The ‘coalition of the unlikely’ driving the EU regulatory process of non-financial reporting.

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Abstract

The article investigates the driving forces that have been shaping the regulatory process of the EU directive on non-financial reporting (NFR). Drawing on a three-year empirical study, it argues that the latter was driven by a “coalition of the unlikely”, led by a growing section of investors, together with a network of NGOs and parts of European trade unions. Rather than a formal alliance, we are witnessing the emergence of an objective convergence of interests amongst the three groups of actors, aimed at limiting managers’ power and obtaining more corporate transparency and accountability. Deploying a political economy explanatory framework, the paper originally contributes to the existing literature on EU CSR policy, focused on the cleavage between business and civil society. The role of EU regulators (the “Barnier-effect”) in supporting mandatory NFR and the impact of the financial crisis, seen as catalysts for changes, are also taken into account. The paper concludes discussing some implications for policy-makers and research.

Keywords: non-financial reporting; EU directive; transparency coalition

1. Introduction.

The regulatory process that led to officially adopt the EU directive on non-financial reporting (NFR) has been particularly long and contentious. Meetings with stakeholders started already in 2009-2010 (Commission 2009). Afterwards, a public consultation was launched in November 2010 (Commission 2011) and, in 2011, the Commission announced a legislative proposal on NFR 'by the end of that year' (Commission 2011a). The proposal actually came out only in April 2013 (Commission 2013). Then, it was approved by the EU Parliament (April) and the Council (September) in 2014 (European Parliament and Council 2014). The article will focus on the interests and conflicts that lie behind this regulatory process. Given the length, complexity and uncertainty that characterised it, it is worth to question: which socio-economic and political actors supported or opposed this reform and why?

There is by now a bourgeoning literature on Social and Environmental Reporting (SER) (Gray et al. 2014; Bebbington et al. 2014)[1]. In particular, the article builds on a long-standing tradition of studies that attempted to conceive SER development in its social and historical context (Zadek et al. 1997; Gray et al. 2009; Larriaga-Gonzales 2007; Dingwerth, K. and M. Eichinger 2010; Archel et al. 2011; Solomon et al. 2013). Within the existing literature, it presents some distinctive characteristics. While most of the literature treats SER as a managerial voluntary practice, the specific focus of this paper is on its regulation (McBarnet 2009; Ireland and Pillay 2010; Iannou and Serafeim 2011). It implies a broad definition of 'regulation' involving both public and private (self-)regulation. Furthermore, while managerial and law-and-economics accounts tend to take regulation for granted, as an independent variable that as such does not need any further explanation, the article takes it as its main *explanandum*. In particular, it aims to contribute to existing researches that investigate the actors, power relations and struggles that shaped EU CSR policy (De Schutter, 2008; Fairbrass, 2011; Kröger, 2011; Ungericht and Hirt, 2010; Kinderman 2013). However, with the exception of Kinderman (2013), they offer a rather "polarised" narrative: on the one side, social stakeholders, asking for mandatory SER, on the other side, business, opposing it. This article provides a different picture and, most importantly, a more comprehensive explanatory framework to assess the driving forces behind this important regulatory change.

The article is organized as follows. The following section introduces the research methodology and the political economy explanatory framework adopted by this study. The

[1] The concept of Social and Environmental Reporting (SER) can be broadly defined as the formal account prepared and communicated by and/or about an organisation about social and environmental aspects of this organisation communicated to its internal or external stakeholders (cf. Gray et al. 2014: 7). The term Non-Financial Reporting (NFR) will be used here only as a reference to the EU legislation on NFR.

third section summarises some key findings that emerged from the fieldwork. The fourth briefly discusses these findings on the light of the explanatory framework and the literature, highlighting some implications for policy-makers and researchers.

