Does Corporate Purpose Conflict With Shareholder Returns?*

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Abstract

This paper studies the link between purpose statements and future shareholder returns. Using a combination of ChatGPT and deep neural networks models, we identify a "purpose statement" as one that views stakeholder value as a means to ultimately improve shareholder value, in contrast to "purpose-like" statements that place shareholders and stakeholders on an equal footing. A value-weighted portfolio of companies with purpose statements earns a 0.30% monthly alpha above characteristics benchmarks; a long-short portfolio that buys firms with purpose statements and sells those with purpose-like statements earns a 0.31% monthly alpha. Purpose statements are positively linked to future earnings surprises, suggesting a channel through which they lead to higher stock returns, but purpose-like statements are not.

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1. Introduction

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

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

However, purpose is also controversial. On the same day that the BRT changed its statement, the Council of Institutional Investors stated that "we respectfully disagree with the statement issued by the BRT earlier today . . . accountability to everyone means accountability to no one." More

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

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

The shareholder value implications of purpose hinge critically on how it is defined. Many advocates of purpose highlight how companies should invest in stakeholders *in order to* enhance shareholder value, but that stakeholder value should not be the end in itself. Edmans (2020) states that "a responsible business *creates profits through creating value for society*" (emphasis in original) and introduces three principles to constrain a company's purpose and ensure that it ultimately improves shareholder value; Edmans (2023) stresses how investing in stakeholders is subject to the same diminishing returns and trade-offs as any other investment. In contrast, other companies include stakeholder value as part of the objective function. This could be because shareholders themselves care about stakeholder value (Hart and Zingales, 2017), the CEO cares about stakeholder value and pursues it due to an agency problem (Jensen and Meckling, 1976; Masulis and Reza, 2015; Cheng, Hong, and Shue, 2023), or the CEO wishes to divert attention away from poor shareholder value creation (Flugum and Souther, 2025).

This paper studies the shareholder value implications of purpose statements. We define a *purpose statement* as one that not only includes references to both stakeholders and shareholders but contains a causal connection from the former to the latter. An example is "We believe that environmental, social and governance ("ESG") initiatives are a vital part of corporate responsibility, which supports our primary goal of increasing stockholder value through profitable growth" (Healthpeak Properties, 2020 10-K). In contrast, a *purpose-like statement* is one that lists stakeholders and shareholders but contains no causal link. For example, the new Business Roundtable statement features them on an equal footing, and "Our goal is to become the global

leader in environmental, energy, fluid handling and filtration products and services by delivering exceptional value for our customers, shareholders, and employees" (CECO Environmental, 2017 10-K), if anything, gives priority to the environment over shareholders. An *ES statement* contains references to stakeholders only and not shareholders. We use "mission statements" as an umbrella term to refer to purpose, purpose-like, or ES statements.

Since both purpose and purpose-like statements contain both stakeholder and shareholder keywords, distinguishing between them requires identifying the presence of a causal connection. To do so, we apply a two-step method. The starting point is a *dependency relation*, a link between words in a sentence. The Universal Dependencies framework, widely used in linguistics, classifies dependency relations into 37 core types. In the first stage, we use ChatGPT to identify the dependency relations most indicative of a causal structure, and it returned five (adverbial clause modifier, marker used with causal conjunctions, oblique nominal, clausal complement, and open clausal complement). The use of ChatGPT is more objective than the authors undertaking a subjective classification, and this approach is easier to replicate and scale consistently across a large body of documents while limiting researcher discretion. In the second stage, we used a deep neural network-based tool to identify whether a mission statement contains one of the five dependency relations, and thus can be classified as a purpose statement.

Our method contrasts the common "bag-of-words" approach which investigates the inclusion of certain words but not the relationship between them, and thus would be unable to distinguish between purpose and purpose-like statements. We conduct our analysis on mission statements disclosed in 10-K reports between June 2004 and May 2023. We focus on 10-K reports since their regulatory nature means that firms must avoid making materially false or misleading statements; in contrast, annual reports or shareholder letters are partially used for marketing.

Our main analysis studies the link between purpose statements and shareholder returns. We do not hypothesize a causal relationship, i.e. that companies can increase their shareholder returns merely by issuing a purpose statement. Instead, we explore whether the companies that endogenously issue purpose statements are fundamentally different from those that do not. In contrast to those that issue no statement at all, they recognize the importance of investing in stakeholders to deliver shareholder value; in contrast to those that issue purpose-like or ES statements, they view shareholder value as the ultimate objective. Thus, a purpose statement may cause a company to invest in stakeholders to improve shareholder value, or indicate that it already does so. Either way, the company will create more shareholder value than its peers; if this is not fully priced into the market, it will lead to higher stock returns (the "value hypothesis"). There would be no link if purpose statements are fully priced in, or if they are uninformative about how a company actually operates: for example, if they are issued predominantly for marketing or regulatory purposes, or if firms pay little attention to the crafting of such statements (the "irrelevance hypothesis"). There would also be no link if purpose statements are redundant: if all companies knew that building stakeholder capital is necessary to create shareholder value (the "redundancy hypothesis").

We find a significant positive relationship between the issuance of purpose statements and shareholder returns. A value-weighted "Purpose Portfolio," of companies that issue purpose statements, delivers a monthly Fama-French five-factor alpha of 0.33% (4% annually). This alpha is 0.27% above industry peers and 0.30% above a characteristic-matched portfolio; all three alphas are statistically significant at the 5% level or lower. In contrast, a "Purpose-Like Portfolio," of companies that issue purpose-like statements, delivers insignificant alphas over all three

benchmarks. The same is true for an "ES Portfolio" of companies that issue ES statements. These results are consistent with the value hypothesis, but not the irrelevance or redundancy hypotheses.

To more precisely contrast purpose statements with other statements, we next study the returns to a long-short portfolio that buys all companies with a purpose statement and sells all companies with a purpose-like statement. Such a strategy earns 0.31% per month (3.7% annually), significant at the 10% level. A similar strategy that sells companies with ES statements (no statements) earns an excess return of 0.31% (0.4%) per month, significant at the 5% (1%) level.

The above portfolios are formed based on the fiscal year-end date of the 10-K report. They thus study whether firms with purpose statements perform differently from those without, irrespective of whether investors can act on any correlation. We then show that our results are robust to delaying portfolio formation until the actual filing dates of the 10-Ks, which can be up to 90 days after the fiscal-year end. Thus, irrespective of whether purpose statements cause a company to invest in stakeholders differently or indicate that a company invests in stakeholders differently, investors can use the existence of purpose statements to identify firms that are likely to outperform. We find similar results using the pooled panel regressions of Brennan, Chordia, and Subrahmanyam (1998) that control for a long list of firm characteristics rather than covariances.

We study stock returns because they capture all the mechanisms through which a company's different investment behavior, as captured by a purpose statement, may affect shareholder value. However, our stock return results admit alternative explanations: they may result from risks not captured by the five-factor model or changes in tastes (Pastor, Stambaugh, and Taylor, 2021). We study earnings surprises to identify a channel through which companies with purpose statements ultimately deliver higher shareholder returns. We find that firms with purpose statements

systematically deliver earnings announcements that beat analyst expectations. In contrast, there is no link between either purpose-like or ES statements and earnings surprises.

This paper is part of a literature examining the goals of a corporation. Most closely related is Rajan, Ramella, and Zingales (2023) who identify purpose statements as expressed in shareholder letters. Their focus is the corporate goals that are expressed in such statements, such as whether they concern customers, employees, suppliers, innovation, or risk management. In contrast, we distinguish between different types of mission statements and study their implications for shareholder returns. We also identify mission statements from 10-Ks, as regulatory filings are more likely to reflect how a company fundamentally operates rather than used for marketing or investor relations objectives. Woolfe (2020) studies whether purpose statements of U.K. companies contain a link to business and a link to strategy, and the number of stakeholder groups they mention. Gartenberger, Prat, and Serafeim (2019) use four questions from the Great Place to Work survey to measure the strength of corporate purpose, but not the goals in a purpose statement.

In an influential essay, Friedman (1970) argued that the only goal of a company should be to maximize shareholder value but stressed that doing so requires a company to invest in stakeholders. Jensen (2001) and Denis (2016) also advocate for this sole objective. If CEOs with this exclusive goal recognized the importance of investing in stakeholders to achieve it, then purpose statements would be redundant. In contrast, Edmans (2020) argues that purpose plays a useful practical role by highlighting the importance of stakeholder capital that CEOs might have otherwise overlooked, similar to how a strategy provides a company with clearer direction than simply having shareholder value as an objective. A third perspective is offered by Bebchuk and Tallarita (2020), who suggest that having stakeholder value as an objective is detrimental to shareholder value. Although Hart and Zingales (2017) point out that this may still improve

shareholder welfare, the implications for shareholder value remain the same: companies with purpose-like statements and ES statements should underperform both companies with purpose statements and those with no statement at all.

