Does Corporate Purpose Conflict With Shareholder Returns?*

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Abstract

This paper studies the link between purpose statements and future shareholder returns. We use deep neural networks to identify a "purpose statement" as one that views stakeholder value as a means to ultimately improve shareholder value, in contrast to "purpose-like" statements that put shareholders and stakeholders on an equal footing or view stakeholder value as the end in itself. A value-weighted portfolio of companies with purpose statements earns a 0.31% monthly alpha above characteristics benchmarks; a long-short portfolio that buys firms with purpose statements and sells those with purpose-like statements earns a 0.28% monthly alpha. Purpose statements are positively linked to future earnings surprises, suggesting a channel through which they manifest in higher stock returns, but purpose-like statements are not.

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1. Introduction

Between 1997 and 2018, the Business Roundtable – an influential group of U.S. CEOs – issued a "Statement on the Purpose of a Corporation" declaring that "The paramount duty of management and of boards of directors is to the corporation's shareholders." On August 19, 2019, the group radically changed its statement to place stakeholders on a par with shareholders. The new statement read: "We commit to: delivering value to our customers . . . investing in our employees . . . dealing fairly and ethically with our suppliers . . . supporting the communities in which we work . . . generating long-term value for shareholders."

The embrace of "corporate purpose" extends far beyond the 181 CEOs that signed this new statement. Out of the Fortune 500, 425 companies now have a mission statement[1], a declaration of a goal beyond shareholder value. Importantly, purpose appears to be more than a marketing slogan. Companies such as PwC, Deloitte, Hasbro, and Cisco now have a Chief Purpose Officer tasked with ensuring that purpose gets put into practice. The World Economic Forum's list of stakeholder capitalism metrics and disclosures is headed up by "the company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues."[2] The 2018 revision of the UK Corporate Governance Code now contains "Board Leadership and Company Purpose" in its first section.

However, purpose is also controversial. On the same afternoon that the Business Roundtable changed its statement, the Council of Institutional Investors, an association of U.S. pension funds, foundations, and endowments, stated that "we respectfully disagree with the statement issued by the BRT earlier today . . . accountability to everyone means accountability to no one." More

[1] https://purposebrand.com/blog/best-purpose-statements-fortune-500/
[2] World Economic Forum (2020): "Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation"

generally, the backlash against purpose, and related concepts such as environmental, social and governance ("ESG") issues, stakeholder capitalism, and sustainability, is driven by concerns that they are necessarily at the expense of shareholder value.

The shareholder value implications of purpose hinge critically on how it is defined. Many advocates of purpose highlight how that it should encourage companies to invest in stakeholders *in order to* enhance shareholder value, but that purpose should also have boundaries: companies should not view stakeholder value as the end in itself. Edmans (2020) states that "a responsible business *creates profits through creating value for society*" (emphasis in original) and introduces three principles to constrain a company's purpose and ensure that it ultimately improves shareholder value; Edmans (2023) stresses how investing in stakeholders is subject to the same diminishing returns as any other investment. In contrast, companies can highlight stakeholder objectives to divert attention away from poor shareholder value creation (Flugum and Souther, 2024).

This paper studies the shareholder value implications of purpose statements. Critically, we define a *purpose statement* specifically as one that stresses the importance of investing in stakeholders as a means to ultimately create shareholder value, such as "We believe that environmental, social and governance ("ESG") initiatives are a vital part of corporate responsibility, which supports our primary goal of increasing stockholder value through profitable growth" (Healthpeak Properties). Importantly, a purpose statement not only includes references to both stakeholders and shareholders but contains a causal connection from the latter to the former. In contrast, we define a *purpose-like statement* as one that lists stakeholders and shareholders but contains no causal link. For example, the new Business Roundtable statement features them on an equal footing, and "Our goal is to become the global leader in environmental, energy, fluid

handling and filtration products and services by delivering exceptional value for our customers, shareholders, and employees" (CECO Environmental), if anything, gives priority to the environment over shareholders. An *ES statement* contains references to stakeholders only and not shareholders.

Central to our distinction between purpose and purpose-like statements is the use of a deep neural networks model that uses machine learning to identify the dependency relationship between words. Specifically, it identifies a purpose statement as one where shareholder and stakeholder keywords are grammatically linked through one of four dependency relationships (oblique nominal, adverbial clause modifier, relative clause modifier, or clausal complement) that suggest a causal relationship between the two. This contrasts the common "bag of words" approach which investigates the inclusion of certain words but not the relationship between them. We conduct our analysis on purpose statements disclosed in 10-K reports between June 2004 and May 2023. We focus on 10-K statements since their regulatory nature means that firms are likely to be more accurate in their disclosures; in contrast, annual reports or shareholder letters are partially used for marketing.

Our main analysis studies the link between purpose statements and shareholder returns. We do not hypothesize a causal relationship, i.e. that companies can increase their shareholder returns merely by issuing a purpose statement. Instead, we study whether the companies that endogenously issue purpose statements are fundamentally different from those that do not: in contrast to those that issue no statement at all, they recognize the importance of investing in stakeholders to deliver shareholder value; in contrast to those that issue purpose-like or ES statements, they view shareholder value as the ultimate objective. If purpose, purpose-like, or ES statements are issued predominantly for marketing or regulatory purposes, there would be no link.

We find a significant positive link between the issuance of purpose statements and shareholder returns. An equal-weighted portfolio of companies that issue purpose statements delivers a 0.31% alpha above the Carhart (1997) model; the alpha is 0.34% above industry peers and 0.18% above a characteristic-matched portfolio; all are statistically significant at the 1% level. The value-weighted portfolio exhibits a 0.31% alpha (3.7% annually) above characteristics benchmarks. Portfolios of companies that issue purpose-like and ES statements also deliver positive alphas, although the magnitudes are lower.

To more precisely contrast purpose statements with purpose-like and ES statements, we next study the returns to a portfolio that buys all companies with a purpose statement (relative to their characteristics-matched peers) and sells all companies with a purpose-like statement (relative to their characteristics-matched peers). When value-weighted, the strategy earns 0.28% per month (3.4% annually), significant at the 1% level. A similar strategy that sells companies with ES statements earns an excess return of 0.13% per month (1.6% annually), significant at the 5% level. The results remain robust to delaying portfolio formation until the 10-K filings are publicly disclosed. Thus, investors can use the existence of purpose statements to identify the firms that are likely to deliver higher shareholder returns.

We then study earnings surprises to identify a mechanism through which purpose statements ultimately translate into higher shareholder returns, and address concerns that the latter are due to mispriced risk. We find that firms with purpose statements systematically deliver earnings announcements that beat analyst expectations. In contrast, there is no link between either purpose-like or ES statements and earnings surprises.

Finally, we explore the types of firms that are more likely to have purpose statements. We find no link between total CEO equity ownership and the existence of a purpose statement. However,

when we decompose equity ownership into its vested and unvested components, we find a significant positive link with unvested equity and a significant negative link with vested equity. This suggests that unvested equity induces a company to think more long-term and recognize the importance of investing in stakeholders to create shareholder value, which might be reflected in the issuance of a purpose statement. Unvested equity is also negatively linked with the frequency of ES statements, consistent with it inducing a CEO to focus on shareholder value.

This paper is most closely related to Rajan, Ramella, and Zingales (2023) who identify purpose statements as expressed in shareholder letters. Their focus is the corporate goals that are expressed in such statements; ours is the distinction between purpose and purpose-like statements and its implications for shareholder returns. We also identify purpose statements from 10-Ks as they are more likely to reflect how a company fundamentally operates rather than used for marketing or investor relations objectives. Woolfe (2020) studies whether purpose statements of U.K. companies contain a link to business and a link to strategy, and the number of stakeholder groups they mention.

2. Purpose Statements

To identify purpose statements, we first download the latest 10-K reports filed by all U.S. public reporting entities through the EDGAR system for each fiscal year ending between June 1, 2004, and May 31, 2023. We focus on these SEC filings because, unlike annual reports and shareholder letters, 10-K reports are required for all publicly traded firms, audited, and less driven by marketing motives. By law, firms must avoid making materially false or misleading statements in their 10-Ks, and CEOs and CFOs must certify the accuracy of these filings under the Sarbanes-Oxley Act of 2002. The SEC reviews 10-K filings for compliance, and these filings are publicly accessible on the SEC's EDGAR website and often on companies' own websites.

The mandatory nature of 10-K reports allows for a comprehensive sample to study; the regulatory nature suggests that firms are likely to be more accurate in their disclosures, reducing incentives to misrepresent true purposes and making any statement more reflective of fundamental business beliefs.[3] The initial sample comprises 75,282 downloaded 10-K reports for fiscal years 2004-2022, which are linked to 9,352 unique firms with a central index key (CIK) in the Compustat/CRSP merged database. This represents 79% of the U.S. publicly traded firms covered in the database, as some firms with CIKs (e.g., certain foreign entities and investment companies) are not required to file 10-Ks.

Using this sample, we search for purpose statements within "Item 1 – Business" and "Item 7 – Management's Discussion and Analysis" ("MD&A") of the 10-K reports, as these two sections are most likely to contain purpose statements, if any are present. The focus on Items 1 and 7 follows prior studies, such as Hoberg and Phillips (2010, 2015, 2016).[4] To assess the rate of Type II error (false negative), we review a random sample of 100 10-K filings, search for purpose statements in the entire report, and identify no instances of improper exclusion.

As defined earlier, purpose statements should not only articulate a firm's broad purpose—why a business exists, its reason for being, and the role it plays in the world—but also highlight how serving the firm's broad purpose aligns with the fundamental goal of creating shareholder value.

[3] Indeed, Rajan, Ramella, and Zingales (2023) note that while almost all public companies file 10-K reports, they do not necessarily include annual reports or shareholder letters. In fact, with the implementation of EDGAR system facilitating the distribution of electronic 10-K filings, the popularity of annual reports has diminished. In some cases, the annual report became a 10-K preceded by a letter to shareholders; in others, even the letter disappeared. While they focus on shareholder letters of Fortune 150 companies to illustrate the evolution of corporate goals over the past seven decades, we aim to gauge stated purposes by U.S. public companies from the most comprehensive sample available.

[4] A machine learning approach requires high-quality inputs to generate high-quality outputs. Items 1 and 7 are the most likely places to find purpose statements; expanding the search to the entire 10-K significantly increases the risk of false positives.

Therefore, we search for statements that address a firm's environmental and social ("ES") responsibilities and clarify how fulfilling these responsibilities ultimately benefits shareholders.

We implement the search in two steps. First, we search for sentences containing purpose-related keywords. Following Rajan, Ramella, and Zingales (2023), the list of keywords includes "purpose", "mission", "vision", "goal", "strategy", "objective", "commit", "focus", and their variants, based on the Oxford Dictionary's definition of *purpose* as "that which a person sets out to do or attain; an object in view; a determined intention or aim."[5] For sentences with successful keyword hits, we then examine whether they concern the firm's ES responsibilities, shareholders, or both. To identify ES responsibilities, we rely on a list that combines ES-related keywords from Baier, Berninger, and Kiesel (2020, Table 3), keywords referring to stakeholder groups other than shareholders (e.g., employees and consumers), and glossaries proposed by investment and consulting firms specialized in sustainable investing. We remove keywords that need not have an ES meaning to reduce Type I errors (false negatives). For example, "water" might refer to a utility company's core business, such as "American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States"; "green" can appear in a company name without necessarily indicating an environmental focus, such as "Green Plains, Inc.," and "foundation" can be used in ordinary language without implying a charitable foundation, such as "We believe that the smaller format maintains the dynamic customer experience that is the foundation of our brand and allows us flexibility." Appendix A details the final list, which includes words such as "biodiversity", "decarbonization", "justice", "nondiscrimination", "safety", and "wages". For shareholders, we utilize a concise keyword list including "shareholder",

[5] The Cambridge Dictionary similarly defines *purpose* as "an intention or aim; a reason for doing something or for allowing something to happen."

