accountability may entail establishing appropriate corporate governance arrangements that improve the materiality assessment and help disclosing more relevant and useful CSR information. For example, a firm may entrust a board member or a board committee with responsibility over CSR matters (EC, 2017, p. 7). We therefore expect that our hypothesized associations are stronger in banks employing a CSR manager and actively communicating CSR activities via social media. Second, we perform a difference-in-differences (DiD) analysis to address potential

[28] Since associations operate within geographically confined regions that often align with the boundaries of federal states in Germany, we do not include additional regional fixed effects. Using state fixed effects instead of association fixed effects yields largely robust results.
[29] For example, a representative of the association in the federal state of Baden-Württemberg coauthored a handbook on CSR for savings banks (Peylo & Oster, 2019).

endogeneity concerns. We test whether banks change their CSR reporting practices as a results of an external CSR shock. In particular, we use the environmentalists' occupation of the Hambach Forest that gained significant media attention starting in 2018 (e.g., Dinther, 2018; Gibbens & Chatard, 2018; Wittland, 2019). Since the Hambach Forest movement shaped the German coal phase-out (Mohr & Smits, 2022), we posit that banks operating in the vicinity of the forest (i.e., radius of 150 km) are more sensitive to CSR matters after the occupation gained media attention and consequently increase their CSR reporting. The indicator variable $near\_hforest_i$ identifies such banks. To estimate the DiD, we interact it with an indicator variable $post\_occ_t$ taking the value of 1 for years 2018 and 2019.

5 Results

5.1 Descriptive summary of CSR reporting

We present descriptive statistics for our measures of banks' reporting practices without the logarithmic transformation in Table 2 Panel A. The length of banks' CSR reports ranges from 2,417 to 17,806 words, with a mean of 8,329 words. This figure corresponds to half of the words used in an average annual report (16,767). Looking at the reports' sections, we obtain insights into the relevance of specific CSR topics. On average, banks most prominently report on employee matters (mean 1,529) and environmental matters (mean 1,332), followed by social matters (mean 721) and anticorruption and bribery matters (mean 718). An average CSR report contains 3,653 words describing the general CSR strategy, which may be the least informative section of the report. Alternatively, the strategy section may be longer because banks use it to report on a variety of subjects, such as their business model, general approach to CSR, and responsibilities for CSR matters within the bank.

[Insert Table 2 around here]

Table 2 Panel B reports descriptive statistics of our regression variables for the pooled sample. To mitigate the effect of outliers and at the same time preserve our sample size, we winsorize all continuous variables at the 1st and 99th percentile. The average space that banks devote to CSR reporting (log-transformation of the number of words) is 8.97, represented by variable CSR. The most extensively covered topics are again $EMPL$ and ENV, and $STRAT$, with means of 7.25, 7.02, and 8.15, respectively.

Regarding our variables of interest, the mean of $chair\_left\_green$ suggests that 37% of all observations have a supervisory board chairperson who belongs to a left-wing or green party. The fraction of municipal council members belonging to a left-wing party ranges from 12.77% to 62.71% with a mean of 34.50%. The Green Party has fewer municipal council members, with a mean of 14.19%. This variation in the political orientation of municipal council members as trustee representatives implies that banks may consider differing CSR information needs in their materiality assessment and may adjust their reporting practices accordingly. The variable $priv\_csr$ captures sustainability orientation of private clients and ranges between 0 and 26.93 organic stores per 10,000 residents (mean 1.58). The mean of $corp\_csr$ suggests that, on average, there are 0.02 voluntary reports published in the online database of the German Council for Sustainable Development during 2010-2020 per registered firm. The range extends to 0.10 and indicates higher sustainability orientation of corporate clients for some banks.

The rest of Panel B reports descriptive statistics for control variables. The mean of $holistic$ shows that 49% of our banks perceive CSR reporting in line with holistic accountability and the mean of $near\_hforest$ shows that 25% of our banks operate in the vicinity of the Hambach Forest. The negative mean for $priv\_competition$ shows that municipalities where banks operate experience an average resident inflow of 0.48%. This inflow may be because our sample comprises the largest savings banks, which operate in metropolitan regions and consequently do not suffer from emigration as rural areas do. On the other hand, in regions with an outflow of residents (maximum 0.32%), competition for new private clients may be particularly severe. The negative mean of $corp\_competition$ indicates an average increase of 0.20% in the number of firms in a bank's operating area between 2016 and 2018. On the other hand, banks that face a decrease of firms should intensively compete for new corporate clients.

All savings banks operate profitably, which can be explained by the low risk of their business model and their adaptation to a low-interest-rate environment (Frühauf, 2019; Pertl, 2019). The average GDP per capita in banks' operating areas amounts to €38,407 (average of the log-transformation is 10.56), but the range indicates diverse macroeconomic conditions. 21% of banks use the savings banks guidelines to compile their CSR report, while the remaining 79% rely on the German Sustainability Code guidelines. Last, $indicators\_gri$ shows that 50% of banks additionally report GRI non-financial performance indicators.

Table 2 Panel C shows descriptive statistics per year. The most interesting variation over time relates to our dependent variables. For example, a steady increase in CSR from 2017 to 2019 suggests increased experience or reporting pressure during the first three years of the mandate. Among explanatory variables, the most pronounced time trend is observable for $trustee\_green$ and $priv\_csr$, suggesting an increase in the sustainability orientation of municipal trustees and private clients.

Table 3 presents Pearson's correlation coefficients. For example, $trustee\_green$ is positively associated with the CSR report's length and its specific topics, whereas $trustee\_left$ mostly shows negative correlations. More sustainably oriented private clients are also positively associated with the CSR report's length and most specific topics. Moreover, we do not observe very high correlation coefficients between the independent variables, indicating that multicollinearity is unlikely to be a concern.

