Corporate Social Responsibility and Employee Investment in Company Stock

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Abstract

Corporate social responsibility (CSR) affects employees' investments in their company stock. We document this finding exploiting unique data on firm-sponsored savings plans in France. Following a CSR-related incident involving their employer, employees' propensity to buy their employer's stock drops by 26 percentage points. This effect is primarily driven by social incidents directly affecting employee working conditions. In contrast, environmental incidents exhibit no impact on these investments. Our findings cannot be fully explained by pecuniary motives and are not driven by CSR-conscious employees. Overall, our results point to employees considering their own well-being when making these investment decisions.

Keywords: employee stock purchase plans, ESOP, CSR, retirement savings

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1. Introduction

Recent evidence suggests that employees care about their employer's CSR practices. For example, employees with preferences for sustainability are willing to accept lower salaries to work for more environment-friendly companies (Krüger et al., 2023), and "CSR conscious" employees are more likely to leave firms with poor CSR performance (Cen et al., 2023). CSR policies can therefore impact hiring and retention costs, as well as employee motivation and loyalty. In practice, a firm's CSR policies can affect employees' well-being, and also reflect the firm's *values* (Starks, 2023). Employees who benefit from these policies or share the values they convey may feel a personal affinity with the company, even taking pride in working for it, which can influence some of their decisions.

One such decision is whether to invest in the company's stock. We posit that loyal employees are more inclined to invest in their employer's stock, and we explore the relationship between CSR policies and employee participation in their company's employee stock ownership plan (ESOP).[1] One hypothesis is that employees who share their firm's values may be willing to increase their engagement through stock ownership, even if they do not expect financial value, i.e., greater returns compared to alternative investment opportunities (cf., Cohen, 2009). Another possibility is that employees may view their firm's "CSR performance" as a non-monetary perk, influencing their willingness to reciprocate, either directly through increased effort or indirectly through stock ownership.[2] Specifically, this paper addresses the following questions: Do CSR policies influence employees' willingness to invest in their employer's stock? If so, which policies have the greatest impact on employees' investment

[1]In a 2023 survey conducted by Amundi Asset Management (Amundi, 2023) involving 1,234 employees from French companies, 48% of respondents indicated that their company's CSR policy influences their decision to invest in company shares.

[2]Such a behavior would be in line with that observed in the experimental settings of Kube et al. (2012) or DellaVigna et al. (2020).

decisions? Finally, what do these investment choices reveal about employees' preferences and perceptions of their employers' CSR policies?

We study these questions in the context of French firm-sponsored savings plans. In most French companies, employees can invest their variable compensation, as well as voluntary contributions, into a savings plan provided by their employer, which represents a medium to long-term savings option. These plans feature several investment vehicles, i.e., several funds, some of which are fully invested in the company's stock, akin to ESOPs in the United States. Leveraging unique data on these savings plans, we track for each employee in our sample, each month, the amount of variable compensation they receive along with their decision to invest into the company's stock fund. The benefit of this panel approach, as opposed to studies focusing on one-time events like job switches, is that it allows us to observe a time-series of investment decisions *within* each individual-firm job spell. This enables us to hold fixed the firm-employee match and to observe how different types of events affect employee reactions differently, independently of firm and employee characteristics. Another advantage of our approach is that our dataset covers the investment decisions of all full-time employees working for our sample firms. This offers a more comprehensive view compared to studies examining for instance employee turnover, which are often restricted to a limited set of switching employees who may not be representative because their outside options differ from those of other workers.

One empirical challenge we face in studying the impact of CSR policies is that they are not directly observable. Therefore, we must infer them from observable indicators. To this end, we use negative environment, social and governance (ESG) events sourced from the Reprisk database.[3] Unlike conventional ESG ratings or scores extensively used in the literature, Reprisk

[3]Throughout the paper, we use the terms CSR and ESG indifferently in general statements, for instance when we mention a firm's "ESG (or CSR) policy".

incidents correspond to specific events that are precisely identified and timed. These incidents are known to materially affect various outcomes, such as long-term analysts' forecasts (Derrien et al., 2023). In contrast, ESG scores tend to be highly persistent, often aggregate less-precisely identified factors and are subject to revisions (Berg et al., 2022), therefore making them more difficult to interpret in our context.

We focus on two key dimensions of CSR: the social (S) and the environmental (E) dimensions.[4] These encompass a wide range of policies, each with the potential to influence employee loyalty. First, they include policies that have far-reaching consequences for the environment and society at large. Examples include initiatives aimed at reducing pollution or promoting human rights in regions where they are not guaranteed by local governments. Such policies are likely to resonate with employees who derive personal satisfaction from their employer's actions that generate positive externalities, even if these do *not directly* affect them. All else equal, these policies should increase the investment of such employees in their company's stock, akin to how "external" investors are more inclined to invest in firms sharing their values (Riedl and Smeets, 2017; Bauer et al., 2021).

Second, employees can also have a more self-focused or "parochial" perception of their employers' CSR practices, prioritizing their own well-being and that of their peers. Such employees are likely to derive greater satisfaction when their company implements policies that affect them or their colleagues *directly*, such as those enhancing working conditions, a key component of the social dimension of CSR. The loyalty of such employees, prioritizing themselves and their co-workers, should be more sensitive to the social (S) dimension of their

[4]Like many other studies on ESG before us (e.g., Gantchev et al., 2022), we focus on E and S and we ignore G. We do so for ease of interpretation: E and S events are comparable because they are both consequences of the firm's decisions, affecting for instance the environment or employee well-being. G events, on the contrary, relate to the firm's internal organization in dimensions that may or may not be relevant to employees. In robustness tests, we ensure that our results are qualitatively similar when also controlling for events in the G category.

firm's policies when deciding whether to invest in its stock. In contrast, the environmental (E) dimension is less likely to significantly influence their investment decision.

To explore empirically the link between employees' investment decisions and their employers' CSR practices, we leverage unique detailed panel data on French employees enrolled in firm-sponsored savings plans. The data come from Amundi Asset Management, the leading asset manager for employee savings plans in France, with a 47% market share and €83 billion in employee savings plans assets.[5] This dataset enables us to observe all the investment choices made by French firms' employees in the savings plans managed by Amundi from 2015 to 2018. For more than 380,000 employees in our sample, we track the amount invested in the plan each month, as well as the decision to invest part of or all this amount into company's stock funds issued by the employer.

Because investments in these plans are generally sticky (Sialm et al., 2015), we focus our analysis on the months when firms introduce new employee-shareholder funds. These introductions are typically marketed internally, compelling employees to decide whether to participate or not, in contrast to other periods when investment decisions may be driven by idiosyncratic events or liquidity needs. We find that employees are significantly less likely to invest in their firm's stock following a CSR incident involving their employer. Our estimates suggest that, controlling for time-varying firm-level characteristics as well as for firm, employee and year-month fixed effects, the likelihood of an employee investing in her company's stock drops by 26 percentage points (66% relative to the sample mean) following a CSR incident in the preceding twelve months. At the intensive margin, a negative CSR incident in the past year is associated with an average reduction in the amount invested in the employer

[5]See https://www.amundi-ee.com/index.php/Footer/QUI-SOMMES-NOUS/Qui-sommes-nous2.

stock of €450, which is economically significant relative to the average investment in the employer stock when firms introduce new employee-shareholder funds (approximately €500).

Next, we examine the relationship between employee investment and incidents categorized under the environment and social dimensions separately. Notably, we find that only incidents in the social category affect the employees' decision to purchase the stock of their employing firm: the likelihood of an employee investing in her company's stock drops by more than 40 percentage points following a social incident in the preceding twelve months. Importantly, among these social incidents, only those pertaining to employees' working conditions have a significant impact on employees' investments. These incidents cover various aspects of employee well-being and everyday life at work, including employment conditions, practices like spying of employees, discrimination of workers affiliated to trade unions, or outcomes like health and safety issues. In contrast, we find that incidents regarding social issues that are not related to employees' working conditions (such as impact on local communities or issues such as child labor affecting other types of workforces), or those regarding environmental issues, have no discernible impact on employees' decision to invest in their employer's stock.

Our interpretation of the finding that only incidents specifically related to the social category, particularly working conditions, affect employees' investment decisions is that these decisions are primarily influenced by CSR practices that *directly* impact their daily lives and those of their colleagues. In other words, direct and tangible benefits, which are key determinants of employee satisfaction, appear to be the strongest determinants of employees' loyalty vis-à-vis their employer. This is in line with the view that employees prioritize their own well-being (Landier et al., 2008) or that of their peers. Conversely, our results suggest that employees' loyalty, as reflected in their ESOP investments, remains unaffected by their employer's environmental performance, and thus its potential impact on society at large.

We perform several additional tests to validate the interpretation of our findings. First, the price discount routinely offered to employees who purchase their employer's stock (cf., Babenko and Sen, 2014) cannot explain our result because they are constant at the firm level throughout our sample period, i.e., they are fully accounted for by firm fixed effects. Second, we address the potential issue of reverse causality. In response to incidents damaging their public image, firms might create new stock funds to boost employee equity participation and their support for their policies. However, our analysis shows that the likelihood of introducing a new employee ownership plan is uncorrelated with the firm's recent CSR performance.

A third potential alternative explanation is that employees anticipate superior future financial performance from firms with better E and S metrics. As such, they may simply be more (less) inclined to invest in the stock of their employer when its E and S performance improves (deteriorates), seeking to take advantage of return predictability.[6] This strategy could be profitable for various reasons. Firstly, Edmans (2011) shows that employee satisfaction is related to future returns. If, as we hypothesize, CSR performance drives employee satisfaction, it can be related to future returns. Alternatively, improved CSR performance may lead to higher stock returns if investors underreact to this fundamental information (Glossner, 2021). Moreover, employees might anticipate that high CSR performance will attract an inflow of investment in the company, subsequently boosting its stock price (Pastor et al., 2021). However, we find that the incidents that affect employee participation the most (i.e., those related to working conditions) are not associated with worse future stock returns of the firm. This suggests that such pecuniary motives are unlikely to explain the observed link between employees' investments in their own-company's stock and the firm's CSR practices.

[6]Babenko and Sen (2016) find that purchases of company stocks by lower-level employees predict future stock returns, while Briscoe-Tran (2023) finds that employees have useful information about firms' ESG practices.

Fourth, we exploit data on investment decisions in alternative investment vehicles. Employees are typically given investment options including their firm's ESOPs, as well as diversified equity mutual funds, balanced funds (comprising both equity and bonds), and low-risk funds (bond or money market funds). Employees can also choose to receive their variable compensation in cash.[7] We first show that social (S) incidents are associated with an overall reduction in the total amount invested in the plan. However, consistent with this reduction being primarily concentrated in the employer's stock, we observe a decrease solely in the weight of investments in the ESOP segment in employees' plan portfolios. Conversely, social incidents are associated with a relative increase in the weights of investments in equity funds, balanced funds and less risky funds in employees' plan portfolios. This suggests that S-type incidents lead to an implied rebalancing away from the ESOP segment of the plan towards diversified equity funds and less risky options.[8] We observe that the implied shift towards less risky funds outweighs that towards equity funds, suggesting that the "aversion" to invest in their employer's stock leads to a slight decrease in the equity share of employees' firm-sponsored savings plan portfolios.[9]

Finally, we explore whether our main findings differ across employee characteristics. Individual traits, such as gender or age, are known to influence preferences and attitudes towards environmental policies. Using information on employees' gender, age, and proxies for their financial sophistication (the amount invested in the plan and in equity funds), we find that the relation between social incidents and investment in ESOPs holds irrespective of these individual characteristics. This confirms that the phenomenon we document is not concentrated

[7]If they do so, employees lose the associated tax advantage of investing in the plan.
[8]Note that we use the term "implied rebalancing" because we do not observe that the amount invested in other types of funds increases.
[9]We cannot observe the rest of employees' portfolios beyond the firm sponsored plans, which might include equity and risky assets.

on the sub-group of workers who are the most CSR-conscious but is rather a widespread pattern relevant to the overall employer-employee relationship.

This paper relates to several streams of literature. First, it contributes to the literature on the determinants of employees' participation in stock plans offered by their employers. Several papers have shown that, despite the inherent lack of diversification associated with investing in one's own company, employees display a strong inclination toward such investments (e.g., Poterba, 2003; Meulbroek, 2005; Benartzi et al., 2007; Lee et al., 2008). The drivers that have been previously studied include the past market performance of the firm (Benartzi, 2001; Huberman and Sengmueller, 2004; Choi et al., 2004), the employees' human capital (Agnew, 2006; and Babenko and Sen, 2014) and ambiguity aversion (Dimmock et al., 2016), the number of investment alternatives (Liang and Weisbenner, 2002), and attention-grabbing events (Ouimet and Tate, 2020b).[10] We rule out the possibility that these channels drive our results by including a comprehensive set of control variables, as well as firm, employee and year-month fixed effects. Our contribution is to show that specific aspects of the employer's CSR practices are another important driver. In particular, we add to the findings by Ouimet and Tate (2020a) that coworkers' behavior influence employees' decisions to invest in the stock of their own company, by showing that firms' CSR behavior affects employees' investment decisions.

Second, this paper contributes to the literature studying the link between firms' labor force and CSR. Cronqvist and Yu (2017) focus on how CEO can shape ESG practices. Koppel and Regner (2014) provide experimental evidence that employees exert more effort when their firms adopt CSR policies while Gadgil and Sockin (2023) show that corporate scandal have a multi-dimensional impact on workers. Cen, Qiu and Wang (2023) find that retention rates are

[10]The case of a single French company has been studied in Degeorge et al. (2004), in the context of France Telecom's privatization.

lower for firms with poor CSR practices, especially among CSR-conscious employees. Krüger et al. (2023) find that workers earn about 9% lower wages in firms that operate in more sustainable sectors, because more skilled and younger workers accept lower wages to work in more sustainable firms. Unlike these papers, we use the decision of employees to invest in their company stock and the amount they invest as indicators of their satisfaction and loyalty towards their employer. This approach allows us to observe a series of decisions (whether to invest and how much) over time for each employee, while controlling for a rich set of time-varying firm and employee characteristics that are likely to affect employee investment behavior. Importantly, our results differ. They suggest CSR policies targeting employee well-being affect employee loyalty more than policies with a broader impact such as environmental policies.

