CEOs' Endorsements of Stakeholder Values: Cheap Talk or Meaningful Signal? An Empirical Analysis

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In 2019, 181 CEOs of major companies rocked the corporate governance world when they signed the Business Roundtable Statement, endorsing the idea that corporations are meant to serve all their constituencies and not just their shareholders.

Reactions were sharply divided. Some applauded the Roundtable Statement and viewed it as evidence that U.S. businesses are moving towards greater emphasis on stakeholder values. Others criticized the Roundtable Statement as cheap talk and even voiced concerns that it might allow CEOs to benefit themselves under the guise of protecting stakeholders.

We contribute to that debate by analyzing the Roundtable Statement empirically, using a combination of commercial datasets and hand-collected data. Our analysis yields several key insights.

First, we show that firms that signed the Roundtable Statement in 2019 were slightly more likely than other public corporations to terminate their business activities in Russia following Russia's 2022 invasion of Ukraine. Thus, on one of the key issues of our time, signing the Roundtable Statement predicted future behavior in compliance with one of the fundamental non-financial values (human dignity) embraced by the Roundtable Statement.

We also show that signing the Roundtable Statement correlates with firms' current and future ESG performance. Using Refinitiv ESG scores, we find that the 2019 signatories of the Roundtable Statement were, at the time, more committed to employees, communities, human rights, responsible resource use, and low emissions than other corporations. Furthermore, signing the Roundtable Statement is associated with high future ESG scores in most of these fields. That is particularly true for community- and employee-related conduct, where signing the Roundtable Statement predicted improvements in already high ESG scores in subsequent years.

Finally, when the Roundtable Statement was originally published on August 19, 2019, corporations whose CEOs had signed the Roundtable Statement experienced positive abnormal stock market returns relative to other corporations. However, we also find some evidence that the statistical significance of this last finding may be due to the cross-sectional correlation of stock returns and must, therefore, be interpreted with great caution.

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Our findings have profound implications for corporate governance and financial markets. In the area of corporate governance, they demonstrate the practical importance of the much-maligned concept of enlightened shareholder value. Concerning financial markets, our results show that managers' declarations, like the Roundtable Statement, can contribute to solving a key challenge for ESG investing: the problem of how to signal a firm's current and future commitment to stakeholder values without subjecting the company to cumbersome and inflexible legal constraints.

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INTRODUCTION

On August 19, 2019, the Business Roundtable rocked the corporate governance world by publishing its "Statement on the Purpose of a Corporation" (Roundtable Statement).[1]

1. *See, e.g.*, Jill E. Fisch & Steven Davidoff Solomon, *Should Corporations Have a Purpose?*, 99 TEX. L. REV. 1309, 1309–10 (2021) (noting that "the Business Roundtable made international headlines"); Andrew Ross Sorkin, *How Shareholder Democracy Failed the People*, N.Y. TIMES: DEALBOOK (Aug. 21, 2019), https://www.nytimes.com/2019/08/20/business/dealbook/business-roundtable-corporate-responsibility.html (on file with *The Journal of Corporation Law*) (identifying the Roundtable Statement as "a significant shift"); The Editorial Board, Opinion, *Business Must Act on a New Corporate Purpose*, FIN. TIMES (Aug. 19, 2019), https://www.ft.com/content/3732eb04-c28a-11e9-a8e9-296ca66511c9 [https://perma.cc/RW27-4QFN] (remarking that the Roundtable Statement was "a major change in thinking" that may mark "[a]n important shift . . . in corporate America"); Industry Week Staff, *Corporations' New Purpose—To Serve All Stakeholders Not Just Shareholders*, INDUSTRYWEEK (Aug. 20, 2019), https://www.industryweek.com/leadership/article/22028107/corporations-new-purpose-to-serve-all-stakeholders-not-just-shareholders [https://perma.cc/A7GW-NXVW] (commenting that the Roundtable Statement indicated that "the corporate world [was] all in" on benefiting stakeholders); Afdhel Aziz, *The Power of Purpose: How Conscious Capitalism Is Helping Shape the New Paradigm for Business*, FORBES (Sept. 5, 2019), https://www.forbes.com/sites/afdhelaziz/2019/09/05/the-power-of-purpose-how-conscious-capitalism-is-helping-shape-the-new-paradigm-for-business/ [https://perma.cc/62CH-ADVW] (proclaiming that the Roundtable Statement was a "revolutionary . . . moment in business"); *see infra* notes 56–57 and accompanying text (explaining the different reactions the press has had in response to the Roundtable Statement).

Initially signed by 181 CEOs of large companies,[2] the Roundtable Statement proclaimed that a corporation's purpose is to serve not just shareholders but also other constituencies such as employees, communities, and the environment.[3] By the end of 2022, the total number of Roundtable Statement signatories reached 265.[4]

Most scholars believe that the Roundtable Statement does not amount to a rejection of shareholder primacy[5]—the idea that corporate managers should ultimately manage the corporation for the benefit of shareholders.[6] We agree. Nothing in the Roundtable Statement's wording is inconsistent with the idea of shareholder primacy.[7] Moreover, almost 70% of all the public U.S. corporations whose CEOs signed the Roundtable Statement are incorporated in Delaware,[8] and Delaware courts firmly adhere to the shareholder primacy principle.[9] It seems highly improbable that so many CEOs would have

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2. Claudine Gartenberg & George Serafeim, *181 Top CEOs Have Realized Companies Need a Purpose Beyond Profit*, HARV. BUS. REV. (Aug. 20, 2019), https://hbr.org/2019/08/181-top-ceos-have-realized-companies-need-a-purpose-beyond-profit [https://perma.cc/J5SM-JKT2]. Since the Roundtable Statement was published on August 19, 2019, many more CEOs have added their signature. *Infra* Table 1. We are using the term "CEO" in a broad manner since not all signatories are corporate CEOs in the technical sense.

3. BUS. ROUNDTABLE, STATEMENT ON THE PURPOSE OF A CORPORATION (2019), https://system.businessroundtable.org/app/uploads/sites/5/2023/02/WSJ_BRT_POC_Ad.pdf [https://perma.cc/L9TN-HJC2].

4. *Infra* Table 1. Our data regarding the Roundtable Statement's signatories are up to date as of December 31, 2022.

5. *E.g.*, Lucian A. Bebchuk & Roberto Tallarita, *The Illusory Promise of Stakeholder Governance*, 106 CORNELL L. REV. 91, 98 (2020) (arguing "that the BRT statement was mostly for show, and was not expected by signatories to bring about significant changes"); Lucian A. Bebchuk, Kobi Kastiel & Roberto Tallarita, *Does Enlightened Shareholder Value Add Value?*, 77 BUS. LAW. 731, 738 (2022); Luca Enriques, *The Business Roundtable CEOs' Statement: Same Old, Same Old*, PROMARKET (Sept. 9, 2019), https://www.promarket.org/2019/09/09/the-business-roundtable-ceos-statement-same-old-same-old [https://perma.cc/F8QV-RA6Z]; Jesse Fried, *The Roundtable's Stakeholderism Rhetoric Is Empty, Thankfully*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Nov. 22, 2019), https://corpgov.law.harvard.edu/2019/11/22/the-roundtables-stakeholderism-rhetoric-is-empty-thankfully [https://perma.cc/WP2L-59FE].

6. *See, e.g.*, Stephen M. Bainbridge, *In Defense of the Shareholder Wealth Maximization Norm: A Reply to Professor Green*, 50 WASH. & LEE L. REV. 1423, 1424 (1993) ("Delaware law . . . requires directors to put shareholder interests ahead of those of nonshareholders."). There are other definitions of shareholder primacy. For example, the term "shareholder primacy" is sometimes used to refer to the principle that the shareholders exercise "ultimate control" over a corporation. *Cf.* Robert B. Thompson, *Anti-Primacy: Sharing Power in American Corporations*, 71 BUS. LAW. 381, 387–90 (2016) (explaining the different meanings of the primacy norm). Nonetheless, such alternative interpretations of shareholder primacy are irrelevant to our analysis and, thus, beyond the scope of this Article.

7. *See* sources cited *supra* note 5.

8. *Infra* Table 5; *see also* Bebchuk & Tallarita, *supra* note 5, at 137 ("[A]bout 70% of U.S. companies that joined the BRT statement are incorporated in Delaware . . . .").

9. *See, e.g.*, Unocal Corp. v. Mesa Petrol. Co., 493 A.2d 946, 955 (Del. 1985) (recognizing "the basic principle that corporate directors have a fiduciary duty to act in the best interests of the corporation's stockholders"); eBay Domestic Holdings., Inc. v. Newmark, 16 A.3d 1, 34 (Del. Ch. 2010) (holding that directors have an obligation "to promote the value of the corporation for the benefit of its stockholders"); N. Am. Cath. Educ. Programming Found., Inc. v. Gheewalla, 930 A.2d 92, 101 (Del. 2007) (holding that the directors "have 'the legal responsibility to manage the business of a corporation for the benefit of its shareholders owners'" (quoting Malone v. Brincat, 722 A.2d 5, 9 (Del. 1998))). *But see* Fisch & Davidoff Solomon, *supra* note 1, at

signed the Roundtable Statement if its text implied a breach of their duties under Delaware law.[10]

Still—and this is where we disagree with the Roundtable Statement's critics—just because the Roundtable Statement does not reject the shareholder primacy principle does not mean that it is vacuous or irrelevant. Instead, we read the Roundtable Statement to endorse two highly consequential propositions.

The first proposition is normative: corporations and their CEOs have a moral duty to protect the interests of non-shareholder constituencies.[11] If the Roundtable Statement signatories meant what they said, the public acknowledgement of that duty can be highly informative for investors. Managers, facing conditions of imperfect information, must sometimes choose between different courses of action that, *ex ante*, appear equally likely to maximize shareholder wealth but that differ in their impact on stakeholders.[12] Knowing the moral views of CEOs can help investors predict how CEOs will resolve those choices.[13]

The Roundtable Statement's second and even more critical proposition is the empirical claim that protecting stakeholders is essential to long-term shareholder wealth maximization.[14] By endorsing this proposition, signatory CEOs provide investors with information about the weight they attach to stakeholder values as a means of maximizing shareholder wealth.[15] In other words, signing the Roundtable Statement provides investors with information regarding CEOs' views on *how* to maximize shareholder wealth.

The Roundtable Statement's critics argue that the Roundtable Statement lacks normative bite because it does not create enforceable duties.[16] In our view, this critique fundamentally misconceives the Roundtable Statement's function. The purpose of the Roundtable Statement is not to create new obligations. Rather, its role is to provide capital

1332 (arguing that outside specific areas, black-letter corporate law fails to "impose[] a binding obligation of shareholder primacy"). For recent scholarship recounting where the shareholder primacy debate currently stands, see generally Stephen M. Bainbridge, *Why We Should Keep Teaching* Dodge v. Ford, 48 J. CORP. L. 77 (2022) (arguing in favor of the shareholder primacy norm as a binding, intelligible principle); Robert T. Miller, *Delaware Law Requires Directors to Manage the Corporation for the Benefit of Its Stockholders and the Absurdity of Denying It: Reflections on Professor Bainbridge's* Why We Should Keep Teaching *Dodge v. Ford Motor Co.*, 48 J. CORP. L. DIGIT. 32 (2023) (agreeing with Professor Bainbridge on the shareholder primacy principle and recounting the historical debate).

10. *Cf.* Bebchuk & Tallarita, *supra* note 5, at 138 (arguing that, given Delaware's commitment to shareholder primacy, CEOs of Delaware corporations "would face significant legal issues if they explicitly chose to" balance shareholder interests against those of other stakeholders); Jackson C. Esker, Note, *Corporate Social Responsibility: Can a Corporation Be Responsible If Its Only Responsibility Is to the Shareholders?*, 106 IOWA L. REV. 1961, 1973 (2021) (pointing out that "[i]f the BRT Statement is read as an explicit rejection of shareholder wealth maximization, then the BRT CEOs would be in breach of legal duties owed to their corporations").

11. *Infra* Part I.

12. *Id.*

13. *Id.*

14. *Id.*

15. *Id.*

16. *See*, *e.g.*, Bebchuk & Tallarita, *supra* note 5, at 127 (criticizing that "the specifics of [the Roundtable's] commitments are quite vague and elusive"); Lisa M. Fairfax, *Stakeholderism, Corporate Purpose, and Credible Commitment*, 108 VA. L. REV. 1163, 1193 (2022) (arguing that the vagueness of the Roundtable Statement makes it difficult to evaluate firms' commitment to their stated values).

markets with critical information about (1) how the signatory CEOs view firms' moral obligations to stakeholders and (2) whether CEOs believe that protecting stakeholders is key to maximizing shareholder wealth.

In game-theoretical terms, we assume that there are different types of CEOs: those that share the values expressed by the Roundtable Statement and those that do not. We also assume that investors have incomplete information about a CEO's type. By signing (or not signing) the Roundtable Statement, a CEO can signal their type. Sending this signal is costly because any CEO who signs the Roundtable Statement but later takes actions inconsistent with the Roundtable Statement's values risks both public shaming and acquiring a reputation for being dishonest. Crucially though, signatories who never intended to live up to the Roundtable Statement's values (dishonest signatories) are, *ex ante*, more likely to take actions that are inconsistent with the statement than CEOs who share the Roundtable Statement's values (honest signatories). Therefore, the expected costs of signing the Roundtable Statement are greater for dishonest signatories than for honest ones. For this reason, CEOs are more likely to sign the Roundtable Statement if they share its values. That, in turn, means that signing the Roundtable Statement is an informative, if fuzzy, signal that helps investors identify a CEO's type.

Of course, the question of whether the Roundtable Statement is a meaningful signal or mere cheap talk is ultimately an empirical one. Reactions to the Roundtable Statement in academic literature and public discourse point in different directions. Some commentators cite the Roundtable Statement as evidence that corporate practice is moving towards giving stakeholder concerns a more central role in corporate governance.[17] This

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17. *See, e.g.*, George S. Georgiev, *The Human Capital Management Movement in U.S. Corporate Law*, 95 TUL. L. REV. 639, 734 (2021) (arguing that the Business Roundtable Statement represents an attempt to redefine the corporate purpose in accordance with a stakeholder value model); Barbara Novick, *"The Goldilocks Dilemma": A Response to Lucian Bebchuk and Scott Hirst*, 120 COLUM. L. REV. F. 80, 106 (2020) (arguing that the release of the Business Roundtable Statement "reflect[s] the need for companies to consider multiple stakeholders"); Savannah J. Wolfe, Note, *Business Playing Politics: Strengthening Shareholders' Rights in the Age of CEO Activism*, 23 LEWIS & CLARK L. REV. 1469, 1480 (2019) (arguing that the Business Roundtable Statement reflects the mindset of the signatories); Fairfax, *supra* note 16, at 1241 (expressing cautious optimism that the Business Roundtable statement may be accompanied by meaningful change); Jennifer O'Hare, *Corporate Governance Guidelines: How to Improve Disclosure and Promote Better Corporate Governance in Public Companies*, 49 FLA. ST. U. L. REV. 257, 268 (2022) (arguing that the Statement constitutes "an important landmark" for the stakeholder primacy trend); *cf.* Fisch & Davidoff Solomon, *supra* note 1, at 1339 (expressing doubt that "corporate CEOs will change their behavior" because of the Roundtable statement, but stressing that a "[p]urpose allows a corporation to signal its priorities to its stakeholders"); David Gelles & David Yaffe-Bellany, *Shareholder Value Is No Longer Everything, Top C.E.O.s Say*, N.Y. TIMES (Aug. 20, 2019), https://www.nytimes.com/2019/08/19/business/business-roundtable-ceos-corporations.html (on file with *The Journal of Corporation Law*) (interpreting the Roundtable Statement as "an explicit rebuke of the notion that the role of the corporation is to maximize profits at all costs"); Maya Steinitz, *The Partnership Mystique: Law Firm Finance and Governance for the 21st Century American Law Firm*, 63 WM. & MARY L. REV. 939, 966 (2022) (citing the Roundtable Statement as "evidence that the zeitgeist within corporate America is shifting" towards stakeholder values). Some commentators did not view the Business Roundtable statement as bringing radical change but praised it for making explicit the idea that stakeholder values and shareholder wealth can often be pursued simultaneously without conflict. *E.g.*, Colin Mayer, Essay, *Shareholderism Versus Stakeholderism—A Misconceived Contradiction: A Comment on "The Illusory Promise of Stakeholder Governance," by Lucian*

view assumes, at least implicitly, that the Roundtable Statement's signatories were genuine in the views that they embraced.

Others, however, view the Roundtable Statement critically.[18] At best, they argue, the Roundtable Statement is a mere publicity stunt with little or no impact on corporate policies.[19] At worst, they assert, the Roundtable Statement serves as a convenient cover allowing opportunistic managers to benefit themselves at the expense of shareholders while pretending to protect other constituencies.[20]

Bebchuk and Roberto Tallarita, 106 CORNELL L. REV. 1859, 1865–66, 1870–72 (2021) (addressing the perceived nuance in signing the statement). This interpretation of the Roundtable Statement may have proven popular in part because, even prior to the publication of the Roundtable Statement, the idea of stakeholder values as an essential part of corporate governance was experiencing a renaissance in the corporate law literature as well as in policy debates. *See*, *e.g.*, David J. Berger, *Reconsidering Stockholder Primacy in an Era of Corporate Purpose*, 74 BUS. LAW. 659, 662 (2019) (pointing out the "growing recognition . . . that corporations must focus on broader corporate purposes, beyond stockholder value"). Some critics of shareholder primacy only argue that managers ought to be able to act in the interest of other constituencies to the extent that doing so does not conflict with the goal of shareholder wealth maximization. *See, e.g.*, Virginia Harper Ho, *"Enlightened Shareholder Value": Corporate Governance Beyond the Shareholder-Stakeholder Divide*, 36 J. CORP. L. 59, 62 (2010) (advocating for "enlightened shareholder value," which takes stakeholder interests into account for long-term shareholder wealth maximization). Others go further and suggest, either implicitly or explicitly, that managers ought to be able to benefit other stakeholders even if doing so conflicts with shareholder wealth maximization. *See, e.g.*, Lynn A. Stout, Response, *The Toxic Side Effects of Shareholder Primacy*, 161 U. PA. L. REV. 2003, 2020 (2013) (arguing that shareholder primacy imposes costs on other constituents that may exceed its benefits to shareholders); David G. Yosifon, *The Law of Corporate Purpose*, 10 BERKELEY BUS. L.J. 181, 228 (2014) (proposing a model that "encourage[s] good faith attention to the interests of multiple corporate stakeholders").

18. *See e.g.*, Anat Alon-Beck, *Times They Are A-Changin': When Tech Employees Revolt!*, 80 MD. L. REV. 120, 127 (2020) (suggesting that "many of the signatories were probably using the statement for public relations purposes"); Lucian A. Bebchuk & Roberto Tallarita, *Will Corporations Deliver Value to All Stakeholders?*, 75 VAND. L. REV. 1031, 1035 (2022) (arguing "that the BRT Statement was largely for show") [hereinafter Bebchuk & Tallarita, *All Shareholders?*]; Bebchuk & Tallarita, *supra* note 5, at 98; Fried, *supra* note 5 (arguing that "[t]he Statement changes precisely nothing"); Enriques, *supra* note 5 (arguing that "[d]espite the media hype[,] . . . the . . . statement from the Business Roundtable contains nothing new of substance")*; cf.* Nell Minow, *Six Reasons We Don't Trust the New "Stakeholder" Promise from the Business Roundtable*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Sept. 2, 2019), https://corpgov.law.harvard.edu/2019/09/02/six-reasons-we-dont-trust-the-new-stakeholder-promise-from-the-business-roundtable [https://perma.cc/UJ4U-XZVE] (expressing skepticism "about what the CEO signatories to [the] [S]tatement have in mind"); Katharina Pistor, *Why America's CEOs Have Turned Against Shareholders*, PROJECT SYNDICATE (Aug. 26, 2019), https://www.project-syndicate.org/commentary/american-ceos-turn-against-shareholder-primacy-by-katharina-pistor-2019-08 [https://perma.cc/ED9B-3P7L] (stating that "no one should assume that corporate America has finally seen the light"); Jesse Fried, *Shareholders Always Come First and That's a Good Thing*, FIN. TIMES (Oct. 7, 2019), https://www.ft.com/content/fff170a0-e5e0-11e9-b8e0-026e07cbe5b4 (on file with *The Journal of Corporation Law*) (arguing that the Roundtable Statement is only paying "lip service" to stakeholder values); Dorothy S. Lund, *Corporate Finance for Social Good*, 121 COLUM. L. REV. 1617, 1619 (2021) (citing the Business Roundtable as an example of advocacy not resulting in "genuine change").

19. *See, e.g.*, Alon-Beck, *supra* note 18, at 127 (asserting that the Statement was mostly for show); Bebchuk & Tallarita, *supra* note 5, at 98; Bebchuk & Tallarita, *All Stakeholders?*, *supra* note 18, at 1035.

20. S*ee, e.g.*, Bebchuk & Tallarita, *All Stakeholders?*, *supra* note 18, at 1086 (arguing that "the main impact of such pledges might be to insulate corporate leaders from shareholders or to deflect outside pressures to adopt governmental measures that would truly serve stakeholders"). Similarly, it has been suggested that the Roundtable statement may allow CEOs to undermine the political case for more meaningful changes, such as the

There is little empirical evidence to settle this question.[21] And what evidence has been adduced has tended to bolster the Roundtable Statement's critics.[22] By contrast, in this Article, we provide several empirical findings that are consistent with our view of the Roundtable Statement as helping CEOs send a meaningful signal to investors.

First, we show that firms that signed the Roundtable Statement in 2019 were more likely to terminate their business in Russia following Russia's 2022 invasion of Ukraine.[23] Given the blatant human rights violations committed as part of this invasion,[24] withdrawal from Ukraine is a plausible and difficult-to-finesse indicator of firms' commitment to human dignity, a value repeatedly mentioned in the Roundtable Statement.[25] Thus, on one of the key issues of our time, signing the Roundtable Statement predicts future behavior in compliance with one of the fundamental non-financial values embraced by the Roundtable Statement.

