Do Socially Responsible Firms Walk the Talk?

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Abstract:

Several firms claim to be socially responsible. We confront these claims with data using the most notable recent proclamation, the Business Roundtable's (BRT) 2019 *Statement on the Purpose of a Corporation*. The BRT is a large, influential business group containing many of America's largest firms; the *Statement* proclaimed a corporation's purpose as delivering value to all stakeholders, rather than only shareholders. However, we find no evidence that signatories – who voluntarily signed – engaged in such stakeholder-centric practices before or after signing. Relative to peers, signatories violate environmental and labor laws more frequently, have higher carbon emissions, rely more on government subsidies, and are more likely to disagree with proxy recommendations on shareholder proposals. We also do not observe post-signing improvements along these dimensions, suggesting that the *Statement* was not a credible commitment to improve. Our results suggest that firms' proclamations of stakeholder-centric behavior are not backed up by hard data.

Keywords: social responsibility, ESG, Business Roundtable, environmental and labor laws, Violation Tracker, carbon emissions.

JEL classification: M14, G23, G34

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Do Socially Responsible Firms Walk the Talk?

1. Introduction

The importance of shareholder value maximization has been the subject of much recent debate. In his 2018 annual letter to CEOs, Chairman Larry Fink of BlackRock, the world's largest investment manager with close to $6 trillion under management at that time, warned CEOs that they must both deliver financial performance and contribute to society or risk losing BlackRock's support. Concurrently, asset managers have launched a host of "socially responsible" funds that take into account ESG (environmental, social, governance) issues considered important to the overall sustainability of a business: environmental issues (such as carbon efficiency and air/water pollution), social issues (such as labor standards and gender diversity), and governance issues (such as executive compensation and board composition).

Perhaps in response to pressure from asset managers, in August 2019 the Business Roundtable (BRT) – a group of CEOs who lead many of the largest and most influential U.S. companies – released a statement on "the purpose of a corporation" which explicitly states that a corporation's sole purpose is not to merely maximize profits in a quest for greater shareholder value. Prior to this, the BRT had explicitly endorsed (since 1997) a model of shareholder primacy, namely that "corporations exist principally to serve shareholders."[1] In contrast, the new BRT statement asserts, "we share a fundamental commitment to all of our stakeholders…each of our stakeholders is essential…we commit to deliver value to all of them, for the future success of our companies, our communities, and our country."

In this paper, we attempt to verify whether these claims of commitment to stakeholders, espoused by some of the largest companies in the US, are borne out by the evidence. We identify the publicly listed firms that signed the BRT statement and cross-verify their track record with stakeholders other than shareholders. We focus on performance with respect to

[1] This phrasing is quoted directly from the BRT's press release announcing the updated 2019 *Statement on the Purpose of a Corporation*.

"fundamental" ESG measures based on, among other things, compliance with environmental and labor laws; CEO compensation; board composition; and the balance of power between management and shareholders. In our analyses, we ask two main questions: (i) whether signatory firms were already leaders in stakeholder-centric treatment prior to signing the *Statement* and, if not, (ii) whether signing the *Statement* reflected a genuine commitment to change as evidenced by performance improvements along the dimensions above.

Our findings are sobering. With respect to question (i) we find that, relative to an entropy-balanced sample of peer firms, signatories of the BRT statement have higher rates of environmental and labor-related compliance violations (and pay more in compliance penalties as a result). The higher rate of environmental violations may be associated with our finding that BRT signatories' carbon emissions (both total emissions and emissions intensity) are no better, and sometimes worse, than their peers, even after accounting for the fact that we balance the control sample on firm size and industry composition. These findings seemingly contradict the BRT statement's specific reference to employees and the environment. Consistent with the idea that BRT signatories attempt to head off potential regulatory scrutiny, they spend more on lobbying policymakers than their non-signatory counterparts. We also find that BRT signatories receive more frequent targeted government subsidies for larger dollar amounts relative to non-signatory peer firms. Despite the findings above, with respect to our second research question, we do not find evidence suggesting that, after signing the *Statement*, signatory firms improve their performance relative to their peers along the dimensions listed above.

Our findings are unlikely to reflect BRT signatories trading off stakeholder welfare for shareholder welfare because signatory firms do not report superior financial performance (with respect to stock return alphas or operating margins) relative to peers. We also do not observe evidence that suggests BRT signatory firms exhibit greater responsibility toward shareholders

or other stakeholders: signatory firms are more likely to recommend voting against resolutions proposed by shareholders in the proxy statement. Relatedly, the Business Roundtable recently also supported proposals to make it more difficult both to file shareholder resolutions and to resubmit proposals that previously did not pass (Business Roundtable, 2020) consistent with its history of filing such proposals (Becker, Bergstresser, and Subramaniam 2011).

Overall, our results with respect to our first research question suggest that signatory firms have not historically "walked the talk" with respect to stakeholder orientation. However, it is possible that signing the *Statement* reflected a commitment to improve rather than a comment on past performance. Our second research question tests this potential explanation. To do so, we conduct analyses using available data on our outcome variables for the years immediately subsequent to the signing of the *Statement*. We find that, relative to their peers, signatory firms did not demonstrate improvement with respect to federal compliance records, carbon emissions performance, or corporate governance even after signing the BRT *Statement*. Collectively, these results provide suggestive evidence that the *Statement* did not represent an effort by signatory firms to improve stakeholder-unfriendly practices. We caveat that, because of the recency of the signing of the BRT *Statement*, we cannot verify whether BRT signatories will ultimately improve their track records with stakeholders in the more distant future.

Collectively, we document neither favorable differences between signatory firms and their peers nor relative improvements subsequent to signing the *Statement*. These findings beg the question: why did the signatories sign the BRT statement in the first place? We propose two potential explanations. First, measurement of a firm's ESG orientation is hard and investors have traditionally used commercial ESG scores to evaluate firms' ESG track records. Recent evidence (Drempetic; Klein, and Zwergel 2017; Lopez de Silanes, McCahery, and Pudschedl 2019; Raghunandan and Rajgopal 2022) documents that ESG scores are primarily correlated with the quantity of ESG metrics that firms voluntarily disclosure, as opposed to performance

with respect to these disclosed metrics. If BRT signatories provide a higher quantity of voluntary disclosure, then an effort to highlight their perceived "stakeholder friendliness" may lead to increased attention being paid to their ESG scores, as opposed to their detailed federal compliance records, to measure their stakeholder orientation. Second, signing the BRT statement is potentially an attempt to divert regulators' and stakeholders' attention from signatories' true compliance records with respect to labor and environmental regulations, emissions performance, lobbying activity, and state subsidies.

With respect to the first explanation, we show that ESG scores put out by rating agencies (MSCI's KLD Stats and Refinitiv's ESG scores, formerly Asset4) rank BRT signatories as more stakeholder oriented relative to the control sample. However, recent work (Raghunandan and Rajgopal 2022) finds that these scores are not correlated with compliance records or emissions but *are* correlated with the presence of voluntary disclosure about ESG; the latter is consistent with Drempetic et al. (2017) and Lopez de Silanes et al. (2019). This finding suggests that BRT signatories may have implicitly relied on difficulties associated with third-party measurement of ESG performance when they signed the BRT statement.

We cannot actively test the second explanation that proposes signing the BRT *Statement* is a way toto distract regulators. However, the evidence we document – that BRT signatories, relative to a control sample, systematically (i) lobby lawmakers more; (ii) receive more state aid via targeted government subsidies; and (iii) recommend voting against proxy resolutions suggested by minority shareholders – is suggestive of an effort made by BRT signatories to divert attention away from their true track records related to stakeholder (mis)treatment.

After the initial release of the Business Roundtable's *Statement on the Purpose of a Corporation*, several firms have subsequently added their names to the *Statement*; while there were 181 initial signatories, the list of signatories as of November 2022 stands at 240 firms. The analyses detailed above consider only the 181 original signatories, as these are the firms

that proactively conceived of, lent their names to, and approved the release of the *Statement*. In contrast, once the *Statement* was already released, any firm that wished to subsequently add its signature could first observe the public reaction to the initial signatory firms, meaning that adding one's signature became a low-risk activity; we argue that, as a result, the original 181 firms should have had a much stronger reason for signing the *Statement* relative to the 59 late signers. Using this logic, we posit that the results documented above will be stronger for the original signatories than for late signers. Our findings support this argument: while initial Business Roundtable signatories exhibit worse track records with respect to compliance records and carbon emissions relative to peers, we find no difference between late signers and non-signatories. We caveat that these analyses are necessarily low in statistical power due to the limited number of late signers.

Our work relates to emerging literature on how firms operationalize corporate purpose and concern for stakeholders. First, although the financial press and academic literature have discussed corporate purpose, few attempts have been made to verify whether concern for employees, environment and governance is consistent with the track record of firms claiming to adopt purpose as the key tenet to manage their companies. Our work complements Guiso, Sapienza, and Zingales (2015) who find no association between the values advertised in firms' mission statements on their corporate websites and firm value. Unlike Guiso et al. (2015), we benchmark firms' advertised concerns for stakeholders against their publicly verifiable track record with such stakeholders. Gartenberg, Prat and Serafeim (2019) and Gartenberg and Serafeim (2019) draw their data from the Great Places to Work Institute and effectively assume that firms whose employees feel good about working for their employers have fulfilled their corporate purpose. However, we verify whether firms' proclamation of purpose is borne out by the data, rather than the other way around.

Most large-scale voluntary proclamations of social responsibility are undertaken by

investors rather than firms. For example, 89% of the UN Principles for Responsible Investing signatory list, studied in Kim and Yoon (2023), is comprised of investors.[2] As a result, we view the signing of the BRT *Statement* as a valuable setting through which to understand whether *firms*, rather than *funds*, that claim to "walk the talk" regarding ESG performance do so. Our study also complements recent work documenting that Business Roundtable member firms' CEOs nearly unanimously did not seek approval from their boards of directors prior to signing the *Statement*, suggesting that firms did not view signing as indicative of a genuine change in corporate strategy (Bebchuk and Tallarita 2020).

The remainder of the paper is organized as follows. Section 2 provides background regarding our setting as well as an overview of related literature. Section 3 outlines our data. Section 4 describes our research design. Section 5 discusses our results. Section 6 concludes.

2. Background

Our work is related to prior academic literature on corporate purpose. Although popular and scholarly discourse about corporate purpose has surged in recent times (Strine 2017, Yosifon 2014, Kaplan and Henderson 2005, Blader et al. 2015, Thakor and Quinn 2013, Henderson and van den Steen 2015), very few empirical studies have investigated associations between corporate purpose and firm behavior. This is because corporate purpose is hard to define and even harder to measure. Thakor and Quinn (2013) define purpose as "something that is perceived as producing a social benefit over and above the tangible pecuniary payoff that is shared by the principal and the agent." Henderson and van den Steen (2015) state that purpose is "a concrete goal or objective for the firm that reaches beyond profit maximization."

The empirical evidence linking purpose and performance is scant and mixed. Guiso, Sapienza, and Zingales (2015) find no association between the values advertised in the firm's

[2] UNPRI, Signatory Directory (https://www.unpri.org/signatories/signatory-resources/signatory-directory)

mission statements on their corporate websites and firm value. Relying on a large survey of corporate executives, Graham, Grennan, Harvey and Rajgopal (2022) report that convergence between these stated aspirational values of a firm and the actual day-to-day social norms reflecting these values is associated with positive corporate outcomes such as greater productivity, innovation and ethical behavior.

Gartenberg, Prat and Serafeim (2019) draw their data from the Great Places to Work Institute and empirically measure purpose as the strength of their responses to four survey questions related to the meaning and impact of work on employees lives ("My work has special meaning: this is 'not just a job," "When I look at what we accomplish, I feel a sense of pride;" "I feel good about the ways we contribute to the community," and "I'm proud to tell others I work here"). They find a significant positive association between the employees' strength of feelings about working for their company and future operating and stock return performance. In a follow up paper, Gartenberg and Serafeim (2019) find that the strength of employee beliefs about their firm is lower in public companies.

Because our objective is partly to confront the BRT signatories with their advertised missions, we sidestep the controversy surrounding how to define and measure purpose. Instead, we simply investigate whether BRT signatories' concern for all stakeholders is corroborated by their enforcement records with various federal agencies that represent some of these stakeholders. Given the BRT statement's specific reference to environmental concerns and employees' welfare, we focus on compliance violations assessed by the federal agencies most relevant to these topics. The three agencies that comprise the bulk of our environmental and labor violation data are (i) the Environmental Protection Agency (EPA), for which violations capture a firm's (lack of) commitment to the environment; (ii) the Occupational Safety and Health Administration (OSHA), for which violations capture a firm's (lack of) commitment to providing employees with a safe workplace; (iii) the Wage & Hour Division (WHD), for which

violations capture a firm's (lack of) commitment to paying workers fairly, and in accordance with all applicable laws. We supplement violation data with information about key features of firms' governance structure such as (i) abnormal CEO compensation; (ii) how entrenched the board is; (iii) board independence; and (iv) the guidance they issue on shareholder resolutions. In this regard, our study is related to a concurrent working paper by Chava, Du, and Malakar (2021) who find that the discussion of environmental topics on earnings conference calls is associated with a future reduction in toxic releases and that the discussion of social topics on these calls is associated with higher future Glassdoor ratings. Our findings likely differ from theirs for several reasons, most notably (i) that discussions on conference calls are often in response to analyst questions and, as such, may be less likely to represent proactive opportunities for greenwashing and (ii) we focus on compliance violations rather than survey-based ratings to construct our dependent variables.

3. Data

3.1 Business Roundtable

The Business Roundtable publicly lists on its website the signatories to the *Statement on the Purpose of a Corporation*. Although there were 240 signatories as of November 2022, we focus on the initial 181 firms that signed the *Statement* dated August 19, 2019, as the decision to put out the *Statement* was driven by these 181 firms. To that end, it is these 181 firms for which signing may have been risky, given that they would not have known ex-ante how the market and the broader public would react. Conversely, firms which signed at later dates could observe such reactions before signing themselves, substantially reducing potential

risk associated with signing the *Statement*. Nonetheless, in a robustness test in Section 5.5, we consider differences between the original signers and "follow-on" late signers.[3]

We download this signatory list and hand-match the set of companies to Compustat and CRSP. In doing so, as shown in Table 1, we can identify 153 American publicly traded original signatories of the Business Roundtable purpose statement. Of the remaining 28 companies, 23 are private while five are subsidiaries of foreign companies. We require firms to have available data in Compustat and CRSP for the most recent fiscal year (2018) prior to the *Statement* as well as the year subsequent (2020) in order to assess signatory firms' corporate conduct prior and subsequent to signing the *Statement*. Imposing this restriction reduces our sample to 141 publicly traded Business Roundtable signatories.[4] Sample attrition primarily arises from two sources: (i) some firms were acquired shortly after the signing of the *Statement* and thus have data available for 2018 but not 2020, and (ii) others do not have data available in Compustat on the number of employees.

