Authenticity in Corporate Social Performance: Employee–ESG Disagreement and its Financial Consequences

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Abstract

We contrast external ESG Social Pillar scores with the internal assessments of workplace experiences of employees to analyze the authenticity of corporate social performance. We find limited and inconsistent alignment between ESG Social Pillar scores and employee-reported workplace satisfaction on the aggregate level as well as within subcategories of social performance, which are most relevant to employees. We further find that the employee–ESG disagreement is reflected in stock market valuations, as firms with higher disagreement display larger risk premia. Finally, we link disagreement to firms' governance characteristics and show that weaker governance structures tend to increase disagreements. Overall, the findings support the role of employee-based information as a distinct internal benchmark for assessing the authenticity of corporate social performance.

Keywords: ESG scores, Employee satisfaction, ESG disagreement, Corporate social performance

1 Introduction

ESG scores have become an important part of how firms are evaluated by investors, stakeholders, and external intermediaries (Friede et al., 2015; Jang et al., 2020; Liu and Nemoto, 2021; Gillan et al., 2021). At the same time, recent evidence suggests that ESG-related disagreement and ESG news can affect financial-market outcomes (Brandon et al., 2021; Zeng et al., 2025; Derrien et al., 2025; Ju et al., 2025). Within these assessments, the Social pillar score is especially important because it is intended to capture how firms manage relationships with employees and other stakeholders. Yet compared with environmental and governance metrics, social performance is harder to observe, less standardized, and more dependent on qualitative judgments and firm disclosures. Furthermore, the existing and substantial disagreement across ESG providers is even stronger within the Social pillar (Berg et al., 2022; Christensen et al., 2022). As a result, a question remains unresolved: do ESG Social Pillar scores actually reflect how firms' social practices are experienced inside the organization, and is this disagreement recognized by financial markets? Although the literature has greatly improved our understanding of divergence across providers (e.g. Bergman et al., 2021; Berg et al., 2022), it remains unclear whether Social Pillar scores align with the assessments of those who directly experience firms' workplace practices. Unlike the growing literature on disagreement across ESG rating agencies, we focus on disagreement between external Social Pillar assessments and employees' lived experience inside the firm.

For this reason, employees are central to this question. As internal stakeholders, they directly experience leadership quality, workplace fairness, and daily labor conditions. Employees, therefore, possess privileged insight into workplace conditions and thus reflect the internal realities that legitimacy theory identifies as the basis of substantive social engagement (Freeman and McVea, 2001; Mitchell et al., 1997). On the other hand, employees' perspectives are largely absent from the construction of ESG Social Pillar scores. This omission is potentially important. Prior research has linked employees to lower turnover rates, better leadership evaluations, and firm performance (e.g. Huang et al., 2020; Li and

Zhao, 2024; Welch and Yoon, 2023). Furthermore, research shows that employee satisfaction contains value-relevant information about firms' stock returns (Edmans, 2011; Green et al., 2019; Edmans et al., 2024; Sheng, 2025), suggesting that employee-based assessments may provide meaningful information.

Despite the central role of employees in shaping and experiencing firms' social practices, to our knowledge, no study has directly examined whether ESG Social Pillar scores align with employees' own assessments of workplace conditions. We connect the literature on ESG-rating disagreement with research on employee satisfaction and stock returns by examining whether divergence between external social ratings and internal stakeholder experience contains distinct information about firms' social performance.

If Social Pillar scores diverge systematically from employees' lived experiences, they may reflect external representations of social performance more strongly than substantive workplace realities, potentially weakening the credibility of external social assessments (Walker and Wan, 2012; Scheidler et al., 2019). Such divergence may also matter for firm evaluation in capital markets. While prior work shows that disagreement across ESG rating providers can be associated with financially relevant uncertainty (e.g. Brandon et al., 2021; Berg et al., 2024), it remains unknown whether disagreement between employees and ESG raters constitutes a distinct form of sustainability-related information uncertainty.

We address this question in four steps using a sample of 153 publicly listed firms from Germany, Austria, and Switzerland covering the years 2013-2023. First, we examine whether ESG Social Pillar ratings align with employee-reported perceptions of the workplace. Second, we move beyond aggregate Social Pillar scores and compare more specific subdimensions on both sides to assess whether any observed divergence is driven by aggregation or instead reflects deeper conceptual differences in what is being measured. Third, we test whether employee-ESG disagreement predicts subsequent stock returns by constructing portfolios sorted on inside–outside divergence and estimating their risk-adjusted performance. Finally, we examine whether firm-level governance characteristics are associated with different de-

grees of employee-ESG disagreement.

Across these analyses, we document a disagreement between employees' lived workplace experiences and externally assigned Social Pillar scores. This disagreement remains visible even when comparing more narrowly defined subcategories, suggesting that it cannot be explained solely by aggregation or methodological noise. We further show that firms with greater employee-ESG disagreement earn higher subsequent abnormal returns that standard asset-pricing factors do not explain. Finally, we relate this disagreement to observable governance and oversight characteristics, consistent with the view that internal-external divergence is shaped not only by measurement challenges but also by organizational processes that affect how workplace information is transmitted into external evaluations.

This study makes three contributions to the literature. First, it contributes to research on corporate social performance and ESG measurement by shifting attention from disagreement across external ESG providers to disagreement between external Social Pillar ratings and employees' lived workplace experiences. While prior work documents substantial disagreement across ESG rating providers (Berg et al., 2022; Christensen et al., 2022; Rubino et al., 2026) and highlights broader concerns about sustainability rating construction (Escrig-Olmedo et al., 2019), research highlights the risks of symbolic social performance and corporate hypocrisy when external claims diverge from internal realities (Suchman, 1995; Walker and Wan, 2012; Scheidler et al., 2019). We show that divergence between internal employee assessments and external ESG ratings captures a distinct and economically meaningful form of disagreement.

Second, the study advances stakeholder and human capital research by positioning employees not only as beneficiaries of social practices but also as credible evaluators of firms' social performance. Prior work shows that corporate social performance shapes firms' attractiveness to employees and influences how workers interpret organizational values (Turban and Greening, 1997; Kruse, 2024). Building on research emphasizing the role of internal stakeholders and intangible resources in shaping firm outcomes (Wright et al., 2001; Barnett,

2007; Surroca et al., 2010), we show that employee sentiment provides information about social performance that is not captured by external ESG assessments.

Third, we contribute to the literature on non-financial information and market uncertainty by showing that employee–ESG disagreement is reflected in asset prices and associated with subsequent stock returns. Building on findings that CSR can affect firm risk (Albuquerque et al., 2019) and that ESG-rating divergence is associated with return patterns consistent with priced uncertainty (Brandon et al., 2021; Karolyi et al., 2026), we show that the gap between internal employee assessments and external Social Pillar scores captures a distinct form of sustainability-related uncertainty. The results extend the ESG-rating disagreement literature (Christensen et al., 2021; Berg et al., 2022; Christensen et al., 2022) by suggesting that inside–outside divergence may reveal information that is not reflected in conventional ESG metrics.

2 Theoretical Background and Hypothesis Development

2.1 Employees as Internal Evaluators of Social Performance

Employees are central to this question, as they directly experience leadership quality, workplace fairness, and daily labor conditions. Employees, therefore, possess privileged insight into workplace conditions and thus reflect the internal realities that legitimacy theory identifies as the basis of substantive social engagement (Freeman and McVea, 2001; Mitchell et al., 1997).

This perspective is reinforced by research on human capital and organizational performance. Employees, in particular, both influence and are influenced by corporate actions in profound ways. Strong social engagement with employees attracts high-ability workers, fosters commitment and improves employee retention, ultimately driving organizational performance (Flammer and Luo, 2017; Bode et al., 2015; Albinger and Freeman, 2000; Wang

et al., 2009; Welch and Yoon, 2023; Li and Zhao, 2024). Recent research has also demonstrated that employee reviews provide authentic, unfiltered insights into workplace realities, making them a robust complement to ESG assessments (Briscoe-Tran, 2025). Taken together, this literature implies that employee perceptions are not only outcomes of corporate social practices, but also informative evaluations of how those practices are experienced inside the firm.

Moreover, as human capital and a firm's most valuable asset, employees directly influence organizational performance, sustainability, and long-term value creation (Coff, 1997; Campbell et al., 2012). More recent papers highlight that when firm resources are embodied in people, sustaining advantage depends critically on retaining and motivating those individuals, thereby reducing employee mobility (Campbell et al., 2012). Authentic internal social practices and employee identification can thus become very important for maintaining the value of human capital.

At the same time, external ESG Social Pillar scores are typically constructed from firm disclosures, public information, and provider-specific methodologies. This raises the possibility that external assessments capture formal policies and communicated commitments more strongly than employees' lived experiences. In this sense, employee evaluations provide a useful internal benchmark for assessing whether external Social Pillar scores reflect substantive workplace conditions or more symbolic representations of social responsibility (Marquis et al., 2016; Walker and Wan, 2012).

If ESG Social Pillar scores capture firms' underlying social performance, they should be positively associated with employees' own assessments of workplace conditions. This relationship may be stronger in human-capital-intensive industries, where workplace practices and employee relations are more central to value creation and therefore more informative about firms' underlying social performance. In such settings, external Social Pillar scores should more closely align with employee evaluations than in industries where social practices are less central or less visible.

Building on these insights, we test the following hypothesis:

Hypothesis 1. *Firms with higher ESG Social Pillar ratings exhibit higher levels of employee satisfaction. This alignment is stronger in human-capital-intensive industries, where social practices are more observable and material.*

2.2 Heterogeneity in the Alignment Between ESG Social Pillar scores and Employee Experience

On the other hand, ESG Social Pillar scores are intended to capture firms' social conduct, but their validity depends on how closely they reflect underlying organizational realities. In practice, these ratings are typically constructed from firm disclosures, public information, and provider-specific methodologies rather than from systematic stakeholder input, raising questions about their reliability for both managers and investors (Chatterji et al., 2016; Doyle, 2018; Hendratama et al., 2023). As a result, they may capture formal policies and communicated commitments more strongly than employees' lived workplace experiences. This concern is especially relevant in the Social pillar, where many indicators are qualitative, disclosure-based, and difficult to verify (Escrig-Olmedo et al., 2014; Christensen et al., 2022).

A related challenge is that ESG Social Pillar scores aggregate multiple dimensions of social performance that do not necessarily reflect the same underlying construct. These concerns are compounded by substantial disagreement across ESG rating providers (Berg et al., 2022; Rubino et al., 2026). Aggregate Social Pillar scores may therefore combine workplace-related dimensions, such as labor relations or employee development, with more externally oriented or policy-based categories.

This distinction is important because ESG providers often evaluate financially material social risks, whereas employees assess experienced workplace conditions such as fairness, leadership, voice, and daily treatment. These perspectives are related, but not identical. While ESG metrics are widely used to guide investment and policy decisions (Friede et al., 2015;

Whelan et al., 2021), their dependence on voluntary corporate disclosure means that what is measured often reflects what firms choose to communicate rather than what stakeholders actually experience. A growing literature documents that firms may use ESG disclosures symbolically to maintain legitimacy rather than to signal substantive improvement, with adverse consequences for stakeholder trust and perceived authenticity (Walker and Wan, 2012; Marquis et al., 2016; Borusiak et al., 2024; Scheidler et al., 2019). Employees occupy a particularly important position in this context because they directly experience many of the social practices that ESG ratings are intended to assess, yet employee sentiment remains largely absent from ESG rating methodologies.

If this interpretation is correct, alignment between ESG assessments and employee sentiment should vary systematically across dimensions of the Social pillar. Subcategories tied more closely to employee-observable workplace conditions, such as labor management, equality, or employee development, should correspond more strongly to employee sentiment than categories that primarily capture formal policies, compliance structures, or other externally oriented social activities.

Accordingly, we test the following hypothesis:

Hypothesis 2. *Alignment between ESG Social subcategory scores and employee sentiment varies systematically across dimensions and is stronger for subcategories that capture employee-observable workplace conditions.*

2.3 Employee-ESG Disagreement and Market Consequences

Employee-ESG disagreement may have consequences that extend beyond measurement validity. If external ESG Social Pillar scores diverge from employees' internal evaluations, investors face uncertainty about whether a firm's reported social performance reflects substantive workplace practices or more symbolic external representation. In this sense, inside–outside disagreement can be understood as a distinct form of sustainability-related uncertainty.

Prior research shows that disagreement across ESG ratings is associated with economically meaningful market outcomes. Divergence across external assessments has been linked to higher expected returns, greater return volatility, and larger price movements, as well as a lower likelihood of external financing, a higher cost of capital, and lower abnormal trading volume (e.g. Brandon et al., 2021; Zhou and Ma, 2024; Berg et al., 2024; Zeng et al., 2025). These findings suggest that disagreement reflects not only methodological noise but also differences in information precision across firms. Building on classic information economics, uncertainty arising from noisy or conflicting signals increases information risk, which markets may price (e.g., Easley and O'hara, 2004). This channel predicts a persistent return premium tied to firms that are genuinely difficult to evaluate, as the uncertainty is resolved only gradually as internal information diffuses into prices. Employee-ESG disagreement may represent a particularly informative version of this problem because it captures inconsistency between internal experience and external representation rather than disagreement among external evaluators alone.

A related interpretation is that such disagreement may also signal symbolic rather than substantive social practices (Walker and Wan, 2012; Scheidler et al., 2019). When external Social Pillar scores are not matched by employees' lived experiences, disagreement may weaken the credibility of corporate social claims and indicate difficulties in the implementation of social policies. To the extent that investors interpret this divergence as evidence of fragile legitimacy or internal organizational problems, disagreement may also be associated with less favorable market outcomes.

Overall, we expect employee-ESG disagreement to be relevant for financial markets because it reveals uncertainty about the extent to which external social-performance signals reflect underlying workplace realities. Since employees have privileged access to these realities, disagreement that incorporates employee sentiment may provide a sharper signal than disagreement across ESG rating agencies alone. The two interpretations generate opposing predictions: the information-risk channel predicts higher subsequent returns for high-

disagreement firms, as investors demand compensation for opacity; the legitimacy-penalty channel predicts lower returns, as investors discount firms whose social credibility is in question. Distinguishing between them is an empirical question we will address.

Accordingly, we test the following hypothesis:

Hypothesis 3. *Employee-ESG disagreement is associated with subsequent stock returns.*

The remainder of the paper is organized as follows. Section 3 proceeds with the data creation, structure, and descriptive statistics. In Section 4, we illustrate the methodology used for our model. Section 5 shows the results, and finally, the paper concludes with Section 6.