2. Purpose Statements

To identify purpose statements, we first download the latest 10-K reports filed by all U.S. public reporting entities through the EDGAR system for each fiscal year ending between June 1, 2004, and May 31, 2023. We focus on these SEC filings because, unlike annual reports and shareholder letters, 10-K reports are required for all publicly traded firms, audited, and less driven by marketing motives. By law, firms must avoid making materially false or misleading statements in their 10-Ks and have been sued for doing so; CEOs and CFOs must personally certify the accuracy of these filings under the Sarbanes-Oxley Act of 2002. The SEC reviews 10-K filings for compliance, and these filings are publicly accessible on the SEC's EDGAR website and often on companies' own websites. The mandatory nature of 10-K reports yields a comprehensive sample; the regulatory nature reduces incentives to misrepresent true purposes and making any statement more reflective of fundamental business beliefs.[3]

As is common in the asset pricing literature, we exclude penny stocks (i.e., with a closing price below $5 at fiscal year-end) to avoid biases due to delisting (Shumway, 1997), illiquidity, and extreme volatility (e.g., Fama and French, 1993). The resulting sample comprises 59,529 downloaded 10-K reports for fiscal years 2004-2022, which are linked to 8,246 unique firms with

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

a central index key (CIK) in the Compustat/CRSP merged database. This represents 80% of the U.S. publicly traded firms covered in the database, as some firms with CIKs (e.g., certain foreign entities and investment companies) are not required to file 10-Ks.

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

We use the following steps to identify mission statements and classify them. First, we search for sentences containing purpose-related keywords. Following Rajan, Ramella, and Zingales (2023), the list of keywords includes "purpose," "mission," "vision," "goal," "strategy," "objective," "commit," "focus," and their variants, consistent with the Oxford Dictionary's definition of *purpose* as "that which a person sets out to do or attain; an object in view; a determined intention or aim."[5] For sentences with successful keyword hits, we then examine whether they concern the firm's stakeholders, shareholders, or both. To identify stakeholders, we rely on a list that combines ES-related keywords from Baier, Berninger, and Kiesel (2020, Table 3), keywords referring to stakeholder groups other than shareholders (e.g., employees and

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

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

consumers), and glossaries created by investment and consulting firms specialized in sustainable investing.[6]

We remove keywords that need not have an ES meaning to reduce Type I errors (false positives). For example, "water" might refer to a utility company's core business, such as "*American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States*"; "green" can appear in a company name without necessarily indicating an environmental focus, such as "*Green Plains, Inc.*," and "foundation" can be used in ordinary language without implying a charitable foundation, such as "*We believe that the smaller format maintains the dynamic customer experience that is the foundation of our brand and allows us flexibility*." Finally, because the words "equity" and "equal" frequently appear in 10-K filings and are not always used in the context of ES topics, we follow Balakrishnan et al. (2023) and require these two keywords to appear with another ES keyword in the same sentence to avoid false positives.[7]

Appendix A details the final list, which includes words such as "biodiversity," "decarbonization," "justice," "nondiscrimination," "safety," and "wages." For shareholders, we compile a concise keyword list including "shareholder," "stockholder," "investor," and their variants. We define mission statements containing only stakeholders but not shareholders as "ES statements."

Next, we take the statements containing both stakeholders and shareholders, and follow a two-step method to analyze the *dependency relation* between them. A *dependency relation* is an asymmetric grammatical link between words in a sentence, where one element (the "dependent")

[6] These glossaries are provided by ROBECO, Global Affairs Associates, and First Affirmative Financial Network.
[7] For example, rather than speaking to societal or human rights equity and equality, "equity" may appear in discussions of equity transactions and "equal" may appear in discussions of numerical equality.

relies on another (the "head") for its meaning or grammatical function. For example, in "for the benefit of our shareholders," "benefit" is the head and "shareholders" is the dependent.

In the first step, we classify the 37 dependency relations in the Universal Dependencies framework; see De Marneffe et al. (2021) for the full list. However, most of these relations are structural – concerning grammatical form and descriptive links between words – rather than causal. We thus use ChatGPT to identify the dependency relations most indicative of a causal structure: adverbial clause modifier, marker (when used with causal conjunctions), oblique nominal, clausal complement, and open clausal complement.[8] These are further detailed in Appendix B. ChatGPT classifies these relations as (i) having "moderate, moderate-to-strong, or strong" causal strength and (ii) being more likely to express explicit causality (e.g., through conjunctions or prepositions such as *because*, *since*, or *due to*), rather than implicit causality, which requires the reader to infer cause–effect relationships from context or sequencing.[9]

Based on the five dependency relations listed in Appendix B, we then, as the second step, apply the Stanford Dependency Parser, a machine learning-based tool developed by the Stanford Natural Language Processing Group, trained on a deep neural networks model using articles from various sources such as the *Wall Street Journal*. It identifies syntactical features of sentences to extract the dependency relation between words and then applies this knowledge to analyze new sentences. The reported accuracy of this parser reaches 92% (Chen and Manning, 2014). Thus, this parser analyzes contextual meanings, in contrast to other textual analysis tools (e.g., the bag-of-words approach) that merely identify words.

[8] In our initial analysis, conducted before ChatGPT, we used subjective judgment to identify the dependency relations that suggest causality, and came up with oblique nominal, adverbial clause modifier, relative clause modifier, and clausal complement. Three of these four are in the five identified by ChatGPT. All results were similar.

[9] While other dependency relations may occasionally be consistent with causal interpretations, we do not rely on them because weaker or more implicit signals are more likely to increase false positives in our classification.

In applying the parser, we require that: (a) a shareholder keyword exists within ten dependency relations of an ES-related keyword[10] and (b) the part containing the shareholder keyword and the part containing the ES-related keyword are grammatically linked through one of the five dependency relations most indicative of a causal structure. Statements that meet both requirements are therefore defined as "purpose statements"; the rest are defined as "purpose-like statements."

The *adverbial clause modifier* relation arises when a clause modifies a verb. An example is from Wyndham Worldwide Corporation's 2015 10-K:

*"Our **mission** is to increase **shareholder** value by offering the widest ranges of places to stay thereby allowing **customers** to experience travel the way they want."*

The shareholder keyword, "shareholder," is within seven dependency relations from the ES keyword, "customers" (shareholder → value → increase → offer → stay → allow → customers). The relationship between "increase" and "offer" is an adverbial clause modifier because the adverbial clause "by offering the widest ranges of places to stay thereby allowing customers to experience travel the way they want" describes how the mission is accomplished. Thus, the extract is classified as a purpose statement. It states that the company's mission is to deliver an exceptional customer experience which creates long-term value for shareholders.

The causal marker relationship arises when a marker introduces a subordinate clause that expresses an intended result, purpose, or cause. An example is the following sentence from Pool Corporation's 2015 10-K:

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

*"Our **mission** is to provide exceptional value to our **customers** and suppliers, in order to provide exceptional return to our **shareholders** while providing exceptional opportunities to our employees."*

"Shareholders" is within five dependency relations from customers" (shareholders → return → in (order to)→ provide → value → customers). "In order to" is a causal marker. The statement explains that the company's mission is to provide exceptional value to their customers and suppliers in order to provide exceptional return to their shareholders.

The *oblique nominal* relationship arises when a nominal (noun, pronoun, or noun phrase) functions as a non-core (oblique) argument or adjunct.[11] An example is the following sentence from Apache Corporation's 2017 10-K:

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

In this example, the purpose keyword is "mission," the shareholder keyword is "shareholders," and the ES keyword is "responsible." "Shareholders" is within four dependency relations from "responsible": "shareholders" is in a dependency relation with "benefit," "benefit" with "grow,"

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

"grow" with "manner," and "manner" with "responsible."[12] The relationship between "benefit" and "grow" is oblique nominal because "benefit" is the object of the phrase "for the long-term benefit of our shareholders" which modifies the verb "to grow" by expressing the purpose of the growth. The relationship between "grow" and "manner" is also oblique nominal because the preposition "in" introduces the noun "manner," which describes how the action of growing is carried out. Thus, the above is classified as a purpose statement. It states that the company's mission is to grow in a responsible manner which benefits the shareholders.

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

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

"Shareholders" is within six dependency relations from "responsibility" (shareholders → return → provide → serve → focus → value → communities). The relationship between "provide" and "serve" is a clausal complement because the clause "to provide exceptional return for our shareholders" acts as a complement to the verb "serve" and explains the purpose of serving. Thus,

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

the sentence is classified as a purpose statement. It states that the company's focus is to provide exceptional return for shareholders by creating value for the communities.

An open clausal complement arises "when a verb or adjective takes a predicative or clausal complement that lacks its own explicit subject." An example is the following sentence from Spectra Energy's 2012 10-K:

"Spectra Energy's primary business ***objective*** *is to provide value-added, reliable and* ***safe*** *services to customers , which Spectra Energy believes will create opportunities to deliver increased earnings and dividends per share and value to* ***shareholders*** *of Spectra Energy ."*

"Shareholders" is within six dependency relations from "safe" (shareholders → value → deliver →create → believes → services →safe). The relationship between "create" and "believe" in "which...believes..." is open clausal complement. The clause describing value-added, reliable, and safe services is presented as the company's primary objective, and the subsequent clause ("which … will create opportunities to deliver increased earnings and dividends per share and value to shareholders") expresses the intended outcome of that objective. It states that the company's objective is to provide safe services to customers which creates value for shareholders.