3.2 Compliance violations

To test whether Business Roundtable signatories have historically been associated with better corporate conduct, and whether they exhibit improvements in conduct after signing relative to peer firms, we incorporate data on compliance violations with respect to federal laws. We obtain this data from the Violation Tracker database, compiled by the non-profit organization Good Jobs First. Violation Tracker provides comprehensive coverage of violations of federal laws written by over 50 US federal agencies; a full list of data sources can

[3] The list of original signatories can be found using an archived version of the Business Roundtable's website, at http://web.archive.org/web/20190819163233/https://opportunity.businessroundtable.org/ourcommitment/. The list of current signatories – the original signers plus late signers – can also be found on the Business Roundtable's website, at https://opportunity.businessroundtable.org/ourcommitment/

[4] In alternative specifications, we instead require firms to have data for the two years preceding (2017-2018) and two years subsequent (2020-2021) to the year in which the *Statement* was signed. This requirement reduces our sample for those tests to 139 publicly traded Business Roundtable signatories.

be found on Good Jobs First's website. The data is comprehensive in the sense that Violation Tracker includes *all* penalties over $5,000 for each federal agency it covers over its coverage time period, not just related to a subset of firms or offense types. The most common type of violation observed in Violation Tracker pertains to workplace safety, in the form of Occupational Safety & Health Administration (OSHA) violations. Other common types of violations pertain to labor (for example, underpayment of workers or taking illegal actions to dissuade unionization), the environment, and product safety. These violations occur across a broad cross-section of industries. We measure compliance violations in two ways. First, we consider compliance violations irrespective of the penalizing agency. Second, because of the Business Roundtable *Statement's* explicit references to the welfare of employees and the environment, we separately measure compliance violations pertaining to labor and the environment. We do not consider product safety violations because these are quite infrequent and, as such, would result in very low-powered tests given our sample. We also consider both the incidence of a violation as well as the severity of violations in our tests. We caveat that this approach may induce some measurement error, because observations in the government sources Violation Tracker obtains data from are provided based on penalty year. While this is likely to be a significant concern for agencies such as the Department of Justice and SEC, which often take years to develop and bring a case, it is less likely to be a concern for labor and environmental violations, which (i) are typically detected while still ongoing and (ii) exhibit minimal lag between detection and the assessment of a penalty.

We identify labor and environmental violations based on Good Jobs First's classification scheme. Good Jobs First classifies violations into one of nine major types (competition, consumer protection, employment, environment, financial, government contracting, healthcare, workplace safety, and miscellaneous) according to the agency associated with the violation. We classify "employment" and "workplace safety" violations as

labor-related and "environment" as in the raw Violation Tracker data. These types of violations comprise most violation observations in the dataset and so, for our tests pertaining to specific types of violations, we focus on these. Most labor-related violations are issued by OSHA and WHD; the majority of environmental violations are issued by the EPA and devolved state-level environmental agencies overseen by the EPA.

Because of constraints codified into federal law, the fines assessed for these violations are typically quite small relative to violation severity and, for the firms that we study, immaterial compared to earnings or sales. For example, the median penalty for noncompliance with workplace safety regulations assessed by OSHA is less than $10,000. As another example, the NLRB is prohibited by law from assessing punitive damages in addition to any back pay or lost wages a company may owe. Hence, the true economic damage suffered by stakeholders underlying the penalties documented here are likely much higher.[5]

3.3 Carbon emissions

We supplement the violation data with data on scope 1, 2, and 3 carbon emissions from Trucost, a database sold by S&P Global. Trucost's coverage is significantly better for 2015 onward, coinciding with most of our sample period. Scope 1 emissions refers to emissions from directly owned or controlled sources, such as those generated in the production process in a manufacturing firm. Scope 2 emissions are those that are generated from purchased and consumed energy (electricity, steam, heating, or cooling). Scope 3 emissions refer to all other carbon emissions that indirectly result from a company's value chain.

[5] Regulatory constraints (that is, fine structures codified into law) prevent fines from increasing at the same rate as the economic impact of the violations they are assessed for. These fine structures typically do not change very often, other than to reflect adjustments for inflation. For instance, OSHA's fine schedule has changed twice in the last 33 years, once in 1990 and then in 2015 (Berzon 2015). As an illustration of our point, note that OSHA cannot charge more for a violation if it results in a worker's death, relative to a similar violation that does not result in fatalities. While a few agencies, like the DOJ, have a lot of flexibility with respect to the size of the penalty, such observations constitute a small percentage of our sample.

Trucost provides emissions data from a mix of estimated and firm-disclosed sources. Approximately 20% of US firms in Trucost's database voluntarily disclose emissions; remaining US observations in the database reflect values estimated by Trucost (Aswani, Rajgopal and Raghunandan 2023). However, disclosure is concentrated in larger firms (likely due to investor pressure), which means that the percentage of disclosure in the set of Business Roundtable firms and those peer firms given the highest weight under our entropy-balancing approach is substantially higher than in Trucost's broader coverage universe: we observe disclosed emissions for 84% of our entropy-balanced sample. Thus, while we acknowledge the potential data issues highlighted in Aswani et al. (2023), they are much less likely to be a problem in our specific setting than in most other studies relying on this data.

3.4 Corporate governance

We obtain corporate governance data from a variety of sources. Data on CEO compensation is drawn from Execucomp. The balance of power between shareholders and managers in a firm is measured using Bebchuk, Cohen, and Ferrell's (2009) entrenchment index. The entrenchment index is based on six corporate governance characteristics that are thought to limit shareholders' power relative to management (staggered boards, limits to shareholder bylaw amendments, requiring supermajorities for merger approval and charter amendments, and the existence of poison pills and golden parachutes). The value assigned to the index is the number of such provisions a company has; a higher score reflects worse corporate governance via higher managerial entrenchment. Finally, we directly consider managers' voting recommendations with respect to shareholder proposals. To account for the fact that the quality of shareholder proposals may vary across or even within firms over time, rather than directly considering managers' votes for or against proposals we account for

proposal quality and relevance by considering instead the frequency with which firms contradict the recommendation of Institutional Shareholder Services (ISS).

3.5 Control variables

Because our primary tests use financially motivated dependent variables, we select several key financial indicators as control variables. We select these variables based on prior literature. In our firm-level tests, financial variables include firm size (measured both using total assets and market value), market to book ratio, returns, return volatility, sales growth, capital expenditures (scaled by assets), PP&E (scaled by assets), intangible assets (scaled by total assets), and leverage. We obtain this data from Compustat and CRSP. We also include several proxies for the firm's business model. These include R&D intensity (the ratio of R&D to sales), which captures the firm's reliance on new technology or innovation; the ratio of foreign to domestic sales, which captures the firm's presence abroad and may affect baseline violation rates; labor intensity (the ratio of employees to sales), which captures the firm's reliance on low-wage labor and may affect the baseline labor violation rate; and the industry-year unionization rate, which also may affect a firm's labor practices and willingness to comply with social or environmental laws. A full list of variables used in our tests, as well as their definitions, is provided in Appendix A. Our results are not sensitive to the choice of control variables; in un-tabulated alternative specifications we omit certain variables and/or use alternative measures of the constructs above (for example, the number of employees to measure size). These alterations do not change our inferences.

4. Research Design

4.1 Sample

Our main goals in studying the Business Roundtable's *Statement* are to assess (i) whether signing represented a bona fide effort by signatories to improve their treatment along the dimensions highlighted in the *Statement* as well as (ii) whether signatories were already "practicing what they preach," relative to non-signatory firms. We do so by examining the last year prior to the signing of the *Statement* (2018) as well as the first full year subsequent (2020).

Because signatory firms are not randomly drawn from the set of all publicly traded firms, it is important to find an appropriate control group. Signatory firms are among the largest in their respective industries, with more than half being members of the S&P 500. We therefore employ entropy balancing, an approach introduced by Hainmueller (2012) and increasingly used across a wide range of disciplines to appropriately weight non-signatory 'control' firms. Entropy balancing is a technique to construct a weighting scheme to equalize at least the first, and potentially higher, sample distribution moments between treatment and control samples – without requiring balance in the first moment for each individual observation as required by typical synthetic control methods. Unlike propensity score matching techniques, entropy balancing also seeks to minimize deviation from an equal-weighted sample, and prior work (e.g., McMullin and Schonberger 2020) find that it improves the quality of statistical matching relative to these techniques. We note that entropy balancing does not employ entropy weighting; the latter would potentially be problematic for our setting.

We balance on the first and second moments of the distribution of each of our control variables (market value of equity, market to book ratio, ROA, change in ROA, sales growth, leverage, PP&E, intangible assets, capital expenditures, the ratio of foreign sales to domestic sales, returns and return volatility).[6] We balance based on 2018 characteristics to align our treatment (signatory) firms with control firms based on a time as close as possible to the signing

[6] Our results are robust to replacing market value of equity with other measures of size: total assets or the number of employees. We do not include either of these variables because of potential multicollinearity issues (pairwise correlations between log market value, log assets, and log employees are all in excess of 0.7).

of the *Statement*; we then apply these matches to 2020 observations to ensure constant treatment-control matches across the pre- and post- periods. As shown in Table 1, our final sample in our main specification consists of 141 Business Roundtable signatories and 3,961 distinct control firms, spanning 8,204 distinct firm-years across 2018 and 2020.

4.1.1 Alternative sample

Our main specification considers a single year of data prior and after the signing of the *Statement on the Purpose of a Corporation*. However, in an alternative set of specifications, we consider two-year pre- and post- signing windows. We do so for three reasons. First, given that corporate conduct is somewhat sticky and that violations of federal laws do not necessarily happen smoothly over time, allowing for an additional year of data on each side of the signing allows us to observe more variation in conduct. Second, the onset of the COVID-19 pandemic in 2020 led to several significant changes in companies' business operations. While industry and year fixed effects should account for many of these changes, and we have no reason to believe ex ante that signatories should be affected differently than the entropy-balanced peer set, using data from 2021 – when many firms' operations had begun to normalize – mitigates residual effects not captured by our matching approach and fixed effects structure.

To construct this alternative sample, we continue to use only a single pre- and post-period observation per firm. We do so by using *average* values across the two years of data for continuous variables, while we use *maximum* values for indicators. For example, if a firm's ratio of PP&E to assets was 0.2 in 2017 and 0.3 in 2018, the two-year average pre-period PP&E would be 0.25. If a firm had a labor violation in 2017 *or* 2018, then the two-year pre-period labor violation indicator would take the value of 1. For log values, we take the logarithm of the average rather than the average of the logarithm. For example, if a firm had $3 in assets in 2020 and $4 in assets in 2021, we would construct the post-signing period log assets variable as

log(3.5) rather than (log(3) + log(4))/2. The additional years of data required to construct this alternative sample slightly reduce the number of signatory firms in our sample from 141 to 139.

4.2 Regression specifications

Using our entropy-balanced sample, we assess whether Business Roundtable signatories have historically outperformed peer firms with respect to non-financial ESG performance as well as whether, after signing the *Statement on the Purpose of a Corporation*, they have improved their track records relative to peers. We begin by estimating the following linear model:

$$BEHAVIOR_{it} = \beta_0 + \beta_1 SIGNATORY_{\ i} + \beta_2 SIGNATORY_i \times POSTSIGNING_t + \beta_3 Controls + Industry_i + \eta_t + \varepsilon_{it} \quad (1)$$

where $BEHAVIOR_{it}$ represents measures of firm conduct and $SIGNATORY_i$ is an indicator that equals 1 for Business Roundtable signatory firms. In Equation (1) $POSTSIGNING_t$ is an indicator that equals one for the year after the signing (i.e., 2020). We employ industry fixed effects because $SIGNATORY_i$ is a cross-sectional characteristic. Hence, we cannot use a firm fixed-effects design. We also include year fixed effects in Equation (1). Industry fixed effects are measured at the two-digit NAICS level because one of our control variables, the industry-year unionization rate, is only available at this level. Nonetheless, we verify that our results are not sensitive to the choice of industry (SIC 2, 3, and 4; NAICS 2, 3, and 4; Fama-French 12, 17, 30, and 48) used to construct $Industry_i$. In interpreting Equation (1), the coefficient β_1 reflects overall level differences across the pre- and post- periods between signatory firms and the entropy-balanced peer set, while the coefficient β_2 captures any post-signing improvements in the measures of stakeholder treatment underlying $BEHAVIOR_{it}$.

While Equation (1) speaks to both differences in the underlying levels of corporate conduct as well as post-signing differences between signatory firms and controls, two potential issues arise in assessing the latter. First, there is the possibility of an omitted correlated variable

in a levels specification. Second, changes in corporate conduct over time may be more affected by the extent of changes in the underlying control variables rather than by the underlying levels of violations or corporate conduct variables in the pre- and post- periods. To account for these issues, we estimate a second specification as follows:

$$\Delta BEHAVIOR_i = \alpha_0 + \alpha_1 SIGNATORY_{\ i} + \alpha_2 \Delta Controls_i + Industry_i + \varepsilon_i \qquad (2)$$

In Equation (2), $\Delta BEHAVIOR_i$ reflects the change, from the pre-signing year of 2018 to the post-signing year of 2020, in an underlying corporate conduct variable. Note that when variables are log-transformed, we consider the difference in logarithms rather than the logarithm of differences (the latter may be undefined if the level difference is negative). It is also important to note that Equation (2) is close to, but not exactly, a first-differenced version of Equation (1), for two reasons: (i) we retain the key variable of interest $SIGNATORY_{\ i}$ and (ii) we retain industry fixed effects in Equation (2). In light of (ii), Equation (2) represents a first-differenced version of a slightly modified version of Equation (1) that uses an industry-by-year fixed effect, $IndYear_{it}$, in lieu of separate industry and year fixed effects $Industry_i$ and η_t. We make this design choice in Equation (2) so as to account for variation in industry behavior with respect to changes.