2. Coalitions and conflicts behind the EU directive on non-financial reporting. A political economy explanatory framework

The analysis is based on a fieldwork study that the author completed over three years (April 2010 – April 2013). It focuses, in particular, on the period from the late 1990s (when the word CSR first appears in EU documents) to 2013 (EC proposal on NFR). The research has used three main sources of data: a critical review of the existing literature; official documents issued by the main actors; a series of 26 in-depth semi-structured élite interviews, covering all the main groups of actors (Monciardini 2013). The aim has been to map and contrast the position of six key groups of actors interested in shaping this EU regulatory process. The groups of actors considered are: large employers and managers; organized labour; civil society and NGOs; institutional investors; public authorities; and professional experts (mainly accountants, financial analysts, and lawyers). To empirically investigate the role of these actors, the research applied a “process theory” perspective (cf. Langley 1999; Pierson, 2004). This approach gives particular attention to time ordering of the contributory events as a way of capturing the key factors that explain the role of different actors in shaping policy and regulatory changes. Similarly to other recent studies (cf. Botzem, 2012), the research strategy consists in a "causal reconstruction", which links initial conditions to observable outcomes (cf. Mahoney, 2001; Mayntz, 2004). Adopting a snowball sampling, the interviews played a fundamental role in helping to identify both the shortcomings of existing explanations and the coexistence of different ‘texts’ that construct the officialised story of EU SER regulation. Within this research strategy, desk researches – literature review and document analysis – underpinned and validated the empirical findings that progressively emerged from the fieldwork. All the interviews with EU officials have been anonymised. Although they do not contain anything contentious, revealing their identities could have been an issue, particularly for civil servants who are still working on CSR and SER regulation. Due to the limits of this paper, it is not possible to go into all the details of this analysis, hence this article will concentrate on key results and conclusions.

The analytical framework deployed by the author draws on a strand of critical political economy studies (Hopner 2003; Aguilera and Jackson 2003; Cioffi and Hopner 2004; Deeg 2005 and Gourevitch and Shinn 2005) aimed at explaining recent changes in European corporate governance regulation. The underlying assumption is that the analysis of changes in SER regulation should be anchored within the broader literature on corporate governance, seen as the 'architecture of accountability' of large corporations (Parkinson 2006). A major insight offered by this strand of researches has been that, under some circumstances, organised labour and centre-left parties developed a preference for corporate governance reforms that enhanced managers' *accountability and transparency*, typically considered by most of the literature, as prerogative of Anglo-Saxon "financial capitalism". According to Hopner (2003) this has been the case in Germany during the first half of the 2000s[2]. Deeg (2005) reached a similar explanation as regards the Italian wave of corporate reforms favouring minority shareholders protection, enhancing transparency, and dismantling some of the most antic features of Italian family capitalism. According to Aguilera and Jackson (2003), 'accountability conflicts concern the common interests of capital and labor vis-à-vis management. Shareholders and employees may form coalitions to remove poorly performing managers or to demand higher corporate transparency. Here, managerial accountability to different stakeholders is not a zero-sum relationship.' (2003: 461) This coalition was later christened "transparency coalition" by Gourevitch and Shinn (2005), who further developed it in their book on political power and corporate control. They claim that the latter might emerge in countries where industrial relations are dominated by a cross-class *corporatist compromise* between organised labour and block-holders. When the interests of capital and labour diverge too sharply, as it has been the case in Continental Europe in the late 1990s, these corporatist coalitions break down, giving management increasing autonomy to pursue its own agenda, and thereby damaging corporate accountability. Then, the authors maintain that a 'transparency coalition' might arise to constrain managerial agency, leading to a – so far little studied – 'objective convergence of interests' between social stakeholders and large institutional investors (2005: 65).[3]

The study further expands this explanatory framework, adapting it to the case of the EU NFR directive. In particular, as mentioned above, it considers a broader spectrum of actors, including NGOs, public authorities and professions, which played a key role in this regulatory process. Furthermore, it attaches less importance to the distinction between labour/social democrats and right-wing/conservative governments as compared to the seminal works of Hopner (2003) and Deeg (2005). It rather stresses the difference between a 'market-shaping' approach, leaning towards a regulatory intervention of public authorities in the field

[2] Hopner (2003) has showed that transparency for preservation of jobs and wages has been a major factor in shifting the corporate governance policies of German SPD and German trade unions.