In contrast, an example of a purpose-like statement is from CECO Environmental's 2017 10-K, as mentioned in the introduction:

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

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

Finally, an example of an ES statement is the following sentence from Etsy, Inc's 2018 10-K: *"Our **mission** is to "Keep Commerce Human," and we're committed to using the power of business and technology to strengthen **communities** and empower people around the world."*

We code an indicator variable, *Purpose*, which equals one if the firm's 10-K filing contains a purpose statement, and zero otherwise. Similarly, *Purpose-Like* is an indicator variable for a purpose-like statement, and *ES* for an ES statement. There are very few statements that contain a shareholder keyword but no ES keyword, so we do not classify them; this means that companies with such statements are combined with companies with no mission statement.

Table 1, Panel A reports the yearly distribution of the three types of statements in the initial sample. ES statements are the most frequent type, appearing in 22,856 of the 59,529 10-K reports, or 38% of the sample. However, their popularity has varied considerably over the sample period: the annual frequency was only around 19–23% in the first four years (2004–2007), jumped to 37% in 2008, hovered in the high-30% to low-40% range during 2009–2016, peaked at 49% in 2017, and then gradually declined to 39% by 2022. Only 4,505 (8%) of 10-Ks contain purpose

statements, while 3,171 (5%) contain purpose-like statements. It is potentially surprising that stakeholder-only statements are significantly more common than those that reflect both stakeholders and shareholders, given the fiduciary duty of a corporation, and indeed have been issued by approximately two-fifths of companies in every year between 2009-2022.

Although the frequencies of purpose and purpose-like statements differ, they follow broadly similar time trends. Both were rare in the early years of the sample (both below 4% prior to 2008) and then increased steadily over time, peaking in 2022 (16% for purpose statements and 10% for purpose-like statements). Interestingly, there appears to be a substitution between ES statements and purpose or purpose-like statements in the latter years. ES statements rose sharply after 2008 and peaked in 2017, after which their prevalence declined into the low-40% range, while purpose and purpose-like statements continued to increase. Figure 1 illustrates the time trends in the three types of statements. The fourth category of 10-Ks feature no mission statement at all.

Table 1, Panel B illustrates where purpose statements appear in the 10-K reports. On average, a slightly higher percentage of purpose statements are included in the Business (Item 1) than in the MD&A section (Item 7), at 64% vs. 50%.

Table 2, Panel A presents the characteristics of firm-years with purpose statements and Panel B compares them across firm-years with purpose-like or ES statements. Compared to the average firm in the Compustat database, firm-years with purpose statements tend to be larger, have higher book-to-market ratios, be more profitable, be less leveraged, and invest more intangibles. These differences become more pronounced when comparing firm-years with purpose statements to those with ES statements. Although firm-years with purpose statements tend to have a lower book-to-market ratio than those with purpose-like statements, they tend to have a higher book-to-market ratio than those with ES statements.

3. Stock Returns

3.1 Hypothesis development

Our hypothesis is that firms differ in their objectives and the investments that they will pursue to achieve these objectives, and that mission statements are valuable in shedding light on these objectives and strategies. We call this the "value hypothesis."

Under this hypothesis, there are three sets of companies. *Enlightened shareholder capitalists* seek to maximize shareholder value and recognize that doing so requires significant stakeholder investments – including many that take a long time to ultimately translate into shareholder value. However, they view stakeholder value as a means to create shareholder value rather than as an end in itself. Such companies will issue a purpose statement, which encapsulates their goal and their intended means of achieving this goal.

The second set, *narrow shareholder capitalists*, seek to maximize shareholder value but do not recognize the role that stakeholder investments play in doing so. This may be due to having short time horizons or believing that stakeholder value is at the expense of shareholder value, as commonly expressed by opponents of stakeholder capitalism. They may make investments with a direct link to shareholder value (e.g., R&D and advertising) but not others that indirectly benefit shareholder value through creating stakeholder value (e.g., employee wellbeing). Such companies will issue no statement (or a shareholder-only statement).

The third set, *stakeholder capitalists*, view stakeholder value as an end in itself, and pursue it even if doing so does not maximize shareholder value. This could be stakeholder value is part of the objective function of investors (Hart and Zingales, 2017) or of the CEO (e.g. Masulis and Reza, 2015; Cheng, Hong, and Shue, 2023). These companies will issue either purpose-like or ES statements.

Under the value hypothesis, firms issuing purpose statements will outperform those issuing no statement, because they will make positive-NPV investments that the latter will not. They will also outperform those issuing purpose-like or ES statements, because the latter may invest in stakeholder capital beyond the point that it increases shareholder value. However, we do not have strong predictions for whether companies issuing purpose-like or ES statements will outperform those without: they will take both positive- and negative-NPV investments that the latter will not.

An alternative hypothesis is the "irrelevance hypothesis" – that mission statements are irrelevant. Their content (or absence) simply reflects a firm's marketing or investor relations activities with no link to how the firm is fundamentally run. Under this hypothesis, there should be no association between any type of mission statement and shareholder returns. Mission statements will also be irrelevant for shareholder returns if any value implications are fully priced by the market.

A third hypothesis is the "redundancy hypothesis" – that purpose statements are redundant. All companies, whose objective is shareholder value, know that investing in stakeholders is necessary to achieve this objective (Friedman, 1970; Jensen, 2001; Denis, 2016). All shareholder capitalists are enlightened; there are no myopic shareholder capitalists. Some choose not to issue purpose statements as they believe that it is stating the obvious; others may do so anyway believing that even though it has little benefit, it has little cost. Thus, firms issuing purpose statements should perform the same as firms with no mission statement: both will pursue all positive-NPV investments. In addition, both will outperform firms with purpose-like and ES statements as the latter will undertake some negative-NPV investments.

The table below summarizes the statements issued by the three types of firms, and the return implications, under each hypothesis:

	Value	Irrelevance	Redundancy
Enlightened shareholder capitalists	Purpose statement	Any statement or no statement	Purpose statement or no statement
Narrow shareholder capitalists	No statement	Any statement or no statement	*[Non-existent]*
Stakeholder capitalists	Purpose-like or ES statement	Any statement or no statement	Purpose-like or ES statement
Return implications	Purpose statements outperform no, purpose-like, and ES statements	None	Purpose statements perform similarly to no statements; both outperform purpose-like and ES statements

We test the value hypothesis by studying the link between purpose statements and shareholder returns. The latter captures all the channels through which being an enlightened shareholder capitalist ultimately benefit shareholders: it may lead to higher current profits, higher expected future profits, new products and contracts, more valuable intangible assets such as brand and corporate culture, or a company announcing positive-NPV investments. In contrast, studying (for example) the link with current accounting profits would only capture the first channel. Valuation ratios or event study returns may substantially underestimate any relationship, given previous evidence that the market fails to fully incorporate intangibles. Firms with superior governance (Gompers, Ishii, and Metrick, 2003; Giroud and Mueller, 2011), employee satisfaction (Edmans, 2011, 2012; Boustanifar and Kang, 2022), customer satisfaction (Fornell et al., 2006, 2016), and high R&D and advertising expenditure (Chan, Lakonishok, and Sougiannis, 2001) all earn higher long-run returns. The link between purpose statements and shareholder returns is thus a joint test of the association between purpose statements and shareholder value, and the extent to which this association is not priced by the market. If the market partially prices in this association, then any long-run returns will be an underestimate of the correlation between purpose statements and shareholder value.

Note that we are not hypothesizing a causal relationship between purpose statements and stock returns – that a firm can increase its future stock returns merely by issuing a purpose statement. Whether a firm has a purpose statement (versus a purpose-like statement, an ES statement, or no statement at all) is clearly endogenous. Instead, our hypothesis is that firms that endogenously choose to issue purpose statements are different types of firms: they are enlightened shareholder capitalists that recognize the importance of creating stakeholder value to increase shareholder value, but do not view it as an end in itself. We are exploring whether the firms that issue purpose statements perform better than those that do not, in contrast to concerns that purpose statements are irrelevant because they are simply marketing slogans, or redundant because the exclusive goal of shareholder value is sufficient to induce positive-NPV investments in stakeholders. In addition, any relationship would be of interest to investors as they can use the existence of purpose statements as a window into the company, and thus a guide to their investment decisions.

We recognize that there are different definitions of what constitutes a "true" purpose statement. Some argue that the purpose of a company is exclusively to maximize shareholder value, while others believe it is to have a positive societal impact irrespective of shareholder value. We use "purpose statement" to refer to one that combines two elements: the objective of shareholder value, consistent with the legal fiduciary duty of a for-profit firm, and the mechanism of investing in stakeholder value, reflecting the widespread view that purpose entails positive societal impact. Alternative definitions of a "purpose statement" would not affect our hypotheses – whether companies that issue what we label a purpose statement outperform others – but only the terminology used to describe such statements.