Our primary measure of $BEHAVIOR_{it}$ is constructed based on violations of federal law using *Violation Tracker*. More specifically, the Business Roundtable's *Statement* suggests a need to ensure fair treatment of non-shareholder stakeholders in a firm. If signatory firms were, in fact, already leaders in this regard, we should observe fewer – and/or less severe – violations reflective of harm done toward their customers and employees relative to non-signatory firms. That is, we would expect a negative value of β_1 in Equation (1). Moreover, if the *Statement* represented the beginnings of a bona fide effort to improve performance – irrespective of signatory firms' pre-*Statement* behavior – then we would also expect a negative value of β_2 in

Equation (1) and a negative value of α_1 in Equation (2). Put another way, if signing the *Statement* represented more than cheap talk then β_1, β_2, and/or α_1 should be negative.

By turn, we focus (i) on all violations, (ii) on only labor-related violations, and (iii) on only environmental violations. We consider items (ii) and (iii) because of the BRT *Statement*'s explicit mention of the need to do right by employees and the environment. As an additional test with respect to the environment, we also construct measures of $BEHAVIOR_{it}$ based on firms' carbon emissions.

Another view of the Business Roundtable *Statement*'s signatories is that these firms are not outperformers with respect to corporate conduct. Instead, signatory firms potentially seek to preserve rents in the face of increasing political and popular backlash against large, powerful corporations. Our second goal in comparing Business Roundtable signatories to their peers, therefore, is to test whether Business Roundtable signatories are associated with rent-seeking behavior. To do so, we focus on several key aspects of corporate governance and reliance on regulatory support: abnormal compensation, board composition, managerial entrenchment, voting behavior, lobbying activity, and state aid via firm-specific government subsidies. We outline our reasons for using these proxies as well as their construction in Section 5.

5. Results

5.1 Descriptive statistics

Table 2 presents descriptive statistics for the samples used for our main analyses, based on the entropy-balanced sample.[7] All continuous un-logged variables are winsorized at 1% in each tail. More than half (54.3%) of sample firm-years experienced at least one compliance violation from any federal agency. Labor violations are more common relative to

[7] For example, although there are 8,204 observations in the violation rows, these are weighted such that there are 282 (i.e., 141*2) Business Roundtable signatory firm-years and 282 weighted control firm-years.

environmental violations; 37.8% of firm-years in the sample commit at least one labor violation while 19.7% of firm-years in the sample commit at least one environmental violation.

5.2 E&S record

5.2.1 Corporate misconduct

Tables 3, 4, and 5 report the results of estimating equations (1) and (2). Table 3 considers all forms of compliance violations together, while Tables 4 and 5 consider only labor and environmental variables, respectively. Each table contains eight columns corresponding to different specifications. Column (1) in each table present results from estimating the levels specification in equation (1) with a single year of pre-period data (2018) and a single year of post-period data (2020); the coefficients of interest are the main effect on $SIGNATORY_i$ as well as the interaction term $SIGNATORY_i \times POSTSIGNING_t$. Column (2) presents the changes specification given in equation (2), again based on a single year of pre-period data and a single year of post-period data; the coefficient of interest is on the main effect $SIGNATORY_i$. Columns (3) and (4) replicate columns (1) and (2) but instead use two-year averages to construct the pre- and post-signing variables, as outlined in Section 4.1.1. Each of columns (1) – (4) uses an indicator variable based on the presence of a violation of the respective type (all violations in Table 3, labor violations in Table 4, environmental violations in Table 5) to construct the dependent variable. Note that columns (3) and (4) construct pre- and post- period variables based on indicators for whether a violation occurred in *either* of the two years (2017-18 or 2020-21). Columns (5) – (8) replicate the specifications in columns (1) – (4) but instead construct the dependent variable based on the natural logarithm of one plus the dollar value of penalties. Moreover, as discussed in Section 4, columns (7) and (8) are based on log average penalties rather than on average log penalties for the relevant two-year windows (2017-18 and 2020-21), while columns (6) and (8) are based on changes in logarithms rather than the

logarithm of changes (which would be undefined if underlying changes are negative). All regressions estimated in Table 3 include two-digit NAICS industry fixed effects and, for levels specifications (odd-numbered columns), year fixed effects.

In columns (1), (3), (5), and (7) of Table 3, the coefficient on BRT Signatory is positive and significant at conventional levels. In particular, the coefficient in column (1) on the BRT Signatory indicator suggests that a signatory is 21.2 percentage points more likely to have committed any compliance violation in 2018 or 2020 relative to the entropy-balanced matched control sample. We also find in columns (1), (3), (5), and (7) that the coefficient on the interaction term $SIGNATORY_i \times POSTSIGNING_t$ is statistically insignificant. In conjunction with the coefficient on $SIGNATORY_i$ being positive, these results suggest that (i) signatory firms are more likely to commit violations of labor and environmental laws, and (ii) that these firms did not demonstrate any improvement in this regard after signing the *Statement* despite the explicit commitments therein. Result (ii) is bolstered by the insignificant coefficient on $SIGNATORY_i$ in each of the four changes specifications presented in columns (2), (4), (6), and (8). Tables 4 and 5 suggest that these inferences hold for the incidence of labor and environmental violations and penalties. In terms of magnitudes, the results in columns (1) of Tables 4 and 5 imply that a BRT signatory is 14.3 (10.8) percentage points more likely to have committed a labor (environmental) violation relative to the entropy-balanced control sample in 2018 or 2020, while the results in even-numbered columns suggest that signatory firms did not improve relative to their peers from the pre-signing period to the post-signing period.[8]

[8] The results for environmental violations, in particular, are striking in light of the political and regulatory landscape during our sample period. The EPA weakened over the four years of the Trump administration, as evidenced by the number of environmental laws repealed as well as the constant year-over-year reductions in the number of environmental violations assessed by the EPA during the administration (see the EPA's annual Enforcement and Compliance Annual Results). This weakening over time should have made it easier for signatory firms to (i) demonstrate that they were at minimum no worse than their peers in terms of levels and (ii) to appear as if they had improved post-signing. In spite of these institutional factors, we find that signatory firms exhibit worse level differences in environmental violations and no improvement after signing the *Statement*.

In additional analyses, provided in the Online Appendix as Table OA1, we assess two types of particularly serious compliance violations. The first is labor lawsuit settlements; the dependent variable is an indicator for whether the firm paid out a major lawsuit settlement for either wage & hour issues or workplace discrimination. Our second proxy for serious corporate misconduct reflects financial compliance; the dependent variable is an indicator for whether the firm either paid out a securities class-action settlement or received a sanction from the SEC. Because we do not have 2021 data for these quantities, we do not estimate 'two-year average' specifications. We find no statistically significant differences between signatory firms and the entropy-balanced control sample with respect to either of these quantities in either the levels or changes specification, i.e., there is no evidence of post-signing improvement or of level differences between signatory firms and matched peers. Collectively, Table 3 does not support the claim that signing the BRT statement should be taken as a sign that signatory firms were and are changing their E&S practices.

5.2.2 Carbon emissions

We turn next to carbon emissions. We construct empirical proxies based on scopes 1, 2, and 3 emissions. Because some investors may consider a firm's *total* emissions profile rather than each scope separately, we consider the sum of scopes 1 and 2 emissions as an additional measure of a firm's carbon performance. We separate scopes 1 and 2 from scope 3 because scope 3 emissions are subject to much more discretion and estimation error than scopes 1 and 2 and, as a result, many outside users are likely to place lower levels of emphasis on scope 3 emissions. For instance, in its proposed climate disclosure rules, the SEC has explicitly created a safe harbor provision for scope 3 emissions in acknowledgment of this difference.

Table 6 examines the sum of scopes 1 and 2 emissions, while Table 7 examines scope 3 emissions. Each table contains eight columns corresponding to different specifications.

Column (1) in each table present results from estimating the levels specification in equation (1) with a single year of pre-period data (2018) and a single year of post-period data (2020). Column (2) presents the changes specification given in equation (2), again based on a single year of pre-period data and a single year of post-period data. Columns (3) and (4) replicate columns (1) and (2) but instead use two-year averages to construct the pre- and post-signing variables, as outlined in Section 4. Columns (1) – (4) construct the dependent variable based on the natural logarithm of firm-year emissions of the respective scope (sum of scopes 1+2 in Table 6, scope 3 in Table 7). Although log emissions are mechanically larger for larger firms and within certain industries (Aswani et al. 2023), our approach of entropy balancing based on size and industry – as well as our use of industry fixed effects and control variables that capture size – means that the coefficient on BRT Signatory picks up remaining differences in signatory firms' and matched peers' business models after accounting for these factors.[9]

Columns (5) – (8) in each table replicate the specifications in columns (1) – (4) but instead construct the dependent variable based on emissions intensity, where emissions intensity is measured as the ratio of carbon emissions to total revenues. This definition reflects the typical measure of emissions used by the investment industry in assessing firms' carbon footprints (Garvey, Iyer, and Nash 2018), as it is a measure of a firm's *per-unit* carbon efficiency and hence does not mechanically scale with production levels.

We find in columns (1), (3), (5), and (7) of Table 6 that Business Roundtable signatories fare worse in that they have higher emissions, in terms of both total scope 1+2 emissions and, more crucially, emissions intensity relative to their peers. Additional analyses, presented in the Online Appendix as Table OA2, suggest that this result is primarily driven by scope 1, rather than scope 2, emissions. While we find some evidence that signatory firms reduced their

[9] There are also potential issues with estimated emissions data contained in Trucost (see Aswani et al., 2023 for a detailed explanation). In additional analyses, presented in the Online Appendix as Table OA3, we verify that the results presented in Table 4 are robust to restricting the samples to only firm-years that disclose emissions figures.

absolute carbon footprint based on columns (1) – (4), we find no evidence of post-signing improvements in emissions intensity relative to peer firms in columns (5) – (8). The latter result suggests that our findings on changes in total emissions in columns (1) – (4) are more likely to relate to changes in levels of production or size rather than to actual changes in carbon efficiency (informally, 'greenness'). Turning to Table 7, we do not find evidence, in any specification, of either level differences or improvements in scope 3 emissions for signatory firms relative to their entropy-balanced matched peers. Collectively, our findings in Tables 6 and 7 suggest that signatory firms have not historically walked the talk with regards to environmental issues and may not be making any more efforts to improve than their peers.

5.3 Record related to G

5.3.1 Regulatory support

Although we find no evidence of BRT signatories' proclaimed virtue based on their E&S records, it is possible that these firms have superior corporate governance which, in turn, may make living up to the promises in the BRT *Statement* more likely. We consider this possibility by directly testing whether BRT signatories' stated virtue is evident in their governance-related behavior. We do so by first considering the extent to which BRT signatories rely on regulatory support (using lobbying and the receipt of targeted, taxpayer-funded government subsidies). We then directly consider the characteristics of signatories' corporate executives and boards.

In Tables 8 and 9, we assess BRT signatories' records with respect to regulatory support. In Table 8, the dependent variable is based on the natural log of one plus lobbying dollars spent by firms; lobbying data is obtained from the Center for Responsible Politics' *OpenSecrets* database. Column (1) presents results from estimating the levels specification in equation (1) with a single year of pre-period data (2018) and a single year of post-period data (2020).

Column (2) presents the changes specification given in equation (2), again based on a single year of pre-period data and a single year of post-period data. Columns (3) and (4) replicate columns (1) and (2) but instead use two-year averages to construct the pre- and post-signing variables, as outlined in Section 4.

In columns (1) and (3) of Table 8, the coefficient on the BRT signatory indicator is positive and significant, suggesting that BRT signatories outspend their counterparts in lobbying regulators. The coefficients on the interaction term in columns (1) and (3), as well as the coefficients on the BRT signatory indicator in the changes specifications in columns (2) and (4), also do not provide any evidence that the gap between signatory firms and their entropy-balanced peers reduces after the signing of the *Statement*, suggesting no change in signatory firms' reliance on regulatory support relative to peers. Even after controlling for size and several other factors, the estimated effect is substantial; columns (1) and (3) suggest that BRT signatories spend 4.4 times as much money on lobbying as non-signatory firms.[10]

We next consider targeted government subsidies, which represent a potential return to lobbying activities. A business model that relies on governmental favors creates a distortionary effect for other businesses and, especially in the case of subsidies, represents a direct cost to taxpayers. As a result, all else equal, we view a business that pays for its own facilities as being more socially responsible to the community than one that relies on community funds to pay for its facilities. By "targeted government subsidies" we refer to governmental cash grants and tax breaks that are specifically awarded to individual firms, *not* "tick-the-box"-type incentives that any firm can qualify for so long as it meets statutory conditions. Billions of dollars of subsidies are awarded every year by all levels of government, but there is mixed evidence as to whether

[10] Because OpenSecrets is a comprehensive source of data derived from mandatory federal filings, we treat firm-years for which we do not observe OpenSecrets lobbying data as having spent zero dollars on federal lobbying. If we take a more conservative approach – estimating the model only on the subsample of firm-years for which we observe non-zero lobbying dollars, retaining the weights obtained from our entropy balancing procedure – our results are qualitatively similar but the estimated marginal effect is substantially smaller.

these subsidies achieve their stated purpose (Slattery and Zidar 2020; Dong, Raghunandan, and Rajgopal 2023). Moreover, these subsidies are often awarded to politically connected firms rather than based on economic merit (Aobdia, Koester, and Petacchi 2021).

Following these papers, we obtain comprehensive subsidy data from Good Jobs First's *Subsidy Tracker* database. This data is less complete after 2018, most likely reflecting a drop-off in *Subsidy Tracker* coverage after that period rather than an actual decrease in subsidies awarded in the US, and so we are only able to conduct subsidy-related tests for the pre-signing period (i.e., we are unable to assess post-signing changes in signatory firms' behavior for this test). We therefore estimate a modified version of Equation (1) that does not include the interaction term $SIGNATORY_i \times POSTSIGNING_t$.

We construct two proxies for firms' reliance on subsidies: (i) an indicator variable for whether a firm received at least one targeted subsidy each year and (ii) the log of the estimated per-year dollar value of subsidies received in year. Because dollar values in *Subsidy Tracker* reflect estimated total subsidy amounts over the life of each subsidy, we normalize these amounts by the estimated length of the firm's investment cycle to arrive at an estimate of firms' per-year reliance on subsidies.[11] We estimate the length of the firm's investment cycle following Konchitchki (2011), using the ratio of four-year average PP&E to four-year average depreciation charges. We then normalize the subsidy dollar value given in Good Jobs First by this number. While we caveat that this approach is likely to introduce some estimation error, given the lack of information available on the length of individual subsidies we view this as a second-best approach to understanding firms' yearly reliance on subsidies.