[3] As Gourevitch and Shinn maintain, 'The labour versus capital, "us versus them" argument no longer looks so simple. If the starting point was a country in a corporatist compromise, workers don't think they are necessarily in the same boat as managers, and they no longer have an attractive "deal" with block-holders, swapping agency costs for expropriation costs; expropriation cost, the block-holder's private benefits of control, now come partly out of the workers' hide. As this new set of preferences sinks in, the corporatist bargain becomes unstable; workers are tempted to defect from their coalition with manager, and throw in their lot with shareholders. The corporatist consensus could begin to unravel.' (2005: 221)

of corporate accountability, and a 'light touch', 'market-making' approach, in which private organisations and professional bodies are setting the standards (on the difference between the two and its relevance to EU policies see Quaglia 2010). In rather stylised terms, which would need further analyses at the EU, national and global levels, the article maintains that the EU directive was supported by a broadening section of investors, together with a network of NGOs and parts of the European trade unions (TUs). This 'coalition of the unlikely' has gradually emerged since the early 2000s, after the exhaustion of the corporatist compromise between labour and large industries that characterised European employment relations until the mid-late 1990s (Streeck 2001). The paper maintains that the 2008 financial crisis worked as a catalyst for changes, fostering a stronger role of the state in its regulatory role and triggering the interest of various stakeholders – including investors – in mandatory NFR. As we shall see, rather than a formal coalition, this is an "objective convergence of interests" amongst the three groups of actors, aimed at limiting managers' power and obtaining more corporate transparency and accountability.

3. The 'coalition of the unlikely' supporting mandatory NFR and its opponents

The analysis suggests that the recursive EU debate on SER regulation can be divided into two phases or 'regulatory cycles' (cf. Halliday and Carruthers, 2007): the first one started at the end of the 1990s and was already exhausted by the mid-2000s, while the second started in 2009, after the onset of the global financial crisis, and it is still ongoing. The EU legislative initiative falls within the latter.

As suggested by Kinderman (2013), the origins of EU-level CSR policy are not in the 2000 Lisbon Agenda. They go back to the mid-late 1990s, when Jacques Delors, then President of the European Commission, invited large companies to embrace social responsibility, supporting the creation of what later became CSR Europe (Business Declaration against Social Exclusion). Crucially, as recalled by a EU policy-maker who worked with Delors, at that time the social dialogue between unions and employers was 'frozen' and the employers' association (UNICE), was 'kind of a monolith against any progress or any move'[4]. Employers were increasingly fractious towards the rituals of the corporatist collective bargain. Continental Europe was growing slower and creating fewer jobs than the US and UK and they were demanding for a more flexible labour market in order to become more competitive. European trade unions initially accepted deep sacrifices – i.e. 1990s 'social pacts' – but soon exhausted their bargaining power and the employers started to defect the concertation table (see Regini 2001). According to the EU officer, Delors' call for business responsibility should be seen within this broader picture. It represented a political move to 'put some pressure on

[4] Interview # 13 (23.07.2012)

the employers and to *break their ranks*'[5]. It was meant to separate pro-active business leaders, committed to social causes and willing to go beyond their legal obligations, from the 'ranks' of the employers' federation.

However, this strategy soon hit a wall. The concept of CSR adopted by the EU services was ill-defined (Commission 2001 and 2002) and soon they faced a dilemma: if CSR is something that companies undertake 'beyond and above the law', how they could enforce it? As a solution, it was agreed to focus on "meta-regulatory" mechanisms of corporate accountability (cf. Parker 2001 and 2009). Therefore, greater emphasis was given to *transparency and disclosure* – which was already the dominant principle in business regulation (Braithwaite and Drahos 2000) – as a means to improve governance and managers' accountability (also known as "governance-by-disclosure"). According to the interview made at the EU Commission[6]:

> So it was a time when there was more demands expressed towards companies but, at the same time, not willingness to regulate. So the way in between was to ask for transparency, and consumers and investors would judge.