"stockholder", "investor", and their variants. We define statements addressing only ES responsibilities as "ES-only statements."

Second, for sentences containing both ES responsibilities and shareholders, we analyze whether the sentences simply include both stakeholders and shareholders in a list, or instead suggests a dependency relation – that the company invests in stakeholders in order to benefit shareholders. A *dependency relation* is an asymmetric connection between words in a phrase, where one word (the "dependent" relies on another word (the "head") for its meaning or grammatical function. For example, in the phrase "for the benefit of our shareholders", "benefit" is the head and "shareholders" is the dependent. To identify dependency relations, we apply the Stanford Dependency Parser, a deep machine learning technique developed by the Stanford Natural Language Processing Group, trained on a deep neural networks model using articles from various sources such as the *Wall Street Journal*. It aims to identify syntactical features of sentences to extract the dependency relation between words and then apply this knowledge to effectively analyze new sentences (see Chen and Manning (2014) for more technical details of the parser); the reported accuracy of this parser reaches 92%. Thus, this parser analyzes contextual meanings, in contrast to other textual analysis tools (e.g., the bag-of-words approach) that merely identify words.

In applying the parser, we require that: (a) a shareholder keyword exists within ten dependency relationships of an ES-related keyword[6] and (b) the part containing the shareholder keyword and the part containing the ES-related keyword are grammatically linked through one of four dependency relationships (oblique nominal, adverbial clause modifier, relative clause modifier, or

[6] The average sentence in 10-Ks has 23 words and is increasing over time (Loughran and McDonald, 2014). The average distance between two words in a dependency relationship in English is three. Thus, 10 dependency relationships can cover a sentence.

clausal complement[7]) that suggests that shareholders are served by investing in ES. Statements that meet both requirements are therefore defined as "purpose statements"; the rest are defined as "purpose-like" statements.

The *oblique nominal* relationship arises when a nominal (noun, pronoun, or noun phrase) functions as a non-core (oblique) argument or adjunct.[8] An example is the following sentence from Apache Corporation's 2017 10-K:

*"Our **mission** is to grow in an innovative, safe, environmentally **responsible**, and profitable manner for the long-term benefit of our **shareholders**."*

In this example, the purpose keyword is "mission," the shareholder keyword is "shareholders," and the ES keyword is "responsible." "Shareholders" is within four dependency relations from "responsible": "shareholders" is in a dependency relation with "benefit", "benefit" with "grow", "grow" with "manner", and "manner" with "responsible".[9] The relationship between "benefit" and "grow" is oblique nominal because "benefit" is the object of the phrase "for the long-term benefit of our shareholders" which modifies the verb "to grow" by expressing the purpose of the growth. The relationship between "grow" and "manner" is also oblique nominal because the preposition

[7] These four were selected by taking a large sample of purpose statements indicating that the company seeks to create stakeholder value in order to create shareholder value, and feeding them into the Stanford parser, which identified the dependency relationships between words. These four relationships were most common.

[8] In a grammatical context, an "argument" is a word or phrase that is required by a verb to form a complete sentence. Subjects, objects, and complements are arguments. An "adjunct" is an optional element that provides additional information but is not required to complete a sentence. For example, in "he taught her yesterday", "he" and "her" are arguments and "yesterday" is an adjunct.

[9] The phrase "grow in an innovative, safe, environmentally responsible, and profitable manner for the long-term benefit of our shareholders" is headed by "grow." "For the long-term benefit of our shareholders" is headed by "benefit" and modifies "grow," so there exists a dependency relation between "benefit" and "grow." Similarly, "in an innovative, safe, environmentally responsible, and profitable manner" is headed by "manner" and modifies "grow," so there exists a dependency relation between "manner" and "grow." Lastly, "for the long-term benefit of our shareholders" is headed by "benefit," and "shareholders" is a dependent that modifies "benefit."

"in" introduces the noun "manner," which describes how the action of growing is carried out. Thus, the above is classified as a purpose statement. It states that the company's mission is to grow in a responsible manner which benefits the shareholders.

The *adverbial clause modifier* relation arises when a clause modifies a verb. An example is the following extract from Merit Medical Systems' 2015 10-K:

*"Our **mission** is to be the most customer-focused company in healthcare. Each day we are determined to make a difference by understanding our customers' needs, and innovating and delivering a diverse range of products that improve the lives of people and communities throughout the world. We fundamentally believe that long-term value is created for our patients, employees, **shareholders**, and communities when we focus outward and are determined to deliver an exceptional **customer** experience."*

The shareholder keyword, "shareholders", is within seven dependency relations from the ES keyword, "customer" (shareholders → patients → created → focus → determined → deliver → experience → customer).[10] The relationship between "created" and "focus" is an adverbial clause modifier because the adverbial clause "when we focus outward and are determined to deliver an exceptional customer experience" specifies when the action of creating long-term value occurs. Thus, the extract is classified as a purpose statement.[11] It states that the company's mission is to deliver an exceptional customer experience which creates long-term value for shareholders.

[10] "Employees" and "communities" are also ES keywords, but the relationship between "employees" or "communities" and "shareholders" does not fall under the four relationships identified, so they are not underlined. The chain only shows the dependency relations that lead to the statement being classified as a purpose statement (i.e., shareholder-->customer).

[11] In addition, the relationship between "patients" and "created" is an oblique nominal, which is sufficient for the extract to be classified as a purpose statement.

A *relative clause modifier* is a relative clause modifying the noun. An example is the following sentence from Healthpeak Properties' 2020 10-K:

*We believe that environmental, social and governance ("ESG") initiatives are a vital part of corporate **responsibility**, which supports our primary **goal** of increasing **stockholder** value through profitable growth.*

"Stockholder" is within four dependency relations from "responsibility" (stockholder → value → goal → supports → responsibility). The relationship between "supports" and "responsibility" is a relative clause modifier because the clause "which supports our primary goal …" describes how "responsibility" relates to the company's goal of increasing stockholder value. Thus, the sentence is classified as a purpose statement.[12] It states that the company's goal is to increase stockholder value by committing to corporate responsibility.

A *clausal complement* of a verb or adjective is a dependent clause which is a core argument. That is, it functions like an object of the verb or adjective. An example is the following sentence from California BankCorp's 2020 10-K:

*We **focus** on creating value for the **communities** and clients we serve to provide exceptional return for our **shareholders**, and also growing relationship deposits and lending those funds to invest in and support the communities we serve, with the ultimate goal of yielding superior growth in earnings per share.*

[12] In addition, the relationship between "goal" and "supports" is an oblique nominal, which is sufficient for the extract to be classified as a purpose statement.

"Shareholders" is within six dependency relations from "responsibility" (shareholders → return → provide → serve → focus → value → communities). The relationship between "provide" and "serve" is a clausal complement because the clause "to provide exceptional return for our shareholders" acts as a complement to the verb "serve" and explains the purpose of serving. Thus, the sentence is classified as a purpose statement. It states that the company's focus is to provide exceptional return for shareholders by creating value for the communities.

An example of a purpose-like statement is the following sentence from CECO Environmental's 2017 10-K:

*"Our **goal** is to become the global leader in **environmental**, energy, fluid handling and filtration products and services by delivering exceptional value for our **customers**, **shareholders**, and **employees**."*

The purpose keyword is "goal," the shareholder keyword is "shareholders," and the ES keyword could be "customers," "environmental," or "employees." "Shareholders" is within one dependency relation from "customers" and employees and six dependency relations from "environmental", but none of the four dependency relationships above is featured. Indeed, the sentence does not state that serving the environment, customers, and employees serves shareholders. Instead, shareholders are simply featured in a list that also contains customers and employees; if anything, it suggests that serving shareholders ultimately benefits the environment. Thus, it is not classified as a purpose statement.

We code an indicator variable, *Purpose*, to denote the existence of a purpose statement, which equals one if the firm's 10-K filing contains a purpose statement, and zero otherwise. Similarly,

Purpose-Like is an indicator variable for a purpose-like statement, and *ES* indicates an ES statement, which is one that includes at least one ES keyword but no shareholder keyword. There are very few statements that contain a shareholder keyword but no ES keyword, so we do not classify them.

Table 1 Panel A reports the yearly distribution of the three types of statements in the initial sample. ES-only statements are the most frequent type, appearing in 40,074 of the 75,282 10-K reports, or 53% of the sample. However, their popularity has varied considerably over the sample period: the annual frequency ranged between 50% and 57% in the first six years (2004-2009), spiked to 63% in 2010, stabilized around 60% until 2015, and then gradually declined to 41% in 2021 and 42% in 2022. From the reports for which we identify statements addressing both ES responsibilities and shareholders, only 6,020 (8%) contain well-defined purpose statements, while 12,207 (16%) contain purpose-like statements. Although the frequencies of the two types of statements differ, they follow a similar pattern over the same period: reaching a low of 4% for purpose statements and 11% for purpose-like statements in 2009, and a high of 13% for purpose statements and 24% for purpose-like statements in 2017. Interestingly, there appears to be a substitution between ES-only statements and purpose or purpose-like statements. The year 2009 precedes the peak frequency of ES-only statements, while 2017 precedes the decline of ES-only statements into the 40s% range. Figure 1 illustrates the time trends in the three types of statements.

Table 1, Panel B illustrates where purpose statements appear in the 10-K reports. On average, a slightly higher percentage of purpose statements are included in the Business (Item 1) than in the MD&A section (Item 7), at 60% vs. 53%. The inclusion of purpose statements in both sections has increased over time. The average frequency was only 5% in the first six years (2004-2009), rose

to 10% over the next five years (2010-2014), peaked at 39% in 2015, and then stabilized around 15% for the remainder of the sample period.

Table 2, Panel A presents the characteristics of firm-years with purpose statements and Panel B compares them across firm-years with purpose-like or ES statements. Compared to the average firm in the Compustat database, firm-years with purpose statements tend to be larger, more profitable, more leveraged, and invest less in intangibles. These differences persist and become even more pronounced when comparing firm-years with purpose statements to those with ES-only statements. However, the differences become less pronounced when comparing firm-years with purpose statements to those with purpose-like statements, although the former still tend to be larger and more leveraged.

3. Stock Returns

3.1 Portfolio analysis

Our main hypothesis is that the inclusion of a purpose statement in a 10-K indicates that a company's ultimate goal is to increase shareholder value. To test this hypothesis, we study the link between a purpose statement and shareholder returns as the latter captures all the channels through which such an orientation may ultimately benefit shareholders: it may lead to higher current profits, higher expected future profits, new products and contracts, more valuable intangible assets such as brand and corporate culture, or a company announcing positive-NPV investments. In contrast, studying (for example) the link with current accounting profits would only capture the first channel. Valuation ratios or event study returns may substantially underestimate any relationship, given previous evidence that the market fails to fully incorporate intangibles. Firms with superior governance (Gompers, Ishii, and Metrick, 2003; Giroud and Mueller, 2011), employee satisfaction (Edmans, 2011, 2012; Boustanifar and Kang, 2022), customer satisfaction

(Fornell et al., 2006), environmental efficiency (Derwall et al., 2005), and high R&D and advertising expenditure (Chan, Lakonishok, and Sougiannis, 2001) all earn higher long-run returns. The link between purpose statements and shareholder returns is thus a joint test of the association between purpose statements and shareholder value, and the extent to which this association is not priced by the market.