Table 9 presents results corresponding to subsidies. Columns (1) and (2) use indicator-based dependent variables for the receipt of a subsidy in either 2018 or 2017-18, respectively,

[11] Our entropy-balancing approach means that on average we are comparing BRT signatory firms with a set of control firms that should, on average, have similar capacities to invest in the communities in which they operate; thus, a comparison of the yearly value of subsidies received is not simply reflective of BRT signatories potentially being larger than their peers.

while columns (3) and (4) use as the dependent variable the log per-year estimated dollar values of subsidies for 2018 or 2017-18, respectively. We find in columns (1) and (2) that BRT signatories obtain taxpayer-funded subsidies significantly more frequently than their peers, and in columns (3) and (4) that these subsidies have a higher dollar value. In conjunction with Table 8, Table 9 suggests that signatories' business models rely more on regulatory support and political connections than their peers.

5.3.2 Corporate governance proxies

We turn next to more traditional measures of corporate governance. We examine four key dimensions: (i) abnormal CEO compensation; (ii) how entrenched the board is; (iii) board independence; and (iv) the guidance issued on proxy votes. As with other continuous variables in prior tables, columns (1) and (3) of each of Tables 10-13 estimate equation (1) based on either 2018 and 2020 data (column 1) or 2017-18 and 2020-21 data (column 3), while columns (2) and (4) estimate the corresponding changes specifications.

In Table 10 the dependent variable is constructed based on log abnormal compensation, measured as actual CEO compensation (TDC1 in the Execucomp database) minus the industry-size quintile median level of compensation (following Larcker, Ormazabal, and Taylor 2011).[12] In Table 11, we construct dependent variables using Bebchuk et al.'s (2009) entrenchment index to assess whether the balance of power between shareholders and managers is tilted in favor of management. A higher value of the entrenchment index suggests that the balance of power is tilted more strongly in favor of management. In Table 12, we consider board independence, where the dependent variable is constructed based on the percentage of independent directors on the firm's board. In all three cases, we find no evidence to suggest

[12] TDC1 is the sum of an executive's salary, bonus, restricted stock grants, and the value of stock options granted (where value is calculated using the Black-Scholes model).

that BRT signatories were any different from their counterparts along these dimensions prior to signing the *Statement* or that signatory firms changed their governance practices in a way that differed from peers after signing.

As a fourth proxy for corporate governance, we consider in Table 13 management guidance on proxy votes for shareholder proposals. To control for selection effects – the possibility that some firms systematically receive lower-quality shareholder proposals for which management's recommendation has limited information – we consider the frequency with which BRT signatories contradict the recommendation of Institutional Shareholder Services (ISS), rather than directly considering managers' votes for or against proposals. We find in columns (1) and (3) that managements of BRT signatories are more likely to recommend votes against proposals that ISS supports, relative to peer firms, and that this phenomenon does not change after the signing of the *Statement* (based on the interaction coefficients in columns (1) and (3) and the coefficients on $SIGNATORY_i$ in columns (2) and (4)). These results suggest that BRT signatories are more likely to seek to curtail accountability to their shareholders and is consistent with past behavior by the Business Roundtable with respect to shareholder access (Becker, Bergstresser, and Subramanian 2011).

In sum, BRT signatories are more likely to have a violation record with more than 50 federal agencies and enforcement divisions relative to their counterparts. These violations are, and reflect, economically meaningful differences: signatory firms also have higher carbon emissions per unit of revenue generated. BRT signatories spend more on lobbying regulators than peer firms and obtain larger state subsidies than the control sample. This is not likely to reflect superior financial performance; we find, in further un-tabulated analyses, that signatories have operating margins and stock return alphas (computed using the Fama-French four-factor model) that are insignificantly different from the operating margins and alphas of their peers. Finally, we find that BRT signatories are more likely to recommend voting against

proposals supported by ISS. We also find no evidence that any of these patterns changed after the signing of the *Statement*, in spite of the claims therein of concern for social responsibility. A collective assessment of the evidence suggests that, with respect to corporate social responsibility along the dimensions measured in this paper, BRT signatories neither exemplified good corporate citizenship prior to signing nor did they improve along the dimensions outlined in the *Statement on the Purpose of a Corporation* thereafter.[13]

5.4 Event study

As an alternative approach to understanding whether BRT signatories may improve their ESG records in future years, we consider the stock market's evaluation of such a potentially improved ESG record. Because the BRT statement was unexpectedly announced on August 19, 2019 – and drew a significant amount of press coverage on that day itself – in Table 14 we conduct an event study and assess whether the signing of the BRT Statement is associated with cumulative abnormal returns (CAR) or abnormal trading volume around the announcement date. We measure abnormal trading volume as in Landsman and Maydew (2002).[14] Specifically, we construct the following firm-level measure:

$$AbnVolume_i = \frac{EventWindowAvgTrades_i - \mu_i}{\sigma_i}$$

where $EventWindowAvgTrades_i$ is firm i's average number of daily shares traded in the event window, μ_i is firm i's average number of daily shares traded in the estimation window, and σ_i is the standard deviation of firm i's number of daily shares traded in the estimation window. We consider three event windows for both tests: short (0,+1), medium (-1, +3), and

[13] It is possible that CEOs that sign the BRT are newcomers to their firms seeking to atone for their employers' prior compliance records. This argument is not borne out in the data, however; in Table OA4 of the Online Appendix we consider CEO changes in the five years preceding the signing of the *Statement* (2014-2018). We find no difference in pre-signing compliance violations, occurring in 2017 or 2018, between BRT signatories that changed CEOs during that period relative to BRT signatories that did not change CEOs.

[14] Our results are robust to first normalizing the number of shares traded by the number of shares outstanding.

long (-3, 15) where in all cases the first number represents the number of trading days before the announcement date and the second represents the number of trading days after the announcement date. In all cases we use an estimation window of (-250, -30), reflecting returns from (approximately) one year to one month before the announcement date. We then regress the relevant measure (CAR or abnormal trading volume) on *BR_Signatory* as well as controls for (log) market capitalization, market to book, leverage, and ROA.

We find no short- or medium-window market reaction (either in terms of CAR or in terms of abnormal trading volume) to the release of the BRT *Statement*. While we do observe a positive long-window CAR, the long-window trading volume in column (6) of Table 14 is insignificant as in the case of short- and medium- window trading volume. If investors viewed the release of the *Statement* as conveying future information about signatories' plans, we should observe a market reaction (whether positive or negative, depending on whether the commitment to improving all stakeholders' welfare was viewed as value-increasing or value-destructive). The absence of a significant market reaction in Table 14, while not definitive, is consistent with the notion that market participants agree with the assessment that the BRT statement represents cheap talk.[15]

5.5 Original vs. late signers of the Statement

The Business Roundtable *Statement* was originally signed on August 19, 2019 by 181 distinct firms. As outlined in Section 3 we focus on these 181 firms (141 after imposing sample selection screens) in all our analyses thus far, because these are the firms that drove the initial

[15] We acknowledge that it may also be the case that signing the *Statement* is value-neutral: for example, a commitment to paying employees more may yield both higher revenues (from hiring or retaining more productive employees) but also higher costs that are offsetting. However, for this to be consistent with our trading volume tests, the majority of investors would need to view the *Statement* as a value-neutral commitment; if, e.g., some investors viewed the benefits of signing as greater than the costs while others held the opposite view, we should see a null result with respect to stock returns but an increase in abnormal trading volume reflecting these divergent views.

decision to publicly release and associate their names with the *Statement*. Between the initial signing in August 2019 and November 2022 when we obtained an updated signatory list, an additional 59 firms signed the *Statement*. However, these firms chose to take such action after observing initial reactions to the release of the *Statement*. As such, we argue that the act of late signing is less costly – but may convey lower signaling value – than proactively joining the original list of signatories. This is because proactively signing the *Statement,* prior to observing the external reaction, carried with it the ex-ante risk of being taken seriously by investors and, as such, either punished for deviating from shareholder-centric behavior or held accountable for prior or subsequent lapses in stakeholder treatment. As a result, we argue that the original signers of the *Statement* must have had stronger incentives to sign relative to late signers, for whom adding their names ex-post was relatively costless.

We test this possibility directly by augmenting our sample to include late signers of the *Statement* as well as a set of entropy-balanced peer firms. Of the 59 late signers to the *Statement*, we identify 40 as publicly traded firms with non-missing Compustat and CRSP data. We re-estimate our main tests related to "E" and "S" – with compliance violations and carbon emissions as dependent variables – using this sample. To test whether original and late signers behave differently, we replace the BRT Signatory indicator variable with two separate indicators, for original and late signers of the *Statement*. We also construct interaction terms with the post-August 2019 period for early and late signers separately. We note one potential econometric concern related to this approach, in that we compare signing events occurring at different times. However, our resulting research design is unlikely to suffer from the potential biases such a situation can induce (Goodman-Bacon 2021; Sun and Abraham 2021) for two reasons. First, the econometric issues highlighted in these and related studies primarily arise in designs that use multiple pre- and post- treatment observations per treated unit, because of how observations are weighted as a function of the time of treatment. In contrast our design uses

only a single observation for each firm pre- and post- treatment and thus is not affected by this issue. Second, and nonetheless, our design follows the broader conceptual solution proposed by these and related studies (e.g., Baker, Larcker, and Wang 2021): we employ a balanced panel, and our use of separate indicators for early and late signers is analogous to the 'cohort' fixed effect Baker et al. (2021) propose as a solution.

We present results from these specifications in Table 15. As our primary goal in this section is to examine level differences between early and late signers, we estimate a modified version of Equation (1) but not Equation (2) in this section. For brevity, we tabulate violation results using only the indicator forms of these variables and emissions results using only emissions intensity as the dependent variable. We also only tabulate results based on single years of data for the pre- and post- signing periods (2018 and 2020).

Consistent with the arguments above, while we continue to find that original BRT signatories are more likely than their peers to commit compliance violations, we find no differences between late signers and their peer firms. As with original signers, we also find no evidence that late signers improved their behavior after August 2019 (i.e., there is no evidence that late signers might have improved their behavior either after signing, or after observing the original *Statement* but before signing themselves). We caution that the relatively low number of late-signer firms limits the strength of inferences that can be drawn from Table 15, in the sense that a null result corresponding to late signers could simply reflect a lack of power.[16]

To the extent that our results are not simply an artefact of low statistical power, Table 15 underscores the value of studying the original release of the Business Roundtable *Statement* and serves to further differentiate us from other studies such as Kim and Yoon (2023). In addition to our study's focus being individual firms rather than asset managers, Kim and Yoon

[16] We also re-estimate Tables 3-13 using a modified version of Equation (1) on a pooled sample that does not distinguish early from late signers (i.e., with a single BRT Signatory indicator that equals 1 for early *or* late signers). Our results are consistent with those tables, which is perhaps unsurprising given the relatively low number of late signers relative to original signers.

(2023) study asset managers that signed the United Nations Principles for Responsible Investing (PRI) pledge in a staggered, rather than simultaneous, fashion. They find no difference in those asset managers' behavior as a result. A potential explanation for this may be that most of the asset managers who signed the PRI chose to do so after observing the minimal costs of signing for earlier signers. Our results on late signers are analogous to this result. However, our finding that the original 181 Business Roundtable signatories exhibit actively *worse* behavior than peer firms, and as such may have been more willing to take the ex-ante risks associated with being first movers in signing the *Statement on the Purpose of a Corporation*, illustrates the importance of our setting: our main tests focus on a setting in which firms engaged in "greenwashing" with potentially significant ex-ante costs (although these costs did not materialize ex-post).

5.6 ESG ratings

There is a long tradition in the academic literature of using ESG ratings provided by commercial vendors such as KLD (now MSCI) and Asset4 (now Refinitiv) to assess firms' ESG performance. A natural question that arises is whether the violation data we rely on are subsumed by ESG scores. We provide evidence on that question in Table 16. We obtain data on ESG scores from two of the largest providers of such ratings, MSCI (via its KLD ratings) and Refinitiv (via its ratings, formerly known as Asset4). In Table 16, we estimate versions of Equations (1) and (2) with dependent variables constructed based on these scores. MSCI data is only available to us through 2018, and so we cannot test whether these ratings changed after the *Statement*; the tests in columns (1) and (2) of Table 16 therefore estimate a modified specification that does not include the interaction term $SIGNATORY_i \times POSTSIGNING_t$. Column (1) uses a single year of data (2018), while column (2) uses averages across the two years prior to the signing of the *Statement* (2017-18). In both cases, we find no difference in

MSCI scores between signatory firms and the control sample. In columns (3) – (6) we instead use scores from Refinitiv, which are available for our full sample period. Columns (3) and (5) estimate modified versions of Equation (1) using either a single year of data for the pre- and post- signing periods (column 3) or two years of data for each (column (5), while columns (4) and (6) estimate Equation (2) using one or two years of data for the pre- and post- signing periods respectively. We find that Business Roundtable signatories obtain higher ESG scores in columns (2), (3), and (5). Interestingly, we find that the gap between signatories' ESG ratings and their peers' narrows after the signing of the *Statement*, as evidenced by the negative coefficients on the interaction terms in columns (3) and (5) and the negative coefficients on $SIGNATORY_i$ in columns (4) and (6).

While the results on differences in columns (2), (3), and (5) are inconsistent with our findings thus far, they are consistent with Raghunandan and Rajgopal (2022) who argue that variation in ESG scores was historically driven by *voluntary disclosure* about ESG information but not the quality of the underlying ESG information itself. These results are also consistent with Yang (2022), who shows that ESG ratings have behaved on average as though they favor firms that have received positive media mentions irrespective of the underlying reality of corporate behavior at those firms. Our results on relative changes in ratings, in contrast, could reflect one of two factors. First, considering the recent scrutiny ESG ratings have faced, rating agencies – Refinitiv in this case – may have paid closer attention to the ratings it gave previous high scorers. Second, our results may reflect control firms with lower ex-ante scores that potentially have more room for improvement (e.g., by releasing more detailed sustainability reports). Both potential explanations are relevant avenues for future research.

A natural question arises in light of the results in columns (2), (3), and (5): in spite of recent pushback, investors and the public have historically relied on ESG scores to identify 'good' companies. Why, then, would high-scoring companies feel the need to sign the

Statement? We propose two reasons. First, firms may seek to justify their high ESG ratings, signing the *Statement* to signal continuing intent to maintaining socially responsible practices. Second, considering recent scrutiny over the quality of ESG ratings, firms with high ratings may anticipate greater levels of scrutiny in the near future. For these firms, signing the *Statement* and promising future stakeholder-centric behavior may represent a way to head off such scrutiny. However, from the results in the changes specification above, it is not clear that these arguments have played out in practice.