3 Data

To address whether ESG Social Pillar ratings authentically reflect employees' workplace experiences and whether disagreement between internal and external assessments carries financial consequences, we constructed a unique unbalanced panel dataset combining employee reviews from Kununu with ESG Social Pillar scores from three major providers—MSCI, Bloomberg, and LSEG Data & Analytics—together with firm-level financial and stock-return data from LSEG Data & Analytics. The sample comprises 153 publicly listed firms in Germany, Austria, and Switzerland, spanning the period from 2013 to 2023. After aggregating the reviews per month, the sample corresponds to 1656 firm-month observations (where all the information needed was present).

Employee perceptions are captured through Kununu, the largest employer-review platform in the German-speaking area (DACH region). Kununu allows current and former employees to anonymously evaluate their workplace across several social dimensions on a 1–5 Likert scale. These evaluations include an overall workplace satisfaction score ($\mathcal{K}_{aggr}$) as well as detailed subcategories such as teamwork, leadership quality, work–life balance, and

equality ($\mathcal{K}_{sub}$). In addition to numeric ratings, the platform collects qualitative comments offering further context on organizational culture and management quality. A detailed description of the variables and a sample of a Kununu review can be found in the Appendix (A1 and A2).

ESG Ratings are obtained from MSCI, LSEG Data & Analytics, and Bloomberg—three leading ESG data providers widely used in academic and investment research (Hendratama et al., 2023). Each provider aggregates firm-reported indicators into standardized Social pillar scores, but their scope and weighting schemes differ considerably. MSCI provides an industry-adjusted score on a 0–10 scale, subsequently mapped into letter grades (AAA–CCC). LSEG applies a hierarchical structure that aggregates more than 180 metrics into pillar-level scores (0–10) and includes a disclosure score rewarding transparency. Bloomberg compiles over 600 individual indicators into a 0–100 composite score and a controversies index capturing negative events. To ensure comparability with the Kununu scale, all ESG scores are linearly rescaled to a 1–5 numerical range. This transformation standardizes scales without changing their conceptual meaning, enabling consistent analysis of internal–external alignment and cross-provider disagreement.

Because Kununu and ESG databases do not share a common identifier, firms are matched using probabilistic record-linkage procedures (Wasi and Flaaen, 2015). Matches are determined based on company name, country, and year, with ambiguous cases manually verified. Once confirmed, ISIN codes are used to integrate MSCI, Bloomberg, and LSEG scores. Following standard practice in crowd-sourced data research (Gimpl, 2024; Surowiecki, n.d.), we retain only firms receiving at least three employee reviews per month to ensure reliability.

Lastly, firm-level accounting and market data are drawn from LSEG Data & Analytics to control for organizational characteristics and to analyze financial implications. Control variables include return on assets (ROA), return on equity (ROE), total assets, and total debt, capturing profitability, size, and capital structure. Monthly stock prices and market capitalizations are used to compute returns for the portfolio analysis. To examine whether firms

with greater employee–ESG disagreement earn different risk-adjusted returns, we download the European monthly factors from the Kenneth R. French data library created by Fama and French (2015), which controls for exposures to market, size, value, profitability, and investment factors.

Table 1 reports descriptive statistics for the main variables. Kununu's aggregated employee ratings ($\mathcal{K}_{aggr}$) show a relatively high mean of 3.75 on a 1–5 scale, suggesting that employees generally evaluate their employers positively. In contrast, ESG ratings vary more strongly across providers: MSCI ($\mathcal{S}_{MSCI}$) has a score of 2.99, Bloomberg ($\mathcal{S}_{Bloomberg}$) assigns lower average scores (2.27), while LSEG ($\mathcal{S}_{LSEG}$) scores are higher on average (3.93). The financial control variables exhibit substantial variation, consistent with a heterogeneous sample covering firms of different sizes and profitability. The table also reports the two disagreement measures, which capture the cross-source disagreement in different social assessments. The first includes both employee and ESG ratings, while the second excludes employee input and reflects disagreement across ESG providers only. These indicate that, on average, there is meaningful but not extreme variation in how different sources evaluate firms' social performance, with somewhat greater disagreement when employee assessments are included.

The heatmap in Figure 1 visualizes the correlation structure between employee satisfaction dimensions and ESG Social Pillar ratings. The Kununu subcategories exhibit strong positive correlations with one another, which indicates high internal consistency among employee perceptions of workplace quality. In contrast, the correlations between these employee-based indicators and the Social Pillar scores from MSCI, LSEG, and Bloomberg are weak and heterogeneous. MSCI's scores display small positive associations with employee ratings, while those of LSEG and Bloomberg are close to zero or even slightly negative. This visual pattern shows the first evidence of a systematic disagreement between internal employee assessments and external ESG evaluations, suggesting that the Social Pillar ratings of major data providers capture different dimensions of corporate "social" performance than those

Table 1: Descriptive Statistics

	count	mean	sd	min	max
$\mathcal{K}_{aggr}$	1656	3.75	0.71	1.17	5.00
$\mathcal{S}_{MSCI}$	1656	2.99	0.62	1.38	5.00
$\mathcal{S}_{LSEG}$	1656	3.93	0.81	1.00	5.00
$\mathcal{S}_{Bloomberg}$	1656	2.27	0.69	1.00	5.00
Employee Benefits Score	1656	4.84	1.84	0.00	8.00
Pre-tax Return on Assets (%)	1656	4.98	6.86	-34.64	29.04
Return on Equity (%)	1656	14.83	21.77	-96.76	336.04
Total Assets ($)	1656	6.61e+10	1.51e+11	1.32e+08	1.34e+12
Total Debt Outstanding ($)	1656	2.00e+10	4.51e+10	0.00	2.74e+11
Disagreement including Kununu	1656	0.98	0.28	0.11	1.64
Disagreement of only ESG providers	1656	1.00	0.36	0.06	1.81

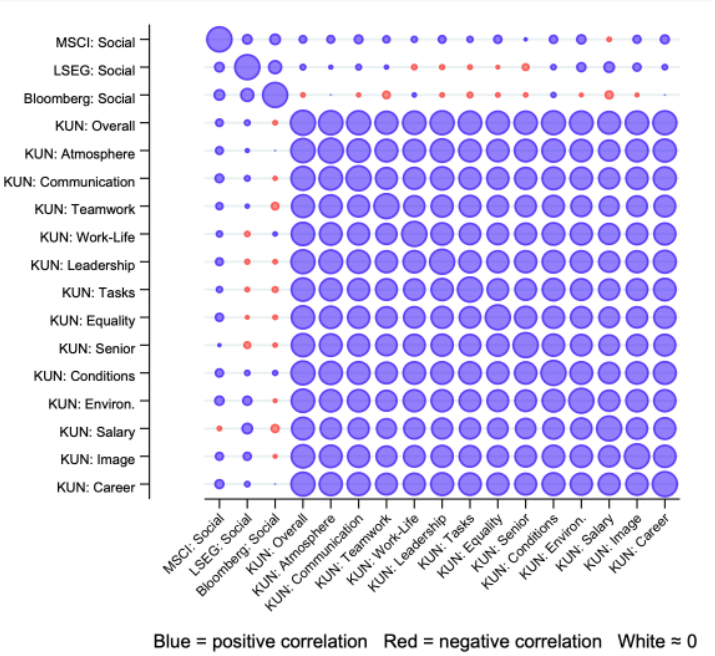
Note: This table reports descriptive statistics for the main variables used in the analysis. Kununu employee sentiment ($\mathcal{K}_{aggr}$) shows generally positive workplace evaluations, while the three ESG Social pillar ratings exhibit substantial differences in levels and dispersion, reflecting variation in providers' measurement approaches. Financial performance indicators display wide ranges consistent with heterogeneity across firms. The two disagreement measures capture disagreement in social assessments: the first includes employee sentiment, and the second reflects disagreement only among ESG providers. Their distinct distributions indicate that inside–outside disagreement represents a separate source of variation beyond cross-provider divergence.

experienced by employees.

4 Methodology

Our empirical approach proceeds in three stages corresponding to the hypotheses developed above. *First*, we assess whether ESG Social Pillar ratings reflect employees' internal workplace perceptions by estimating panel regressions with firm-fixed effects, and whether this is different across aggregated sectors. *Second*, we analyze whether the degree of alignment differs across specific dimensions of social performance by disaggregating both ESG subcomponents and employee subratings. *Finally*, we analyze whether disagreement between internal and external assessments is associated with systematic return differentials unexplained by standard risk factors, by constructing portfolios sorted on the degree of employee–ESG disagreement and estimating their performance using the Fama–French five-factor model (Fama and French, 2015).

Figure 1: Heat Map Correlation



Note: Heat Map Correlation between external ESG Social Pillar scores and employee-based dimensions. Circle color indicates the direction of correlation (blue = positive, red = negative, white = 0), while circle size indicates its magnitude (larger = stronger correlation).

Social Pillar ratings and Employee Satisfaction

To examine whether ESG Social Pillar ratings reflect employees' internal workplace perceptions (*Hypothesis 1*), we estimate firm fixed-effects panel regressions at the firm–month level and test whether the association differs across industries:

$$\mathcal{K}_{i,t} = \beta\, \mathcal{S}_{pillar,i,y(t)} + \gamma' \mathbf{X}_{i,t} + \mu_i + \varepsilon_{i,t}, \tag{1}$$

where $\mathcal{K}_{i,t}$ denotes the monthly average of Kununu employee ratings for firm i in month t, and $\mathcal{S}_{pillar,i,y(t)}$ is the rescaled annual Social Pillar score from ESG provider $pillar \in \{\text{MSCI, LSEG, Bloomberg}\}$ corresponding to calendar year $y(t)$ that contains month t. The control vector $\mathbf{X}_{i,t}$ includes the *Employee Benefits Score* observed at the firm–month level, as well as firm fundamentals reported annually (Pretax ROA, ROE, Total Assets, and Total Debt Outstanding) that are assigned to each month within the corresponding calendar year.

μ_i denotes firm fixed effects and $\varepsilon_{i,t}$ is the error term. Standard errors are clustered at the firm level. In the baseline, we exclude month fixed effects because the ESG Social Pillar scores vary annually; however, we report specifications with month fixed effects in the Appendix. Assigning annual variables to months allows us to exploit higher-frequency variation in employee sentiment while maintaining temporal consistency across explanatory variables, which is also required for the monthly portfolio tests in *Hypothesis 3*.

Furthermore, to test whether alignment is stronger in human-capital-intensive industries, we augment the baseline specification with an interaction between the Social Pillar score and an indicator HC_i for human-capital-intensive sectors:

$$\mathcal{K}_{i,t} = \beta\, \mathcal{S}_{pillar,i,y(t)} + \theta\big(\mathcal{S}_{pillar,i,y(t)} \times HC_i\big) + \gamma' \mathbf{X}_{i,t} + \mu_i + \varepsilon_{i,t}. \tag{2}$$

The interaction term identifies whether the slope of $\mathcal{S}_{pillar}$ differs between human-capital-intensive and asset-intensive industries.

Disaggregating subcategories

To test whether the alignment is concentrated in particular dimensions of social performance (*Hypothesis 2*), we pursue a two-step strategy.

First, we regress the monthly average of employee reviews on ESG sub-dimensions while controlling for the overall Social Pillar score:

$$\mathcal{K}_{i,t} = \beta_1 \mathcal{S}_{subcat,i,y(t)} + \beta_2 \mathcal{S}_{pillar,i,y(t)} + \gamma' \mathbf{X}_{i,t} + \mu_i + \varepsilon_{i,t}. \tag{3}$$

This specification evaluates whether provider-specific sub-scores (e.g., MSCI: Human Capital Development, Labor Management, Supply Chain; LSEG: Workforce, Human Rights, Community, Diversity and Opportunity, etc.) explain variation in employee satisfaction beyond the aggregate pillar score.

Second, we disaggregate the employee side by estimating separate regressions for each

Kununu review sub-dimension $\mathcal{K}_{subcat,i,t}$ (e.g., atmosphere, communication, teamwork, leadership, work-life balance, equality, career opportunities):

$$\mathcal{K}_{subcat,i,t} = \beta_1 \mathcal{S}_{subcat,i,y(t)} + \beta_2 \mathcal{S}_{pillar,i,y(t)} + \gamma' \mathbf{X}_{i,t} + \mu_i + \varepsilon_{i,t}. \tag{4}$$

Together, these models assess whether ESG providers capture specific workplace dimensions reported by employees, or whether disagreement persists even at a more granular level. All specifications include firm fixed effects and the same set of controls, with standard errors clustered at the firm level.

Stock Market Implications of Disagreement

To test whether the disagreement between employee and ESG ratings is associated with differences in subsequent stock performance (*Hypothesis 3*), we analyze the return behavior of portfolios sorted by the degree of disagreement.

The degree of disagreement is captured by the cross-source disagreement in social assessments, which measures the extent to which internal and external evaluations diverge at the firm–month level. Formally, for each firm i in month t, the degree of disagreement is defined as the standard deviation of the available social performance indicators:

$$\mathcal{D}_{it} = \sqrt{\frac{1}{N_{it} - 1} \sum_{j=1}^{N_{it}} \left(S_{ijt} - \bar{S}_{it} \right)^2}, \tag{5}$$

where S_{ijt} denotes the standardized Social Pillar score assigned to firm i in month t by source j, $\bar{S}_{it}$ is the mean of these scores, and N_{it} is the number of non-missing sources for firm i in month t. We require $N_{it} \geq 2$ for $\mathcal{D}_{it}$ to be defined. Higher values of $\mathcal{D}_{it}$ indicate greater disagreement between the different assessments of a firm's social performance.

We construct two variants of this measure that differ in the set of sources included. The first, $\mathcal{D}_{it}^{\text{ESGK}}$, is computed using all available Social Pillar scores from Kununu and the three

ESG providers (MSCI, LSEG, and Bloomberg), and therefore captures total disagreement across internal (employee-based) and external (ESG-based) perspectives. The second, $\mathcal{D}_{it}^{\text{ESG}}$, is computed analogously but includes only the three ESG ratings and excludes Kununu. Comparing $\mathcal{D}_{it}^{\text{ESGK}}$ and $\mathcal{D}_{it}^{\text{ESG}}$ allows us to isolate the incremental disagreement attributable to employees' internal assessments, while acknowledging that the number of contributing sources can vary across firm–month observations.