Note that we are not exploring whether there is a causal relationship between purpose statements and stock returns – if a firm can increase its future stock returns merely by issuing a purpose statement. Whether a firm has a purpose statement (versus a purpose-like statement, an ES statement, or no statement at all) is clearly endogenous. Instead, our hypothesis is that firms that endogenously choose to issue purpose statements are different types of firms: they are firms that recognize the importance of investing in stakeholders to increase shareholder value, but they will only invest in stakeholders in order to increase shareholder value, rather than pursing stakeholder value as an end in itself. We are exploring whether the firms that issue purpose statements perform better than those that do not, in contrast to concerns that purpose is at the expense of shareholder returns. In addition, any relationship would be of interest to investors as they can use the existence of purpose statements as a window into to the company, and thus a guide to their investment decisions. In contrast, if the existence of a purpose statement simply reflects a firm's marketing or investor relations activities with no link to how the firm is fundamentally run, there should be no association with shareholder returns.

We begin with a portfolio analysis. We first form a monthly portfolio of all public firms in our sample that included a purpose statement in their 10-K filings for fiscal years ending within the past 12 months. A firm is thus included in the Purpose Portfolio for 12 months following the fiscal year-end month of its 10-K filing. As 10-K filings enter our sample at different times, we rebalance

the portfolio monthly. We similarly create two additional monthly portfolios—the Purpose-Like Portfolio and ES Portfolio—comprising firms with purpose-like statements and ES statements in their 10-K filings, respectively, for fiscal years ending within the past 12 months.

Since our sample of 10-Ks covers fiscal years ending from June 2004 to May 2023, we form the three portfolios from July 2004 (the first month after the earliest fiscal year-end in our sample) to May 2024 (one year after the latest fiscal year-end in our sample). During this period, the monthly Purpose Portfolio contains an average of 278 firms, while the Purpose-Like and ES Portfolios contain an average of 565 and 1,915 firms, respectively.

To capture the risk-adjusted abnormal stock returns, we control for the four Carhart (1997) risk factors by estimating the following regression:

$$R_t = \alpha + \beta_{MKT}MKT_t + \beta_{HML}HML_t + \beta_{SMB}SMB_t + \beta_{MOM}MOM_t + e_t, \quad (1)$$

where R_t represents either the equal- or the value-weighted average excess return for all firms in a given portfolio (as defined above) in month t. MKT_t, HML_t, SMB_t, and MOM_t are the returns on the market, value, size, and momentum factors, taken from Kenneth French's website. Our variable of interest is α, the intercept that captures the risk-adjusted abnormal return. Standard errors are calculated using Newey and West (1987), thus allowing for heteroskedasticity and autocorrelation.

To calculate R_t, we first calculate the excess return for each firm included in a portfolio during month t relative to a benchmark. We use three different benchmarks: the risk-free rate from Kenneth French's website; the average return on an industry-matched portfolio based on Fama and French's (1997) 49-industry classification; and the average return on a characteristic-based benchmark proposed by Daniel, Grinblatt, Titman, and Wermers (1997) and Wermers (2004,

"DGTW"), which matches each firm to a portfolio of stocks with similar size, book-to-market, and momentum. Compared to the risk-free rate, calculating a firm's excess return over the industry-based benchmark further controls for industry-specific risks not captured by the Carhart (1997) systematic risk factors in equation (1), while using the characteristic-based benchmark provides a more robust adjustment for firm characteristics. It is conservative, but not superfluous, to subtract the returns on characteristic-based benchmarks in addition to including the size, book-to-market, and momentum factors, as characteristics have explanatory power beyond covariances (Daniel and Titman, 1997). Following Fama and French (2008), we both equal- and value-weight the individual stock returns when forming portfolios to test the sensitivity of our results to different weighting methods.

Table 3 reports the regression results of estimating equation (1). Panel A conducts an equal-weighted analysis where the test portfolios are equal-weighted, as are the industry and characteristics benchmarks. It finds that the Purpose Portfolio generates positive risk-adjusted abnormal returns relative to all three benchmarks, significant at the 1% level. In terms of economic significance, the alpha is 0.31% monthly (3.8% annually) above the risk-free rate in column (1), 0.24% monthly (2.9% annually) above the industry-matched portfolio in column (2), and 0.18% monthly (2.1% annually) above the return on the characteristic-matched portfolio in column (3). The Purpose-Like Portfolio also earns significantly positive returns, but the magnitudes are smaller, particularly when characteristic-adjusted. The monthly alpha is 0.27% monthly above the risk-free rate, 0.25% when industry-adjusted, and an insignificant 0.12% when characteristic-adjusted. The returns on the ES Portfolio are slightly smaller still: 0.25%, 0.22%, and an insignificant 0.11%, respectively.

In Panel B, the test and benchmark portfolios are value-weighted. The Purpose Portfolio continues to exhibit positive risk-adjusted abnormal returns across all three benchmarks; however, only the alpha against the matched characteristic-based portfolio in column (3) is statistically significant at the 1% level, with a magnitude of 0.31% monthly (3.7% annually). In comparison, the Purpose-Like Portfolio does not generate significant abnormal returns relative to any benchmark, with insignificantly negative returns for the first two benchmarks and insignificantly positive returns for the third. The ES Portfolio displays an insignificantly positive return over the risk-free rate, an insignificantly negative return over the matched industry portfolio, and a significantly positive return over the matched characteristic-based portfolio, albeit with a modest alpha of 0.18% per month (2.2% annually).

To further examine the differences in abnormal returns between the Purpose Portfolio and the other two portfolios, we form a trading strategy that buys firms in the Purpose Portfolio and sells firms in either the Purpose-Like Portfolio or the ES Portfolio. Table 4, Panel A presents the returns from this strategy using equal-weighted portfolio returns, focusing on excess returns calculated over the equal-weighted matched characteristic-based portfolio. As shown, a strategy that buys the Purpose Portfolio and sells the Purpose-Like Portfolio generates an excess return of 0.06% per month (0.7% annually), significant at the 5% level, and a strategy that buys the Purpose Portfolio and sells the ES Portfolio generates an excess return of 0.07% per month (0.8% annually), significant at the 5% level. Table 4, Panel B presents the returns using value-weighted returns, based on excess returns calculated over the value-weighted matched characteristic-based portfolio. A strategy that buys the Purpose Portfolio and sells the Purpose-Like Portfolio generates an excess return of 0.28% per month (3.4% annually), significant at the 1% level, and a strategy that buys

the Purpose Portfolio and sells the ES Portfolio generates an excess return of 0.13% per month (1.6% annually), significant at the 5% level.

The results reported above are based on portfolios constructed over the 12 months following the fiscal year-ends of the 10-K filings. This approach examines whether companies with purpose statements are different from those without, without being concerned about whether investors can exploit any relationship. We now explore the exploitability of any link. Given that most companies have up to 90 days after their fiscal year-end to file their 10-Ks, the inclusion of purpose statements or other disclosures may not be known to the market at fiscal year-end. To address this, we repeat the analysis in Tables 3 and 4 using portfolios reconstructed over the 12 months following the actual filing dates of the 10-Ks. The results, reported in Tables IA1 and IA2 of the Internet Appendix, remain consistent: a long-short portfolio that buys the Purpose Portfolio and sells either the Purpose-Like or ES Portfolio earns significantly positive returns, either equal- or value-weighted.

3.2 Stock-level analysis

This section explores the link between purpose statements and shareholder returns using a stock-level analysis which allows us to control for a broader set of firm-specific characteristics. Specifically, we estimate the following Fama-MacBeth (1973) regression:

$$R_{it} = \alpha + \beta Purpose_{it} + \gamma Control1_{it} + e_{it}, \quad (2)$$

where R_{it} represents either the raw or industry-adjusted return of firm i in month t. $Purpose_{it}$ is an indicator variable that denotes whether firm i included a purpose statement in its10-K filing for a

fiscal year ending within the past 12 months. $Control1_{it}$ is a vector of firm characteristics for firm i-month t, constructed following Brennan, Chordia, and Subrahmanyam (1998) and Edmans (2011). $MKTCAP_{it}$ is the natural logarithm of firm i's market capitalization at the end of month t-2; BM_{it} is the natural logarithm of firm i's book-to-market ratio, calculated at the end of the fiscal year preceding month t and held constant through the following fiscal year-end. $DIVYIELD_{it}$ represents firm i's dividend yield, defined as the firm's common dividends from the previous fiscal year scaled by its market value at the fiscal year-end. Like BM, $DIVYIELD_{it}$ is calculated at the end of the fiscal year preceding month t and held constant through the following fiscal year-end. $RET2\text{-}3_{it}$, $RET4\text{-}6_{it}$, and $RET7\text{-}12_{it}$ represent the natural logarithm of the cumulative returns over months t-3 to t-2, t-4 to t-6, and t-7 to t-12, respectively. $DVOL_{it}$ is the natural logarithm of the dollar trading volume of firm i in month $t-2$, and PRC_{it} is the natural logarithm of firm i's stock price at the end of month $t-2$. We include year-month fixed effects in all columns.

Column (1) of Table 5 reports the regression results of estimating equation (2) with the firm's raw return as the dependent variable. The results show that the inclusion of a purpose statement is associated with a 0.17% higher monthly raw return over the 12 months following the fiscal year-end of the filing. This is significant at the 1% level and corresponds to 2.1% annually. Column (2) repeats the analysis with the firm's industry-adjusted return as the dependent variable. The coefficient on *Purpose* remains significant at the 1% level, indicating a monthly increase of 0.19% in the industry-adjusted return, or 2.3% annually.

Columns (3)-(4) of Table 5 repeat the analysis in columns (1)-(2), replacing $Purpose_{it}$ with $Purpose\text{-}Like_{it}$, an indicator for a purpose-like statement. In contrast to the *Purpose* results, the coefficient estimate on $Purpose\text{-}Like_{it}$ is statistically insignificant with the firm's raw return as the dependent variable in column (3) and significant only at the 10% level with the firm's industry-

adjusted return as the dependent variable in column (4). Columns (5)-(6) of Table 5 replace $Purpose_{it}$ with ES_{it}, an indicator for an ES statement. Interestingly, the coefficient estimate on ES_{it} is negative in both columns, statistically significant at the 10% level with the firm's industry-adjusted return as the dependent variable in column (6). This result suggests that the inclusion of ES statements is associated with lower subsequent abnormal returns relative to the industry.

Overall, after controlling for firm-specific characteristics, the firm-level regression results in Table 5 align with the portfolio-level results in Table 4, reinforcing the conclusion that firms with well-defined purpose statements in their 10-K filings tend to exhibit higher abnormal stock returns in the next fiscal year. The weakly negative link between ES statements and stock returns suggests that a purpose focused only on stakeholders can be at the expense of shareholder returns.

As in the previous section, we again repeat the results in Table 5 measuring firm returns over the 12 months following the actual filing dates of the 10-Ks rather than the 12 months following the fiscal year-ends of the 10-K filings. The results, reported in Tables IA3 of the Internet Appendix, remain consistent, which suggest that the superior returns of firms with purpose statements persist even after this information becomes known to the market.

3.3 Purpose statements and earnings surprises

One interpretation of the stock return results is that companies with purpose statements are better at creating shareholder value, and that this ability is not fully priced by the market. However, the results also admit alternative explanations. A second is that such firms are fundamentally riskier in ways not captured by our risk factors or firm characteristics. Third, increasing demand for such firms, due to changing tastes, drives up their prices over time (Pastor, Stambaugh, and Taylor, 2021). Fourth, the market could wrongly think that purpose statements are detrimental to

shareholder value and price them at a discount, and the higher future returns represent the unwinding of this discount over time.

While these alternative hypotheses might explain the outperformance of the Purpose Portfolio relative to the market, industry benchmarks, and characteristics benchmarks, they have more difficulty in explaining its outperformance relative to the Purpose-Like and ES Portfolios. For example, it is more challenging to think of reasons why firms with purpose statements are riskier than firms with purpose-like or ES statements, and why tastes may have increased for the former more than the latter. However, we can conduct further tests to distinguish between the hypotheses.