6. Conclusion

In this paper, we attempt to verify whether the ideals related to environmental, social and governance espoused by signatories to the 2019 Business Roundtable (BRT) *Statement on the Purpose of a Corporation* are matched by their "fundamentals" based track record. Data on "fundamentals" come from several sources and includes violations of environmental and labor laws, CEO compensation, the extent of managerial entrenchment, and managers' recommendations on ESG proposals in proxy statements. We find that Business Roundtable signatories exhibit worse records along these dimensions relative to their peers prior to signing the *Statement*, as well as no evidence that signatory firms have improved their behavior subsequently. We also find virtually no stock market reaction to the announcement of the *Statement* tentatively suggesting that investors do not perceive the *Statement* as a true commitment to improve ESG practices in the future.

A combined read of the evidence presented in the paper suggests that the correlation between self-proclaimed high-ESG companies and their records is underwhelming. These results raise several questions about whether the declaration of high-minded ideals by firms is cheap talk. Much remains to be explored in future work.

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APPENDIX A: Variable Definitions

Variable	Definition
Business roundtable signatory	Indicator that equals 1 if firm *i* was a signatory of the August 2019 Business Roundtable *Statement on the Purpose of a Corporation*
Any compliance violation (indicator)	Indicator that equals 1 if firm *i* had at least one compliance violation (regardless of the penalizing agency or fine amount) in year *t*
Environmental violation (indicator)	Indicator that equals 1 if firm-year had at least one environmental compliance violation (violations issued by the Bureau of Safety and Environmental Enforcement (BSEE); Department of Energy (DOE); Environmental Protection Agency (EPA); Federal Energy Regulatory Commission (FERC); Fish and Wildlife Service (FWS); National Oceanic and Atmospheric Administration (NOAA); Nuclear Regulatory Commission (NRC); Office of Natural Resources Revenue (ONRR); Pipeline and Hazardous Materials Safety Administration (PHMSA); and US Department of Agriculture (USDA)), regardless of fine amount
Labor violation (indicator)	Indicator that equals 1 if firm-year had at least one labor-related compliance violation (violations issued by the Employee Benefits Security Administration (EBSA), Equal Employment Opportunity Commission (EEOC), Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), Department of Health & Human Services Office of Inspector General (HHSOIG), Mine Safety & Health Administration (MSHA), National Labor Relations Board (NLRB), Occupational Safety and Health Administration (OSHA), and Department of Labor Wage & Hour Division (WHD)), regardless of fine amount
Log total compliance violation $	Log total (firm-year) dollar value of fines assessed for compliance violations
Log environmental violation $	Log total (firm-year) dollar value of fines assessed for environmental violations
Log labor violation $	Log total (firm-year) dollar value of fines assessed for labor violations
Log carbon emissions	Log of scope 1, 2, 3 or sum of scopes 1+2 carbon emissions
Emissions intensity	Ratio of scope 1, 2, 3, or sum of scopes 1+2 carbon emissions to total revenues
Log lobbying amount	Log of total federal lobbying expenditures
Subsidy indicator	Indicator that equals 1 if firm-year received at least one government subsidy from state, local, or federal government
Log subsidy dollar value (per-year estimate)	Log of (total dollar value of all subsidies received by firm-year divided by expected useful asset life), where expected useful asset life is calculated following Konchitchki (2011)
Log executive compensation (using Execucomp's TDC1)	Log of total CEO compensation, treating options based on their value at the time of award
Abnormal executive compensation	Difference between log executive compensation and median log executive compensation within same size quintile, where quintiles are taken with respect to two-digit NAICS industry and year
Entrenchment index	Bebchuk et al. (2009) entrenchment index
% independent directors	Percent of the firm's directors that are characterized as independent, obtained from BoardEx database
Management contradicts ISS recommendation	Indicator that equals one if management's recommendation on a shareholder proposal contradicts that of ISS
KLD CSR score	Total number of strengths minus total number of weaknesses, normalized by year, from MSCI's KLD STATS database
Refinitiv CSR score	Aggregate CSR score obtained from Refinitiv
Log market value	Log of company's market value of equity
Market to book ratio	Ratio of market value of equity to book value of equity
Sales growth rate	Ratio of (current-year sales – prior-year sales) to prior-year sales
ROA	Ratio of net income to lagged assets
Change in ROA (t-1 to t)	ROA minus previous-year ROA
Leverage	Ratio of (long-term debt + debt in current liabilities) to total assets
PP&E	Ratio of property, plant, and equipment to total assets

Intangibles	Ratio of intangible assets to total assets
R&D intensity	Ratio of research and development expenditures to total assets
Unionization rate	Percentage of employees in firm's two-digit NAICS code that are members of a labor union, obtained from UnionStats.
Labor intensity	Ratio of employees to sales
Proportion of foreign sales	Ratio of foreign sales to total sales, as obtained from Compustat segment-level data
Capital expenditures	Ratio of capital expenditures to total assets
Annual returns	Fiscal-year buy and hold returns
Annual return volatility	Standard deviation of fiscal-year daily returns

TABLES

Table 1: Sample selection

This table outlines how we arrive at our final regression sample for our main tests in Table 3. The starting sample for the Business Roundtable tests is the set of all firms that signed the original *Statement* released in August 2019*;* we obtain financial and compliance data for the years prior and subsequent to the release of the *Statement* (2018 and 2020) and then add in an entropy-balanced sample add in control firms from Compustat based on the control variables we employ in our analyses.

Description	Unique firms deleted/added	Unique firms remaining	Firm-years deleted/added	Firm-years remaining
Original Business Roundtable signatories, 2018 and 2020		181		362
Less: privately held signatories	(28)	153	(56)	306
Less: publicly traded signatory firms with missing Compustat or CRSP data for either 2018 or 2020	(12)	141	(24)	282
Plus: entropy-balanced control sample drawn from Compustat universe (note: control firms are weighted based on entropy balancing procedure such that the weighted sum of observations equals 564)	3,961	**4,102**	7,922	**8,204**

Table 2: Descriptive statistics

We present descriptive statistics for the main (entropy-balanced) sample used in our tests concerning the characteristics and compliance outcomes. We provide the number of observations, mean, median, standard deviation, 25th percentile, and 75th percentile of each variable. Statistics other than the number of observations are calculated using the weights derived from the entropy balancing procedure.

Variable	*N*	Mean	Median	Std. Dev	25%	75%
Any compliance violation (indicator)	8204	0.543	1.000	0.498	0.000	1.000
Environmental violation (indicator)	8204	0.197	0.000	0.398	0.000	0.000
Labor violation (indicator)	8204	0.378	0.000	0.485	0.000	1.000
Log total compliance violation $, conditional on violation occurrence	1278	13.854	13.750	3.267	11.098	16.118
Log environmental violation $, conditional on violation occurrence	908	12.210	11.758	2.726	9.839	13.916
Log labor violation $, conditional on violation occurrence	420	12.002	11.225	2.622	9.996	13.853
Log scope 1 +2 emissions	6374	13.412	13.177	2.334	11.630	14.844
Log scope 3 emissions	6374	15.405	15.367	2.174	13.794	16.689
Scope 1 + 2 emissions intensity	6374	0.272	0.029	0.718	0.009	0.098
Scope 3 emissions intensity	6374	0.945	0.248	2.211	0.073	0.731
Log lobbying amount	8204	10.114	13.554	6.522	0.000	14.904
Subsidy indicator	8204	0.410	0.000	0.492	0.000	1.000
Log subsidy dollar value (per-year estimate)	7360	4.699	0.000	6.364	0.000	11.381
Log executive compensation	3190	9.398	9.541	0.751	9.129	9.804
Bebchuk et al. (2009) entrenchment index	2642	3.832	4.000	0.614	3.000	4.000
% Independent Directors	6237	0.657	0.625	0.105	0.600	0.667
Management contradicts ISS recommendation	6075	0.408	0.000	0.492	0.000	1.000
Log market value	8204	10.480	10.619	1.439	9.602	11.500
Market to book ratio	8204	5.376	2.610	11.058	1.380	5.408
Sales growth rate	8204	0.032	0.041	0.184	-0.043	0.112
ROA	8204	0.051	0.044	0.075	0.014	0.086
Intangibles	8204	0.265	0.236	0.219	0.054	0.446
Labor intensity	8204	0.003	0.002	0.003	0.001	0.004
PP&E	8204	0.230	0.126	0.232	0.056	0.367
R&D intensity	8204	0.017	0.000	0.031	0.000	0.021
Unionization rate	8204	0.081	0.079	0.063	0.024	0.096
Capital expenditures	8204	0.033	0.022	0.033	0.011	0.048
Proportion of foreign sales	8204	0.367	0.357	0.272	0.141	0.568
Change in ROA	8204	-0.006	-0.002	0.070	-0.019	0.016
Leverage	8204	0.314	0.306	0.156	0.209	0.416

Table 3: Do signatories of the Business Roundtable's *Statement on the Purpose of a Corporation* have better overall compliance records?

This table presents results from tests of whether Business Roundtable signatories have superior federal compliance records compared to non-signatory peer firms as well as whether signatory firms improve, relative to peers, subsequent to signing the Statement. We consider eight specifications; the first four construct the dependent variable using indicator variables, while the last four construct the dependent variable using the natural logarithm of penalty dollars resulting from violations. Columns (1), (3), (5), and (7) estimate 'levels' specifications, while columns (2), (4), (6), and (8) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple observations for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable based on:	Violation indicator	Violation indicator	Violation indicator	Violation Indicator	Log violation $	Log violation $	Log violation $	Log violation $
Specification:	Levels	Changes	Levels	Changes	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRT Signatory	0.2116***	-0.0443	0.2234***	-0.0200	3.5317***	-1.2704	3.6820***	-0.9373
	[4.00]	[-0.77]	[4.28]	[-0.37]	[4.58]	[-1.43]	[4.84]	[-1.13]
BRT Signatory × Post Statement	-0.0344		-0.0167		-1.1043		-0.8571	
	[-0.54]		[-0.27]		[-1.12]		[-0.92]	
Log market value	0.0673***	0.0353	0.0620***	0.0230	1.3425***	-0.4588	1.2461***	-0.6073
	[3.42]	[0.75]	[3.33]	[0.56]	[3.98]	[-0.48]	[3.83]	[-0.71]
Market to book	-0.0035**	-0.0037*	-0.0035**	-0.0016	-0.0640***	-0.0498*	-0.0662***	-0.0239
	[-2.07]	[-1.72]	[-2.16]	[-0.77]	[-2.75]	[-1.65]	[-2.82]	[-0.84]
Sales growth rate	0.0747	0.0337	0.0521	-0.0182	1.4586	1.5724	1.0418	1.4269
	[0.68]	[0.22]	[0.50]	[-0.16]	[0.90]	[0.65]	[0.66]	[0.81]
ROA	-0.0310	-0.3556	0.0475	-0.4603	-4.8637	-2.5805	-4.3266	-6.7633
	[-0.11]	[-0.68]	[0.14]	[-0.73]	[-1.22]	[-0.36]	[-0.95]	[-0.76]
Intangibles	0.0243	-0.1138	0.1159	0.7629	0.0574	-4.1446	1.4145	11.5403
	[0.18]	[-0.20]	[0.80]	[1.38]	[0.03]	[-0.51]	[0.66]	[1.37]
Labor intensity	-8.2169	2.9262	-7.2226	17.7045	-146.1763*	-25.2526	-137.0163*	135.8365
	[-1.47]	[0.22]	[-1.21]	[1.03]	[-1.85]	[-0.16]	[-1.66]	[0.72]
PP&E	-0.0160	0.0819	0.0576	0.9290	0.3998	-1.6391	1.1910	11.6791
	[-0.09]	[0.12]	[0.29]	[1.64]	[0.16]	[-0.19]	[0.44]	[1.43]
R&D intensity	-2.7500***	3.7431	-2.6185***	0.6491	-35.6881***	66.9219	-33.2918***	25.6155
	[-3.65]	[0.91]	[-3.15]	[0.14]	[-3.13]	[0.95]	[-2.61]	[0.34]
Unionization rate	-0.4837	-9.1674***	-1.0709	-7.5561***	-35.7789	-133.4492***	-29.9631	-106.5780***
	[-0.13]	[-8.72]	[-0.42]	[-5.76]	[-0.62]	[-7.32]	[-0.73]	[-5.10]
Capital expenditures	-0.1266	1.1929	-0.2603	1.8243	-5.6731	-1.1274	-5.5451	7.9535
	[-0.11]	[0.95]	[-0.22]	[1.11]	[-0.38]	[-0.07]	[-0.35]	[0.37]
Proportion of foreign sales	-0.1593*	-0.3459	-0.1229	-0.4510**	-2.4063	-5.5432	-1.8988	-5.7188**
	[-1.66]	[-1.07]	[-1.32]	[-2.19]	[-1.60]	[-1.13]	[-1.31]	[-1.98]
Change in ROA	-0.2303	-0.0725	0.0542	-0.1661	-1.0068	-0.4553	3.6588	-0.2487
	[-0.90]	[-0.25]	[0.19]	[-0.55]	[-0.27]	[-0.10]	[0.91]	[-0.07]

Leverage	0.1126	-0.3298	0.0773	-0.4616	2.3290	-2.2657	1.7695	-5.5821
	[0.84]	[-0.94]	[0.55]	[-1.20]	[1.16]	[-0.50]	[0.84]	[-1.06]
Adjusted R^2	0.2046	0.0651	0.1901	0.0703	0.2046	0.0847	0.2186	0.0782
N	8,204	4,102	7,184	3,592	8,204	4,102	7,184	3,592

Table 4: Do signatories of the *Statement on the Purpose of a Corporation* have better labor compliance records?