[Insert Table 3 around here]

5.2 Regression results

Table 4 presents regression results with dependent variables measuring the length of the CSR report (CSR) and its specific topics (ENV, SOC, $EMPL$, HUM, $BRIB$ and $STRAT$). We standardize all continuous variables in the regression models for better comparability of the regression coefficients. Column 1 shows a positive association between the length of CSR reports and the supervisory board chairperson (i.e., the mayor or county commissioner) belonging to a left-wing or green party. In line with H1a, the CSR reports of such banks are on average 9.2% longer than the reports of banks whose chairperson is affiliated with a different party, which translates into 766 words. High statistical ($p<0.01$) and economic ($\beta_1=0.092$) significance suggests that information needs of the mayor, as the most salient municipal trustee representative, are likely considered in banks' materiality assessment and reflected in the published CSR reports. $Chair\_left\_green$ also loads significantly positively for four CSR topics (i.e., ENV, $EMPL$, HUM and $STRAT$) with similar economic significance (coefficients between 8.5% and 11.8%). Concerning the municipal trustees, only $trustee\_green$ exhibits a significantly positive coefficient for SOC (Column 3). These positive associations support H1a and, to a limited extent, H1c. They suggest that banks' materiality assessment process focuses more on the interests of the mayor than the other trustee representatives and are in line with power-dependence relationships being important for the materiality assessment and the resulting CSR reports (Mitchell et al., 1997).

[Insert Table 4 around here]

Looking at bank clients, our regressions yield weak results. On the one hand, the sustainability orientation of private clients is not significantly associated with longer CSR reports nor specific topics. On the other hand, the sustainability orientation of corporate clients is positively associated with CSR (Column 1). A one standard deviation increase in $corp\_csr$ translates into 2.9% longer reports (242 words), which supports H3. Thus, banks seem to also consider more pronounced information needs of corporate clients in the materiality assessment and report more comprehensively. Weaker results for clients are aligned with clients having less legitimacy and power than municipal trustees, so banks give lower priority to the clients' needs (Mitchell et al., 1997).

We find a positive association between CSR and $holistic$, indicating, on average, 8.4% longer reports for holistic banks (Column 1). Such banks also report more on social, human rights matters and CSR strategy, with coefficients ranging from 9.1% to 12.0% (Columns 3, 5 and 7). Next, banks operating in areas with greater competition for private clients ($priv\_competition$) have longer CSR reports (Column 1) and, in particular, more content on ENV and HUM (Columns 2 and 5). These positive associations suggest use of extensive CSR reporting to retain existing and attract new clients. The competition for corporate clients ($corp\_competition$) does not seem to be associated with CSR reporting.

Among other control variables, $year\_2018$ and $year\_2019$ show consistently and significantly positive coefficients, ranging from 0.18 to 0.66. This implies that banks prepare longer CSR reports in 2018 and 2019 than in the first reporting year, which may indicate increased experience in CSR reporting or reporting pressure. $Guidelines\_spk$ is significantly positive in columns 1, 3 and 4. This indicates that banks prepare longer CSR reports, and report more on SOC and $EMPL$ if they follow the guidelines for savings banks. Similarly, significantly positive coefficients for $indicators\_gri$ (Columns 1-7) indicate that banks prepare longer CSR reports if they apply the German Sustainability Code guidelines and additionally report GRI non-financial performance indicators.

5.3 Additional analyses

Although the NFRD and the Guidelines on NFR together with the savings banks' public mandate suggest that banks perceive CSR reporting in line with holistic accountability, this may not be the case for all sample banks. Moreover, anecdotal evidence from interviews with banks show that some banks actively engage with stakeholders and incorporate sustainability matters in their strategy and operations, while others do less so. We use the indicator variable $holistic$ to identify the former and expect their CSR reporting to be more strongly associated with the hypothesized information needs of relevant stakeholders. In contrast, we expect the associations to be weaker or insignificant for banks without a holistic accountability approach (n_hol). Table 5 presents the regression results.

[Insert Table 5 around here]

To perform this test, we interact our main variables of interest, $chair\_left\_green$, $trustee\_left$, $truste\_green$, $priv\_csr$, and $corp\_csr$ with variable n_hol, which identifies banks without a holistic accountability approach. The first five coefficients in Table 5 therefore show the effects for the group of holistic banks. As expected, for holistic banks, CSR, $EMPL$, HUM and $STRAT$ are significantly positively associated with the sustainability orientation of the mayor, albeit not with other municipal trustees. Moreover, $priv\_csr$ and $corp\_csr$ also exhibit significantly positive coefficients for CSR, ENV, $BRIB$ and $STRAT$. Next, we show the interaction terms with n_hol and report the F-statistics for the sum of the coefficients. While most interaction terms are insignificant, a few significantly negative interactions with $priv\_csr$ and $corp\_csr$ indicate that, compared to holistic banks, other banks report significantly less despite sustainably oriented clients. These negative associations are not aligned with banks seeing the need to be accountable for their activities but rather with banks focusing CSR reporting on most powerful stakeholders. The positive interaction term with $trustee\_left$ for $BRIB$ is offsetting the negative main coefficient, so the F-statistic shows an insignificant total effect for banks without a holistic approach. Taken together, our findings are aligned with Deegan & Unerman (2011) and demonstrate that CSR reporting is associated with interests and information needs of a broader group of stakeholders primarily in holistic banks.

We further explore whether an external CSR shock due to media attention of the occupation of the Hambach Forest affects banks' CSR reporting using a DiD model. Positive coefficients in Table 6 indicate that banks in the vicinity of the Hambach Forest report more on SOC and $BRIB$ (Columns 3 and 6) after the occupation gained significant media attention ($near\_hforest\ x\ post\_occ$). Moreover, the coefficient on $near\_hforest$ is significantly positive for ENV (HUM), suggesting that banks in the vicinity of the Hambach Forest report more extensively on environmental (human rights) matters than the remaining banks.

[Insert Table 6 around here]

In sum, the results of the additional tests suggest that banks perceiving CSR reporting in line with holistic accountability likely consider information needs of a broader set of stakeholders, including less salient stakeholders, than other banks. Moreover, in line with our expectations, we find that the external CSR shock resulting from significant media attention for the occupation of the Hambach Forest is positively associated with banks' reporting on social and bribery matters.