In empirical asset pricing, the standard approach to test whether a firm characteristic is associated with expected returns is to sort firms into portfolios based on that characteristic and examine whether high–minus–low portfolios earn differential risk-adjusted returns (e.g., Fama and French, 1993, 2015). Portfolio sorts are widely used because they allow researchers to aggregate noisy firm-level returns, isolate the effect of the characteristic of interest, and generate time series that can be evaluated using factor models. This approach has been applied to characteristics such as investment, profitability, intangibles, governance quality, and, more recently, ESG disagreement (e.g., Brandon et al., 2021). Following this well-established methodology, we evaluate whether firms with high disagreement between internal and external social assessments earn systematically different returns than firms with low disagreement.

Portfolio construction. Each month, t, firms are sorted into three portfolios (terciles) based on the cross-sectional distribution of the disagreement measure $\mathcal{D}_{it}$. Taking $\mathcal{D}_{it}^{\text{ESGK}}$ as the baseline, the first tercile (*Low*) contains firms whose employee and ESG assessments are more closely aligned, while the third tercile (*High*) represents firms with the strongest disagreement between internal and external evaluations. For each tercile, we form one-month-ahead portfolio excess returns. Two weighting schemes are applied: (i) *equal-weighted* (EW) portfolios, where each firm receives the same weight, and (ii) *value-weighted* (VW) portfolios, where firms are weighted by their market capitalization.

The resulting time series of portfolio excess returns are denoted by R_{qt}^{EW} and R_{qt}^{VW} for

terciles $q \in \{1, 2, 3\}$, and the high–minus–low long–short spread is defined as:

$$R_t^{LS} = R_{3t} - R_{1t}. \tag{6}$$

We repeat this procedure for both $\mathcal{D}_{it}^{\text{ESGK}}$ and $\mathcal{D}_{it}^{\text{ESG}}$ to assess whether the pricing of disagreement is stronger when employee disagreement is explicitly incorporated. To ensure comparability across terciles over time, we retain only months in which returns can be computed for all three terciles.

Risk-adjusted return estimation. To assess whether high-disagreement portfolios earn abnormal returns, we estimate Fama-French five-factor time-series regressions with heteroskedasticity and autocorrelation-consistent (Newey–West) standard errors (lag 3) (Fama and French, 2015):

$$R_{qt} = \alpha_q + \beta_D \text{MKT}_t + \beta_s \text{SMB}_t + \beta_h \text{HML}_t + \beta_r \text{RMW}_t + \beta_c \text{CMA}_t + \varepsilon_{qt}, \tag{7}$$

where R_{qt} is the monthly excess return of portfolio q, and the factors capture market, size, value, profitability, and investment effects. The intercept α_q measures abnormal performance unexplained by standard risk factors. A positive and statistically significant α for the high-minus-low spread indicates that firms with stronger employee–ESG disagreement earn higher expected returns, consistent with sustainability-related information uncertainty.

All portfolio returns are measured one month after the disagreement observation to ensure proper temporal ordering and avoid look-ahead bias. ESG ratings are updated annually, while employee ratings vary monthly. We therefore assign each firm's annual ESG score to all months within that calendar year and combine it with the corresponding monthly employee data to compute the disagreement measures $\mathcal{D}_{it}^{\text{ESGK}}$ and $\mathcal{D}_{it}^{\text{ESG}}$ at the firm–month level. The resulting measure reflects all information available to investors at the end of month t, while portfolio returns are realized in month $t + 1$.

Governance and disagreement To shed light on organizational correlates of employee-ESG disagreement, we examine whether within-firm variation over time in governance and oversight characteristics is associated with variation in the disagreement measure. Governance variables are observed at the fiscal-year level, while disagreement is defined at the firm-month level. We therefore estimate firm fixed-effects regressions at the firm–month frequency, assigning each firm-year governance value to all months within the corresponding fiscal year:

$$\mathcal{D}_{i,t} = \delta\, G_{i,y(t)} + \gamma' \mathbf{X}_{i,t} + \lambda_{y(t)} + \mu_i + \varepsilon_{i,t}, \tag{8}$$

where $\mathcal{D}_{i,t}$ denotes firm i's disagreement in month t (see Equation 5), $G_{i,y(t)}$ is a governance characteristic measured for fiscal year $y(t)$ (e.g., board and committee activity, nomination committee independence indicators, auditor characteristics, or fee measures), and $\mathbf{X}_{i,t}$ is a vector of controls as in the equations in *Hypothesis 1* and *2*. μ_i denotes firm fixed effects and $\lambda_{y(t)}$ year fixed effects. Standard errors are clustered at the firm level. To avoid multicollinearity among governance indicators and to facilitate interpretation, we run a separate analysis for each governance variable.

5 Results

This section presents the empirical tests of our three hypotheses on the relationship between internal employee perceptions and ESG ratings. We first assess whether ESG Social Pillar ratings (and sub-pillars) reflect employees' lived workplace experiences, and finally analyze whether this disagreement has financial consequences in the form of abnormal returns.

In line with the notion that ESG assessments may not fully capture firms' internal conditions, the analysis reveals limited alignment between employee-reported satisfaction and Social Pillar scores, and occasionally a negative association. These findings motivate further investigation into whether this disagreement—interpreted as sustainability-related information uncertainty—correlates with abnormal returns unexplained by standard risk factors.

Do ESG Social Pillar ratings reflect workplace realities?

Table 2 reports the firm-fixed-effects regressions testing whether external ESG Social Pillar ratings reflect employees' internal workplace perceptions—thus providing the empirical test of *Hypothesis 1*.

Across models, the association between external Social Pillar scores and employee satisfaction is weak and generally not statistically distinguishable from zero. MSCI's Social Pillar score is positive but insignificant, LSEG's Social Pillar score is negative and likewise insignificant. Bloomberg's Social Pillar score is the only provider with a positive but slightly significant coefficient. Overall, the baseline evidence provides little support for the view that externally assigned Social Pillar scores systematically capture employees' workplace experiences.

Importantly, the control for employee benefits is consistently positive and highly significant across all models ($\beta \approx 0.231$–0.233, $p < 0.001$). This confirms that the dependent variable behaves as theoretically expected with respect to a concrete workplace-quality predictor, providing a strong validity check for the Kununu-based measure of employee satisfaction.

Table 3 investigates whether the association between external Social Pillar ratings and employee satisfaction differs between human-capital-intensive and asset-intensive industries, as anticipated in *Hypothesis 1*. If external raters captured workplace conditions more accurately in sectors where employee-related dynamics are more salient, we would expect a stronger positive relationship in human-capital-intensive industries.

The results provide little evidence of such heterogeneity. Overall, introducing sectoral heterogeneity does not materially improve the correspondence between external Social Pillar ratings and employees' workplace perceptions. Consistent with the baseline models, employee benefits remain strongly positive and highly significant across specifications ($p < 0.001$), confirming the validity of the employee satisfaction measure. Taken together, these findings do not support *Hypothesis 1*: ESG Social Pillar ratings do not reliably track employees' lived workplace experiences, and this disagreement persists across industry types.

Table 2: Regressions: $\mathcal{S}_{agg}$ vs $\mathcal{K}_{aggr}$

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.070		
	(1.13)		
$\mathcal{S}_{LSEG}$		-0.073	
		(-1.08)	
$\mathcal{S}_{Bloomberg}$			0.100*
			(1.81)
Employee Benefits Score	0.233***	0.231***	0.232***
	(14.93)	(15.03)	(15.08)
Pre-tax Return on Assets (%)	0.005	0.004	0.005
	(0.62)	(0.58)	(0.61)
Return on Equity (%)	-0.002**	-0.002**	-0.002**
	(-1.99)	(-2.14)	(-2.12)
Total Assets ($)	0.000	0.000	0.000
	(0.38)	(0.50)	(0.17)
Total Debt Outstanding ($)	0.000	0.000	0.000
	(0.62)	(0.63)	(0.76)
Constant	2.319***	2.816***	2.318***
	(10.48)	(10.06)	(15.13)
Model Statistics			
N	1656	1656	1656
AIC	2237.823	2237.899	2235.112
BIC	2264.884	2264.960	2262.173

Notes: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated monthly employee satisfaction score from Kununu. The main independent variables are Social Pillar ratings from MSCI, LSEG, and Bloomberg, respectively. All models include firm fixed effects and control for return on assets (ROA), return on equity (ROE), total assets, total debt, and employee benefits. Coefficients on ESG Social scores indicate the degree of alignment between external and employee-based assessments of firms' social performance. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table 3: Regression: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ by human-capital-intensive industries vs asset-intensive industries

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.064		
	(0.80)		
$\mathcal{S}_{LSEG}$		-0.052	
		(-0.76)	
$\mathcal{S}_{Bloomberg}$			0.172**
			(2.23)
Human-capital-intensive × Social Pillar Score	0.013	-0.052	-0.165
	(0.11)	(-0.32)	(-1.52)
Employee Benefits Score	0.231***	0.229***	0.229***
	(14.70)	(14.85)	(14.70)
Pre-tax Return on Assets (%)	0.004	0.003	0.002
	(0.43)	(0.39)	(0.30)
Return on Equity (%)	-0.001*	-0.001**	-0.001**
	(-1.91)	(-2.06)	(-2.07)
Total Assets ($)	0.000	0.000	0.000
	(0.38)	(0.45)	(0.12)
Total Debt Outstanding ($)	0.000	0.000	0.000
	(0.60)	(0.66)	(0.79)
Constant			
	2.324***	2.842***	2.339***
	(10.22)	(8.32)	(14.44)
Model Statistics			
N	1616	1616	1616
AIC	2184.983	2184.936	2178.212
BIC	2217.309	2217.263	2210.538

Notes: This table reports regressions testing whether the relationship between external ESG Social Pillar scores and employee satisfaction ($\mathcal{K}_{aggr}$) varies across industries. The main independent variables are the Social Pillar scores from MSCI, LSEG, and Bloomberg, respectively. To assess heterogeneity across sectors, we interact each Social Pillar score with an indicator for *human-capital-intensive industries*, which include Communication Services, Consumer Discretionary, Consumer Staples, Health Care, and Information Technology. Asset-intensive industries (Energy, Financials, Industrials, Materials, and Real Estate) serve as the reference group. All models include firm-level controls (ROA, ROE, total assets, total debt, and employee benefits). Coefficients on the interaction terms indicate whether the strength or direction of ESG–employee alignment differs by industry. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Do ESG Social sub-categories capture workplace realities?

We next examine whether specific components of the ESG Social Pillar provide a more accurate reflection of employees' workplace experiences. Table 4 presents regressions of aggregated employee satisfaction ($\mathcal{K}_{aggr}$) on the ESG sub-dimensions we have available. The results reveal substantial heterogeneity across rating providers and subcategories, indicating that the observed disagreement is not an artifact of aggregation alone but extends to the underlying dimensions of social performance.

For MSCI, the overall Social Pillar score is strongly positive and statistically significant in the various specifications. However, the core sub-scores move in the opposite direction. This pattern suggests that disaggregating MSCI's Social assessment does not yield clearer alignment with employees' workplace perceptions. The number of observations is much smaller in the MSCI subcategory analysis because MSCI subcategory fields are frequently missing or unpopulated, which sharply reduces the usable firm-month sample. By contrast, the LSEG specification shows generally weak and mostly insignificant relationships across subcategories. The overall LSEG Social Pillar score is statistically indistinguishable from zero, and most sub-dimensions are likewise not significant. To investigate alignment more directly, we disaggregate both sides of the analysis and regress each Kununu subcategory on ESG sub-dimensions (Appendix Table A3 and Table A4). For MSCI, the appendix results do not point to broad insignificance; rather, the overall Social Pillar score is frequently significant across Kununu dimensions, while the MSCI sub-scores (Human Capital Development, Labor Management, Supply Chain) often enter with negative and significant coefficients, suggesting an internally mixed pattern rather than clear alignment. LSEG subcategories produce more variation, with a handful of significant associations across workplace dimensions, but the overall alignment remains fragmented and inconsistent.

Overall, the subcategory findings suggest that the disagreement documented in *Hypothesis 1* is not simply a conceptual gap between risk-based ESG assessments and experience-based employee evaluations. While such a scope difference could explain weak aggregate

alignment, the disaggregated tests in *Hypothesis 2* reduce this ambiguity by comparing more closely matched dimensions. The results show a more nuanced picture: several ESG sub-dimensions are statistically related to specific workplace outcomes, but the pattern is fragmented and sometimes counterintuitive—most notably, overall Social Pillar scores can load positively while closely related sub-scores enter with negative coefficients, and provider-specific subcomponents matter in some workplace domains but not others. Thus, even when focusing on categories where external raters and employees should, in principle, capture similar underlying constructs, the correspondence is not systematically stronger or consistently signed. This points to a substantive and provider-dependent disagreement rather than a pure measurement-scope artifact.

This evidence directly motivates the test in *Hypothesis 3*, which predicts that disagreement—whether interpreted as symbolic social performance or as information uncertainty—should be reflected in expected returns. If investors discount firms whose external ESG representations are inconsistent with internal realities, high-disagreement firms should earn lower expected returns (a legitimacy penalty). Conversely, if markets interpret divergence as information risk, high-disagreement firms should earn a return premium to compensate for the opacity surrounding their true social engagement. The following section evaluates which of these mechanisms dominates in financial markets.

Does Disagreement Affect Market Valuation?

The analyses above documented a systematic divergence between employee-reported workplace conditions and externally assigned ESG Social Pillar scores. *Hypothesis 3* posits that this disagreement may have financial consequences because it creates uncertainty about whether external social assessments reflect firms' underlying workplace realities. To the extent that investors attach return consequences to this uncertainty, firms with greater employee–ESG disagreement should exhibit different subsequent stock-return patterns.