This table presents results from tests of whether Business Roundtable signatories have superior labor-related compliance records compared to non-signatory peer firms as well as whether signatory firms improve, relative to peers, subsequent to signing the Statement. We consider eight specifications; the first four construct the dependent variable using indicator variables, while the last four construct the dependent variable using the natural logarithm of penalty dollars resulting from violations. Columns (1), (3), (5), and (7) estimate 'levels' specifications, while columns (2), (4), (6), and (8) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple observations for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable based on:	Violation indicator	Violation indicator	Violation indicator	Violation indicator	Log violation $	Log violation $	Log violation $	Log violation $
Specification:	Levels	Changes	Levels	Changes	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRT Signatory	0.1431***	-0.0433	0.2294***	-0.0353	1.7215***	-0.5651	2.8385***	-0.5562
	[2.93]	[-0.66]	[4.81]	[-0.55]	[2.92]	[-0.64]	[4.68]	[-0.63]
BRT Signatory × Post Statement	-0.0274		-0.0334		-0.3237		-0.4651	
	[-0.38]		[-0.51]		[-0.34]		[-0.54]	
Log market value	0.0574***	0.0781	0.0593***	0.0967*	0.9344***	0.4945	1.0677***	0.7705
	[3.83]	[1.40]	[4.14]	[1.77]	[4.47]	[0.66]	[5.44]	[1.09]
Market to book	-0.0023	-0.0029	0.0005	0.0003	-0.0361*	-0.0490**	0.0099	0.0178
	[-1.43]	[-1.55]	[0.33]	[0.18]	[-1.88]	[-2.38]	[0.48]	[0.79]
Sales growth rate	0.0616	0.0179	0.0094	-0.0394	0.4757	-0.0890	-1.2371	-1.1834
	[0.60]	[0.12]	[0.07]	[-0.27]	[0.39]	[-0.05]	[-0.84]	[-0.65]
ROA	0.0544	-0.8528*	-0.0915	-0.5026	-0.7605	-10.2592*	-4.3867	-7.6551
	[0.21]	[-1.76]	[-0.31]	[-0.95]	[-0.24]	[-1.74]	[-1.16]	[-1.19]
Intangibles	0.0367	-0.3036	0.1208	-0.0034	0.7376	-7.5070	1.4002	-1.1425
	[0.34]	[-0.56]	[1.07]	[-0.01]	[0.50]	[-1.07]	[0.90]	[-0.17]
Labor intensity	-3.7112	-21.2088*	1.8336	3.4168	-37.3347	-283.1427**	8.4182	-2.9792
	[-0.72]	[-1.84]	[0.28]	[0.35]	[-0.59]	[-2.12]	[0.11]	[-0.03]
PP&E	-0.0360	0.1598	0.1810	0.4259	0.7135	-0.4950	1.1796	5.6864
	[-0.19]	[0.29]	[0.96]	[0.76]	[0.31]	[-0.07]	[0.52]	[0.76]
R&D intensity	-3.0840***	2.7234	-3.1690***	0.0108	-34.0439***	40.3118	-35.7713***	-11.8778
	[-4.75]	[1.19]	[-4.36]	[0.00]	[-4.33]	[1.39]	[-3.65]	[-0.26]
Unionization rate	1.3229	-4.9224**	2.9623	-1.1123	-9.0903	-57.1083*	28.1429	-24.4131**
	[0.44]	[-2.31]	[1.39]	[-1.41]	[-0.25]	[-1.93]	[1.04]	[-2.30]
Capital expenditures	-0.2289	1.6583	-0.9852	-1.8301	-6.6108	5.4761	-2.0540	-16.8596
	[-0.25]	[1.40]	[-1.04]	[-1.18]	[-0.62]	[0.36]	[-0.16]	[-0.90]
Proportion of foreign sales	-0.1839**	-0.5773**	-0.1831**	-0.4925**	-3.0643***	-8.3630**	-3.2158***	-4.4268
	[-2.32]	[-2.02]	[-2.26]	[-2.10]	[-3.08]	[-2.15]	[-3.24]	[-1.43]
Change in ROA	-0.0379	0.2286	-0.1559	-0.6370**	-0.1732	3.5464	-0.6483	-7.0672**
	[-0.14]	[0.74]	[-0.68]	[-2.03]	[-0.05]	[0.89]	[-0.26]	[-2.20]

Leverage	0.2022	-0.3558	0.1276	0.1011	2.7200	-2.6287	2.1858	1.8219
	[1.50]	[-1.06]	[0.91]	[0.32]	[1.57]	[-0.67]	[1.17]	[0.46]
Adjusted R^2	0.2360	0.0923	0.2540	0.0731	0.2480	0.1010	0.2650	0.0647
N	8,204	4,102	7,184	3,592	8,204	4,102	7,184	3,592

Table 5: Do signatories of the *Statement on the Purpose of a Corporation* have better environmental compliance records?

This table presents results from tests of whether Business Roundtable signatories have superior environmental compliance records compared to non-signatory peer firms as well as whether signatory firms improve, relative to peers, subsequent to signing the Statement. We consider eight specifications; the first four construct the dependent variable using indicator variables, while the last four construct the dependent variable using the natural logarithm of penalty dollars resulting from violations. Columns (1), (3), (5), and (7) estimate 'levels' specifications, while columns (2), (4), (6), and (8) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple observations for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable based on:	Violation indicator	Violation indicator	Violation indicator	Violation Indicator	Log violation $	Log violation $	Log violation $	Log violation $
Specification:	Levels	Changes	Levels	Changes	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRT Signatory	0.1080***	0.0167	0.1601***	-0.0105	1.6110***	0.0796	2.3026***	-0.2056
	[2.74]	[0.42]	[3.87]	[-0.24]	[3.11]	[0.15]	[4.39]	[-0.37]
BRT Signatory × Post Statement	0.0192		-0.0081		0.1717		-0.1878	
	[0.45]		[-0.17]		[0.30]		[-0.32]	
Log market value	0.0300**	-0.0159	0.0479***	0.0328	0.3404**	-0.4178	0.6383***	0.2215
	[2.38]	[-0.47]	[3.73]	[0.91]	[2.22]	[-1.08]	[4.13]	[0.55]
Market to book	0.0009	-0.0004	-0.0014	-0.0022	0.0069	0.0013	-0.0160	-0.0135
	[0.71]	[-0.55]	[-1.05]	[-1.43]	[0.47]	[0.13]	[-1.09]	[-0.94]
Sales growth rate	0.1303	-0.0551	0.0797	-0.1040	2.1851*	-0.0568	1.4916	-0.7046
	[1.51]	[-0.41]	[0.72]	[-1.09]	[1.86]	[-0.03]	[1.17]	[-0.57]
ROA	-0.0120	0.3141	-0.2864	-0.6922	0.7233	5.0868	-2.9584	-7.0194
	[-0.06]	[0.89]	[-1.09]	[-1.63]	[0.25]	[1.31]	[-0.86]	[-1.48]
Intangibles	-0.0343	-0.0469	-0.0728	0.3609	-1.0616	-1.1544	-1.4927	5.3063*
	[-0.40]	[-0.20]	[-0.77]	[1.30]	[-1.04]	[-0.41]	[-1.32]	[1.85]
Labor intensity	-4.1911	16.3356	-5.0759	10.5382	-75.7967	197.2802	-85.9052	106.2622
	[-1.03]	[1.43]	[-1.09]	[0.81]	[-1.61]	[1.64]	[-1.61]	[0.86]
PP&E	0.4520***	-0.1179	0.4698***	0.5299	6.4263***	-2.8938	6.7382***	8.9523
	[2.70]	[-0.19]	[2.59]	[0.98]	[2.95]	[-0.39]	[2.85]	[1.36]
R&D intensity	-2.2588***	3.2513*	-2.3213***	-1.9262	-26.4844***	49.1142*	-29.1402***	-20.5697
	[-3.81]	[1.65]	[-3.50]	[-1.24]	[-3.36]	[1.77]	[-3.26]	[-1.26]
Unionization rate	-0.1798	-0.0183	1.5117	-1.9237	19.8280	-3.2319	-7.0638	-25.9619
	[-0.05]	[-0.03]	[0.70]	[-0.80]	[0.46]	[-0.36]	[-0.26]	[-0.89]
Capital expenditures	-0.8279	-0.2537	-0.5562	-0.4961	-12.8759	-4.5727	-9.1709	-9.2768
	[-1.13]	[-0.18]	[-0.72]	[-0.30]	[-1.46]	[-0.27]	[-0.88]	[-0.55]
Proportion of foreign sales	-0.0279	-0.0963	-0.0403	-0.3919**	-0.0783	-1.6602	-0.0933	-4.6479*
	[-0.46]	[-0.35]	[-0.62]	[-2.03]	[-0.10]	[-0.45]	[-0.11]	[-1.95]
Change in ROA	-0.2336	-0.1926	0.4858***	0.5304**	-3.5996	-3.1588	6.2161***	5.8529*
	[-1.34]	[-0.99]	[2.74]	[2.17]	[-1.58]	[-1.50]	[2.89]	[1.92]

Leverage	0.0679	0.1522	0.2551**	-0.3352	1.2415	3.3035	3.3375**	-3.6491
	[0.68]	[0.73]	[2.09]	[-1.25]	[0.95]	[1.36]	[2.26]	[-1.22]
Adjusted R^2	0.2631	0.0568	0.3256	0.1069	0.2889	0.0718	0.3564	0.1128
N	8,204	4,102	7,184	3,592	8,204	4,102	7,184	3,592

Table 6: Do signatories of the *Statement* have better scope 1 and 2 emissions performance?

This table presents tests of whether Business Roundtable signatories have superior combined scope 1 and 2 emissions performance compared to non-signatory peer firms as well as whether signatory firms improve, relative to peers, subsequent to signing the *Statement*. Columns (1), (3), (5), and (7) estimate 'levels' specifications, while columns (2), (4), (6), and (8) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for specifications involving multiple observations for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable based on:	Log emissions	Log emissions	Log emissions	Log emissions	Emissions intensity	Emissions intensity	Emissions intensity	Emissions intensity
Specification:	Levels	Changes	Levels	Changes	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRT Signatory	0.4178***	-0.1232***	0.4055***	-0.1461***	0.1339***	0.0099	0.1421***	-0.0016
	[4.05]	[-2.85]	[3.83]	[-3.05]	[2.70]	[0.70]	[2.68]	[-0.10]
BRT Signatory × Post Statement	-0.1303*		-0.2016***		-0.0059		-0.0107	
	[-1.69]		[-2.61]		[-0.27]		[-0.44]	
Log market value	0.6927***	-0.0393	0.7038***	0.0551	-0.0233	-0.0157	-0.0258	0.0206
	[17.93]	[-0.77]	[17.91]	[0.69]	[-1.41]	[-1.17]	[-1.54]	[0.94]
Market to book	-0.0159***	-0.0027***	-0.0190***	-0.0010	0.0008	0.0008	0.0008	0.0005
	[-3.52]	[-2.60]	[-4.22]	[-0.72]	[0.48]	[0.99]	[0.43]	[0.46]
Sales growth rate	-0.5176*	0.4018**	0.0474	0.2584	-0.0150	-0.1134***	0.0042	-0.1612*
	[-1.93]	[2.24]	[0.13]	[1.51]	[-0.13]	[-3.55]	[0.04]	[-1.75]
ROA	-4.4204***	-0.1439	-5.4154***	-0.5318	-0.1410	-0.0756	-0.2261	-0.3517**
	[-4.73]	[-0.31]	[-5.56]	[-1.07]	[-0.55]	[-0.52]	[-0.85]	[-2.10]
Intangibles	-0.6396**	-0.5882	-0.8012***	-0.2914	-0.0260	0.0855	0.0008	0.0764
	[-2.25]	[-1.61]	[-3.01]	[-0.81]	[-0.29]	[0.79]	[0.01]	[0.75]
Labor intensity	-44.0888***	-31.0709**	-34.5296**	-41.3676***	-8.2032*	4.8158	-6.8578	17.7306
	[-3.35]	[-2.56]	[-2.56]	[-3.86]	[-1.78]	[0.55]	[-1.27]	[1.52]
PP&E	3.7247***	-0.4605	2.7085***	0.3817	1.0947***	-0.2917	1.2177***	0.2599
	[6.57]	[-0.88]	[5.01]	[0.86]	[2.64]	[-1.39]	[3.07]	[0.55]
R&D intensity	-14.0757***	-1.3719	-17.0821***	0.3507	-0.1091	-0.1949	0.1307	-0.0289
	[-7.05]	[-0.65]	[-8.66]	[0.17]	[-0.22]	[-0.56]	[0.23]	[-0.07]
Unionization rate	-8.7647**	3.7172	-6.6865	3.8964*	-3.1424**	-0.3936	-0.4696	-0.3429*
	[-2.02]	[1.62]	[-1.48]	[1.88]	[-2.11]	[-0.69]	[-0.54]	[-1.81]
Capital expenditures	4.2113*	-2.2854**	7.6733***	0.2931	-2.0282	-0.2025	-2.4399	0.7033
	[1.89]	[-2.12]	[3.38]	[0.26]	[-1.35]	[-0.51]	[-1.61]	[0.95]
Proportion of foreign sales	0.7347***	0.4748*	0.7171***	0.0083	-0.0866	0.0762	-0.0717	0.0139
	[3.73]	[1.74]	[3.78]	[0.05]	[-0.87]	[0.62]	[-0.73]	[0.27]
Change in ROA	0.6704	0.1046	1.5121	0.0679	-0.1165	-0.0164	-0.6986	0.2247**
	[0.77]	[0.54]	[0.91]	[0.26]	[-0.43]	[-0.16]	[-1.29]	[2.52]
Leverage	-0.0119	-0.4240	-0.0807	-0.2616	0.1308	-0.0497	0.1117	-0.0300
	[-0.03]	[-1.57]	[-0.23]	[-0.78]	[1.06]	[-0.76]	[0.95]	[-0.36]
Adjusted R^2	0.7982	0.1608	0.7991	0.1405	0.6138	0.3101	0.6050	0.3160
N	6,374	3,074	5,635	2,711	6,374	3,074	5,635	2,711

Table 7: Do signatories of the *Statement* have better scope 3 emissions performance?