6 Conclusion

This study descriptively examines the role of stakeholders in the variation of savings banks' mandatory CSR reporting. We investigate a large, homogeneous group of non-publicly listed banks, allowing us to identify their relevant stakeholders. Savings banks are established under municipal trusteeship and the Savings Banks Acts determine their business model and operation under a public mandate. We link savings banks' institutional features with a narrow definition of stakeholders and focus our analysis on municipal trustees, private and corporate clients as banks' relevant stakeholders.

We find that CSR reporting is positively associated with the information needs of the mayor (the most salient representative of municipal trustees) and to a lesser extent of other representatives of municipal trustees. In particular, banks disclose longer reports and more information on environmental, employee, human-rights, and general CSR strategy if the mayor is affiliated with a left-wing or green party. Higher proportion of representatives of municipal trustees belonging to the Green Party is associated with more information on social matters. Next, our findings suggest that banks, on average, consider the information needs of their corporate clients to some extent but not of private clients. However, cross-sectional tests indicate that banks which use holistic accountability approach consider information needs of their corporate and private clients to a greater extent. Specifically, they disclose longer CSR reports and report more extensively on bribery matters and general CSR strategy. Finally, we document that a CSR shock resulting from significant media attention for the occupation of the Hambach Forest relates to longer reporting about social and bribery matters. Overall, our evidence is informative for preparers of CSR reports and policy makers. While banks' mandatory CSR reporting is related to interests and information needs of relevant stakeholders, their limited response to the information needs of less salient stakeholders supports the arguments for more detailed disclosure requirements such as the European Sustainability Reporting Standards.

Our study has a few limitations. First, while the savings banks' public mandate and their regional business model allow us to identify relevant stakeholders, our results may not be generalizable to the whole banking industry. Second, we cannot include employees as relevant stakeholders due to data unavailability. To the extent that sustainability orientation of employees is correlated with that of municipal trustees and clients, omission of this variable may affect our findings. Similarly, private clients have the right to elect municipal council members, so clients' sustainability orientation may be correlated to that of municipal trustees. Third, while CSR reporting is highly correlated with CSR activities and performance (Clarkson et al., 2020), our measures of reporting practices do not allow explicit conclusions about CSR activities. Finally, while we control for many factors related to savings banks' regional business model, our results must be understood as associations. We leave it to future research to address these limitations.

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Appendix

Table A1: Variable definitions

Variable name	Variable definition	Data source
Dependent variables		
CSR_{it}	ln(1 + number of words in the CSR report of bank *i* in year *t*)	Banks' CSR reports, retrieved from the website of the German Federal Gazette (https://www.bundesanzeiger.de/pub/en/start?0) and banks' websites
ENV_{it}	ln(1 + number of words related to environmental matters in the CSR report of bank *i* in year *t*)	
SOC_{it}	ln(1 + number of words related to social matters in the CSR report of bank *i* in year *t*)	
$EMPL_{it}$	ln(1 + number of words related to employee matters in the CSR report of bank *i* in year *t*)	
HUM_{it}	ln(1 + number of words related to human rights matters in the CSR report of bank *i* in year *t*)	
$BRIB_{it}$	ln(1 + number of words related to anti-corruption and bribery matters in the CSR report of bank *i* in year *t*)	
$STRAT_{it}$	ln(1 + number of words related to business model and strategic approach to relevant CSR matters in the CSR report of bank *i* in year *t*)	
Main variables of interest		
$chair\_left\_green_{it}$	Indicator variable taking the value of 1 if the supervisory board chairperson of bank *i* is a member of the Social Democratic Party, the Left Party or the Green Party as of December 31 in year *t*, and 0 otherwise	Websites of municipal councils and council members
$trustee\_left_{it}$	Number of municipal council members belonging to the Social Democratic Party or the Left Party as of December 31 in year *t*, divided by the number of municipal council members belonging to the six main parties; if bank *i* operates in multiple municipalities, we refer to the largest municipality by residents	Websites of municipal councils
$trustee\_green_{it}$	Number of municipal council members that belong to the Green Party as of December 31 in year *t,* divided by the number of municipal council members belonging to one of the six main parties; if bank *i* operates in multiple municipalities, we refer to the largest municipality by residents	Websites of municipal councils
$priv\_csr_i$	Number of organic grocery stores per 10,000 residents as of 2019 in the municipalities where bank *i* operates; if bank *i* operates in multiple municipalities, we take the average ratio across municipalities, weighted by the number of residents per municipality as of December 31, 2019	Website of the *Agrarmarkt Informations-Gesellschaft mbH*, https://www.ami-informiert.de/ami-maerkte-oekolandbau/boeln-projekte/verteilung-der-einkaufstaetten-landkreise
$corp\_csr_i$	Number of voluntary CSR reports published in the online database of the German Council for Sustainable Development for fiscal years 2010-2020 by firms registered in the operating area of bank *i,* divided by the number of registered firms in the operating area as of December 31, 2017	Online database of the German Council for Sustainable Development and German Federal Statistical Office table 52111-03-01-4