Table 5 reports portfolio-sort results based on $\mathcal{D}_{it}^{\text{ESGK}}$, which captures disagreement

Table 4: Regression: $\mathcal{S}_{subcategories}$ vs $\mathcal{K}_{aggr}$

	Dependent variable: $\mathcal{K}_{aggr}$	
	Model MSCI	**Model LSEG**
$\mathcal{S}_{MSCI}$	1.205**	
	(3.08)	
Human Capital Development Score (MSCI)	0.022	
	(0.14)	
Labor Management Score (MSCI)	-0.456***	
	(-10.85)	
Supply Chain Score (MSCI)	-0.654***	
	(-5.49)	
$\mathcal{S}_{LSEG}$		-0.177
		(-1.41)
Workforce Score (LSEG)		-0.008
		(-0.10)
Human Rights Score (LSEG)		0.042
		(0.90)
Community Score (LSEG)		-0.001
		(-0.02)
Health and Safety Policy Score (LSEG)		-0.130
		(-0.87)
Diversity and Opportunity Score (LSEG)		0.025
		(0.56)
Employee Health and Safety Team Score (LSEG)		0.033*
		(1.71)
Employee Turnover Score (LSEG)		0.079*
		(1.86)
Flexible Working Hours Score (LSEG)		0.010
		(0.49)
Daycare Services Score (LSEG)		-0.001
		(-0.04)
Internal Promotion Score (LSEG)		-0.012
		(-0.53)
Employee Benefits Score	0.142***	0.219***
	(12.73)	(11.84)
Pre-tax Return on Assets (%)	0.020	0.011
	(0.64)	(1.65)
Return on Equity (%)	-0.002	-0.001***
	(-0.22)	(-2.95)
Total Assets ($)	0.000	-0.000
	(1.63)	(-0.40)
Total Debt Outstanding ($)	-0.000	0.000
	(-0.60)	(1.13)
Constant	1.296	3.234***
	(1.95)	(4.43)
Model Statistics		
N	88.000	1308.000
AIC	137.510	1683.785
BIC	149.897	1761.429

Notes: This table reports panel regressions testing whether specific ESG Social sub-dimensions explain employees' aggregated workplace satisfaction ($\mathcal{K}_{aggr}$). Model 1 uses MSCI sub-scores—Human Capital Development, Labor Management, and Supply Chain—alongside the overall MSCI Social Pillar score. Model 2 uses LSEG (Refinitiv) sub-scores—Workforce, Human Rights, Community, Diversity and Opportunity, and related indicators—alongside the LSEG Social score. All regressions include firm-level controls (ROA, ROE, total assets, total debt, and employee benefits). Coefficients on the sub-scores indicate whether particular ESG categories correspond to higher employee-reported satisfaction, capturing the dimension-specific alignment between external ESG evaluations and internal workplace perceptions. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

between Kununu and the three ESG providers. For each portfolio, we estimate Fama–French five-factor time-series regressions and report heteroskedasticity- and autocorrelation-consistent (Newey–West, lag 3) standard errors. The pattern is consistent with the view that employee–ESG disagreement captures sustainability-related information uncertainty. Firms in the highest-disagreement tercile earn substantially higher subsequent returns than those in the lowest tercile. The high–minus–low long–short spread yields a positive and statistically significant alpha of about 1.9% per month under equal weighting and about 1.2% per month under value weighting. These magnitudes are economically meaningful and remain after controlling for market, size, value, profitability, and investment factors, indicating that the return premium is not explained by standard asset-pricing exposures.

The difference between equal- and value-weighted results provides additional insight. Equal-weighted portfolios place greater weight on smaller firms, whereas value-weighted portfolios are dominated by larger firms. The stronger alpha in the equal-weighted specification suggests that the return premium is most pronounced among smaller firms, where investors may have fewer alternative information sources and where internal–external inconsistency may generate greater uncertainty. In value-weighted portfolios, the premium persists but is attenuated, consistent with the idea that larger firms' disclosures, visibility, and analyst coverage partially mitigate these information frictions.

Table 6 further sharpens the interpretation by showing that the return premium disappears when disagreement is calculated using only external ESG providers, $\mathcal{D}_{it}^{\text{ESG}}$. ESG-only disagreement does not produce statistically significant abnormal returns under either weighting scheme when inference is based on Newey–West standard errors. The comparison between the two measures highlights the informational role of employees' insider assessments: only when disagreement incorporates employee sentiment does disagreement forecast abnormal returns. This finding suggests that employee-based assessments contain information about firms' internal social conditions that is not fully reflected in ESG ratings and may not be immediately incorporated into prices. Overall, the sign and pattern of these results — a

positive premium concentrated among smaller firms, absent when employee assessments are excluded — is more consistent with the information-risk channel than with a legitimacy penalty.

To further understand the organizational sources of this pattern, we next examine whether firms with high disagreement share distinctive governance characteristics.

Governance characteristics associated with employee–ESG disagreement

To better understand the abnormal return premium documented for firms in the highest disagreement tercile, we examine whether variation in the variable *disagreement* $\mathcal{D}_{it}$ is systematically related to observable board and audit characteristics. Table 7 reports firm fixed-effects regressions in which governance variables are entered one-at-a-time. The descriptive statistics for the governance tables are presented in the Appendix Table A5.

Several patterns emerge. First, disagreement dispersion is lower when the nomination committee chair is non-independent. The indicator Nominating Committee Chair Independence (equal to one when the chair is not independent) is negatively associated with $\mathcal{D}_{it}$ (coefficient $= -0.212$, $p < 0.01$), implying that within firms over time, years with an independent chair are associated with higher dispersion in social disagreement. One interpretation draws on the informational role of boards. Theory emphasizes that more independent boards can be tougher monitors but also depend on management for firm-specific information, which can affect managers' disclosure incentives (Adams and Ferreira, 2007; Adams et al., 2010). If greater board independence coincides with higher information acquisition costs or weaker access to soft internal information, it may not necessarily improve alignment in domains where underlying conditions are difficult to observe externally. Consistent with this view, Duchin et al. (2010) show that the benefits of outside directors depend on the cost of acquiring information; when information is costly to obtain, greater independence need not translate into better outcomes and may instead be associated with greater informational

frictions.

Second, audit-related intensity appears economically relevant. A higher number of audit committee meetings is associated with lower disagreement dispersion ($\beta = -0.024$, $p < 0.01$), consistent with evidence that more active audit committees improve reporting quality and reduce information asymmetries (Xie et al., 2003; Karamanou and Vafeas, 2005).

Third, board experience variables show modest but consistent associations. Greater average director tenure and average independent director tenure are negatively related to $\mathcal{D}_{it}$ at the 10% level, indicating that more experienced boards are associated with lower dispersion in disagreement. One interpretation is that longer-tenured directors accumulate firm-specific knowledge and develop a deeper understanding of internal organizational processes, thereby facilitating a more coherent translation of internal stakeholder information into externally observable ESG assessments. This pattern is consistent with the view that longer tenure increases firm-specific knowledge and improves the board's ability to process information (Vafeas, 2003). At the same time, prior work shows that very long tenure can reduce director independence and effectiveness (Vafeas, 2003; Huang and Hilary, 2018).

Taken together, the governance comparisons provide additional context for the return results in Table 5. Disagreement between employees' internal evaluations and external ESG scores appears to reflect more than a purely mechanical difference in measurement. Instead, the observed associations are consistent with the view that internal–external disagreement is shaped, at least in part, by organizational processes related to oversight, reporting, and the internal transmission of workplace information. This interpretation aligns with our broader finding that firms with greater inside–outside disagreement earn higher subsequent abnormal returns. While these governance tests are not designed to establish causality, they suggest that the information captured by employee-based assessments may be linked to firm characteristics that affect how internal realities are translated into external ESG evaluations.

Table 5: Portfolio Returns Sorted by Employee–ESG Disagreement using Fama-French 5-factors and HAC standard errors

	Fama French 5-factors regressions							
	Equally-weighted portfolio				*Value-weighted portfolio*			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.0134***	-0.00997**	0.00519	0.0186***	-0.00714	-0.00757	0.00458	0.0117**
	(0.00495)	(0.00429)	(0.00421)	(0.00585)	(0.00633)	(0.00557)	(0.00465)	(0.00585)
Market (MKT–RF)	0.965***	0.832***	0.880***	-0.0857	0.804***	0.887***	0.832***	0.0282
	(0.116)	(0.116)	(0.0835)	(0.148)	(0.111)	(0.140)	(0.124)	(0.177)
Size (SMB)	0.0201	0.0257	0.531**	0.511	0.103	-0.309	0.114	0.0109
	(0.401)	(0.339)	(0.213)	(0.403)	(0.548)	(0.387)	(0.254)	(0.516)
Value (HML)	-0.00131	0.832***	0.870***	0.871**	0.303	0.541	1.023***	0.721
	(0.299)	(0.266)	(0.271)	(0.371)	(0.363)	(0.335)	(0.342)	(0.470)
Profitability (RMW)	0.128	1.138***	0.870**	0.742	-0.293	1.079**	0.706*	0.998**
	(0.380)	(0.426)	(0.338)	(0.499)	(0.399)	(0.537)	(0.388)	(0.462)
Investment (CMA)	0.409	-0.740	-1.084***	-1.492**	-0.0371	-0.706	-1.352***	-1.315
	(0.519)	(0.483)	(0.394)	(0.634)	(0.735)	(0.565)	(0.427)	(0.888)
N	95	95	95	95	95	95	95	95

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of employee rating and the three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between internal and external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the five Fama–French factors (MKT–RF, SMB, HML, RMW, CMA). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger employee–ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). Heteroskedasticity- and autocorrelation-consistent (Newey–West, lag=3) standard errors are reported in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table 6: Portfolio Returns Sorted by ESG-only Disagreement using Fama-French 5-factors and HAC standard errors

	Fama French 5-factors regressions							
	Equally-weighted portfolio				*Value-weighted portfolio*			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.00240	-0.00236	0.00598	0.00838	-0.00566	-0.00583	0.00502	0.0107
	(0.00493)	(0.00583)	(0.00508)	(0.00691)	(0.00570)	(0.00566)	(0.00561)	(0.00702)
Market (MKT–RF)	0.786***	0.923***	0.917***	0.131	0.746***	0.860***	0.787***	0.0413
	(0.129)	(0.152)	(0.102)	(0.160)	(0.124)	(0.158)	(0.136)	(0.183)
Size (SMB)	0.00747	0.816	-0.334	-0.341	-0.112	0.305	-0.165	-0.0530
	(0.304)	(0.497)	(0.317)	(0.335)	(0.341)	(0.486)	(0.373)	(0.359)
Value (HML)	0.454	0.737***	0.644**	0.190	0.593	0.887***	0.740**	0.148
	(0.338)	(0.246)	(0.309)	(0.367)	(0.395)	(0.243)	(0.363)	(0.502)
Profitability (RMW)	-0.247	0.452	0.865**	1.112**	-0.532	0.271	0.883*	1.415**
	(0.495)	(0.508)	(0.419)	(0.547)	(0.577)	(0.527)	(0.455)	(0.645)
Investment (CMA)	-0.475	-0.599	-0.933*	-0.458	-0.746	-1.108*	-0.872*	-0.126
	(0.510)	(0.571)	(0.489)	(0.730)	(0.598)	(0.583)	(0.494)	(0.798)
N	89	89	89	89	89	89	89	89

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement of the three Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of the three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the five Fama–French factors (MKT–RF, SMB, HML, RMW, CMA). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). Heteroskedasticity- and autocorrelation-consistent (Newey–West, lag=3) standard errors are reported in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table 7: Firm FE: Governance predictors of Disagreement

Governance variable	$\hat{\beta}$	s.e.	N
Board Meetings Held	-0.0100	(0.0111)	634
Audit Committee Meetings Held	-0.0238***	(0.0064)	633
Pay Committee Meetings Held	-0.0238**	(0.0118)	534
Nomination Committee Meetings Held	-0.0146	(0.0133)	500
Nominating Committee Chair Independence	-0.2123***	(0.0478)	560
Nominating Committee Independence	0.0124	(0.0683)	560
Average Director Tenure	-0.0250*	(0.0133)	634
Average Independent Director Tenure	-0.0201*	(0.0103)	634
Max Number of Other Directorships	-0.0316	(0.0412)	634
Inside Directors Percentage	0.0007	(0.0019)	634
Board Re-election Frequency (years)	-0.0761	(0.0524)	634
Independent Industry Experts (count)	0.0335	(0.0512)	634
Employee Representatives (count)	0.0080	(0.0082)	634
Directors Over 70 Percentage	-0.0091*	(0.0048)	634
Number of Audits Completed by Current Auditor	0.0108*	(0.0058)	547
Auditor tenure	-0.00346	(0.00298)	507
Log(1 + Non-Audit Fees)	-0.0064	(0.0063)	634
Log(1 + Median Director Fees)	-0.0026	(0.0061)	634
Log(1 + Maximum Director Fees)	-0.0015	(0.0057)	634

Notes: The dependent variable is *disagreement* $\mathcal{M}_{it}$. Each row reports the coefficient on the listed governance variable from a *separate* firm fixed-effects regression (governance variables are entered one-at-a-time and are not jointly included). All specifications control for ESG from MSCI, LSEG and Bloomberg, Employee Benefits Score, Pre-tax ROA, ROE, Total Assets, Total Debt Outstanding, and year fixed effects. Standard errors are clustered at the firm level. Governance variables are defined as follows: *Board Meetings Held* = number of board/supervisory board meetings in the fiscal year; *Audit Committee Meetings Held* = number of audit committee meetings; *Pay Committee Meetings Held* = number of pay/remuneration committee meetings; *Nomination Committee Meetings Held* = number of nomination committee meetings; *Nominating Committee Chair Independence* = indicator that the nomination committee chair is *not* independent of management/other interests (MSCI definition); *Nominating Committee Independence* = indicator that the nomination committee has less than a majority of independent members; *No Nominating Committee* = indicator that the firm lacks a standing nominating committee; *Average Director Tenure* = average tenure of board members; *Average Independent Director Tenure* = average tenure of independent directors; *Max Number of Other Directorships* = maximum number of other board seats held by any director (within MSCI coverage); *Inside Directors Percentage* = share of executive/inside directors; *Board Re-election Frequency* = time (years) between director re-elections; *Independent Industry Experts* = number of independent directors classified as industry experts; *Employee Representatives* = number of employee/union representatives on the board; *Directors Over 70 Percentage* = share of directors aged 70+; *Board Majority Independent of Other Interests* is an indicator that fewer than a majority of directors are independent of other interests (e.g., significant owners, government, employees); *Number of Audits Completed by Current Auditor* = number of audits completed by the current audit firm (longest-serving audit firm if joint auditors); *Auditor tenure* is the tenure of the auditor; *Log(1 + Non-Audit Fees)* is the logarithm of the non-audit fees; *Log(1 + Median Director Fees)* is the logarithm of the median director fees; *Log(1 + Maximum Director Fees)* is the logarithm of the maximum director fees. $^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$.

Robustness

The findings for *Hypotheses 1* and *2* are robust to a broad set of alternative specifications and sample restrictions. The main results remain broadly the same when imposing a stricter requirement of at least five monthly reviews per firm, excluding observations with declared reviewer gender, or recalculating the aggregated employee satisfaction score as the mean of all subcategories excluding the employer environment item (Appendix Table A6, Table A7, Table A8). Similar patterns emerge when excluding employee benefits as a control variable (Appendix Table A9) and when controlling for month fixed effects (Appendix Table A10).