Third, our paper contributes to the literature on the link between ESG and individuals' investment decisions. Giannetti and Wang (2016) show that following corporate scandals, local households are less willing to invest in equity. Survey evidence (Bauer et al., 2021; Brodback et al., 2022; Heeb et al., 2022) suggests that individual investors prefer socially responsible investments. Among those, left-leaning and altruistic investors are more inclined to such preferences (Riedl and Smeets, 2017; Brière and Ramelli, 2021), but only financially literate households tilt their portfolios towards green stocks, while others simply stay away from equity investment (Anderson and Robinson, 2022; Degryse et al., 2023). Riedl and Smeets (2017)'s findings also suggest that social preferences and social signalling explain socially responsible investment decisions, while financial motives play less of a role. Similarly, Bonnefon et al. (2022) show in an experimental setting that investors align their investment decisions with their personal values. Li et al. (2024) and Tian and Shi (2023) find that retail investors or 401k participants modify their portfolios in reaction to ESG news, but only for news that affect firm value, while Moss et al. (2023) show that retail investors disregard ESG-related corporate disclosure. Comparing investors' claims and their actual investment, Giglio et al. (2024) show

that, among investors who claim that ethical considerations are an important driver of their investment decisions, only those that expect ESG investments to perform well do invest in ESG. Finally, personal life-time experiences also affect investors' demand for green and brown stocks (Choi et al, 2020; Bianchi et al., 2022). Our results show that for employees, who are directly affected by their firms' policies, the results are different from the consensus that emerges from this literature: Employees' direct benefits as well as their own well-being or that of their peers seem to be the main drivers of their investments in their own-company stock. This result echoes the "ESG home bias" documented by Groen-Xu and Zeume (2021) on the motivations of investors regarding ESG investment.

2. Hypotheses Development

a. Participation in ESOPs: Pecuniary vs. non-pecuniary motives

There are two primary reasons why employees may take into account their firm's CSR performance when deciding to invest in their company's stock. Firstly, their motivation can be purely *pecuniary*. Existing research suggests that CSR performance and future stock returns are correlated and that markets react to CSR-related news with a certain delay (Glossner, 2021). Consequently, adopting an investment strategy that uses information about a firm's CSR could prove lucrative. This is especially pertinent since employees are insiders within their respective companies and may have access to this information before it becomes available to other market participants.[11]

The motives for investing in a firm's ESOP can also be *non-pecuniary*. An employee with strong personal views about the social or environmental role of companies may feel a

[11]The price discount offered to employees purchasing their employer's stock can also be a "pecuniary" motivation. However, this factor cannot explain our results, as the discounts remain constant at the firm level throughout our sample period and are fully accounted for by firm fixed effects in our analysis.

greater sense of identification and commitment to an employer that is recognized as a responsible corporation. Such an employee is likely to exhibit greater loyalty to a firm with strong CSR performance and to engage with it, for example through stock ownership (akin to Cohen, 2009, in the context of employees of stand-alone firms being more loyal than those of conglomerates when investing in their employer's stock). Employees can also adopt a more self-centred approach, valuing their own well-being at work. Such employees might be willing to reciprocate (as in Kube et al., 2012) by participating in ESOPs if employers actively work to improve their well-being.

In summary, following the nomenclature of Starks (2023), we posit that an employee can invest in her employer's stock for several reasons: (i) to obtain financial *value* (i.e., pecuniary motive), (ii) because she wants to engage with a company that shares her personal *values*, and/or (iii) to reciprocate for the satisfaction derived from how the employer treats her and her colleagues.

b. Using E and S issues to understand employee motives

CSR encompasses a wide array of concerns, ranging from environmental issues (E), such as pollution, to social aspects (S), like employee treatment. Identifying the specific facets of the policies that influence employees' investment decisions in ESOPs can help us understand which CSR policies employees care about and why. An employee primarily driven by financial gains will be influenced by the dimensions that have a direct impact on stock returns. Conversely, an employee deriving non-monetary benefits from their firm's CSR performance will be more attuned to the specific policies that align with their personal values and priorities. For instance, significant pollution by a company can affect the loyalty of employees who highly value environmental responsibility, even if the firm's stock returns are not affected. Conversely,

an employee who values her own well-being at work will be more sensitive to social policies, in particular those that affect employees directly, like workplace discrimination.

We posit that employees will reveal their preferences when they respond (or not) to a particular type of CSR policy through their choice to participate in ESOPs. In this regard, employees differ from external investors in a crucial aspect. While external investors typically take into account various CSR dimensions, employees possess a unique characteristic: certain CSR policies directly impact their personal well-being. For example, unlike external investors, an employee is *directly* affected by her company's mistreatment of employees. Conversely, the same employee would not be more *directly* affected than the average external investor if her employer contributes to atmospheric pollution in a country abroad.

Unlike major, infrequent decisions such as resigning or accepting a new job, investment choices involving employer stock are (i) frequent, (ii) easy to implement, and (iii) occur repeatedly over the course of an employee's tenure with the firm. As a result, they can quickly respond to even small shifts in employee satisfaction *within* a given individual-firm job spell. This makes them a valuable tool for examining the relationship between a firm's behavior and employee loyalty. Since employee loyalty may shift over time as CSR policies or outcomes evolve, changes in employees' investment decisions can provide insight into how their loyalty fluctuates in response to the firm's conduct.

c. Classification of employees' motives

We posit that employees' varying sensitivities to different types of CSR incidents reflect their preferences. We propose classifying employees into three broad, non-mutually exclusive categories based on the possible reasons behind their responses to their employer's CSR conduct:

- *Employees with pecuniary motives*: These employees are primarily driven by financial *value* and gain. They are essentially indifferent to CSR policies in and of themselves. The relationship between their investments in ESOPs and their company's CSR is solely influenced by the potential connection between CSR policies and future returns. Evidence that CSR policies correlated with future returns also impact investment decisions in ESOPs would suggest that employees are primarily motivated by pecuniary interest.

- *Universal altruists*: As defined by Enke et al. (2022), "*Universal altruists expand their altruism (or trust) budget more uniformly across people who are close or more socially distant from them*." In the corporate context, universal altruists, like altruistic external investors, are concerned with their company's external impacts and its positive contributions to society. Their loyalty is not necessarily swayed by how CSR policies affect their personal well-being or that of their colleagues within the organization. Instead, their interest in the firm's CSR performance is in terms of its broader societal contributions. We posit that the decision of such employees to participate in the ESOPs offered by their employer will largely respond to the company's actions affecting society at large, e.g., policies related to the Environmental (E) pillar and societal-focused Social (S) policies, including human rights initiatives and community welfare efforts that do not directly affect employees. If it is found that ESOP investment decisions are influenced by such policies, it would suggest that employees fall into the category of universal altruists.

- *Parochial altruists*: Unlike universal altruists mentioned above, parochial altruists primarily prioritize their own well-being and that of their *in-group* peers. Parochial altruism refers to the behavior favoring those within the same group as opposed to outsiders (see Enke et al., 2022). In the corporate context, the in-group corresponds to the company itself. As such, parochial altruists are concerned about themselves and their colleagues within the company. We posit that the loyalty of such employees is significantly influenced by the Social

(S) pillar, particularly in terms of how the firm treats its employees. However, they are less responsive to issues unrelated to their fellow employees, such as external environmental factors. If evidence suggests that ESOP investment decisions are more responsive to social policies than environmental ones, it would suggest that employees align more with the characteristics of parochial altruists rather than universal altruists.

3. Institutional setting

Our paper examines the investment decisions of individual participants in employer-sponsored defined contribution plans in France. These plans are close in their functioning to the extensively studied 401(k) system in the USA. The most important types of employee savings programs in France are company savings plans ("Plan d'Epargne Entreprise", or PEE) and retirement savings plans ("Plan d'Epargne pour la Retraite Collectif", or PERCO). In the paper, we refer to both types of plans as savings plans for brevity. The amounts invested are blocked for a fixed retention period (5 years under PEEs and until retirement under PERCOs), except for a limited number of circumstances such as marriage, birth of a child or purchase of a home. These savings plans are mandatory for all firms with at least 50 employees (Nimier-David et al., 2023).

According to DARES, a French government agency, in 2019, around 51% of French employees had access to at least one form of such savings plans. Their contributions to the plan originate mostly from variable compensation (profit-sharing programs called "participation", and incentive programs called "intéressement"), but also from employees' voluntary contributions, and partially or fully matched contributions by employers. When an employee receives variable compensation, she can either invest it in the plan or opt out and receive it as direct remuneration. In the latter case, the employee must pay regular taxes on the variable

remuneration. If the variable remuneration is instead invested in the plan, no taxes are due until the employee withdraws the money from the plan.

French legislation imposes that these savings schemes must offer at least three investment options to allow a minimum level of diversification. Within the menu of funds offered, the firm can decide to propose employer stocks funds (either listed or unlisted), i.e., funds fully invested in the company stock. Employer stock funds are very popular among French companies. In 2018, 3.5% of the capital of French firms was held by employees and 39% of French employees were shareholders of their firm (ERES, 2020; FEAS, 2020).

Companies regularly offer new employer stock funds when they issue equity but also when they do not raise equity from outside investors. Such issuances allow firms to raise funds and at the same time increase their employees' commitment. Due to the time required to implement such plans, there is typically a lag of several months between initiation and completion. Many companies follow a regular schedule for introducing these stock ownership plans, typically in the Spring season, around the time when variable compensation is paid to employees in France. In practice, these funds are added to the menu of funds already available to employees in their company savings plans (PEE). To encourage employee participation, they are typically offered with a discount relative to the price at which the stock trades at the time of the fund creation. The discount can be as large as 30%.

When a participant does not express any preferences regarding the allocation of her variable remuneration, her contributions are automatically invested in a low-risk default option (lifecycle-managed, balanced, fixed-income, or money market funds). Default options have a powerful role in shaping decisions in employee savings plans (Madrian and Shea, 2001). Importantly for our purpose, the default options cannot comprise employer stocks funds. Investment in an employer stock fund is therefore always the result of an active decision.

4. Data

a. Data on employee savings plans

We use administrative data on employee savings plans from Amundi Asset Management, the largest plan provider in France (with a 45.5% market share and €66.8 billion in employee savings plans assets). Our dataset spans 2015 to 2018. We restrict the sample to employees working for companies offering at least one new employer stock fund over our studied period, and whose stock belongs to the French stock market index SBF120 (which contains the 120 largest companies in France based on market capitalization). We eliminate companies that offer different classes of stocks to their employees.

Large corporations typically include many subsidiaries, all of which offer different savings plans to their employees, which may include the possibility to invest in the stock of the parent company. We include all savings plans from each subsidiary, which we call "firms" in our analysis. Our sample features 22 distinct stocks (parent companies) and includes 247 firms (or subsidiaries). Among those 22 stocks, 9 are part of the main CAC40 index for at least part of the sample period. Our sample contains 383,473 distinct employees. The average number of employee-shareholder funds that are issued by each firm over our sample period is 2.7, i.e., slightly less than one issuance per firm each year. Figure 1 presents the number of employer stock funds issued by firms in our sample each month from January 2015 to December 2018. The figure shows that firms tend to create new stock funds in Spring months so that fund creation coincides approximately with the payment of annual variable compensation.[12]

[Insert Figure 1 here.]

[12]In France, variable compensation ("intéressement" and "participation") are generally paid out in the Spring, as companies are required to distribute these profit-sharing and performance-based payments within six months of the fiscal year end.

Our anonymized data provide detailed information on each employee's investment choices across all funds offered by the employer whenever they invest in the savings plan. Investments in the plan can occur either because the employee receives variable remuneration that she invests in the plan or because she makes a voluntary contribution. We observe the menu of funds available to each employee, the amount of new investments, and the specific allocation chosen by the employee. We also observe each employee's overall savings composition in the plan and individual characteristics such as age, gender, and residential zip code. We focus on the months when firms issue employee shareholder funds, because each employee must then decide whether to participate in the newly created fund. We ignore other months (i.e., months in which firms do not offer a new stock fund) as contributions during these periods are rare and likely driven by unobserved personal factors. Our final data set comprises 1,674,516 employee-month observations.

[Insert Table 1 here.]

Panel A of Table 1 reports summary statistics at the employee-month level. The average employee is about 46 years old and has about €27,000 invested in the savings plan in total considering all investment vehicles. 20% of observations correspond to female employees. 9% of observations correspond to employees who have allocated a portion of their plan savings to funds classified as socially responsible investments (SRI). When a firm creates a new stock fund, about 39% of employees invest in it on average, for an average amount close to €500. Panel A of Table 1 also reports the total number of funds (about 34 on average) and of equity funds (about 3 on average) available to employees in the funds' menu.

b. ESG data

Our stock-level ESG data come from RepRisk, which is a business research provider specialized in producing ESG-related indicators. RepRisk screens printed and online media,

stakeholders, and third-party sources (including for instance NGOs, government bodies, regulators or think tanks) for controversies related to firms' ESG practices. It provides daily counts of negative news (incidents) at the company-level, classified in distinct ESG issue categories. We use RepRisk negative news as a proxy for (negative) CSR practices at the firm level. Using ESG news data rather than ESG ratings (or scores) allows us to identify precisely firm-level changes in CSR performance, whereas ESG scores are slow-moving, and the timing and nature of their changes are imprecise. In addition, using news allows us to avoid the well-documented inconsistency within ESG ratings (e.g., Berg et al., 2022, and Gibson-Brandon et al., 2021).

RepRisk categorizes ESG incidents into 28 distinct issues. Environmental issues include for instance incidents related to climate change, pollution, and waste disposal. Social issues include child labor and human rights abuses but also issues related to working conditions like workplace discrimination. Governance issues include for instance executive compensation issues and corruption. One incident can be associated with multiple issues and thus belong to several of the E, S and G categories. In most of our tests, we focus on Environmental and Social ("ES") incidents, ignoring those belonging to the Governance category, as others before us (e.g., Gantchev et al., 2022). This is because E and S incidents are outcomes observable to employees, while G incidents reflect the firm's internal organization and may be less visible or relevant to employees.