Control variables		
$holistic_{it}$	Indicator variable taking the value of 1 if either: 1) the CSR report of bank *i* in year *t* contains one of the search terms "CSR manager" or "environmental manager", or 2) bank *i* posted at least one tweet in year *t* that contains one of the search terms "sustainable", "social", "environment" or "community", and 0 otherwise	Banks' CSR reports; Twitter API for Academic Research (https://developer.twitter.com/en)
n_hol_{it}	Indicator variable taking the value of 1 if $holistic_{it}$ is equal to 0, and 0 otherwise	Banks' CSR reports; Twitter API for Academic Research (https://developer.twitter.com/en)
$priv\_competition_{it}$	Net emigration of residents in year *t* from the municipalities where bank *i* operates, as a percentage of total number of residents; if bank *i* operates in multiple municipalities, we take the average percentage across municipalities, weighted by the number of residents per municipality as of December 31 in year *t*	German Federal Statistical Office tables 12411-01-01-4, 12411-01-01-5, 12711-91-01-4, and 12711-91-01-5
$corp\_competition_{i}$	Difference between registered firms in 2018 and registered firms in 2016 in the operating area of bank *i,* as a percentage of the number of registered firms in the operating area as of December 31, 2018; if bank *i* operates in multiple municipalities, we take the average percentage across municipalities, weighted by the number of registered firms per municipality as of December 31, 2018	German Federal Statistical Office table 52111-03-01-4
$size_{it}$	ln(average total assets in thousand euros of bank *i* in year *t*)	Bureau van Dijk's BankFocus
$profitability_{it}$	Operating income as a percentage of average total assets of bank *i* in year *t*	Bureau van Dijk's BankFocus
ar_length_{it}	ln(number of words in the annual report of bank *i* in year *t*)	Banks' annual reports
gdp_capita_{it}	ln(GDP per capita in year *t* in the municipalities where bank *i* operates); if bank *i* operates in multiple municipalities, we take the average GDP per capita across municipalities, weighted by the number of residents per municipality as of December 31 in year *t*	German Federal Statistical Office tables 12411-01-01-4, 12411-01-01-5, and 82111-01-05-4
$year\_2018_{t}$, $year\_2019_{t}$	Indicator variables taking the value of 1 if a CSR report in year *t* covers reporting period 2018 and 2019, respectively, and 0 otherwise	Banks' CSR reports
$guidelines\_spk_{it}$	Indicator variable taking the value of 1 if the CSR report by bank *i* in year *t* is prepared using the savings banks guidelines, and 0 otherwise	Banks' CSR reports
$indicators\_gri_{it}$	Indicator variable taking the value of 1 if the CSR report by bank *i* in year *t* contains non-financial performance indicators according to the GRI guidelines, and 0 otherwise	Banks' CSR reports
$near\_hforest_{i}$	Indicator variable taking the value of 1 if bank *i* operates within a radius of 150 km of the Hambach Forest, and 0 otherwise	Banks' annual reports
$post\_occ_{t}$	Indicator variable taking the value of 1 if a CSR report in year *t* covers reporting period 2018 or 2019, the period after the occupation of the Hambach Forest gained significant media attention, and 0 otherwise	Banks' CSR reports

Table A2: Mapping of guideline sets into CSR topics

German Sustainability Code	CSR topic
(1) Strategy	STRAT
(2) Materiality	STRAT
(3) Objectives	STRAT
(4) Depth of the value chain	STRAT
(5) Responsibility	STRAT
(6) Rules and processes	STRAT
(7) Control	STRAT
(8) Incentive schemes	STRAT
(9) Stakeholder engagement	STRAT
(10) Innovation and product management	STRAT
(11) Usage of natural resources	ENV
(12) Resource management	ENV
(13) Climate-relevant emissions	ENV
(14) Employee rights	EMPL
(15) Equal opportunities	EMPL
(16) Qualifications	EMPL
(17) Human rights	HUM
(18) Corporate citizenship	SOC
(19) Political influence	BRIB
(20) Conduct that complies with the law and policy	BRIB
Savings banks guidelines	
(1) General information	STRAT
(2) Business model	STRAT
(3) Overarching concepts and due diligence	STRAT
(4) Environmental matters	ENV
(5) Employee-related matters	EMPL
(6) Social matters	SOC
(7) Respect for human rights	HUM
(8) Anti-corruption and bribery matters	BRIB

Note: The table describes how the two sets of CSR reporting guidelines used by savings banks (German Sustainability Code and savings banks guidelines) map into the six CSR topics (1) environmental matters (ENV), (2) social matters (SOC), (3) employee matters (EMPL), (4) respect for human rights (HUM), (5) anti-corruption and bribery matters (BRIB), and (6) general CSR strategy (STRAT) matters. The German Sustainability Code prescribes that a CSR report be structured into twenty chapters, of which ten are related to the general CSR strategy. Savings banks guidelines prescribe eight chapters, of which three are related to the general CSR strategy.