Across these alternative constructions of employee satisfaction, additional sample restrictions, and different fixed-effects structures, the coefficients on ESG Social Pillar scores remain consistently weak or unstable. These checks therefore confirm that the limited alignment documented in *Hypothesis 1* is not an artifact of specific modeling choices, sample composition, or particular elements of the Kununu rating structure.

Turning to *Hypothesis 3*, the return premium associated with employee–ESG disagreement likewise proves robust to multiple alternative asset-pricing specifications and measurement choices. The positive and statistically significant alphas of the high–minus–low disagreement portfolios remain consistent using OLS standard errors (Appendix Table A12 and Table A13), both the Fama–French three-factor model and the three-factor model augmented with a momentum factor (Appendix Table A14 and Table A15).

We further examine the sensitivity of the disagreement measure itself. Appendix Table A16 shows that replacing the standard deviation with the mean absolute deviation yields almost identical return differentials, ruling out concerns that the results are driven by outliers or the specific distributional properties of the standard deviation. We also address potential concerns about the different temporal frequencies of the underlying data. Constructing $\mathcal{D}_{it}^{\text{ESGK}}$ using the annual average of employee reviews to match the annual frequency of ESG ratings yields a positive and statistically significant long–short alpha, particularly for equal-weighted portfolios (Appendix Table A17). This demonstrates that the disagreement

effect is not driven by high-frequency fluctuations in monthly reviews but reflects the stable, informational component of employee perceptions themselves.

Finally, the governance implications are robust. Table A11 repeats the same firm fixed-effects design (one governance variable at a time), while additionally controlling for ESG scores (MSCI, LSEG, and Bloomberg) alongside the baseline financial controls and year fixed effects. The key patterns remain unchanged: more audit committee meetings are associated with lower disagreement dispersion, non-independent nomination committee chairs are associated with lower dispersion, and director-tenure measures remain negatively related to $\mathcal{D}_{it}$.

Finally, the disappearance of the return premium when Kununu scores are excluded from the disagreement measure underscores the unique informational value of employee sentiment. Together, these robustness checks support the interpretation that employee perceptions contain non-redundant insights into firms' social authenticity—insights that are not incorporated into, and cannot be substituted by, disclosure-based ESG metrics.

6 Discussion and Conclusion

This study examines whether external ESG Social Pillar scores reflect employees' lived workplace experiences and whether disagreement between internal and external assessments has economic consequences. Across our analyses, we document a limited and inconsistent alignment between employee-reported workplace conditions and externally assigned Social Pillar scores. This finding suggests that external ESG Social assessments do not fully capture how firms' social practices are experienced inside the organization.

This result contributes to the growing literature on ESG measurement validity. Prior research has shown that ESG ratings often diverge across providers because of differences in scope, methodology, and weighting (e.g. Berg et al., 2022; Rubino et al., 2026). Our findings extend this literature by showing that disagreement also exists between external Social Pillar

scores and an internal stakeholder benchmark. Employees directly observe leadership quality, fairness, voice, and day-to-day labor conditions, making their assessments especially relevant for evaluating whether external Social Pillar scores reflect substantive workplace practices rather than primarily formal policies and communicated commitments.

Our subcategory analysis further suggests that this disagreement cannot be attributed solely to aggregation. Although alignment varies across dimensions, disagreement remains visible even when comparing more narrowly defined aspects of social performance. This pattern is consistent with the view that external ESG Social Pillar scores and employee sentiment capture related but not identical constructs: the former often emphasize financially material social risks and disclosure-based indicators, whereas the latter reflect experienced workplace conditions. As a result, employee-ESG disagreement appears to capture a meaningful gap between external representation and internal experience.

We also show that employee-ESG disagreement has capital-market consequences. Firms with greater divergence earn higher subsequent abnormal returns that standard asset-pricing factors do not explain. We interpret this evidence as consistent with the view that internal–external disagreement captures sustainability-related information uncertainty. The positive sign of the long–short alpha is less consistent with the legitimacy-penalty interpretation: if investors penalized firms perceived as engaging in symbolic social performance, high-disagreement firms would attract lower valuations and earn lower subsequent returns — the opposite of what we find. Furthermore, ESG-only disagreement, which is directly observable from data providers, does not predict returns; only when private employee assessments are included does disagreement forecast abnormal returns. If the legitimacy channel dominated, publicly visible cross-provider disagreement would be more likely to capture investors' credibility concerns. Its failure to do so points specifically to the opacity of internal social conditions as the source of priced uncertainty. Employee-ESG disagreement thus appears to capture a distinct form of uncertainty that complements the broader literature on ESG rating disagreement (e.g. Brandon et al., 2021; Berg et al., 2024; Christensen et al., 2022).

Our analysis of the governance correlates of employee–ESG disagreement provides additional context for these findings. The association between governance characteristics and employee-ESG disagreement suggests that the extent to which workplace realities are transmitted into external evaluations may depend not only on measurement challenges but also on organizational processes related to oversight, reporting, and internal information flows. These patterns are consistent with the view that disagreement is shaped not only by ESG measurement challenges, but also by firm-level organizational characteristics.

These findings have practical implications for managers, investors, and rating agencies. For managers, employee sentiment can serve as an internal diagnostic of whether reported social-performance claims are supported by employees' lived experiences. For investors and rating agencies, incorporating employee-based information may improve the validity of ESG Social assessments and help identify firms where external ratings overstate or understate internal workplace conditions. More broadly, the results suggest that greater attention to internal stakeholder evidence may improve the credibility and usefulness of sustainability metrics.

Some limitations should be acknowledged. First, the DACH setting is useful because employee voice is relatively salient, employer-review platforms such as Kununu are well established, and firms operate in institutional environments where labor relations and workplace quality are especially visible. These features make DACH an informative setting for examining whether external Social ratings reflect internal workplace experience. At the same time, the strength of employee review usage and institutional specificities may limit direct generalization to countries with different labor-market institutions, disclosure norms, or platform adoption. Second, employee reviews and ESG ratings remain imperfect proxies for underlying social performance, even if their comparison is informative. Future research could examine whether similar patterns emerge in other countries, on other employee-review platforms, or under alternative identification strategies for asset-pricing implications.

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Appendix

Kununu Variables Explanation

Variable	Definition	Min-Max
Review score ($\mathcal{K}_{aggregatedreview}$)	Mean of all variables aggregated as the overall employee review score.	1 to 5 stars
$\mathcal{K}_{sub}$:		
Working atmosphere	Employees rate typical factors that influence the working atmosphere. Do superiors praise them? Does the company contribute to a working atmosphere characterized by fairness and trust?	1 to 5 stars
Communication	In this category, employees rate whether they are informed about results, successes, and profits in regular meetings or whether they retrieve the information they need for their work.	1 to 5 stars
Cohesion among colleagues	In this category, employees evaluate whether colleagues work well together and treat each other honestly and directly.	1 to 5 stars
Work-life balance	In this category, employees rate the work-life balance. Can vacation be taken at any time? Are working hours within normal limits? Is family consideration taken into account? Is there peer pressure regarding working hours?	1 to 5 stars
Supervisor behavior	In this category, employees evaluate how their superiors behave in conflict situations, whether they set realistic goals, make clear and understandable decisions, and whether they involve employees in their decisions.	1 to 5 stars
Interesting tasks	In this category, employees evaluate whether the workload is distributed fairly and whether they have influence on the design of their own area of responsibility.	1 to 5 stars
Equality	In this category, employees evaluate whether women have the same opportunities for advancement, are valued as workers, and whether women returning to work are disadvantaged.	1 to 5 stars
Dealing with older colleagues	In this category, employees evaluate whether older employees are hired and whether long-serving colleagues are valued and promoted.	1 to 5 stars
Working conditions	In this category, employees rate the working conditions in companies. Do the rooms and computers suit the tasks? Are they state-of-the-art? Are the ventilation, lighting, and noise levels pleasant?	1 to 5 stars
Environmental/social awareness	In this category, employees rate employers' environmental and social awareness. Is environmental and climate protection taken into account? Does the company support fair trade?	1 to 5 stars
Salary/benefits	In this category, employees evaluate the monetary aspects of employers. Do wages and salaries correspond to the responsibilities? Does the company pay a satisfactory salary? Are social benefits offered? Are salaries paid on time?	1 to 5 stars
Image	In this category, employees rate the image of their company. Do employees speak well of their company? Does the image match reality?	1 to 5 stars
Career/further Education	In this category, employees evaluate the career prospects in the company, whether the criteria for career advancement are known, whether employees are supported through further training, and whether the company offers good opportunities for personal development.	1 to 5 stars

Table A1: Definitions and ranges of employee review variables.

Variable	Description and Values	Values
Employment Status	Indicates whether the reviewer is a current or former employee.	*Current / Former.*
Employment Position Type	Type of position held by the employee. Values: *Current/-Former.*	
Employment Department	Department of employment. Values: *Administration, Communication, Controlling, Design, IT, Legal, Logistics, etc.*.	
Employment Benefits	Indicates availability of specific benefits. Examples include: • Work flexibility (e.g., Home Office, Flexible Working, Accessibility) • Financial incentives (Company pension scheme) • Support programs (e.g., Company doctors, Childcare) • Additional benefits (e.g., Parking, Mobile Phone, Cantine, Dogs allowance, Meals)	*True / False* for each benefit.
Recommend Employer?	Indicates whether the employee recommends the employer.	*Yes / No.*

Table A2: Definitions and ranges of employee review variables.

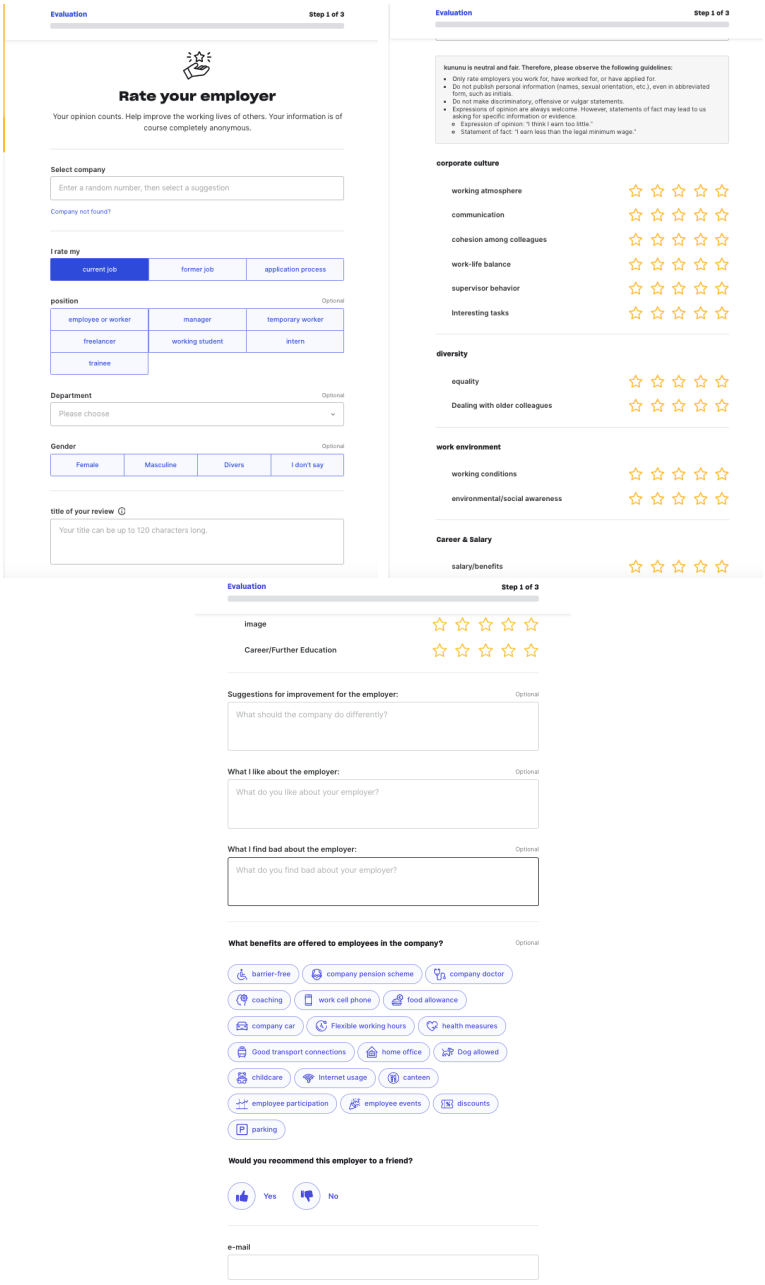
Kununu Questionnaire to Employees

This section outlines the structure of the Kununu questionnaire, which is used to gather employee feedback and provide transparency on how employee perceptions are collected. Kununu, a widely used employee review platform in German-speaking countries, allows current and former employees to evaluate their employers across various dimensions related to workplace satisfaction and corporate practices.

The questionnaire covers multiple aspects of the employee experience, including overall satisfaction, environmental and social practices, career development, management quality, and work-life balance. Each category is assessed using a structured rating scale, ensuring consistency across responses. Employees can also provide open-ended feedback to elaborate on their experiences.

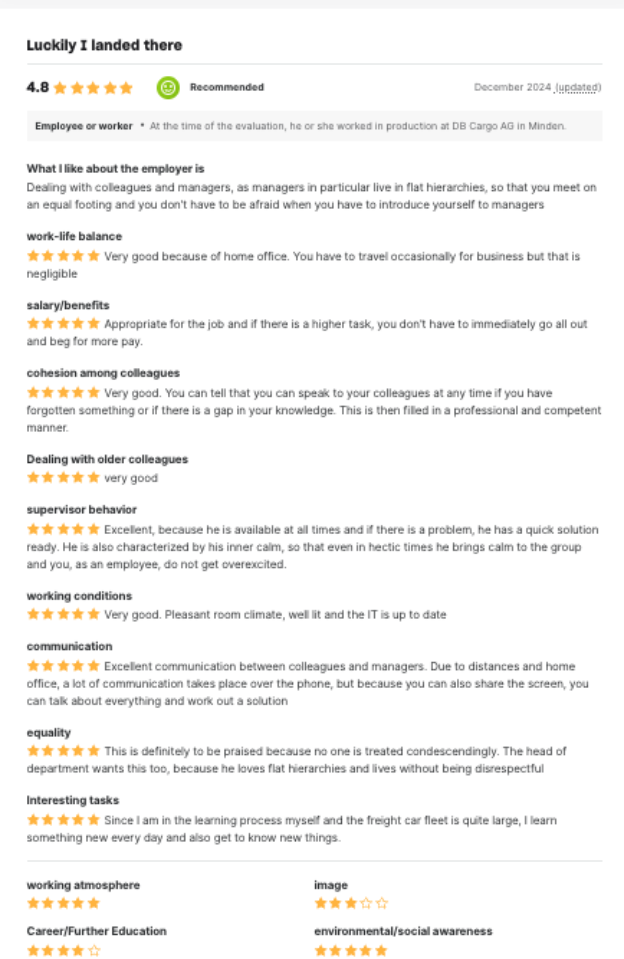
Figure A1 displays screenshots of the Kununu questionnaire, illustrating the format and types of questions presented to employees during the review process.