Regulating SER became one of the key issues in the works of the EU CSR Forum (2002-2004). However, this debate soon became extremely polarised: managers, fiercely opposing any obligation, against social stakeholders, supporting mandatory SER (see De Schutter 2008; Fairbrass 2012; Kinderman 2013). Finally, managers and block-holders succeeded in keeping SER as a voluntary practice. In 2006, despite the remonstrations of NGOs and the EU Parliament, the newly assigned Barroso Commission officially stated that CSR should not be regulated at the EU-level. As a result, NGOs decided to boycott and, eventually, abandon all the EU initiatives on CSR. As De Schutter sourly remarked, 'It is a sad but widely accepted truth that, today, the voices of business dominate the European concert.' (2008: 236)

A new regulatory cycle began only in 2008, immediately after the burst of the financial crisis, when the public pressure on EU regulators to act against corporate irresponsibility triggered a shift from *whether* CSR reporting should be mandatory to *how* that could be achieved. The impact of the crisis emerges from all the interviews carried out within the Commission and with various stakeholders, although opinions about the nature of the change it provoked might vary. As pointed out by an experienced EU official, 'in ways that we cannot really appreciate or calculate', the financial crisis began to 're-open the question of the role of

[5] Ibid.
[6] Ibid.

regulation generally', it began to make regulation '*a less dirty word.'*[7] From being a peripheral issue, suddenly CSR was 'back on the EU agenda' (EurActive 2010). In 2011, the EU Commission announced that 'will present a legislative proposal on the transparency of the social and environmental information provided by companies in all sectors.' (Commission 2011: 15) Not surprisingly, the information collected from the fieldwork suggest that this glaring U-turn of the EU Commission's position on SER regulation has been strongly opposed by the associations of European enterprises, in particular SMEs, (BusinessEurope 2012), led by the German employers' associations (BDA/BDI) (interviews # 17; 18). As confirmed by various sources (interviews # 14; 17 and 18; Kinderman 2013; Howitt 2014), this position was strongly supported by the German Cabinet of Angela Merkel, making the adoption of a far-reaching initiative by the EU Council extremely complicated. On the other hand, as already mentioned, the data suggest a rather surprising convergence of interests between social stakeholders – a network of NGOs, part of the European trade unions, consumers and civil society – and a growing section of investors – not just Socially Responsible Investors (SRI) but also large institutional investors – supporting the EU initiative for mandatory non-financial disclosure.

Evidence of this cleavage and convergence of interests can be found in the interviews conducted with EU policy-makers and regulators drafting the EU Commission proposal on NFR. It has emerged that, right after the onset of the crisis, around 2009, they were rather surprised to register the growing interest of investors in non-financials. One EU official summarised the positions of the different actors saying[8]:

> Business representatives were, since the very first moment, against any move towards mandatory disclosure. NGOs were, of course, happy to discuss this and also investors were happy to discuss the issue of increase transparency. This was already clear.

The EU official further stressed the role of investors[9]:

> In a way, we have also considered that [the fact that investors were discussing NFR] one of the key evidence that markets were demanding for increased transparency. So we don't do this for regulators' sake. We do this because there is a demand which is not met by current supply.

As explained by another EU official[10]:

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[7] Interview # 18 (08.08.2012)
[8] Interview # 17 (30.07.2012)
[9] Ibid.

> I think, if I look at it objectively, one of the roles of the investors' interest has been to make it no longer a "black versus white" debate. Because, if you take the investment community out, you have NGOs, sometimes, to be honest, with quite an anti-business agenda, saying 'we want business accountable!', and business, on the other side, saying 'we don't want more rules and regulation!' Very black and white... But the investment community, who is, by definition, pro-business, who do understand business, understand about the creation of financial value and all those kind of things. Once they set in a room – it doesn't matter if they say 'we want law' or not, that's not the point – but when they say 'we want better non-financial information' or 'the information we got are not good enough for this, this and this reasons'. And, critically, this discussion is not only coming from SRI people [...] but when you got some mainstream analysts saying, 'there is something in here that we need to know more about' […]. *Then, the debate is, at least, triangular*... and, I think, for a policy-maker, it opens up a number of new challenges or questions. Are our financial markets working properly? Maybe the lack of credible, reliable non-financial information means that they are not working properly or working as well as they could do. Then, it is not simply the NGOs' agenda. It becomes, if I am honest, an easier agenda to sell.