3.2 Portfolio analysis

We begin with a portfolio analysis. We first form a monthly portfolio of all public firms in our sample that included a purpose statement in their 10-K filings for fiscal years ending within the past 12 months. A firm is thus included in the Purpose Portfolio for 12 months following the fiscal year-end month of its 10-K filing. As 10-K filings enter our sample at different times, we rebalance the portfolio monthly. We similarly create two additional monthly portfolios – the Purpose-Like Portfolio and ES Portfolio – comprising firms with purpose-like statements and ES statements in their 10-K filings, respectively, for fiscal years ending within the past 12 months. The three portfolios are mutually exclusive; thus, if a firm's 10-K filing includes multiple types of mission statements, the firm is assigned to only one portfolio based on the following order: Purpose, then Purpose-Like, and finally ES.

Since our sample of 10-Ks covers fiscal years ending from June 2004 to May 2023, we form the three portfolios from July 2004 (the first month after the earliest fiscal year-end in our sample) to May 2024 (one year after the latest fiscal year-end in our sample). During this period, the monthly Purpose Portfolio contains an average of 147 firms, while the Purpose-Like and ES Portfolios contain an average of 90 and 1,084 firms, respectively.

We calculate abnormal stock returns after controlling for the Fama and French (2015) five risk factors in the following regression:

$$R_t = \alpha + \beta_{MKT}MKT_t + \beta_{SMB}SMB_t + \beta_{HML}HML_t + \beta_{RMW}RMW_t + \beta_{CMA}CMA_t + \varepsilon_t, \quad (1)$$

where R_t represents the average excess return for all firms in a given portfolio (as defined above) in month t. MKT_t, SMB_t, HML_t, RMW, and CMA_t are the returns on the market, size, value, profitability, and investment factors, taken from Kenneth French's website. Our variable of interest

is α, the intercept that captures the risk-adjusted abnormal return. Standard errors are calculated using Newey and West (1987), thus allowing for heteroskedasticity and autocorrelation. In unreported analyses, we verify that all results continue to hold when calculating excess returns relative to the Carhart (1997) four-factor model.

To calculate R_t, we first calculate the excess return for each firm included in a portfolio during month t relative to a benchmark. We use three different benchmarks: the risk-free rate from Kenneth French's website; the average return on an industry-matched portfolio based on Fama and French's (1997) 49-industry classification; and the average return on a characteristic-based benchmark proposed by Daniel, Grinblatt, Titman, and Wermers (1997) ("DGTW"), which matches each firm to a portfolio of stocks with similar size, book-to-market, and momentum. Compared to the risk-free rate, calculating a firm's excess return over the industry-based benchmark controls for industry-specific risks not captured by the Fama and French (2015) risk factors in equation (1), while using the characteristic-based benchmark adjusts for firm characteristics. It is conservative, but not superfluous, to subtract the returns on characteristic-based benchmarks in addition to including the size, book-to-market, and momentum factors, as characteristics have explanatory power beyond covariances (Daniel and Titman, 1997).

Table 3 reports the results. The Purpose Portfolio exhibits significantly positive risk-adjusted abnormal returns across all three benchmarks; the monthly alpha is 0.33% when unadjusted (4% annually), 0.27% when industry-adjusted (3.2% annually), and 0.30% when characteristics-adjusted (3.6% annually). In contrast, the returns for both the Purpose-Like and ES Portfolios are insignificant for all three benchmarks.

To further examine the differences in abnormal returns between the Purpose Portfolio and the other two portfolios, we form a trading strategy that buys firms in the Purpose Portfolio and sells

firms in either the Purpose-Like Portfolio, the ES Portfolio, or the No-Statement Portfolio of firms without a mission statement. Table 4 presents the returns from this strategy. A strategy that buys the Purpose Portfolio and sells the Purpose-Like, ES, and No Statement portfolio earns a monthly unadjusted alpha of 0.31%, 0.31%, and 0.4%; all are significant at the 10% level or lower.

The results reported above are based on portfolios constructed over the 12 months following the fiscal year-ends of the 10-K filings. This approach examines whether companies with purpose statements are different from those without, without being concerned about whether investors can exploit any relationship. We now explore the exploitability of any link. Given that most companies have up to 90 days after their fiscal year-end to file their 10-Ks, the inclusion of purpose statements or other disclosures may not be known to the market at fiscal year-end. To address this, we repeat the analysis in Tables 4 using portfolios reconstructed over the 12 months following the actual filing dates of the 10-Ks. The results, reported in Table IA1 of the Internet Appendix, remain consistent: a long-short portfolio that buys the Purpose Portfolio and sells either the Purpose-Like, ES, or No Statement Portfolio earns significantly positive returns.

3.3 Stock-level analysis

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

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

where R_{it} represents either the raw or industry-adjusted return of firm i in month t. $Purpose_{it}$ is an indicator variable that denotes whether firm i included a purpose statement in its 10-K filing for a fiscal year ending within the past 12 months. $Control1_{it}$ is a vector of firm characteristics for firm i-month t, constructed following Brennan, Chordia, and Subrahmanyam (1998). $Mktcap_{it}$ is the natural logarithm of firm i's market capitalization at the end of month t-2; BM_{it} is the natural logarithm of firm i's book-to-market ratio, calculated at the end of the fiscal year preceding month t and held constant through the following fiscal year-end. $Divyield_{it}$ represents firm i's dividend yield, defined as the firm's common dividends from the previous fiscal year scaled by its market value at the fiscal year-end. Like BM, $Divyield_{it}$ is calculated at the end of the fiscal year preceding month t and held constant through the following fiscal year-end. $RET2\text{-}3_{it}$, $RET4\text{-}6_{it}$, and $RET7\text{-}12_{it}$ represent the natural logarithm of the cumulative returns over months t-3 to t-2, t-4 to t-6, and t-7 to t-12, respectively. Vol_{it} is the natural logarithm of the dollar trading volume of firm i in month t-2, and Prc_{it} is the natural logarithm of firm i's stock price at the end of month t-2. We include year-month fixed effects in all columns.

Column (1) of Table 5 reports the regression results of estimating equation (2) with the firm's raw return as the dependent variable. The results show that the inclusion of a purpose statement is associated with a 0.45% higher monthly raw return over the 12 months following the fiscal year-end of the filing. This is significant at the 5% level and corresponds to 5.4% annually. Column (2) repeats the analysis with the firm's industry-adjusted return as the dependent variable. A purpose statement is also associated with a 0.33% higher monthly industry-adjusted return, corresponding to 4% annually and significant at the 5% level.

Columns (3)-(4) of Table 5 repeat the analysis in columns (1)-(2), replacing $Purpose_{it}$ with $Purpose\text{-}Like_{it}$, an indicator for a purpose-like statement. In contrast to the *Purpose* results, the

coefficient estimate on *Purpose-Like*$_{it}$ is statistically insignificant in both columns. Columns (5)-(6) of Table 5 replace *Purpose*$_{it}$ with *ES*$_{it}$, an indicator for an ES statement. The coefficient estimate on *ES*$_{it}$ is statistically insignificant in both columns.

Overall, after controlling for firm-specific characteristics, the firm-level regression results in Table 5 align with the portfolio-level results in Table 4, reinforcing the conclusion that firms with purpose statements are fundamentally different from those with purpose-like or ES statements in terms of their subsequent stock return performance. As in the previous section, we again repeat the results in Table 5 measuring firm returns over the 12 months following the actual filing dates of the 10-Ks. The results, reported in Table IA2 of the Internet Appendix, remain consistent.

4. Purpose statements and earnings surprises

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

While these alternative hypotheses might explain the outperformance of the Purpose Portfolio relative to benchmarks, they have more difficulty in explaining its outperformance relative to the Purpose-Like and ES Portfolios. For example, it is more challenging to think of reasons why firms with purpose statements are riskier than firms with purpose-like or ES statements, and why tastes

may have increased for the former more than the latter. However, we can conduct further tests to distinguish between the hypotheses.

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

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

where $Surprise_{it}$ represents the earnings surprise for year t, defined as the difference between firm i's actual earnings per share (EPS) for fiscal year t (released in year t+1) and the most recent median analyst EPS forecast from the Institutional Brokers' Estimate System (I/B/E/S), scaled by the firm's stock price at the end of year t as in Teoh and Wong (2002), Richardson, Teoh, and Wysocki (2004), Core, Guay, and Rusticus (2006), and Edmans (2011). The forecasts are taken eight months prior to the end of the forecast period, i.e. four months after the prior fiscal year-end, to ensure that analysts observe prior earnings when forecasting. To address outliers, we follow Edmans (2011) and Giroud and Mueller (2011) by removing observations for which the forecast error is larger than 10% of the price. $Control2_{it}$ represents the control variables used by Edmans, Fang, and Lewellen (2017) in their test of analyst forecast revision: the natural logarithm of market

capitalization, book-to-market, return-on-assets, institutional ownership, analyst coverage, analyst forecast horizon, and analyst forecast dispersion, all measured for year *t*.

Column (1) of Table 6 reports the regression results of estimating equation (3) without any controls and column (2) reports the results with all controls. The results in column (2) indicate that a purpose statement is associated with an absolute increase of 0.00393 in price-scaled earnings surprise, corresponding to approximately 56% of the 75th percentile of price-scaled earnings surprise in the sample and significant at the 5% level. This result is obtained by including both year and firm fixed effects and clustering standard errors by firm and year.