We match RepRisk data with our savings plan dataset using international securities identification numbers (ISINs). Panel B of Table 1 provides summary statistics for the RepRisk variables used in our analysis at the stock-month level. Variables related to number of news correspond to the total number of news over the last 12 month for the company. The number of news over the last 12 months is close to 13 on average. Panel B of Table 1 also shows the

distribution of incident types by category. News related to social issues are the most frequent (7.2 per year on average), followed by those related to environment (6.6) and governance (5.1).[13]

Panel B of Table 1 also provides summary statistics for the breakdown of S news into those related to employees and non-employees. We provide details on how we construct these two categories in Section 6.

c. Stock-level data

Using Refinitiv Datastream, we collect financial and accounting information for the companies in our sample. At the parent company (i.e., stock) level, we collect total assets, cash, leverage, capital expenditures (Capex), R&D expenses, market value, Return on Assets (ROA), labor productivity, sales growth, stock return and volatility over the last year, and dividend per share, all from Refinitiv. We merge these data with the savings plan and RepRisk datasets using ISINs. Panel B of Table 1 provides summary statistics of parent firm characteristics at the stock-month level. It shows that the average employee in our sample works in a firm whose parent company employs about 30,000 employees and with total assets of about €16 billion.

In Internet Appendix Table 1, we report the average of our main variables from Panel B of Table 1 for the larger sample of firms that are part of the French Stock Index SBF120 over our sample period. The firms in our sample differ in several dimensions, in particular they are larger in terms of number of employees and market value, and they have more news covered by RepRisk, probably because they attract more attention due to their size.

[13] The total number of news reported in Table 1 does not correspond to the sum of the numbers of news on the E, S ang G pillars because some news can belong to multiple categories. The same is true for news related to sub-topics within a given pillar.

d. Additional data

Attention data We also collect information on search trends on Google associated with each company. Specifically, for each parent company (i.e., stock) in our sample, we collect the history of Google Trends in France associated with the company's name.[14] The corresponding Google Trend index (ranging from 0 to 100) quantifies (relative) search interest in France in each month, with 100 corresponding to the highest number of searches for the company's name over the sample period. We use this index as a proxy for the attention a company receives over time. Panel B of Table 1 reports summary statistics for the variable "Attention to stock", defined as the average of the Google Trend index for the company over the past twelve months. On average, the index has a value of 44 in our sample.

Other news To ensure that Reprisk's ESG incidents are not redundant with other types of non-ESG incidents, we complement our primary dataset with event data from the Capital IQ Key Developments database. This database provides structured summaries of material news and events for companies worldwide. The events recorded in the Capital IQ Key Developments dataset cover issues such as executive changes, M&A rumors or SEC inquiries. We construct a variable that, for each firm and month, counts the number of various negative events over the past 12 months reported in the Capital IQ Key Developments database. We then use this variable in robustness tests to control for other negative incidents. Out of the 153 types of events that Capital IQ reports, we identify 33 types as negative news, following the

[14] We clean company names by removing non alphanumeric characters (e.g., punctuation), as well as the following word "sa", "sca", "se", "intl", "entertain", "cie", "group", "ltd".

classification by Derrien et al. (2023).[15] We merge the event dates and event types from the key developments data with our main dataset using ISINs.

5. Empirical methodology

Our objective is to examine the relationship between firms' CSR performance and their employees' willingness to participate in stock ownership plans. Our main dependent variables of interest are (i) whether employee *i* invests in their employer's stock fund in month *t,* and (ii) the amount invested in the corresponding stock fund. Our data allows us to observe these variables for each employee in each month between 2015 and 2018. However, as previously mentioned, we focus on months in which firms issue a new employee-shareholder fund, i.e., a specific fund fully invested in the company stock and only available to employees. While employees can also invest in these funds or withdraw money from them in other months, such voluntary investments and withdrawals are rare, and they often depend on unobserved employee-specific factors. In contrast, when a firm issues a new fund, it advertizes it widely and every employee must decide whether to invest in the fund or not. Consistent with this argument, most investments occur in months in which a new stock fund is created. In our sample, 73% of firm-month observations with movements in stock funds occur in months of new fund creation and 51% of the total amount in stock funds is invested in those months.

[15]Derrien et al. (2023) identifies 33 types of Capital IQ Key Developments that have a significantly negative impact on firms' earnings forecasts over a one-year horizon. These negative news types include: Announcement of Operating Results, Announcements of Sales/Trading Statement, Business Reorganizations, Changes in Company Bylaws/Rules, Considering Multiple Strategic Alternatives, Corporate Guidance - Lowered, Credit Rating - CreditWatch/Outlook Action, Credit Rating - Downgrade, Credit Rating - New Rating, Debt Financing Related, Delayed SEC Filings, Discontinued Operations/Downsizings, Dividend Decreases, Executive Changes - CEO, Executive Changes - CFO, Fixed Income Offerings, Follow-on Equity Offerings, Guidance/Update Calls, Halt/Resume of Operations - Unusual Events, Impairments/Write-Offs, Index Constituent Drops, Interim Management Statement Release, Labor-related Announcements, Lawsuits & Legal Issues, M&A Rumors and Discussions, Potential Buyback, Regulatory Agency Inquiries, Restatements of Operating Results, Sales/Trading Statement Calls, Seeking Financing/Partners, Seeking to Sell/Divest, Special Calls, and Special Shareholders Meeting.

The payment of variable compensation can also affect employees' decision to invest in their employer's stock fund. Upon receiving variable compensation, employees must choose how to allocate it, existing stock funds being one possible investment vehicle. Although in our data, the creation of new stock funds occasionally coincides with the payment of variable compensation, this is not systematically the case. We include in our specifications a control dummy variable equal to one in months in which employees receive their variable compensation, to differentiate them from months in which employees have to provide the funds to invest in newly created stock funds (possibly from other segments of their employee savings plan).[16]

To measure the CSR performance of firms, we use the data provided by RepRisk, specifically the count of news reflecting incidents belonging to the E (Environmental) or S (Social) category in the past 12 months (excluding the current month, i.e., we count news between months *t-12* and *t-1*). When using counts of news as independent variables, we apply the arcsinh (inverse hyperbolic sine) transformation to the number of news to address instances of zeros in our sample. We also provide additional tests in the Internet Appendix, in which we use dummy variables indicating the occurrence of at least one news over the past 12 months.

These variables can be interpreted in two ways. First, employees may learn new information about their employer when news appear in the media or online. This is likely the case for incidents occurring in foreign countries or related to activities distant from employee's immediate work environment (e.g., employees working at the headquarters of a multinational company learning about a corruption scandal in a subsidiary abroad). Another possibility is that ES news may reflect information or beliefs held by employees that are not directly observable to the econometrician, as suggested by Briscoe-Tran (2023). This is likely to be the

[16]Our results are not affected if, instead, we control for the amount of variable compensation received by the employee in that month.

case for news related to firm policies or practices that affect employees directly, such as for example news about local workplace discrimination. Unlike the first scenario, such news is likely to reflect ongoing issues that have been occurring for a relatively long period rather than a one-time specific event. For this reason, and because we only consider months in which employers introduce new stock funds, which rarely happens more than once a year, we focus on the number of ES incidents occurring during the *12-month period* leading up to the end of the preceding month.[17]

Our main regression specification is as follows:

$$Investment_{i,j,t} = \alpha \cdot CSR\ performance_{j,t} + \beta \cdot X_{i,t} + \gamma \cdot Y_{j,t} + \delta_i + \delta_j + \delta_t + \varepsilon_{i,j,t},$$

where $Investment_{i,j,t}$ is a either a dummy variable equal to one if employee i invests in the stock fund created by its employer, firm j, in month t, or the inverse hyperbolic sine (arcsinh) of the amount invested in the fund.[18] $X_{i,t}$ is a set of time-varying employee-level controls encompassing the tenure of the employee at the firm, the total assets invested in the employee savings plan at the end of the previous month, and a dummy indicating whether the employee receives variable compensation in month t. $Y_{i,t}$ is a set of time-varying firm- and stock-level controls. These controls include the accounting variables described in Section 4.c measured at the end of the previous year, the annual stock return and volatility, as well as the numbers of funds and of equity funds the firm offers to its employees in the savings plan in that year. We also control for the logarithm of the average amount of variable remuneration paid by the firm to its employees in month t and for the subscription rate of employees, i.e., the fraction of

[17]Another reason for cumulating news over the 12 months preceding the investment month is that we do not have precise information about when employees actually make their investment decisions. Typically, employees have to make their decisions before the official creation of the stock fund, which is announced internally by the company. They are required to make their investment choices by a specific deadline that we do not observe.

[18]We use the arcsinh-transformed amount to deal with the zeros in our sample. The interpretation of coefficients is similar to that with log-transformed variables.

employees from the same firm participating in the stock fund in month *t*. Finally, we control for the "Attention to stock", defined as the average of the Google Trend index for the company over the past twelve months. This set of controls is designed to capture the standard factors that are known to affect employee's decisions to buy their employer's stock, like their wealth or the recent performance of the firm they work for, the number of alternative investment options proposed in the plan, and the participation of co-workers in the plan.

δ_i , δ_j and δ_t are employee, firm and year-month fixed effects, respectively. Year-month fixed effects allow us to control for time variations in the propensity of employees to invest in stocks in general. Employee fixed effects allow us to control for unobserved employee characteristics that can be important determinants of investment decisions. They absorb time-invariant employee characteristics like gender, which we use in cross-sectional contrasts in subsequent tests. Firm fixed effects control for time-invariant characteristics of employers. Note that firm fixed effects are more granular and subsume stock fixed effects (as discussed previously, our sample includes 22 distinct stocks and 247 distinct firms or subsidiaries). In particular, firm fixed effects absorb discounts offered to employees, which are known to influence employees' investment decisions. As explained above, in our sample, the discount varies across firms but is constant over time at the firm level.[19]

In all specifications, standard errors are clustered at the firm level because investment decisions tend to be correlated across employees working at the same location, who share common characteristics and information (Ouimet and Tate, 2020a).

[19] Since firm fixed effects absorb the effect of the discount on investment decisions, we do not test the relation between these two variables. However, in our sample the simple correlation between the discount and the indicator variable equal to one if the employee invests in the stock of the firm is equal to about +6%. This positive correlation is consistent with the intuition and with previous literature, e.g., Babenko and Sen (2014).

6. Main empirical results

a. CSR performance and employees' investment decisions

In this section, we explore the link between the ES performance of firms and the propensity of their employees to invest in the employee ownership stock funds they propose. The analysis is run at the employee-month level. Table 2 reports the results. We consider two dependent variables: an indicator variable equal to one if employee *i* invests in the new stock fund offered by her employer in month *t* (Panel A) and a continuous variable equal to the inverse hyperbolic sine (arcsinh) of the euro amount the employee invests in the stock fund (Panel B).

[Insert Table 2 here.]

In both panels, column (1) includes stock-level controls along with the employee's tenure, total assets in the plan at the end of the previous month, and a binary variable indicating whether she receives variable compensation in month *t*. Subsequently, we progressively introduce additional controls in columns (2) through (5).

In Panel A, Column (1) reveals a significant negative correlation between the number of E and S incidents reported in the past year and employees' propensity to invest in their employers' stock fund. In addition, we also observe that employees are significantly more likely to invest in the stock fund when their firm's market value is higher. Employees with higher total assets in the plan, which can be indicative of their sophistication, are more inclined to invest in their employers' stock. As anticipated, employees are also more likely to invest when the stock plan is offered in a month in which they receive their variable remuneration.

In this regression, the effect of ES incidents on employees' willingness to invest in their employer's stock plans is both statistically significant and economically substantial. Doubling

the number of ES incidents reported in the previous 12 months results in a 14-percentage point decrease in an employee's likelihood to invest in her company's stock (approximately log(2) × 0.195). This reduction represents 36% of the average probability to invest (0.39, as reported in Table 1).

Columns (2) to (5) show that the significantly negative correlation between the number of ES incidents and employees' propensity to invest remains unchanged when additional controls are introduced. Notably, the rate at which other employees in the firm subscribe to the stock investment plan has a strong positive impact on an employee's own decision to invest, in line with the findings of Ouimet and Tate (2020a). On the contrary, the number of funds the firm offers as possible investment vehicles or the average amount the firm pays in variable compensation to its employees do not significantly affect employees' investment decisions. General attention to the stock, proxied by time-series variations in the Google trends score of the stock, is also unrelated to employees' investment choices. This suggests that the informational content of ES news goes beyond media visibility and affects employees' decisions in itself.

Panel B of Table 2 studies how the ES performance of firms influences the intensive margin of investment, i.e., the euro amount that employee *i* invests in the stock fund in month *m*. Again, the link between invested amounts and ES performance is statistically and economically significant. For example, in column (5) of Table 2, Panel B, which includes the full set of control variables, a doubling of the number of ES incidents reported in the previous 12 months leads the average employee to decrease her investment by approximately $2^{-1.497} - 1 = 65\%$, or about €319 (= 491 × 65%) of the average amount invested.

In the Internet Appendix, we provide estimation results using an independent variable ("Any news ES") defined as a dummy equal to one if at least one ES incident was recorded in

the past twelve months. Internet Appendix Table 3 presents these results. We consider again two dependent variables: a dummy variable equal to one if employee *i* invests in the new stock fund offered by her employer in month *t* (Panel A) and a continuous variable equal to the inverse hyperbolic sine (arcsinh) of the euro amount the employee invests in the stock fund (Panel B). Our findings are qualitatively similar to those discussed earlier. In terms of magnitude, our estimates in Column (5) of Panel A suggest that, after including the full set of control variables and fixed effects, the likelihood of an employee investing in their company's stock decreases by 26 percentage points (66% relative to the sample mean) following an ES incident within the preceding twelve months. At the intensive margin, Column (5) of Panel B shows that a negative CSR incident in the past year is associated with an average reduction in the amount invested in employer stock by approximately 90% (1 – exp(-2.071)). Given that the average investment in employer stock when firms introduce new employee-shareholder funds is around €500, this 90% drop represents a reduction of approximately €450, which is economically significant.

b. Which CSR dimensions affect employee investments?

Environment vs. social incidents Next, we investigate which types of ES incidents exert the most significant influence on employees' decision to invest in their company's stock. We categorize news into the two ES dimensions: Environmental (E) and Social (S), and we employ the same regression specification as in the previous table to assess the impact of the number of news in each category on the investment decisions or the invested amount.