Second, we examine to what extent signing the Roundtable Statement predicts corporations' current and future conduct vis-à-vis their various stakeholders. Using Refinitiv ESG scores, we find that the 2019 signatories of the Roundtable Statement were, at the time, more committed to employees, communities, human rights, responsible use of resources, and low emissions than other corporations.[26] We also show that signing the Roundtable Statement is associated with high future scores in these categories.[27] And beyond simply maintaining high scores in the future, we further demonstrate that signing the Roundtable Statement predicts future improvement in corporate treatment of

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codetermination proposals advanced by Elizabeth Warren and Bernie Sanders. Matteo Gatti & Chrystin Ondersma, *Can a Broader Corporate Purpose Redress Inequality? The Stakeholder Approach Chimera*, 46 J. CORP. L. 1, 8–9 (2020).

21. In an excellent series of articles, Lucian Bebchuk and Roberto Tallarita have collected substantial and highly persuasive evidence that the Business Roundtable Statement does not break with shareholder primacy. Bebchuk & Tallarita, *supra* note 5, at 127–28; Bebchuk & Tallarita, *All Stakeholders?*, *supra* note 18, at 1035. However, their evidence does not allow any clear inference regarding the question we identify—whether signing the Statement sends a meaningful signal to investors.

22. In related work, Aneesh Raghunandan and Shiva Rajgopal give a devastating assessment: they find that the signatory firms commit more federal environmental and labor-related compliance violations and have higher carbon emissions. Aneesh Raghunandan & Shiva Rajgopal, *Do Socially Responsible Firms Walk the Talk?*, J.L. & ECON. (forthcoming 2024) (manuscript at 2), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3609056 [https://perma.cc/JZ44-4CEB].

23. *See infra* Part VII.F.

24. *See, e.g.*, Valerie Hopkins, *Ukraine Faces Steep Climb in Seeking Justice for War Crime*s, N.Y. TIMES, July 4, 2022, at A6 (describing efforts to document and prosecute war crimes committed in Ukraine); Carlotta Gall, *On the Trail of Horrors Perpetrated During War*, N.Y. TIMES, Apr. 30, 2022, at A4 (describing the efforts of Ukraine's human rights commissioner to document human rights violations committed in the context of Russia's Invasion); Livia Albeck-Ripka, *The U.S. Accuses Russia of War Crimes, Alleging Hundreds of Thousands of Ukrainian Deportations*, N.Y. TIMES (July 13, 2022), https://www.nytimes.com/2022/07/14/world/us-russia-ukrainian-deportations.html (on file with *The Journal of Corporation Law*) (reporting that U.S. Secretary of State Blinken had categorized Russia's transfer of "between 900,000 and 1.6 million Ukrainian citizens" to Russian territory as a war crime).

25. *See* discussion *infra* Part VII.A.4.

26. *See infra* Part VII.C.

27. *See infra* Part VII.D.

employees and communities.[28] We readily acknowledge that the merits of ESG ratings are controversial: scholars disagree on whether they truly capture meaningful information.[29] But for our paper, that controversy is ultimately irrelevant. As long as investors care about firms' future performance on ESG ratings, the Roundtable Statement serves a useful role by helping investors predict that performance.[30]

We also find that when the Roundtable Statement was released on August 19, 2019, firms that signed the Roundtable Statement experienced positive, cumulative, abnormal stock market returns relative to non-signatories.[31] This result is consistent with the view that investors view signing the Roundtable Statement as more than cheap talk. However, because this particular finding may be due to the cross-sectional correlation of stock returns or omitted variable bias, it must be interpreted with great caution.[32]

All in all, our findings support the view that the Roundtable Statement is more than just cheap talk. They suggest that the Roundtable Statement—and equivalent future declarations—can play a role in helping investors predict future corporate conduct vis-à-vis corporate stakeholders.

The insights provided in this paper are of substantial importance for both corporate governance and financial markets.[33] As a matter of corporate governance, the Roundtable Statement endorses the concept of enlightened shareholder value[34]—the idea that corporations should focus on stakeholders in addition to shareholders because (and to the extent that) stakeholder values are essential to maximizing shareholder wealth in the long run.[35]

28. *See infra* Part VII.E.

29. Ebbe Rogge & Lara Ohnesorge, *The Role of ESG Rating Agencies and Market Efficiency in Europe's Climate Policy*, 28 HASTINGS ENV'T L.J. 113, 138 (2022) (noting that "ESG Ratings do not tell the whole story, as those who do not have sufficient resources to disclose may not necessarily be performing badly").

30. In other words, we believe that investors should be the ones to decide which (if any) ESG ratings are meaningful.

31. *Infra* Part VI.A.

32. *Infra* Part VI.B.

33. Even the Roundtable Statement's critics agree that the question of whether the Roundtable Statement constitutes cheap talk or a meaningful signal has broader implications for the debate on stakeholderism. *See* Bebchuk & Tallarita, *All Stakeholders?*, *supra* note 18, at 1036 (noting that "[i]f the BRT Statement were found to represent a meaningful commitment, this finding would lend support to stakeholderism" whereas "if the BRT Statement were found to represent a mere public-relations move, this finding would support critics of stakeholderism").

34. *See, e.g.*, Lance Ang, *The Start of History for Corporate Law: Shifting Paradigms of Corporate Purpose in the Common Law*, 38 WIS. INT'L L.J. 427, 435 (2021) (noting that the Roundtable Statement reflects "[t]he broad elements of the [enlightened shareholder value] model"); Bebchuk, Kastiel & Tallarita, *supra* note 5, at 738 (citing the Roundtable Statement as an example of the enlightened shareholder value view); Mayer, *supra* note 17, at 1861 (asserting that the Roundtable Statement signatories were embracing the concept of enlightened shareholder value).

35. *See, e.g.*, Bebchuk, Kastiel & Tallarita, *supra* note 5, at 735 (noting that under enlightened shareholder value, "corporate leaders should take into account the interests of stakeholders to the extent, and only to the extent, that doing so would serve the goal of long-term shareholder value maximization"); Kent Greenfield, *Corporations Are Persons, Too*, 54 NEW ENG. L. REV. 93, 97 (2019) (noting that the enlightened shareholder value doctrine seeks "to maximize 'the firm's long-term value' by being attentive to both shareholder returns and the long-term

Corporate law scholars like to dismiss the concept of enlightened shareholder value because it does not modify the directors' duties relative to the traditional concept of shareholder primacy.[36] This criticism is accurate as far as it goes: any otherwise legal action maximizing shareholder wealth in the long run satisfies traditional shareholder primacy and does not require recourse to the idea of enlightened shareholder value.[37] However, an entirely different question is whether the concept of enlightened shareholder value matters as a lodestar of managerial conduct. If signing the Roundtable Statement predicts corporations' future treatment of their stakeholders, then it is difficult to argue that the enlightened-shareholder-value approach championed by the Roundtable Statement is irrelevant to how CEOs manage corporations.

Our analysis also has profound implications for financial markets. A key development in modern investing is the rise of so-called Environmental, Social, and Governance (ESG) investing.[38] In investing, as elsewhere in contemporary business practice, this concept considers, *inter alia*, firms' treatment of key corporate constituencies such as employees, communities, customers, and the environment.[39] The economic importance of ESG investing is growing dramatically.[40] For example, a recent study by PricewaterhouseCoopers (PwC) estimates that ESG investing is set to double from $4.5 trillion in 2021 to $10.5 trillion in 2026.[41] Numerous ESG mutual funds allow investors to place their capital with various general or specific ESG values in mind.[42] And survey evidence indicates that many investors now prefer their money to be invested in companies

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benefits to the company of being a good 'citizen with a public inclination'" (footnote omitted)); Fairfax, *supra* note 16, at 1228 n.344 (noting that "enlightened shareholder primacy . . . considers stakeholders because that consideration enhances shareholders' interest" whereas "'true' stakeholderism . . . views shareholders as one among many stakeholders and thus does not prioritize them").

36. *See, e.g.*, Bebchuk, Kastiel & Tallarita, *supra* note 5, at 745 (noting that under certain assumptions, "ESV would be practically indistinguishable from SV"). Incidentally, the criticism that enlightened shareholder primacy is not sufficiently different from traditional shareholder primacy is shared by scholars who advocate for more far-reaching models of stakeholderism that allow managers to periodically put the interests of stakeholders ahead of the interests of shareholders. *See, e.g.*, Greenfield, *supra* note 35, at 98 (expressing his belief "that . . . enlightened shareholder primacy will diverge from the interest of other corporate stakeholders in the long term").

37. Bebchuk, Kastiel & Tallarita, *supra* note 5, at 745.

38. *E.g.*, Quinn Curtis, Jill Fisch & Adriana Z. Robertson, *Do ESG Mutual Funds Deliver on Their Promises?*, 120 MICH. L. REV. 393, 395 (2021); Max M. Schanzenbach & Robert H. Sitkoff, *Reconciling Fiduciary Duty and Social Conscience: The Law and Economics of ESG Investing by a Trustee*, 72 STAN. L. REV. 381, 387 (2020).

39. *See, e.g.*, Susan S. Kuo & Benjamin Means, *Climate Change Compliance*, 107 IOWA L. REV. 2135, 2153 (2022) (pointing out that ESG calls for "the interests of non-shareholder stakeholders such as consumers, workers, communities, and the environment" to be given "appropriate weight in corporate decision-making")*; see also* Fairfax, *supra* note 16, at 1191 (categorizing ESG as a label for stakeholderism).

40. *E.g.*, Curtis, Fisch & Robertson, *supra* note 38, at 395.

41. PRICEWATERHOUSECOOPERS (PWC), ASSET AND WEALTH MANAGEMENT REVOLUTION 2022: EXPONENTIAL EXPECTATIONS FOR ESG 3 (2022), https://www.pwc.com/gx/en/industries/financial-services/asset-management/publications/asset-and-wealth-management-revolution-2022.html [https://perma.cc/-YEE8-U24E].

42. For an excellent empirical analysis of the prevalence, composition, and voting behavior of ESG mutual funds, see generally Curtis, Fisch & Robertson, *supra* note 38.

committed to ESG values.[43] Investment giant BlackRock recently announced that it generally considers ESG criteria in its investment decisions.[44]

The meteoric rise of ESG in the investment landscape has gone hand in hand with an increase in government interest. A 2021 proposed Department of Labor rule would direct fiduciaries of employee-benefit plans to consider ESG factors in investment decisions.[45] Meanwhile, the Securities and Exchange Commission recently proposed a rule that would require public corporations to provide certain climate-related information in their public filings.[46]

However, ESG investing is not without challenges.[47] In particular, ESG investing relies heavily on corporations being able to signal their ESG commitments to stakeholders.[48] Yet, even setting aside the debate over whether ESG ratings capture useful information, such ratings have a major, built-in flaw: although a corporation's strong ESG score reflects a record of past adherence to ESG values, investors may nevertheless be unwilling to invest without some additional assurance about future behavior.[49] In a 2022 investor survey, nearly 40% of respondents identified ESG ratings' reliance on backwards-looking data as one of the most important obstacles to incorporating ESG into their investing strategies.[50] In this context, CEO pledges to pursue stakeholder values can play

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43. *E.g.*, LINDSAY DELEVINGNE ET AL., MCKINSEY & COMPANY, THE ESG PREMIUM: NEW PERSPECTIVES ON VALUE AND PERFORMANCE (2022) (surveying investment professionals and "C-suite leaders" and finding that "[o]ne-quarter of respondents say they would be willing to pay a premium of 20 to 50 percent [for a company with an overall positive record on ESG issues over a company with an overall negative record], and 7 percent say they would pay a premium of more than 50 percent").

44. *Sustainable and Transition Investing with BlackRock*, BLACKROCK https://www.blackrock.com/ch/individual/en/themes/sustainable-investing/esg-integration [https://perma.cc/23KE-SHF2].

45. *See* Prudence and Loyalty in Selecting Plan Investments and Exercising Shareholder Rights, 87 Fed. Reg. 73822, 73824 (Dec. 1, 2022) (to be codified at 29 C.F.R. pt. 2550) (directing that "ESG issues should be considered by a prudent fiduciary"). For a chronology of the Department of Labor's reversals on whether plan fiduciaries could take ESG considerations into account, see Lisa M. Fairfax, *Dynamic Disclosure: An Exposé on the Mythical Divide Between Voluntary and Mandatory ESG Disclosure*, 101 TEX. L. REV. 273, 287 n.71 (2022).

46. *See* The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21334, 21335 (Apr. 11, 2022) (to be codified at 17 C.F.R. pts. 210, 229, 232, 239, 249) (stating that these disclosures would "provide consistent, comparable, and reliable . . . information to investors").

47. *See, e.g.*, Virginia Harper Ho, *"Comply or Explain" and the Future of Nonfinancial Reporting*, 21 LEWIS & CLARK L. REV. 317, 322–29 (2017) (describing challenges for ESG investing arising from incomplete or insufficiently uniform disclosure practices); Virginia Harper Ho, *Nonfinancial Risk Disclosure and the Costs of Private Ordering*, 55 AM. BUS. L.J. 407, 469 (2018) (noting "the practical challenges of developing a standardized approach to ESG disclosure").

48. *Cf.* Gregory H. Shill & Matthew L. Strand, *Diversity, ESG, and Latent Board Power*, 46 DEL. J. CORP. L. 255, 313 (2022) (noting that with respect to benefit corporations "the challenge [that such] corporations face is in signaling a credible commitment to this broader mandate without tying the hands of managers in a way that investors would find undesirable").

49. *See, e.g.*, Fairfax, *supra* note 16, at 1194–95 (noting the challenge of committing to stakeholder values for the future).

50. Jessica Ground, *ESG Global Study 2022*, HARV. L. SCH. F. ON CORP. GOV. (June 17, 2022), https://corpgov.law.harvard.edu/2022/06/17/esg-global-study-2022 [https://perma.cc/V7HV-SRP6].

a crucial role.[51] If these endorsements predict future adherence to stakeholder values, they offer a simple way for CEOs to send a meaningful signal to investors.

This Article is structured as follows: Part I describes the Roundtable Statement and its potential significance as a signal to investors. Part II explains why CEOs who are, in fact, committed to stakeholder values are more likely to sign the Roundtable Statement than other CEOs. Part III explains the data sources we use. Part IV provides information on the Business Roundtable's signatories. Part V analyzes the factors that drove CEOs to sign the Roundtable Statement. Part VI employs an event-study approach to examine the stock market's reaction to the Statement. Part VII analyzes the extent to which signing the Roundtable Statement predicts the current and future treatment of stakeholders. In particular, we show that firms that signed the Roundtable Statement in 2019 were more likely to terminate their business activities in Russia following Russia's 2022 invasion of Ukraine. We also demonstrate that signing the Roundtable statement predicts current and future ESG scores in various stakeholder-related areas. Part VIII discusses the theoretical and practical implications of our findings.

I. THE BUSINESS ROUNDTABLE STATEMENT

On August 19, 2019, the Business Roundtable announced its new Statement on the Purpose of a Corporation. The Roundtable Statement, initially signed by 181 CEOs of large companies, declares that the signatories "share a fundamental commitment to all of [their] stakeholders."[52] It then lists the corporation's commitments to customers, employees, suppliers, communities, and, finally, shareholders.[53] The emphasis that the Roundtable Statement places on stakeholder values constitutes a sharp break with the Business Roundtable's earlier articulations of corporate purpose. In its preceding statement on corporate purpose in 1997, the Business Roundtable emphasized that "the paramount duty of management and boards of directors is to the corporation's stockholders."[54] According

51. There are more specialized commitment mechanisms that we discuss below. These include the Public Benefit Corporation and so-called ESG bonds. *See infra* Part VIII.A.

52. BUS. ROUNDTABLE, *supra* note 3.

53. *Id.*

54. BUS. ROUNDTABLE, STATEMENT ON CORPORATE GOVERNANCE 3 (1997), https://cdn.theconversation.com/static_files/files/693/Statement_on_Corporate_Governance_Business-Roundtable-1997%281%29.pdf?1566830902 [https://perma.cc/7ZQN-FWRT] [hereinafter BUS. ROUNDTABLE, 1997 STATEMENT] (leaning more towards the shareholder primacy theory than the 1981, 1990, and 2019 statements). *But see Corporate Governance and American Competitiveness: March 1990*, 46 BUS. LAW. 241, 244 (1990) (declaring that non-shareholders "are vital to the long-term successful economic performance of the corporation" and that "[t]he thrust of history and law strongly supports the broader view of the directors' responsibility to carefully weigh the interests of [non-shareholder] stakeholders as part of their responsibility to the corporation"); *see also* BUSINESS ROUNDTABLE, STATEMENT ON CORPORATE RESPONSIBILITY 8 (1981), https://ralphgomory.org/wp-content/uploads/2023/02/1981-Business-Roundtable-Statement-on-Corporate-Responsibility-11.pdf [https://perma.cc/FE2G-ZDR9] [hereinafter BUS. ROUNDTABLE, 1981 STATEMENT] (recognizing that "balancing different constituent interests . . . must be an integral part of the corporation's decision-making and management process").

to the 1997 statement, the interests of other stakeholders were only "relevant as a derivative of the duty to stockholders."[55]

The 2019 Roundtable Statement generated an enormous response from scholars as well as from the national[56] and international press.[57] Reactions, however, were sharply divided. Especially in the press, numerous observers viewed the Roundtable Statement as a sign of fundamental change.[58] Some corporate law scholars supporting the Roundtable Statement also welcomed it as a sign that corporate leaders were beginning to place more emphasis on stakeholder values.[59] Nonetheless, most voices in the corporate law literature and beyond were harshly dismissive,[60] denouncing the Roundtable Statement as a meaningless publicity stunt[61] or even as an attempt to provide managers with a welcome cover for actions that benefit managers at the expense of shareholders.[62]

But what does the Roundtable Statement actually mean if one takes it literally? As others have convincingly pointed out, the Roundtable Statement does not contain any commitment incompatible with the shareholder primacy principle.[63] With that in mind, we believe the Roundtable Statement primarily serves as a disclosure mechanism. In particular, it discloses signatories' support for two significant propositions.

The first is a normative commitment to stakeholder values. The Roundtable Statement embraces the idea that, as a moral matter, corporations and their CEOs *ought* to protect

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55. BUS. ROUNDTABLE, 1997 STATEMENT, *supra* note 54, at 3. The 1997 statement, in particular, rejected the view that managers ought to consider equally the interests of various stakeholders. *Id.*

56. *See, e.g.*, Gelles & Yaffe-Bellany, *supra* note 17 (explaining that the statement broke with "decades of long-held corporate orthodoxy"); Andrew Ross Sorkin, *Profits or the Public Interest: The Debate Continues*, N.Y. TIMES: DEALBOOK (Sept. 18, 2019), https://www.nytimes.com/2019/09/18/business/dealbook/business-roundtable-company-profits-public-interest.html (on file with *The Journal of Corporation Law*) (identifying that "on Wall Street and in Washington" the Roundtable Statement "has not so quietly caused a new round of hand-wringing"); Maggie Fitzgerald, *The CEOs of Nearly 200 Companies Just Said Shareholder Value Is No Longer Their Main Objective*, CNBC (Aug. 19, 2019), https://www.cnbc.com/2019/08/19/the-ceos-of-nearly-two-hundred-companies-say-shareholder-value-is-no-longer-their-main-objective.html [https://perma.cc/2VX2-6S4K]; *see* sources cited *supra* note 1 (noting other objectives like investing in employees and delivering value to customers).

57. *See, e.g.*, *Corporate Leaders Scrap Shareholder-First Ideology*, BBC (Aug. 19, 2019), https://www.bbc.com/news/business-49400885 [https://perma.cc/SZ9K-X5Y6] ("One of the US's most powerful business groups has abandoned the shareholder-first idea that has driven capitalism for decades."); Alison Frankel, *If Corporations Don't Put Shareholders First, What Happens to the Business Judgment Rule*, REUTERS (Aug. 22, 2019), https://www.reuters.com/article/us-otc-bizroundtable/if-corporations-dont-put-share-holders-first-what-happens-to-business-judgment-rule-idUSKCN1VC2FS [https://perma.cc/W8TF-QMQM] (describing reactions in the legal world to the "bombshell" Roundtable Statement); Simon Goodley & Rupert Neate, *Leading US Bosses Drop Shareholder-First Principle*, THE GUARDIAN (Aug. 19, 2019), https://www.theguardian.com/business/2019/aug/19/leading-us-bosses-group-drops-principle-of-shareholder-first [https://perma.cc/R4KM-ZL56] (describing the Roundtable Statement as a "radical change to the mantra of corporate America").

58. *Id. See supra* text accompanying note 56.

59. *See* sources cited *supra* note 17 (collecting relevant scholarship).

60. *See* sources cited *supra* note 18 (collecting relevant scholarship).

61. *See* sources cited *supra* note 19 (collecting relevant scholarship).

62. *See* sources cited *supra* note 20 (collecting relevant scholarship).

63. *See* sourced cited *supra* note 5 (collecting relevant scholarship).

stakeholders. For example, the Roundtable Statement explicitly states that its signatories "share a fundamental commitment to all of [their] stakeholders."[64] And again, after identifying commitments to specific stakeholder constituencies, the Roundtable Statement reiterates the signatories' general commitment to "deliver value" to "[e]ach of [their] stakeholders."[65] Some commentators have argued that these statements are too vague to have any bite.[66] We agree that the Roundtable Statement does not create any enforceable legal obligation.[67] However, notwithstanding the lack of enforceable legal obligations, the public acknowledgement of a moral duty to protect stakeholders, if undertaken in good faith, can play an important role: it informs investors how CEOs understand their corporation's moral duties, offering a predictor of future conduct.

The Roundtable Statement's second and even more critical proposition is its embrace of the empirical position that a commitment to stakeholder values maximizes long-term shareholder wealth. For example, the Roundtable Statements asserts: "We commit to deliver value to all of [our stakeholders], for the future success of our companies . . . ."[68] The Roundtable Statement signatories' acceptance of an essential relationship between stakeholder values and long-term success is by no means trivial. Of course, to some extent, practically all CEOs know that their ability to run their business depends on treating certain stakeholder groups, like employees, with a certain degree of decency. But in practice, corporate leaders vary widely in how they treat stakeholders, suggesting broad differences in managerial philosophies. For example, Elon Musk's recent harsh treatment of (what was then called) Twitter's employees differed significantly from the treatment of employees at similar Silicon Valley firms.[69] By signing the Roundtable Statement, signatories professed a belief that their bottom line is better served by focusing on treating their stakeholders well. Investors have an obvious interest in knowing what a CEO believes about the role of stakeholders in maximizing shareholder wealth so that they can predict that CEO's behavior. In other words, the public acknowledgement (1) of a moral duty to stakeholders and (2) that a CEO's belief that looking out for their stakeholders maximizes shareholder value in the long run, are valuable for the same reason: both acknowledgements, if made in good faith, can help investors gain clarity about what to expect from a signatory CEO.