Figure A1: Kununu questionnaire: Workplace rating categories



Kununu Sample Review

The figure below (Figure A2) presents a sample employee review from the Kununu platform, providing an example of how employees express their feedback about their firms. This sample demonstrates both the quantitative ratings across various categories and qualitative textual feedback, emphasizing how employee perceptions are recorded and structured within the platform's dataset.



Luckily I landed there

4.8 ★★★★★ Recommended December 2024 (updated)

Employee or worker • At the time of the evaluation, he or she worked in production at DB Cargo AG in Minden.

What I like about the employer is
Dealing with colleagues and managers, as managers in particular live in flat hierarchies, so that you meet on an equal footing and you don't have to be afraid when you have to introduce yourself to managers

work-life balance
★★★★★ Very good because of home office. You have to travel occasionally for business but that is negligible

salary/benefits
★★★★★ Appropriate for the job and if there is a higher task, you don't have to immediately go all out and beg for more pay.

cohesion among colleagues
★★★★★ Very good. You can tell that you can speak to your colleagues at any time if you have forgotten something or if there is a gap in your knowledge. This is then filled in a professional and competent manner.

Dealing with older colleagues
★★★★★ very good

supervisor behavior
★★★★★ Excellent, because he is available at all times and if there is a problem, he has a quick solution ready. He is also characterized by his inner calm, so that even in hectic times he brings calm to the group and you, as an employee, do not get overexcited.

working conditions
★★★★★ Very good. Pleasant room climate, well lit and the IT is up to date

communication
★★★★★ Excellent communication between colleagues and managers. Due to distances and home office, a lot of communication takes place over the phone, but because you can also share the screen, you can talk about everything and work out a solution

equality
★★★★★ This is definitely to be praised because no one is treated condescendingly. The head of department wants this too, because he loves flat hierarchies and lives without being disrespectful

Interesting tasks
★★★★★ Since I am in the learning process myself and the freight car fleet is quite large, I learn something new every day and also get to know new things.

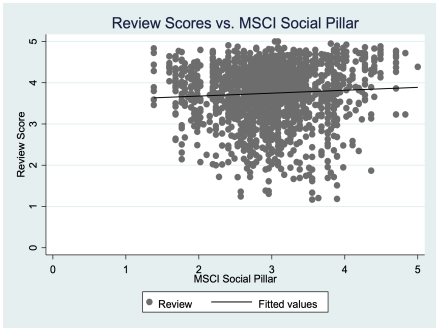
working atmosphere ★★★★★

image ★★★☆☆

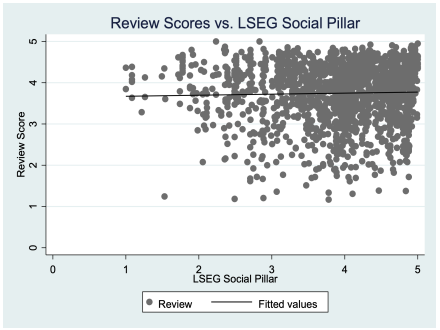
Career/Further Education ★★★★☆

environmental/social awareness ★★★★★

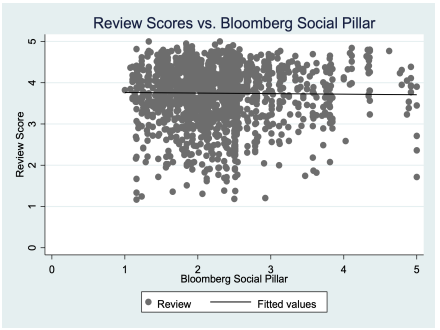
Figure A2: Sample review of a firm by an employee on Kununu



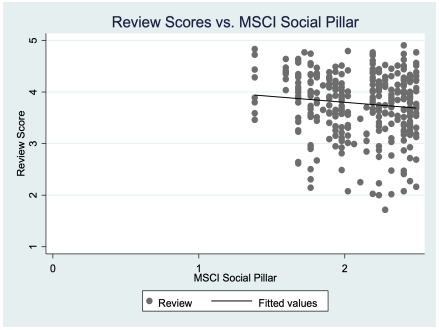
(a) MSCI ESG Scores



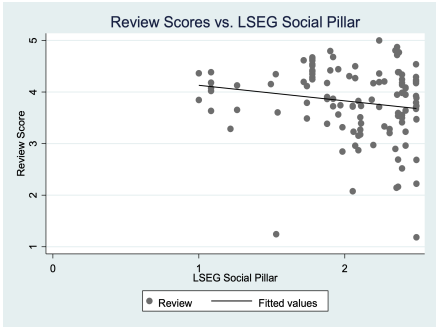
(b) LSEG ESG Scores



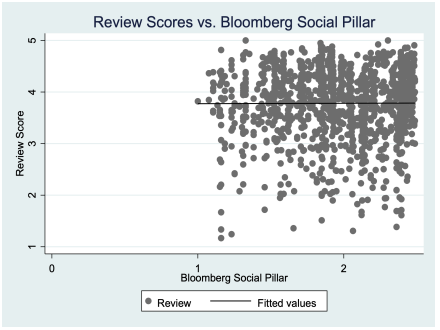
(c) Bloomberg ESG Scores



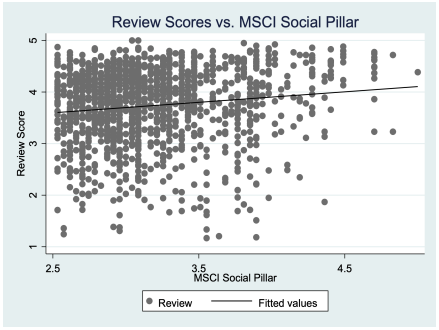
(d) MSCI lowest 50% Ratings



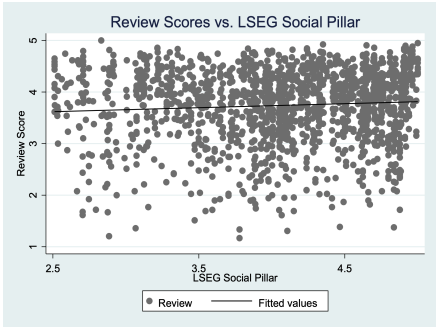
(e) LSEG lowest 50% Ratings



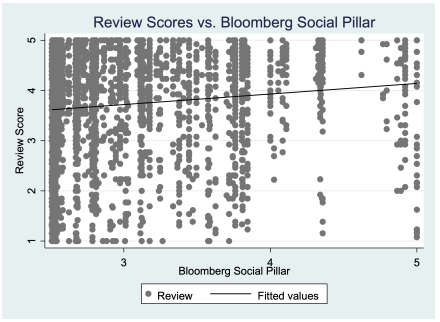
(f) Bloomberg lowest 50% Ratings



(g) MSCI highest 50% Ratings



(h) LSEG highest 50% Ratings



(i) Bloomberg highest 50% Ratings

Figure A3: Review Scores vs ESG Scores

Table A3: Regression $\mathcal{S}_{MSCIsubcategories}$ vs $\mathcal{K}_{sub}$

	(1) KUN: Environ.	(2) KUN: Atmosphere	(3) KUN: Communication	(4) KUN: Teamwork	(5) KUN: Work-Life	(6) KUN: Leadership	(7) KUN: Tasks	(8) KUN: Senior	(9) KUN: Conditions	(10) KUN: Salary	(11) KUN: Image	(12) KUN: Career	(13) KUN: Equality
$\mathcal{S}_MSCI$	0.992**	0.910	1.472	0.513	1.525***	1.233*	1.153**	0.923	0.596**	1.631***	1.791**	1.269*	1.257*
	(3.24)	(1.84)	(1.92)	(1.65)	(6.00)	(2.22)	(2.84)	(1.64)	(3.64)	(5.11)	(3.13)	(2.13)	(2.51)
Human Capital Development Score (MSCI)	0.351***	0.013	-0.106	0.074	-0.053	0.030	0.136	-0.222*	0.111	0.120	-0.028	0.159	-0.174
	(7.16)	(0.06)	(-0.47)	(0.88)	(-0.47)	(0.21)	(0.66)	(-2.11)	(1.12)	(1.13)	(-0.10)	(1.12)	(-0.74)
Labor Management Score (MSCI)	-0.540***	-0.469***	-0.564**	-0.280***	-0.518***	-0.474***	-0.410***	-0.243*	-0.421***	-0.544***	-0.288*	-0.617***	-0.384*
	(-6.50)	(-6.90)	(-3.80)	(-4.25)	(-5.04)	(-4.89)	(-4.87)	(-2.19)	(-9.62)	(-6.61)	(-2.12)	(-5.60)	(-2.33)
Supply Chain Score (MSCI)	-0.408*	-0.626**	-0.850**	-0.477**	-0.848***	-0.612**	-0.733**	-0.525*	-0.793***	-0.784**	-0.570*	-0.607***	-0.394
	(-2.35)	(-3.78)	(-3.30)	(-3.85)	(-6.22)	(-3.53)	(-3.59)	(-2.49)	(-4.93)	(-3.49)	(-2.36)	(-4.76)	(-1.24)
Employee Benefits Score	0.143***	0.139***	0.106***	0.150***	0.186***	0.112***	0.182***	0.095**	0.165***	0.118***	0.119**	0.148***	0.145***
	(5.45)	(6.62)	(5.20)	(8.86)	(6.37)	(4.83)	(8.11)	(3.45)	(9.82)	(6.58)	(3.68)	(7.22)	(4.93)
Pre-tax Return on Assets (%)	0.038*	-0.026	0.005	-0.018	-0.003	0.052	0.033	-0.004	0.038	0.085	0.024	0.062	-0.030
	(2.56)	(-0.77)	(0.13)	(-1.44)	(-0.14)	(1.44)	(0.83)	(-0.11)	(1.41)	(1.89)	(0.51)	(1.81)	(-0.92)
Return on Equity (%)	-0.006	0.017	0.003	0.009*	0.007	-0.013	-0.009	0.003	-0.012	-0.028	-0.001	-0.018	0.017
	(-1.25)	(1.47)	(0.21)	(2.18)	(0.73)	(-0.94)	(-0.60)	(0.21)	(-1.24)	(-1.65)	(-0.06)	(-1.41)	(1.65)
Total Assets ()	0.000	0.000	0.000	0.000	0.000*	0.000*	0.000	0.000	0.000*	0.000**	0.000	0.000*	0.000
	(1.93)	(1.14)	(1.96)	(1.64)	(2.55)	(2.09)	(0.64)	(1.08)	(2.56)	(3.17)	(1.87)	(2.15)	(1.78)
Total Debt Outstanding ()	0.000	-0.000	-0.000	-0.000	-0.000*	-0.000	0.000	-0.000	0.000*	-0.000	-0.000	-0.000	-0.000
	(0.63)	(-0.33)	(-0.62)	(-0.72)	(-2.13)	(-0.69)	(0.04)	(-0.94)	(2.20)	(-1.84)	(-1.69)	(-0.78)	(-0.52)
Constant	0.119	2.610**	1.512	3.004***	1.182**	0.710	1.176	3.213**	3.432***	-0.029	-0.972	-0.103	0.816
	(0.23)	(3.62)	(1.77)	(7.81)	(3.29)	(0.83)	(1.01)	(3.09)	(7.75)	(-0.04)	(-0.89)	(-0.12)	(0.91)
Model Statistics													
N	88.000	88.000	88.000	88.000	88.000	88.000	88.000	88.000	88.000	88.000	88.000	88.000	88.000
AIC	164.495	154.498	174.452	163.430	154.920	180.289	132.993	171.074	159.315	162.433	169.977	179.663	190.465
BIC	176.882	166.885	186.839	175.816	167.307	192.676	145.380	183.461	171.701	174.819	182.364	192.050	202.852

Notes: This table reports panel regressions testing whether specific MSCI Social sub-dimensions correspond to individual employee-rated workplace aspects on Kununu. The dependent variables are the thirteen employee subcategory scores (columns), covering dimensions such as work atmosphere, teamwork, leadership, equality, and career development. The main explanatory variables include the overall MSCI Social Pillar score and its sub-scores for Human Capital Development, Labor Management, and Supply Chain practices. All specifications include firm-level controls (ROA, ROE, total assets, total debt, and employee benefits). Coefficients on MSCI sub-scores indicate whether specific ESG categories align with employee-reported experiences in corresponding workplace dimensions. T-statistics are in parentheses. Standard errors are clustered at the firm level. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A4: Regression $\mathcal{S}_{LSEGsubcategories}$ vs $\mathcal{K}_{sub}$