[Insert Table 3 here.]

Table 3 presents the results. In Panel A, the dependent variable is a dummy variable indicating whether the employee chooses to invest, while in Panel B, it represents the (arcsinh) amount invested. In Panel A, Column (1) suggests that only incidents related to social issues affect employees' investment decisions. The number of news concerning the social pillar

exhibits a substantially negative and statistically significant effect on investment choices. A doubling of the number of social news articles results in approximately a 24-percentage-point decline in the likelihood of investment (approximately log(2) × 0.348). The number of environment-related incidents has statistically insignificant effects. These findings remain consistent when additional controls are introduced in Columns (2) to (5). In Panel B of Table 3, we replicate this analysis examining the invested amount. The results align with those obtained in Panel A. Columns (1) to (5) indicate that social incidents have a significantly negative impact on the amount invested by employees in their employer's stock.

The above results remain qualitatively similar when Governance (G) incidents are included in our regressions. Internet Appendix Table 4 presents the estimation results. It shows that among environmental, social, and governance incidents, only the social incidents have a significant and negative impact on employees' investments in their employer's stock. Internet Appendix Table 5 presents the estimation results when we control for the number of negative news from the Capital IQ Key Developments database in the previous 12 months. It shows that these negative events have a negative correlation with employees' investments in their employer's stock. When we include them in the regressions, the effect of social incidents decreases slightly in magnitude, but it remains negative statistically and economically. Finally in Internet Appendix Table 6, we provide estimation results using two independent variables ("Any news E" and "Any news S") defined as dummies equal to one if at least one E or one S incident was recorded in the past twelve months respectively. Again, we find that only incidents in the social category affect the employees' decision to purchase the stock of their employing firm: the likelihood of an employee investing in her company's stock drops by more than 40 percentage points (about 100% of the sample mean) following a social incident within the preceding twelve months.

Employee- vs. nonemployee-related incidents The results suggest that employees may prioritize their own well-being and that of their peers, as reflected in their stronger response to social incidents compared to externalities captured in the environmental dimension. Consistent with the hypotheses outlined in Section 2, these findings could indicate a tendency toward parochial altruism over universal altruism—meaning that employees' decisions to invest in their employer's stock appear to be more influenced by incidents that impact them directly. To further explore this interpretation, we disaggregate the incidents within the social pillar and conduct a more detailed analysis.

RepRisk classifies social news into 10 categories: "Child labor", "Forced labor", "Human rights abuses and corporate complicity", "Discrimination in employment", "Social discrimination" (outside of employment), "Occupational health and safety conditions", "Poor employment conditions", "Freedom of association and collective bargaining", Impact on communities" and "Local participation issues". Internet Appendix Table 2 provides summary statistics of news in each one of these categories.[20] Events in some of these categories affect employees directly (e.g., employee health and safety conditions), while other events are unrelated to employees in our sample (e.g., human rights abuses). The latter should affect more the loyalty of universal altruists, while parochial altruists should care more about the former.

Since social incidents are relatively rare in each individual category (between 0.3 and 4 per year on average), we group them into two broader categories. Among social issues, we identify those that are likely to have a direct impact on employees in our sample. This set encompasses news related to employment discrimination, employee health and safety conditions, employment conditions, as well as freedom of association and collective bargaining

[20]The number of news in subcategories sums up to more than the total number of news S because an incident often belongs to several subcategories.

of workers.[21] The set of issues not directly affecting employees includes issues affecting other type of individuals (e.g., people working for suppliers or foreign subsidiaries of the firm). Such issues include child labor, forced labor, and human rights abuses. Issues not directly affecting employees also include incidents related to the way companies treat individuals that are not part of the workforce such as social discrimination outside of employment, impact on communities and local participation.[22]

[Insert Table 4 here.]

In Column (1) of Table 4, the main independent variables are the counts of incidents in the two main subcategories of the social (S) pillar: the number of social incidents affecting employees and those not affecting employees. We also include the number of incidents related to the environmental (E) pillar. Our results suggest that social incidents directly affecting employees significantly influence their investment decisions, while those not directly impacting employees exhibit a positive but statistically insignificant coefficient. These findings are consistent with the view that parochial altruism influences employees' investment choices. Incidents that affect themselves or their peers explain the willingness of workers to buy shares, while incidents with no direct impact on their own or their peers' working conditions do not – if anything, news in the S category but not related to employees themselves has a positive impact (albeit not significant) on their investment decisions. Perhaps employees, who are indifferent to these incidents, decide to side with their employer who they think is unfairly exposed to negative publicity when they are reported. Again, E-type incidents, which capture externalities produced by the firm, do not affect employees' investment decisions.

[21]Examples of such controversies are Amazon been fined €32m in France for "excessive" and illegal surveillance of its workers, or IKEA being accused in 2021 of spying of their staff.
[22]Child labor and forced labor are unlikely to affect French employees because the ban on these practices is well enforced in France. One example of such controversies is Carrefour being alleged of benefitting, through its supply chain, from the forced labour of Uyghur and other Muslim minority groups.

In Column (2) of Table 4, we replicate our analysis examining the invested amount. The results align with those obtained in Column (1). Social news directly affecting employees have a significantly negative effect on the invested amount. Once again, we observe that news not directly affecting employees yields a positive but insignificant coefficient.

Internet Appendix Table 7 shows that our results are qualitatively similar if we use as independent variables dummy variables indicating the occurrence of at least one incident instead of the news counts.

c. Total amount invested in savings plans and portfolio weights

Our interpretation of the results above is that social incidents impact employees' willingness to engage with their employer through stock participation because these incidents directly affect their well-being. A deterioration in social relations with the firm could also erode employee trust to the extent that they choose not to participate in the company's savings plans at all, not just in its stock funds.

[Insert Table 5 here.]

To test this possibility, we replicate the analysis of Table 3, Panel B, replacing the amount invested in the company's stock fund with the overall amount invested in the firm's savings plan. The regression in Column (1) of Table 5 uses the same specification as in Table 3, Panel B, Column (5), except that the dependent variable is the (arcsinh) *total* amount invested in the firm's retirement plan, not just in the company stock fund, by the same employee in the same month.[23] The coefficient on the number of social incidents is significantly negative in the regression of Table 5, column (1) but smaller in magnitude than in Table 3, Panel B, Column

[23]To maintain consistency with the subsequent tests involving the weights of investments across different funds, we restrict our sample to observations where employees make non-zero contributions to the plan.

(5) (-0.8 in Table 5, Column (1), vs. -3.1 in Table 3, Panel B, Column (5)). Thus, social incidents lead to a decrease in the amount invested in the firm's savings plan, but of smaller magnitude than the decrease in investments in the firm's stock fund. In other words, there is partial reallocation between stock funds and other investment vehicles.

To confirm this interpretation, we further exploit data on investment decisions in alternative investment vehicles. Firm-sponsored savings plans must contain at least three investment vehicles, one of which is invested in safe assets. Employees are typically given investment options including their firm's ESOPs, as well as diversified equity mutual funds, balanced funds (comprising both equity and bonds), and low-risk funds (bond or money market funds). They can also choose to receive their variable compensation in cash.

Because we observe employees' entire portfolios in the context of the savings plan offered by their employer, we can measure the reallocation of investment across different types of investment vehicles following E and S incidents.[24] In particular, one possibility is that social events do not affect only the loyalty of employees vis-à-vis their firm but the trust of employees vis-à-vis the corporate world in general, or even their risk aversion. This would imply that, at the level of their savings plan portfolio, employees reduce their overall investment in stocks relative to safer investment vehicles.

In Columns (2) to (5) of Table 5, we explore the impact of E and S incidents on the relative weights of the different investment vehicles in the investments of employees, restricting our sample to observations where employees make non-zero contributions to the plan. In Column (2), the dependent variable is the weight of the employer's stock fund investment. Consistent with our earlier findings, the weight of the employer's stock fund in total investment

[24]We do not observe the entire portfolios outside firm-sponsored savings plan for the employees in our sample.

decreases following an increase in the number of social incidents in the past year. We then explore the relation between social incidents and changes in the weights of other investments, namely, diversified equity funds, balanced funds, and safe asset funds, in Columns (3), (4), and (5), respectively. The coefficients on *# news S* in Columns 3 to 5 are all significantly positive and their sum equals the coefficient on the same variable in the regression explaining the weight of stock funds (Column (2)). In other words, the weights of other investment vehicles increase, and collectively, they compensate the decrease in stock funds investment. This suggests that S-type incidents lead to an implied rebalancing away from the ESOP segment of the plan towards diversified equity funds and less risky options.[25]

However, some investment vehicles benefit more than others. The implied shift towards less risky funds outweighs that towards equity funds. In other words, social incidents lead employees to primarily increase the weight of their investments in safer assets, with smaller increases in balanced funds, and even less so in diversified equity funds. Overall, this suggests that employees' "aversion" to investing in their employer's stock leads to a slight reduction in the overall equity share of their firm-sponsored savings plan portfolios.

7. Alternative explanations and robustness tests

a. Reverse causality

Our interpretation of the results so far relies on the implicit assumption that the issuance of new stock funds is uncorrelated with CSR performance. A potential issue with this interpretation is reverse causality. One possibility is that, after a series of incidents that affect

[25]Note that we use the term "implied rebalancing" because we do not observe that the amount invested in other types of funds increase.

their public image, firms react by creating new stock funds aimed at increasing the equity participation of employees and their support of the firms' policies.[26]

[Insert Table 6 here.]

To test this possibility and understand whether new stock fund offerings are related to the prevalence of E and S incidents, we estimate a specification at the firm-month level, regressing an indicator variable equal to one when a new stock ownership plan is created in a given month on firm characteristics and the number of ES news in the last 12 months. The results appear in Table 6. They suggest that the probability of observing a new employee ownership plan is uncorrelated with the recent CSR performance of the firm, in line with our assumption.

b. Is there a link between CSR performance and future stock returns?

Our findings so far suggest a strong correlation between firms' social incidents directly affecting employees and these employees' decisions to invest in their employer's stock. That is, favorable working conditions seem to affect the satisfaction and loyalty of employees vis-à-vis the firm they work for and thus their willingness to invest in its stock when they have the possibility to do so. However, this finding could also be consistent with a value-maximization motive if S-type incidents related to employees' working conditions were correlated with future returns.[27] To investigate the possibility of financial motives, we examine whether E and S incidents are related to future stock returns of the companies in our sample. To do so, we conduct regressions at the stock-month level, utilizing the same independent variables as in tables 2, 3 and 4, with the dependent variable being the future stock return of the company at

[26]In practice, employee representatives cast votes for the shares held in the ESOP. Due to their relationships with management, they might be more inclined to vote in favor of management than outside shareholders.
[27]De Neve et al. (2023) finds that companies with the highest levels of employee wellbeing also subsequently outperform standard benchmarks in the stock market.

various horizons, ranging from one month to four years. We control for the same set of stock-level variables as before, stock and year-month fixed effects. Our main focus is on long horizons because employees' investments are locked up in the fund for five years when they invest in their employer's stock. Therefore, employees cannot use these investments to exploit their information in the short term. Only long-term returns, if they were explained by RepRisk news, could motivate employees' investments in their company's stock.

[Insert Table 7 here.]

The results are presented in Table 7. In Panel A, the main independent variable is the number of ES news from RepRisk over the past year. We observe a negligeable and statistically insignificant effect of ES incidents on future stock returns at all the horizons we consider. In Panel B, we split E and S news across the two pillars, E and S. Since only S news matter for employee investment in ESOPs, we are interested in testing whether social incidents are related to future returns. Panel B suggests this is not the case, as incidents in both the S and E categories are unrelated to future returns. Finally, in Panel C, we further split social-related news into two categories, depending on whether they affect employees directly or not. Incidents directly affecting employees, which affect their investment decisions, are uncorrelated with future stock returns of the company.

In Internet Appendix Table 8, we extend our analysis to encompass all stocks within the French SBF 120 index throughout our sample period, including those not represented in our primary sample. The idea is to test whether employees who observe a link between some news and future returns in other companies could anticipate a similar relationship in the context of their own company's stock plan. Our findings remain consistent with those of Table 7.

In summary, E and S incidents that strongly influence employees' decisions to invest in their company's stock, specifically incidents directly affecting employee well-being, do not exhibit significant correlation with future stock returns.

c. Heterogeneity across employees

Next, we ask whether some employee characteristics are associated with the decision to invest in a firm's stock funds. If altruism is an important driver of investment in the employee's own company, then we expect more altruistic and CSR-conscious employees to react more strongly to the CSR performance of their firm, and therefore, more negatively to E and perhaps S incidents. Because we do not observe the individual preferences of employees, we proxy for them using employees' observable characteristics. Our proxies for altruism are the gender and the age of the employee, as women and younger people tend to be more altruistic (Riedl and Smeets, 2017). We also measure the altruism of employees more directly with an indicator variable equal to one if some of the money in their employee savings plan is invested in SRI funds.

As mentioned above, employees may also be sensitive to the recent ES performance of their firm because they anticipate that ES performance is associated with future stock returns (Krüger et al., 2020; Bauer et al., 2021; Glössner, 2021). If this motive explains the link between ES news and investment decisions, then more sophisticated investors, who are better able to collect and process information and to relate it to future stock performance, should be more sensitive to ES news when they invest. We use two proxies of investor sophistication. First, the total assets they hold in the corporate plan, and second, an indicator variable equal to one for investors who hold diversified equity funds in the plan.

[Insert Table 8 here.]

To test the "altruistic" and the "value maximizing" behaviors mentioned above, we add individual-level characteristics to the baseline regression, as well as their interaction with E and S performance measures.[28] The main focus of the analysis is on the effect of the interaction variables. Table 8 reports the estimation results. Panel A uses a dummy as dependent variable while Panel B uses the amount invested. In both panels, in line with our previous findings, the number of ES incidents reported by RepRisk is associated with the willingness of employees to participate in the ownership plans proposed by their employer. When we consider the effect of individual characteristics on the investment decision, none affects the link between CSR performance and investment decisions. The coefficients on interaction variables are all insignificant, both economically and statistically. For example, column (5) of Table 8 shows that employees who invest some of their employee savings plan in SRI funds are also more likely to invest in the stock of their own company, but the interaction term *Invest in SRI* × # *news ES* is not significant. This suggests that employees who are the most likely to be altruistic are not more sensitive to ES incidents about the company in the previous year.