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64. BUS. ROUNDTABLE, *supra* note 3.

65. *Id.*

66. *See*, *e.g*., Bebchuk & Tallarita, *supra* note 5, at 127 (criticizing that "the specifics [of the Roundtable's] commitments are quite vague and elusive"); Fairfax, *supra* note 16, at 1193 (arguing that the vagueness of the Roundtable Statement makes it difficult to evaluate firms' commitment to the values articulated therein).

67. *See, e.g.*, Megan E. Weeren, *Fiduciary Duty and Social Responsibility: Implications of the Business Roundtable's Statement on the Fiduciary Duties of Boards of Directors to Corporate Stakeholders Other Than Shareholders*, 2 CORP. & BUS. L.J. 157, 159 (2021) ("[T]he Business Roundtable's decision to change the definition of corporate purpose is not legally binding.").

68. BUS. ROUNDTABLE, *supra* note 3.

69. *See* Christopher Mims, *Are You 'Extremely Hardcore' or Not? How Elon Musk Is Dividing Silicon Valley's Elite*,*'* WALL ST. J. (Dec. 24, 2022), https://www.wsj.com/articles/elon-musk-leadership-analysis-extremely-hardcore-11671832630 (on file with *The Journal of Corporation Law*) (noting that "[f]or many, [Musk] represents a bygone era in tech, when employees were pushed to their limit, rather than coddled with nap rooms and unlimited snacks and generous leave policies").

Thus, the Roundtable Statement's function is not to create new duties but to disclose to investors information about signatories' views on stakeholder values.[70]

Of course, our interpretation of the Roundtable Statement does not *per se* refute the cheap-talk and managerial-opportunism theories. As a theoretical matter, it is entirely conceivable that CEOs' endorsements of stakeholder values are dishonest, and that CEOs fail to act in accordance with their professed beliefs. It is precisely for that reason that this Article investigates firms' behavior both at the time the Roundtable Statement was originally published and in subsequent years.[71]

II. THE ROUNDTABLE STATEMENT AS A COSTLY SIGNAL

The central claim that we advance in this Article is that the Roundtable Statement serves a valuable signaling function. It helps investors distinguish between CEOs who subscribe to the values embraced by the Roundtable Statement and those who do not.

We do not claim that this signal is perfect. Some signatories may have been blatantly dishonest; others may have at least exaggerated their support for stakeholder values. Similarly, we do not claim that those CEOs that failed to sign the Roundtable Statement are adamantly opposed to the policies pronounced in the Roundtable Statement. Some CEOs who failed to sign may simply have had other matters on their mind. Others may have secretly shared the Roundtable Statement's principles but refused to sign for fear of antagonizing their investors. And yet others may have refused to sign because they only partially agreed with the Roundtable Statement.

But none of this prevents the act of signing the Roundtable Statement from being a valuable, if fuzzy, signal of the signatories' beliefs. For the Roundtable Statement to function as a signal of its signatories' beliefs, two key conditions must be satisfied. First, there must be some cost to signing the Roundtable Statement. Otherwise, we would end up with a pooling equilibrium in which every CEO, regardless of their intentions, signs the Roundtable Statement to gain publicity points. Second, the costs associated with signing the Roundtable Statement must be greater for CEOs that do not intend to live up to its values than for those who do. Otherwise, both types of CEOs would be equally likely to sign the Roundtable Statement, eliminating its signaling value.

As a theoretical matter, there is reason to believe that both conditions are satisfied. There are two types of costs associated with signing the Roundtable Statement. First, signing the Roundtable Statement may expose a CEO to reputational damage if he does not live up to the Roundtable Statement's values. Second, signing the Roundtable

70. Our interpretation—that one of the key functions of the Roundtable Statement is simply to provide investors with information about the signatories' thinking—is consistent with anecdotal evidence about the meaning that the signatories ascribed to the Roundtable Statement. For example, Cisco's CEO, Chuck Robbins, noted that "[t]he Business Roundtable statement reflects . . . how we've been thinking," adding that "[i]t's not like we woke up one day and said, 'We need to actually do more in our communities.'" David Gelles, *How a Preacher's Grandson from Rural Georgia Grew Up to Lead Cisco*, N.Y. TIMES (Dec. 5, 2019), https://www.nytimes.com/2019/12/05/business/chuck-robbins-cisco-corner-office.html (on file with *The Journal of Corporation Law*) (quoting Chuck Robbins).

71. *Infra* Part VII.

Statement may attract investors who will disapprove of a management style that is inconsistent with the Roundtable Statement's values. *Ex ante*, both types of costs are likely to be greater for CEOs who do not intend to live up to the Roundtable Statement's promises.

We address both types of costs in turn.

A. Reputational Incentives

Dishonest CEOs who sign the Roundtable Statement and then proceed to treat their stakeholders poorly risk public shaming for their dishonesty. It is telling that, following the Roundtable Statement's publication, newspapers reported (sometimes with ill-disguised glee) that some of the signatory corporations resorted to mass layoffs during and after the pandemic.[72] Such "naming and shaming" matters because there is broad evidence to suggest that, by and large, CEOs care deeply about their public reputations.[73] Abstaining from signing the Roundtable Statement does not entirely protect CEOs from the negative publicity that comes with layoffs or other actions that are detrimental for stakeholders. But Roundtable Statement signatories who act contrary to the Roundtable Statement risk additional reputational damage in that they may be branded as hypocrites and liars. That makes signing the Roundtable Statement particularly risky for those CEOs who already

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72. *See, e.g.*, Peter Whoriskey, *U.S. Companies Cut Thousands of Workers While Continuing to Reward Shareholders During Pandemic*, WASH. POST (May 5, 2020), https://www.washingtonpost.com/business/2020/05/05/dividends-layoffs-coronavirus [https://perma.cc/49YX-BJ99] (naming three companies that "implemented at least some furloughs while also issuing dividends" after signing the Roundtable Statement).

73. *See, e.g.*, WEBER SHANDWICK & KRC RESEARCH, THE CEO REPUTATION PREMIUM: GAINING ADVANTAGE IN THE ENGAGEMENT ERA (2015), https://cms.webershandwick.com/wp-content/uploads/2023/02/ceo-reputation-premium-executive-summary-3.pdf (on file with *The Journal of Corporation Law*) (presenting survey evidence on the importance attached to CEO reputation); *see also* Matthew S. Johnson, *Regulation by Shaming: Deterrence Effects of Publicizing Violations of Workplace Safety and Health Laws*, 110 AM. ECON. REV. 1866, 1866 (2020) (noting that "a rich empirical literature has found that providing information about quality to the public leads rated, scored, or otherwise disclosed firms to improve the quality of the attributes under scrutiny"). One particularly excellent recent study demonstrates that the Occupational Safety and Health Administration's (OSHA) practice of issuing press releases that name firms that commit health and safety violations led to increased compliance and reduced the number of workplace injuries. *Id.* at 1901. We do not mean to imply that fear of adverse reputational effects will cause all CEOs to live up to their promises. *See, e.g.*, Fairfax, *supra* note 16, at 1220 (pointing out, correctly, that "'naming and shaming' . . . does not work on every corporation"); Jena Martin, *Hiding in the Light: The Misuse of Disclosure to Advance the Business and Human Rights Agenda*, 56 COLUM. J. TRANSNAT'L. L. 530, 574 (2018) (arguing, with respect to human-rights-related disclosures, that such disclosures "would do little to change the behavior of particularly recalcitrant corporations"). Furthermore, a separate question is whether "naming and shaming" impacts a corporation's stock prices. The available evidence suggests that this will depend on the type of wrongdoing that the company is shamed for. *See, e.g.*, Christopher Groening & Vamsi Krishna Kanuri, *Investor Reaction to Positive and Negative Corporate Social Events*, 66 J. BUS. RSCH. 1852, 1852 (2013) (demonstrating that investor reactions to positive corporate social events differ across different types of firms and the stakeholders impacted by the wrongdoing); Edward J. Carberry, Peter-Jan Engelen & Marc Van Essen, *Which Firms Get Punished for Unethical Behavior? Explaining Variation in Stock Market Reactions to Corporate Misconduct*, 28 BUS. ETHICS Q. 119, 121–22 (2018) (showing that stock price reactions for corporate misconduct differ across firms and depend on the type of misconduct).

know, at the moment of signing, that they will make little or no effort to live up to the Roundtable Statement's values.

B. The Compositional Effect of Signing the Roundtable Statement

Like CEOs, investors have differing views on whether corporations should adopt pro-stakeholder policies. Survey evidence suggests that many investors prefer corporations to act in accordance with ESG values, but none of the relevant surveys yield unanimous responses.[74]

CEOs who announce their belief in pro-stakeholder policies can expect that such announcement will impact, at least at the margin, the composition of their corporation's shareholders. All else equal, signing the Roundtable Statement promises to make the corporation attractive to investors who have a preference for pro-stakeholder policies. It is of no import, in this context, whether investors who favor pro-stakeholder policies do so out of altruism or because they believe that pro-stakeholder policies will maximize shareholder wealth in the long run.[75]

CEOs who genuinely intend to live up to the Roundtable Statement can expect to benefit from this compositional effect. After all, the more the corporation's shareholders share the corporation's beliefs, the less the shareholders will oppose the CEOs' policies at shareholder meetings. On the other hand, CEOs who do not believe in the principles expressed in the Roundtable Statement but sign the Roundtable Statement anyhow may find the resulting compositional effect burdensome. That is because their shareholders may end up being less likely to support their policies.

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74. *See supra* text accompanying notes 26–32 (discussing the complicated relationship that scholars and investors have with ESG values).

75. We suspect that many investors are openly or secretly unwilling to make substantial pecuniary sacrifices for the benefit of stakeholders. *Cf.* Ground, *supra* note 50 (identifying that, in 2022, 35% of surveyed investors identified concerns about sacrificing returns as an obstacle to adoption of ESG criteria). This does not mean, however, that there are not at least some investors who are willing to accept such a payoff. Important evidence on whether a meaningful number of investors are willing to accept lower returns for investments that are commensurate with their values comes from the debate on so-called "green bonds." These are bonds that are different from ordinary bonds in that the issuer is required to use the proceeds for projects creating environmental benefits. Giuseppe Cortellini & Ida Claudia Panetta, *Green Bonds: A Systematic Literature Review for Future Research Agendas*, 14 J. RISK & FIN. MGMT 1, 1 (2021). At least some scholars have found that green bonds offer lower financial returns than other comparable bonds. *See, e.g.*, Malcom Baker et al., *Financing the Response to Climate Change: The Pricing and Ownership of U.S. Green Bonds* 27 (Nat'l Bureau of Econ. Rsch., Working Paper No. 25194, 2018), https://www.nber.org/system/files/working_papers/w25194/w25194.pdf [https://perma.cc/7XBV-QBUW] (providing evidence that green bonds offer lower returns than otherwise similar ordinary bonds and concluding that "[a] subset of investors appears willing to sacrifice some return to hold green bonds"); Olivier David Zerbib, *The Effect of Pro-Environmental Preferences on Bond Prices: Evidence from Green Bonds*, 98 J. BANKING & FIN. 39, 40 (2019) (finding a "small, albeit significant, negative green bond premium"). However, other authors have come to a different conclusion. *See* Cortellini & Panetta, *supra*, at 10 tbl.5 (providing an overview of the various studies and their findings regarding the existence of a green bond premium).

In sum, there are theoretical reasons to believe that CEOs who sign the Roundtable Statement are, on average, more committed to its values than those CEOs who fail to sign it. Of course, whether this holds true in practice is an empirical question. However, as shown below, corporations whose CEO signed the Roundtable Statement were more likely to terminate their business in Russia following the Ukraine invasion and received, on average, higher ESG scores.[76] Both findings are consistent with the hypothesis that the decision of whether or not to sign the Roundtable Statement conveys meaningful information about a CEO's values.

III. DATA

The empirical analysis undertaken in this Article uses a combination of commercial data sets and hand-collected data.

A. The Roundtable Signatories

We identified the Roundtable Statement signatories—as well as changes to the signatories over time—by hand. To start, we built a dataset of the Roundtable Statement's original signatories using an archived version of the Business Roundtable website.[77] Next, we gathered data on changes to the set of signatories over time. We obtained both the archived version of the Roundtable Statement as of August 19, 2019, and subsequent versions by using the "Wayback Machine" (web.archive.org), which regularly[78] archives websites including the Business Roundtable's list of signatories.[79] Using that service we added to our dataset the date that each signatory signed on to the Roundtable Statement (and departed from the statement, if applicable).[80]

We then linked the signatories to other datasets, such as CRSP/Compustat Merged (CCM), which contain firm-level data that we use in our analysis. To link this data, we used the Security and Exchange Commission's (SEC) EDGAR database.[81] We manually obtained, for each of the signatories, the firm's central index key—a unique code that the SEC assigns to each filer—and added each central index key to our dataset.

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76. *Supra* Part VII.

77. *Our Commitment*, BUS. ROUNDTABLE, https://opportunity.businessroundtable.org/ourcommitment/ [https://perma.cc/97Y4-BRAC].

78. Between August 19, 2019, and January 8, 2024, the Roundtable Statement's website was archived 1,737 times. INTERNET ARCHIVE: WAYBACK MACHINE, https://web.archive.org/web/20230000000000*/https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans [https://perma.cc/687L-BH5F] (printout of website on file with authors).

79. *Id.*

80. The Wayback Machine did not archive the Roundtable Statement's website every single day. *Id.* In some cases, weeks would pass before the next available archived version. *Id.* We defined the date of departure as the first date for which an archived version is available and on which a signatory no longer appears on the Roundtable Statement's list of signatories. We define the date of arrival as the first date for which an archive version is available and on which the relevant signatory is included on the list of signatories.

81. *EDGAR—Search and Access*, SEC. & EXCH. COMM'N, https://www.sec.gov/edgar/search-and-access [https://perma.cc/H7Q8-CEL3].

B. Companies Reactions to Russia's Invasion of Ukraine

To ascertain firms' reactions to Russia's invasion of Ukraine, we created a separate dataset. We based this dataset on a list compiled by the Yale School of Management's Chief Executive Leadership Institute (CELI) chronicling firm responses to the invasion (the "CELI data") as of December 31, 2022.[82] CELI breaks down firm responses into five categories: digging in, buying time, scaling back, suspension, and withdrawal.[83] We assigned each firm in our dataset their designated response. Next, to merge the CELI data with the firm-level data from other databases, we manually obtained the central index key of each U.S. firm in the dataset using EDGAR, just as we did for the Roundtable Statement signatory dataset.[84]

C. ESG and Financial Data

Our analysis of market reactions to the Roundtable Statement signatories, as well as of signatory ESG conduct, was based on firm-level commercial datasets. We obtained our firm-level ESG data from Refinitiv's ESG database[85] and our firm-level financial data from CRSP/Compustat Merged (CCM).[86] Definitions of our individual financial variables and an explanation of the underlying data are provided in the Appendix.[87] Finally, we obtained our data on the Fama-French-Carhart factors, which we use to calculate abnormal stock returns, from Wharton Data Research Services (WRDS).[88]

D. CEO Tenure Data

Part of our analysis involves CEO turnover. We added both the names of the CEOs who signed the Roundtable Statement and the names of the firms that the CEOs represented to our dataset of the Roundtable Statement signatories. To determine whether signatory CEOs were still in office in a particular year, we relied on a combination of sources. Our first step was to obtain CEO tenure data from Compustat's ExecuComp dataset, which we accessed via WRDS.[89] To address gaps in the ExecuComp dataset, we filled in some of the missing information by using data on CEO tenure from the BoardEx dataset, which we also accessed via WRDS.[90] However, for a substantial number of signatory companies, neither BoardEx nor ExecuComp provided information. We filled these remaining gaps by

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82. YALE SCH. OF MGMT., CHIEF EXEC. LEADERSHIP INST. (CELI), *Over 1,000 Companies Have Curtailed Operations in Russia—but Some Remain*, https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain [https://perma.cc/DAX3-Y7PU].

83. *Id.*

84. *EDGAR*, *supra* note 81.

85. This dataset is available via Wharton Research Data Services [WRDS]. UNIV. OF PA., WHARTON RSCH. DATA SERVS. [WRDS], https://wrds-www.wharton.upenn.edu/ [https://perma.cc/7Y8A-N9GS]. We discuss our use of this data in more detail below. *See infra* Part VII.A.

86. This dataset is also available via WRDS. *See* WRDS, *supra* note 85.

87. *See infra* Table OA.3.

88. *Id.*

89. WRDS, *supra* note 85.

90. *Id.*

obtaining data on CEOs' appointments and departures by hand using companies' press releases and other information displayed on companies' websites.

E. Data on Incorporation and Headquarters States

We also added data about firms' states of incorporation and headquarters states to our Roundtable Statement signatories dataset. Because CCM only provides information on a firm's most recent state of incorporation and headquarters state, we combined several data sources to determine where signatory and non-signatory firms were headquartered and incorporated in the past.

First, we collected data on firms' headquarters states. The headquarters-state data is particularly important because we use firms' headquarters state as a variable in several robustness checks. For the Roundtable Statement signatories, we manually collected current and historical data on the headquarters state from the SEC's EDGAR database. For the thousands of public U.S. corporations that did not sign the Roundtable Statement, manual retrieval was not practicable. Instead, we used a hierarchical approach. Specifically, we obtained historical headquarters-states data from a dataset made available by the Notre Dame Software Repository for Accounting and Finance, which collects information from the header section of firms' 10-K and 10-Q SEC filings.[91] In the case where the Notre Dame data contained gaps for individual years, we filled them backwards. For example, if the headquarters state is known for the year 2021 but not for the year 2020, we assume that the headquarters state in the year 2020 was the same as the one in 2021. To fill any gaps, we used data obtained from Compustat's Point-in-Time dataset, which can be accessed via WRDS.[92] Once again, we extrapolated available data backwards to fill gaps for individual years. And to fill any remaining gaps, we used the corporation's last known headquarters state, if available, from the CCM dataset.[93]

Second, we collected data on firms' states of incorporation. Since we do not use the state of incorporation in our regressions, the relevant data is less crucial. We therefore employed, for Roundtable Statement signatories and non-signatories alike, the hierarchical approach described above.

F. Governance Data

To further assess the characteristics of Roundtable Statement signatories, we gathered data on firms' governance arrangements. We drew this data from Compustat ExecuComp,[94] Institutional Shareholder Services (ISS),[95] and the Cleaning Corporate

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91. *Augmented 10-X Header Data*, SOFTWARE REPOSITORY FOR ACCT. & FIN., UNIV. OF NOTRE DAME, https://sraf.nd.edu/data/augmented-10-x-header-data [https://perma.cc/S47M-8VFT].

92. WRDS, *supra* note 85.

93. WRDS, *supra* note 85. Note that the CCM dataset only indicates the most recent headquarters state, which is why we use the CCM data only as our last option.

94. This dataset is available via Wharton Research Data Services [WRDS]. *See* WRDS, *supra* note 85.

95. This dataset is also available via WRDS. *Id.*

Governance dataset.[96] Definitions of our individual governance variables and an explanation of the underlying data are provided in the Appendix.[97]

IV. THE SIGNATORIES

We now turn to the question of which firms' CEOs signed the Roundtable Statement. As it turns out, this simple question harbors an impressive amount of ambiguity, which has significant implications for any empirical analysis.

A. The Number of Signatories

When the Roundtable Statement was originally published on August 19, 2019, it bore 181 signatures.[98] However, not all of these signatures were from CEOs of public companies, and some of the signatories were from CEOs of companies headquartered abroad rather than in the United States. Over time, additional CEOs lent their signatures to the Roundtable Statement, and a few CEOs withdrew their signatures. The relevant numbers are captured by Table 1. As of December 31, 2022, the total number of signatures had grown to 265.

Table 1. Signatory CEOs

	All Signatories			Public U.S. Companies		
Year	Running Total	New Arrivals	Departures	Running Total	New Arrivals	Departures
2019	184	186	2	154	156	2
2020	228	48	4	196	45	3
2021	242	14	0	209	13	0
2022	265	24	1	232	23	0

Note: For this table, we count each signatory individually even if two or more signatories represent the same company and regardless of whether the signatory remains in office. We define "Public U.S. Companies" as corporations that file with the SEC, have a CIK code, and are headquartered in the United States. The running total refers to the number of signatories as of December 31 of the given year.

Even if one includes all companies regardless of whether they are public U.S. corporations, the total count of 265 is misleading. That is because the Roundtable

96. For a description of the dataset, see generally Frankenreiter et al., *Cleaning Corporate Governance*, 170 U. PA. L. REV. 1 (2021). The authors generously provide interested researchers with access to their data.

97. *See infra* Table OA.3.

98. The original version of the Roundtable Statement (with the original set of signatures) can be obtained via archive.com, which regularly archives numerous websites. *See Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans,'* BUS. ROUNDTABLE (Aug. 19, 2019), https://web.archive.org/web/20240000000000*/https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans [https://perma.cc/FE7U-6ZEP] (archived original version).

Statement is often signed by more than one representative from the same company. Typically, this occurs because successive CEOs at the same company sign the Roundtable Statement without removal of the former CEO's signature. Table 2 therefore summarizes the number of companies—rather than the number of individual CEOs—that have signed the Roundtable Statement. The resulting counts are substantially lower for later years, with the total number of signatory firms ranging from 183 in 2019 to 226 in 2022.

Table 2. Signatory Companies

	All Signatory Companies			Public U.S. Companies		
Year	Running Total	New Arrivals	Departures	Running Total	New Arrivals	Departures
2019	183	185	2	153	155	2
2020	207	28	4	178	28	3
2021	216	9	0	187	9	0
2022	226	11	1	198	11	0

Note: For this table, we count the companies whose representatives have signed the Roundtable Statement. Each company is only counted once regardless of how many of its representatives have signed. However, we count companies regardless of whether the signatory is still the CEO and regardless of whether the company has ceased to exist by merger or otherwise. We define "Public U.S. Companies" as corporations that file with the SEC, have a CIK code, and are headquartered in the United States. The running total refers to the number of signatories as of the given year.