This table presents tests of whether Business Roundtable signatories have superior scope 3 emissions performance compared to non-signatory peer firms as well as whether signatory firms improve, relative to peers, subsequent to signing the *Statement*. Columns (1), (3), (5), and (7) estimate 'levels' specifications, while columns (2), (4), (6), and (8) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for specifications involving multiple observations for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable based on:	Log emissions	Log emissions	Log emissions	Log emissions	Emissions intensity	Emissions intensity	Emissions intensity	Emissions intensity
Specification:	Levels	Changes	Levels	Changes	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
BRT Signatory	0.2309	-0.0247	0.2174	-0.0112	0.0825	0.1077	0.1193	0.0887
	[1.59]	[-0.29]	[1.63]	[-0.13]	[0.47]	[0.59]	[0.81]	[0.69]
BRT Signatory × Post Statement	-0.0992		-0.0807		-0.0395		-0.0047	
	[-1.05]		[-0.81]		[-0.24]		[-0.04]	
Log market value	0.8063***	0.0163	0.8052***	0.0451	-0.0286	-0.1063	-0.0132	-0.0525
	[14.01]	[0.21]	[16.08]	[0.68]	[-0.54]	[-0.77]	[-0.27]	[-0.55]
Market to book	-0.0163***	-0.0073***	-0.0247***	-0.0101**	-0.0043	-0.0086***	-0.0067	-0.0103*
	[-3.79]	[-3.40]	[-5.05]	[-2.53]	[-0.82]	[-2.95]	[-1.37]	[-1.83]
Sales growth rate	-0.8671***	0.3637	-0.6060**	0.1392	-1.3435***	-1.1933*	0.2988	-0.2640
	[-3.11]	[1.48]	[-2.03]	[0.68]	[-3.20]	[-1.87]	[1.19]	[-0.85]
ROA	-3.7936***	-0.5070	-3.6525***	1.4578**	1.4324	0.3597	0.8873	0.6544
	[-4.12]	[-0.90]	[-3.85]	[2.10]	[1.09]	[0.38]	[0.79]	[0.64]
Intangibles	-1.5937***	-0.1468	-1.8000***	-0.4496	-0.8380*	-0.6719	-0.9180**	-1.7830**
	[-3.67]	[-0.31]	[-4.53]	[-0.91]	[-1.85]	[-0.83]	[-2.33]	[-2.32]
Labor intensity	-68.5855***	-70.9582***	-56.3170***	-52.7982***	-34.0817**	-41.5417*	-24.7382**	-1.2288
	[-3.97]	[-3.83]	[-3.66]	[-3.14]	[-2.20]	[-1.65]	[-2.03]	[-0.06]
PP&E	1.6899***	0.8350	0.9069	-0.0616	3.1183***	-0.0511	2.6699***	-1.5916
	[2.74]	[1.33]	[1.61]	[-0.10]	[3.29]	[-0.04]	[3.07]	[-1.58]
R&D intensity	-15.3892***	-2.8743	-18.4592***	-5.5491**	-3.3697	1.0287	-6.0022**	-3.3795
	[-7.43]	[-1.48]	[-9.30]	[-2.14]	[-1.34]	[0.35]	[-2.56]	[-0.96]
Unionization rate	-2.9709	6.9487*	2.4725	5.1411	-0.3800	1.8547	-2.2447	-4.7895
	[-0.64]	[1.87]	[0.52]	[1.23]	[-0.05]	[0.49]	[-0.37]	[-1.02]
Capital expenditures	1.9673	-0.4919	3.7942	-0.5701	-4.7834	-2.5382	-5.7139	-2.5536
	[0.62]	[-0.35]	[1.04]	[-0.29]	[-1.09]	[-0.91]	[-1.31]	[-0.89]
Proportion of foreign sales	0.4255	0.0449	0.6242**	0.1648	-0.3441	-1.5658*	0.0678	0.1392
	[1.41]	[0.10]	[2.37]	[0.60]	[-1.21]	[-1.82]	[0.28]	[0.34]
Change in ROA	1.3833**	0.2314	1.7156	-0.0439	-0.7436	-0.5051	-0.4265	-0.0782
	[2.10]	[0.58]	[1.45]	[-0.09]	[-0.97]	[-0.78]	[-0.61]	[-0.12]
Leverage	-0.7098	-0.3667	-0.6567	0.2603	-1.3979**	0.1576	-0.9144	1.2890*
	[-1.48]	[-0.93]	[-1.50]	[0.52]	[-2.00]	[0.25]	[-1.62]	[1.77]
Adjusted R^2	0.6765	0.1587	0.6810	0.1540	0.2813	0.1714	0.3144	0.0748
N	6,374	3,074	5,635	2,711	6,374	3,074	5,635	2,711

Table 8: Do signatories of the *Statement* lobby more?

This table presents tests of whether Business Roundtable signatories are more likely to exhibit behaviors that reflect political connections (in the form of lobbying), as well as whether signatory firms changed, relative to peers, subsequent to signing the Statement. Columns (1) and (3) estimate 'levels' specifications while columns (2) and (4) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple years of data for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	Log lobbying	Log lobbying	Log lobbying	Log lobbying
Specification:	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)
BRT Signatory	4.3620***	-0.1196	4.4271***	-0.0781
	[6.76]	[-0.42]	[6.92]	[-0.29]
BRT Signatory × Post Statement	0.0422		0.1583	
	[0.13]		[0.47]	
Log market value	1.4769***	0.5768**	1.3437***	0.5545**
	[6.02]	[2.52]	[5.76]	[2.26]
Market to book	-0.0183	-0.0111*	-0.0075	-0.0089
	[-0.99]	[-1.94]	[-0.52]	[-1.49]
Sales growth rate	-2.2344	-2.1223*	-1.7789	-1.3920*
	[-1.57]	[-1.88]	[-1.23]	[-1.65]
ROA	-1.2994	3.8137	0.5450	-1.3128
	[-0.37]	[1.27]	[0.13]	[-0.32]
Intangibles	2.3250	5.0705**	2.0289	3.7303*
	[1.23]	[2.56]	[1.03]	[1.88]
Labor intensity	-28.9735	27.0846	-31.9187	44.2395
	[-0.30]	[0.22]	[-0.33]	[0.36]
PP&E	-1.1920	0.3336	-0.0601	2.8398
	[-0.47]	[0.09]	[-0.02]	[1.05]
R&D intensity	8.1973	-1.1009	6.5149	-7.9565
	[0.79]	[-0.16]	[0.58]	[-1.03]
Unionization rate	-9.6049	35.4151*	12.9185	23.0138
	[-0.49]	[1.79]	[0.75]	[1.16]
Capital expenditures	-0.5283	-5.6053	-11.6958	-3.7884
	[-0.05]	[-0.66]	[-0.95]	[-0.39]
Proportion of foreign sales	-0.8680	-2.0060	-0.7624	-3.5690*
	[-0.69]	[-0.81]	[-0.62]	[-1.93]
Change in ROA	4.1105*	1.1133	4.3588	4.3516
	[1.66]	[0.85]	[1.01]	[1.06]
Leverage	2.3159	-2.8797	2.9648	-3.6232
	[1.08]	[-1.18]	[1.38]	[-1.63]
Adjusted R^2	0.2890	0.1399	0.2846	0.1397
N	8,204	4,102	7,184	3,592

Table 9: Do signatories of the *Statement* rely more on government subsidies?

This table presents tests of whether Business Roundtable signatories are more likely to exhibit behaviors that reflect reliance on corporate subsidies. Columns (1) and (2) consider as the dependent variable an indicator for whether a firm received a subsidy while columns (3) and (4) instead use as the dependent variable the estimated yearly value of subsidies received. All specifications include two-digit NAICS industry fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	Subsidy indicator	Subsidy indicator	Log estimated yearly subsidy $	Log estimated subsidy $
Specification:	Levels	Levels	Levels	Levels
Variables based on:	Single year	Two years	Single year	Two years
	(1)	(2)	(3)	(4)
BRT Signatory	0.1986***	0.2525***	3.2734***	4.1274***
	[3.96]	[5.04]	[4.69]	[6.47]
Log lobbying $	0.0079**	0.0377**	0.0303	0.7434***
	[2.01]	[1.97]	[0.59]	[2.94]
Log market value	0.0690***	0.0050**	1.1356***	0.0493
	[3.39]	[2.16]	[4.31]	[1.53]
Market to book	0.0068***	0.1200	0.0906***	1.4748
	[3.41]	[0.86]	[3.50]	[0.76]
Sales growth rate	0.0662	0.3078	0.6308	3.0455
	[0.38]	[0.97]	[0.27]	[0.62]
ROA	0.2041	0.1005	2.2500	0.2033
	[0.76]	[0.66]	[0.55]	[0.11]
Intangibles	0.2810**	-7.9679	1.6429	-155.8202
	[2.05]	[-0.99]	[0.86]	[-1.44]
Labor intensity	2.5174	-0.4637**	-39.0690	-6.4179**
	[0.35]	[-2.10]	[-0.38]	[-2.15]
PP&E	-0.6454***	-0.2899	-10.2983***	2.7079
	[-3.06]	[-0.34]	[-3.76]	[0.24]
R&D intensity	0.0932	4.5826	4.4316	58.5616
	[0.12]	[0.67]	[0.41]	[0.60]
Capital expenditures	1.8046**	0.5514	28.9858**	11.6080
	[2.10]	[0.59]	[2.29]	[0.82]
Proportion of foreign sales	-0.4173***	-0.1710*	-3.9798***	-2.3051*
	[-4.38]	[-1.71]	[-2.98]	[-1.84]
Change in ROA	-0.2950	0.1271	-1.6896	3.1757
	[-0.95]	[0.35]	[-0.38]	[0.69]
Leverage	0.1684	0.2657*	1.7072	1.6113
	[1.03]	[1.67]	[0.79]	[0.72]
Adjusted R^2	0.3436	0.2984	0.3653	0.3679
N	4,102	3,592	3,593	3,167

Table 10: Abnormal CEO pay

This table presents results from tests of whether Business Roundtable signatory firms' CEOs are more likely to have and increase abnormally high compensation prior to and after signing the *Statement.* Columns (1) and (3) estimate 'levels' specifications while columns (2) and (4) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple years of data for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	Log abnormal CEO pay	Log abnormal CEO pay	Log abnormal CEO pay	Log abnormal CEO pay
Specification:	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)
BRT Signatory	0.0876	0.0112	0.1141	-0.0511
	[1.12]	[0.16]	[1.61]	[-1.03]
BRT Signatory × Post Statement	-0.0028		-0.0596	
	[-0.04]		[-1.01]	
Log market value	0.0815**	-0.2003***	0.0589**	-0.0052
	[1.98]	[-3.21]	[2.01]	[-0.06]
Market to book	-0.0026	0.0036	-0.0018	0.0017
	[-0.92]	[1.02]	[-0.73]	[0.56]
Sales growth rate	0.2014	0.3293**	-0.1300	0.0213
	[0.97]	[2.56]	[-0.54]	[0.12]
ROA	0.0908	2.3969***	-0.0444	1.6557***
	[0.14]	[3.17]	[-0.07]	[2.82]
Intangibles	-0.2233	-0.6307	-0.3463**	-0.9098***
	[-1.02]	[-1.20]	[-2.07]	[-2.99]
Labor intensity	-22.1299*	22.8102	-17.5282*	7.6214
	[-1.86]	[1.22]	[-1.65]	[0.57]
PP&E	-0.4511	-0.3841	-0.4982*	-0.2503
	[-1.30]	[-0.56]	[-1.81]	[-0.50]
R&D intensity	-2.4913	-0.9316	-2.3013	0.5919
	[-1.45]	[-0.36]	[-1.63]	[0.32]
Unionization rate	4.3852	-0.4124	1.0611	0.2515
	[1.45]	[-0.38]	[0.43]	[0.15]
Capital expenditures	-1.9129	-2.0815	-2.2612	-3.5044**
	[-0.79]	[-0.88]	[-1.05]	[-2.11]
Proportion of foreign sales	0.2714*	-0.1528	0.3172**	-0.1170
	[1.69]	[-0.36]	[2.55]	[-0.34]
Change in ROA	-0.2275	-0.8616**	0.6060	-0.4918
	[-0.42]	[-2.01]	[1.51]	[-1.43]
Leverage	-0.0618	1.0707*	0.0704	0.4411
	[-0.28]	[1.89]	[0.38]	[1.33]
Adjusted R^2	0.1028	0.1065	0.1284	0.0888
N	3,190	1,584	2,928	1,415

Table 11: Entrenchment

This table presents results from tests of whether management at Business Roundtable signatory firms has or gains more power relative to shareholders prior to and after signing the *Statement*. Columns (1) and (3) estimate 'levels' specifications while columns (2) and (4) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple years of data for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	E-index	E-index	E-index	E-index
Specification:	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)
BRT Signatory	-0.0736	0.0296	-0.0754	0.0355
	[-0.86]	[1.24]	[-0.92]	[1.32]
BRT Signatory × Post Statement	0.0493		0.0659*	
	[1.37]		[1.79]	
Log market value	-0.2064***	-0.0922**	-0.2029***	-0.0755**
	[-5.79]	[-2.11]	[-5.89]	[-2.17]
Market to book	0.0030	-0.0022*	0.0084***	0.0005
	[1.11]	[-1.69]	[3.14]	[0.30]
Sales growth rate	0.3250*	0.1354	0.4910**	0.1525
	[1.87]	[1.64]	[2.26]	[1.47]
ROA	0.3025	0.7827*	-0.3593	0.3710
	[0.51]	[1.72]	[-0.72]	[0.96]
Intangibles	0.1884	-0.2316	0.3120	-0.2433
	[0.83]	[-1.42]	[1.44]	[-1.33]
Labor intensity	-6.5920	9.2333	-2.7662	-2.4619
	[-0.66]	[0.93]	[-0.28]	[-0.32]
PP&E	0.4320	0.1011	0.5597	0.3760
	[1.18]	[0.28]	[1.48]	[1.26]
R&D intensity	1.7382	-1.3121	1.8900*	-0.3379
	[1.42]	[-1.23]	[1.65]	[-0.38]
Unionization rate	2.8679	-0.4333	0.7834	-0.4345
	[1.43]	[-1.03]	[0.38]	[-1.17]
Capital expenditures	-0.7455	-0.8611	-1.6085	-0.7804
	[-0.37]	[-0.70]	[-0.78]	[-0.88]
Proportion of foreign sales	-0.0240	0.2780	-0.2170	0.0806
	[-0.14]	[1.06]	[-1.38]	[0.76]
Change in ROA	-0.7166	-0.0322	0.8294	0.4179
	[-1.59]	[-0.17]	[1.55]	[1.45]
Leverage	-0.3063	0.3378	-0.2734	0.0942
	[-1.45]	[1.55]	[-1.30]	[0.47]
Adjusted R^2	0.2047	0.1777	0.2408	0.1514
N	2,642	1,230	2,479	1,143