	(1) KUN: Environ.	(2) KUN: Atmosphere	(3) KUN: Communication	(4) KUN: Teamwork	(5) KUN: Work-Life	(6) KUN: Leadership	(7) KUN: Tasks	(8) KUN: Senior	(9) KUN: Conditions	(10) KUN: Salary	(11) KUN: Image	(12) KUN: Career	(13) KUN: Equality
$\mathcal{S}_{LSEG}$	-0.198	-0.542*	-0.045	-0.720*	0.140	-0.173	-0.513	-0.112	-0.532*	-1.057***	-0.020	-0.791***	-0.591*
	(-0.67)	(-1.70)	(-0.21)	(-1.95)	(0.40)	(-0.62)	(-1.38)	(-0.39)	(-1.68)	(-3.00)	(-0.09)	(-2.75)	(-1.86)
Workforce Score (LSEG)	-0.006	0.125	-0.061	0.123	-0.083	-0.053	0.095	0.002	0.159	0.318**	-0.148	0.095	0.070
	(-0.05)	(0.92)	(-0.67)	(0.81)	(-0.65)	(-0.43)	(0.59)	(0.02)	(1.17)	(2.56)	(-1.39)	(0.87)	(0.50)
Human Rights Score (LSEG)	0.012	0.149	-0.031	0.191*	-0.067	0.055	0.145	0.018	0.132	0.257**	0.020	0.199**	0.153*
	(0.14)	(1.53)	(-0.57)	(1.77)	(-0.66)	(0.70)	(1.46)	(0.20)	(1.31)	(2.43)	(0.27)	(2.53)	(1.71)
Community Score (LSEG)	-0.014	0.110	0.014	0.132	-0.159	-0.058	0.071	-0.024	0.098	0.205*	-0.065	0.092	0.082
	(-0.14)	(1.01)	(0.17)	(1.33)	(-1.56)	(-0.68)	(0.73)	(-0.25)	(0.97)	(1.83)	(-0.82)	(0.94)	(0.76)
Product Responsibility Score (LSEG)	0.064	0.128*	-0.049	0.146	-0.046	0.040	0.125	0.012	0.065	0.210**	-0.045	0.179**	0.138*
	(0.78)	(1.73)	(-0.75)	(1.54)	(-0.44)	(0.60)	(1.36)	(0.16)	(0.80)	(2.14)	(-0.82)	(2.52)	(1.75)
Health and Safety Policy Score (LSEG)	-0.212	-0.148	-0.002	-0.281	-0.192	0.094	-0.157	-0.226	-0.185	-0.083	0.000	-0.074	-0.079
	(-1.45)	(-0.92)	(-0.01)	(-1.46)	(-1.03)	(0.54)	(-0.93)	(-1.14)	(-0.99)	(-0.46)	(0.00)	(-0.55)	(-0.47)
Diversity and Opportunity Score (LSEG)	0.059	0.085*	-0.056	0.074	0.006	-0.042	-0.030	0.085	-0.076	0.072	0.060	0.042	-0.016
	(1.02)	(1.72)	(-0.86)	(1.31)	(0.12)	(-0.62)	(-0.40)	(1.43)	(-0.84)	(1.26)	(1.03)	(0.75)	(-0.21)
Employee Health and Safety Team Score (LSEG)	0.057*	0.036	0.049**	0.004	0.048*	0.052**	0.014	-0.001	-0.003	0.002	0.021	0.027	0.021
	(1.96)	(1.49)	(2.42)	(0.12)	(1.68)	(2.32)	(0.51)	(-0.04)	(-0.11)	(0.08)	(0.71)	(1.22)	(1.05)
Employee Turnover Score (LSEG)	0.065	0.069	0.041	0.088*	0.024	0.090*	0.100*	0.082	0.089*	0.067	0.073	0.134***	0.049
	(1.26)	(1.15)	(1.13)	(1.71)	(0.41)	(1.96)	(1.80)	(1.63)	(1.68)	(1.31)	(1.53)	(2.86)	(0.91)
Flexible Working Hours Score (LSEG)	0.011	-0.039	0.021	0.003	-0.011	0.027	0.007	0.017	0.040	-0.039	0.018	0.017	0.016
	(0.40)	(-0.95)	(1.04)	(0.10)	(-0.31)	(1.07)	(0.25)	(0.43)	(1.14)	(-1.20)	(0.77)	(0.49)	(0.54)
Daycare Services Score (LSEG)	-0.008	-0.008	0.005	0.002	-0.012	-0.014	-0.014	-0.013	-0.008	-0.001	0.035*	0.002	-0.005
	(-0.40)	(-0.40)	(0.24)	(0.10)	(-0.54)	(-0.61)	(-0.54)	(-0.58)	(-0.34)	(-0.03)	(1.73)	(0.12)	(-0.17)
Internal Promotion Score (LSEG)	-0.016	-0.011	-0.003	-0.018	0.004	-0.011	-0.011	0.008	-0.012	-0.015	-0.017	-0.007	-0.016
	(-0.70)	(-0.42)	(-0.17)	(-0.83)	(0.13)	(-0.46)	(-0.43)	(0.25)	(-0.52)	(-0.67)	(-0.98)	(-0.28)	(-0.58)
Employee Benefits Score	0.238***	0.216***	0.174***	0.224***	0.253***	0.238***	0.188***	0.186***	0.242***	0.242***	0.193***	0.214***	0.242***
	(12.95)	(9.55)	(10.27)	(11.29)	(10.88)	(12.77)	(8.15)	(9.65)	(10.83)	(12.70)	(9.62)	(11.63)	(11.09)
Pre-tax Return on Assets (%)	0.006	0.011	0.006	0.004	0.015*	0.018***	0.016**	0.005	0.007	0.012*	0.002	0.014*	0.018**
	(0.77)	(1.27)	(1.53)	(0.57)	(1.71)	(3.01)	(1.99)	(0.68)	(0.92)	(1.84)	(0.22)	(1.89)	(2.30)
Return on Equity (%)	-0.000	-0.003***	-0.001*	-0.000	-0.003***	-0.002***	-0.003***	-0.002*	0.001**	-0.001	0.001*	-0.000	-0.002***
	(-0.28)	(-6.09)	(-1.86)	(-0.18)	(-6.29)	(-6.01)	(-6.20)	(-1.76)	(2.16)	(-0.57)	(1.75)	(-0.07)	(-3.51)
Total Assets ()	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	0.000	0.000	-0.000*	-0.000	0.000
	(-0.59)	(-0.14)	(-0.80)	(-0.07)	(-0.73)	(-0.27)	(-0.87)	(-0.65)	(0.65)	(0.32)	(-1.71)	(-0.87)	(0.22)
Total Debt Outstanding ()	0.000	0.000	0.000	0.000	0.000	0.000	0.000*	0.000	0.000	0.000	0.000**	0.000**	0.000
	(1.40)	(0.67)	(0.86)	(1.05)	(1.40)	(0.64)	(1.73)	(1.30)	(0.33)	(0.09)	(2.17)	(2.02)	(0.56)
Constant	3.349***	2.594***	3.746***	3.563***	3.697***	2.798***	3.651***	3.707***	3.393***	2.768***	3.255***	3.136***	2.906***
	(4.30)	(3.16)	(5.53)	(3.59)	(4.15)	(3.34)	(4.57)	(4.05)	(3.60)	(3.33)	(5.84)	(4.85)	(3.41)
Model Statistics													
N	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000	1308.000
AIC	2245.585	2290.555	1924.958	2204.458	2512.488	1990.683	2382.409	2267.812	2219.208	2134.357	1958.796	2079.982	2365.323
BIC	2328.405	2373.375	2007.778	2287.278	2595.308	2073.504	2465.229	2350.632	2302.028	2217.178	2041.616	2162.802	2448.143

Notes: This table reports panel regressions testing whether specific LSEG Social sub-dimensions correspond to individual employee-rated workplace aspects on Kununu. The dependent variables are the thirteen employee subcategory scores (columns), covering dimensions such as work atmosphere, teamwork, leadership, equality, and career development. The main explanatory variables include the overall LSEG Social Pillar score and its subcomponents: Workforce, Human Rights, Community, Product Responsibility, Health and Safety Policy, Diversity and Opportunity, Employee Health and Safety Team, Employee Turnover, Flexible Working Hours, Daycare Services, and Internal Promotion scores. All regressions control for firm-level financial variables (ROA, ROE, total assets, total debt, and employee benefits). Coefficients on the ESG sub-dimensions indicate the extent to which each external rating dimension aligns with corresponding aspects of employees' internal experiences. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Governance variables

Table A5: Descriptive statistics: Governance variables

	N	Mean	SD	Min	Max
Board Meetings Held	634	6.845	3.523	0.000	31.000
Audit Committee Meetings Held	633	4.645	2.481	0.000	24.000
Pay Committee Meetings Held	534	2.734	2.889	0.000	25.000
Nomination Committee Meetings Held	500	4.878	2.975	0.000	14.000
Nominating Committee Chair Independence	560	0.221	0.416	0.000	1.000
Nominating Committee Independence	560	0.232	0.423	0.000	1.000
Average Director Tenure	634	5.642	2.680	1.000	16.290
Average Independent Director Tenure	634	5.404	2.488	0.670	12.800
Max Number of Other Directorships	634	2.708	0.970	1.000	5.000
Inside Directors Percentage	634	0.400	2.543	0.000	28.570
Board Re-election Frequency (years)	634	4.139	1.305	1.000	6.000
Independent Industry Experts (count)	634	1.185	1.419	0.000	7.000
Employee Representatives (count)	634	4.276	3.814	0.000	11.000
Directors Over 70 Percentage	634	6.172	11.103	0.000	50.000
Number of Audits Completed by Current Auditor	547	8.552	9.811	0.000	83.000
Auditor tenure	511	8.440	9.849	0.000	37.000
Log(1 + Non-Audit Fees)	634	9.925	4.854	0.000	15.935
Log(1 + Median Director Fees)	634	10.110	3.009	0.000	19.134
Log(1 + Maximum Director Fees)	634	10.900	3.228	0.000	20.009

Notes: This table reports descriptive statistics for the governance variables used in the firm-level panel analysis. The unit of observation is firm-year and the sample corresponds to the regression sample used in the governance specifications. Count variables include the number of board meetings, audit/pay/nomination committee meetings, independent industry experts, employee representatives, and the number of audits completed by the current auditor. Tenure variables (Average Director Tenure, Average Independent Director Tenure, Auditor tenure) are measured in years; Auditor tenure is the tenure of the auditor. Indicator (dummy) variables equal one if the governance condition holds and zero otherwise: Nominating Committee Chair Independence (chair not independent), Nominating Committee Independence (less than majority independent), No Nominating Committee, and Board Majority Independent of Other Interests (less than majority independent of significant owners, government, or employees). Percentage variables are expressed in percentage points (e.g., Inside Directors Percentage, Directors Over 70 Percentage). Fee variables are transformed as $\ln(1+x)$ of the respective USD amounts (Non-Audit Fees, Median Director Fees, Maximum Director Fees). The number of observations varies across variables due to data availability.

Robustness checks

Table A6: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ with a threshold of 5 reviews per month

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.186***		
	(2.76)		
$\mathcal{S}_{LSEG}$		-0.102	
		(-0.89)	
$\mathcal{S}_{Bloomberg}$			0.098
			(1.04)
Employee Benefits Score	0.227***	0.223***	0.224***
	(8.89)	(9.07)	(9.14)
Pre-tax Return on Assets (%)	-0.006	-0.010	-0.009
	(-0.55)	(-1.04)	(-0.84)
Return on Equity (%)	-0.000	0.000	0.000
	(-0.21)	(0.35)	(0.22)
Total Assets ($)	-0.000	-0.000	-0.000
	(-1.47)	(-1.01)	(-1.29)
Total Debt Outstanding ($)	0.000**	0.000*	0.000*
	(2.15)	(1.68)	(1.89)
Constant	2.280***	3.231***	2.634***
	(8.11)	(7.69)	(11.36)
Model Statistics			
N	822	822	822
AIC	772.974	781.693	781.701
BIC	796.532	805.252	805.259

Notes: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated monthly employee satisfaction score from Kununu, which is aggregated when there are at least five reviews per month. The main independent variables are Social Pillar ratings from MSCI, LSEG , and Bloomberg, respectively. All models include firm fixed effects and control for return on assets (ROA), return on equity (ROE), total assets, total debt, and employee benefits. Coefficients on ESG Social scores indicate the degree of alignment between external and employee-based assessments of firms' social performance. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A7: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggregatednoenv}$ (without the environment and social awareness employee variable)

	Dependent variable: $\mathcal{K}_{aggregatednoenv}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.087		
	(1.33)		
$\mathcal{S}_{LSEG}$		-0.054	
		(-0.81)	
$\mathcal{S}_{Bloomberg}$			0.094*
			(1.70)
Employee Benefits Score	0.237***	0.235***	0.236***
	(15.04)	(15.11)	(15.20)
Pre-tax Return on Assets (%)	0.007	0.006	0.006
	(0.81)	(0.75)	(0.79)
Return on Equity (%)	-0.002**	-0.002**	-0.002**
	(-2.34)	(-2.57)	(-2.52)
Total Assets ($)	0.000	0.000	0.000
	(0.42)	(0.51)	(0.27)
Total Debt Outstanding ($)	0.000	0.000	0.000
	(0.45)	(0.45)	(0.58)
Constant	2.283***	2.755***	2.344***
	(9.72)	(10.14)	(15.03)
Model Statistics			
N	1656	1656	1656
AIC	2423.608	2425.930	2422.906
BIC	2450.669	2452.991	2449.967

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggregatednoenv}$, denotes the aggregated monthly employee satisfaction score from Kununu (excluding the environmental and social awareness variable from the aggregation), which is aggregated when there are at least three reviews per month. The main independent variables are Social Pillar ratings from MSCI, LSEG , and Bloomberg, respectively. All models include firm fixed effects and control for return on assets (ROA), return on equity (ROE), total assets, total debt, and employee benefits. Coefficients on ESG Social scores indicate the degree of alignment between external and employee-based assessments of firms' social performance. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A8: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ excluding observations in which reviewers declared their gender.