If firms with purpose statements are fundamentally better at creating shareholder value, and that this ability is not priced by the market, then their earnings announcements would outperform analyst expectations. In other words, they would exhibit more positive earnings surprises. We thus follow prior studies (e.g., Atilgan et al., 2024; Core, Guay, and Rusticus, 2006; Edmans, 2011; Giroud and Mueller, 2011) in using earnings surprises to disentangle outperformance from other explanations for high stock returns. Specifically, we estimate the following panel regression:

$$Surprise_{it} = \alpha + \beta Purpose_{it} + \gamma Control2_{it} + e_{it}, \quad (3)$$

where $Surprise_{it}$ represents the one-year earnings surprise, defined as the difference between the actual earnings per share (EPS) for firm i's fiscal year ending in year t and the median forecast from the Institutional Brokers' Estimate System (I/B/E/S) analysts, deflated by the firm's stock price at the fiscal year-end. The I/B/E/S consensus forecast is taken eight months prior to the end of the forecast period, which is four months after the previous fiscal year-end. This timing ensures that analysts have access to the prior year's earnings when making their forecasts, as most firms

have up to 90 days to file 10-Ks after fiscal year-end. To address outliers, we follow Edmans (2011) and Giroud and Mueller (2011) to remove observations for which the forecast error is larger than 10% of the price. $Purpose_{it}$ is previously defined. $Control2_{it}$ represents two control variables, including the natural logarithm of book-to-market ratio and that of market capitalization in year *t.*

Column (1) of Table 6, Panel A reports the regression results of estimating equation (3) without any controls. The results indicate that a purpose statement is associated with $0.36 per share higher earnings surprise, or 19% of the mean absolute earnings surprise, significantly positive at the 5% level. This positive association remains robust when controlling for the book-to-market ratio in column (2), and for both the book-to-market ratio and firm size in column (3). The result also holds when including year fixed effects in columns (1) to (3) and both year and firm fixed effects in column (4). The results are also robust to clustering standard errors by year in columns (1)-(3) and by firm and year in column (4).

Table 6, Panel B and Panel C repeat the analysis in Panel A, replacing $Purpose_{it}$ with $Purpose\text{-}Like_{it}$ and ES_{it}, respectively. Unlike purpose statements, we find no evidence that the inclusion of a purpose-like statement or an ES statement is positively associated with earnings surprises. Overall, these results suggest that one-year earnings surprises contribute to the outperformance of firms with purpose statements relative to various benchmarks. Based on the specification in column (3), a chi-squared test shows that the difference in coefficient estimates between *Purpose* in Panel A and *Purpose-Like* in Panel B and that between *Purpose* in Panel A and *ES* in Panel C are both statistically significant at the 5% level.

4. CEO Incentives

Section 3 studied the consequences of having a purpose statement for shareholder returns and earnings surprises. This section studies what types of firms have a purpose statement in the first

place. Since a purpose statement (as opposed to a purpose-like or ES statement) ultimately seeks to create shareholder value, we hypothesize that its existence is positively associated with CEO equity incentives. To test this hypothesis, we run the following panel regression:

$$Purpose_{it+1} = \alpha + \beta CEO\%_{it} + \gamma Control3_{it} + e_{it+1}, \quad (4)$$

The independent variable of interest is $CEO\%_{it}$, calculated as the number of shares owned by the CEO scaled by the number of shares outstanding in year *t*. $Control3_{it}$ represent a long list of control variables. We continue to include basic firm controls including market capitalization (*MKTCAP*), book-to-market ratio (*BM*), return-on-assets ratio (*ROA*), and leverage (*LEV*), all measured at the end of year *t*. Controls for the CEO's other incentives are taken from Edmans, Fang, and Lewellen (2017). Specifically, we include CEO's salary (*Salary*), bonus (*Bonus*), tenure in the firm (*Tenure*), a new CEO indicator (*NewCEO*) and CEO age (*CEOAge*) to capture career concerns in year *t*. We further include four controls to capture institutional influence in year *t*, namely, the number of blockholders owning 5% or more of the firm's shares (*NumBlock*), the total percentage of shares owned by these blockholders (*Block%*), institutional ownership concentration measured by the Herfindahl index (*InstHHI*), and change in the institutional ownership breadth (*ΔInstBreadth*), calculated following Lehavy and Sloan (2008). We include year fixed effects and cluster standard errors by firm in all columns.

Column (1)-(3) of Table 7, Panel A reports the regression results of estimating equation (4) using a probit model. With a nonlinear model, we include only year fixed effects to control for temporal variation in the inclusion of purpose statements. Although we do not include firm fixed effects due to the incidental parameters problem, we include industry fixed effects to control for

variation in the inclusion of purpose statements across industries and include lagged *Purpose* to control for any persistence in a firm's tendency to include a purpose statement as boilerplate.

We find no significant association between CEO stock ownership and the likelihood of a firm including a purpose statement in its 10-K filing, as indicated by the statistically insignificant coefficient on *CEO%* in column (1). To explore how CEO incentives may differ between long- and short-term equity pay, we replace CEO% with *Unvested CEO%* in column (2) and *Vested CEO%* in column (3). The coefficient on *Unvested CEO%* is significantly positive at the 5% level, while the coefficient on *Vested CEO%* is significantly negative at the 5% level. A one percentage point increase in *Unvested CEO%* is associated with an 4.54% increase in this likelihood of purpose statement inclusion, while a one percentage point increase in *Vested CEO%* is associated with an 0.05% decrease in this likelihood, compared to the unconditional probability of 8.90%. This contrast suggests that long-term equity compensation is more effective in aligning the CEO's interests with those of shareholders, particularly when the firm aims to address broader ES responsibilities. Indeed, Panel C shows that *Unvested CEO%* is negatively linked to the frequency of ES statements, while Panel B shows no link with purpose-like statements.

Columns (4)-(6) of Table 7 repeat the analyses in Columns (1)-(3) but use a linear probability model (LPM). Compared to a probit model, an LPM assumes a homoscedastic error term and potentially gives unbounded predicted values of *Purpose* but allows for non-normal errors and enables us to include firm fixed effects to control for firm-level heterogeneity in the inclusion of purpose statements. With the inclusion of firm fixed effects, we drop lagged *Purpose* as a control.

The coefficient estimate for CEO's total ownership, *CEO%*, is significantly negative in column (4). More interestingly, *Unvested CEO%* is significantly positive at the 1% level in column (5) while the *Vested CEO%* is significantly positive at the 1% level in column (6). This contrast

suggests that linking CEO incentives to long-term equity strengthens the alignment between the CEO's interests and those of shareholders. Similar to the probit results, Panels B and C show that unvested equity is significantly negatively linked to the frequency of ES statements and unrelated to purpose-like statements.

5. Conclusion

This paper has studied the shareholder return implications of companies issuing a purpose statement. Importantly, we define a purpose statement precisely as one that seeks to invest in stakeholders in order to ultimately benefit shareholders, contrasting it with a purpose-like statement which views stakeholder value as an end in itself and puts stakeholders on at least an equal footing with shareholders. We use the deep neural networks technique to identify the grammatical relationship between words, in contrast to a "bag of words" approach that focuses only on the inclusion of words. We apply it to purpose statements as expressed in 10-K filings that are more likely to reflect how a company fundamentally operates rather than marketing concerns.

We find that companies that have purpose statements deliver significantly higher future shareholder returns than those with purpose-like or ES statements. In addition, they also enjoy significantly higher future earnings surprises, while companies with purpose-like or ES statement do not. Total equity ownership is unrelated to the likelihood of issuing a purpose statement, but unvested equity has a positive link. Our results do not necessarily suggest that the act of issuing a purpose statement has a positive causal effect on future shareholder returns. Instead, companies with purpose statements may be fundamentally different than those that do not, in recognizing that stakeholder value is a means to improving shareholder value but the latter remains the ultimate objective. The market does not fully recognize this link, leading to higher future earnings surprises and stock returns.

Our results have ambiguous implications for whether such links will exist going forwards. If investors start using the inclusion of a purpose statement as an investment criterion, then some companies may start issuing purpose statements. If they simply do so in their 10-K filings without any change to how they operate, then the link between purpose statement issuance and stock returns should dissipate over time as purpose statements cease to be a signal of how a company actually operates. However, if the issuance of a purpose statement causes the company to change how it makes investment decisions and allocates resources, and the market still fails to immediately recognize this link, then the superior returns to companies with purpose statements may persist going forwards.

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Appendix A. Environmental and social keywords

alcohol	alcohols	bargaining	biodiversity	biofuel	biofuels
biphenyls	bisexual	carbon	charitable	charities	charity
citizen	citizens	cleantech	cleanup	climate	communities
community	conformance	consumer	consumers	contamination	culture
customer	customers	decarbonization	defect	defects	deforestation
dignity	disabilities	disability	disabled	discriminate	discriminated
discriminating	discrimination	diversity	donate	donated	donates
donating	donation	donations	donor	donors	educate
educated	educates	educating	education	educational	eicc[13]
emission	emissions	emit	emits	emitted	emitting
employ	employee	employees	employment	environment	environmental
environmentally	ethnic	ethnically	ethnicities	ethnicity	fairness
equal	equality	equity	female	females	freedom
freshwater	gay	gays	gender	genders	greenhouse
groundwater	harassment	harassments	hazard	hazardous	hazards
headcount	health	hire	hired	hires	hiring
homosexual	human	humanity	humans	immigrant	immigration
inclusion	inequities	inequity	injuries	injury	justice
labor	labour	learning	lesbian	lesbians	lgbt
mentoring	microenterprise	minorities	minority	nondiscrimination	nonprofit
occupational	overtime	ozone	patient	patients	pesticide
pesticides	philanthropic	philanthropy	pollutant	pollutants	pollute
polluted	pollutes	polluting	pollution	poverty	privacy
racial	recycle	recycled	recycles	recycling	religion
religious	renewable	ruggie[14]	safe	safely	safety
scholarships	sick	social	socially	societal	society
staffing	sustainability	sustainable	sustainably	teach	teacher
teachers	teaching	training	transgender	unemployment	veteran
veterans	vulnerable	wage	wages	warming	warranties
warranty	welfare	wetland	wetlands	wildlife	woman
women	workplace	workplace	zoning		

[13] "eicc" refers to the Electronic Industry Citizenship Coalition, now known as the Responsible Business Alliance (RBA). The EICC/RBA is a nonprofit coalition established to promote responsible supply chain management, ethical labor practices, environmental stewardship, and sustainable business practices across the global electronics industry.
[14] "ruggie" refers to Professor John Ruggie, who developed the United Nations Guiding Principles on Business and Human Rights. These principles are also commonly known as the "Ruggie Principles."