The converging interests between some shareholders and social stakeholders emerged also in the interviews with NGOs and investors. First, it appeared in the interview with Yolaine Delaygues (2011), from the European Coalition for Corporate Justice (ECCJ), a network-based organisation coordinating over 250 civil society organisations (CSOs), very active during the regulatory process. She confirmed that they started to have more contacts with the investors' side right after the Commission launched the public consultation on NFR in November 2010 (Commission 2011). In particular with EUROSIF, a pan-European network of long-term, sustainable investors, representing assets totalling over €1 trillion, through its affiliate membership of institutional investors. She also revealed that EUROSIF and ECCJ shared each other positions before sending them to the EU Commission. As she explained, this has not been a formal collaboration:

> With EUROSIF we are just very very close. Strategically, we work together and we are in contact.

Delaygues stressed that this collaboration was limited to the issue of transparency and that EUROSIF, likewise ECCJ, thinks that a weak regulatory approach to NFR would be like going few years backwards, adding

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[10] Interview # 18 (08.08.2012)

So sometimes is pretty funny to see how coalitions are working.

Then she elaborated:

> Their position is very close to ours, except that what they want is more from the investors' point of view. [...] But from the discussion we had, we really kind of agree that reporting should be mandatory on human rights and the environment.

By the end of 2012, this "objective convergence" had become more structured. This evolution became manifest in November 2012, as the EU legislative proposal on NFR seemed crippled by the fierce opposition of employers' organisations, such as BusinessEurope. Then the whole "transparency coalition" obtained a meeting with Commissioner Michel Barnier (DG Internal Market) to express their concern. To the meeting participated NGOs (ECCJ), sustainable investors (EUROSIF), trade unions (ETUC), and organised consumers (BEUC). According to ECCJ's press release they wanted 'to send a strong political message from key stakeholders' of support to the upcoming legislative proposal on non-financial reporting which Barnier's DG was drafting.[11]

In January 2013, this picture was confirmed by the interview with François Passant, the executive director of EUROSIF.[12] Questioned about EUROSIF's affinity with the positions of all the main players engaged in the EU NFR regulatory process, he stressed that the level of affinity with ECCJ was very high, because they shared the same policy objective of strengthening EU policies on corporate transparency and accountability.

> Yes, we have a lot of affinity with ECCJ. We even wrote a letter to the Internal Market Commissioner Barnier, together with ETUC [the European trade unions] and BEUC [the European consumers' organisation]. There are nuances, we are stressing more the materiality of the data, ECCJ might go, maybe, a bit further. But there are a lot of communalities.

He also stressed the strategic importance of regulatory changes. 'For me legislation is one of the key drivers', stressing that pension reforms in France and UK have had a key role in fostering responsible investments in these two countries.

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[11] The document can be retrieved at http://www.corporatejustice.org/ECCJ-BEUC-Eurosif-and-ETUC-meet.html

[12] Interview # 22 (22.01.2013). EUROSIF (European Sustainable Investment Forum) is a pan-European network whose mission is to develop sustainability through European Financial Markets.

The nature and limits of this convergence is well illustrated by another interview with Professor Michel Capron, engaged in the European CSR debate as representative of civil society[13].

> Investors are interested in extra-financial information to the extent that social and environmental risks might affect financial risk. This situation led to an *objective alliance* with NGOs during the meetings. However, this alliance has not been very "rooted" – if we exclude socially responsible investors (SRI) – because the objectives are different. They both agree that there should be KPIs, however not about which KPIs.

Comparing the two regulatory cycles, two elements stand out, both triggered by the financial crisis. First, the dimension of the current commitment of institutional investors is unprecedented (Newell and Paterson 2010; Richardson 2011). On the one hand, this has been a tactical move, to avoid worst regulatory interventions. In effect, immediately after the onset of the financial crisis, political reactions to the financial crisis and fear of tougher financial regulation win over an increasing section of large institutional investors and asset managers to Socially Responsible Investment (SRI) practices. In few months, the SRI community increased dramatically and seemed to reach the 'tipping point' (Eurosif 2010; UN PRI 2011). However, the growing activism of the financial community also represents the outcome of a very difficult process aimed at overcoming the limits of traditional physical and financial accounting, developing serious metrics and KPIs for non-financial information. The latter sees the genuine interest of some financial analysts and large asset managers in material social and environmental information (cf. EFFAS Commission on ESG; Kruse and Lundbergh 2010). Overall, from the analysis emerges that the contacts and bonds between social stakeholders (NGOS, Social Forums, etc.) and networks of responsible investors (SRI) might be only the most visible and dynamic facets of a broader, complex and still unfolding underlying development. Today, so-called Environmental Social and Governance (ESG) data are distributed by Bloomberg on a global scale. There are sustainability indexes, such as MSCI ESG Indices, and global specialists in sustainable investment analysis, such as Sustainalytics. As regards asset managers, there are more and more players looking at ESG information and data. However, they are still doing so in a very diverse way. Some of them, like the largest UK insurer Aviva, have been strongly advocating for mandatory SER, while many others are not really active on this issue. All the largest pension funds in Europe have progressively embraced or are already doing some form of SRI. They invested money, resources and their critical mass in demanding corporations for non-financial information,