Changes in corporate leadership also give rise to a related problem: some CEOs were replaced without the new CEO adding their signature and without the old signature being removed.[99] These cases create ambiguity. If one views the Roundtable Statement as a firm-level commitment rather than as a personal commitment by the CEO, one might understand the firm to be committed if the original signature is not removed. By contrast, if the Roundtable Statement is understood to be a personal commitment by the CEO, the lack of a signature by the replacing CEO implies, if anything, a lack of commitment by the new CEO. If one takes the latter view and treats the absence of the most recent CEO's signature as a "silent withdrawal," the total number of signatory companies actually decreased over time. As shown in Table 3, counting only the signatures of firms whose signatories still occupy the CEO role, the number of signatory companies fell from 175 at the end of 2019 to 140 in 2022.

99. To identify these cases, we primarily relied on data from the databases BoardEx and Compustat ExecuComp. Data on the tenure of the remaining CEOs were collected by hand from the companies' websites.

Table 3. Signatory Companies Adjusted for "Silent" Withdrawals

	All Signatory Companies			Public U.S. Companies		
Year	Total	New Arrivals	Departures	Total	New Arrivals	Departures
2019	175	185	10	147	155	8
2020	174	28	29	157	28	20
2021	156	9	27	142	9	24
2022	140	11	27	128	11	25

Note: For this table, we count the companies whose representatives have signed the Roundtable Statement. Each company is only counted once regardless of how many of its representatives have signed. We only count signatures if the company still exists and if the signatory is still in office. We define "Public U.S. Companies" as corporations that file with the SEC, have a CIK code, and are headquartered in the United States. The running total refers to the number of signatories as of December 31 of the given year.

B. Signatories by Industry and State of Incorporation

The public companies that signed the Roundtable Statement are broadly distributed across industries. In some industries, the number of signatory firms is zero; in others, more than ten percent of all firms signed the Roundtable Statement.

Table 4. Frequency of Roundtable Signatories by Industry

Industry	All	Sign.	%	Industry	All	Sign.	%
Agriculture et al.	7	1	14.3	Real Est., Rent. & Leas.	251	3	1.2
Mining et al.	129	2	1.6	Prof., Scient., & Tech. Serv.	111	4	3.6
Utilities	77	9	11.7	Admin, Supp., & Waste Mgmt.	67	2	3.0
Construction	55	3	5.5	Educational Services	16	0	0.0
Manufacturing	1603	65	4.1	Health Care & Soc. Assist.	66	2	3.0
Wholesale Trade	86	7	8.1	Arts, Entertainment, & Recreation	29	0	0.0
Retail Trade	149	10	6.7	Acc. & Food Services	64	5	7.8
Transp. & Wareh.	83	7	8.4	Other Services	12	0	0.0
Information	417	13	3.1	Public Administration	1	0	0.0
Fin. & Ins.	999	20	2.0	Non-classifiable	25	0	0.0

Note: The segment "Agriculture et al." includes agriculture, forestry, fishing, and hunting. The segment "Mining et al." includes mining, quarrying, and oil & gas extraction. Numbers refer to the year 2021, the most recent year for which firm-level industry data are available. We only include Public U.S. Companies, and we only count each corporation once even if multiple officers or directors of a corporation have signed the Roundtable Statement. We also disregard signatures if the company had ceased to exist or if the signatory was no longer in office as of December 31, 2021.

Focusing on the state of incorporation, the vast majority of public companies that signed the Roundtable Statement are incorporated in Delaware.[100] That is unsurprising, given that Delaware dominates the market for public corporation charters. Indeed, focusing on public companies headquartered in the United States that signed the Roundtable Statement, the percentage of such firms incorporated in Delaware (70.6%) broadly corresponds to Delaware's market share among public U.S. firms in our dataset (59.2%).[101]

100. *Infra* Table 5.

101. The figure 59.2% refers to all companies in the CCM dataset that are both headquartered and incorporated in the United States. The headquarters state and incorporation state are determined as described in Part III.5.

Table 5. Adjusted Number of Signatories by State of Incorporation

State	Corporations	Percent	State	Corporations	Percent
DE	108	70.6	NC	2	1.3
NY	6	3.9	PA	2	1.3
IN	5	3.3	WA	1	0.7
MD	4	2.6	CT	1	0.7
OH	4	2.6	FL	1	0.7
CA	3	2.0	IL	1	0.7
GA	3	2.0	OR	1	0.7
MN	3	2.0	TX	1	0.7
NJ	3	2.0	UT	1	0.7
MI	2	1.3	WI	1	0.7

Note: Numbers refer to the year 2021, the most recent year for which state-of-incorporation data are available. We only include Public U.S. Companies, and we only count each corporation once even if multiple officers or directors of a corporation have signed the Roundtable Statement. We also disregard signatures if the company had ceased to exist or if the signatory was no longer in office as of December 1, 2021.

V. What Drives the Decision to Sign (or Not to Sign)?

We now turn to an analysis of the factors driving CEOs to sign the Roundtable Statement. Critics of the Roundtable Statement have argued that CEOs may use their professed commitment to shareholder value as cover for self-serving actions that harm employees without benefiting shareholders.[102] In this Part, we therefore examine the financial and governance factors driving the decision to sign (or not to sign) the Roundtable Statement.

A. The Role of Governance Arrangements

If the managerial-opportunism hypothesis is correct, one would expect that firms with poor corporate governance arrangements would be more likely to sign the Roundtable Statement. To explore this potential, we next examine the relationship between a corporation's governance arrangements and the decision to sign the Roundtable Statement.

102. *See, e.g.*, John F. Cogan et al., *Some Thoughts on the Business Roundtable's Statement of Corporate Purpose*, HARV. L. SCH. F. ON CORP. GOVERNANCE (Oct. 7, 2020), https://corpgov.law.harvard.edu/2020/10/07/some-thoughts-on-the-business-roundtables-statement-of-corporate-purpose/ [https://perma.cc/P5GE-PQL9] (criticizing the Roundtable Statement for allowing executives to serve "multiple masters" instead of the profit motive which will help employees over the long-term).

1. Corporate Governance

Our main yardstick for the quality of firms' corporate governance arrangements is the "entrenchment index" developed by Lucian Bebchuk, Alma Cohen, and Allen Ferrell[103] With this index, a higher score indicates worse corporate governance.[104]

We also use two additional governance variables: *Classified Board* and *Liability Protection*. The variable *Classified Board* takes on the value one if the corporation's charter provides for a classified board and a value of zero otherwise.[105] While the impact of classified boards on firm value remains controversial,[106] there exists substantial evidence that classified boards help render hostile takeovers more difficult and thereby entrench corporate managers.[107] It is also noteworthy that investors, by and large, do not seem to like classified boards: over the last couple of decades, shareholder activism has dramatically reduced the number of public corporations with classified boards.[108]

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103. Lucian Bebchuk, Alma Cohen & Allen Ferrell, *What Matters in Corporate Governance?*, 22 REV. FIN. STUD. 783, 785 (2009).

104. *Cf. id.* (explaining the composition of the index). We are not the first to discuss the relationship between firms' e-Index scores and the decision to sign the Roundtable Statement. *See* Raghunandan & Rajgopal, *supra* note 22, at 49 tbl.7 (using the E-Index as a dependent variable and the decision to sign the Roundtable Statement as one of several independent variables).

105. *See infra* Table A.2. The E-Index also captures whether a corporation's charter provides for a classified board. Bebchuk, Kastiel & Tallarita, *supra* note 5, at 789. However, aside from the key role that classified boards appear to play in preventing takeovers and thereby entrenching managers (*see* sources cited *infra* note 106 (reviewing literature on classified boards and preventing takeover)), we have another reason for using a separate classified board variable. Unlike the E-index, which we construct from a combination of ExecuComp and the Institutional Shareholder Services (ISS) data (*see infra* Table A.2), the classified board variable can be constructed by solely using the excellent new Cleaning Corporate Governance (CCG) dataset (*see infra* Table A.2).

106. *See, e.g.*, Yakov Amihud, Markus Schmid & Steven Davidoff Solomon, *Settling the Staggered Board Debate*, 166 U. PA. L. REV. 1475, 1493 (2018) (finding no statistically significant relationship between staggered boards and Tobin's q); Lucian A. Bebchuk & Alma Cohen, *The Costs of Entrenched Boards*, 78 J. FIN. ECON. 409, 409 (2005) (presenting empirical evidence that "staggered boards are associated with an economically meaningful reduction in firm value"); Martijn Cremers & Allen Ferrell, *Thirty Years of Shareholder Rights and Firm Value*, 69 J. FINANCE 1167, 1168 (2014) (presenting evidence that the existence of a classified board is correlated with higher firm value); Alma Cohen & Charles C.Y. Wang, *How Do Staggered Boards Affect Shareholder Value? Evidence from a Natural Experiment*, 110 J. FIN. ECON. 627, 640–41 (2013) (presenting empirical evidence that staggered boards reduce firm value); *see also* Yakov Amihud & Stoyan Stoyanov, *Do Staggered Boards Harm Shareholders?*, 123 J. FIN. ECON. 432, 438 (2017) (replicating the study by Cohen & Wang, *supra*, and asserting that its results lose their statistical significance upon inclusion of additional control variables). For a response to this critique, see generally Alma Cohen & Charles C.Y. Wang, *Reexamining Staggered Boards and Shareholder Value*, 125 J. FIN. ECON. 637 (2017) (responding to this critique from Amihud & Stoyanov, *supra*).

107. Lucian Arye Bebchuk, John C. Coates IV & Guhan Subramanian, *The Powerful Antitakeover Force of Staggered Boards: Theory, Evidence, and Policy*, 54 STAN. L. REV. 887, 950 (2002) (presenting empirical evidence for the view that the existence of an effective staggered board—meaning a staggered board that is provided for in the corporation's charter and combined with a charter provision preventing the elimination of additional directors—"substantially increase[s] the likelihood that a target receiving a hostile bid will remain").

108. *See* Marcel Kahan & Edward Rock, *Embattled CEOs*, 88 TEX. L. REV. 987, 1008 tbl.2, 1009 (2010) (showing that, among S&P 100 companies, "the incidence of staggered boards has declined from 44% to 16% between 2003 and 2009").

The second variable, *Liability Protection*, takes on values between "zero" and "two" depending on how many of the following two provisions can be found in the charter: (1) a liability waiver for corporate directors and (2) a provision calling for mandatory indemnification of directors and officers.[109]

2. *Econometrics and Results*

Because our outcome variable—whether or not a company has signed the Roundtable Statement—is binary, we rely on a probit regression model rather than a standard linear regression model, which is not a great fit for binary dependent variables.[110] The results are displayed in Table 6. A higher E-Index score—signifying worse corporate governance arrangements—is associated with a reduced likelihood of signing the Roundtable Statement, and that relationship is statistically significant at the one percent level. For our other two governance variables, we find no statistically significant relationship. These results are consistent with the view that firms with poorer governance arrangements were no more likely—and may have been less likely—to sign the Roundtable Statement.

Table 6. Probit Regressions: Governance Determinants of the Decision to Sign the Roundtable Statement

Dependent Variable: Did the Firm's CEO Sign the Business Roundtable Statement?

	(1) β (se)	(2) Marg. eff.	(3) β (se)	(4) Marg. eff.	(5) β (se)	(6) Marg. eff.
E-Index	-0.186***	-0.023***	-0.265***	-0.042***	-0.259***	-0.042***
	(0.048)	(0.007)	(0.081)	(0.011)	(0.085)	(0.012)
Classified Board			-0.080	-0.013	-0.069	-0.011
			(0.194)	(0.031)	(0.196)	(0.032)
Liability Protection					0.039	0.006
					(0.067)	(0.011)
Ln(assets)	0.475***	0.060***	0.423***	0.068**	0.427***	0.069**
	(0.105)	(0.018)	(0.135)	(0.027)	(0.134)	(0.027)
N	1249	1249	591	591	578	578
Pseudo R-sq.	0.270		0.246		0.247	
Chi sq.	39.785		124.435		147.573	

Note: Covariates are defined in Tables A.1 in the Appendix. All probit regressions use robust standard errors and cluster at the two-digit NAICS level. All covariates refer to the year 2018 to avoid endogeneity problems. The dependent variable takes on the value 1 if a representative of the company signed the Roundtable Statement at any time up to and including December 31, 2022. Marginal effects refer to the marginal effect at the means of the covariates.

109. *See infra* Online Appendix Table OA.2. Like the *classified board* variable, the *liability protection* variable is constructed using data from the CCG dataset. *Id.*

110. *See, e.g.*, WILLIAM H. GREENE, ECONOMETRIC ANALYSIS 687 (7th ed. 2012) (noting the drawbacks of the OLS model for regressions involving binary dependent variables); JEFFREY M. WOOLDRIDGE, ECONOMIC ANALYSIS OF CROSS SELECTION AND PANEL DATA (2d ed. 2010) (explaining the shortcomings of the OLS model for regressions involving binary dependent variables). Even if we switch to a linear regression model, our results remain statistically significant. *See infra* Online Appendix Part A.

B. The Role of Financial Characteristics

The financial characteristics of firms are also likely to have some *prima facie* impact on the decision whether to sign the Roundtable Statement. CEOs of leveraged firms—meaning firms with large total debt relative to their assets—may feel too constrained to maximize short-term cash flow to invest in their firms' stakeholders. On the other hand, CEOs of highly profitable firms may feel that they have more leeway to invest in their firms' stakeholders. To analyze this issue, we once again rely on a probit regression model. The regression results are displayed in Table 7,[111] and they confirm both hypotheses. Whereas more leveraged firms are less likely to sign the Roundtable Statement,[112] firms that are more profitable as measured by return on assets (ROA) are associated with a higher likelihood of signing the Roundtable Statement. Further robustness checks reveal, however, that whereas the first result is robust to a change in econometric models, the second one is not.[113] Therefore, our results on the role of ROA should be interpreted with caution.

Table 7. Probit Regressions: Financial Determinants of the Decision to Sign the Roundtable Statement

Dependent Variable: Did the Firm's CEO Sign the Business Roundtable Statement?						
	(1) β (se)	(2) Marg. eff.	(3) β (se)	(4) Marg. eff.	(5) β (se)	(6) Marg. eff.
Ln(assets)	0.17^{**}	0.01^{**}	0.18^{**}	0.01^{**}	0.25^{***}	0.02^{***}
	(0.07)	(0.00)	(0.08)	(0.01)	(0.07)	(0.00)
Ln(emp.)	0.29^{***}	0.02^{***}	0.28^{***}	0.02^{***}	0.23^{***}	0.01^{***}
	(0.06)	(0.00)	(0.06)	(0.00)	(0.06)	(0.00)
ROA			0.35^{***}	0.02^{***}	0.28^{***}	0.02^{***}
			(0.09)	(0.00)	(0.08)	(0.00)
Fin. lev.					-1.26^{***}	-0.08^{***}
					(0.34)	(0.02)
N	4270	4270	4107	4107	4081	4081
Pseudo R-sq.	0.32		0.31		0.33	
Chi sq.	296.91		291.89		372.48	

Note: Covariates are defined in Tables A.1 in the Appendix. All probit regressions use robust standard errors and cluster at the 2-digit NAICS level. All covariates refer to the year 2018 to avoid endogeneity problems. The dependent variable takes on the value 1 if a representative of the company signed the Roundtable Statement at any time up to and including December 31, 2022. Marginal effects refer to the marginal effect at the means of the covariates.

Together, these results clarify what kinds of firms are more likely to be Roundtable Statement signatories. Signatory firms are no more likely to have poor governance arrangements than non-signatories, and they are less likely to be saddled with high debt

111. *Infra* Table 7.
112. *Supra* Table 6, Column 5.
113. *See infra* Online Appendix Part A.

relative to their assets. But how did the market react to the Roundtable Statement? Our analysis turns to that question next.

VI. THE STOCK MARKET'S REACTION

Critics dismiss the Roundtable Statement as cheap talk[114] or, worse, a pretext allowing managers to enrich themselves at the expense of shareholders.[115] Our own hypothesis, by contrast, is that signing the Roundtable Statement entails a meaningful commitment.

These differing views lead to very different predictions regarding the stock market's reaction to the publication of the Roundtable Statement. If the Roundtable Statement is nothing but cheap talk, stock markets should (and would) not react to it at all. And if the Roundtable Statement serves as a cover for managerial opportunism, one should expect a negative stock market reaction. On the other hand, if our hypothesis is correct, one could expect anything from a positive to a negative reaction depending on whether investors agree that protecting stakeholders is a useful strategy to maximize shareholder wealth.

We therefore examine how the stock market reacted to the publication of the original Roundtable Statement on August 19, 2019.[116] Specifically, we examine whether the firms whose CEOs signed the Roundtable Statement (our treatment group) experienced

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114. *See* sources cited *supra* note 19 (collecting dismissive sources).

115. *See* sources cited *supra* note 20 (collecting sources that argue that the Roundtable Statement is merely a pretext for ill-intentioned managers).

116. Two points are worth noting with respect to this date. First, the first news reports about the Roundtable Statement were published on August 19, 2019, before U.S. stock markets opened: a news report by Targeted News Service summarized the content of the Roundtable Statement. *See* Press Release, Bus. Roundtable, Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy that Serves All Americans' (Aug. 19, 2019), https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans [https://perma.cc/5ZZP-7HK2]. Therefore, expecting a stock market reaction on August 19, 2019, is not unrealistic. Second, it is at least conceivable that there occurred some information leakage prior to the publication of the Roundtable Statement. After all, the CEOs who signed—or were asked to sign—the Roundtable Statement knew of the Roundtable Statement even though they may not have known the number of signatories. However, any such information leakage would have made the Roundtable Statement less surprising to capital markets and would thus have reduced the magnitude of the stock market's reaction on August 19. Because we nonetheless find a statistically significant stock market reaction, this means that our findings understate, if anything, the positive effect that signing the Roundtable Statement had on stock prices. This Article is not the only one to subject the Roundtable Statement to an event study analysis. On December 12, 2022, as our own Article was in the final stages before being submitted to law reviews, Raghunandan & Rajgopal posted a revised version of their paper which, unlike their first version, includes an event study as well. *Compare* Aneesh Raghunandan & Shiva Rajgopal, Do the Socially Responsible Walk the Talk? (Feb. 28, 2020) (unpublished manuscript), https://www.hbs.edu/faculty/Shared%20Documents/conferences/imo-2020/Shiva%20Rajgopal%20Paper.pdf [https://perma.cc/9YKN-A9GP], *with* Raghunandan & Rajgopal, *supra* note 22, at 56 tbl.14. Raghunandan and Rajgopal report that the original Roundtable Statement signatories did not experience statistically significant, abnormal returns when the Roundtable Statement was published. Raghunandan & Rajgopal, *supra* note 22, at 56 tbl. 14. As of the latest version of their paper, they use non-signatory firms as a control group like we do, though they rely on a different set of covariates from ours and use a different estimation window. *Id.* It is not entirely clear, from the current version of their paper, how they calculate abnormal returns or which firms are included in the sample underlying their event study.

statistically significant, abnormal returns relative to firms whose CEO did not sign the Roundtable Statement (our control group).

A. Econometrics and Results

To calculate abnormal returns, we use a standard 120-day estimation window ([-150, -31]) and a two-day event window ([0,1]).[117] We also follow the best practice in the corporate finance literature by calculating abnormal stock returns using a four-factor Fama-French-Carhart model. We employ the standard linear regression model and—again, in line with best practices—use robust standard errors in all of our regressions.

The results are displayed in Table 8. Treatment group firms—that is, companies whose CEOs had signed the Roundtable Statement—experienced positive two-day cumulative abnormal returns of 0.5 to 0.7% relative to firms in the control group, meaning non-signatory companies. This finding is statistically significant at the 1% level. As demonstrated in columns 2 and 3, the treatment effect barely change if one includes various financial controls and headquarters-state fixed effects. The results also remain largely unchanged if one adds industry fixed effects (columns 4 to 6), with the treatment group coefficient ranging from 0.5 to 0.6% depending on the specification.[118]

However, a concern is the fact that the treatment date—August 19, 2019—is the same for all firms, raising the possibility that the statistical significance of the event study results may be due to the cross-sectional correlation of returns. To address this concern, we conduct an additional test.[119] To begin, we create two equally weighted portfolios, one consisting of treatment groups firms and one consisting of control group firms. We then regress the differences between the daily returns that the portfolios yield on a binary

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117. The choice of a two-day event window is deliberate. News reports about the Roundtable Statement began to appear on August 19, 2019, even before the stock market opened. *See, e.g.*, Press Release, Bus. Roundtable, *supra* note 116. Under the semi-strong version of the capital market efficiency hypothesis, markets quickly incorporate all publicly available information. Accordingly, a market reaction may be observable as early as August 19, 2019. However, in recent years, an increasing number of scholars have grown more skeptical regarding the market's ability to quickly reflect all publicly available information. *See, e.g.*, Donald C. Langevoort, *Theories, Assumptions, and Securities Regulation: Market Efficiency Revisited*, 140 U. PA. L. REV. 851, 854 (1992) (criticizing how "the gulf that has developed between the current economics literature and the persistent, seemingly static, conception of market efficiency in the legal culture"); Donald C. Langevoort, Basic *at Twenty: Rethinking Fraud on the Market*, 2009 WIS. L. REV. 151, 175 (noting that "[d]oubts about the strength and pervasiveness of market efficiency are much greater today than they were in the mid-1980s"); Lynn A. Stout, *How Efficient Markets Undervalue Stocks: CAPM and ECMH Under Conditions of Uncertainty and Disagreement*, 19 CARDOZO L. REV. 475, 492 (1997) ("During the past two decades, an extensive body of empirical evidence has accumulated indicating that, in many situations, investors and securities markets simply refuse to behave the way the ECMH/CAPM predicts they should."). It is therefore worth noting that by August 20, 2019, major U.S. newspapers such as the Wall Street Journal were reporting on the Roundtable Statement in their print editions. *The 'Stakeholder' CEOs*, WALL ST. J., Aug. 20, 2019, at A14 (summarizing and criticizing the Roundtable Statement); David Gelles & David Yaffee-Bellany, *Feeling the Heat, C.E.O.s Pledge New Priorities*, N.Y. TIMES, Aug. 20, 2019, at A1 (summarizing the content of the Roundtable Statement). It is therefore reasonable to assume that by August 20, a broad number of investment professionals were informed about the Roundtable Statement.