Figure

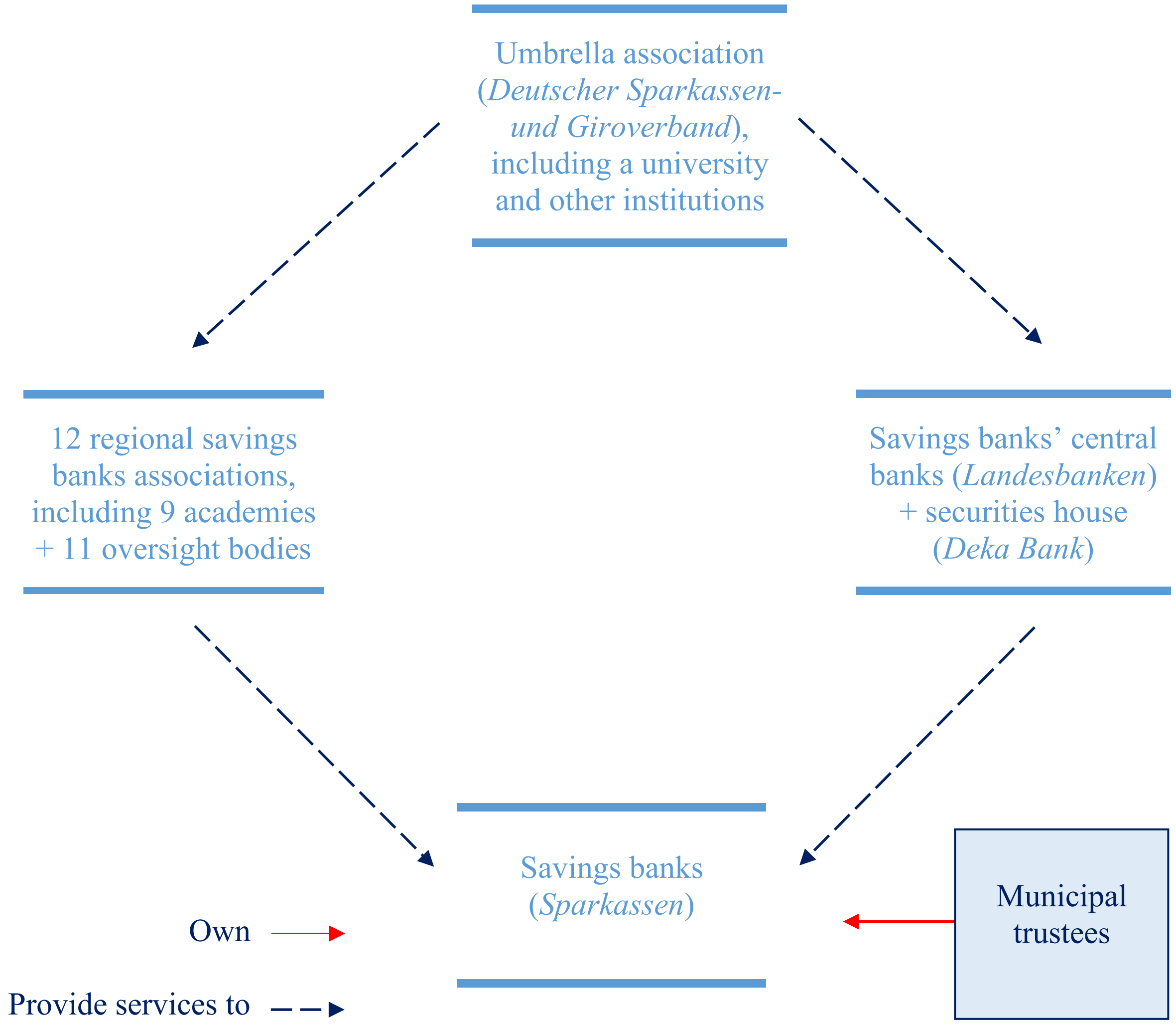

Fig. 1: Structure of the Savings Banks Finance Group, as of December 31, 2020.
Source: Based on https://www.dsgv.de/sparkassen-finanzgruppe/organisation/verbandsstruktur.html (accessed October 8, 2021)

Tables

Table 1: Sample selection and distribution over years

	Year 2017	Year 2018	Year 2019	Total
Full population	390	385	379	1,154
Less: Out of scope of the NFRD	260	256	255	771
Thereof <500 employees	*257*	*253*	*252*	*762*
Thereof consolidated in parent firm's CSR report	*3*	*3*	*3*	*9*
Less: Not under municipal trusteeship	6	6	6	18
Final sample	124	123	118	365

Note: This table shows the sample selection process that results in our final sample of 365 bank-year observations. We exclude banks that are out of scope of the NFRD, namely those with less than 500 employees and those whose parent firm prepares a consolidated CSR report. The latter concerns three banks that are owned by a financial holding. We also exclude six privately owned banks (*Freie Sparkassen*) because they are not under municipal trusteeship.

Table 2: Descriptive statistics
Panel A: Descriptive statistics of raw information

	mean	sd	min	p25	median	p75	max
Total words in an annual report	16,767	3,157	10,233	14,629	16,552	18,600	31,200
Total words in a CSR report	8,329	2,773	2,417	6,297	7,931	10,388	17,806
CSR topic:							
Environmental	1,332	764	160	715	1,078	2,038	3,593
Social	721	471	97	408	580	901	3,060
Employee	1,529	625	367	1,070	1,411	1,936	5,000
Human rights	376	235	0	192	334	508	1,428
Anti-corruption and bribery	718	274	29	513	690	885	1,782
General CSR strategy	3,653	1,227	467	2,849	3,531	4,313	9,030

Note: This table shows summary statistics for the banks' annual and CSR reports, measured as total number of words, for the full sample of 365 bank-year observations. For CSR reports, the total report length and the length of a specific CSR topic are reported.

Panel B: Descriptive statistics of variables used

	mean	sd	min	max
CSR	8.973	0.333	8.199	9.694
ENV	7.023	0.605	5.338	8.085
SOC	6.409	0.577	5.136	7.829
EMPL	7.251	0.401	6.271	8.030
HUM	5.730	0.666	3.951	7.014
BRIB	6.503	0.395	5.100	7.396
STRAT	8.148	0.341	7.208	8.932
chair_left_green	0.370	0.483	0	1
trustee_left	34.505	10.395	12.766	62.712
trustee_green	14.192	6.054	3.614	36.585
priv_csr	1.584	4.046	0	26.927
corp_csr	0.017	0.022	0	0.103
holistic	0.485	0.500	0	1
n_hol	0.515	0.500	0	1
near_hforest	0.247	0.432	0	1
post_occ	0.660	0.474	0	1
priv_competition	-0.476	0.269	-1.175	0.320
corp_competition	-0.204	1.347	-2.727	3.337
size	15.477	0.481	14.714	17.077
profitability	2.587	0.278	2.053	3.430
ar_length	9.710	0.181	9.309	10.193
gdp_capita	10.556	0.269	10.038	11.335
year_2018	0.337	0.473	0	1
year_2019	0.323	0.468	0	1
guidelines_spk	0.205	0.405	0	1
indicators_gri	0.499	0.501	0	1

Note: This table shows descriptive statistics of variables used in the empirical analysis, for the full sample of 365 bank-year observations. All continuous variables are winsorized at the 1^{st} and 99^{th} percentile. Details of variable definitions are in Table A1 in the appendix, including subscripts *i* and *t*.

