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# Doing Well While Doing Bad? CSR in Controversial Industry Sectors

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## Notes

1. According to the management literature summarized by Margolis and Walsh (2003), over 120 studies between 1971 and 2001 examine the empirical relation between CSR and corporate financial performance (CFP), and the results are largely inconclusive. They suggest that assessments of previous studies are complicated due to various imperfections in these studies, such as

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capital, while CSR engagement decreases the cost of equity capital for all the other industries.

4. Toyota Prius is a good example—the increasingly popular hybrid car—is an intersection between Toyota’s core business and environmental benefits (less emissions, happy customers, cleaner roads, cleaner air, etc.).
5. Hong and Kacperczyk ([2009](#)) exclude adult entertainment industry and weapon industry from their list of sin industries. While they focus on the so-called triumvirate of sin (alcohol, tobacco, and gaming), two other classes of stocks are sometimes thought of as sinful. The first is the adult entertainment industry. However, there are very few publicly traded companies with heavy operations in adult entertainment. Indeed, when we check adult entertainment

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environment ratings to predict toxic releases reported in the government's Toxic Releases Inventory (TRI) and compliance with environmental regulations including the number and amount of penalties imposed. They conclude that the KLD ratings do not reflect all the information available on environmental performance but are a good predictor of firms with the worst environmental performance. TRI emissions are a much narrower measure of environmental performance than that in the KLD Environment category and hence are not a good proxy for the KLD strengths or concerns.

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# Appendices

## Appendix 1

See Table [8](#).

Table 8 List of the strength and concern items in the KLD database

## Appendix 2

See Table [9](#).

Table 9 Calculation of the CSR index

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