118. Our results include additional robustness checks. *Infra* Online Appendix Part A.

119. *Id.*

variable that takes on the value one if the relevant date falls in the event window and zero if it falls into the estimation window. The result is not statistically significant.

We also conduct extensive placebo tests. Specifically, we run our baseline regression using all trading days in 2019 other than the event date from our baseline regression. We find that our treatment group firms experienced statistically significant cumulative abnormal returns of an absolute magnitude equal to or greater than that in our baseline regression (0.5%) on 9% of all trading days in 2019, which is an implausibly high value.

Both findings highlight concerns over cross-sectional correlation and suggest that the baseline event study results must be interpreted with caution.

B. Implications

The econometric concerns outlined above make it difficult to draw clear inferences from our event study results. Given the results of our portfolio approach and placebo tests, the event study result does not provide convincing evidence against the claim that the Roundtable Statement is merely cheap talk. It is worth noting, though, that we also find no evidence that the market perceived the Roundtable Statement to be a means to transfer wealth from shareholders to managers. If that were the anticipated effect, the stock market's reaction should have been negative rather than positive.

Table 8. Stock Price Reaction to Publication of Roundtable Statement on 8-19-2019

	Dependent Variable: Cumulative Abnormal Returns [0,1]					
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.005***	0.007***	0.005***	0.005**	0.006***	0.005***
	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.001)
Fin. controls						
Ln(assets)	-0.001***	-0.001***	-0.001*	-0.001***	-0.001***	-0.000
	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)	(0.001)
Book lev.		0.002	0.000		0.002	-0.001
		(0.001)	(0.004)		(0.001)	(0.004)
Fin. lev.		0.012**	0.016**		0.013**	0.017**
		(0.005)	(0.006)		(0.005)	(0.006)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(empl.)			0.000			-0.001
			(0.001)			(0.001)
RoA			-0.002			-0.003
			(0.003)			(0.003)
Obs.	3440	3422	3129	3440	3422	3129
R-squared	0.002	0.014	0.016	0.008	0.020	0.023
Adj. R-squared	0.001	-0.002	-0.002	0.001	-0.002	-0.002
Industry fixed eff.	No	No	No	Yes	Yes	Yes
HQ state FE	No	Yes	Yes	No	Yes	Yes

Note: Sample includes firms incorporated and headquartered in the United States. Cumulative abnormal returns are calculated using the Fama-French-Carhart model. 120-day estimation window [-150, -31]; two-day event window [0,1]. All regressions cluster at the level of the headquarters state and use robust standard errors, which are shown in parentheses. Financial variables are defined in Table A.1 and lagged by one year. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level respectively.

VII. DOES THE ROUNDTABLE STATEMENT PREDICT CORPORATE BEHAVIOR?

The core question that this paper analyzes is whether signing the Roundtable Statement sends a meaningful signal about the corporation's commitment to stakeholder values. Commentators are sharply divided on this issue. Whereas some view the

Roundtable Statement as signaling a meaningful commitment to stakeholder values, others dismiss it as more cheap talk.[120]

Fortunately, now that over three years have passed since the Roundtable Statement was published, the question of whether signing the Roundtable Statement sends a meaningful signal can be explored in a straightforward empirical fashion. Thus, we can test empirically whether the corporations whose representatives signed the Roundtable Statement were, at the time, more dedicated to stakeholder values than other companies. And we can further examine whether signing the Roundtable Statement was associated with future improvements for corporate stakeholders.

A. Measuring Corporate Conduct

To measure how corporations treat their stakeholders, we rely, in part, on data from Refinitiv's ESG database. This database evaluates corporations on numerous different ESG dimensions, and then aggregates the scores into "category" scores. Several of these categories match the key constituencies listed by the Roundtable Statement.[121]

We readily acknowledge that the value of ESG ratings in capturing firms' treatment of their stakeholders remains controversial.[122] In part, that is because firms' impact on stakeholders is complex and multilayered.[123] However, for the purpose of this Article, we believe this critique to be of limited importance.

The central claim advanced in this Article is that signing the Roundtable Statement provides a valuable signal to investors. Furthermore, we believe that it is best left to investors to decide which information they find helpful. Given that at least some investors seem to care about ESG ratings, any value that the Roundtable Statement has in predicting future ESG scores renders the Roundtable Statement useful.

In any case, even critics of ESG ratings praise Refinitiv's ESG metrics for their reliance on objective measures.[124] And Refinitiv's ESG ratings are widely used in the economic and financial literature.[125] Therefore, while we concede that ESG ratings cannot

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120. *See, e.g.*, sources cited *supra* note 5.

121. *See infra* Part VII.A.1–5 (measuring corporate conduct using the Roundtable Statements).

122. *See, e.g.*, Rogge & Ohnesorge, *supra* note 29, at 138 (noting that "ESG Ratings do not tell the whole story, as those who do not have sufficient resources to disclose may not necessarily be performing badly").

123. *Cf. id.* (noting that "it is a challenge to set out a balanced set of indicators covering all environmental, social and governance aspects").

124. *See, e.g.*, Seth C. Oranburg, *The Unintended Consequences of Mandatory ESG Disclosures*, 77 BUS. LAW. 697, 709 (2022) (arguing that "[t]he Bloomberg ESG Score is essentially a word count of ESG-related terms in public disclosures" whereas the "Asset4 ESG Score," the former name of Refinitiv's ESG score, "attempts to measure ESG activity, as opposed to mere verbiage").

125. *See, e.g.*, Elizabeth Demers et al., *ESG Did Not Immunize Stocks During the COVID-19 Crisis, but Investments in Intangible Assets Did*, 48 J. BUS. FIN. & ACCT. 433, 434 (2021) (using, inter alia, Refinitiv ESG data to explore the impact of ESG on stock prices during the pandemic); Elisa Menicucci & Guido Paolucci, *ESG Dimensions and Bank Performance: An Empirical Investigation in Italy*, 23 CORP. GOV. 563 (2023) (investigating environmental performance and corporate governance on bank performance); *see also* Szliárd Erhart, *Take It with a Pinch of Salt—ESG Rating of Stocks and Stock Indices*, 2022 INT. REV. FIN. ANALYSIS. 83, 83 (2022) (pointing out that Refinitiv ESG scores "have been becoming an integral part of financial, business and consumption

ever fully capture firms' true environmental, social, and governance characteristics, we believe that Refinitiv's scores are an adequate measure for our analysis. Moreover, since our regressions control for firm size—the occasionally voiced concern that smaller firms may fare less well in ESG ratings because they lack the resources to ensure proper disclosure[126]—cannot explain our results.

Using these measures, our analysis focuses on corporate treatment of five different stakeholder interests: communities, employees, the environment, human rights, and customers. Each of these interests are embraced implicitly or explicitly in the Roundtable Statement.[127]

As an additional measure of how corporations treat their stakeholders, we focus on corporations' decisions whether to terminate or limit their business in Russia in the wake of Russia's invasion of Ukraine in spring 2022.[128] This provides additional insight into whether the Roundtable Statement's signatories make good on their professed commitment to ethical dealing and human dignity.[129]

1. Communities

The Roundtable Statement signatories committed to "[s]upporting the communities in which [they] work."[130] Stakeholder models of corporate governance have traditionally listed communities among corporate constituencies.[131] Communities are also mentioned in many corporate constituency statutes.[132] The Roundtable Statement's commitment to corporate constituencies is therefore unsurprising. To measure firms' impact on communities, we rely on Refinitiv ESG's "communities score."

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decisions"); Özge Sahin et al., *Environmental, Social, Governance Scores and the Missing Pillar—Why Does Missing Information Matter?*, 29 CORP. SOC. RESP. & ENV'T MGMT. 1782 (2022) (noting that Refinitiv ESG scores "are used by many scholars and investors").

126. *E.g.*, Rogge & Ohnesorg, *supra* note 29, at 138.

127. *Id.*

128. *See infra* Part VII.F.

129. BUS. ROUNDTABLE, *supra* note 3.

130. *Id.*

131. *E.g.*, Christopher M. Bruner, *The Enduring Ambivalence of Corporate Law*, 59 ALA. L. REV. 1385, 1394 (2008) (listing "employees, creditors, and communities" as corporate stakeholders); Ronald Chen & Jon Hanson, *The Illusion of Law: The Legitimating Schemas of Modern Policy and Corporate Law*, 103 MICH. L. REV. 1, 44 (2004) (naming "employees, consumers, lenders, suppliers, neighboring communities" as examples of corporate stakeholders); Lyman P.Q. Johnson & David Millon, *Recalling Why Corporate Officers Are Fiduciaries*, 46 WM. & MARY L. REV. 1597, 1643 (2005) (listing as examples of corporate stakeholders "corporate employees, creditors, or local communities in which the company operates"); Lucian Arye Bebchuk, *The Case for Increasing Shareholder Power*, 118 HARV. L. REV. 833, 910 (2005) (naming communities where corporations are headquartered as an example of corporate stakeholders).

132. *See infra* note 143 (discussing and collecting sources relating to the traditional discussion of environmental protection in service of shareholder value).

2. Employees

A firm's employees are perhaps the most obvious of its constituencies.[133] They have traditionally been at the center of the various stakeholder models discussed in the literature.[134] Recent legislative proposals by progressive Senators Bernie Sanders and Elizabeth Warren have even suggested letting employees elect a substantial portion of a firm's board members.[135] It is therefore unsurprising that, according to the Roundtable Statement, its signatories commit to "investing in our employees."[136] Refinitiv's ESG database assigns companies a "workforce score," which aggregates scores for various subcategories such as working conditions or health and safety.[137] The workforce score, in Refinitiv's words, "measures a company's effectiveness in terms of providing job satisfaction, a healthy and safe workplace, maintaining diversity and equal opportunities, and development opportunities for its workforce."[138] We use this score to measure a corporation's commitment to its workers.[139]

3. The Environment

The Roundtable Statement signatories commit to "protect the environment by embracing sustainable practices across our businesses."[140] The explicit inclusion of this

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133. *E.g.*, Bruner, *supra* note 131, at 1394 (listing "employees, creditors, and communities" as corporate stakeholders); Chen & Hanson, *supra* note 131, at 44 (naming "employees, consumers, lenders, suppliers, neighboring communities" as examples of corporate stakeholders); Johnson & Millon, *supra* note 131, at 1643 (listing as examples of corporate stakeholders "corporate employees, creditors, or local communities in which the company operates").

134. *See, e.g.*, Margaret M. Blair & Lynn A. Stout, *A Team Production Theory of Corporate Law*, 85 VA. L. REV. 247, 253 (1999) (arguing that employees and other stakeholders are part of the "team" that contributes to a corporation's success and that, therefore, "corporate law ought to require directors to serve not only the shareholders' interests, but also those of employees, consumers, creditors, and other corporate 'stakeholders'").

135. For Senator Warren's proposal, see Accountable Capitalism Act, S. 3215, 116th Cong. § 6(a)(1) (2020). For Senator Sanders' proposal, see Bernie Sanders, *Corporate Accountability and Democracy*, https://berniesanders.com/issues/corporate-accountability-and-democracy/ [https://perma.cc/7BFJ-DTSG]. For a discussion of whether the United States should adopt employee codetermination, see, e.g., Jens Dammann & Horst Eidenmüller, *Corporate Law and the Democratic State*, 2022 U. ILL. L. REV. 963 (arguing that subjecting the very largest U.S. corporations to codetermination may strengthen democracy); Jens Dammann & Horst Eidenmüller, *Codetermination: A Poor Fit for U.S. Corporations*, 2020 COLUM. BUS. L. REV. 870, 877 (arguing that imposing mandatory codetermination on U.S. corporations would likely be inefficient); Grant M. Hayden & Matthew T. Bodie, *Codetermination in Theory and Practice*, 73 FLA. L. REV. 321, 358 (2021) (arguing that U.S. corporate law scholars should "consider" the German model of codetermination).

136. BUS. ROUNDTABLE, *supra* note 3.

137. These subcategories, in turn, aggregate scores from even more fine-grained subcategories. Regarding the methodology by which the workforce score is calculated from various subcategory scores, we refer to Refinitiv's manuals, which are available via WRDS, Refinitiv. *See* WRDS, *supra* note 85.

138. REFINITIV, ENVIRONMENTAL, SOCIAL, AND GOVERNANCE SCORES FROM LSEG 28 (2022), https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/refinitiv-esg-scores-methodology.pdf [https://perma.cc/7BQG-6DD3].

139. We intentionally choose the general "workforce" score rather than working with individual subscores, relevant though they may seem, to avoid any suspicion that we are "picking" our data to generate desired results.

140. BUS. ROUNDTABLE, *supra* note 3.

commitment likely reflects not just the traditional place of environmental protection as a stakeholder value[141] but also the environment's growing weight in the corporate governance debate.[142] Unfortunately, Refinitiv does not provide one aggregate environment score. Instead, Refinitiv provides three separate category scores: resource use, emissions, and (environmental) innovation.[143] Rather than aggregating these scores ourselves, which would ultimately require subjective and difficult-to-defend value choices,[144] we use all three scores as dependent variables.

4. *Human Rights*

The Roundtable Statement does not unequivocally embrace a general commitment to human rights.[145] However, the need to behave ethically and respect human dignity is mentioned throughout the document. The very first sentence of the Roundtable Statement emphasizes the need for an "economy that allows each person . . . to lead a life of meaning and dignity."[146] And in connection with its employees, the Roundtable Statement stresses the signatories' commitment to "dignity and respect."[147] Concerning supply chains, the Roundtable Statement includes the commitment to deal "fairly and ethically with our suppliers."[148] This commitment mirrors recent efforts to prevent human rights and other abuses in national and international supply chains. For example, California has enacted a supply chain transparency law aimed at preventing human rights violations.[149] Several European countries have also enacted legislation requiring corporations to prevent human

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141. *See, e.g.*, Michael B. Dorff, *Why Public Benefit Corporations?*, 42 DEL. J. CORP. L. 77, 105 (2017) (mentioning "corporate constituencies, such as employees, communities, and the environment"); Michael B. Dorff, Hames Hicks & Steven Davidoff Solomon, *The Future or Fancy? An Empirical Study of Public Benefit Corporations*, 11 HARV. BUS. L. REV. 113, 120 (2021) (listing "corporate constituencies such as employees, communities, and the environment"); Judd F. Sneirson, *Green Is Good: Sustainability, Profitability, and a New Paradigm for Corporate Governance*, 94 IOWA L. REV. 987, 989 (2009) (criticizing "the commonly held view that corporate directors and officers must strive to maximize shareholder wealth and affirmatively neglect other corporate constituencies like labor, creditors, suppliers, customers, the public, and the environment").

142. *See, e.g.*, Thomas Joo, *Global Warming and the Management-Centered Corporation*, 44 WAKE FOREST L. REV. 671, 702 (2009) (arguing that responsibility for environmental compliance should be placed with top management and that "[c]orporate leaders can help jumpstart the change in thinking by emphasizing cleaner products and methods of production"); Hope M. Babcock, *Corporate Environmental Social Responsibility: Corporate "Greenwashing" or a Corporate Culture Game Changer?*, 21 FORDHAM ENV'T L. REV. 1, 9–10 (2010) (stressing the need to change the prevailing corporate culture in order to protect the environment); Sneirson, *supra* note 141, at 990 (suggesting that "firms voluntarily commit themselves to sustainability principles through pledges in their corporate charters").

143. REFINITIV, *supra* note 138, at 5.

144. For example, one could each of the three scores the same weight, or one could weigh them according to the number of subcategory scores that each aggregates.

145. BUS. ROUNDTABLE, *supra* note 3.

146. *Id.*

147. *Id.*

148. *Id.*

149. California Transparency in Supply Chains Act, CAL. CIV. CODE § 1714.43 (West 2012) ("Every retail seller and manufacturer doing business in [California] and having annual worldwide gross receipts that exceed one hundred million dollars ($100,000,000) shall disclose . . . its efforts to eradicate slavery and human trafficking from its direct supply chain for tangible goods offered for sale.").

rights violations in their supply chains.[150] And the corporate law literature too has been including respect for human rights as an element of corporate social responsibility.[151] It is therefore plausible to read the Roundtable Statement as containing at least an implicit commitment to the protection of human rights within the corporation's sphere of influence.

To measure a corporation's commitment to human rights, we rely on two different approaches. First, Refinitiv provides a human rights score, which "measures a company's effectiveness in terms of respecting fundamental human rights conventions."[152] Second, we focus on corporations' decisions whether to terminate or limit their business in Russia following Russia's invasion of Ukraine. In light of numerous reports about human rights violations committed by Russian forces in Ukraine,[153] firms' willingness to terminate their business in Russia is a plausible indicator of their commitment to human rights.

5. *Customers*

The Roundtable Statement contains a clear commitment to "delivering value to . . . customers."[154] That commitment aligns with corporate constituency statutes that list customers as a principal corporate constituency.[155] It is also consistent with the governance literature that typically includes customers among a corporation's constituents.[156] Of the Refinitiv scores, the closest fit is the "product responsibility score." This "score reflects a company's capacity to produce quality goods and services, integrating the customer's

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150. In 2015, the United Kingdom enacted the Modern Slavery Act. Modern Slavery Act 2015, c. 30. France adopted a supply chain law in 2017. Loi 2017-399 du 27 mars 2017 Relative au Devoir de Vigilance des Sociétés Mères et des Entreprises Donneuses d'Ordre [Law 2017-399 of March 27, 2017, on the Duty of Care of Parent Companies and Ordering Companies], JOURNAL OFFICIEL DE LA RÉPUBLIQUE FRANÇAISE [J.O.] [OFFICIAL GAZETTE OF FRANCE], Mar. 23, 2017, art. 1. In 2021, Germany enacted the Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Global Supply Chains, Lieferkettensorgfaltspflichtengesetz [LkSG] [Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains], July 16, 2021, BGBL I at 2959. The Act requires German companies to make efforts to prevent human rights violations in their supply chains. For a careful analysis of the new legislation, see Giesela Rühl, *Cross-Border Protection of Human Rights: The 2021 German Supply Chain Due Diligence Act*, in GEDÄCHTNISSCHRIFT FOR PROFESSOR JONATHAN FITCHEN (Justin Borg-Barthet et al. eds. forthcoming 2023); Giesela Rühl, *Towards a German Supply Chain Act? Comments from a Choice of Law and a Comparative Perspective*, 11 EUR. Y.B. INT'L & ECON. L. 55 (2020).

151. *Cf.* Katharine V. Jackson, *Towards a Stakeholder-Shareholder Theory of Corporate Governance: A Comparative Analysis*, 7 HASTINGS BUS. L.J. 309, 325 (2011) (noting that the CSR movement sought to "encourage corporations to respect human rights").

152. REFINITIV, *supra* note 138, at 28.

153. *See supra* note 24.

154. BUS. ROUNDTABLE, *supra* note 3.

155. *See* REFINITIV, *supra* note 138.

156. *See, e.g.*, Mark E. Van Der Weide, *Against Fiduciary Duties to Corporate Stakeholders*, 21 DEL. J. CORP. L. 27, 86 (1996) (arguing that "corporation cannot function without contributions of capital from shareholders and creditors, contributions of labor from employees, contributions of raw materials from suppliers, contributions of social infrastructure from state and local governments, and the patronage of customers"); Sneirson, *supra* note 141, at 989 (criticizing "the commonly held view that corporate directors and officers must strive to maximize shareholder wealth and affirmatively neglect other corporate constituencies like labor, creditors, suppliers, customers, the public, and the environment").

health and safety, integrity and data privacy."[157] Like all stakeholder values listed in the Roundtable Statement, the term "customer value" remains somewhat vague. However, we believe that the definition of product responsibility provides an adequately plausible interpretation of what might reasonably be understood to constitute customer value.

B. Methodology

To examine the relationship between signing the Roundtable Statement and concurrent or subsequent performance on our various Refinitiv-based measures of stakeholder protection, we rely on a standard linear regression model using robust standard errors. Variable definitions and data sources are included in the Appendix. A different approach is called for with respect to those regressions that use withdrawal from Ukraine as a dependent variable. Because the dependent variable (withdrawal) is binary, a probit model is the more appropriate choice.[158]

C. Current ESG Scores

We begin by asking whether the corporations that signed the Roundtable Statement in 2019 were, in fact, more committed to their stakeholders at the time they signed the Statement. In other words, our treatment group consists of firms that signed the Roundtable Statement in 2019, the control group consists of other public U.S. corporations, and the dependent variables are the Refinitiv Scores that corporations received in 2019.

The results are displayed in Table 9. They are consistent with the hypothesis that, on average, signatory companies are more committed to stakeholder values at the time they sign the Statement than non-signatory companies.[159] For all ESG categories of interest, the relationship with the signature variable, which captures whether a firm signed the Roundtable Statement, is both large and positive. Moreover, for most ESG categories, this relationship is statistically significant at the 1% level. One exception is the product responsibility score; its association with the Roundtable variable is positive but not statistically significant.

In sum, for most of our variables of interest, a CEO signing the Roundtable Statement allows meaningful conclusions regarding their present commitment to stakeholder values. The positive correlation between signing the Roundtable Statement and firms' contemporary commitment to stakeholder values is remarkable. It provides investors who

157. *See* REFINITIV, *supra* note 138, at 29.

158. *See* BUS. ROUNDTABLE, *supra* note 3. Even if we switch to a linear regression model, our results remain statistically significant. *See infra* Online Appendix Part C.

159. In related work, Raghunandan & Rajgopal, *supra* note 22, at 58 tbl.16, examine whether Roundtable Statement signatories had higher CSR scores than non-signatory firms. There, the authors found that signatories had higher CSR scores both when the Roundtable Statement was published and afterward. We are not completely sure what their dependent variable "Refinitiv CSR" score refers to but assume that it refers to Refinitiv's total ESG score. Unlike the ESG category scores, which we use, the total ESG score includes the impact on shareholders. Therefore, total ESG scores are less useful in answering the question at the center of this paper, namely whether the Roundtable Statement signatories are more likely than other firms to consider the interests of non-shareholder constituencies.

have limited time and resources the opportunity to use the Roundtable Statement to easily identify companies committed to stakeholder values.