[13] This is the author's translation from the original text, which was received by email on 26.02.2013

through major initiatives such as CDP, the UN PRI or the Institutional Investors Group on Climate Change. On the contrary, smaller and medium funds have 'not even started looking at this issue'[14]. This rapid development allowed the EU Commission to present the directive as a response to investors' growing demand for reliable non-financial information.

A second key difference between the two regulatory phases consists in the stronger role of public authorities. In particular, the rather controversial appointment (February 2010) of Michel Barnier, a French politician widely seen as having a "*dirigiste*" economic view, as Internal Market Commissioner had a major impact on the regulatory process. According to one EU official[15], the shift in the EU regulatory debate on NFR 'can be reduced to two words: Barnier plus the financial crisis.' He was able to understand and give substance to the demands for non-financials coming from what we have called here the "transparency coalition". And, perhaps, the discontinuity appeared even more pronounced as Barnier succeeded Charlie McCreevy as Internal Market Commissioner, who had been a champion of "light touch" regulation.

Interestingly enough, from the interviews also emerges that, while the convergence between NGOs and TUs is more on issues of human rights and labour conditions and qualitative disclosure, they are less in line on environmental issues. Conversely, the convergence between NGOs and investors is stronger on disclosure of carbon and environmental information, mainly because such information is more quantitative (or at least measurable and then comparable).[16] As for the convergence between investors' and TUs' interests, this can be better understood considering also the "double identity" of employees as "labour" and "investors" in many private pension schemes. In several countries across Europe, trade unionists have their representation on pension funds' board, exerting a significant role in promoting SEA and ethical investments. Also, it should be considered that TUs had 'a difficult time since 2005',[17] which maybe challenging them to seek in corporate SER regulation the basis for 'creating alliances with NGOs and other actors' (Vitols and Kluge 2011: 35).[18]

[14] Interview # 22 (22.01.2013)
[15] Interview # 18 (08.08.2012)
[16] As George Soros said as regards carbon emissions trade, 'the system can be gamed […] that's why financial types like me like it, because there are financial opportunities.' (2008) Furthermore, most industrial sectors will be affected directly or indirectly by the consequences of climate change or by carbon governance policies. Therefore, in the case of long and medium-term institutional investors – that in Europe are around 80% of the total – carbon disclosure is becoming a vital piece of information (EFFAS 2010).
[17] Interview # 13 (23.07.2012)
[18] 'Important dimensions of sustainability, such as employment conditions and occupational health and safety, have long been core issues for trade unions. Other dimensions, such as finances of the firm, have also been longstanding concerns of work councils and employee board level representatives. Nevertheless, many elements of the multi-dimensional concept of sustainability stretch beyond the traditional core concerns of trade union'