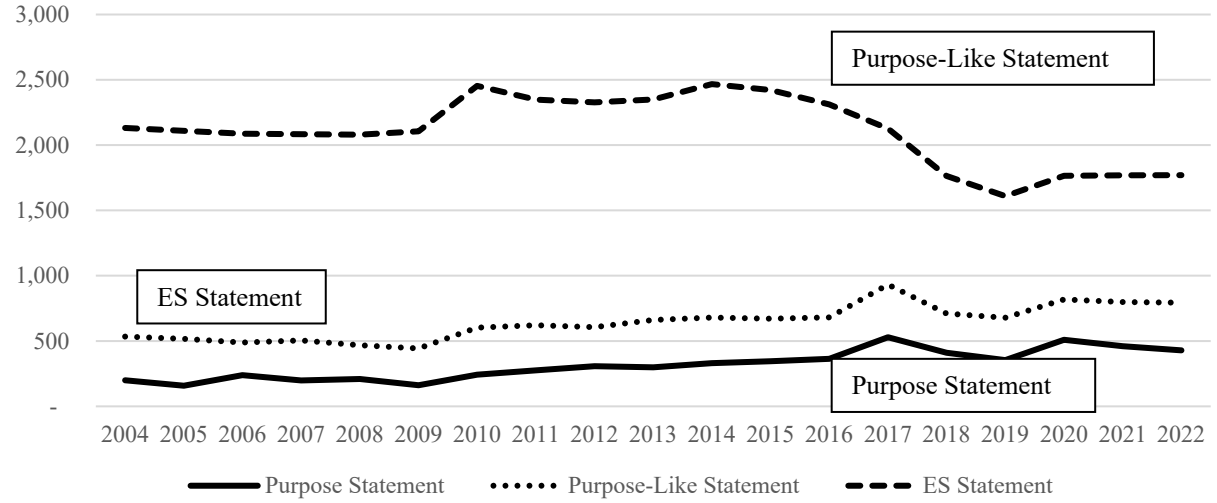
Appendix B. Variable definition

Variable	Source	Definition
Statement-related variables		
$Purpose_{it}$	10-K	An indicator variable that equals one for firm-years including a purpose statement in its 10-K filings in year *t*, and zero otherwise. Purpose statements address a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders.
$Purpose\text{-}like_{it}$	10-K	An indicator variable that equals one for firm-years including a purpose-like statement in its 10-K filings in year *t*, and zero otherwise. purpose-like statements address both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders
ES_{it}	10-K	An indicator variable that equals one for firm-years including an ES statement in its 10-K filings in year *t*, and zero otherwise. ES statements address only ES responsibilities.
Firm characteristics		
$MKTCAP_{it}$	Compustat	The natural logarithm of market capitalization at the end of year *t*.
BM_{it}	Compustat	Book-to-market ratio, calculated as book value of equity scaled by market value of equity at the end of year *t*.
PE_{it}	Compustat	Price-earnings ratio, calculated as stock price at the end of year *t* scaled by earnings per share in year *t*.
$EBITDA_{it}$	Compustat	Market capitalization plus short-term and long-term debt minus cash and cash equivalents at the end of year *t* and then divided by operating income before depreciation in year *t*.
ROE_{it}	Compustat	Return on equity, calculated as income before extraordinary items in year *t* scaled by stockholders' equity at the end of year *t*.
$INTAN_{it}$	Compustat	The sum of R&D expenses, intangible assets, and goodwill scaled by total assets at the end of year *t*.
LEV_{it}	Compustat	The leverage ratio, calculated as short-term and long-term debt minus deferred tax and investment tax credit scaled by stockholders' equity at the end of year *t*.
Variables used in the stock return analysis		
R_t	CRSP	Monthly stock return. Raw R_t is the raw monthly stock return for a portfolio. Industry-adjusted R_t is industry-adjusted monthly stock return for a portfolio using the 49-industry classification of Fama and French (1997). Characteristic-adjusted R_t is the monthly stock return for a portfolio adjusted using the characteristic portfolio benchmark of Daniel, Grinblatt, Titman, and Wermers (1997). Raw, industry-adjusted, and characteristic-adjusted R_{it} are analogously defined for firm *i*-month *t*.
$lnMKTCAP_{it}$	CRSP	The natural logarithm of market capitalization at the end of month *t-2*.
$lnBM_{it}$	Compustat	The natural logarithm of book-to-market ratio, calculated as book value of equity scaled by market value of equity at the end of year *t*.
$RETm\text{-}n_{it}$	CRSP	The compounded returns in month *t-m* (m = 2, 4, 7) to month *t-n* (n = 3, 6, 12).
$DIVYIELD_{it}$	Compustat	Dividends declared in year *t* scaled by market capitalization at the end of year *t*.
$lnDVOL_{it}$	CRSP	The natural logarithm of the dollar trading volume (in millions) in month *t*-2.
$lnPRC_{it}$	CRSP	The natural logarithm of the dollar trading volume (in millions) stock price at the end of month *t*-2.
Variables used in the analysis of CEO equity incentives		
$CEO\%_{it}$	ExecuComp	The number of shares owned by the CEO scaled by the number of shares outstanding at the end of year *t*.
$Unvested\ CEO\%_{it}$	ExecuComp	The number of restricted stock owned by the CEO scaled by the number of shares outstanding at the end of year *t*.

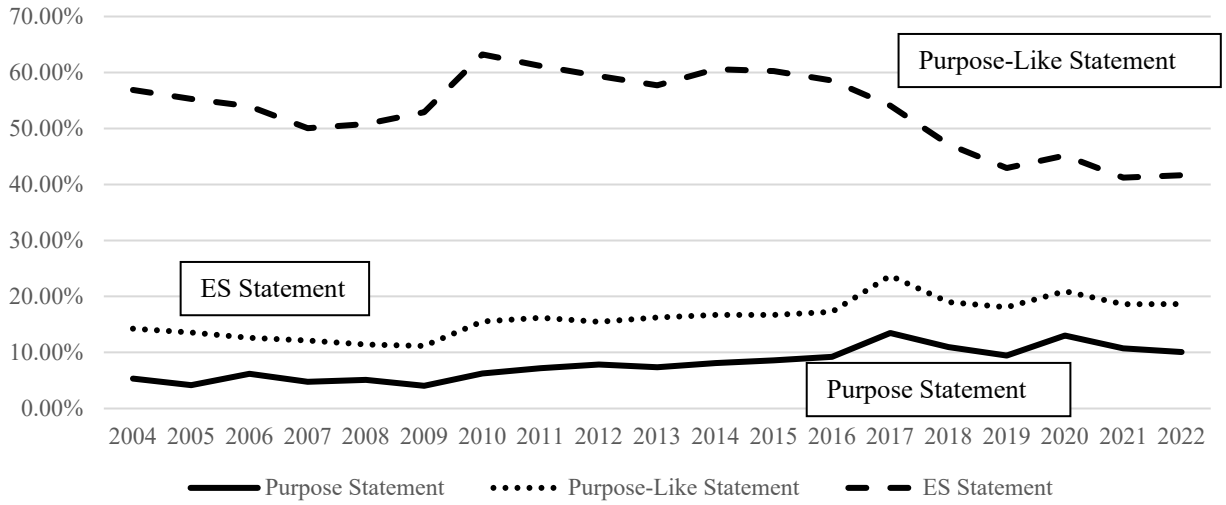
$Vested\ CEO\%_{it}$	ExecuComp	The number of vested stock owned by the CEO scaled by the number of shares outstanding at the end of year *t*.
$Salary_{it}$	ExecuComp	The natural logarithm of one plus a CEO's base salary in year *t*.
$Bonus_{it}$	ExecuComp	The natural logarithm of one plus a CEO's cash bonus in year *t*.
$Tenure_{it}$	ExecuComp	CEO tenure in year *t*.
$NewCEO_{it}$	ExecuComp	An indicator variable to denote new CEO in year *t*, and zero otherwise.
$CEOAge_{it}$	ExecuComp	CEO age in year *t*.
$NumBlock_{it}$	Thomson Reuters	The number of blockholders at the end of year *t*, defined as those who hold 5 percent or more.
$Block\%_{it}$	Thomson Reuters	The total percentage of shares owned by blockholders at the end of year *t*, defined as those who hold 5 percent or more.
$InstHHI_{it}$	Thomson Reuters	Concentration of institutional ownership proxied by the Herfindal-Hirschman index in year *t*.
$\Delta InstBreadth_{it}$	Thomson Reuters	The change in breadth of institutional ownership, calculated following Lehavy and Sloan (2008) as $\frac{Change\ in\ the\ number\ of\ 13F\ filers\ holding\ stock\ i\ from\ year\ t-1\ to\ year\ t}{Total\ number\ of\ 13F\ Filers\ at\ t}$

Figure 1. Sample Distribution of Statements in 10-Ks

Panel A: Number of 10-Ks with statements



Panel B: Percentage of 10-Ks with statements



Panel A shows the number of 10-K filings containing purpose, purpose-like, and ES statements. Panel B shows the percentage of 10-K filings that include each of these three types of statements.

Table 1. Sample Distribution of Statements in 10-Ks

Panel A: Yearly distribution of the three types of statements

Fiscal Year	Number of 10-Ks	Purpose statement		Purpose-like statement		ES statement	
		Number	Percent	Number	Percent	Number	Percent
2004	3,747	200	5.34%	534	14.25%	2,131	56.87%
2005	3,815	159	4.17%	517	13.55%	2,109	55.28%
2006	3,867	239	6.18%	488	12.62%	2,087	53.97%
2007	4,162	198	4.76%	505	12.13%	2,083	50.05%
2008	4,096	209	5.10%	468	11.43%	2,080	50.78%
2009	3,979	161	4.05%	444	11.16%	2,105	52.90%
2010	3,880	242	6.24%	602	15.52%	2,453	63.22%
2011	3,838	276	7.19%	621	16.18%	2,348	61.18%
2012	3,920	307	7.83%	606	15.46%	2,327	59.36%
2013	4,071	299	7.34%	661	16.24%	2,349	57.70%
2014	4,071	330	8.11%	680	16.70%	2,467	60.60%
2015	4,019	345	8.58%	671	16.70%	2,421	60.24%
2016	3,947	364	9.22%	681	17.25%	2,311	58.55%
2017	3,932	530	13.48%	932	23.70%	2,126	54.07%
2018	3,738	410	10.97%	710	18.99%	1,763	47.16%
2019	3,751	354	9.44%	678	18.08%	1,610	42.92%
2020	3,909	509	13.02%	818	20.93%	1,765	45.15%
2021	4,289	460	10.73%	798	18.61%	1,769	41.25%
2022	4,251	428	10.07%	793	18.65%	1,770	41.64%
Total	75,282	6,020	8.00%	12,207	16.22%	40,074	53%

Panel A presents the yearly distribution of three types of statements in 10-Ks: purpose statements, purpose-like statements, and ES statements. Purpose statements address a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders; purpose-like statements address both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders; and ES statements address only ES responsibilities. The sample comprises of 75,282 10-Ks for fiscal years 2004 to 2022.

Table 1. Sample Distribution of Statements in 10-Ks (Cont'd)

Panel B: Location of purpose statements in 10-Ks

Fiscal Year	Purpose statement	In Item1		In Item7		In both Items	
	Number	Number	Percent	Number	Percent	Number	Percent
2004	200	130	65.00%	84	42.00%	14	7.00%
2004	200	130	65.00%	84	42.00%	14	7.00%
2005	159	103	64.78%	58	36.48%	2	1.26%
2006	239	121	50.63%	126	52.72%	8	3.35%
2007	198	120	60.61%	89	44.95%	11	5.56%
2008	209	78	37.32%	147	70.33%	16	7.66%
2009	161	59	36.65%	111	68.94%	9	5.59%
2010	242	147	60.74%	120	49.59%	25	10.33%
2011	276	171	61.96%	137	49.64%	32	11.59%
2012	307	185	60.26%	149	48.53%	27	8.79%
2013	299	168	56.19%	164	54.85%	33	11.04%
2014	330	198	60.00%	167	50.61%	35	10.61%
2015	345	302	87.54%	177	51.30%	134	38.84%
2016	364	230	63.19%	183	50.27%	49	13.46%
2017	530	331	62.45%	277	52.26%	78	14.72%
2018	410	245	59.76%	223	54.39%	58	14.15%
2019	354	200	56.50%	212	59.89%	58	16.38%
2020	509	297	58.35%	289	56.78%	77	15.13%
2021	460	270	58.70%	269	58.48%	79	17.17%
2022	428	279	65.19%	224	52.34%	75	17.52%
Total	6,020	3,634	60.37%	3,206	53.26%	820	13.62%

Panel B illustrates the locations of purpose statements within the 10-Ks, specifically in Item 1, "Business," and Item 7, "Management's Discussion and Analysis" (MD&A). The sample comprises of 75,282 10-Ks for fiscal years 2004 to 2022.