Columns (3) and (4) of Table 6 repeat the analysis in column (2), replacing $Purpose_{it}$ with $Purpose\text{-}Like_{it}$ and ES_{it}, respectively. Unlike purpose statements, we find no evidence that the inclusion of a purpose-like statement or an ES statement is positively associated with earnings surprises. Overall, these results suggest that earnings surprises contribute to the outperformance of firms with purpose statements relative to various benchmarks, possibly because investors do not observe the mission statement type until the firm's 10-K is filed, the timing of which often lags the earnings release. Based on the specifications with controls, chi-squared tests indicate that the differences in coefficient estimates between *Purpose* in column (2) and *Purpose-Like* in column (3), and between *Purpose* in column (2) and *ES* in column (4), are both statistically significant at the 5% level or higher.

5. Conclusion

Corporate purpose is a controversial topic, with advocates claiming that it is accretive to shareholder value and detractors arguing, equally vocally, that it is detrimental. This paper shows that the shareholder value implications depend critically on how purpose is defined. We classify a purpose statement specifically as one that seeks to invest in stakeholders in order to ultimately

benefit shareholders, contrasting it with a purpose-like statement which views puts stakeholders on at least an equal footing with shareholders, and an ES statement that contains stakeholders alone. We use the deep neural networks technique to identify the grammatical relationship between words, in contrast to a "bag of words" approach that focuses only on the inclusion of words.

We find that companies that have purpose statements deliver significantly higher future shareholder returns than those with purpose-like or ES statements. In addition, they also enjoy significantly higher future earnings surprises, while companies with purpose-like or ES statement do not. Our results do not necessarily suggest that the act of issuing a purpose statement has a positive causal effect on future shareholder returns. Instead, companies with purpose statements may be fundamentally different than those that do not, in recognizing that stakeholder value is a means to improving shareholder value but the latter remains the ultimate objective. The market does not fully recognize this link, leading to higher future earnings surprises and stock returns. These results are inconsistent with the idea that purpose statements are irrelevant as they reflect marketing activities, or redundant because companies know that creating shareholder value requires long-term investments in stakeholders.

Our results have ambiguous implications for whether such links will exist going forwards. If investors start using the inclusion of a purpose statement as an investment criterion, then some companies may start issuing purpose statements (consistent with Cao et al. (2023) who find that firm disclosure responds to the use of artificial intelligence by investors). If they simply do so in their 10-K filings without any change to how they operate, then the link between purpose statement issuance and stock returns should dissipate over time as purpose statements cease to be a signal of how a company actually operates. However, if the issuance of a purpose statement causes the company to change how it makes investment decisions and allocates resources, and the market

still fails to immediately recognize this link, then the superior returns to companies with purpose statements may persist going forwards.

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Appendix A. Environmental and social keywords

Keywords in Baier, Berninger, and Kiesel (2020)					
alcohol	alcohols	bargaining	biodiversity	biofuel	biofuels
biphenyls	bisexual	carbon	charitable	charities	charity
citizen	citizens	cleanup	climate	communities	community
conformance	consumer	consumers	contamination	customer	customers
defect	defects	deforestation	dignity	disabilities	disability
disabled	discriminate	discriminated	discriminating	discrimination	diversity
donate	donated	donates	donating	donation	donations
donor	donors	educate	educated	educates	educating
education	educational	eicc[13]	emission	emissions	emit
emits	emitted	emitting	employ	employee	employees
employment	environment	environmental	environmentally	ethnic	ethnically
ethnicities	ethnicity	equal	equality	equity	fairness
female	females	freedom	freshwater	gay	gays
gender	genders	greenhouse	groundwater	harassment	harassments
hazard	hazardous	hazards	headcount	health	hire
hired	hires	hiring	homosexual	human	humanity
humans	immigrant	immigration	inequities	inequity	injuries
injury	labor	labour	learning	lesbian	lesbians
lgbt	mentoring	minorities	minority	nondiscrimination	nonprofit
occupational	overtime	patient	patients	pesticide	pesticides
philanthropic	philanthropy	pollutant	pollutants	pollute	polluted
pollutes	polluting	pollution	poverty	privacy	racial
recycle	recycled	recycles	recycling	religion	Religious
renewable	ruggie[14]	safe	safely	safety	Scholarships
sick	social	socially	societal	society	Staffing
sustainability	sustainable	sustainably	teach	teacher	Teachers
teaching	training	transgender	unemployment	veteran	Veterans
vulnerable	wage	wages	warming	warranties	Warranty
welfare	wetland	wetlands	wildlife	woman	Women
workplace	workplace	zoning			
Keywords in Baier, Berninger, and Kiesel (2020) that need not have an ES meaning and are removed					
green	stewardship	water	weee[15]	un	Eeo[16]
fla[17]	ms[18]	sex	ilo	employ	Expression
marriage	nations	endowment	endowments	people	Foundation
foundations					
Keywords from glossaries proposed by investment and consulting firms specialized in sustainable investing					
ROBECO					
decarbonization	thematic	thermal	circular		
global affairs associates					
ozone	culture				
f*irst affirmative financial network*					
cleantech	divestment	microenterprise	inclusion	justice	

[13] "eicc" refers to the Electronic Industry Citizenship Coalition, now known as the Responsible Business Alliance (RBA). The EICC/RBA is a nonprofit coalition established to promote responsible supply chain management, ethical labor practices, environmental stewardship, and sustainable business practices across the global electronics industry.
[14] "ruggie" refers to Professor John Ruggie, who developed the United Nations Guiding Principles on Business and Human Rights. These principles are also commonly known as the "Ruggie Principles."
[15] "weee" refers to Waste Electrical and Electronic Equipment.
[16] "eeo" refers to Equal Employment Opportunity and is covered by the word "equal."
[17] "fla" refers to Fair Labor Association and is covered by the word "labor."
[18] "ms" refers to Marine Stewardship

Appendix B. Purpose-implied dependency relations identified by ChatGPT

Dependency Relation	Causal Type	Causal Strength	Reason for Inclusion
Adverbial Clause Modifier (*advcl*)	Explicit	Strong	Explicitly expresses causality (e.g., "*Because we are committed to ES, shareholder value increased*.")
Marker (*mark*) with causal conjunctions ("because" "since", "due to", "as a result of", "owing to", "thanks to", "in order to", "so that", "for the sake of", "in light of")	Explicit	Strong	If used with causal conjunctions, explicitly signals causality (e.g., "*Since we began ESG initiatives, shareholder value improved*.")
Oblique Nominal (*obl*)	Explicit	Moderate-Strong	Can express causality when tied to prepositions (e.g., "*Shareholder value increased due to our commitment to ESG."*)
Clausal Complement (*ccomp*)	Explicit	Moderate-Strong	Can explicitly express causality (e.g., "*Our earnings show that ESG commitment increased shareholder return."*)
Open Clausal Complement (*xcomp*)	Explicit	Moderate	Can describe an action leading to an effect ("*We are committed to ESG to increase shareholder value."*)