This result contrats with findings in the existing literature, which shows that sensitivity to ESG-related events depends on individual characteristics. In our context, all employees tend to react the same way to CSR incidents, irrespective of their personal characteristics. This suggests that the link between CSR policies (at least those related to the S pillar) and employer-employee relationships is not the result of specific individual employee characteristics.

d. Additional robustness tests

This section presents additional robustness tests of our main results. First, in Internet Appendix Table 9, we change the timing of the news we consider, from months *t-12* to *t-1* to

[28]In the case of time-invariant controls, only the interaction term appears, as employee fixed effects absorb the characteristic variable itself.

months *t-12* to *t-4*, or months *t-12* to *t-7*, respectively. We do so because company stock plans are often announced several months before their implementation and employees generally have to make their investment decisions before the dates at which we actually observe the investment. By focusing on news in months *t-12* to *t-4* or *t-12* to *t-7*, we purge the main explanatory variable from news that may not be available when employees make their investment decisions. Regressions (2) and (4) of Internet Appendix Table 9, which repeat the test of Table 2, column (2) using a different timing for the news, lead to very similar conclusions. They confirm that the differential effect of different news types on employees' investment decisions does not depend on the timing of the news.[29]

Finally, we explore whether excessive extrapolation of past returns is driving the differences in investment behavior. It may be the case that employees use past performance to determine their future asset allocations, so that they excessively extrapolate past returns into predicted future performance. Thus, it could be that differing propensity to invest in employer are driven by cross-sectional differences in past returns of the firms. To test this, we include the past returns for each firm, over several time horizons. The results are presented in Internet Appendix Table 10. Although employees seem to react negatively to past 2-year returns, i.e., within a given firm employees seem to be contrarian investors, our results regarding the effect of social news remain unchanged.

8. Conclusion

Employee share ownership is widespread, despite the underdiversification this implies for an employee. Several studies have attempted to characterize the drivers of the employees' decision to invest in the stock of their own company. In this paper, using unique data from

[29]Unreported tests show that we obtain similar conclusions as in Internet Appendix Table 9 when we consider the intensive margin of investment, i.e., the amounts employees invest in their employers' stock rather than their decision to invest.

company-sponsored savings plans in France, we consider a novel determinant of employees' investment decision: the CSR performance of the company the employee works for. We find that employees take the CSR performance of their *own firm* into account when they decide whether to invest in its stock. Specifically, we find that CSR dimensions having a *direct* impact on employees affect employees' investment decisions the most. This suggests that employees are primarily concerned with their own well-being and that of their colleagues when expressing their satisfaction and loyalty toward their company via their investment choices. This result somehow differs from those related to the behavior of institutional investors regarding ESG incidents (e.g., Hoang et al., 2019).

Because employee activism has emerged in recent years as an important phenomenon, it is important to understand whether employee interests are aligned with those of shareholders or rather if their activism can lead to conflicts with these other key stakeholders. Our results on the link between CSR practices and employee investments can improve our understanding of the tradeoff faced by firms between the benefits associated with employee shareholding and the potential tension this can create with other business dimensions.

More broadly, our paper suggests that CSR practices can impact the stock market participation of employees. It raises additional questions regarding the extent to which employers can contribute to reduce the gap preventing many investors from participating in the stock market.

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Figure 1 – Number of Employer Stock Fund Introductions

This figure presents the number of employer stock funds issued by firms in our sample each month from January 2015 to December 2018.

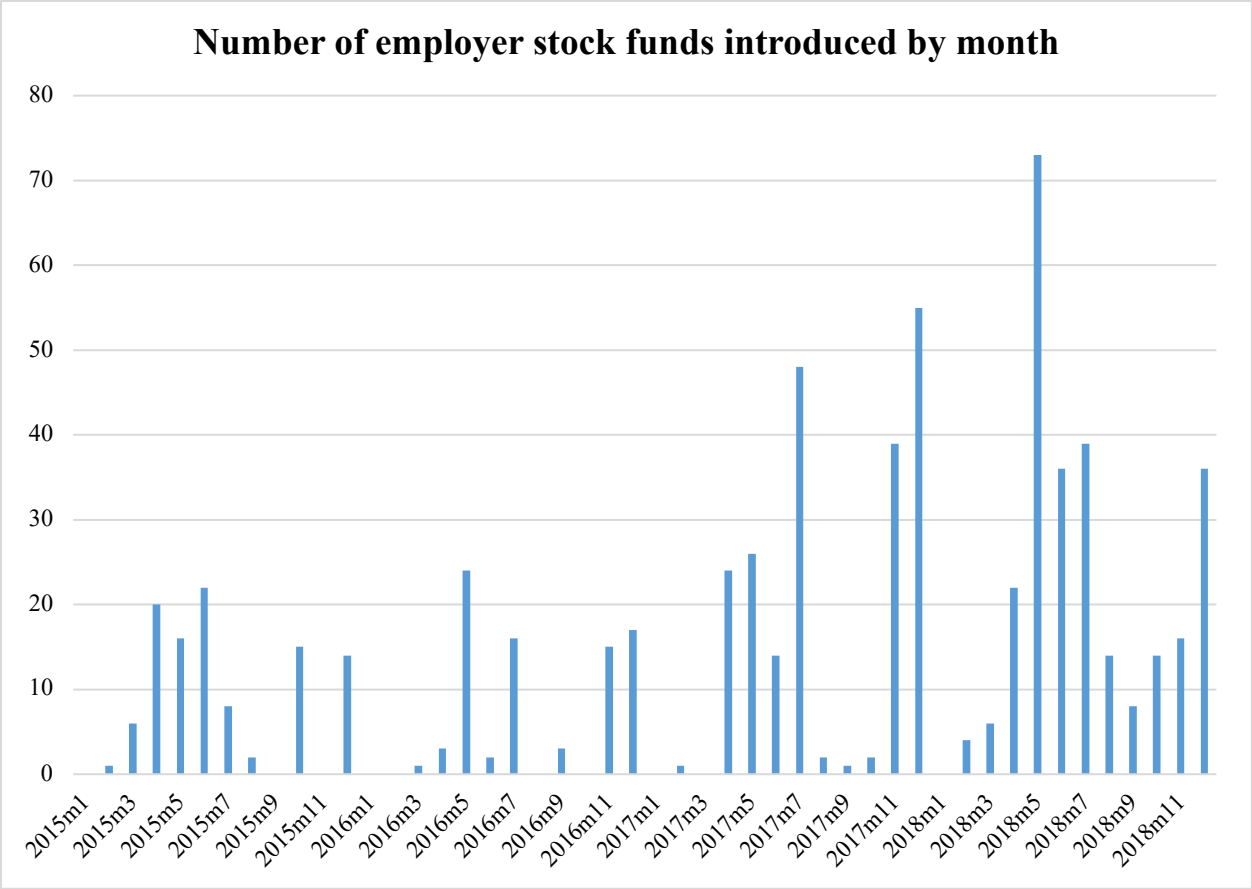


Table 1 – Summary statistics

This table presents summary statistics of the variables used in the subsequent tables. In Panel A (individual characteristics), observations are at the employee-month level, in months in which employers create new stock funds. In Panel B (stock-level variables), observations are at the stock-month level. In this panel, *# news* is the total number of news reported by RepRisk in months *t-12* to *t-1*. Variables are defined in Appendix 1.

	p1	p5	p25	mean	p50	p75	p95	p99	sd	N
Panel A: Individual characteristics										
Invests in company stock	0.00	0.00	0.00	0.39	0.00	1.00	1.00	1.00	0.49	1,674,516
Amount in company stock	0.00	0.00	0.00	491.34	0.00	192.00	2,208.34	7,596.48	4,386.45	1,674,516
Invests in SRI	0.00	0.00	0.00	0.09	0.00	0.00	1.00	1.00	0.29	1,674,516
Receives variable remuneration	0.00	0.00	0.00	0.05	0.00	0.00	0.00	1.00	0.22	1,674,516
Age	24.00	27.00	36.00	45.85	45.00	55.00	67.00	74.00	12.36	1,674,516
Female	0.00	0.00	0.00	0.20	0.00	0.00	1.00	1.00	0.40	1,674,516
Assets in savings plan	0.00	104.54	1,497	27,277	8,311	28,589	109,470	267,052	64,708	1,674,516
Tenure	1.00	1.00	2.00	2.90	3.00	4.00	5.00	5.00	1.40	1,674,516
Average amount of variable remuneration in firm (ln)	4.38	4.77	6.42	6.68	6.95	6.98	7.95	9.00	1.00	1,674,516
Subscription rate of employees in firm	0.18	0.22	0.26	0.42	0.43	0.48	0.75	0.86	0.15	1,674,516
# funds in savings plan menu	12.00	13.00	17.00	34.42	26.00	55.00	59.00	59.00	18.85	1,674,516
# funds equity in savings plan menu	1.00	2.00	2.00	3.06	3.00	4.00	5.00	6.00	1.10	1,674,516
Panel B: Stock level variables										
# news	0.00	0.00	0.00	12.80	3.00	12.00	76.00	93.00	22.65	1,056
# news E	0.00	0.00	0.00	6.56	1.00	3.00	50.00	62.00	14.61	1,056
# news S	0.00	0.00	0.00	7.22	1.00	6.00	41.00	53.00	13.15	1,056
# news G	0.00	0.00	0.00	5.09	1.00	6.00	29.00	37.00	8.83	1,056
# news S employees	0.00	0.00	0.00	3.46	1.00	4.00	17.00	26.00	5.94	1,056
# news S non employees	0.00	0.00	0.00	9.02	1.00	9.00	58.00	76.00	17.84	1,056
# other news	0.00	0.00	0.00	0.41	0.00	0.88	1.82	2.49	0.70	1,056
Total assets	13.51	14.02	15.98	16.62	16.72	17.39	18.92	19.19	1.34	1,056
Cash	0.00	0.01	0.04	0.10	0.09	0.16	0.24	0.38	0.08	1,056
Leverage	0.02	0.07	0.15	0.22	0.21	0.30	0.42	0.42	0.10	1,056
Capex	0.00	0.01	0.01	0.03	0.03	0.05	0.07	0.11	0.02	1,056
R&D expenses	0.00	0.00	0.00	0.01	0.00	0.02	0.06	0.14	0.03	1,056
Market value (ln)	7.48	7.70	8.63	9.46	9.51	10.17	11.55	11.69	1.09	1,056
ROA	-0.11	-0.02	0.03	0.05	0.04	0.06	0.14	0.26	0.05	1,056
Labor productivity	61.04	73.61	184.69	450.48	286.63	648.14	1223.01	1600.55	391.27	1,044
Sales growth	-0.54	-0.13	-0.02	0.05	0.03	0.10	0.32	0.89	0.18	1,056
Stock ann. Return	-0.17	-0.10	-0.03	0.01	0.01	0.05	0.13	0.18	0.07	1,056
Stock volatility	0.09	0.12	0.16	0.24	0.21	0.29	0.44	0.64	0.11	1,056
Dividend per share	0.00	0.00	1.00	1.98	1.60	2.40	5.30	10.50	2.06	1,056
Attention to stock	2.58	15.25	28.67	44.09	46.83	57.50	68.67	81.75	17.79	1,056

Table 2 – Baseline results

This table presents linear regressions of the decision to invest in stock funds proposed by employers on ES performance, employee- and stock-level controls, year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in Panel A and the inverse hyperbolic sine (arcsinh) of the amount invested in Panel B. ES performance is measured using the number of E and S incidents reported by RepRisk in the year leading to the end of the previous month. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Decision to Invest in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
# news ES	-0.195**	-0.197**	-0.199**	-0.192**	-0.190**
	(0.0836)	(0.0792)	(0.0831)	(0.0800)	(0.0780)
Total assets (kE ln)	-0.617	-0.572	-0.858	-0.984*	-1.073**
	(0.471)	(0.485)	(0.571)	(0.547)	(0.471)
Cash	-1.811	-2.009	-2.114	-1.741	-1.779
	(2.079)	(2.005)	(2.121)	(2.059)	(2.124)
Leverage	1.654	1.494	2.371	2.445	2.624
	(1.682)	(1.625)	(1.975)	(1.918)	(1.654)
Capex	9.773	9.581	13.400	15.200	17.120
	(13.680)	(14.160)	(15.350)	(14.220)	(18.400)
R&D expenses	-6.575	-5.845	-13.970	-18.480	-21.680
	(16.030)	(18.220)	(20.970)	(19.690)	(25.440)
Market value (ln)	0.727***	0.727***	0.760***	0.690***	0.695***
	(0.236)	(0.230)	(0.245)	(0.242)	(0.253)
ROA	0.949	1.060	2.491	2.787	3.252
	(2.866)	(2.807)	(3.374)	(3.225)	(3.788)
Labor productivity	-0.0001	-0.0002	-0.0002	-0.0003	-0.0003
	(0.0004)	(0.0004)	(0.0005)	(0.0004)	(0.0004)
Sales growth	-0.809***	-0.820***	-0.747***	-0.641**	-0.639***
	(0.242)	(0.240)	(0.261)	(0.251)	(0.243)
Stock ann. return	-0.511	-0.389	-0.666	-0.398	-0.340
	(1.391)	(1.309)	(1.403)	(1.340)	(1.423)
Stock volatility	-0.585	-0.603	-0.597	-0.644	-0.747
	(0.559)	(0.550)	(0.554)	(0.547)	(0.500)
Dividend per share	-0.061	-0.073	-0.050	0.001	0.017