Table 9. Roundtable Signatories and 2019 ESG Scores

	Dependent Variable: 2019 ESG Scores						
	Human Rights	Workforce	Product Resp.	Community	Emissions	Environm'l Innovation	Resource Use
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable Sign.	0.125***	0.125***	0.038	0.067***	0.172***	0.086***	0.134***
	(0.023)	(0.021)	(0.023)	(0.013)	(0.031)	(0.030)	(0.032)
Fin. controls							
Ln(assets)	0.032*	0.069***	0.032***	0.053***	0.076***	0.028***	0.064***
	(0.017)	(0.012)	(0.007)	(0.008)	(0.019)	(0.010)	(0.019)
Book lev.	0.166**	0.179***	0.106***	0.112***	0.234***	0.056	0.216***
	(0.060)	(0.035)	(0.035)	(0.029)	(0.072)	(0.037)	(0.065)
Fin. Lev.	-0.253***	-0.404***	-0.230**	-0.270***	-0.367***	-0.118***	-0.355***
	(0.044)	(0.067)	(0.083)	(0.039)	(0.028)	(0.037)	(0.026)
Sales	0.000	0.000	0.000	-0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	0.051***	0.013	0.017**	0.022***	0.026*	0.029**	0.045***
	(0.011)	(0.010)	(0.007)	(0.007)	(0.013)	(0.011)	(0.013)
RoA	-0.022*	-0.109***	-0.069***	-0.050***	-0.041***	-0.023***	-0.044***
	(0.012)	(0.007)	(0.009)	(0.006)	(0.008)	(0.006)	(0.010)
Obs.	2864	2864	2864	2864	2864	2864	2864
R-squared	0.320	0.348	0.139	0.330	0.447	0.222	0.465
Adj. R-squared	0.319	0.346	0.137	0.329	0.445	0.220	0.463

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its 2-digit NAICS code. Partnerships and LLCs are dropped. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level respectively.

D. Future ESG Scores

Of course, the Roundtable Statement would be an even more valuable commitment device if, by signing it, managers could provide investors with information about their corporations' *future* treatment of stakeholders. It is this question to which we turn next. We rely on the same ESG category scores as before, but we analyze the relationship between the decision to sign the Roundtable Statement in 2019 and a firm's 2021 ESG scores. The results are displayed in Table 10. For all but one category (product responsibility), the relationship remains statistically significant at the 1% level. Moreover, for several of the relevant categories (Workforce, Communities, Resource Use, and Emissions), our results prove to be quite robust.[160]

These findings provide evidence that ESG-conscious investors can expect that Roundtable Statement signatories will retain their commitment to stakeholder values in the future. This is significant because it suggests that investors who are wary of the backwards-looking nature of ESG scores[161] can use signing the Roundtable Statement as a predictor of future corporate behavior.

160. *See* Online Appendix Part C.2.

161. *See* sources cited *supra* note 50 and accompanying text (showing that roughly 40% of responding investors identified the backwards-looking nature of ESG scores as an obstacle to using them).

Table 10. Roundtable Signatories and 2021 ESG Scores

	Dependent Variables: 2021 ESG Scores						
	Human Rights	Workforce	Product Resp.	Community	Emissions	Environm'l Innovation	Resource Use
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable Sign.	0.089***	0.110***	0.035	0.056***	0.084***	0.125***	0.111***
	(0.028)	(0.019)	(0.024)	(0.014)	(0.030)	(0.023)	(0.028)
Financial controls							
Ln(assets)	0.031	0.067***	0.031***	0.046***	0.030***	0.078***	0.062***
	(0.019)	(0.012)	(0.007)	(0.007)	(0.010)	(0.018)	(0.019)
Book lev.	0.217***	0.186***	0.108**	0.111***	0.062	0.229***	0.249***
	(0.076)	(0.030)	(0.040)	(0.028)	(0.042)	(0.070)	(0.072)
Fin. lev.	-0.291***	-0.422***	-0.245***	-0.275***	-0.125**	-0.389***	-0.400***
	(0.046)	(0.067)	(0.080)	(0.038)	(0.045)	(0.043)	(0.040)
Sales	0.000	0.000	0.000*	-0.000*	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	0.053***	0.013	0.014*	0.024***	0.029**	0.028**	0.049***
	(0.012)	(0.010)	(0.008)	(0.006)	(0.012)	(0.012)	(0.013)
Return on assets	-0.003	-0.083***	-0.063***	-0.038***	-0.021***	-0.034***	-0.032***
	(0.015)	(0.007)	(0.011)	(0.006)	(0.005)	(0.009)	(0.010)
Obs.	2739	2739	2739	2739	2739	2739	2739
R-squared	0.316	0.324	0.129	0.316	0.225	0.459	0.468
Adj. R-squared	0.315	0.322	0.127	0.315	0.223	0.457	0.467

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. *** ** * indicate statistical significance at the 1%, 5%, and 10% level respectively.

E. *Future ESG Score Improvements*

We also examine whether signing the Roundtable Statement predicts improvements in ESG scores. More specifically, we examine whether having signed the Roundtable Statement in 2019 predicts a percentage increase in a company's ESG category scores between 2019 and 2021, the most recent year for which Refinitiv ESG scores are available.

One potential challenge for such an approach is that the higher a corporation's ESG scores were in 2019, the harder it may be to achieve additional gains. And inversely, the lower a company's ESG scores were in 2019, the easier it may be to achieve large relative improvements. To address this issue, we include a company's 2019 ESG score as a control variable.

Table 11. Roundtable Signatories and Improvements in ESG Scores

	Dependent Variable: Percentage Increase in the Indicated ESG Score Categories from 2019 to 2021						
	Human Rights	Workforce	Product Resp.	Community	Environm'l Innovation	Emissions	Resource Use
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable Signature	0.081	0.296**	-0.072	0.203***	-0.176	-0.061	0.116
	(0.081)	(0.123)	(0.085)	(0.045)	(0.134)	(0.098)	(0.117)
2019 Scores							
Human Rights	-2.861***						
	(0.486)						
Workforce		-4.138***					
		(1.289)					
Product Resp.			-1.143***				
			(0.393)				
Community				-3.093***			
				(0.455)			
Innovation					-1.101**		
					(0.502)		
Emissions						-4.213***	
						(0.848)	
Resource use							-4.834**
							(1.722)
Fin. controls							
Ln(assets)	0.001	0.353	-0.006	0.107**	-0.006	0.200*	0.079
	(0.053)	(0.293)	(0.020)	(0.046)	(0.032)	(0.098)	(0.111)
Book lev.	0.207	0.709	-0.053	0.025	-0.238	1.093	2.061
	(0.340)	(0.773)	(0.123)	(0.209)	(0.159)	(0.781)	(1.620)
Fin. lev.	-0.423	-0.547	-0.152*	-0.029	0.294	-2.191**	-1.700
	(0.303)	(0.520)	(0.083)	(0.165)	(0.277)	(0.951)	(1.274)
Sales	0.000	0.000	0.000	0.000	0.000	-0.000*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	-0.067	-0.148	0.065*	0.001	0.090	0.199*	0.114*
	(0.048)	(0.177)	(0.036)	(0.022)	(0.081)	(0.108)	(0.064)
Return on assets	0.319	-0.223	-0.050	-0.034	-0.142**	-0.906	0.004
	(0.365)	(0.154)	(0.063)	(0.059)	(0.063)	(2.194)	(0.441)
Obs.	1229	2667	2545	2667	873	1561	1463
R-squared	0.047	0.020	0.018	0.077	0.039	0.035	0.019
Adj. R-squared	0.041	0.017	0.015	0.074	0.030	0.030	0.013

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Partnerships and LLCs are dropped. Financial variables refer to the year 2018. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level respectively.

The results are displayed in Table 11. For the workforce and community scores, the relationship is once again positive and economically as well as statistically significant. However, the remaining variables lack statistical significance at conventional levels. This means that whereas signing the Roundtable Statement in 2019 predicted substantial improvements in workforce and community scores, it failed to predict improvements in other areas. Moreover, additional empirical analysis shows that the results regarding future improvements in workforce scores are not particularly robust, suggesting that they ought to be interpreted cautiously.[162]

F. Withdrawal from Russia Following the Invasion of Ukraine

As explained above, whether firms withdrew from Russia following Russia's invasion of Ukraine can at least indicate their commitment to human rights (a general concept repeated throughout the Roundtable Statement). We therefore examine whether signing the Roundtable Statement in 2019 predicts firms' decision to terminate their business dealings in Russia. Because the decision whether or not to withdraw from Russia is a binary variable, we use a probit model rather than a linear probability model.[163] The results are displayed in Table 12. At the mean, signing the Roundtable Statement increases the probability that the firm will withdraw from Russia by between 1.8% and 1.9%, depending on the specification.

VIII. IMPLICATIONS

Our analysis has profound implications for corporate governance and capital markets.

A. The Future of ESG Investing

Our results provide evidence that the Roundtable Statement and equivalent future declarations can help address a key challenge for ESG investing—namely, how to persuade ESG-oriented investors that corporations are in fact focused on ESG matters and will retain this focus in the future.

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162. *See* Online Appendix Part C.3.

163. Our results remain statistically significant, and the treatment group coefficient even becomes larger if we switch to a linear regression model. *See* Online Appendix Part C.

Table 12. Withdrawal from Russia

	Dependent Variable: Has the Company Withdrawn from Russia Following the Russian Invasion of Ukraine?					
	(1) β (se)	(2) Marg. eff.	(3) β (se)	(4) Marg. eff.	(5) β (se)	(6) Marg. eff.
Roundtable Sig.	0.593***	0.019***	0.588***	0.019***	0.555***	0.018***
	(0.107)	(0.005)	(0.120)	(0.005)	(0.117)	(0.004)
Book lev.	0.471***	0.015***	0.482***	0.015***	0.502***	0.017***
	(0.140)	(0.004)	(0.152)	(0.004)	(0.128)	(0.003)
Fin lev.	-2.026***	-0.065***	-1.937***	-0.062***	-1.650***	-0.055***
	(0.465)	(0.012)	(0.470)	(0.013)	(0.494)	(0.013)
Ln(assets)	0.219***	0.007***	0.221***	0.007***	0.079***	0.003**
	(0.017)	(0.001)	(0.018)	(0.001)	(0.030)	(0.001)
ROA					0.153	0.005*
					(0.094)	(0.003)
Sales					-0.000**	-0.000**
					(0.000)	(0.000)
Ln(employees)					0.243***	0.008***
					(0.040)	(0.001)
Obs.	4462	4462	4424	4424	4049	4049
Pseudo R sq.	0.175		0.186		0.227	
Chi sq.	741.142		1470.822		4126.489	
Industry FE	No	No	Yes	Yes	Yes	Yes

Note: All regressions cluster at the state of incorporation level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its 1-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level respectively.

The Roundtable Statement is by no means a perfect commitment device, and it may not work across all areas. For example, we have found no evidence suggesting that signing the Roundtable Statement predicts future improvements in environmental scores. However, the Roundtable Statement has some obvious strengths as a market signal: signing the Roundtable Statement involves only minimal transaction costs, and CEOs retain sufficient flexibility to respond to changing economic circumstances. Moreover, the fact that a substantial number of CEOs signed the Roundtable Statement shows that the Roundtable Statement—and equivalent future declarations—can function as a signaling device for more than just a niche set of companies.

We also note that signing the Roundtable Statement does not preclude firms from additionally using other mechanisms to signal their future commitment to stakeholder values. In particular, there will always be a subset of particularly committed firms that are willing to incur legally binding commitments regarding their future conduct. For example, many states now allow for the formation of benefit corporations.[164] A benefit corporation's charter must specify the public benefit that the corporation is meant to promote,[165] and the board of a benefit corporation is under an explicit legal obligation to balance the shareholders' pecuniary interest against that public benefit.[166] As of today, however, relatively few public corporations have chosen to organize as benefit corporations,[167] and we see no reason to suspect that this will change in the near future.

Particularly committed firms can also incur legal obligations with a more limited focus. For instance, Dorothy Lund recently suggested that corporations should issue so-called corporate social responsibility (CSR) bonds that the corporation does not have to pay back if it implements a specified CSR project.[168] Essentially, socially minded investors would be paying corporations to implement certain projects.[169] While many investors may be reluctant to make financial sacrifices of this type, others may find them a perfect fit for their preferences.

Using joint declarations such as the Roundtable Statement to signal commitment to corporate constituents does not—and should not—preclude the use of such other mechanisms. The Roundtable Statement simply provides a low-cost signaling device with broad appeal and a large degree of flexibility. For that reason, acceding to a public declaration may synergize especially well with other flexible means of signaling stakeholder-centric values to the market.

B. Corporate Governance

Our results also have important implications for corporate governance. Modern supporters of stakeholder values frequently embrace what is known as enlightened shareholder value.[170] According to this view, CEOs are well-advised to look out for stakeholders, even at the short-term expense of shareholders, to the extent that doing so is the best way to benefit shareholders in the long run.[171] This view has come to be known as

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164. *See, e.g.*, Steinitz, *supra* note 17, at 968 (noting that "thirty-seven states have adopted some version of benefit corporation legislation"). For individual examples, see, e.g., COLO. REV. STAT. § 7-101-501 (2024); DEL. CODE ANN. tit. 8 § 361 (2022); KAN. STAT. ANN. § 17-72a01 (2023).

165. *See, e.g.*, COLO. REV. STAT. § 7-101-503(1) (2024); DEL. CODE ANN. tit. 8, § 362(a) (2022); KAN. STAT. ANN. § 17-72a02(a) (2023).

166. *See, e.g.*, statutes cited *supra* note 165.

167. Vernon R. Proctor, *Peaceful Coexistence? ESG and the Delaware General Corporation Law*, DEL. LAW., Fall 2022, at 22, 28.

168. Lund, *supra* note 18, at 1618–19 (2021).

169. *Id.*

170. *See, e.g.*, Larry Fink, *The Power of Capitalism*, BLACKROCK, https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter [https://perma.cc/D8SM-Q23K] (stressing that "a company must create value for and be valued by its full range of stakeholders in order to deliver long-term value for its shareholders"). Regarding the widespread popularity of enlightened shareholder value, see Bebchuk, Kastiel & Tallarita, *supra* note 5, at 732 (noting that enlightened shareholder value is an "influential and widely supported approach").

171. This or similar definitions are used, e.g., by Bebchuk, Kastiel & Tallarita, *supra* note 5, at 735 ("[U]nder [the enlightened shareholder value] view, corporate leaders should take into account the interests of stakeholders

"enlightened shareholder primacy."[172] Critics of enlightened shareholder primacy recognize the importance of stakeholders to corporations' success,[173] but they contend that the concept of enlightened shareholder primacy fails to add value for stakeholders.[174]

Our findings imply, however, that this critique ignores corporate realities.[175] Different CEOs pursue very different strategies in their pursuit of shareholder wealth maximization. The very fact that fewer than 300 CEOs of publicly traded corporations signed the Roundtable Statement is a testament to this difference in strategy. Moreover, as we have shown, the act of signing the Roundtable Statement is not meaningless; it signals objective

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to the extent, and only to the extent, that doing so would serve the goal of long-term shareholder value maximization."); Greenfield, *supra* note 35, at 97 (noting that enlightened shareholder value seeks to maximize "the firm's long-term value" by considering both the financial returns for shareholders and "the long-term benefits to the company of being a good 'citizen with a public inclination'"); Fairfax, *supra* note 16, at 1228 n.334 (noting that "enlightened shareholder primacy . . . considers stakeholders because that consideration enhances shareholders' interest" whereas "'true' stakeholderism . . . views shareholders as one among many stakeholders and thus does not prioritize them").

172. *See, e.g.*, Bebchuk, Kastiel & Tallarita, *supra* note 5, at 732–33 (defining and illustrating the concept of enlightened shareholder value); Greenfield, *supra* note 35, at 97 (defining "enlightened shareholder primacy"); Fairfax, *supra* note 16, at 1228 n.334 (noting that "enlightened shareholder primacy . . . considers stakeholders because that consideration enhances shareholders' interest" and "'true' stakeholderism . . . views shareholders as one among many stakeholders and thus does not prioritize them"); Martin Gelter, *The Dark Side of Shareholder Influence: Managerial Autonomy and Stakeholder Orientation in Comparative Corporate Governance*, 50 HARV. INT'L L.J. 129, 131 (2009) (defining the concept of "enlightened shareholder value"). In the United Kingdom, enlightened shareholder value has been codified as part of the 2006 UK Companies Act. *See* Ho, *supra* note 17, at 78 (pointing that out section 172 of the Companies Act defines the directors' fiduciary duties in such a way as to embrace the concept of enlightened shareholder value).

173. *See, e.g.*, Bebchuk, Kastiel & Tallarita, *supra* note 5, at 735 (stressing that they share the view that "the effect of stakeholder treatment on long-term value often represents a factor that is important to take into account in corporate decision-making").

174. *See, e.g.*, *id.* at 732–33 (arguing that "at best, . . . [enlightened shareholder value] would fail to deliver any material benefits to stakeholders or society"); *id.* at 745 (noting that under certain assumptions, "ESV would be practically indistinguishable from SV"). Incidentally, the criticism that enlightened shareholder primacy is not sufficiently different from traditional shareholder primacy is shared by those scholars who advocate more far-reaching models of stakeholderism that would allow managers to put the interests of stakeholders ahead of those of shareholders at least some of the time. *See, e.g.*, Greenfield, *supra* note 35, at 98 (expressing his belief "that . . . enlightened shareholder primacy will diverge from the interest of other corporate stakeholders in the long term"). For an intermediate view, see Dorothy S. Lund & Elizabeth Pollman, *The Corporate Governance Machine*, 121 COLUM. L. REV. 2563, 2631 (2021) (noting that "although an enlightened shareholder value approach allows for greater consideration of stakeholder welfare, it ultimately serves only a partial victory to advocates of stakeholderism").

175. Bebchuk, Kastiel, and Tallarita speak of a "win-win-illusion" and argue that the enlightened shareholder value view "fails to recognize, however, that corporate leaders often face real and significant trade-offs between shareholder and stakeholder interests." Bebchuk, Kastiel & Tallarita, *supra* note 5, at 741. We believe their argument is correct if one embraces an extreme and, in our view, silly version of enlightened shareholder value that claims that there are no tradeoffs between shareholder value and stakeholder protection at least in the long run. We also agree that the Roundtable Statement gives rise to such an unfortunate interpretation of enlightened shareholder value by stating that "the interests of all stakeholders are inseparable in the long term." Of course, those who phrased the Roundtable Statement may simply have remembered John Maynard Keynes's famous quote that "in the long run, we are all dead." JOHN MAYNARD KEYNES, A TRACT ON MONETARY REFORM 80 (1924).

differences in the current and future treatment of employees and other stakeholders.[176] Thus, it may be true that the concept of enlightened shareholder primacy does not offer CEOs more leeway or impose additional duties to protect stakeholders.[177] But the extent to which CEOs embrace enlightened shareholder primacy versus a narrow understanding of shareholder wealth maximization clearly matters in that it predicts current and future behavior.

C. Future Managerial Declarations

One takeaway from our analysis is that the Roundtable Statement's capacity for predicting future corporate conduct differs across different domains. In some areas (communities and workers), signing the Roundtable Statement predicted future improvement in ESG scores, while in others (environment and product responsibility), it did not.[178]

These differences are unsurprising. First, recall that CEOs, at least those of Delaware corporations, are under a duty to maximize shareholder wealth. Assuming that they take this duty seriously, they may not have leeway to protect all of their stakeholders equally. For example, treating employees well may be easier to reconcile with the duty to maximize shareholder wealth than taking costly steps to lower emissions. Second, different CEOs are likely to have different views on which corporate constituencies matter most. For example, some CEOs may be more committed to the protection of their workers whereas others may be particularly passionate about the environment.

The question, then, is whether the resulting heterogeneity should trigger consequences in how the Roundtable Statement or equivalent future declarations are worded. One might surmise that, instead of promulgating a single document listing all stakeholder values, the Business Roundtable should have taken a more differentiated approach and allowed CEOs to commit to particular stakeholder interests above others. We suspect, however, that such an approach would have done more harm than good. Misunderstandings and mixed signals would have been the most likely result. For example, a CEO who signs a commitment to the protection of workers but fails to sign an equivalent statement regarding the environment might fear that markets will view this as a rejection of environmental values instead of merely a signal of priorities. Moreover, at least part of the Roundtable Statement's effect is likely to be due to the risk of public shaming that CEOs face if they do not live up to their promises.[179] This mechanism requires a certain level of public interest which is likely to wane as statements become more specialized and technical. Therefore, we believe that the Business Roundtable was correct to write the Roundtable Statement in general terms. And future declarations by managers may sensibly use the Roundtable Statement as a model for signaling to the market a broad-based agreement

176. *See supra* Part VII.

177. *See supra* text accompanying note 36 (collecting sources that criticize the enlightened shareholder primacy theory).

178. *See supra* Part VII.

179. *See supra* text accompanying note 73.

about the proper treatment of stakeholders, even where each individual CEO may understand that commitment differently.

CONCLUSION

The debate over whether corporations should serve only their shareholders or also their other stakeholders is among the oldest in U.S. corporate law.[180] The CEOs that signed the 2019 Roundtable Statement have made it clear where they stand in this debate.[181] They have stated with admirable simplicity that the purpose of a corporation is not just to benefit shareholders but also to protect other corporate constituents.[182]

Not every signatory may have been honest. Still, our results imply that signing the Roundtable Statement was more than cheap talk, let alone a cover for self-serving behavior. Signing the Roundtable Statement not only signaled CEOs' current strong commitments as reflected in ESG scores, but it also predicted high future ESG scores and, with respect to workers and communities, even predicted future ESG score improvements. Moreover, U.S. companies whose CEOs signed the Roundtable Statement were more likely to terminate their business activities in Russia following Russia's invasion of Ukraine. These findings provide evidence, contrary to the currently prevailing view, that public declarations by CEOs presage changes in corporate behavior.

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180. *See* Miller, *supra* note 9 (recanting and reflecting on the shareholder maximization debate and its roots in British common law).