Table 12: Board independence

This table presents results from tests of whether Business Roundtable signatory firms have or gain more insiders on their boards prior to and after signing the *Statement*. Columns (1) and (3) estimate 'levels' specifications while columns (2) and (4) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple years of data for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	% independent directors	% independent directors	% independent directors	% independent directors
Specification:	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)
BRT Signatory	-0.0041	-0.0014	-0.0080	-0.0007
	[-0.40]	[-0.21]	[-0.80]	[-0.13]
BRT Signatory × Post Statement	-0.0007		-0.0034	
	[-0.11]		[-0.52]	
Log market value	-0.0333***	-0.0000	-0.0324***	0.0103
	[-8.33]	[-0.00]	[-8.33]	[1.63]
Market to book	0.0007	0.0003*	0.0006*	-0.0000
	[1.60]	[1.68]	[1.95]	[-0.07]
Sales growth rate	0.1031***	0.0255**	0.0078	0.0095
	[4.29]	[1.99]	[0.40]	[0.88]
ROA	-0.1382**	-0.0286	-0.0961*	-0.0503
	[-2.28]	[-0.61]	[-1.72]	[-1.39]
Intangibles	-0.0192	-0.0327	-0.0294*	-0.0355
	[-0.98]	[-0.75]	[-1.65]	[-1.15]
Labor intensity	-1.7872	-0.0721	-2.2232	-1.1626
	[-0.95]	[-0.07]	[-1.05]	[-1.58]
PP&E	-0.0371	0.0747	-0.0251	0.0494
	[-0.87]	[1.35]	[-0.56]	[1.31]
R&D intensity	0.1492	-0.6331***	0.1170	-0.1016
	[0.66]	[-2.75]	[0.45]	[-0.67]
Unionization rate	0.0382	-0.3899**	0.2052	-0.1387
	[0.12]	[-2.35]	[0.76]	[-1.23]
Capital expenditures	-0.1026	0.1130	-0.0399	-0.0669
	[-0.53]	[0.85]	[-0.18]	[-0.59]
Proportion of foreign sales	0.0164	-0.0029	0.0209	0.0171
	[0.87]	[-0.07]	[1.07]	[0.55]
Change in ROA	-0.0899	-0.0560**	-0.1724***	0.0088
	[-1.12]	[-2.10]	[-2.66]	[0.48]
Leverage	0.0223	-0.0182	0.0281	-0.0036
	[0.73]	[-0.49]	[1.00]	[-0.12]
Adjusted R^2	0.3164	0.1039	0.3290	0.0950
N	6,237	3,058	5,469	2,643

Table 13: Contradictory management guidance

This table presents results from tests of whether Business Roundtable signatory firms are more likely to issue guidance on shareholder proposals that contradicts the guidance issued by Institutional Shareholder Services (ISS). Columns (1) and (3) estimate 'levels' specifications while columns (2) and (4) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple years of data for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	Mgmt/ISS disagreement on governance proposal	Mgmt/ISS disagreement on governance proposal	Mgmt/ISS disagreement on governance proposal	Mgmt/ISS disagreement on governance proposal
Specification:	Levels	Changes	Levels	Changes
Variables based on:	Single year	Single year	Two years	Two years
	(1)	(2)	(3)	(4)
BRT Signatory	0.1333**	0.0098	0.1405**	-0.0314
	[2.14]	[0.20]	[2.36]	[-0.44]
BRT Signatory × Post Statement	0.0055		0.0243	
	[0.11]		[0.34]	
Log market value	0.1245***	0.0459	0.1459***	0.0809
	[6.06]	[0.83]	[8.23]	[1.41]
Market to book	-0.0005	0.0013	-0.0010	0.0016
	[-0.27]	[1.42]	[-0.68]	[1.25]
Sales growth rate	0.0845	0.0618	-0.0597	0.1369
	[0.75]	[0.53]	[-0.58]	[1.64]
ROA	-1.0111***	-0.2211	-0.9095**	-0.3263
	[-3.05]	[-0.55]	[-2.55]	[-0.84]
Intangibles	-0.3246**	-0.8314*	-0.2138	-1.3209***
	[-2.24]	[-1.95]	[-1.60]	[-3.55]
Labor intensity	-2.1050	-6.8547	-10.3829	7.3226
	[-0.32]	[-0.68]	[-1.55]	[0.85]
PP&E	-0.0587	0.4566	-0.1803	-0.6669
	[-0.30]	[0.84]	[-0.97]	[-1.30]
R&D intensity	-0.7732	-3.6437*	-1.1795	-6.7723***
	[-0.87]	[-1.92]	[-1.35]	[-2.88]
Unionization rate	-0.0293	0.4276	1.8637	-0.9524
	[-0.01]	[0.29]	[0.92]	[-0.70]
Capital expenditures	0.6872	0.3863	1.2245	-1.6599
	[0.61]	[0.47]	[0.99]	[-1.37]
Proportion of foreign sales	-0.1031	-0.3879	-0.1753	-0.2742
	[-0.88]	[-1.00]	[-1.44]	[-1.48]
Change in ROA	0.4979**	0.1272	0.2347	0.1916
	[2.48]	[0.63]	[1.01]	[1.12]
Leverage	0.2184	0.2287	0.2755*	0.1934
	[1.51]	[0.97]	[1.90]	[0.93]
Adjusted R^2	0.2442	0.0866	0.2892	0.1302
N	6,075	2,947	5,367	2,588

Table 14: Event study

This table presents results from market reaction tests to the August 19, 2019 announcement of the Business Roundtable's updated *Statement on the Purpose of a Corporation*. We consider three different event windows for calculating cumulative abnormal returns and abnormal daily trading volume. Columns (1) and (4) correspond to a "short" event window of (0, +1), reflecting the announcement day and the next trading day. Columns (2) and (5) correspond to a "medium" event window of (-1, +3). Columns (3) and (6) correspond to a "long" event window of (-3, +15). *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. All specifications include two-digit NAICS industry fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates. t-statistics are in brackets beneath coefficient estimates.

Event window:	(0,+1)	(-1,+3)	(-3,+15)	(0,+1)	(-1,+3)	(-3,+15)
Dependent variable:	CAR	CAR	CAR	Abnormal trading volume	Abnormal trading volume	Abnormal trading volume
	(1)	(2)	(3)	(4)	(5)	(6)
BRT Signatory	0.0013	0.0080	0.0236***	-0.0461	-0.0833	-0.0962
	[0.60]	[1.64]	[2.94]	[-0.64]	[-1.20]	[-1.48]
Log market value	0.0003	-0.0023	-0.0126***	-0.0797***	-0.0798***	-0.0741***
	[0.39]	[-1.32]	[-4.47]	[-3.29]	[-3.74]	[-3.51]
Market to book	-0.0001*	-0.0001	-0.0003	-0.0065*	-0.0051**	-0.0036**
	[-1.65]	[-1.33]	[-1.56]	[-1.75]	[-2.35]	[-2.26]
ROA	-0.0061	-0.0248	-0.0973**	0.0533	0.4185	0.4225
	[-0.41]	[-1.02]	[-2.00]	[0.08]	[0.54]	[0.46]
Leverage	0.0099*	0.0334***	0.0272	0.3991	0.1150	0.1925
	[1.76]	[3.43]	[1.09]	[1.38]	[0.52]	[1.09]
Adjusted R^2	0.1740	0.1667	0.2050	0.1387	0.1649	0.1688
N	3,300	3,300	3,300	3,300	3,300	3,300

Table 15: Late Signers of the *Statement on the Purpose of a Corporation*

This table presents results from tests of whether firms that did not initially sign the *Statement on the Purpose of a Corporation* in August 2019, but subsequently did so, exhibit similar stakeholder-related behavior to initial signatories. In Columns (1) – (3), we assess behavior with respect to the likelihood of being sanctioned for violations of federal law. In Columns (4) and (5) we consider carbon emissions intensity as the dependent variable using scope 1+2 and scope 3 emissions respectively. All specifications include two-digit NAICS industry and year fixed effects, and standard errors are clustered by firm. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	Any violation indicator	Labor violation indicator	Environmental violation indicator	Scope 1 emissions intensity	Scope 3 emissions intensity
	(1)	(2)	(3)	(4)	(5)
Original BRT Signatory	0.2111***	0.1536***	0.1123***	0.1295***	0.1645
	[3.97]	[3.06]	[2.87]	[2.64]	[1.01]
Late BRT Signatory	0.1180	0.1274	0.0248	0.0121	0.0279
	[1.46]	[1.57]	[0.44]	[0.18]	[0.16]
Original BRT Signatory × Post Statement	-0.0479	-0.0453	0.0119	0.0034	-0.0007
	[-0.76]	[-0.62]	[0.28]	[0.13]	[-0.00]
Late BRT Signatory × Post Statement	-0.0706	-0.0695	-0.0104	0.0198	-0.0891
	[-0.75]	[-0.71]	[-0.18]	[0.48]	[-0.75]
Log market value	0.0804***	0.0684***	0.0271**	-0.0284*	-0.0359
	[4.66]	[4.90]	[2.34]	[-1.77]	[-0.83]
Market to book	-0.0019	-0.0008	0.0015	0.0013	-0.0039
	[-1.18]	[-0.60]	[1.28]	[0.71]	[-0.95]
Sales growth rate	0.0484	-0.0064	0.1034	0.2619	-0.8986***
	[0.52]	[-0.07]	[1.37]	[1.00]	[-3.01]
ROA	-0.2221	-0.2166	-0.1052	-0.3394*	0.8528
	[-0.96]	[-1.10]	[-0.69]	[-1.73]	[0.85]
Intangibles	0.1140	0.0747	-0.0318	-0.0228	-0.7168**
	[0.93]	[0.75]	[-0.42]	[-0.25]	[-2.01]
Labor intensity	-4.4260	1.2298	-0.2204	-0.6517	-29.2422**
	[-0.88]	[0.27]	[-0.07]	[-0.12]	[-2.04]
PP&E	0.0024	0.0427	0.3952***	0.8685**	2.6198***
	[0.01]	[0.26]	[2.72]	[2.55]	[3.23]
R&D intensity	-2.1744***	-2.4132***	-1.6872***	-0.5801	-3.7265**
	[-3.74]	[-5.18]	[-4.02]	[-1.35]	[-2.47]
Unionization rate	-1.3333	1.5774	-0.6333	-4.3941**	-1.8092
	[-0.37]	[0.52]	[-0.21]	[-2.44]	[-0.25]
Capital expenditures	1.0650	0.5491	-0.0343	-0.7128	-5.3563
	[0.87]	[0.65]	[-0.05]	[-0.56]	[-1.56]
Proportion of foreign sales	-0.1989**	-0.2216***	-0.0597	-0.0985	-0.2015
	[-2.26]	[-2.99]	[-1.09]	[-1.13]	[-0.82]
Change in ROA	-0.1729	0.2157	-0.1266	-0.2491	-0.6081
	[-0.70]	[0.85]	[-0.68]	[-0.82]	[-0.90]
Leverage	0.0157	0.0831	0.0607	0.0137	-1.2582***
	[0.13]	[0.68]	[0.79]	[0.13]	[-2.71]
Adjusted R^2	0.1936	0.2142	0.2475	0.5680	0.2667
N	8,306	8,306	8,306	6,467	6,467

Table 16: Do Signatory Firms Exhibit Superior ESG Scores?

This table presents results from tests of whether Business Roundtable signatories exhibit superior ESG scores relative to non-signatory matched peer firms as well as whether signatory firms improve, relative to peers, subsequent to signing the statement. In Columns (1) and (2) we consider scores from KLD, while in columns (3) – (6) we consider scores from Refinitiv (known as Asset4 during much of our sample period). Columns (1), (2), (3), and (5) estimate 'levels' specifications while columns (4) and (6) estimate 'changes' specifications. All specifications include two-digit NAICS industry fixed effects and, for those specifications involving multiple years of data for a single firm, year fixed effects. *, **, and *** denote significance at 10%, 5%, and 1% levels, respectively. t-statistics are in brackets beneath coefficient estimates.

Dependent variable:	KLD CSR score	KLD CSR score	Refinitiv CSR score	Refinitiv CSR score	Refinitiv CSR score	Refinitiv CSR score
	Levels Single year	Levels Two years	Levels Single year	Changes Single year	Levels Two years	Changes Two years
	(1)	(2)	(3)	(4)	(5)	(6)
BRT Signatory	0.2476	0.4870*	0.1130***	-0.0620***	0.1124***	-0.0758***
	[0.85]	[1.75]	[7.42]	[-3.97]	[6.97]	[-4.94]
BRT Signatory × Post Statement			-0.0659***		-0.0656***	
			[-3.88]		[-3.65]	
Log market value	0.5974***	0.4532***	0.0302***	0.0131	0.0340***	-0.0029
	[4.79]	[3.41]	[4.27]	[0.88]	[4.52]	[-0.19]
Market to book	-0.0161	-0.0340**	-0.0019***	-0.0009*	-0.0006	0.0007
	[-0.99]	[-2.46]	[-3.65]	[-1.95]	[-1.28]	[1.59]
Sales growth rate	-3.6821***	-2.2311*	-0.1703***	-0.1183**	-0.2173***	-0.0539
	[-3.07]	[-1.88]	[-3.06]	[-2.10]	[-3.67]	[-1.10]
ROA	-0.4437	0.7710	0.2953***	0.1552	0.1649	-0.2676
	[-0.18]	[0.24]	[2.77]	[1.02]	[1.54]	[-1.21]
Intangibles	-2.3261***	-3.0040***	0.1140**	0.2363**	0.0556	0.1132
	[-2.97]	[-3.69]	[2.35]	[2.36]	[1.23]	[1.39]
Labor intensity	1.2625	23.3037	2.5019	-1.3588	1.1175	-2.9014
	[0.03]	[0.59]	[1.33]	[-0.24]	[0.52]	[-0.52]
PP&E	-3.7660***	-3.4445***	0.1015	0.2007	0.0705	0.2182
	[-2.70]	[-2.63]	[1.38]	[1.13]	[0.93]	[1.40]
R&D intensity	0.3329	5.8064	-0.4988**	0.1031	-0.3600	-0.8095
	[0.04]	[0.76]	[-2.21]	[0.18]	[-1.52]	[-1.20]
Unionization rate		-2.8993	-1.0096	1.0342***	-0.4217	0.9177
		[-0.10]	[-1.30]	[3.36]	[-0.58]	[1.37]
Capital expenditures	-4.0098	-8.0057	-0.6132**	0.1770	-0.5130	0.6575
	[-0.67]	[-1.06]	[-2.02]	[0.37]	[-1.54]	[1.10]
Proportion of foreign sales	1.0453	1.7063***	-0.0063	-0.0081	0.0031	-0.1044
	[1.60]	[2.68]	[-0.16]	[-0.07]	[0.08]	[-1.35]
Change in ROA	5.2524*	1.1949	0.1820*	0.1604**	0.2260	0.2248
	[1.83]	[0.45]	[1.89]	[2.21]	[1.27]	[1.04]
Leverage	0.9133	1.3937	-0.0382	-0.1299	-0.0189	-0.3201***
	[0.86]	[1.47]	[-0.84]	[-1.37]	[-0.43]	[-3.55]
Adjusted R^2	0.3134	0.3128	0.4261	0.1800	0.1124***	0.1849
N	2,049	1,705	5,151	2,468	[6.97]	2,161