	(0.193)	(0.196)	(0.232)	(0.222)	(0.238)
Tenure	-0.001** (0.0003)	-0.001** (0.0003)	-0.001** (0.0003)	-0.001** (0.0003)	-0.001** (0.0003)
Assets in savings plan (ln)	0.016*** (0.004)	0.016*** (0.004)	0.016*** (0.004)	0.016*** (0.004)	0.016*** (0.004)
Receives variable remuneration	0.287*** (0.0301)	0.287*** (0.0301)	0.287*** (0.0301)	0.286*** (0.0301)	0.286*** (0.0301)
Number of funds		0.005 (0.021)	0.010 (0.021)	0.010 (0.020)	0.009 (0.021)
Number of equity funds		0.016 (0.029)	0.013 (0.029)	0.021 (0.027)	0.022 (0.028)
Average amount of variable remuneration in firm (ln)			-0.018 (0.015)	-0.013 (0.015)	-0.013 (0.015)
Subscription rate of employees in firm				0.104** (0.048)	0.104** (0.048)
Attention to stock					-0.001 (0.005)
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations R^2	1,674,516 0.76	1,674,516 0.76	1,674,516 0.76	1,674,516 0.76	1,674,516 0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock	(2) Amount in company stock	(3) Amount in company stock	(4) Amount in company stock	(5) Amount in company stock
# news ES	-1.518**	-1.538**	-1.548**	-1.482**	-1.497**
	(0.684)	(0.630)	(0.656)	(0.627)	(0.607)
Total assets (kE ln)	-9.567***	-9.061***	-10.850***	-12.080***	-11.170***
	(3.140)	(3.169)	(3.964)	(3.782)	(3.817)
Cash	-14.570	-16.810	-17.470	-13.840	-13.460
	(17.690)	(16.640)	(17.610)	(17.220)	(17.410)
Leverage	22.490*	20.400*	25.880*	26.600*	24.790*
	(13.030)	(12.280)	(14.990)	(14.450)	(13.180)
Capex	109.300	108.200	132.000	149.600	130.300
	(113.800)	(114.800)	(123.700)	(114.300)	(147.800)
R&D expenses	-144.400	-138.100	-188.900	-232.900	-200.600
	(139.400)	(154.200)	(173.600)	(164.600)	(215.100)
Market value (ln)	5.233**	5.237***	5.444***	4.762**	4.710**
	(2.013)	(1.885)	(2.009)	(2.009)	(2.043)
ROA	29.670	31.330	40.270	43.160*	38.480
	(22.600)	(21.770)	(26.230)	(24.980)	(31.250)
Labor productivity	-0.003	-0.004	-0.004	-0.005	-0.005
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Sales growth	-5.838***	-5.953***	-5.498***	-4.456**	-4.474**
	(1.766)	(1.696)	(1.893)	(1.841)	(1.880)
Stock ann. return	-0.825	0.737	-0.999	1.619	1.036
	(11.27)	(10.35)	(10.99)	(10.48)	(11.29)
Stock volatility	-6.283	-6.667	-6.629	-7.088	-6.058
	(4.468)	(4.220)	(4.361)	(4.361)	(4.227)
Dividend per share	-0.086	-0.218	-0.076	0.419	0.259
	(1.642)	(1.635)	(1.870)	(1.779)	(1.871)
Tenure	-0.003	-0.003	-0.003	-0.003	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Assets in savings plan (ln)	0.130***	0.130***	0.130***	0.130***	0.130***
	(0.0315)	(0.0315)	(0.0315)	(0.0315)	(0.0315)
Receives variable remuneration	2.825***	2.825***	2.825***	2.816***	2.815***
	(0.233)	(0.233)	(0.234)	(0.235)	(0.235)
Number of funds		0.052	0.085	0.081	0.086
		(0.172)	(0.168)	(0.159)	(0.165)
Number of equity funds		0.256	0.237	0.312	0.301
		(0.224)	(0.227)	(0.223)	(0.225)

Average amount of variable remuneration in firm (ln)			-0.116 (0.113)	-0.0665 (0.113)	-0.0736 (0.118)
Subscription rate of employees in firm				1.013** (0.407)	1.011** (0.404)
Attention to stock					0.013 (0.038)
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.74	0.74	0.74	0.74	0.74

Table 3 – Heterogeneity across E and S pillars

This table presents linear regressions of the decision to invest in stock funds proposed by employers on ES performance, employee- and stock-level controls, and year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in Panel A and the inverse hyperbolic sine (arcsinh) of the amount invested in Panel B. ES performance is measured using the distinct number of incidents reported by RepRisk in the E and S categories in the year leading to the end of the previous month. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Decision to Invest in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
# news E	0.027	0.024	0.051	0.047	0.065
	(0.083)	(0.077)	(0.083)	(0.079)	(0.075)
# news S	-0.348***	-0.344***	-0.378***	-0.365***	-0.373***
	(0.071)	(0.071)	(0.081)	(0.080)	(0.081)
Number of funds		0.001	0.007	0.007	0.005
		(0.019)	(0.018)	(0.017)	(0.018)
Number of equity funds		0.013	0.008	0.015	0.018
		(0.025)	(0.025)	(0.022)	(0.023)
Average amount of variable remuneration in firm (ln)			-0.024	-0.019	-0.017
			(0.014)	(0.015)	(0.016)
Subscription rate of employees in firm				0.096**	0.096**
				(0.046)	(0.046)
Attention to stock					-0.004
					(0.004)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.76	0.76	0.76	0.76	0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock	(2) Amount in company stock	(3) Amount in company stock	(4) Amount in company stock	(5) Amount in company stock
# news E	0.482	0.430	0.616	0.577	0.613
	(0.699)	(0.640)	(0.693)	(0.651)	(0.618)
# news S	-3.036***	-2.975***	-3.206***	-3.082***	-3.098***
	(0.587)	(0.575)	(0.644)	(0.638)	(0.642)
Number of funds		0.016	0.058	0.056	0.053
		(0.150)	(0.143)	(0.136)	(0.141)
Number of equity funds		0.219	0.186	0.257	0.263
		(0.189)	(0.184)	(0.175)	(0.180)
Average amount of variable remuneration in firm (ln)			-0.161	-0.113	-0.109
			(0.106)	(0.106)	(0.112)
Subscription rate of employees in firm				0.943**	0.943**
				(0.389)	(0.390)
Attention to stock					-0.008
					(0.028)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.74	0.74	0.74	0.74	0.74

Table 4 – Heterogeneity across Social dimensions

This table presents linear regressions of the decision to invest in stock funds proposed by employers on E or S performance, employee- and stock-level controls, and year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in column (1) and the inverse hyperbolic sine (arcsinh) of the amount invested in column (2). E performance is measured using the number of incidents reported by RepRisk in the E category in the year leading to the month before the month under consideration. The S category is split into the number of S news concerning employees and the number of S news not directly concerning employees. The former is incidents in the RepRisk categories "employment discrimination", "employee health and safety conditions", "employment conditions", "freedom of association of workers". The latter is incidents in the RepRisk categories "child labor", "forced labor", "human rights", "social discrimination" (outside of employment), "impact on communities", and "local participation". The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

	(1) Invests in company stock	(2) Amount in company stock
# news S employees	-0.303**	-2.423**
	(0.142)	(1.110)
# news S nonemployees	0.341	2.640
	(0.256)	(1.982)
# news E	-0.059	-0.415
	(0.062)	(0.488)
Number of funds	0.001	0.022
	(0.017)	(0.133)
Number of equity funds	0.032	0.378*
	(0.028)	(0.221)
Average amount of variable remuneration in firm (ln)	-0.015	-0.091
	(0.017)	(0.120)
Subscription rate of employees in firm	0.105**	1.013**
	(0.048)	(0.400)
Attention to stock	-0.006	-0.030
	(0.007)	(0.050)
Controls	Yes	Yes
Individual FE	Yes	Yes
Firm FE	Yes	Yes
Year-Month FE	Yes	Yes
Observations	1,674,516	1,674,516
R^2	0.76	0.74

Table 5 – Total amount invested in the plan and portfolio weights

This table presents linear regressions of the weights of investments in various funds proposed by employers on E and S performance, employee- and stock-level controls, and year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds and employees make non-zero contributions to the plan. The dependent variables are the (inverse hyperbolic sine) total amount invested in the plan, and the weight in the company's stock fund, in diversified equity funds, in balanced funds and in bond funds, in columns (1) to (5). ES performance is measured using the number of incidents reported by RepRisk in the E and S categories. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

	(1) Amount invested in the plan	(2) Weight in company stock	(3) Weight in diversified equity funds	(4) Weight in balanced funds	(5) Weight in bonds & money market funds
# news E	-0.319	0.072*	0.012	-0.014	-0.070*
	(0.225)	(0.044)	(0.007)	(0.022)	(0.038)
# news S	-0.771***	-0.277***	0.017**	0.111***	0.149***
	(0.254)	(0.053)	(0.007)	(0.020)	(0.049)
Attention to stock	0.019	0.007	-0.0002	-0.006***	-0.0003
	(0.021)	(0.006)	(0.001)	(0.002)	(0.005)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	694,195	694,195	694,195	694,195	694,195
R^2	0.76	0.66	0.56	0.55	0.62

Table 6 - Employee shareholder fund offering and CSR incidents

This table presents linear regressions of firms' creation of new stock funds on their E and S performance, stock-level controls, and year-month and firm fixed effects. Observations are at the firm-month level. The dependent variable is an indicator variable equal to one if the firm creates a new stock fund for its employees in month *t*. ES performance is measured using the number of incidents reported by RepRisk in the year leading to the end of the previous month. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

	(1) New stock fund offered	(2) New stock fund offered	(3) New stock fund offered	(4) New stock fund offered
# news ES	0.009			
	(0.007)			
# news E		0.010		0.008
		(0.007)		(0.01)
# news S			0.009	0.002
			(0.008)	(0.012)
Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes
Observations	11,844	11,844	11,844	11,844
R^2	0.10	0.10	0.10	0.10

Table 7 – E and S news and stock returns

This table presents linear regressions of stock returns on E and S performance, stock-level controls, and year-month and stock fixed effects. Observations are at the stock-month level. The dependent variable is the return in the current month in column (1), and in years 1, 2, 3, and 4 in columns (2), (3), (4), and (5), respectively. E and S performance is measured using the number of E and S incidents reported by RepRisk in the previous 12 months. The total number of news appears in Panel A, the number of news in each category (E and S) in Panel B. In Panel C, S-type news are split into two subcategories, including events affecting employees (in the categories "employment discrimination", "employee health and safety conditions", "employment conditions" and "freedom of association"), and events not affecting employees (belonging to the categories "child labor", "forced labor", "human rights", "social discrimination" (outside of employment), "impact on communities", and "local participation"). The control variables are described in Appendix 1. Standard errors clustered at the stock level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Number of news and future returns

	(1) Stock return current month	(2) 1Y stock return	(3) 2Y stock return	(4) 3Y stock return	(5) 4Y stock return
# news ES	-0.003	-0.017	-0.005	0.002	-0.017
	(0.004)	(0.024)	(0.015)	(0.012)	(0.012)
Controls	Yes	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,056	1,056	1,056	1,056	925
R^2	0.37	0.62	0.78	0.82	0.82

Panel B: Number of news of each type and future returns

	(1) Stock return current month	(2) 1Y stock return	(3) 2Y stock return	(4) 3Y stock return	(5) 4Y stock return
# news E	-0.008	0.018	0.003	0.017	0.016
	(0.005)	(0.039)	(0.033)	(0.025)	(0.022)
# news S	0.002	-0.039	-0.008	-0.007	-0.029
	(0.006)	(0.032)	(0.032)	(0.028)	(0.024)
Controls	Yes	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,056	1,056	1,056	1,056	925
R^2	0.37	0.62	0.78	0.82	0.82

Panel C: Number of news directly affecting employees and future returns

	(1) Stock return current month	(2) 1Y stock return	(3) 2Y stock return	(4) 3Y stock return	(5) 4Y stock return
# news S employees	0.001	-0.050	0.008	0.015	-0.013
	(0.004)	(0.030)	(0.019)	(0.014)	(0.012)
# news S nonemployees	-0.008	0.033	0.043	-0.003	-0.001
	(0.005)	(0.038)	(0.026)	(0.012)	(0.007)
# news E	-0.002	-0.014	-0.030	0.010	-0.002
	(0.005)	(0.035)	(0.028)	(0.017)	(0.012)
Controls	Yes	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,056	1,056	1,056	1,056	925
R^2	0.37	0.63	0.79	0.82	0.82

Table 8 – Employee characteristics and sensitivity to E and S performance

This table presents linear regressions of the decision to invest and amount invested in stock funds proposed by employers on E and S performance, employee- and stock-level controls, and year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. In Panel A, the dependent variable is an indicator variable equal to one if the employee invests in the stock fund, in Panel B it is the arcsinh of the amount invested. ES performance is measured using the number of E and S incidents reported by RepRisk in the year leading to the end of the previous month. This variable is interacted with employee characteristics (gender, age, assets held in the savings plan, and investment in SRI). The variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Investment in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
# news ES	-0.186**	-0.185**	-0.180**	-0.190**	-0.191**
	(0.079)	(0.078)	(0.091)	(0.076)	(0.078)
Female × # news ES	-0.015				
	(0.029)				
Age between 30 and 40 × # news ES		0.003			
		(0.003)			
Age between 40 and 50 × # news ES		-0.006			
		(0.005)			
Age above 50 × news ES		-0.015			
		(0.016)			
Age between 30 and 40		-0.020*			
		(0.011)			
Age between 40 and 50		0.011			
		(0.016)			
Age above 50		0.047			
		(0.051)			
Assets in Q2 × # news ES			-0.017		
			(0.035)		
Assets in Q3 × # news ES			-0.0003		
			(0.052)		
Assets in Q4 × # news ES			-0.029		
			(0.095)		
Owns equity × # news ES				0.009	
				(0.007)	
Owns equity				-0.023	
				(0.023)	
Owns SRI × # news ES					-0.003
					(0.005)
Owns SRI					0.038**
					(0.015)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,643,217	1,674,516
R^2	0.76	0.76	0.76	0.76	0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock	(2) Amount in company stock	(3) Amount in company stock	(4) Amount in company stock	(5) Amount in company stock
# news ES	-1.471**	-1.401**	-1.283	-1.486**	-1.502**
	(0.613)	(0.626)	(0.814)	(0.595)	(0.608)
Female × # news ES	-0.093				
	(0.195)				
Age between 30 and 40 × # news ES		-0.035			
		(0.071)			
Age between 40 and 50 × # news ES		-0.120			
		(0.140)			
Age above 50 × # news ES		-0.176			
		(0.267)			
Age between 30 and 40		-0.0597			
		(0.211)			
Age between 40 and 50		0.212			
		(0.413)			
Age above 50		0.503			
		(0.806)			
Assets in Q2 × # news ES			-0.191		
			(0.354)		
Assets in Q3 × # news ES			-0.207		
			(0.646)		
Assets in Q4 × # news ES			-0.519		
			(1.227)		
Owns equity × # news ES				0.062	
				(0.0415)	
Owns equity				-0.117	
				(0.125)	
Owns SRI × # news ES					-0.018
					(0.062)
Owns SRI					0.242
					(0.179)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,643,217	1,674,516
R^2	0.74	0.74	0.74	0.75	0.74