Panel C: Descriptive statistics of variables used per year

	Year 2017 (n=124)				Year 2018 (n=123)				Year 2019 (n=118)			
	mean	sd	min	max	mean	sd	min	max	mean	sd	min	max
CSR	8.731	0.243	8.199	9.322	9.012	0.305	8.199	9.694	9.188	0.276	8.199	9.694
ENV	6.648	0.441	5.338	7.440	7.136	0.634	5.338	8.085	7.298	0.526	6.100	8.085
SOC	6.197	0.591	5.136	7.829	6.442	0.499	5.136	7.829	6.598	0.569	5.136	7.829
EMPL	6.983	0.308	6.271	7.793	7.309	0.376	6.271	8.007	7.474	0.349	6.271	8.030
HUM	5.341	0.523	3.951	6.669	5.756	0.641	3.951	6.974	6.113	0.596	3.951	7.014
BRIB	6.338	0.300	5.100	7.146	6.579	0.404	5.100	7.396	6.598	0.419	5.100	7.396
STRAT	7.955	0.323	7.208	8.669	8.146	0.306	7.235	8.932	8.351	0.273	7.459	8.932
chair_left_green	0.363	0.483	0	1	0.358	0.481	0	1	0.390	0.490	0	1
trustee_left	35.261	10.138	12.766	62.712	35.244	10.300	12.766	62.712	32.939	10.670	12.766	62.712
trustee_green	13.499	5.266	3.614	31.818	13.478	5.389	3.614	31.818	15.718	7.148	3.614	36.585
priv_csr	1.569	4.021	0	26.926	1.581	4.035	0	26.926	1.604	4.116	0	26.926
corp_csr	0.016	0.022	0	0.103	0.017	0.022	0	0.103	0.017	0.022	0	0.103
holistic	0.444	0.499	0	1	0.488	0.502	0	1	0.525	0.501	0	1
n_hol	0.556	0.499	0	1	0.512	0.502	0	1	0.475	0.501	0	1
near_hforest	0.242	0.430	0	1	0.252	0.436	0	1	0.246	0.432	0	1
post_occ	0	0	0	0	1	0	1	1	1	0	1	1
priv_competition	-0.545	0.296	-1.175	0.320	-0.500	0.242	-1.175	0.035	-0.377	0.239	-1.175	0.320
corp_competition	-0.217	1.344	-2.727	3.337	-0.195	1.338	-2.727	3.337	-0.198	1.371	-2.727	3.337
size	15.420	0.486	14.714	17.077	15.473	0.478	14.714	17.077	15.544	0.474	14.783	17.077
profitability	2.703	0.271	2.053	3.430	2.608	0.280	2.053	3.430	2.443	0.216	2.057	3.320
ar_length	9.763	0.173	9.309	10.193	9.691	0.180	9.309	10.193	9.674	0.180	9.315	10.193
gdp_capita	10.533	0.271	10.038	11.335	10.551	0.270	10.038	11.335	10.586	0.265	10.038	11.335
year_2018	0	0	0	0	1	0	1	1	0	0	0	0
year_2019	0	0	0	0	0	0	0	0	1	0	1	1
guidelines_spk	0.202	0.403	0	1	0.187	0.391	0	1	0.229	0.422	0	1
indicators_gri	0.476	0.501	0	1	0.504	0.502	0	1	0.517	0.502	0	1

Note: This table shows descriptive statistics for variables used in the empirical analysis separately for years 2017, 2018 and 2019. All continuous variables are winsorized at the 1st and 99th percentile. Details of variable definitions are in Table A1 in the appendix, including subscripts *i* and *t*.

Table 3: Correlation coefficients between variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
(1) CSR	1																							
(2) ENV	0.799*	1																						
(3) SOC	0.416*	0.006	1																					
(4) EMPL	0.876*	0.648*	0.484*	1																				
(5) HUM	0.784*	0.719*	0.206*	0.725*	1																			
(6) BRIB	0.640*	0.684*	-0.015	0.506*	0.586*	1																		
(7) STRAT	0.894*	0.644*	0.232*	0.656*	0.647*	0.554*	1																	
(8) chair_left_green	0	-0.094	0.088	0.028	-0.033	-0.068	0.015	1																
(9) trustee_left	-0.178*	-0.231*	0.031	-0.078	-0.170*	-0.140*	-0.180*	0.438*	1															
(10) trustee_green	0.298*	0.289*	0.022	0.261*	0.267*	0.291*	0.275*	-0.160*	-0.319*	1														
(11) priv_csr	0.125*	0.129*	-0.077	0.082	0.107*	0.138*	0.156*	-0.113*	-0.177*	0.313*	1													
(12) corp_csr	0.062	0.043	0	0.072	0.046	0.052	0.043	0.077	0.116*	0.116*	-0.157*	1												
(13) holistic	0.222*	0.090	0.163*	0.191*	0.173*	0.103*	0.227*	-0.017	0.001	0.153*	0.087	0.045	1											
(14) near_hforest	0.034	0.060	-0.066	0.060	0.102	0.137*	0.001	0.009	0.300*	-0.074	-0.120*	0.113*	0.005	1										
(15) post_occ	0.522*	0.445*	0.264*	0.482*	0.420*	0.301*	0.405*	0.010	-0.052	0.088	0.003	0.009	0.059	0.008	1									
(16) priv_competition	0.136*	0.144*	0.001	0.114*	0.184*	0.150*	0.120*	0.074	0.237*	-0.026	-0.027	0.071	-0.070	0.285*	0.186*	1								
(17) corp_competition	-0.224*	-0.215*	0.008	-0.142*	-0.146*	-0.209*	-0.233*	0.159*	0.403*	-0.317*	-0.259*	0.060	-0.139*	0.142*	0.007	0.239*	1							
(18) size	0.266*	0.218*	-0.005	0.246*	0.255*	0.246*	0.254*	0.086	-0.048	0.324*	-0.096	0.252*	0.164*	0.112*	0.087	0.054	-0.136*	1						
(19) profitability	-0.308*	-0.316*	0.024	-0.209*	-0.346*	-0.191*	-0.298*	0.086	0.294*	-0.130*	-0.160*	0.070	-0.012	0.057	-0.299*	-0.069	0.129*	-0.106*	1					
(20) ar_length	-0.104*	-0.201*	0.047	-0.030	-0.077	-0.095	-0.065	0.143*	0.209*	-0.004	-0.136*	0.144*	0.082	0.214*	-0.210*	0.062	0.239*	0.359*	0.341*	1				
(21) gdp_capita	0.247*	0.249*	0.098	0.272*	0.283*	0.182*	0.141*	0.110*	-0.189*	0.273*	0.009	0.353*	0.130*	-0.064	0.062	-0.045	-0.405*	0.424*	-0.094	0.014	1			
(22) year_2018	0.082	0.134*	0.040	0.102	0.027	0.137*	-0.003	-0.018	0.051	-0.084	-0.001	0.001	0.004	0.009	0.511*	-0.063	0.005	-0.007	0.054	-0.075	-0.014	1		
(23) year_2019	0.446*	0.315*	0.227*	0.385*	0.398*	0.166*	0.413*	0.029	-0.104*	0.174*	0.003	0.008	0.056	-0.001	0.496*	0.252*	0.003	0.095	-0.358*	-0.136*	0.077	-0.493*	1	
(24) guidelines_spk	-0.138*	-0.454*	0.648*	0.036	-0.241*	-0.527*	-0.248*	0.060	0.092	-0.198*	-0.103*	-0.016	0.063	-0.102	0.007	-0.106*	0.095	-0.178*	0.163*	0.106*	-0.049	-0.033	0.040	1
(25) indicators_gri	0.492*	0.686*	-0.161*	0.413*	0.543*	0.548*	0.387*	-0.185*	-0.284*	0.354*	0.144*	0.031	0.052	-0.049	0.033	-0.067	-0.263*	0.272*	-0.213*	-0.121*	0.295*	0.008	0.025	-0.507*