181. Fisch & Davidoff Solomon, *supra* note 1, at 1310.

182. *Id.*

APPENDIX

Table A.1. Financial Variables

Variable	Definition	Compustat Codes
Assets	Total Assets	At
Book leverage	Total Debt over Total Assets	(dltt+dlc)/at
Employees	Employees (in thousands)	emp
Financial leverage	Total Debt over (Sum of Total Debt and Market Value)	(dlc+dltt)/((dlc+dltt+ (prcc_f*csho))
Return on assets (ROA)	(Operating Income before Depreciation) over Assets	ebitda/at
Sales	Sales (Net)	Sale

Table A.2. Governance Variables and Entity Types

Variable	Definition	Source
Classified Board	This variable takes on the value 1 if a corporation's certificate of incorporation provides for a classified board, zero otherwise.	Cleaning Corporate Governance (CCG). *See* Jens Frankenreiter et al., *Cleaning Corporate Governance*, 170 U. PA. L. REV. 1 (2021).
Corporation	Corporation. Entity types are derived from firms' names. A firm is classified as a corporation if it is not classified as a partnership (*see infra*) or LLC (*see infra*). This means, in particular, that the category "Corporation" also includes trusts.	CRSP/Compustat Merged (CCM)
E-Index	Entrenchment Index, as defined by Lucian Bebchuk, Alma Cohen & Allen Ferrell, *What Matters in Corporate Governance*, 22 REV. FIN. STUD. 783, 783–827 (2009)	ExecuComp & Institutional Shareholder Services (ISS)
Liability Protection	This variable takes on values between 0 and 2 depending on how many of the following provisions can be found in the charter: (1) a liability waiver for corporate directors and (2) a provision calling for mandatory indemnification of directors and officers.	Cleaning Corporate Governance (CCG). *See* Frankenreiter et al., *Cleaning Corporate Governance*, 170 U. PA. L. REV. 1 (2021).
LLC	Limited Liability Company. Entity types are derived from firms' names. A firm is categorized as an LLC if its name ends with "Limited Liability Company" or a variation or abbreviation thereof.	CRSP/Compustat Merged (CCM)
Partnership	Entity types are derived from firms' names. A firm is categorized as a Partnership if its name ends with "Partners," "Limited Partnership," "Partnership," "General Partnership," or a variation or abbreviation of these terms.	CRSP/Compustat Merged (CCM)

ONLINE APPENDIX

This Online Appendix contains robustness checks for the various regression results displayed in the main body of the Article. Because this Appendix is meant for readers who are interested in the technical aspects of our work, we assume a basic familiarity with the relevant econometric concepts.

A. Determinants of the Decision to Sign the Roundtable Statement

Tables 6 and 7 in the main text explore the determinants of the decision to sign (or not to sign) the Roundtable Statement. Table 6 focuses on the role of firm's governance arrangements. As shown in Table 6 cols. 1–6, firms with a high E-Index score were less likely to sign the Roundtable Statement. Table 7 in the main text analyzes the role of financial variables. As shown in that table, firms with higher financial leverage are less likely to sign the Roundtable Statement, whereas firms with higher return on assets are more likely to sign the Roundtable Statement. Both tables display the results for probit regression models—and probit models are appropriate because the dependent variable is binary.[183] To test the robustness of our results, we switch from a probit model to a linear regression model. The results are displayed in Tables OA.1 and OA.2. The E-Index coefficient remains negative and statistically significant in all specifications.[184] By contrast, the coefficient for our return-on-assets variable switches from a positive to a negative sign, suggesting that the relevant result from Table 7 should be interpreted with caution.

B. Event Study Analysis

Table 8, column 1 in the main text displays the baseline results for our event study. As shown in Table 8, columns 2–6, the results remain largely unchanged if one adds various financial variables, state fixed effects, and industry fixed effects.

Tables OA.3 to OA.6 add further robustness checks. Table OA.3 shows the results from our baseline regression if one uses different estimation or event windows.[185] Table OA.4 shows the results if one switches from one-way clustering at the state level to two-way clustering at the state and industry levels. Table OA.5 shows our baseline results if one trims or winsorizes the dependent variable at different levels. Table OA.6 uses two different alternative models for calculating abnormal returns. For all of these robustness checks, our results remain statistically significant at the 1% or 5% level. Furthermore, the treatment group coefficient remains broadly similar to the one in our baseline regression.[186] In the latter, the treatment group coefficient is 0.5%.

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183. *See, e.g.*, GREENE, *supra* note 110, at 687–89 (7th ed. 2012) (noting the drawbacks of the OLS model for regressions involving binary dependent variables).

184. *See infra* Table OA.1.

185. *See supra* Table 4, Column 3.

186. *See supra* Table 9, Column 3.

To explore the possibility that the significance of our results is due to cross-serial correlation, we employ a portfolio approach (Table OA.7). This approach does not yield statistically significant results.

C. ESG Analysis

Tables 9–11 in the main text focus on the relationship between signing the Roundtable Statement and current or future ESG ratings. This Part provides a broad set of robustness checks for the relevant regression results.

1. Roundtable Signatures and 2019 ESG Scores

Table 9 in the main text focuses on the relationship between signing the Roundtable Statement in 2019 and firms' 2019 ESG Scores. Tables OA.8–10 provide a series of robustness checks for this analysis. Most of the category scores that were statistically significant in the baseline regression (Table 9) remain so, with the exception of the Innovation score, which is no longer statistically significant at the conventional 5% level once one adds both industry fixed effects and financial controls (Table OA.10 column 6).

2. Roundtable Signatures and 2020 or 2021 ESG Scores

Table 10 in the main text focuses on the relationship between signing the Roundtable Statement in 2019 and firms' 2021 ESG Scores. Tables OA.11–16 contain a series of robustness checks for the results in Table 10. These robustness checks include omitting or partially omitting the financial control variables used in the baseline regressions, adding industry fixed effects, and using firms' 2020 ESG scores instead of their 2021 ESG scores as dependent variables.

For the categories Workforce, Communities, Resource Use, and Emissions, the treatment group coefficient remains statistically significant at the 1% or 5% level in all or almost all specifications (Tables OA.11, OA.12, OA 15). For one of other category—Product Responsibility—the treatment group coefficient was not statistically significant at conventional levels in our baseline regression (Table 10). Therefore, it is unsurprising that the robustness check for this category score also yields mixed results (Table OA.13). For two other categories, Human Rights and (environmental) Innovation, the robustness checks yield statistically significant results for the year 2020 but not or not always for the year 2021 (Tables OA.14, OA.15). Moreover, even for the 2020 innovation score, our results are no longer statistically significant at conventional levels if one switches from 2-digit NAICS code industry controls to 4-digit NAICS code industry controls (Table OA.16).

3. Roundtable Signatures and Future ESG Score Improvements

Table 11 in the main text focuses on the relationship between signing the Roundtable Statement in 2019 and firms' relative score improvements between the years 2019 and 2021. Tables OA.17 to OA.22 contain a series of robustness checks for the results in Table 11. These robustness checks include omitting or partially omitting the financial control variables used in the baseline regressions and adding industry fixed effects. We also test if statistically significant relative improvements can be observed between 2019 and 2020 rather than between 2019 and 2021.

For the community scores, our results remain statistically significant in all of our robustness checks (Table OA.18). For the workforce scores, our results are statistically significant at the 10% level in a majority of specifications, but statistically significant at the conventionally accepted 5% level in only two specifications (Table OA.17). This suggests that our results on the relative improvements in workforce scores should be interpreted with caution.

For our remaining category scores, our baseline regressions revealed no other statistically significant improvement, and our robustness checks essentially mirror that result (Tables OA.19–22).

D. Companies' Reactions to Russia's Invasion of Ukraine

Table 12 in the main text shows a statistically significant relationship between a corporation's decision to sign the Roundtable Statement and the decision to terminate business activities in Russia following Russia's invasion of Ukraine. As shown in Table 12 itself, this result remains statistically significant if one adds various financial covariates. Tables OA.23–25 below add additional robustness checks.

If one changes the dependent variable such that the treatment includes not just the complete termination of business in Russia but also the suspension or scaling back of a company's business in Russia, the relationship is no longer statistically significant in all specifications (Table OA.23).

If one switches from a probit model to a linear regression model, our results remain statistically significant and the coefficients are quite large, between 9.7% and 33% (Table OA.24). If one limits the treatment and control groups to firms that are, in some form, included in the CELI list, the results remain statistically significant if the dependent variable is withdrawal from Russia, though not if the dependent variable is defined more broadly to include the suspension or scaling back of a company's business in Russia (Table OA.25).

Table OA.1. Governance Determinants of the Decision to Sign the Roundtable Statement

	Dependent Variable: Did the Company Sign the Roundtable Statement by Dec. 31, 2022?					
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
E-Index	0.0281***	-0.0259**	-0.0454***	-0.0495***	-0.0455***	-0.0452***
	(-4.78)	(-2.66)	(-3.87)	(-4.55)	(-3.72)	(-4.38)
Classified Board			-0.0107	0.0152	-0.00925	0.0151
			(-0.35)	(0.54)	(-0.29)	(0.50)
Liability Protection					-0.00103	0.00600
					(-0.09)	(0.31)
Ln(assets)	0.0721***	0.0944***	0.0768***	0.111***	0.0780***	0.113***
	(4.91)	(8.50)	(3.33)	(5.70)	(3.37)	(5.69)
Obs.	1249	1249	591	591	578	578
R-squared	0.173	0.394	0.183	0.471	0.186	0.477
Adj. R-squared	0.171	0.278	0.179	0.284	0.180	0.285
Industry FE	No	Yes	No	Yes	No	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. All covariates refer to the year 2018. A firm's industry is given by its 4-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.2. Financial Determinants of the Decision to Sign the Roundtable Statement

	Dependent Variable: Did the Company Sign the Roundtable Statement by Dec. 31, 2022?					
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Ln(assets)	0.0117**	0.0213***	0.0139**	0.0231***	0.0189***	0.0256***
	(2.70)	(4.08)	(2.41)	(3.80)	(3.35)	(4.77)
Ln(emp.)	0.0131***	0.00729*	0.0131***	0.00729*	0.0110**	0.00625
	(3.59)	(1.88)	(2.90)	(1.79)	(2.62)	(1.72)
Return on assets			-0.0230***	-0.0189**	-0.0232***	-0.0202**
			(-3.87)	(-2.34)	(-3.70)	(-2.55)
Fin. leverage					-0.0893***	-0.0668***
					(-6.71)	(-4.98)
Observations	4270	4270	4107	4107	4081	4081
R sq.	0.087	0.176	0.091	0.178	0.100	0.183
Adjusted R sq.	0.087	0.123	0.090	0.124	0.099	0.128
Industry FE	No	Yes	No	Yes	No	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. All covariates refer to the year 2018. A firm's industry is given by its 4-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.3. Different Estimation and Event Windows

	Dependent Variable: Cumulative Abnormal Returns					
	Different Event Windows			Different Estimation Windows		
	[-1, 1]	[-2, 2]	[0, 2]	[-250, -31]	[-200, -31]	[-150, -31]
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.007***	0.008**	0.007***	0.006***	0.006***	0.005***
	(0.002)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)
Fin. controls						
Ln(assets)	-0.002**	-0.002	-0.003***	-0.001*	-0.001*	-0.001*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Book leverage	-0.007	-0.006	-0.001	0.000	0.000	0.000
	(0.004)	(0.005)	(0.004)	(0.004)	(0.004)	(0.004)
Fin. leverage	0.022***	0.020**	0.021***	0.017**	0.016**	0.016**
	(0.007)	(0.008)	(0.006)	(0.007)	(0.007)	(0.006)
Sale	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp)	0.001	-0.000	0.001	-0.000	-0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Return on assets	-0.003	0.000	-0.001	-0.002	-0.002	-0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Obs.	3129	3129	3129	3082	3122	3129
R-squared	0.018	0.019	0.019	0.019	0.018	0.016
Adj. R-squared	-0.000	0.001	0.001	0.001	-0.000	-0.002
Industry fixed eff.	No	No	No	No	No	No
HQ-state FE	Yes	Yes	Yes	Yes	Yes	Yes

Note: Sample includes firms incorporated and headquartered in the United States. Cumulative abnormal returns are calculated using the Fama-French-Carhart model. Columns 1–3 use a 120-day estimation window [-150,-31] and the event windows indicated in the column headings. Columns 4–6 use a two-day event window [0,1] and estimation windows as indicated in the column headings. All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables are defined in Table A.1 and lagged by one year. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.4. Two-Way Clustering

	Dependent Variable: Cumulative Abnormal Returns [0,1]					
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.005**	0.007***	0.005***	0.005**	0.006***	0.005**
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Fin. controls						
Ln(assets)	-0.001*	-0.001**	-0.001	-0.001**	-0.001**	-0.000
	(0.000)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)
Book lev.		0.002*	0.000		0.002	-0.001
		(0.001)	(0.003)		(0.001)	(0.003)
Fin. lev.		0.012**	0.016**		0.013**	0.017**
		(0.005)	(0.007)		(0.006)	(0.007)
Sale			0.000			0.000
			(0.000)			(0.000)
Ln(emp)			0.000			-0.001
			(0.001)			(0.001)
RoA			-0.002			-0.003
			(0.002)			(0.003)
Obs.	3440	3422	3129	3440	3422	3129
R-squared	0.002	0.014	0.016	0.008	0.020	0.023
Adj. R-squared	0.001	-0.002	-0.002	0.001	-0.002	-0.002
Industry fixed eff.	No	No	No	Yes	Yes	Yes
HQ-state FE	No	Yes	Yes	No	Yes	Yes

Note: Sample includes firms incorporated and headquartered in the United States. Cumulative abnormal returns are calculated using the Fama-French-Carhart model. 120-day estimation window [-150,-31]; two-day event window [0,1]. All regressions use two-way clustering at the level of the headquarters state and at the 2-digit NAICs level. Financial variables are defined in Table A.1 and lagged by one year. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.5. Winsorizing and Trimming

	Dependent Variable: Cumulative Abnormal Returns [0,1]					
	Trimmed at			Winsorized at		
	1.5% & 98.5%	1% & 99%	0.5% & 99.5%	1.5% & 98.5%	1% & 99%	0.5% & 99.5%
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.005***	0.004***	0.004***	0.004***	0.005***	0.005***
	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)
Fin. controls						
Ln(assets)	-0.001	-0.001	-0.001	0.000	0.000	0.000
	(0.000)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Book lev.	0.002	0.002	0.001	-0.000	-0.000	-0.000
	(0.002)	(0.002)	(0.003)	(0.003)	(0.003)	(0.003)
Fin. lev.	0.006*	0.007*	0.008**	0.010**	0.011**	0.012**
	(0.003)	(0.003)	(0.003)	(0.004)	(0.004)	(0.005)
Sale	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp)	-0.000	-0.000	0.000	-0.001	-0.001	-0.001
	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.001)
RoA	-0.001	-0.001	-0.001	-0.002	-0.003	-0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)
Obs.	3018	3055	3093	3129	3129	3129
R-squared	0.025	0.022	0.016	0.028	0.028	0.025
Adj. R-squared	0.007	0.004	-0.002	0.003	0.003	0.001
Industry fixed eff.	No	No	No	No	No	No
HQ-state FE	Yes	Yes	Yes	Yes	Yes	Yes

Note: Sample includes firms incorporated and headquartered in the United States. Cumulative abnormal returns are calculated using the Fama-French-Carhart model. 120-day estimation window [-150,-31]; two-day event window [0,1]. All regressions cluster at the 2-digit NACIS level and use robust standard errors, which are shown in parentheses. Financial variables are defined in Table A.1 and lagged by one year. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.6. Event Study and Alternative Ways of Calculating Abnormal Returns

	Dependent Variable: Cumulative Abnormal Returns [0,1]					
	Abnormal Returns Calculated Using Market-Adjusted Return Model			Abnormal Returns Calculated Using Market Model		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.005***	0.006***	0.005***	0.005***	0.006***	0.005***
	(0.002)	(0.002)	(0.001)	(0.002)	(0.002)	(0.001)
Fin. controls						
Ln(assets)	-0.001***	-0.001***	-0.000	-0.001***	-0.001***	-0.000
	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)	(0.001)
Book lev.		0.002	-0.001		0.002	-0.001
		(0.001)	(0.004)		(0.001)	(0.004)
Fin. lev.		0.013**	0.017**		0.013**	0.017**
		(0.005)	(0.006)		(0.005)	(0.006)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(employees)			-0.001			-0.001
			(0.001)			(0.001)
Return on Assets			-0.003			-0.003
			(0.003)			(0.003)
Obs.	3440	3422	3129	3440	3422	3129
R-squared	0.002	0.020	0.023	0.002	0.020	0.023
Adj. R-squared	0.001	-0.002	-0.002	0.001	-0.002	-0.002
HQ-state FE	No	Yes	Yes	No	Yes	Yes
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: Sample includes firms incorporated and headquartered in the United States. For columns 1–3, abnormal returns are calculated using the-so called market-adjusted return model, where abnormal returns are given by the difference between the actual return (ret) and the return on the value-weighted index including all distributions (vwretd) For columns 4–6, abnormal returns are calculated using the so-called market model, where abnormal returns are given by $AR_{it} = \alpha_i + \beta_i R_{m,t} + \varepsilon$ and $R_{m,t}$ is given by the return on the value-weighted index, including all distributions (vwretd). All abnormal returns (columns 1–6) are calculated based on a 120-day estimation window [-150,-31] and a two-day event window [0,1]. All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables are defined in Table A.1 and lagged by one year. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.7. OLS Regression: Portfolio Approach

	Dependent variable: difference between the daily returns of the portfolio containing the treatment group firms and the portfolio containing the control group firms.	
	(1) β (se)	(2) β (se)
Event window	0.001	0.001
	(0.002)	(0.002)
Excess return on the market	0.226***	0.206***
	(0.032)	(0.037)
Small-minus-big return	-0.499***	-0.517***
	(0.049)	(0.053)
High-minus-low return	0.055	0.018
	(0.040)	(0.054)
Momentum		-0.048
		(0.047)
Obs.	122	122
R-squared	0.497	0.502

Note: We create two equally weighted portfolios, one consisting of treatment groups firms and one consisting of control group firms. Included in the sample are the 120 days that fall into the estimation window ([-150,-31]) and the two days that fall into the event window ([0,1]). The variable Event window takes on the value “one” if the relevant date falls in the event window and “zero” if it falls into the estimation window. The other covariates are the Fama-French factors (column 1) or the Fama-French-Carhart factors (column 2).

Table OA.8. Roundtable Signatures and 2019 Workforce and Human Rights Scores

	Dependent Variable: 2019 Workforce Score			Dependent Variable: 2019 Human Rights Score		
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.376***	0.126***	0.111***	0.412***	0.127***	0.099***
	(0.023)	(0.025)	(0.024)	(0.030)	(0.033)	(0.024)
Financial controls						
Ln(assets)		0.083***	0.076***		0.087***	0.053***
		(0.007)	(0.011)		(0.008)	(0.007)
Book lev.		0.111***	0.117***		0.059*	0.053**
		(0.026)	(0.024)		(0.029)	(0.022)
Fin. lev.		- 0.331***	- 0.321***		- 0.157***	-0.120**
		(0.053)	(0.061)		(0.035)	(0.047)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(emp.)			0.012			0.040***
			(0.009)			(0.006)
Return on assets			- 0.095***			-0.019
			(0.009)			(0.018)
Obs.	3301	3076	2864	3301	3076	2864
R-squared	0.079	0.369	0.387	0.068	0.368	0.405
Adj. R-squared	0.079	0.363	0.381	0.068	0.363	0.399
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.9. Roundtable Signatures and 2019 Community and Product Responsibility Scores

	Dependent Variable: 2019 Community Score			Dependent Variable: 2019 Product Responsibility Score		
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.284***	0.057***	0.056***	0.201***	0.044*	0.022
	(0.014)	(0.017)	(0.016)	(0.022)	(0.024)	(0.022)
Financial controls						
Ln(assets)		0.073***	0.058***		0.049***	0.036***
		(0.003)	(0.007)		(0.006)	(0.009)
Book lev.		0.068***	0.065***		0.077**	0.084***
		(0.020)	(0.017)		(0.028)	(0.028)
Fin. lev.		-0.240***	-0.221***		-0.174***	-0.170**
		(0.027)	(0.034)		(0.056)	(0.065)
Sales			-0.000**			0.000
			(0.000)			(0.000)
Ln(emp.)			0.022***			0.016***
			(0.006)			(0.005)
Return on assets			-0.043***			-0.047***
			(0.008)			(0.007)
Obs.	3301	3076	2864	3301	3076	2864
R-squared	0.055	0.332	0.351	0.025	0.171	0.185
Adj. R-squared	0.055	0.326	0.344	0.025	0.164	0.177
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.10. Roundtable Signatures and 2019 Environmental Scores

	Dependent Variable: Resource Use Score 2019		Dependent Variable: Emissions Score 2019		Dependent Variable: Innovation Score 2019	
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.507***	0.100***	0.514***	0.133***	0.297***	0.048*
	(0.034)	(0.034)	(0.039)	(0.028)	(0.026)	(0.028)
Financial controls						
Ln(assets)		0.079***		0.077***		0.044***
		(0.010)		(0.008)		(0.008)
Book lev.		0.056**		0.084***		-0.017
		(0.022)		(0.025)		(0.031)
Fin. lev.		-0.162***		-0.237***		-0.052
		(0.048)		(0.062)		(0.067)
Sales		0.000*		0.000*		0.000**
		(0.000)		(0.000)		(0.000)
Ln(emp.)		0.039***		0.032***		0.011**
		(0.004)		(0.004)		(0.005)
Return on assets		-0.050***		-0.053***		-0.033***
		(0.012)		(0.008)		(0.005)
Obs.	3301	2864	3301	2864	3301	2864
R-squared	0.096	0.616	0.106	0.594	0.050	0.440
Adj. R-squared	0.096	0.581	0.105	0.557	0.049	0.388
Industry FE	No	Yes	No	Yes	No	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 4-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.11. 2019 Roundtable Signatures and Future Workforce Scores