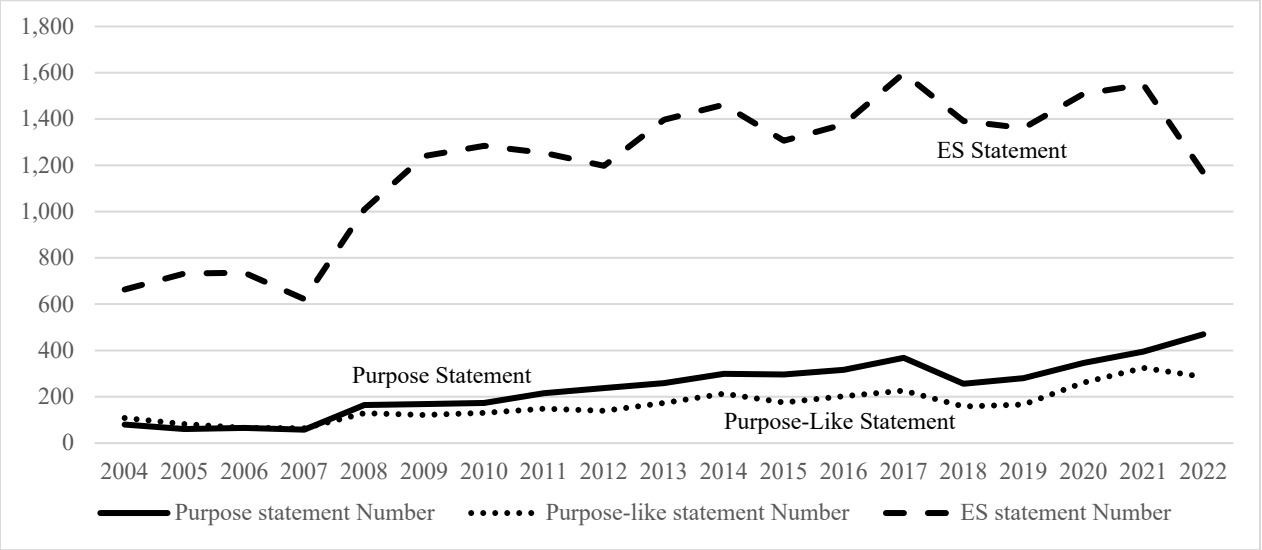
Appendix C. Variable definition

Variable	Source	Definition
Statement-related variables		
$Purpose_{it}$	10-K	An indicator variable that equals one for firm-years including a purpose statement in its 10-K filings in year *t*, and zero otherwise. Purpose statements address a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders.
$Purpose\text{-}like_{it}$	10-K	An indicator variable that equals one for firm-years including a purpose-like statement in its 10-K filings in year *t*, and zero otherwise. purpose-like statements address both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders
ES_{it}	10-K	An indicator variable that equals one for firm-years including an ES statement in its 10-K filings in year *t*, and zero otherwise. ES statements address only ES responsibilities.
Firm characteristics		
$Mktcap_{it}$	Compustat	The natural logarithm of market capitalization at the end of year *t*.
BM_{it}	Compustat	Book-to-market ratio, calculated as book value of equity scaled by market value of equity at the end of year *t*.
PE_{it}	Compustat	Price-earnings ratio, calculated as stock price at the end of year *t* scaled by earnings per share in year *t*.
$EBITDA_{it}$	Compustat	Market capitalization plus short-term and long-term debt minus cash and cash equivalents at the end of year *t* and then divided by operating income before depreciation in year *t*.
ROE_{it}	Compustat	Return on equity, calculated as income before extraordinary items in year *t* scaled by stockholders' equity at the end of year *t*.
$Intan_{it}$	Compustat	The sum of R&D expenses, Intangible assets, and goodwill scaled by total assets at the end of year *t*.
$Leverage_{it}$	Compustat	The leverage ratio, calculated as short-term and long-term debt minus deferred tax and investment tax credit scaled by stockholders' equity at the end of year *t*.
Variables used in the stock return analysis		
R_t	CRSP	Monthly stock return. Raw R_t is the raw monthly stock return for a portfolio. Industry-adjusted R_t is industry-adjusted monthly stock return for a portfolio using the 49-industry classification of Fama and French (1997). Characteristic-adjusted R_t is the monthly stock return for a portfolio adjusted using the characteristic portfolio benchmark of Daniel, Grinblatt, Titman, and Wermers (1997). Raw, industry-adjusted, and characteristic-adjusted R_{it} are analogously defined for firm *i*-month *t*.
$Mktcap_{it}$	CRSP	The natural logarithm of market capitalization at the end of month *t-2*.
BM_{it}	Compustat	The natural logarithm of book-to-market ratio, calculated as book value of equity scaled by market value of equity at the end of year *t*.
$RETm\text{-}n_{it}$	CRSP	The compounded returns in month *t-m* (m = 2, 4, 7) to month *t-n* (n = 3, 6, 12).
$Divyield_{it}$	Compustat	Dividends declared in year *t* scaled by market capitalization at the end of year *t*.
Vol_{it}	CRSP	The natural logarithm of the dollar trading volume (in millions) in month *t*-2.
Prc_{it}	CRSP	The natural logarithm of the dollar trading volume (in millions) stock price at the end of month *t*-2.
Variables used in the analysis of earnings surprise		
$Surprise_{it}$	I/B/E/S	Earnings surprise for fiscal year *t*, calculated as the actual earnings per share (EPS) minus the latest median analyst consensus EPS forecast prior to the fiscal year *t* earnings announcement (released in year $t + 1$), scaled by the firm's stock price at the end of year *t*.

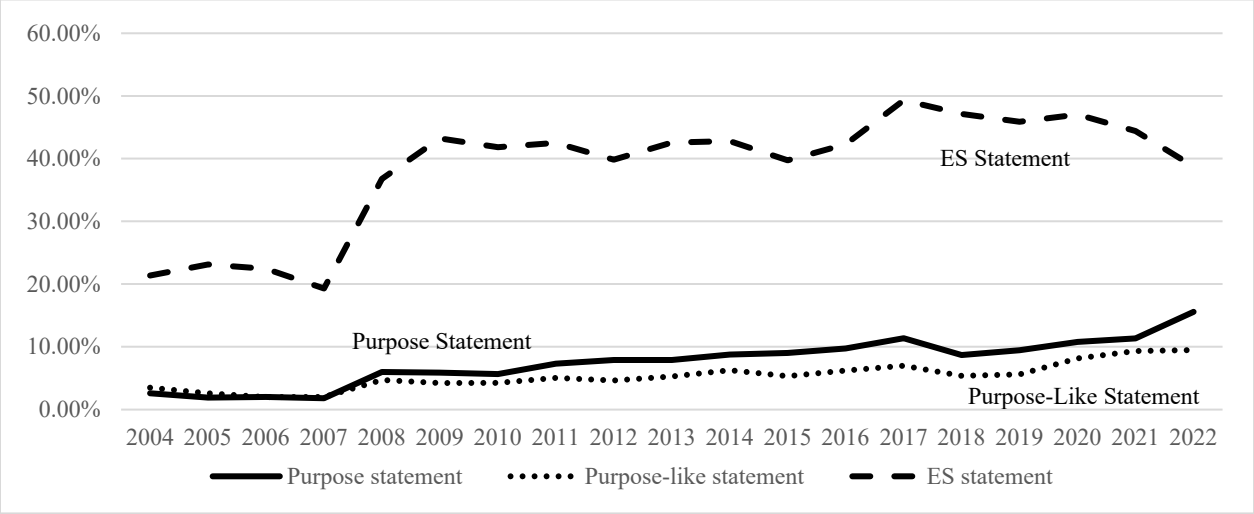
$Instituion\%_{it}$	Thomas Reuters	The total percentage of shares owned by institutional investors at the end of year *t*.
ROA	Compustat	Return-on-assets ratio, calculated as income before extraordinary items in fiscal year *t* scaled by total assets at the end of fiscal year *t*.
Aly_N_{it}	I/B/E/S	The number of analysts following the firm in year *t*.
$Aly_Horizon_{it}$	I/B/E/S	The mean forecast horizon for fiscal year *t*, where the forecast horizon is defined as the number of days between the date of the latest EPS forecast by an analyst prior to the fiscal year *t* earnings announcement and the announcement date.
$Aly_Dispersion_{it}$	I/B/E/S	Analyst forecast dispersion for fiscal year *t*, calculated as the standard deviation of analyst forecasts scaled by the absolute value of the mean analyst consensus EPS forecast.

Figure 1. Sample Distribution of Statements in 10-Ks

Panel A: Number of 10-Ks with mission statements



Panel B: Percentage of 10-Ks with mission statements



Panel A plots the number of 10-K filings containing purpose, purpose-like, and ES statements. Panel B plots the percentage of 10-K filings that include each of the three statement types. Purpose statements address a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders; purpose-like statements address both shareholders and ES responsibilities but do not specify how fulfilling ES responsibilities serves shareholders; and ES statements address only ES responsibilities. The sample comprises 59,529 10-Ks for fiscal years 2004 to 2022.

Table 1. Sample Distribution of Statements in 10-Ks

Panel A: Yearly distribution of the three types of statements

Fiscal Year	Number of 10-Ks	Purpose statement		Purpose-like statement		ES statement	
		Number	Percent	Number	Percent	Number	Percent
2004	3,106	80	2.58%	108	3.48%	663	21.35%
2005	3,167	60	1.89%	82	2.59%	732	23.11%
2006	3,281	65	1.98%	65	1.98%	736	22.43%
2007	3,221	58	1.80%	64	1.99%	622	19.31%
2008	2,744	164	5.98%	129	4.70%	1,009	36.77%
2009	2,869	168	5.86%	121	4.22%	1,240	43.22%
2010	3,070	173	5.64%	130	4.23%	1,284	41.82%
2011	2,949	215	7.29%	148	5.02%	1,254	42.52%
2012	3,007	237	7.88%	139	4.62%	1,198	39.84%
2013	3,283	259	7.89%	173	5.27%	1,397	42.55%
2014	3,416	299	8.75%	213	6.24%	1,462	42.80%
2015	3,287	296	9.01%	175	5.32%	1,306	39.73%
2016	3,256	316	9.71%	202	6.20%	1,377	42.29%
2017	3,241	368	11.35%	226	6.97%	1,598	49.31%
2018	2,951	256	8.68%	158	5.35%	1,391	47.14%
2019	2,967	280	9.44%	166	5.59%	1,361	45.87%
2020	3,209	346	10.78%	261	8.13%	1,509	47.02%
2021	3,489	395	11.32%	325	9.31%	1,549	44.40%
2022	3,016	470	15.58%	286	9.48%	1,168	38.73%
Total	59,529	4,505	7.57%	3,171	5.33%	22,856	38.39%

Panel A presents the yearly distribution of three types of statements in 10-Ks: purpose statements, purpose-like statements, and ES statements. Purpose statements include ES goals and specify how achieving these goals serves shareholders; purpose-like statements contain both ES and shareholder goals; and ES statements contain only ES goals. The sample comprises of 59,529 10-Ks for fiscal years 2004 to 2022.