Note: This table shows Pearson's correlation coefficients between variables used in the empirical analysis for the full sample of 365 bank-year observations. * indicates significance at the 5% significance level or better. All continuous variables are winsorized at the 1st and 99th percentile. Details of variable definitions are in Table A1 in the appendix, including subscripts *i* and *t*.

Table 4: Association between CSR reporting and stakeholders' interests

	(1) CSR	(2) ENV	(3) SOC	(4) EMPL	(5) HUM	(6) BRIB	(7) STRAT
chair_left_green	0.092***	0.097*	0.102	0.085*	0.118*	0.036	0.097**
	(0.035)	(0.055)	(0.067)	(0.045)	(0.063)	(0.041)	(0.046)
trustee_left	-0.001	-0.018	0.039	0.027	-0.004	-0.005	-0.013
	(0.021)	(0.032)	(0.038)	(0.024)	(0.036)	(0.026)	(0.027)
trustee_green	-0.006	-0.037	0.082**	0.000	-0.054	-0.011	-0.011
	(0.021)	(0.032)	(0.036)	(0.025)	(0.042)	(0.020)	(0.024)
priv_csr	0.011	0.000	-0.032	0.008	0.005	0.006	0.026
	(0.011)	(0.020)	(0.023)	(0.022)	(0.032)	(0.017)	(0.017)
corp_csr	0.029*	0.037	-0.014	0.020	-0.002	0.026	0.033
	(0.016)	(0.029)	(0.033)	(0.025)	(0.027)	(0.018)	(0.023)
holistic	0.084***	0.036	0.091*	0.066	0.120**	0.058	0.112***
	(0.030)	(0.049)	(0.055)	(0.041)	(0.061)	(0.039)	(0.037)
priv_competition	0.031**	0.066***	0.041	0.018	0.075**	0.027	0.023
	(0.014)	(0.023)	(0.029)	(0.018)	(0.035)	(0.019)	(0.017)
corp_competition	-0.023	-0.003	-0.014	0.018	0.068	-0.015	-0.041
	(0.021)	(0.034)	(0.041)	(0.028)	(0.043)	(0.022)	(0.027)
size	0.009	-0.027	-0.037	0.011	-0.005	0.008	0.029
	(0.018)	(0.036)	(0.036)	(0.025)	(0.035)	(0.026)	(0.022)
profitability	-0.005	0.010	-0.010	0.008	-0.060*	0.014	-0.013
	(0.018)	(0.027)	(0.030)	(0.021)	(0.032)	(0.024)	(0.022)
ar_length	0.018	0.007	0.008	0.017	0.051	0.001	0.022
	(0.019)	(0.029)	(0.041)	(0.025)	(0.042)	(0.025)	(0.025)
gdp_capita	-0.036*	-0.015	0.020	0.004	0.029	-0.017	-0.081***
	(0.019)	(0.038)	(0.043)	(0.028)	(0.038)	(0.026)	(0.024)
year_2018	0.270***	0.462***	0.244***	0.320***	0.376***	0.226***	0.182***
	(0.017)	(0.038)	(0.031)	(0.025)	(0.037)	(0.025)	(0.018)
year_2019	0.417***	0.605***	0.298***	0.459***	0.664***	0.250***	0.369***
	(0.025)	(0.040)	(0.060)	(0.034)	(0.060)	(0.039)	(0.034)
guidelines_spk	0.177***	-0.128	1.176***	0.389***	0.110	-0.272***	-0.038
	(0.059)	(0.087)	(0.081)	(0.086)	(0.128)	(0.060)	(0.073)
indicators_gri	0.368***	0.734***	0.342***	0.445***	0.738***	0.306***	0.225***
	(0.043)	(0.071)	(0.078)	(0.056)	(0.090)	(0.083)	(0.050)
Observations	365	365	365	365	365	365	365
Adjusted R^2	0.633	0.709	0.589	0.543	0.570	0.489	0.483
Association-FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank

Note: The regression analysis examines the determinants of banks' CSR reporting. Column 1 shows the results for an OLS regression model with total CSR report length as the dependent variable. Columns 2-7 show results for the length of specific CSR topics as the dependent variables. All dependent variables are logarithmized. $Chair\_left\_green$, $board\_left$ and $board\_green$ capture information needs of municipal trustees, $priv\_csr$ captures information needs of private clients, and $corp\_csr$ captures information needs of corporate clients. $holistic$ captures whether banks follow a holistic CSR approach. Details of variable definitions are in Table A1 in the appendix, including subscripts i and t. All continuous variables are (1) winsorized at the 1st and 99th percentile, and (2) standardized to enhance comparability between regression coefficients. *, **, and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Robust standard errors are reported in parentheses.