Appendix 1 – Definitions of variables

Individual-level variables

Age: The age (in years) of the employee at the end of the month

Amount of company stock: The inverse hyperbolic sine (arcsinh) of the amount in Euros invested by the employee in her employer's stock at the end of the month

Assets in saving plan (ln): The natural logarithm of one plus the total amount invested by the employee in the plan at the end of the previous month

Average amount of variable remuneration in firm (ln): The natural logarithm of the average amount of variable remuneration received by employees working in the company over the year

Female: A dummy variable equal to one for female employees

Invests in company stock: A dummy variable equal to one if the employee invests in her employer's stock during the month

Number of equity funds: The number of diversified equity funds in the menu offered by the firm to its employees during the year

Number of funds: The total number of funds in the menu offered by the firm to its employees during the year

Owns equity: A dummy variable equal to one if the employee has any of his savings plans' assets invested in an equity fund at the end of the month

Owns SRI: A dummy variable equal to one if the employee has any of his savings plans' assets invested in Socially Responsible funds at the end of the month

Receives variable remuneration: A dummy variable equal to one if the employee receives variable remuneration during the month

Receives variable remuneration: A dummy variable equal to one if the employee receives variable remuneration that month

Subscription rate of employees in firm: The percentage of employees of a given firm buying employer stock during the year

Tenure: Number of years the employee spent in the firm

Stock-level variables

 # news ES: The inverse hyperbolic sine (arcsinh) of the number of news on E and S issues of the company in the previous 12 months

 # news E: The inverse hyperbolic sine (arcsinh) of the number of news on environmental issues of the company in the previous 12 months

 # news S: The inverse hyperbolic sine (arcsinh) of the number of news on social issues of the company in the previous 12 months

 # news G: The inverse hyperbolic sine (arcsinh) of the number of news on governance issues of the company in the previous 12 months

 # news S employees: The inverse hyperbolic sine (arcsinh) of the number of news on social issues concerning employees (employment discrimination, occupational health and safety issues, poor employment conditions, freedom of association and collective bargaining of workers) of the company in the previous 12 months

 # news S non-employees: The inverse hyperbolic sine (arcsinh) of the number of news on social issues not directly related to employees (child labor, forced labor, human rights abuses and corporate complicity, social discrimination (outside of employment), impact on communities, local participation issues) of the company in the previous 12 months

Attention to stock: The average of the Google Trend Index (ranging from 0 to 100) associated with the name of the company in the previous 12 months in France

Capex: The company's capital expenditure divided by total assets at the end of the previous year

Cash: The company's cash holdings divided by total assets at the end of the previous year

Dividend per share: The company's dividend per share at the end of the previous year

Labor productivity: The company's sales divided by the number of employees at the end of the previous year

Leverage: The company's debt divided by total assets at the end of the previous year

Market value: The natural logarithm of stock market capitalization of the company at the end of the previous year (in millions of Euros)

R&D expenses: The company's R&D expenses divided by total assets at the end of the previous year

ROA: The company's net income divided by total assets at the end of the previous year

Sales growth: The yearly growth in the company's sales at the end of the previous year

Stock ann. return: The annualized monthly stock return of the company at the end of the previous month

Stock volatility: The annualized volatility of daily stock return of the company over the year and calculated at the end of the previous month

Total assets (kE ln): The natural logarithm of the company's total assets at the end of the previous month (in thousands of Euros)

 # other news: The inverse hyperbolic sine (arcsinh) of the number of the number of negative news from the Capital IQ Key Developments database in the previous 12 months

Internet Appendix

Corporate Social Responsibility and Employee Investment in Company Stock

Internet Appendix Table 1 – Comparing our sample to the SBF 120

This table presents the mean of the variables used in our main tables, comparing our sample to the sample of 120 firms that are part of the French Stock Index SBF120 over our sample period. *Equality test* is the result of a t-test of equality of the means of the two samples, and *N* is the number of observations. Variables are defined in Appendix 1.

	Mean (our sample)	Mean (SBF120 sample)	Equality test (p-value)	N (our sample)	N (SBF120 sample)
# news	12.80	9.06	0.00	1,056	5,760
# news E	6.56	3.48	0.00	1,056	5,760
# news S	7.22	4.21	0.00	1,056	5,760
# news G	5.09	4.41	0.02	1,056	5,760
# news employees	3.46	2.15	0.00	1,056	5,760
# news nonemployees	9.02	5.52	0.00	1,056	5,760
# other news	0.41	0.40	0.60	1,056	5,760
Total assets (kE ln)	16.62	16.37	0.00	1,056	5,532
Cash	0.10	0.09	0.00	1,056	5,292
Leverage	0.22	0.27	0.00	1,056	5,532
Capex	0.03	0.03	0.48	1,056	5,520
R&D expenses	0.01	0.01	0.00	1,056	5,760
Market value (ln)	9.46	8.94	0.00	1,056	5,589
ROA	0.05	0.04	0.00	1,056	5,532
Labor productivity	450.48	490.25	0.13	1,044	5,352
Sales growth	0.05	0.05	0.10	1,056	5,532
Stock return	0.01	0.01	0.06	1,056	5,039
Stock volatility	0.24	0.26	0.00	1,056	5,044
Dividend per share	1.98	1.52	0.00	1,056	5,377
Attention to stock t-12 to t-1	44.09	41.59	0.00	1,056	5,760

Internet Appendix Table 2 – Reprisk social subtopics

This table presents the classification of the 10 subcategories of Social incidents in RepRisk into our own two categories, "employee topics" (in Panel A), and "non-employee topics" (in Panel B).

	p1	p5	p25	mean	p50	p75	p95	p99	sd	N
Panel A: employee topics										
Discrimination in employment	0.00	0.00	0.00	0.26	0.00	0.00	2.00	3.00	0.64	1,056
Occupational health and safety issues	0.00	0.00	0.00	1.48	0.00	1.00	8.00	15.00	3.07	1,056
Poor employment conditions	0.00	0.00	0.00	1.16	0.00	2.00	5.00	9.00	1.98	1,056
Freedom of association and collective bargaining	0.00	0.00	0.00	0.55	0.00	1.00	3.00	5.00	1.14	1,056
Panel B: non-employee topics										
Child labor	0.00	0.00	0.00	0.33	0.00	0.00	2.00	4.00	0.90	1,056
Forced labor	0.00	0.00	0.00	0.55	0.00	1.00	3.00	4.00	1.13	1,056
Human rights abuses and corporate complicity	0.00	0.00	0.00	2.13	0.00	2.00	11.00	17.00	3.86	1,056
Social discriminaton	0.00	0.00	0.00	0.09	0.00	0.00	1.00	2.00	0.33	1,056
Impact on communities	0.00	0.00	0.00	4.55	0.00	2.00	33.00	44.00	10.32	1,056
Local participation issues	0.00	0.00	0.00	1.36	0.00	0.00	10.00	15.00	3.24	1,056

Internet Appendix Table 3 – Baseline results using a dummy as independent variable

This table presents linear regressions of the decision to invest in stock funds proposed by employers on ES performance, employee- and stock-level controls, year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in Panel A and the inverse hyperbolic sine (arcsinh) of the amount invested in Panel B. ES performance is measured using a dummy equal to one if at least one ES incident is reported by RepRisk in the year leading to the end of the previous month. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Decision to Invest in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
Any news ES	-0.260***	-0.258***	-0.263***	-0.256***	-0.257***
	(0.063)	(0.060)	(0.062)	(0.060)	(0.060)
Total assets (kE ln)	-0.391	-0.386	-0.670	-0.796	-0.976**
	(0.472)	(0.489)	(0.551)	(0.527)	(0.454)
Cash	-0.800	-0.842	-0.976	-0.660	-0.812
	(1.324)	(1.313)	(1.353)	(1.273)	(1.327)
Leverage	1.149	1.074	1.935	1.998	2.322*
	(1.361)	(1.344)	(1.639)	(1.609)	(1.376)
Capex	7.060	7.223	11.21	13.11	17.36
	(11.67)	(12.60)	(13.64)	(12.62)	(16.64)
R&D expenses	-5.920	-6.082	-14.70	-19.26	-26.45
	(13.11)	(15.77)	(19.35)	(17.89)	(23.02)
Market value (ln)	0.247*	0.248*	0.281*	0.228*	0.251*
	(0.145)	(0.144)	(0.145)	(0.137)	(0.132)
ROA	6.379**	6.454**	8.023**	8.149**	9.121**
	(3.229)	(3.044)	(3.632)	(3.459)	(4.246)
Labor productivity	-0.0007**	-0.0007**	-0.0007**	-0.0009***	-0.0008***
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)
Sales growth	-0.494***	-0.494***	-0.419**	-0.324*	-0.331**
	(0.167)	(0.171)	(0.188)	(0.173)	(0.163)
Stock ann. return	-0.466	-0.402	-0.687	-0.416	-0.286
	(1.455)	(1.379)	(1.477)	(1.425)	(1.500)
Stock volatility	-0.235	-0.277	-0.264	-0.320	-0.540
	(0.613)	(0.603)	(0.606)	(0.590)	(0.513)
Dividend per share	-0.073	-0.076	-0.054	-0.004	0.028
	(0.236)	(0.241)	(0.278)	(0.267)	(0.287)
Tenure	-0.0006**	-0.0006**	-0.0006**	-0.0006**	-0.0006**
	(0.0003)	(0.0003)	(0.0003)	(0.0003)	(0.0003)

Assets in savings plan (ln)	0.016***	0.016***	0.016***	0.016***	0.016***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Receives variable remuneration	0.288***	0.288***	0.288***	0.287***	0.287***
	(0.030)	(0.030)	(0.031)	(0.031)	(0.031)
Number of funds		0.0008	0.006	0.006	0.005
		(0.020)	(0.020)	(0.020)	(0.020)
Number of equity funds		0.018	0.015	0.022	0.024
		(0.028)	(0.029)	(0.027)	(0.028)
Average amount of variable remuneration in firm (ln)			-0.019	-0.014	-0.013
			(0.015)	(0.016)	(0.017)
Subscription rate of employees in firm				0.104**	0.104**
				(0.048)	(0.048)
Attention to stock					-0.003
					(0.005)
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.76	0.76	0.76	0.76	0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock	(2) Amount in company stock	(3) Amount in company stock	(4) Amount in company stock	(5) Amount in company stock
Any news ES	-2.132***	-2.108***	-2.143***	-2.072***	-2.071***
	(0.494)	(0.458)	(0.469)	(0.458)	(0.461)
Total assets (kE ln)	-7.432**	-7.254**	-9.056**	-10.28***	-10.21***
	(2.947)	(3.035)	(3.701)	(3.520)	(3.670)
Cash	-7.741	-8.712	-9.563	-6.490	-6.433
	(10.25)	(9.884)	(10.44)	(10.09)	(10.76)
Leverage	16.94*	15.68	21.14*	21.75*	21.63*
	(9.835)	(9.555)	(12.10)	(11.83)	(11.18)
Capex	89.62	90.72	116.0	134.4	132.8
	(95.74)	(100.6)	(108.8)	(100.3)	(133.0)
R&D expenses	-145.3	-144.4	-199.0	-243.3*	-240.6
	(105.9)	(126.0)	(152.5)	(142.0)	(188.8)
Market value (ln)	1.568	1.563	1.770	1.259	1.251
	(1.159)	(1.095)	(1.125)	(1.101)	(1.093)
ROA	73.08***	74.41***	84.36***	85.58***	85.21**
	(26.67)	(24.60)	(28.95)	(27.36)	(34.09)
Labor productivity	-0.008***	-0.008***	-0.008***	-0.009***	-0.009***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Sales growth	-3.476***	-3.498***	-3.019**	-2.104	-2.102
	(1.164)	(1.178)	(1.351)	(1.273)	(1.282)
Stock ann. return	-0.396	0.738	-1.072	1.563	1.514
	(11.70)	(10.82)	(11.49)	(11.06)	(11.88)
Stock volatility	-3.438	-3.987	-3.900	-4.446	-4.364
	(4.597)	(4.359)	(4.489)	(4.400)	(4.174)
Dividend per share	-0.229	-0.294	-0.155	0.331	0.319
	(1.963)	(1.977)	(2.215)	(2.115)	(2.257)
Tenure	-0.003	-0.003	-0.003	-0.003	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Assets in savings plan (ln)	0.130***	0.130***	0.130***	0.130***	0.130***
	(0.031)	(0.031)	(0.031)	(0.031)	(0.031)
Receives variable remuneration	2.828***	2.827***	2.828***	2.819***	2.818***
	(0.233)	(0.233)	(0.234)	(0.235)	(0.235)
Number of funds		0.0245	0.0598	0.0579	0.0582
		(0.166)	(0.163)	(0.154)	(0.160)
Number of equity funds		0.265	0.243	0.317	0.316
		(0.218)	(0.222)	(0.217)	(0.221)
Average amount of variable remuneration in firm (ln)			-0.122	-0.0729	-0.0734
			(0.115)	(0.115)	(0.122)
Subscription rate of employees in firm				1.011**	1.011**

				(0.402)	(0.402)
Attention to stock					0.001
					(0.038)
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.74	0.74	0.74	0.74	0.74