Table 2. Descriptive Statistics

Panel A: Descriptive statistics of firm-years with a purpose statement

	Firm-years with a purpose statement (N=5,469)					Compustat firm years (N=71,891)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Variable	Mean	Std. Dev.	P25	Median	P75	Mean	Std. Dev.	(1) - (6)
MKTCAP	6.776	2.143	5.279	6.800	8.264	6.345	2.107	0.431***
BM	0.645	0.864	0.263	0.544	0.929	0.614	0.877	0.031**
PE	8.782	50.750	–0.974	9.629	18.352	8.596	51.084	0.185
EBITDA	5.975	36.191	3.233	8.587	13.458	6.007	35.758	–0.032
ROE	–0.006	1.187	–0.039	0.077	0.149	–0.042	1.270	0.037**
INTAN	0.154	0.200	0.004	0.070	0.251	0.172	0.203	–0.018***
LEV	0.244	0.312	0.046	0.176	0.368	0.217	0.277	0.027***

Panel B: Comparison of firm-years with the three types of statements

	(1)	(2)	(3)	(4)	(5)
Variable	Purpose (N=5,469)	Purpose-like (N=11,453)	ES (N=38,890)	(1) - (2)	(1) - (3)
MKTCAP	6.776	6.558	6.289	0.218***	0.487***
BM	0.645	0.649	0.591	–0.004	0.055***
PE	8.782	8.850	8.665	–0.069	0.116
EBITDA	5.975	6.270	6.130	–0.295	–0.155
ROE	–0.006	–0.030	–0.052	0.024	0.046**
INTAN	0.154	0.154	0.187	0.000	–0.034***
LEV	0.244	0.222	0.210	0.022***	0.033***

Panel A reports summary descriptives for firm-years with a purpose statement compared to the Compustat universe. The firm characteristics include market capitalization (*MKTCAP*), book-to-market ratio (*BM*), price-to-earnings ratio (*PE*), EBITDA multiple (*EBITDA*), returns-on-equity (*ROE*), intangible intensity (*INTAN*), and leverage (*LEV*). Column (8) tests whether a mean value of a firm characteristic in column (1) equals the corresponding value in column (6). Panel B presents a comparison of firm-years with each of the three types of statements: purpose statements, purpose-like statements, and ES statements. Purpose statements address a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders. Purpose-like statements address both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders. ES statements address only ES responsibilities. Column (4) ((5)) tests whether a mean value of a firm characteristic in column (1) equals the corresponding value in column (2) ((3)). Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) level using the two-tailed tests.

Table 3. Purpose Statement and Stock Return: Portfolio Analysis

Panel A: Equal-weighted excess returns

	Purpose Portfolio			Purpose-Like Portfolio			ES Portfolio		
	Excess return over								
	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
α	0.314***	0.239***	0.176**	0.272***	0.249***	0.118	0.251***	0.215***	0.110
	(0.112)	(0.069)	(0.083)	(0.081)	(0.060)	(0.082)	(0.089)	(0.043)	(0.089)
β_{MKT}	1.004***	0.018	1.009***	0.951***	-0.029*	1.009***	1.017***	0.006	1.022***
	(0.032)	(0.021)	(0.031)	(0.029)	(0.017)	(0.028)	(0.024)	(0.012)	(0.029)
β_{HML}	0.731***	-0.077*	0.667***	0.719***	-0.078**	0.692***	0.859***	-0.012	0.749***
	(0.068)	(0.041)	(0.033)	(0.036)	(0.033)	(0.033)	(0.042)	(0.023)	(0.035)
β_{SMB}	0.035	0.045*	0.025	0.097***	0.078***	0.034***	-0.035***	0.026	0.016
	(0.045)	(0.025)	(0.031)	(0.035)	(0.025)	(0.030)	(0.036)	(0.023)	(0.032)
β_{MOM}	-0.221***	0.002	-0.155***	-0.189***	-0.008	-0.141***	-0.180***	0.008	-0.139***
	(0.052)	(0.023)	(0.040)	(0.047)	(0.024)	(0.031)	(0.052)	(0.020)	(0.041)

Panel B: Value-weighted excess returns

	Purpose Portfolio			Purpose-Like Portfolio			ES Portfolio		
	Excess return over								
	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
α	0.048	0.009	0.312***	-0.046	-0.036	0.030	0.013	-0.010	0.181***
	(0.081)	(0.067)	(0.081)	(0.055)	(0.053)	(0.047)	(0.044)	(0.043)	(0.051)
β_{MKT}	0.986***	-0.061***	0.817***	0.994***	-0.032**	0.885***	1.006***	-0.020	0.901***
	(0.024)	(0.021)	(0.017)	(0.020)	(0.014)	(0.012)	(0.012)	(0.014)	(0.012)
β_{HML}	0.011	-0.026	0.028	-0.035	-0.105***	-0.051***	0.044**	0.013	0.014
	(0.032)	(0.030)	(0.027)	(0.027)	(0.025)	(0.019)	(0.019)	(0.017)	(0.019)
β_{SMB}	0.059*	0.050**	-0.011	0.118***	0.084***	0.049**	-0.052***	-0.001	-0.054**
	(0.030)	(0.023)	(0.026)	(0.026)	(0.019)	(0.020)	(0.02)	(0.019)	(0.024)
β_{MOM}	-0.049*	-0.038	-0.192***	-0.001	0.041	-0.051***	-0.019	-0.001	-0.104***
	(0.028)	(0.024)	(0.056)	(0.025)	(0.027)	(0.017)	(0.022)	(0.020)	(0.034)

This table presents results of regressing monthly risk-adjusted returns on the four Carhart (1997) factors, *MKT*, *HML*, *SMB*, and *MOM*. In columns (1)-(3), the portfolio comprises firms including a purpose statement in their 10-K filings. In columns (4)-(6), the portfolio comprises firms including a purpose-like statement

in their 10-K filings. In columns (7)-(9), the portfolio comprises firms including an ES statement in their 10-K filings. The dependent variable is the portfolio return based on the risk-free rate, the industry-adjusted excess return, or the characteristics-adjusted excess return. Panel A contains equal-weighted returns and Panel B contains value-weighted returns. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level, respectively.

Table 4. Long-Short Strategy

Panel A: Equal-weighted excess returns

Dependent variable	Characteristics-adjusted excess return	
	Purpose-like portfolio	ES portfolio
	(1)	(2)
α	0.057**	0.066**
	(0.028)	(0.029)
β_{MKT}	-0.001	-0.013
	(0.010)	(0.008)
β_{HML}	-0.026**	-0.083***
	(0.012)	(0.015)
β_{SMB}	-0.010	0.008
	(0.010)	(0.012)
β_{MOM}	-0.015	-0.016*
	(0.012)	(0.009)
N	216	216
Adjusted R^2	3.73	32.14

Panel B: Value-weighted excess returns

Dependent variable	Characteristics-adjusted excess return	
	Purpose-like portfolio	ES portfolio
	(1)	(2)
α	0.282***	0.130**
	(0.084)	(0.057)
β_{MKT}	-0.068***	-0.084***
	(0.023)	(0.016)
β_{HML}	0.079***	0.014
	(0.030)	(0.024)
β_{SMB}	-0.060*	0.043**
	(0.035)	(0.018)
β_{MOM}	-0.141***	-0.088***
	(0.047)	(0.027)
N	216	216
Adjusted R^2	22.95	31.19

This table presents the monthly regressions of returns to a trading strategy that buys firms in the Purpose Portfolio and sells firms in either the Purpose-Like Portfolio (column (1)) or the ES Portfolio (column (2)) on the four Carhart (1997) factors, *MKT*, *HML*, *SMB*, and *MOM*. The dependent variable is the portfolio characteristics-adjusted return. Panel A uses equal-weighted returns and Panel B uses value-weighted returns. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level, respectively.

Table 5. Purpose Statement and Stock Return: Regressions Analysis

Dependent variable	Raw R_{it}	Industry-adjusted R_{it}	Raw R_{it}	Industry-adjusted R_{it}	Raw R_{it}	Industry-adjusted R_{it}
	(1)	(2)	(3)	(4)	(5)	(6)
$Purpose_{it}$	**0.173*****	**0.192*****				
	(0.061)	(0.068)				
$Purpose\text{-}like_{it}$			**0.073**	**0.085***		
			(0.045)	(0.048)		
ES_{it}					**-0.053**	**-0.068***
					(0.037)	(0.038)
$lnMKTCAP_{it}$	-3.552***	-3.138***	-3.550***	-3.137***	-3.552***	-3.139***
	(0.171)	(0.155)	(0.170)	(0.155)	(0.170)	(0.155)
$lnBM_{it}$	0.346***	0.299***	0.347***	0.299***	0.347***	0.299***
	(0.063)	(0.043)	(0.063)	(0.043)	(0.063)	(0.043)
$DIVYIELD_{it}$	1.797**	2.127***	1.838**	2.172***	1.832**	2.159***
	(0.712)	(0.732)	(0.713)	(0.736)	(0.709)	(0.730)
$RET2\text{-}3_{it}$	-1.515***	-1.370***	-1.513***	-1.365***	-1.512***	-1.364***
	(0.331)	(0.299)	(0.331)	(0.298)	(0.331)	(0.299)
$RET4\text{-}6_{it}$	-1.110***	-1.103***	-1.110***	-1.104***	-1.111***	-1.106***
	(0.303)	(0.266)	(0.303)	(0.266)	(0.303)	(0.266)
$RET7\text{-}12_{it}$	-1.080***	-1.065***	-1.080***	-1.064***	-1.079***	-1.065***
	(0.159)	(0.148)	(0.159)	(0.148)	(0.159)	(0.148)
$lnDVOL_{it}$	1.941***	1.724***	1.941***	1.724***	1.942***	1.725***
	(0.122)	(0.117)	(0.122)	(0.116)	(0.122)	(0.116)
$lnPRC_{it}$	4.696***	4.139***	4.694***	4.138***	4.696***	4.139***
	(0.158)	(0.148)	(0.158)	(0.148)	(0.158)	(0.148)
Constant	14.643***	12.101***	14.631***	12.094***	14.677***	12.145***
	(0.847)	(0.678)	(0.848)	(0.680)	(0.845)	(0.676)
Year-month FE	Yes	Yes	Yes	Yes	Yes	Yes
N	696,720	644,709	696,720	644,709	696,720	644,709
Adj. R^2	0.078	0.067	0.078	0.067	0.078	0.067

This table presents the monthly Fama-MacBeth regressions of individual stock returns on a dummy variable for whether the firm includes a purpose statement, a purpose-like statement, or an ES statement in their 10-K filings. *Purpose* equals one for firm-years including a purpose statement, which addresses a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders; *Purpose-like* equals one for firm-years including a purpose-like statement, which addresses both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders; *ES* equals one for firm-years including a ES statement, which addresses only ES responsibilities. The dependent variable is the raw return in columns (1), (3), and (5) and the industry-adjusted excess return in columns (2), (4), and (6). *MKTCAP* is the log of the firm's market capitalization (in billions) in month *t*-2. *BM* is the natural logarithm of the firm's book-to-market ratio at the fiscal year-end preceding month *t*. *DIVYIELD* is the firm's dividend yield in fiscal year preceding month *t*. *RET2–3*, *RET4–6* and *RET7–12* are the compounded returns in, respectively, month *t*-3 to month *t*-2, month *t*-6 to month *t*-4, and month *t*-12 to month *t*-7. *DVOL* is the natural logarithm of the dollar trading volume (in millions) in month *t*-2. *PRC* is the natural logarithm of the stock price at the end of month *t*-2. Standard errors are in parentheses. Inclusion of Fixed Effects (FE) is as indicated. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level except for the *F*-statistics which is one-tailed level, respectively.