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

Panel B: Location of purpose statements in 10-Ks

Fiscal Year	Purpose statement	In Item 1		In Item 7		In both Items	
	Number	Number	Percent	Number	Percent	Number	Percent
2004	80	54	67.50%	33	41.25%	7	8.75%
2005	60	38	63.33%	26	43.33%	4	6.67%
2006	65	44	67.69%	26	40.00%	5	7.69%
2007	58	40	68.97%	25	43.10%	7	12.07%
2008	164	105	64.02%	85	51.83%	26	15.85%
2009	168	108	64.29%	83	49.40%	23	13.69%
2010	173	96	55.49%	95	54.91%	18	10.40%
2011	215	136	63.26%	105	48.84%	26	12.09%
2012	237	151	63.71%	112	47.26%	26	10.97%
2013	259	173	66.80%	117	45.17%	31	11.97%
2014	299	169	56.52%	143	47.83%	13	4.35%
2015	296	178	60.14%	152	51.35%	34	11.49%
2016	316	206	65.19%	149	47.15%	39	12.34%
2017	368	247	67.12%	180	48.91%	59	16.03%
2018	256	156	60.94%	129	50.39%	29	11.33%
2019	280	166	59.29%	155	55.36%	41	14.64%
2020	346	226	65.32%	171	49.42%	51	14.74%
2021	395	312	78.99%	233	58.99%	150	37.97%
2022	470	296	62.98%	215	45.74%	41	8.72%
Total	4,505	2,901	64.40%	2,234	49.59%	630	13.98%

Panel B illustrates the locations of purpose statements within the 10-Ks, specifically in Item 1, "Business," and Item 7, "Management's Discussion and Analysis" (MD&A). The sample comprises of 59,529 10-Ks for fiscal years 2004 to 2022.

Table 2. Descriptive Statistics

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

	Firm–years with a purpose statement (N=4,049)					Compustat firm years (N=58,836)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Variable	Mean	Std. Dev.	P25	Median	P75	Mean	Std. Dev.	(1) – (6)
Mktcap	7.338	1.809	6.031	7.394	8.503	6.906	1.847	0.432***
BM	0.613	0.453	0.273	0.536	0.864	0.571	0.437	0.042***
PE	12.311	55.506	4.738	11.805	20.238	11.256	57.418	1.054
EBITDA	9.565	31.521	5.829	9.592	14.339	7.672	33.491	1.892***
ROE	0.078	0.427	0.020	0.090	0.163	0.054	0.471	0.024***
Intan	0.022	0.032	0.000	0.012	0.029	0.017	0.029	0.005***
Leverage	0.141	0.165	0.004	0.059	0.254	0.153	0.167	-0.012***

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

	(1)	(2)	(3)	(4)	(5)
Variable	Purpose (N=4,049)	Purpose–like (N=2,995)	ES (N=22.570)	(1) – (2)	(1) – (3)
Mktcap	7.338	7.180	6.923	0.158***	0.416***
BM	0.613	0.640	0.513	-0.027**	0.100***
PE	12.311	11.293	10.079	1.018	2.232**
EBITDA	9.565	5.089	7.199	4.476***	2.365***
ROE	0.078	0.071	0.015	0.007	0.063***
Intan	0.022	0.021	0.013	0.001***	0.009***
Leverage	0.141	0.130	0.188	0.011***	-0.048***

Panel A reports summary descriptives for firm-years with a purpose statement compared to the Compustat universe. The firm characteristics include market capitalization (*Mktcap*), book-to-market ratio (*BM*), price-to-earnings ratio (*PE*), EBITDA multiple (*EBITDA*), returns-on-equity (*ROE*), Intangible intensity (*Intan*), and leverage (*Leverage*). Column (8) tests whether a mean value of a firm characteristic in column (1) equals the corresponding value in column (6). Panel B presents a comparison of firm-years with each of the three types of statements: purpose statements, purpose-like statements, and ES statements. Column (4) ((5)) tests whether a mean value of a firm characteristic in column (1) equals the corresponding value in column (2) ((3)). Variable definitions are in Appendix C. *** (**) (*) indicates significance at the 1% (5%) (10%) level using the two-tailed tests.

Table 3. Purpose Statement and Stock Return: Portfolio Analysis

	Purpose Portfolio			Purpose-Like Portfolio			ES Portfolio		
	Excess return over								
	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics	Risk-free	Industry	Characteristics
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
α	0.333***	0.265**	0.297***	0.022	0.025	-0.055	0.024	0.008	-0.028
	(0.127)	(0.118)	(0.104)	(0.109)	(0.087)	(0.087)	(0.063)	(0.059)	(0.052)
β_{MKT}	0.996***	-0.004	-0.040	0.960***	0.009	-0.021	1.038***	0.015	-0.005
	(0.039)	(0.033)	(0.027)	(0.031)	(0.025)	(0.025)	(0.016)	(0.018)	(0.012)
β_{SMB}	0.032	-0.005	-0.080*	0.006	-0.020	-0.070	0.058**	0.006	-0.017
	(0.075)	(0.062)	(0.045)	(0.062)	(0.045)	(0.052)	(0.027)	(0.025)	(0.025)
β_{HML}	0.100*	0.065	0.097***	0.135**	-0.013	0.025	-0.145***	-0.048	-0.094***
	(0.058)	(0.045)	(0.035)	(0.054)	(0.039)	(0.043)	(0.027)	(0.030)	(0.025)
β_{RMW}	0.057	0.034	0.037	-0.046	0.014	-0.126*	-0.003	-0.010	-0.026
	(0.091)	(0.070)	(0.045)	(0.075)	(0.050)	(0.064)	(0.035)	(0.045)	(0.026)
β_{CMA}	0.010	0.023	-0.021	0.102	0.132**	0.141*	-0.025	0.002	0.012
	(0.092)	(0.074)	(0.055)	(0.082)	(0.059)	(0.072)	(0.045)	(0.041)	(0.036)

This table presents results of regressing monthly risk-adjusted returns on the Fama and French (2015) five factors, *MKT*, *SMB*, *HML*, *RMW*, and *CMA*. In columns (1)-(3), the portfolio comprises firms including a purpose statement in their 10-K filings. In columns (4)-(6), the portfolio comprises firms including a purpose-like statement in their 10-K filings. In columns (7)-(9), the portfolio comprises firms including an ES statement in their 10-K filings. The dependent variable is the value-weighted portfolio return based on the risk-free rate, the industry-adjusted excess return, or the characteristics-adjusted excess return. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix C. *** (**) (*) indicates significance at the 1% (5%) (10%) two-tailed level, respectively.

Table 4. Long-Short Strategy

	Purpose-Like portfolio	ES portfolio	No-statement portfolio
		Raw Return	
	(1)	(2)	(3)
α	0.311*	0.308**	0.401***
	(0.178)	(0.139)	(0.133)
β_{MKT}	0.036	-0.041	0.015
	(0.051)	(0.042)	(0.041)
β_{SMB}	0.026	-0.026	0.027
	(0.108)	(0.074)	(0.078)
β_{HML}	-0.035	0.245***	0.022
	(0.083)	(0.065)	(0.060)
β_{RMW}	0.102	0.060	0.044
	(0.131)	(0.099)	(0.091)
β_{CMA}	-0.092	0.034	-0.018
	(0.136)	(0.114)	(0.090)
N	216	216	216
R^2	1.46	12.55	5.60

This table presents the monthly regressions of returns to a trading strategy that buys firms in the Purpose Portfolio and sells firms in, the Purpose-Like Portfolio (columns (1)), the ES Portfolio (columns (2)), or the no-statement Portfolio (columns (3)) on the Fama and French (2015) five factors, *MKT*, *SMB*, *HML*, *RMW*, and *CMA*. The dependent variable is the raw return. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix C. *** (**) (*) indicates significance at the 1% (5%) (10%) level using the two-tailed tests.

Table 5. Purpose Statement and Stock Return: Regressions Analysis

Dependent variable	Raw R_{it}	Industry-adjusted R_{it}	Raw R_{it}	Industry-adjusted R_{it}	Raw R_{it}	Industry-adjusted R_{it}
	(1)	(2)	(3)	(4)	(5)	(6)
$Purpose_{it}$	0.454**	0.328**				
	(0.176)	(0.161)				
$Purpose\text{-}like_{it}$			0.092	0.145		
			(0.203)	(0.183)		
ES_{it}					-0.075	-0.063
					(0.086)	(0.080)
$Mktcap_{it}$	-15.903***	-13.661***	-15.904***	-13.663***	-15.903***	-13.662***
	(0.682)	(0.600)	(0.682)	(0.600)	(0.682)	(0.600)
BM_{it}	2.353***	2.113***	2.354***	2.114***	2.354***	2.114***
	(0.175)	(0.180)	(0.175)	(0.180)	(0.175)	(0.180)
$Divyield_{it}$	1.179	1.281	1.195	1.292	1.199	1.296
	(1.671)	(1.536)	(1.662)	(1.530)	(1.662)	(1.531)
$RET2\text{-}3_{it}$	-3.510***	-2.993***	-3.507***	-2.991***	-3.507***	-2.991***
	(0.468)	(0.472)	(0.468)	(0.472)	(0.468)	(0.472)
$RET4\text{-}6_{it}$	-2.589***	-2.424***	-2.588***	-2.423***	-2.588***	-2.423***
	(0.433)	(0.479)	(0.433)	(0.479)	(0.433)	(0.479)
$RET7\text{-}12_{it}$	-1.285***	-1.257***	-1.285***	-1.258***	-1.285***	-1.258***
	(0.207)	(0.215)	(0.207)	(0.215)	(0.207)	(0.215)
Vol_{it}	3.042***	2.692***	3.043***	2.693***	3.042***	2.692***
	(0.185)	(0.165)	(0.185)	(0.165)	(0.184)	(0.165)
Prc_{it}	18.242***	15.686***	18.241***	15.685***	18.241***	15.685***
	(0.739)	(0.657)	(0.739)	(0.657)	(0.739)	(0.657)
Constant	133.700***	113.465***	133.738***	113.493***	133.766***	113.514***
	(6.025)	(5.334)	(6.026)	(5.334)	(6.026)	(5.333)
Year-month FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
N	591,649	550,944	594,254	550,944	591,649	550,944
Adj. R^2	0.281	0.135	0.281	0.135	0.281	0.135