	Dependent Variable: 2020 Workforce Score			Dependent Variable: 2021 Workforce Score		
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.366***	0.104***	0.094***	0.363***	0.107***	0.099***
	(0.022)	(0.024)	(0.022)	(0.020)	(0.022)	(0.020)
Financial controls						
Ln(assets)		0.084***	0.081***		0.083***	0.080***
		(0.007)	(0.009)		(0.007)	(0.010)
Book lev.		0.116***	0.125***		0.110***	0.119***
		(0.028)	(0.025)		(0.028)	(0.025)
Fin. lev.		-0.352***	-0.342***		-0.337***	-0.329***
		(0.056)	(0.062)		(0.057)	(0.064)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(emp.)			0.008			0.007
			(0.008)			(0.008)
Return on assets			-0.077***			-0.068***
			(0.008)			(0.009)
Obs.	3332	3093	2882	3180	2945	2739
R-squared	0.069	0.356	0.366	0.070	0.354	0.362
Adj. R-squared	0.069	0.351	0.360	0.070	0.348	0.355
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.12. 2019 Roundtable Signatures and Future Community Scores

	Dependent Variable: 2020 Community Score			Dependent Variable: 2021 Community Score		
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.267***	0.048**	0.052**	0.257***	0.042**	0.047**
	(0.014)	(0.019)	(0.019)	(0.014)	(0.018)	(0.018)
Financial controls						
Ln(assets)		0.070***	0.053***		0.068***	0.052***
		(0.002)	(0.005)		(0.002)	(0.005)
Book lev.		0.077***	0.074***		0.067***	0.064**
		(0.021)	(0.019)		(0.023)	(0.023)
Fin. lev.		-0.251***	-0.225***		-0.246***	-0.220***
		(0.025)	(0.029)		(0.033)	(0.038)
Sales			-0.000**			-0.000**
			(0.000)			(0.000)
Ln(emp.)			0.024***			0.023***
			(0.005)			(0.005)
Return on assets			-0.035***			-0.029***
			(0.007)			(0.008)
Obs.	3332	3093	2882	3180	2945	2739
R-squared	0.051	0.320	0.340	0.049	0.318	0.335
Adj. R-squared	0.051	0.314	0.333	0.049	0.312	0.328
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.13. 2019 Roundtable Signatures and Future Product Responsibility Scores

	Dependent Variable: 2020 Product Responsibility Score			Dependent Variable: 2021 Product Responsibility Score		
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.205***	0.045*	0.021	0.195***	0.036	0.014
	(0.021)	(0.024)	(0.022)	(0.022)	(0.025)	(0.023)
Financial controls						
Ln(assets)		0.050***	0.039***		0.049***	0.039***
		(0.005)	(0.009)		(0.005)	(0.008)
Book lev.		0.068*	0.070**		0.065*	0.066*
		(0.033)	(0.032)		(0.035)	(0.034)
Fin. lev.		-0.178***	-0.169**		-0.174***	-0.167**
		(0.061)	(0.066)		(0.059)	(0.064)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(emp.)			0.013**			0.011**
			(0.005)			(0.005)
Return on assets			-0.042***			-0.037***
			(0.005)			(0.005)
Obs.	3335	3096	2885	3183	2948	2742
R-squared	0.026	0.177	0.190	0.024	0.179	0.189
Adj. R-squared	0.025	0.170	0.182	0.023	0.171	0.181
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.14. 2019 Roundtable Signatures and Future Human Rights Scores

	Dependent Variable: 2020 Human Rights Score			Dependent Variable: 2021 Human Rights Score		
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.407***	0.104**	0.080**	0.387***	0.081*	0.060*
	(0.034)	(0.041)	(0.029)	(0.036)	(0.041)	(0.030)
Financial controls						
Ln(assets)		0.091***	0.056***		0.092***	0.058***
		(0.008)	(0.008)		(0.008)	(0.007)
Book lev.		0.100**	0.087**		0.098**	0.086**
		(0.037)	(0.037)		(0.038)	(0.036)
Fin. lev.		-0.204***	-0.155***		-0.199***	-0.149**
		(0.040)	(0.053)		(0.041)	(0.053)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(emp.)			0.039***			0.038***
			(0.007)			(0.007)
Return on assets			-0.006			-0.005
			(0.017)			(0.018)
Obs.	3332	3093	2882	3180	2945	2739
R-squared	0.060	0.376	0.406	0.054	0.381	0.411
Adj. R-squared	0.060	0.371	0.400	0.054	0.376	0.404
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.15. 2019 Roundtable Signatures and Future Environmental Scores: 2-digit NAICS industry controls

	Dependent Variable: 2020 Environmental Scores			Dependent Variable: 2021 Environmental Scores		
	Resource Use	Innovation	Emissions	Resource Use	Innovation	Emissions
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.092***	0.054**	0.109***	0.087**	0.048*	0.101***
	(0.032)	(0.025)	(0.024)	(0.031)	(0.025)	(0.023)
Financial controls						
Ln(assets)	0.084***	0.043***	0.092***	0.085***	0.044***	0.092***
	(0.011)	(0.008)	(0.011)	(0.011)	(0.007)	(0.011)
Book lev.	0.110***	-0.012	0.138***	0.112***	-0.007	0.126***
	(0.027)	(0.016)	(0.026)	(0.027)	(0.014)	(0.025)
Fin. lev.	-0.261***	-0.030	-0.321***	-0.253***	-0.034	-0.306***
	(0.037)	(0.040)	(0.047)	(0.036)	(0.041)	(0.046)
Sales	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	0.036***	0.022***	0.021**	0.036***	0.021***	0.020**
	(0.008)	(0.007)	(0.008)	(0.008)	(0.007)	(0.008)
Return on assets	-0.036**	-0.016**	-0.044***	-0.034**	-0.015**	-0.043***
	(0.014)	(0.007)	(0.010)	(0.013)	(0.006)	(0.009)
Obs.	2882	2882	2882	2739	2739	2739
R-squared	0.533	0.329	0.516	0.541	0.331	0.522
Adj. R-squared	0.529	0.322	0.511	0.536	0.324	0.517
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.16. 2019 Roundtable Signatures and Future Environmental Scores: 4-digit NAICS Industry Controls

	Dependent Variable: 2020 Environmental Scores			Dependent Variable: 2021 Environmental Scores		
	Resource Use	Innovation	Emissions	Resource Use	Innovation	Emissions
	(1)	(2)	(3)	(4)	(5)	(6)
	β (se)	β (se)	β (se)	β (se)	β (se)	β (se)
Roundtable	0.086***	0.053*	0.102***	0.083**	0.044	0.095***
	(0.030)	(0.028)	(0.020)	(0.031)	(0.027)	(0.021)
Financial controls						
Ln(assets)	0.084***	0.048***	0.084***	0.085***	0.051***	0.084***
	(0.010)	(0.008)	(0.010)	(0.010)	(0.007)	(0.010)
Book lev.	0.085***	-0.022	0.102***	0.081***	-0.013	0.096***
	(0.023)	(0.031)	(0.028)	(0.023)	(0.029)	(0.025)
Fin. lev.	-0.213***	-0.050	-0.273***	-0.193***	-0.065	-0.262***
	(0.047)	(0.076)	(0.073)	(0.031)	(0.072)	(0.062)
Sales	0.000	0.000*	0.000*	0.000	0.000*	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	0.035***	0.011*	0.029***	0.035***	0.008	0.029***
	(0.005)	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)
Return on assets	-0.048***	-0.039***	-0.058***	-0.047***	-0.037***	-0.057***
	(0.010)	(0.006)	(0.006)	(0.009)	(0.005)	(0.006)
Obs.	2882	2882	2882	2739	2739	2739
R-squared	0.608	0.450	0.586	0.615	0.455	0.595
Adj. R-squared	0.572	0.399	0.548	0.578	0.402	0.556
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its 4-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.17. Roundtable Signatories and Relative Changes in Workforce Scores

	Dependent Variables: Relative Change in Workforce Score					
	2019 to 2020			2019 to 2021		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.489***	0.166	0.157	0.642***	0.320*	0.313*
	(0.144)	(0.165)	(0.152)	(0.158)	(0.175)	(0.164)
2019 Score	-2.474***	-3.427**	-3.432**	-3.215***	-4.359***	-4.408***
	(0.576)	(1.341)	(1.424)	(0.634)	(1.420)	(1.529)
Financial controls						
Ln(assets)		0.248	0.508		0.282	0.560
		(0.195)	(0.435)		(0.193)	(0.445)
Book lev.		-0.408	-0.230		-0.518*	-0.311
		(0.353)	(0.337)		(0.288)	(0.295)
Fin. lev.		0.626	0.482		0.358	0.219
		(0.847)	(0.861)		(0.851)	(0.878)
Sales			-0.000			-0.000
			(0.000)			(0.000)
Ln(emp.)			-0.260			-0.274
			(0.244)			(0.254)
Return on assets			-0.321			-0.313
			(0.232)			(0.231)
Obs.	3237	3018	2810	3084	2869	2667
R-squared	0.010	0.017	0.027	0.016	0.025	0.033
Adj. R-squared	0.010	0.009	0.016	0.016	0.015	0.022
Industry fixed eff.	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables refer to the year 2018. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.18. Roundtable Signatories and Changes in Community Scores

	Dependent Variables: Relative Change in Community Score					
	2019 to 2020			2019 to 2021		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.379***	0.149**	0.149**	0.415***	0.178***	0.166***
	(0.062)	(0.064)	(0.056)	(0.067)	(0.061)	(0.057)
2019 Score	-2.183***	-2.649***	-2.814***	-2.485***	-2.988***	-3.175***
	(0.233)	(0.359)	(0.456)	(0.252)	(0.376)	(0.479)
Financial controls						
Ln(assets)		0.111***	0.115		0.117***	0.106
		(0.040)	(0.068)		(0.039)	(0.071)
Book lev.		-0.046	0.000		-0.124	-0.086
		(0.159)	(0.205)		(0.160)	(0.207)
Fin. lev.		-0.064	0.028		-0.021	0.107
		(0.205)	(0.204)		(0.181)	(0.198)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(emp.)			0.007			0.020
			(0.037)			(0.033)
Return on assets			-0.049			-0.019
			(0.050)			(0.054)
Obs.	3237	3018	2810	3084	2869	2667
R-squared	0.055	0.062	0.066	0.068	0.076	0.080
Adj. R-squared	0.054	0.053	0.056	0.068	0.067	0.070
Industry fixed eff.	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables refer to the year 2018. The variable "2019 Score" refers to Refinitiv's Community Score for the year 2019. Partnerships and LLCs are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.19. Roundtable Signatories and Relative Changes in Product Responsibility Scores

	Dependent Variables: Relative Change in Product Responsibility Score					
	2019 to 2020			2019 to 2021		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.112**	-0.130	-0.091	0.088**	-0.100	-0.083
	(0.041)	(0.146)	(0.105)	(0.034)	(0.079)	(0.063)
2019 Score	-1.061*	-1.315*	-1.351*	-0.970***	-1.197***	-1.229***
	(0.528)	(0.677)	(0.698)	(0.306)	(0.378)	(0.386)
Financial controls						
Ln(assets)		0.095	0.120		0.067*	0.073
		(0.068)	(0.105)		(0.034)	(0.052)
Book lev.		-0.257	-0.259		-0.139	-0.146
		(0.267)	(0.261)		(0.139)	(0.137)
Fin. Lev.		-0.102	-0.159		-0.057	-0.064
		(0.133)	(0.205)		(0.089)	(0.120)
Sales			-0.000			-0.000
			(0.000)			(0.000)
Ln(emp.)			-0.006			0.003
			(0.022)			(0.014)
Return on assets			-0.105			-0.035
			(0.121)			(0.060)
Obs.	3070	2871	2679	2926	2731	2545
R-squared	0.004	0.020	0.020	0.014	0.033	0.033
Adj. R-squared	0.004	0.010	0.009	0.014	0.024	0.022
Industry fixed eff.	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables refer to the year 2018. The variable "2019 Score" refers to Refinitiv's Community Score for the year 2019. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.20. Roundtable Signatories and Relative Changes in Human Rights Scores

	Dependent Variables: Relative Change in Human Rights Score					
	2019 to 2020			2019 to 2021		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.072	0.079	0.073	0.046	0.136	0.097
	(0.061)	(0.082)	(0.082)	(0.071)	(0.101)	(0.080)
2019 Score	-2.110***	-2.039***	-2.069***	-2.943***	-2.900***	-2.965***
	(0.303)	(0.265)	(0.284)	(0.467)	(0.447)	(0.507)
Financial controls						
Ln(assets)		0.033	0.071		0.014	0.029
		(0.032)	(0.049)		(0.042)	(0.066)
Book lev.		-0.244*	-0.259*		-0.021	-0.094
		(0.139)	(0.143)		(0.348)	(0.345)
Fin. lev.		-0.060	-0.090		-0.373	-0.343
		(0.197)	(0.225)		(0.262)	(0.255)
Sales			0.000			0.000
			(0.000)			(0.000)
Ln(emp.)			-0.064			-0.043
			(0.061)			(0.093)
Return on assets			0.085			0.354
			(0.227)			(0.359)
Obs.	1415	1363	1290	1353	1302	1229
R-squared	0.061	0.068	0.071	0.047	0.051	0.055
Adj. R-squared	0.059	0.049	0.049	0.046	0.031	0.032
Industry fixed eff.	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables refer to the year 2018. Partnerships and limited liability companies are dropped. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.21. Roundtable Signatories and Changes in Environmental Scores: 2-digit NAICS Industry Controls

	Dependent Variables: Relative Change in Environmental Score					
	2019 to 2020			2019 to 2021		
	Resource Use	Innovation	Emissions	Resource Use	Innovation	Emissions
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.110	-0.084	-0.088	0.116	-0.128	-0.043
	(0.098)	(0.061)	(0.065)	(0.117)	(0.098)	(0.101)
2019 Res. Use	-3.586***			-4.834**		
	(1.186)			(1.722)		
2019 Innovation		-0.745***			-1.028**	
		(0.254)			(0.450)	
2019 Emissions			-2.885***			-4.468***
			(0.625)			(0.855)
Financial controls						
Ln(assets)	0.046	-0.029	0.262***	0.079	-0.008	0.270***
	(0.087)	(0.044)	(0.074)	(0.111)	(0.057)	(0.093)
Book lev.	1.443	0.186	0.890*	2.061	0.102	0.759
	(1.094)	(0.150)	(0.494)	(1.620)	(0.088)	(0.906)
Fin. lev.	-1.170	-0.062	-1.708**	-1.700	0.143	-1.749*
	(0.894)	(0.252)	(0.785)	(1.274)	(0.209)	(1.013)
Sales	0.000	-0.000	-0.000	0.000	-0.000	-0.000*
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	0.087	0.061	0.041	0.114*	0.086	0.161
	(0.056)	(0.060)	(0.050)	(0.064)	(0.072)	(0.124)
Return on assets	-0.165	-0.158	-1.216	0.004	-0.188	-0.908
	(0.386)	(0.162)	(2.335)	(0.441)	(0.117)	(2.308)
Obs.	1533	913	1628	1463	873	1561
R-squared	0.023	0.042	0.051	0.019	0.100	0.043
Adj. R-squared	0.018	0.010	0.033	0.013	0.070	0.024
Industry fixed eff.	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables refer to the year 2018. The variable "2019 Score" refers to Refinitiv's Community Score for the year 2019. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.22. Roundtable Signatories and Changes in Environmental Scores: 4-digit NAICS Industry Controls

	Dependent variables: relative change in environmental score					
	2019 to 2020			2019 to 2021		
	Resource Use	Innovation	Emissions	Resource Use	Innovation	Emissions
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable	0.110	-0.058	-0.062	0.116	-0.066	0.181
	(0.098)	(0.054)	(0.091)	(0.117)	(0.057)	(0.197)
2019 Res. Use	-3.586***			-4.834**		
	(1.186)			(1.722)		
2019 Innovation		-0.881**			-0.917**	
		(0.334)			(0.379)	
2019 Emissions			-3.335***			-4.918***
			(0.758)			(0.918)
Financial controls						
Ln(assets)	0.046	-0.091	0.298***	0.079	-0.080	0.291*
	(0.087)	(0.085)	(0.100)	(0.111)	(0.094)	(0.155)
Book lev.	1.443	0.270*	1.043	2.061	0.218	1.212
	(1.094)	(0.148)	(0.615)	(1.620)	(0.140)	(0.940)
Fin. lev.	-1.170	-0.149	-1.562	-1.700	-0.084	-1.464
	(0.894)	(0.265)	(0.979)	(1.274)	(0.240)	(1.236)
Sales	0.000	-0.000	-0.000**	0.000	0.000	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Ln(emp.)	0.087	0.122	0.091	0.114*	0.108	0.254
	(0.056)	(0.102)	(0.071)	(0.064)	(0.112)	(0.180)
Return on assets	-0.165	0.008	-1.149	0.004	-0.040	-0.992
	(0.386)	(0.211)	(2.781)	(0.441)	(0.194)	(2.773)
Obs.	1533	913	1628	1463	873	1561
R-squared	0.023	0.085	0.116	0.019	0.535	0.199
Adj. R-squared	0.018	-0.141	-0.022	0.013	0.414	0.068
Industry fixed eff.	No	Yes	Yes	No	Yes	Yes

Note: All regressions cluster at the 2-digit NAICS level and use robust standard errors, which are shown in parentheses. Financial variables refer to the year 2018. The variable "2019 Score" refers to Refinitiv's Community Score for the year 2019. A firm's industry is given by its 4-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.23. Signing the Roundtable Statement and Reducing, Suspending, or Terminating Activities in Russia

	Dependent Variable: Has the Company Terminated, Suspended, or Scaled Back Its Business in Russia Following the Russian Invasion of Ukraine?					
	(1) β (se)	(2) Marg. eff.	(3) β (se)	(4) Marg. eff.	(5) β (se)	(6) Marg. eff.
Roundtable Sig.	0.391***	0.032***	0.344***	0.027**	0.176	0.014
	(0.094)	(0.009)	(0.124)	(0.012)	(0.149)	(0.013)
Book lev.	0.740***	0.060***	0.746***	0.058***	0.727***	0.057***
	(0.218)	(0.021)	(0.196)	(0.019)	(0.126)	(0.013)
Fin lev.	-3.126***	-0.252***	-2.898***	-0.225***	-2.635***	-0.208***
	(0.343)	(0.049)	(0.395)	(0.051)	(0.385)	(0.046)
Ln(assets)	0.371***	0.030***	0.393***	0.031***	0.189***	0.015***
	(0.016)	(0.004)	(0.014)	(0.003)	(0.024)	(0.003)
ROA					-0.033	-0.003
					(0.181)	(0.014)
Sales					-0.000**	-0.000*
					(0.000)	(0.000)
Ln(employees)					0.326***	0.026***
					(0.027)	(0.002)
Obs.	3822	3822	3807	3807	3462	3462
Pseudo R sq.	0.277		0.308		0.352	
Chi sq.	670.320		1434.973		1425.786	
Industry FE	No	No	Yes	Yes	Yes	Yes

Note: All regressions cluster at the state of incorporation level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its one-digit NAICS code. All regressions cluster at the 2-digit NAICS code level. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.24. Signing the Roundtable Statement and Reaction to Russia's Invasion of Ukraine: OLS Regression

	Dependent Variable: Following Russia's Invasion of Ukraine, did Company…					
	…withdraw from Russia?			…terminate, suspend, or scale back its business activities in Russia?		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable Sig.	0.126***	0.097***	0.097***	0.330***	0.228***	0.211***
	(0.023)	(0.021)	(0.022)	(0.053)	(0.043)	(0.042)
Book lev.		0.007***	0.004***		0.023***	0.020***
		(0.001)	(0.001)		(0.005)	(0.007)
Fin lev.		0.015*	0.014*		0.064**	0.063**
		(0.008)	(0.008)		(0.024)	(0.024)
Ln(assets)		-0.043***	-0.044***		-0.147***	-0.154***
		(0.008)	(0.010)		(0.036)	(0.039)
ROA			-0.000			0.000
			(0.000)			(0.000)
Sales			0.004***			0.005*
			(0.001)			(0.003)
Ln(employees)			-0.003			-0.009
			(0.002)			(0.006)
Obs.	5268	4462	4081	5268	4462	4081
Pseudo R sq.	0.030	0.050	0.053	0.067	0.145	0.147
Chi sq.	0.030	0.044	0.046	0.067	0.140	0.141
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: The dependent variables are based on the list compiled by the Chief Executive Leadership Institute of the Yale School of Management as of December 31, 2022. *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain*, YALE SCH. OF MGMT. (Jan. 28, 2024), https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain [https://perma.cc/XKZ3-PEPU]. All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Table OA.25. Signing the Roundtable Statement and Reaction to Russia's Invasion of Ukraine: OLS Regression Using a Sample Including Only Firms Included in the CELI List

	Dependent Variable: Following Russia's Invasion of Ukraine, did Company…					
	…withdraw from Russia?			…terminate, suspend, or scale back its business activities in Russia?		
	(1) β (se)	(2) β (se)	(3) β (se)	(4) β (se)	(5) β (se)	(6) β (se)
Roundtable Sig.	0.091**	0.093***	0.081**	0.041*	0.041	0.040
	(0.025)	(0.025)	(0.026)	(0.020)	(0.023)	(0.030)
Book lev.	-0.018	-0.019	-0.065***	-0.016**	-0.016**	-0.035***
	(0.011)	(0.010)	(0.009)	(0.005)	(0.005)	(0.004)
Fin lev.		-0.072**	-0.103**		-0.033	-0.146
		(0.024)	(0.040)		(0.093)	(0.134)
Ln(assets)		0.036	0.073		-0.008	0.138
		(0.121)	(0.112)		(0.081)	(0.111)
ROA			0.000*			0.000
			(0.000)			(0.000)
Sales			0.040**			-0.008
			(0.013)			(0.008)
Ln(employees)			0.200*			0.516**
			(0.092)			(0.178)
Obs.	247	247	245	247	247	245
Pseudo R sq.	0.144	0.145	0.160	0.138	0.139	0.167
Chi sq.	0.072	0.066	0.069	0.066	0.059	0.076
Industry FE	No	Yes	Yes	No	Yes	Yes

Note: The dependent variables are based on the list compiled by the Chief Executive Leadership Institute of the Yale School of Management as of December 31, 2022. *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain*, YALE SCH. OF MGMT. (Jan. 28, 2024), https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain [https://perma.cc/XKZ3-PEPU]. Moreover, the sample consists solely of U.S. firms that were included in the list Chief Executive Leadership Institute of the Yale School of Management as of December 31, 2022. All regressions cluster at the 2-digit NAICS level and use robust standard errors, shown in parentheses. Financial variables refer to the year 2018. A firm's industry is given by its 2-digit NAICS code. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.