Table 6. Purpose Statement and Earnings Surprise

Panel A: Purpose statement and earnings surprise

Dependent variable	$Surprise_{it+1}$			
	(1)	(2)	(3)	(4)
$Purpose_{it}$	**0.362****	**0.373*****	**0.309****	**0.235***
	(2.388)	(2.679)	(2.214)	(1.911)
BM_{it}		-0.301***	-0.211***	-0.839***
		(-6.863)	(-4.646)	(-4.508)
$MKTCAP_{it}$			0.166***	-0.264*
			(7.538)	(-1.790)
Constant	-0.438***	-0.671***	-1.770***	0.786
	(-9.884)	(-12.099)	(-11.352)	(0.797)
Year FE	Yes	Yes	Yes	Yes
Firm FE	No	No	No	Yes
N	43,949	42,415	42,415	41,399
Adj. R^2	0.002	0.003	0.005	0.071

Panel B: Purpose-like statement and earnings surprise

Dependent variable	$Surprise_{t+1}$			
	(1)	(2)	(3)	(4)
$Purpose\text{-}like_{it}$	**-0.098**	**0.066**	**0.023**	**-0.067**
	(-0.862)	(0.631)	(0.222)	(-0.782)
BM_{it}		-0.297***	-0.205***	-0.838***
		(-6.772)	(-4.527)	(-4.505)
$MKTCAP_{it}$			0.169***	-0.264*
			(7.665)	(-1.785)
Constant	-0.098	0.066	0.023	-0.067
	(-0.862)	(0.631)	(0.222)	(-0.782)
Year FE	Yes	Yes	Yes	Yes
Firm FE	No	No	No	Yes
N	43,949	42,415	42,415	41,399
Adj. R^2	0.002	0.003	0.005	0.071

Panel C: ES statement and earnings surprise

Dependent variable	$Surprise_{it+1}$			
	(1)	(2)	(3)	(4)
ES_{it}	**0.015**	**-0.064**	**-0.013**	**0.088**
	(0.180)	(-0.808)	(-0.158)	(1.180)
BM_{it}		-0.298***	-0.205***	-0.837***
		(-6.788)	(-4.518)	(-4.501)
$MKTCAP_{it}$			0.169***	-0.264*
			(7.647)	(-1.787)
Constant	-0.415***	-0.602***	-1.751***	0.758
	(-6.613)	(-8.979)	(-10.645)	(0.752)
Year FE	Yes	Yes	Yes	Yes
Firm FE	No	No	No	Yes
N	43,949	42,415	42,415	41,399
Adj. R^2	0.002	0.003	0.005	0.071

This table presents the regressions of earnings surprises on a dummy variable for whether the firm includes a purpose statement, a purpose-like statement, or an ES statement in their 10-K filings. *Purpose* equals one for firm-years including a purpose statement, which addresses a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders; *Purpose-like* equals one for firm-years including a purpose-like statement, which addresses both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders; *ES* equals one for firm-years including a ES statement, which addresses only ES responsibilities. The earnings surprise is the actual EPS minus the I/B/E/S mean analyst forecast 12 months prior to the earnings announcement date for year *t*, scaled by the absolute value of mean analyst forecast. *MKTCAP* is the natural logarithm of the firm's market capitalization (in billions) at the end of year *t*. *BM* is the log of the firm's book-to-market ratio at the end of year *t*. Inclusion of Fixed Effects (FE) is as indicated. Standard errors are clustered by year in columns (1)-(3) and by firm and year in column (4). Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level.

Table 7. Purpose Statement and CEO Stock Ownership

Panel A: Purpose statement and CEO stock ownership

Dependent Variables	$Purpose_{it+1}$					
	Probit			LPM		
	(1)	(2)	(3)	(4)	(5)	(6)
$CEO\%_{it}$	**0.108**			**-0.008**		
	(0.125)			(0.007)		
$Unvested\ CEO\%_{it}$		**6.487****			**0.983*****	
		(3.293)			(0.291)	
$Vested\ CEO\%_{it}$			**0.085**			**-0.012**
			(0.146)			(0.009)
$Purpose_{it}$	2.125***	2.123***	2.125***			
	(0.066)	(0.066)	(0.066)			
$Salary_{it}$	0.013	0.011	0.013	-0.004	-0.004	-0.004
	(0.024)	(0.025)	(0.024)	(0.004)	(0.004)	(0.004)
$Bonus_{it}$	0.006	0.006	0.006	0.000	0.000	0.000
	(0.010)	(0.010)	(0.010)	(0.001)	(0.001)	(0.001)
$Tenure_{it}$	-0.007	-0.006	-0.006	-0.001	-0.001	-0.001
	(0.005)	(0.004)	(0.005)	(0.001)	(0.001)	(0.001)
$NewCEO_{it}$	0.104	0.107	0.104	0.009	0.009	0.009
	(0.074)	(0.073)	(0.074)	(0.005)	(0.005)	(0.005)
$CEOAge_{it}$	0.006	0.006	0.006	0.001*	0.001*	0.001*
	(0.004)	(0.004)	(0.004)	(0.001)	(0.001)	(0.001)
$SIZE_{it}$	0.091***	0.095***	0.091***	-0.002	-0.000	-0.002
	(0.016)	(0.018)	(0.016)	(0.004)	(0.004)	(0.004)
BM_{it}	0.166***	0.167***	0.166***	0.006	0.006	0.006
	(0.062)	(0.062)	(0.062)	(0.007)	(0.007)	(0.007)
ROA_{it}	0.051	0.061	0.050	0.036*	0.036*	0.036*
	(0.306)	(0.301)	(0.306)	(0.018)	(0.018)	(0.018)
LEV_{it}	0.416*	0.416*	0.416*	0.038	0.038	0.038
	(0.241)	(0.237)	(0.241)	(0.023)	(0.023)	(0.023)
$NumBlock_{it}$	0.054	0.054	0.054	0.002	0.002	0.002
	(0.053)	(0.053)	(0.053)	(0.003)	(0.003)	(0.003)
$Block\%_{it}$	-1.003*	-0.994*	-1.004*	-0.027	-0.026	-0.027
	(0.555)	(0.553)	(0.555)	(0.037)	(0.037)	(0.037)
$InstHHI_{it}$	0.120	0.118	0.120	-0.002	-0.002	-0.002
	(0.214)	(0.214)	(0.214)	(0.016)	(0.016)	(0.016)
$\Delta InstBreadth_{it}$	0.576	0.574	0.576	0.079**	0.080**	0.079**
	(1.161)	(1.156)	(1.161)	(0.037)	(0.037)	(0.037)
Constant	-5.511***	-5.527***	-5.508***	0.055	0.045	0.056
	(0.503)	(0.512)	(0.501)	(0.052)	(0.053)	(0.052)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	No	No	No
Firm FE	No	No	No	Yes	Yes	Yes
N	29,034	29,034	29,034	28,876	28,876	28,876
Pseudo (Adjusted) R^2	0.148	0.148	0.148	0.154	0.154	0.154

Table 7. (continued)

Panel B: Purpose-Like statement and CEO stock ownership

Dependent Variables	*Purpose-Like*$_{it+1}$					
	Probit			LPM		
	(1)	(2)	(3)	(4)	(5)	(6)
CEO%$_{it}$	**-0.024**			**-0.002**		
	(0.147)			(0.010)		
Unvested CEO%$_{it}$		**0.556**			**0.624**	
		(1.899)			(0.672)	
Vested CEO%$_{it}$			**-0.027**			**-0.012**
			(0.151)			(0.009)
Purpose-Like$_{it}$	1.712***	1.712***	1.712***			
	(0.037)	(0.037)	(0.037)			
Salary$_{it}$	-0.020	-0.020	-0.020	-0.005	-0.006	-0.004
	(0.015)	(0.015)	(0.015)	(0.004)	(0.004)	(0.004)
Bonus$_{it}$	-0.000	-0.000	-0.000	-0.000	-0.000	0.000
	(0.006)	(0.006)	(0.006)	(0.001)	(0.001)	(0.001)
Tenure$_{it}$	-0.002	-0.002	-0.002	0.001	0.001	-0.001
	(0.003)	(0.003)	(0.003)	(0.001)	(0.001)	(0.001)
NewCEO$_{it}$	0.021	0.021	0.021	0.003	0.003	0.009
	(0.034)	(0.034)	(0.034)	(0.009)	(0.009)	(0.005)
CEOAge$_{it}$	0.001	0.001	0.001	-0.001	-0.001	0.001*
	(0.003)	(0.003)	(0.003)	(0.001)	(0.001)	(0.001)
SIZE$_{it}$	0.058***	0.058***	0.058***	0.002	0.002	-0.002
	(0.014)	(0.015)	(0.014)	(0.007)	(0.007)	(0.004)
BM$_{it}$	0.091**	0.092**	0.091**	0.006	0.007	0.006
	(0.039)	(0.039)	(0.039)	(0.009)	(0.009)	(0.007)
ROA$_{it}$	-0.523**	-0.522**	-0.523**	-0.052	-0.052	0.036*
	(0.209)	(0.209)	(0.209)	(0.049)	(0.049)	(0.018)
LEV$_{it}$	0.235**	0.235**	0.235**	0.035	0.034	0.038
	(0.093)	(0.093)	(0.093)	(0.023)	(0.023)	(0.023)
NumBlock$_{it}$	0.035	0.035	0.035	0.006	0.006	0.002
	(0.026)	(0.026)	(0.026)	(0.004)	(0.004)	(0.003)
Block%$_{it}$	-0.306	-0.304	-0.306	-0.067	-0.067	-0.027
	(0.345)	(0.348)	(0.345)	(0.051)	(0.051)	(0.037)
InstHHI$_{it}$	0.093	0.093	0.093	0.019	0.019	-0.002
	(0.156)	(0.156)	(0.156)	(0.015)	(0.016)	(0.016)
ΔInstBreadth$_{it}$	-0.831	-0.831	-0.831	-0.128*	-0.127*	0.079**
	(0.631)	(0.632)	(0.631)	(0.069)	(0.069)	(0.037)
Constant	-2.359***	-2.363***	-2.359***	0.245***	0.239***	0.056
	(0.294)	(0.293)	(0.294)	(0.062)	(0.062)	(0.052)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	No	No	No
Firm FE	No	No	No	Yes	Yes	Yes
N	29,034	29,034	29,034	28,876	28,876	28,876
Pseudo (Adjusted) R^2	0.148	0.148	0.148	0.154	0.154	0.154

Table 7. (continued)

Panel C: ES statement and CEO stock ownership

Dependent Variables	ES_{it+1}					
	Probit			LPM		
	(1)	(2)	(3)	(4)	(5)	(6)
$CEO\%_{it}$	-0.155			-0.027		
	(0.126)			(0.028)		
$Unvested\ CEO\%_{it}$		-5.109*			-1.706*	
		(2.711)			(0.904)	
$Vested\ CEO\%_{it}$			-0.141			-0.022
			(0.119)			(0.032)
ES_{it}	1.462***	1.462***	1.462***			
	(0.035)	(0.036)	(0.035)			
$Salary_{it}$	-0.005	-0.002	-0.005	0.006	0.006	0.006
	(0.016)	(0.016)	(0.016)	(0.006)	(0.006)	(0.006)
$Bonus_{it}$	-0.008	-0.008	-0.008	0.000	0.000	0.000
	(0.006)	(0.006)	(0.006)	(0.002)	(0.002)	(0.002)
$Tenure_{it}$	0.003	0.002	0.003	-0.000	-0.000	-0.000
	(0.003)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)
$NewCEO_{it}$	-0.024	-0.025	-0.024	-0.009	-0.010	-0.009
	(0.042)	(0.042)	(0.042)	(0.010)	(0.010)	(0.010)
$CEOAge_{it}$	-0.002	-0.002	-0.002	-0.000	-0.000	-0.000
	(0.003)	(0.003)	(0.003)	(0.001)	(0.001)	(0.001)
BM_{it}	-0.059***	-0.062***	-0.059***	0.004	0.003	0.004
	(0.009)	(0.010)	(0.009)	(0.008)	(0.008)	(0.008)
ROA_{it}	-0.146***	-0.146***	-0.146***	0.002	0.001	0.002
	(0.036)	(0.036)	(0.036)	(0.011)	(0.011)	(0.011)
LEV_{it}	0.062	0.060	0.062	-0.012	-0.012	-0.012
	(0.162)	(0.162)	(0.162)	(0.035)	(0.035)	(0.035)
$NumBlock_{it}$	-0.192**	-0.188**	-0.192**	-0.061	-0.060	-0.061
	(0.077)	(0.075)	(0.077)	(0.038)	(0.038)	(0.038)
$Block\%_{it}$	-0.041**	-0.040**	-0.041**	-0.011**	-0.011**	-0.011**
	(0.020)	(0.020)	(0.020)	(0.005)	(0.005)	(0.005)
$InstHHI_{it}$	0.596***	0.593***	0.597***	0.194***	0.194***	0.194***
	(0.208)	(0.207)	(0.208)	(0.060)	(0.060)	(0.060)
$\Delta InstBreadth_{it}$	0.089	0.088	0.089	0.001	0.001	0.001
	(0.095)	(0.095)	(0.095)	(0.022)	(0.022)	(0.022)
Constant	1.319**	1.312**	1.319**	0.284***	0.282***	0.284***
	(0.540)	(0.541)	(0.540)	(0.081)	(0.081)	(0.081)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	No	No	No
Firm FE	No	No	No	Yes	Yes	Yes
N	29,034	29,034	29,034	28,876	28,876	28.876
Pseudo (Adjusted) R^2	0.052	0.052	0.052	0.192	0.192	0.192