4. Explanatory value and implications for research and policy-makers

The findings seem to underpin the political economy framework outlined in section 2. As mentioned above, the data that emerged from the fieldwork analysis suggest that the legislative proposal has been driven by a “coalition of the unlikely” between organised civil society, a growing section of investors, and parts of the European TUs. These “strange bedfellows” are interested in transparency and disclosure as a means to constrain managers and block-holders autonomy and achieve higher corporate accountability. Then, the emergence of this coalition could be explained contextualising SER regulation in the broader shift that characterised European corporate governance and its regulation since the late 1990s (Jessop 2007; Soederberg 2010; Horn 2011). As other authors pointed out, unlike in the US, European governments had a strong role in advancing CSR (Moon 2004; Lozano et al. 2008). Then corporate responsibility can be seen as a political response to the exhaustion of the “grand bargain” between labour and capital that characterised most of the post-war era (Crouch 2011). However, likewise the “corporatist coalition”, the transparency coalition driving the EU directive should not be seen as a formal alliance. In fact, the social bargain between capital and labour was never an alliance but rather a convergence of interests between “archenemies” in order to set the ‘rules of the game’ and exclude others (namely minority shareholders) from the control of corporate resources (Gourevitch and Shinn 2005: 157-159). Similarly, the transparency coalition sees, in particular, the convergence of interest between two transnational archenemies, large institutional investors and global networks of NGOs. They have radically different ideas about what should be disclosed in NFR and to whom managers should be accountable. However, they share the goal of making corporate management more transparent and accountable.

The value of this explanatory framework lies primarily in the fact that it outlines what Gray, Adams and Owen (2014) would call a ‘neo-pluralist’ vision of corporate social accountability regulation. Meaning, it recognises that ‘whilst power is not located in a single individual or group, for example the state, capital, a ruling elite, or whoever, neither it is evenly distributed […].’ (2014: 29) In this sense, the overwhelming majority of the studies on the EU regulation of SER have presented a rather polarised picture: business, opposing mandatory disclosure or trying to use it as a legitimising tool, against a contra-hegemonic front of organised civil society, demanding legally enforced corporate social accountability (De Schutter, 2008; Fairbrass, 2011). As it emerges from the fieldwork, this way of framing the debate is ‘very black and white’. The findings outline a SER regulatory debate that is ‘at least, triangular’, recognising the different instances of managers, NGOs, TUs, and investors. Therefore, it

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They represent ‘a challenge for current trade unions’ capacities to take positions on these issues [...].’ (Vitols and Kluge 2011: 34) introduces the possibility of strategic alliances and variable convergences. Even further, it suggests researchers to look within each group of actors for internal divergences and contrasts.

Furthermore, the article also advances the idea that CSR and SER regulation could be studied as part of broader changes not just in corporate governance but also in the governance of the economy and even of society at large (Crouch 2006; Maclean and Crouch 2011). Then the idea of a coalition of the unlikely becomes part of a broader (questionable) strategy aimed at making capitalism more sustainable through changes in securities and accounting legislation that would reward long-term investors and promote ESG reporting (cf. Porter and Kramer 2006 and 2011; Gore and Blood, 2012). This approach draws on an established tradition of critical accounting studies (Burchell et al. 1980; Hopwood 1983; Hines 1988; Miller 1994; Power 1997) highlighting that 'accounting is much more constructive than reflective of social values; more active than passive in social ordering.' (Fleischman 2004: 18) It is also consistent with todays' 'dematerialisation of responsibility', in which: 'Audits and measurements are used to produce multiple systems of "naming and shaming" (Boli, 2006) – (positive and negative) rankings, accreditations and evaluations.' (Djelic and Etchanchu 2015: 16).

Lastly, the explanatory framework adopted by this study suggests that effective CSR in a pluralist society comes from the acknowledgment of contrasts and can be achieved only through constrains and conflicts. In effect, CSR has been often (mis)represented as a win-win situation between business and society; as the possibility of reconciling the instances of all the stakeholders; or as the idea that, in the long-term, all interests will coincide. In other words, CSR has been often in denial about conflicts. Here the logic is reversed: conflicts are CSR's engine. The convergence of interests between investors, TUs and NGOs would have been impossible without the political pressure on investors originated by the financial crisis. Eventually, the coalition of the unlikely is more based on the common objective of constraining managers' power (and strengthening the other actors' position) than on a "conversion" to social and environmental causes. Because of that, policy- and law-makers play a key role in fostering or halting the emergence of coalitions (the "Barnier-effect"). They set the rules of the game and act as "dealers", creating the pre-conditions for a bargain. Namely, in the case of the NFR directive, it has been crucial that the EU Commission overcame a zero-sum approach to corporate accountability that characterised the policy debate until 2009, promoting talks *among all stakeholders* about SER regulation.

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