This table presents the monthly regressions of individual stock returns on an indicator denoting whether the firm includes a purpose statement, a purpose-like statement, or an ES statement in their 10-K filings. The sample excludes small-cap stocks. The dependent variable is the raw return in columns (1), (3), and (5) and the industry-adjusted excess return in columns (2), (4), and (6). *Mktcap* is the log of the firm's market capitalization (in billions) in month *t*-2. *BM* is the natural logarithm of the firm's book-to-market ratio at the fiscal year-end preceding month *t*. *Divyield*is the firm's dividend yield in fiscal year preceding month *t*. *RET2–3*, *RET4–6* and *RET7–12* are the compounded returns in, respectively, month *t*-3 to month *t*-2, month *t*-6 to month *t*-4, and month *t*-12 to month *t*-7. *Vol* is the natural logarithm of the dollar trading volume (in millions) in month *t*-2. *Prc* is the natural logarithm of the stock price at the end of month *t*-2. Standard errors clustered by firm and year-month are in parentheses. Inclusion of Fixed Effects (FE) is as indicated. Variable definitions are in Appendix C. *** (**) (*) indicates significance at the 1% (5%) (10%) level using the two-tailed tests.

Table 6. Purpose Statement and Earnings Surprise

Dependent variable	*Surprise*$_{it}$			
	(1)	(2)	(3)	(4)
Purpose$_{it}$	0.384**	0.393**		
	(0.187)	(0.195)		
Purpose-like$_{it}$			0.089	
			(0.193)	
ES$_{it}$				0.233*
				(0.129)
Mktcap$_{it}$		-1.004***	-1.004***	-1.002***
		(0.177)	(0.177)	(0.177)
BM$_{it}$		-0.694***	-0.697***	-0.697***
		(0.165)	(0.164)	(0.164)
ROA$_{it}$		0.017	0.017	0.017
		(0.051)	(0.051)	(0.051)
Instituion%$_{it}$		0.757***	0.760***	0.763***
		(0.292)	(0.292)	(0.292)
Aly_N$_{it}$		-0.006	-0.006	-0.006
		(0.004)	(0.004)	(0.004)
Aly_Horizon$_{it}$		-0.393***	-0.393***	-0.393***
		(0.115)	(0.115)	(0.115)
Aly_Dispersion$_{it}$		0.005	0.006	0.006
		(0.018)	(0.018)	(0.018)
Constant	-1.048***	5.125***	5.188***	5.098***
	(0.016)	(1.723)	(1.723)	(1.723)
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
N	40,041	38,868	38,868	38,868
R^2	0.294	0.319	0.319	0.319

Table IA1. Long-Short Strategy Based on Filing Dates

	Purpose-Like portfolio	ES portfolio	No-statement portfolio
		Raw Return	
	(1)	(2)	(3)
α	0.296*	0.295**	0.402***
	(0.177)	(0.140)	(0.131)
β_{MKT}	0.042	-0.041	0.013
	(0.050)	(0.042)	(0.040)
β_{SMB}	0.042	-0.013	0.039
	(0.106)	(0.075)	(0.078)
β_{HML}	-0.063	0.236***	0.005
	(0.078)	(0.066)	(0.058)
β_{RMW}	0.111	0.078	0.060
	(0.132)	(0.099)	(0.090)
β_{CMA}	-0.077	0.028	-0.013
	(0.133)	(0.117)	(0.091)
N	216	216	216
R^2	1.96	12.94	0.56

This table presents the monthly regressions of returns to a trading strategy that buys firms in the Purpose Portfolio and sells firms in, the Purpose-Like Portfolio (columns (1)), the ES Portfolio (columns (2)), or the no-statement Portfolio (columns (3)) on the Fama and French (2015) five factors, *MKT*, *SMB*, *HML*, *RMW*, and *CMA*. The dependent variable is the raw return. The alpha is the excess risk-adjusted return. Standard errors calculated using Newey and West (1987) are in parentheses. The sample consists of 216 months from June 2004 to May 2022. Variable definitions are in Appendix C. *** (**) (*) indicates significance at the 1% (5%) (10%) level using the two-tailed tests.

Table IA2. Characteristics Regression Based on Filing Dates

Dependent variable	Raw R_{it} (1)	Industry-adjusted R_{it} (2)	Raw R_{it} (3)	Industry-adjusted R_{it} (4)	Raw R_{it} (5)	Industry-adjusted R_{it} (6)
$Purpose_{it}$	0.501***	0.369**				
	(0.174)	(0.159)				
$Purpose\text{-}like_{it}$			0.163	0.176		
			(0.202)	(0.182)		
ES_{it}					-0.032	-0.004
					(0.087)	(0.080)
$Mktcap_{it}$	-15.915***	-13.678***	-15.916***	-13.679***	-15.915***	-13.679***
	(0.683)	(0.601)	(0.683)	(0.601)	(0.683)	(0.601)
BM_{it}	2.360***	2.120***	2.360***	2.120***	2.360***	2.120***
	(0.175)	(0.180)	(0.175)	(0.180)	(0.175)	(0.180)
$Divyield_{it}$	1.199	1.306	1.212	1.317	1.215	1.318
	(1.665)	(1.530)	(1.657)	(1.524)	(1.657)	(1.524)
$RET2\text{-}3_{it}$	-3.540***	-3.002***	-3.537***	-2.999***	-3.537***	-2.999***
	(0.468)	(0.472)	(0.468)	(0.472)	(0.468)	(0.472)
$RET4\text{-}6_{it}$	-2.592***	-2.430***	-2.590***	-2.428***	-2.590***	-2.428***
	(0.435)	(0.481)	(0.435)	(0.481)	(0.435)	(0.481)
$RET7\text{-}12_{it}$	-1.283***	-1.255***	-1.284***	-1.255***	-1.284***	-1.255***
	(0.207)	(0.215)	(0.207)	(0.215)	(0.207)	(0.215)
Vol_{it}	3.049***	2.701***	3.050***	2.701***	3.049***	2.701***
	(0.184)	(0.166)	(0.184)	(0.166)	(0.184)	(0.166)
Prc_{it}	18.256***	15.702***	18.254***	15.701***	18.254***	15.700***
	(0.740)	(0.659)	(0.740)	(0.659)	(0.740)	(0.658)
Constant	133.765***	113.556***	133.803***	113.587***	133.819***	113.591***
	(6.041)	(5.344)	(6.041)	(5.344)	(6.039)	(5.341)
Year-month FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
N	591,444	551,062	591,444	551,062	591,444	551,062
Adj. R^2	0.282	0.135	0.282	0.135	0.282	0.135

This table presents the monthly regressions of individual stock returns on an indicator denoting whether the firm includes a purpose statement, a purpose-like statement, or an ES statement in their 10-K filings. The sample excludes small-cap stocks. *Purpose* equals one for firm-years including a purpose statement, which addresses a firm's environmental and social (ES) responsibilities and specify how fulfilling these responsibilities serves shareholders; *Purpose-like* equals one for firm-years including a purpose-like statement, which addresses both shareholders and ES responsibilities but do not specify how fulfilling ES `responsibilities serves shareholders; *ES* equals one for firm-years including a ES statement, which addresses only ES responsibilities. The dependent variable is the raw return in columns (1), (3), and (5) and the industry-adjusted excess return in columns (2), (4), and (6). *Mktcap* is the log of the firm's market capitalization (in billions) in month *t*-2. *BM* is the natural logarithm of the firm's book-to-market at the end of fiscal year preceding month *t*. *Divyield* is the firm's dividend yield in the fiscal year preceding month *t*. *Ret2–3*, *Ret4–6* and *Ret7–12* are the compounded returns in, respectively, month *t*-3 to month *t*-2, month *t*-6 to month *t*-4, and month *t*-12 to month *t*-7. *Vol* is the natural logarithm of the dollar trading volume (in millions) in month *t*-2. *Prc* is the natural logarithm of the stock price at the end of month *t*-2. Standard errors clustered by firm and month are in parentheses. Variable definitions are in Appendix C. *** (**) (*) indicates significance at the 1% (5%) (10%) level using the two-tailed tests.