Panel A presents the regression results on the relation between purpose statements and the CEO's stock ownership; Panel B presents the regression results on the relation between purpose-like statements and the CEO's stock ownership; and Panel C presents the regression results on the relation between ES statements and the CEO's stock ownership. The sample consists of 29,238 firm-years from ExecuComp with available data to calculate the variables for fiscal years 2004 to 2022. Columns (1)-(3) estimate a probit model, and columns (4)-(5) estimate a linear probability model (LPM). *CEO%* is the number of stock owned by the CEO scaled by the number of shares outstanding at the end of year *t*. *Unvested CEO%* is the number of restricted stock owned by the CEO scaled by the number of shares outstanding at the end of year *t*. *Vested CEO%* is the number of vested stock owned by the CEO scaled by the number of shares outstanding at the end of year *t*. Inclusion of Fixed Effects (FE) is as indicated. Standard errors are in parentheses, clustered by firm and year. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level, respectively.

Table IA1. Purpose Statement and Stock Return: Portfolio Analysis Based on Filing Dates

Panel A: Equal-weighted risk-adjusted returns

	Purpose Portfolio			Purpose-Like Portfolio			ES Portfolio		
	Excess return over								
	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
α	0.304***	0.239***	0.171***	0.284***	0.248***	0.120	0.279***	0.247***	0.114
	(0.112)	(0.069)	(0.083)	(0.082)	(0.060)	(0.082)	(0.090)	(0.041)	(0.089)
β_{MKT}	1.004***	0.018	1.007***	0.955***	-0.029*	1.009***	1.012***	0.000	1.022***
	(0.032)	(0.021)	(0.021)	(0.029)	(0.017)	(0.029)	(0.025)	(0.011)	(0.029)
β_{HML}	0.711***	-0.077*	0.670***	0.728***	-0.078**	0.690***	0.858***	-0.009	0.749***
	(0.068)	(0.041)	(0.033)	(0.044)	(0.033)	(0.033)	(0.041)	(0.023)	(0.035)
β_{SMB}	0.071	0.045*	0.022*	0.110***	0.078***	0.032	-0.035	0.022	0.017
	(0.049)	(0.025)	(0.023)	(0.035)	(0.025)	(0.030)	(0.039)	(0.021)	(0.021)
β_{MOM}	-0.203***	0.002	-0.153***	-0.174***	-0.008	-0.138***	-0.189***	-0.001	-0.140***
	(0.048)	(0.023)	(0.038)	(0.047)	(0.024)	(0.033)	(0.052)	(0.018)	(0.040)

Panel B: Value-weighted risk-adjusted returns

	Purpose portfolio			Purpose-like portfolio			ES portfolio		
	Excess return over								
	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
α	0.028	0.022	0.307***	-0.063	-0.013	0.031	0.041	-0.011	0.192***
	(0.082)	(0.066)	(0.086)	(0.059)	(0.055)	(0.047)	(0.041)	(0.045)	(0.051)
β_{MKT}	0.983***	-0.067***	0.816***	1.004***	-0.040**	0.890***	0.995***	-0.017	0.899***
	(0.025)	(0.021)	(0.018)	(0.021)	(0.016)	(0.012)	(0.012)	(0.014)	(0.011)
β_{HML}	0.032	-0.020	0.041	-0.012	-0.065***	-0.034*	0.038*	-0.023	0.013
	(0.032)	(0.029)	(0.027)	(0.029)	(0.023)	(0.020)	(0.020)	(0.019)	(0.020)
β_{SMB}	0.059*	0.058**	-0.018	0.089***	0.055**	0.029	-0.043**	0.004	-0.044
	(0.031)	(0.025)	(0.026)	(0.031)	(0.026)	(0.023)	(0.020)	(0.019)	(0.027)
β_{MOM}	-0.038	-0.034	-0.193***	0.001	0.041	-0.052***	-0.030	-0.004	-0.107***
	(0.029)	(0.024)	(0.060)	(0.026)	(0.026)	(0.016)	(0.019)	(0.020)	(0.033)

This table presents the monthly regressions of returns to a portfolio of on the four Carhart (1997) factors, *MKT*, *HML*, *SMB*, and *MOM*. In columns (1)-(3), the portfolio comprises firms including a purpose statement in their 10-K filings. In columns (4)-(6), the portfolio comprises firms including a purpose-like statement

in their 10-K filings. In columns (7)-(9), the portfolio comprises firms including an ES statement in their 10-K filings. The dependent variable is the portfolio return based on the risk-free rate, the industry-adjusted excess return, or the characteristics-adjusted excess return. Panel A contains equal-weighted returns and Panel B contains value-weighted returns. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level, respectively.

Table IA2. Long-Short Strategy Based on Filing Dates

Panel A: Equal-weighted risk-adjusted returns

Dependent variable	Characteristics-adjusted excess return	
	Purpose-Like Portfolio	ES Portfolio
	(1)	(2)
α	0.051*	0.058*
	(0.029)	[1.97]
β_{MKT}	-0.003	-0.014*
	(0.010)	[-1.72]
β_{HML}	-0.033***	-0.104***
	(0.013)	[-6.50]
β_{SMB}	-0.010	0.003
	(0.011)	[0.20]
β_{MOM}	-0.026*	-0.019*
	(0.015)	[-1.78]
N	216	216
Adjusted R^2	7.38	38.20

Panel B: Value-weighted risk-adjusted returns

Dependent variable	Characteristics-adjusted excess return	
	Purpose-Like Portfolio	ES Portfolio
	(1)	(2)
α	0.276***	0.115*
	(0.090)	(0.063)
β_{MKT}	-0.074***	-0.083***
	(0.023)	(0.017)
β_{HML}	0.075**	0.028
	(0.029)	(0.026)
β_{SMB}	-0.047	0.026
	(0.038)	(0.024)
β_{MOM}	-0.141***	-0.086***
	(0.052)	(0.032)
N	216	216
Adjusted R^2	22.20	24.52

This table presents the monthly regressions of returns to a trading strategy that buys firms in the Purpose Portfolio and sells firms in either the Purpose-Like Portfolio *(column [1])* or the ES Portfolio (column [2]) on the four Carhart (1997) factors, *MKT*, *HML*, *SMB*, and *MOM*. The dependent variable is the portfolio characteristics-adjusted return. Panel A contains equal-weighted returns and Panel B contains value-weighted returns. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level, respectively.

Table IA3. Characteristics Regression Based on Filing Dates

Dependent variable	Raw R_{it}	Industry-adjusted R_{it}	Raw R_{it}	Industry-adjusted R_{it}	Raw R_{it}	Industry-adjusted R_{it}
	(1)	(2)	(3)	(4)	(5)	(6)
$Purpose_{it}$	**0.198*****	**0.206*****				
	(3.176)	(3.063)				
$Purpose\text{-}like_{it}$			**0.083***	**0.102****		
			(1.931)	(2.118)		
ES_{it}					**-0.059**	**-0.065***
					(-1.608)	(-1.744)
$lnMKTCAP_{it}$	-3.548***	-3.135***	-3.547***	-3.136***	-3.549***	-3.136***
	(-20.742)	(-20.125)	(-20.743)	(-20.136)	(-20.755)	(-20.163)
$lnBM_{it}$	0.341***	0.294***	0.342***	0.294***	0.343***	0.295***
	(5.421)	(6.927)	(5.442)	(6.918)	(5.480)	(6.947)
$DIVYIELD_{it}$	1.881***	2.168***	1.920***	2.204***	1.908***	2.188***
	(2.623)	(2.970)	(2.673)	(3.001)	(2.672)	(3.003)
$RET2\text{-}3_{it}$	-1.523***	-1.381***	-1.522***	-1.379***	-1.519***	-1.377***
	(-4.598)	(-4.618)	(-4.597)	(-4.616)	(-4.588)	(-4.605)
$RET4\text{-}6_{it}$	-1.104***	-1.095***	-1.103***	-1.096***	-1.105***	-1.098***
	(-3.652)	(-4.130)	(-3.652)	(-4.133)	(-3.659)	(-4.140)
$RET7\text{-}12_{it}$	-1.079***	-1.066***	-1.080***	-1.066***	-1.078***	-1.065***
	(-6.725)	(-7.161)	(-6.732)	(-7.155)	(-6.718)	(-7.153)
$lnDVOL_{it}$	1.941***	1.725***	1.942***	1.726***	1.943***	1.727***
	(15.807)	(14.728)	(15.808)	(14.733)	(15.823)	(14.765)
$lnPRC_{it}$	4.689***	4.133***	4.688***	4.133***	4.689***	4.133***
	(29.516)	(27.789)	(29.517)	(27.804)	(29.510)	(27.799)
Constant	14.604***	12.063***	14.590***	12.054***	14.640***	12.106***
	(17.220)	(17.796)	(17.196)	(17.779)	(17.323)	(17.983)
Year-month FE	Yes	Yes	Yes	Yes	Yes	Yes
N	694,077	642,506	694,077	642,506	694,077	642,506
Adjusted R^2	0.078	0.067	0.078	0.067	0.078	0.067

This table presents the monthly Fama-MacBeth regressions of individual stock returns on a dummy variable for whether the firm includes a purpose statement, a purpose-like statement, or an ES statement in their 10-K filings. *Purpose* equals one for firm-years including a purpose statement, which addresses a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders; *Purpose-like* equals one for firm-years including a purpose-like statement, which addresses both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders; *ES*

equals one for firm-years including a ES statement, which addresses only ES responsibilities. The dependent variable is the raw return in columns (1), (3), and (5) and the industry-adjusted excess return in columns (2), (4), and (6). *MKTCAP* is the log of the firm's market capitalization (in billions) in month *t*-2. *BM* is the natural logarithm of the firm's book-to-market at the end of fiscal year preceding month *t*. *DIVYIELD* is the firm's dividend yield in the fiscal year preceding month *t*. *RET2–3*, *RET4–6* and *RET7–12* are the compounded returns in, respectively, month *t*-3 to month *t*-2, month *t*-6 to month *t*-4, and month *t*-12 to month *t*-7. *DVOL* is the natural logarithm of the dollar trading volume (in millions) in month *t*-2. *PRC* is the natural logarithm of the stock price at the end of month *t*-2. Standard errors are in parentheses. Variable definitions are in Appendix B. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level except for the *F*-statistics which is one-tailed level, respectively.