Internet Appendix Table 4 - Heterogeneity across E, S and G pillars

This table presents linear regressions of the decision to invest in stock funds proposed by employers on CSR performance, employee- and stock-level controls, and year-month and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in Panel A and the inverse hyperbolic sine (arcsinh) of the amount invested in Panel B. CSR performance is measured using the number of ESG incidents reported by RepRisk in the E, S, and G categories separately. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Decision to Invest in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
# news E	0.025	0.023	0.051	0.047	0.068
	(0.086)	(0.080)	(0.086)	(0.081)	(0.076)
# news S	-0.339***	-0.337***	-0.354***	-0.341***	-0.347***
	(0.068)	(0.069)	(0.071)	(0.069)	(0.070)
# news G	-0.0205	-0.0183	-0.0696	-0.0713	-0.0812
	(0.045)	(0.048)	(0.066)	(0.064)	(0.068)
Number of funds		0.00008	0.005	0.005	0.003
		(0.020)	(0.018)	(0.017)	(0.018)
Number of equity funds		0.012	0.006	0.014	0.017
		(0.025)	(0.024)	(0.021)	(0.021)
Average amount of variable remuneration in firm (ln)			-0.027*	-0.022	-0.020
			(0.016)	(0.016)	(0.017)
Subscription rate of employees in firm				0.097**	0.097**
				(0.046)	(0.046)
Attention to stock					-0.005
					(0.004)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.76	0.76	0.76	0.76	0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock	(2) Amount in company stock	(3) Amount in company stock	(4) Amount in company stock	(5) Amount in company stock
# news E	0.445	0.409	0.609	0.570	0.649
	(0.730)	(0.663)	(0.711)	(0.667)	(0.614)
# news S	-2.876***	-2.833***	-2.961***	-2.831***	-2.853***
	(0.547)	(0.554)	(0.563)	(0.547)	(0.546)
# news G	-0.392	-0.352	-0.724	-0.740	-0.776
	(0.369)	(0.391)	(0.518)	(0.490)	(0.514)
Number of funds		0.00463	0.0430	0.0411	0.0324
		(0.153)	(0.141)	(0.134)	(0.142)
Number of equity funds		0.215	0.171	0.242	0.254
		(0.182)	(0.167)	(0.155)	(0.161)
Average amount of variable remuneration in firm (ln)			-0.193*	-0.145	-0.139
			(0.114)	(0.113)	(0.116)
Subscription rate of employees in firm				0.951**	0.952**
				(0.387)	(0.388)
Attention to stock					-0.0170
					(0.0292)
Constant	-30.30	-26.22	-25.55	0.321	16.34
	(80.98)	(79.08)	(80.33)	(77.26)	(70.77)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.74	0.74	0.74	0.74	0.74

Internet Appendix Table 5 - Heterogeneity across E and S pillars controlling for other news

This table presents linear regressions of the decision to invest in stock funds proposed by employers on CSR performance, employee- and stock-level controls, and year-month and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in Panel A and the inverse hyperbolic sine (arcsinh) of the amount invested in Panel B. CSR performance is measured using the number of incidents reported by RepRisk in the E and S categories separately. In all regressions, we include as independent variable the number of negative news from the Capital IQ Key Developments database in the previous 12-month ("other news"). The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Decision to Invest in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
# news E	0.108	0.105	0.136	0.127	0.130
	(0.085)	(0.080)	(0.086)	(0.082)	(0.078)
# news S	-0.260***	-0.258***	-0.289***	-0.283***	-0.287***
	(0.066)	(0.065)	(0.072)	(0.070)	(0.070)
# other news	-0.194***	-0.193***	-0.201***	-0.189***	-0.184**
	(0.071)	(0.070)	(0.072)	(0.071)	(0.072)
Number of funds		0.002	0.008	0.008	0.007
		(0.020)	(0.018)	(0.018)	(0.018)
Number of equity funds		0.007	0.002	0.009	0.010
		(0.025)	(0.025)	(0.022)	(0.023)
Average amount of variable remuneration in firm (ln)			-0.024*	-0.020	-0.019
			(0.014)	(0.015)	(0.016)
Subscription rate of employees in firm				0.088*	0.088*
				(0.046)	(0.046)
Attention to stock					-0.0009
					(0.004)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1674516	1674516	1674516	1674516	1674516
R^2	0.76	0.76	0.76	0.76	0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock (arcsinh)	(2) Amount in company stock (arcsinh)	(3) Amount in company stock (arcsinh)	(4) Amount in company stock (arcsinh)	(5) Amount in company stock (arcsinh)
# news E	0.908	0.842	1.056	0.966	0.949
	(0.699)	(0.646)	(0.707)	(0.676)	(0.647)
# news S	-2.576***	-2.537***	-2.747***	-2.685***	-2.656***
	(0.514)	(0.501)	(0.560)	(0.545)	(0.524)
# other news	-1.016**	-0.984**	-1.043**	-0.915*	-0.950*
	(0.494)	(0.484)	(0.499)	(0.495)	(0.488)
Number of funds		0.0212	0.0646	0.0623	0.0657
		(0.152)	(0.145)	(0.138)	(0.145)
Number of equity funds		0.192	0.157	0.228	0.222
		(0.187)	(0.180)	(0.169)	(0.177)
Average amount of variable remuneration in firm (ln)			-0.165	-0.118	-0.122
			(0.106)	(0.106)	(0.113)
Subscription rate of employees in firm				0.904**	0.903**
				(0.392)	(0.393)
Attention to stock					0.007
					(0.028)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.74	0.74	0.74	0.74	0.74

Internet Appendix Table 6 - Heterogeneity across E and S pillars using dummy variables

This table presents linear regressions of the decision to invest in stock funds proposed by employers on CSR performance, employee- and stock-level controls, and year-month and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in Panel A and the inverse hyperbolic sine (arcsinh) of the amount invested in Panel B. CSR performance is measured using dummy variables equal to one if at least one incident is reported by RepRisk in the E and S categories respectively. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Decision to Invest in Company Stock

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
Any news E	0.050	0.048	0.091	0.087	0.125
	(0.067)	(0.082)	(0.094)	(0.089)	(0.084)
Any news S	-0.411***	-0.404***	-0.434***	-0.419***	-0.438***
	(0.066)	(0.065)	(0.071)	(0.070)	(0.073)
Number of funds		-0.002	0.002	0.002	-0.002
		(0.019)	(0.017)	(0.017)	(0.017)
Number of equity funds		0.021	0.019	0.026	0.030
		(0.028)	(0.028)	(0.026)	(0.026)
Average amount of variable remuneration in firm (ln)			-0.021	-0.016	-0.014
			(0.016)	(0.016)	(0.017)
Subscription rate of employees in firm				0.102**	0.102**
				(0.047)	(0.047)
Attention to stock					-0.005
					(0.004)
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.76	0.76	0.76	0.76	0.76

Panel B: Amount Invested in Company Stock

	(1) Amount in company stock	(2) Amount in company stock	(3) Amount in company stock	(4) Amount in company stock	(5) Amount in company stock
Any news E	0.739	0.698	0.991	0.961	1.117*
	(0.691)	(0.644)	(0.731)	(0.685)	(0.643)
Any news S	-3.379***	-3.284***	-3.489***	-3.336***	-3.418***
	(0.543)	(0.524)	(0.554)	(0.555)	(0.579)
Number of funds		-0.019	0.008	0.007	-0.007
		(0.145)	(0.136)	(0.130)	(0.135)
Number of equity funds		0.304	0.285	0.357*	0.375*
		(0.209)	(0.209)	(0.205)	(0.211)
Average amount of variable remuneration in firm (ln)			-0.145	-0.096	-0.088
			(0.117)	(0.117)	(0.122)
Subscription rate of employees in firm				0.998**	0.999**
				(0.395)	(0.397)
Attention to stock					-0.022
					(0.0255)
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.74	0.74	0.74	0.74	0.74

Internet Appendix Table 7 – Heterogeneity across Social dimensions using dummy variables

This table presents linear regressions of the decision to invest in stock funds proposed by employers on E or S performance, employee- and stock-level controls, and year-month, firm and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. The dependent variable is an indicator variable equal to one if the employee invests in the stock fund in column (1) and the inverse hyperbolic sine (arcsinh) of the amount invested in column (2). E performance is measured using a dummy variable equal to one if at least one incident is reported by RepRisk in the E category in the year leading to the month before the month under consideration. The S category is split into two dummy variables equal to one if there was at least one S incident concerning employees and not directly concerning employees in the past year respectively. The former is incidents in the RepRisk categories "employment discrimination", "employee health and safety conditions", "employment conditions", "freedom of association of workers". The latter is incidents in the RepRisk categories "child labor", "forced labor", "human rights", "social discrimination" (outside of employment), "impact on communities", and "local participation". The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

	(1) Invests in company stock	(2) Amount in company stock
Any news employees	-0.698***	-5.460***
	(0.139)	(1.137)
Any news nonemployees	0.037	0.291
	(0.156)	(1.233)
Any news E	0.176**	1.517**
	(0.087)	(0.678)
Number of funds	0.005	0.045
	(0.018)	(0.139)
Number of equity funds	0.016	0.266
	(0.024)	(0.185)
Average amount of variable remuneration in firm (ln)	-0.020	-0.131
	(0.016)	(0.114)
Subscription rate of employees in firm	0.089*	0.890**
	(0.046)	(0.393)
Attention to stock	-0.015***	-0.100**
	(0.005)	(0.040)
Controls	Yes	Yes
Individual FE	Yes	Yes
Firm FE	Yes	Yes
Year-Month FE	Yes	Yes
Observations	1,674,516	1,674,516
R^2	0.76	0.74

Internet Appendix Table 8 – E and S news and stock returns (all stocks in SBF 120)

This table presents linear regressions of firm's stock returns on their E and S performance, stock-level controls, and year-month and stock fixed effects, using the entire sample of firms part of the French index SBF 120 over our sample period. Observations are at the stock-month level. The dependent variable is the return in the coming month in column (1), and in years 1, 2, 3, and 4 in columns (2), (3), (4), and (5), respectively. ES performance is measured using the number of E and S incidents reported by RepRisk in the 12 previous months. The total number of news appears in Panel A, the number of news in each category (E and S) in Panel B. In Panel C, S-type news are split into two sub-categories, namely, events affecting employees (in the categories "employment "employment discrimination", "employee health and safety conditions", "employment conditions", "freedom of association of workers"), and events not affecting employees (belonging to the categories "child labor", "forced labor", "human rights", "social discrimination" (outside of employment), "impact on communities", and "local participation"). The control variables are described in Appendix 1. Standard errors clustered at the stock level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

Panel A: Number of news and future returns

	(1) 1M stock return	(2) 1Y stock return	(3) 2Y stock return	(4) 3Y stock return	(5) 4Y stock return
# news ES	-0.0008	-0.011	-0.013	-0.006	-0.005
	(0.002)	(0.017)	(0.011)	(0.009)	(0.006)
Controls	Yes	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	5,447	4,415	4,415	4,415	3,966
R^2	0.28	0.46	0.66	0.76	0.82

Panel B: Number of news of each type and future returns

	(1) 1M stock return	(2) 1Y stock return	(3) 2Y stock return	(4) 3Y stock return	(5) 4Y stock return
# news E	-0.003	-0.020	-0.022*	-0.005	-0.001
	(0.003)	(0.019)	(0.013)	(0.010)	(0.008)
# news S	0.001	-0.003	0.002	0.00002	-0.004
	(0.002)	(0.017)	(0.012)	(0.010)	(0.008)
Controls	Yes	Yes	Yes	Yes	Yes
Stock FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	5,447	4,415	4,415	4,415	3,966
R^2	0.28	0.46	0.66	0.76	0.82

Panel C: Number of news directly affecting employees and future returns

	(1) 1M stock return	(2) 1Y stock return	(3) 2Y stock return	(4) 3Y stock return	(5) 4Y stock return
# news employees	0.001	-0.01	-0.007	0.001	-0.008
	(0.002)	(0.017)	(0.011)	(0.007)	(0.006)
# news nonemployees	-0.001	0.024	0.009	-0.002	0.004
	(0.002)	(0.018)	(0.012)	(0.009)	(0.007)
# news E	-0.003	-0.032	-0.026*	-0.003	-0.003
	(0.003)	(0.021)	(0.013)	(0.010)	(0.008)
Controls	Yes	Yes	Yes	Yes	Yes
Observations	5,447	4,415	4,415	4415	3966
R^2	0.28	0.46	0.66	0.76	0.82

Internet Appendix Table 9 – Baseline results with alternative timing of CSR performance

This table presents linear regressions of the decision to invest in stock funds proposed by employers on CSR performance, employee- and stock-level controls, and year-month and employee fixed effects. Observations are at the employee-month level, in months in which employers create new stock funds. CSR performance is measured using the number of ES incidents in months t-4 to t-12 or in months t-7 to t-12. The control variables are described in Appendix 1. Standard errors clustered at the firm level are in parenthesis. *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock
# news ES t-12 to t-4	-0.177*** (0.050)			
# news E t-12 to t-4		0.071 (0.043)		
# news S t-12 to t-4		-0.334*** (0.064)		
# news ES t-12 to t-7			-0.258*** (0.048)	
# news E t-12 to t-7				-0.015 (0.049)
# news S t-12 to t-7				-0.457*** (0.075)
Controls	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.76	0.76	0.76	0.76

Internet Appendix Table 10 - Baseline results controlling for past returns

This table presents the same linear regressions as in the tests in Tables 3, with alternative control variables. Specifically, in each column we control for the past return of the company's stock over different windows. The regression in Column (1) is the same as in Table (2), Column (5). *, and, respectively, ** and ***, indicate statistical significance at the 10%, and respectively, the 5%, the 1% level.

	(1) Invests in company stock	(2) Invests in company stock	(3) Invests in company stock	(4) Invests in company stock	(5) Invests in company stock
# news E	0.065	0.067	0.118	0.040	0.316***
	(0.075)	(0.112)	(0.083)	(0.069)	(0.075)
# news S	-0.373***	-0.375***	-0.373***	-0.369***	-0.225***
	(0.081)	(0.094)	(0.082)	(0.080)	(0.053)
Stock cumulative return (t-4, t-1)		-0.0206			
		(0.642)			
Stock cumulative return (t-7, t-1)			-0.463*		
			(0.243)		
Stock cumulative return (t-13, t-1)				-0.273	
				(0.281)	
Stock cumulative return (t-25, t-1)					-0.904***
					(0.153)
Controls	Yes	Yes	Yes	Yes	Yes
Individual FE	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year-Month FE	Yes	Yes	Yes	Yes	Yes
Observations	1,674,516	1,674,516	1,674,516	1,674,516	1,674,516
R^2	0.76	0.76	0.76	0.76	0.76