Table 5: Association between CSR reporting and stakeholders' interests depending on banks' holistic versus non-holistic accountability approach

	(1) CSR	(2) ENV	(3) SOC	(4) EMPL	(5) HUM	(6) BRIB	(7) STRAT
chair_left_green	0.123**	0.088	0.083	0.110*	0.159**	0.070	0.132**
	(0.048)	(0.075)	(0.103)	(0.064)	(0.075)	(0.049)	(0.062)
trustee_left	0.007	-0.015	0.060	0.037	0.007	-0.054*	0.007
	(0.028)	(0.037)	(0.061)	(0.035)	(0.043)	(0.030)	(0.033)
trustee_green	-0.031	-0.052	0.057	-0.019	-0.053	-0.007	-0.045
	(0.024)	(0.034)	(0.048)	(0.032)	(0.048)	(0.025)	(0.031)
priv_csr	0.029**	0.018	-0.005	0.025	0.035	-0.012	0.048**
	(0.014)	(0.020)	(0.031)	(0.029)	(0.039)	(0.024)	(0.019)
corp_csr	0.041*	0.057*	0.017	0.042	0.002	0.065**	0.022
	(0.024)	(0.032)	(0.054)	(0.035)	(0.035)	(0.026)	(0.029)
n_hol	-0.057	-0.037	-0.096	-0.041	-0.086	-0.031	-0.082*
	(0.038)	(0.056)	(0.073)	(0.049)	(0.072)	(0.059)	(0.048)
chair_left_green x n_hol	-0.071	0.005	0.016	-0.065	-0.099	-0.071	-0.073
	(0.065)	(0.108)	(0.128)	(0.085)	(0.122)	(0.084)	(0.081)
F-statistic	*1.18*	*1.37*	*1.37*	*0.55*	*0.37*	*0.00*	*0.93*
trustee_left x n_hol	-0.006	-0.005	-0.040	-0.016	-0.016	0.087**	-0.026
	(0.035)	(0.050)	(0.069)	(0.039)	(0.055)	(0.039)	(0.046)
F-statistic	*0.00*	*0.21*	*0.23*	*0.57*	*0.03*	*1.05*	*0.26*
trustee_green x n_hol	0.043	0.026	0.039	0.028	-0.027	0.008	0.057
	(0.032)	(0.049)	(0.055)	(0.040)	(0.076)	(0.035)	(0.038)
F-statistic	*0.18*	*0.31*	*5.80***	*0.09*	*1.46*	*0.00*	*0.20*
priv_csr x n_hol	-0.040**	-0.041	-0.059	-0.039*	-0.085*	0.037	-0.047**
	(0.018)	(0.038)	(0.040)	(0.023)	(0.046)	(0.025)	(0.022)
F-statistic	*0.58*	*0.35*	*4.75***	*0.97*	*5.11***	*4.12***	*0.01*
corp_csr x n_hol	-0.036	-0.046	-0.078	-0.058	-0.011	-0.081**	0.010
	(0.030)	(0.047)	(0.062)	(0.046)	(0.051)	(0.033)	(0.032)
F-statistic	*0.06*	*0.07*	*2.32*	*0.28*	*0.07*	*0.51*	*1.55*
Observations	365	365	365	365	365	365	365
Adjusted R^2	0.637	0.706	0.589	0.545	0.568	0.500	0.490
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Association-FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank

Note: The regression analysis examines the association between banks' CSR approach and stakeholder demand with their CSR reporting (dependent variables are the total CSR report length and the length of specific CSR topics as the dependent variables). $Chair\_left\_green$, $board\_left$ and $board\_green$ capture information needs of municipal trustees, $priv\_csr$ captures information needs of private clients, and $corp\_csr$ captures information needs of corporate clients. n_hol captures whether banks follow a holistic CSR approach. Details of variable definitions are in Table A1 in the appendix, including subscripts i and t. All continuous variables are (1) winsorized at the 1st and 99th percentile, and (2) standardized to enhance comparability between regression coefficients. *, **, and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Robust standard errors are reported in parentheses.

Table 6: Difference-in-differences analysis of CSR reporting and an external CSR shock

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	CSR	ENV	SOC	EMPL	HUM	BRIB	STRAT
near_hforest	0.110	0.215*	0.100	0.134	0.254*	0.146	0.050
	(0.077)	(0.110)	(0.148)	(0.125)	(0.149)	(0.127)	(0.082)
near_hforest x post_occ	0.051	0.018	0.121*	0.027	0.000	0.113*	0.065
	(0.038)	(0.072)	(0.069)	(0.054)	(0.085)	(0.059)	(0.042)
chair_left_green	0.101***	0.111**	0.114*	0.095**	0.133**	0.050	0.103**
	(0.036)	(0.056)	(0.068)	(0.046)	(0.065)	(0.043)	(0.048)
trustee_left	0.001	-0.015	0.039	0.029	0.000	-0.004	-0.013
	(0.021)	(0.032)	(0.037)	(0.024)	(0.036)	(0.027)	(0.027)
trustee_green	-0.007	-0.038	0.082**	-0.001	-0.056	-0.012	-0.011
	(0.021)	(0.032)	(0.036)	(0.025)	(0.042)	(0.020)	(0.025)
priv_csr	0.009	-0.004	-0.036	0.005	0.000	0.002	0.024
	(0.011)	(0.020)	(0.023)	(0.022)	(0.033)	(0.017)	(0.017)
corp_csr	0.029*	0.037	-0.014	0.020	-0.002	0.025	0.033
	(0.016)	(0.029)	(0.033)	(0.024)	(0.027)	(0.019)	(0.023)
holistic	0.080***	0.028	0.087	0.061	0.112*	0.052	0.110***
	(0.030)	(0.049)	(0.053)	(0.041)	(0.060)	(0.038)	(0.037)
Observations	365	365	365	365	365	365	365
Adjusted R^2	0.641	0.714	0.594	0.548	0.574	0.505	0.485
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Association-FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank

Note: The difference-in-differences analysis examines the change in banks' CSR reporting after an external CSR shock. We employ the media attention in 2018 surrounding the environmentalists' occupation of the Hambach Forest as the CSR shock. $Near\_hforest$ identifies banks that operate within a radius of 150 km of the Hambach Forest, and $post\_occ$ is a dummy variable taking the value of 1 for the years 2018 and 2019. All control variables, including $year\_2018$ and $year\_2019$, are included but not reported. Details of variable definitions are in Table A1 in the appendix, including subscripts i and t. All continuous variables are (1) winsorized at the 1st and 99th percentile, and (2) standardized to enhance comparability between regression coefficients. *, **, and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Robust standard errors are reported in parentheses.