	Dependent variable: $\mathcal{K}_{aggregatednogender}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.090*		
	(1.72)		
$\mathcal{S}_{LSEG}$		-0.076	
		(-1.23)	
$\mathcal{S}_{Bloomberg}$			0.091*
			(1.83)
Employee Benefits Score	0.231***	0.228***	0.230***
	(15.21)	(15.03)	(15.15)
Pre-tax Return on Assets (%)	0.006	0.004	0.005
	(0.80)	(0.66)	(0.72)
Return on Equity (%)	-0.002**	-0.002**	-0.002**
	(-2.10)	(-2.14)	(-2.21)
Total Assets ($)	-0.000	-0.000	-0.000
	(-0.38)	(-0.06)	(-0.53)
Total Debt Outstanding ($)	0.000*	0.000	0.000*
	(1.68)	(1.57)	(1.66)
Constant	2.289***	2.849***	2.376***
	(12.14)	(11.31)	(16.66)
Model Statistics			
N	1382	1382	1382
AIC	1755.316	1756.697	1755.407
BIC	1781.472	1782.854	1781.563

Notes: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated monthly employee satisfaction score from Kununu, excluding respondents who declared their gender. The main independent variables are Social Pillar ratings from MSCI, LSEG, and Bloomberg, respectively. All models include firm fixed effects and control for return on assets (ROA), return on equity (ROE), total assets, total debt, and employee benefits. Coefficients on ESG Social scores indicate the degree of alignment between external and employee-based assessments of firms' social performance. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A9: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ excluding the employee benefit variable

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	-0.027		
	(-0.33)		
$\mathcal{S}_{LSEG}$		-0.124	
		(-1.51)	
$\mathcal{S}_{Bloomberg}$			0.065
			(0.74)
Pre-tax Return on Assets (%)	0.006	0.007	0.007
	(0.71)	(0.87)	(0.83)
Return on Equity (%)	-0.001	-0.001	-0.001
	(-0.84)	(-1.33)	(-1.04)
Total Assets ($)	-0.000	-0.000	-0.000
	(-0.44)	(-0.40)	(-0.53)
Total Debt Outstanding ($)	0.000	0.000	0.000
	(0.96)	(0.93)	(0.98)
Constant	3.800***	4.200***	3.586***
	(14.70)	(12.40)	(18.41)
Model Statistics			
N	1656	1656	1656
AIC	2761.970	2757.037	2760.642
BIC	2783.619	2778.685	2782.291

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions, excluding the employee benefit variable. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated monthly employee satisfaction score from Kununu. The main independent variables are Social Pillar ratings from MSCI, LSEG , and Bloomberg, respectively. All models include firm fixed effects and control for return on assets (ROA), return on equity (ROE), total assets and total debt. Coefficients on ESG Social scores indicate the degree of alignment between external and employee-based assessments of firms' social performance. T-statistics are in parentheses. Standard errors are clustered at the firm level. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A10: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ with month fixed effects

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.009		
	(0.12)		
$\mathcal{S}_{LSEG}$		-0.115*	
		(-1.85)	
$\mathcal{S}_{Bloomberg}$			0.073
			(1.26)
Employee Benefits Score	0.237***	0.237***	0.236***
	(14.29)	(14.37)	(14.35)
Pre-tax Return on Assets (%)	0.009	0.010	0.009
	(1.04)	(1.22)	(1.09)
Return on Equity (%)	-0.002**	-0.002***	-0.002***
	(-2.49)	(-3.22)	(-2.74)
Total Assets ($)	0.000	0.000	0.000
	(0.21)	(0.20)	(0.11)
Total Debt Outstanding ($)	0.000	0.000	0.000
	(0.27)	(0.24)	(0.38)
Constant	2.620***	3.062***	2.513***
	(10.35)	(11.41)	(15.35)
Includes Month Fixed effects	51	51	51
Model Statistics			
N	1656	1656	1656
AIC	2293.184	2287.272	2290.953
BIC	2899.346	2893.433	2897.115

Notes: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions, including month fixed effects. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated monthly employee satisfaction score from Kununu, which is aggregated when there are at least three reviews per month. The main independent variables are Social Pillar ratings from MSCI, LSEG, and Bloomberg, respectively. All models include firm fixed effects and control for return on assets (ROA), return on equity (ROE), total assets, total debt, and employee benefits. Coefficients on ESG Social scores indicate the degree of alignment between external and employee-based assessments of firms' social performance. Standard errors are clustered at the firm level. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A11: Firm FE: Governance predictors of Disagreement (*sd_social*)

Governance variable	$\hat{\beta}$	s.e.	N
Board Meetings Held	-0.0093	(0.0090)	634
Audit Committee Meetings Held	-0.0284***	(0.0059)	633
Pay Committee Meetings Held	-0.0208**	(0.0102)	534
Nomination Committee Meetings Held	-0.0171*	(0.0092)	500
Nominating Committee Chair Independence	-0.1343***	(0.0362)	560
Nominating Committee Independence	0.0236	(0.0654)	560
Average Director Tenure	-0.0265**	(0.0129)	634
Average Independent Director Tenure	-0.0226**	(0.0102)	634
Max Number of Other Directorships	-0.0327	(0.0341)	634
Inside Directors Percentage	-0.0031	(0.0052)	634
Board Re-election Frequency (years)	-0.0474	(0.0358)	634
Independent Industry Experts (count)	0.0465	(0.0469)	634
Employee Representatives (count)	0.0075	(0.0059)	634
Directors Over 70 Percentage	-0.0077*	(0.0043)	634
Number of Audits Completed by Current Auditor	0.0081*	(0.0047)	547
Auditor tenure	0.0074*	(0.0044)	547
Log(1 + Non-Audit Fees)	-0.0070	(0.0052)	634
Log(1 + Median Director Fees)	-0.0031	(0.0072)	634
Log(1 + Maximum Director Fees)	-0.0023	(0.0067)	634

Notes: The dependent variable is *disagreement* $\mathcal{M}_{it}$. Each row reports the coefficient on the listed governance variable from a *separate* firm fixed-effects regression (governance variables are entered one-at-a-time and are not jointly included). All specifications control for ESG from MSCI, LSEG and Bloomberg, Employee Benefits Score, Pre-tax ROA, ROE, Total Assets, Total Debt Outstanding, and year fixed effects. Standard errors are clustered at the firm level. Governance variables are defined as follows: *Board Meetings Held* = number of board/supervisory board meetings in the fiscal year; *Audit Committee Meetings Held* = number of audit committee meetings; *Pay Committee Meetings Held* = number of pay/remuneration committee meetings; *Nomination Committee Meetings Held* = number of nomination committee meetings; *Nominating Committee Chair Independence* = indicator that the nomination committee chair is *not* independent of management/other interests (MSCI definition); *Nominating Committee Independence* = indicator that the nomination committee has less than a majority of independent members; *No Nominating Committee* = indicator that the firm lacks a standing nominating committee; *Average Director Tenure* = average tenure of board members; *Average Independent Director Tenure* = average tenure of independent directors; *Max Number of Other Directorships* = maximum number of other board seats held by any director (within MSCI coverage); *Inside Directors Percentage* = share of executive/inside directors; *Board Re-election Frequency* = time (years) between director re-elections; *Independent Industry Experts* = number of independent directors classified as industry experts; *Employee Representatives* = number of employee/union representatives on the board; *Directors Over 70 Percentage* = share of directors aged 70+; *Board Majority Independent of Other Interests* is an indicator that fewer than a majority of directors are independent of other interests (e.g., significant owners, government, employees); *Number of Audits Completed by Current Auditor* = number of audits completed by the current audit firm (longest-serving audit firm if joint auditors); *Auditor tenure* is the tenure of the auditor; *Log(1 + Non-Audit Fees)* is the logarithm of the non-audit fees; *Log(1 + Median Director Fees)* is the logarithm of the median director fees; *Log(1 + Maximum Director Fees)* is the logarithm of the maximum director fees. $^{*}p < 0.10$, $^{**}p < 0.05$, $^{***}p < 0.01$.

Table A12: Portfolio Returns Sorted by Employee–ESG Disagreement using Fama-French 5-factors

	Fama French 5-factors regressions							
	Equally-weighted portfolio				*Value-weighted portfolio*			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.0134**	-0.00997*	0.00519	0.0186***	-0.00714	-0.00757	0.00458	0.0117*
	(0.00572)	(0.00508)	(0.00442)	(0.00648)	(0.00665)	(0.00572)	(0.00516)	(0.00691)
Market (MKT–RF)	0.965***	0.832***	0.880***	-0.0857	0.804***	0.887***	0.832***	0.0282
	(0.133)	(0.118)	(0.103)	(0.151)	(0.155)	(0.133)	(0.120)	(0.161)
Size (SMB)	0.0201	0.0257	0.531*	0.511	0.103	-0.309	0.114	0.0109
	(0.360)	(0.320)	(0.278)	(0.408)	(0.418)	(0.360)	(0.324)	(0.435)
Value (HML)	-0.00131	0.832**	0.870***	0.871*	0.303	0.541	1.023***	0.721
	(0.402)	(0.358)	(0.311)	(0.456)	(0.468)	(0.403)	(0.363)	(0.486)
Profitability (RMW)	0.128	1.138**	0.870**	0.742	-0.293	1.079*	0.706	0.998
	(0.550)	(0.489)	(0.425)	(0.623)	(0.639)	(0.550)	(0.496)	(0.665)
Investment (CMA)	0.409	-0.740	-1.084**	-1.492**	-0.0371	-0.706	-1.352**	-1.315*
	(0.620)	(0.551)	(0.479)	(0.703)	(0.721)	(0.621)	(0.559)	(0.750)
N	95	95	95	95	95	95	95	95

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of employee rating and the three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between internal and external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the five Fama–French factors (MKT–RF, SMB, HML, RMW, CMA). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger employee–ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). OLS standard errors are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A13: Portfolio Returns Sorted by ESG Disagreement using Fama-French 5-factors

	Fama French 5-factors regressions							
	Equally-weighted portfolio				*Value-weighted portfolio*			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.00240	-0.00236	0.00598	0.00838	-0.00566	-0.00583	0.00502	0.0107
	(0.00577)	(0.00617)	(0.00530)	(0.00672)	(0.00632)	(0.00610)	(0.00576)	(0.00714)
Market (MKT–RF)	0.786***	0.923***	0.917***	0.131	0.746***	0.860***	0.787***	0.0413
	(0.128)	(0.137)	(0.118)	(0.149)	(0.140)	(0.135)	(0.128)	(0.159)
Size (SMB)	0.00747	0.816**	-0.334	-0.341	-0.112	0.305	-0.165	-0.0530
	(0.353)	(0.378)	(0.324)	(0.411)	(0.386)	(0.373)	(0.352)	(0.437)
Value (HML)	0.454	0.737*	0.644*	0.190	0.593	0.887**	0.740*	0.148
	(0.402)	(0.431)	(0.370)	(0.469)	(0.441)	(0.425)	(0.402)	(0.498)
Profitability (RMW)	-0.247	0.452	0.865*	1.112*	-0.532	0.271	0.883	1.415**
	(0.560)	(0.600)	(0.515)	(0.653)	(0.614)	(0.592)	(0.559)	(0.694)
Investment (CMA)	-0.475	-0.599	-0.933	-0.458	-0.746	-1.108*	-0.872	-0.126
	(0.621)	(0.665)	(0.571)	(0.725)	(0.681)	(0.657)	(0.621)	(0.769)
N	89	89	89	89	89	89	89	89

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between the three Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the five Fama–French factors (MKT–RF, SMB, HML, RMW, CMA). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). OLS standard errors are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A14: Portfolio Returns Sorted by Employee–ESG Disagreement using Fama-French 3-factors

	Fama French 3-factors regressions							
	Equally-weighted portfolio				*Value-weighted portfolio*			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.0133**	-0.00615	0.00845*	0.0218***	-0.00797	-0.00395	0.00754	0.0155**
	(0.00542)	(0.00497)	(0.00436)	(0.00630)	(0.00628)	(0.00554)	(0.00506)	(0.00670)
Market (MKT–RF)	0.923***	0.934***	1.014***	0.0908	0.802***	0.985***	0.993***	0.190
	(0.113)	(0.104)	(0.0908)	(0.131)	(0.131)	(0.115)	(0.105)	(0.139)
Size (SMB)	-0.0741	0.126	0.719***	0.793**	0.126	-0.213	0.367	0.242
	(0.332)	(0.305)	(0.267)	(0.386)	(0.385)	(0.340)	(0.310)	(0.410)
Value (HML)	0.114	0.0528	0.0602	-0.0538	0.410**	-0.200	0.172	-0.238
	(0.173)	(0.159)	(0.139)	(0.201)	(0.201)	(0.177)	(0.162)	(0.214)
N	95	95	95	95	95	95	95	95

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of employee ratings and the three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between internal and external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the three Fama–French factors (MKT–RF, SMB, HML). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger employee–ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). OLS standard errors are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A15: Portfolio Returns Sorted by Employee–ESG Disagreement using Fama-French 3-factors & momentum

	Fama French 4-factors regressions							
	Equally-weighted portfolio				***Value-weighted portfolio***			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.0115**	-0.00276	0.00984**	0.0213***	-0.00627	-0.00282	0.00738	0.0136*
	(0.00563)	(0.00505)	(0.00453)	(0.00659)	(0.00655)	(0.00579)	(0.00530)	(0.00698)
Market (MKT–RF)	0.854***	0.807***	0.962***	0.108	0.738***	0.943***	0.999***	0.260
	(0.127)	(0.114)	(0.102)	(0.149)	(0.148)	(0.131)	(0.120)	(0.158)
Size (SMB)	-0.0633	0.146	0.727***	0.790**	0.135	-0.207	0.366	0.231
	(0.331)	(0.297)	(0.267)	(0.388)	(0.385)	(0.341)	(0.312)	(0.411)
Value (HML)	-0.00264	-0.159	-0.0272	-0.0245	0.303	-0.270	0.182	-0.121
	(0.199)	(0.178)	(0.160)	(0.233)	(0.231)	(0.204)	(0.187)	(0.246)
Momentum (MOM)	-0.252	-0.458**	-0.189	0.0632	-0.230	-0.152	0.0215	0.251
	(0.212)	(0.190)	(0.171)	(0.249)	(0.247)	(0.218)	(0.200)	(0.263)
N	95	95	95	95	95	95	95	95

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of employee ratings and the three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between internal and external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the three Fama–French factors and momentum factor (MKT–RF, SMB, HML,MOM). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger employee–ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). OLS standard errors are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A16: Portfolio Returns Sorted by Employee–ESG Disagreement using Fama-French 5-factors and mean absolute deviations as disagreement measure

	Fama French 5-factors regressions							
	Equally-weighted portfolio				*Value-weighted portfolio*			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.0140**	-0.00911*	0.00418	0.0182**	-0.00768	-0.00574	0.00242	0.0101
	(0.00573)	(0.00517)	(0.00441)	(0.00697)	(0.00669)	(0.00601)	(0.00524)	(0.00774)
Market (MKT–RF)	0.867***	0.792***	0.958***	0.0911	0.759***	0.816***	0.927***	0.168
	(0.134)	(0.120)	(0.103)	(0.162)	(0.156)	(0.140)	(0.122)	(0.180)
Size (SMB)	0.148	0.0676	0.413	0.265	0.0574	-0.261	-0.0609	-0.118
	(0.361)	(0.325)	(0.278)	(0.439)	(0.421)	(0.378)	(0.330)	(0.487)
Value (HML)	-0.182	0.925**	0.693**	0.874*	0.113	0.700	0.639*	0.526
	(0.403)	(0.364)	(0.311)	(0.490)	(0.471)	(0.423)	(0.369)	(0.545)
Profitability (RMW)	0.0533	1.097**	0.764*	0.711	-0.201	0.737	0.526	0.727
	(0.552)	(0.497)	(0.425)	(0.670)	(0.644)	(0.578)	(0.504)	(0.745)
Investment (CMA)	0.558	-0.766	-0.938*	-1.496*	0.124	-0.985	-0.973*	-1.096
	(0.622)	(0.561)	(0.479)	(0.756)	(0.726)	(0.652)	(0.568)	(0.840)
N	95	95	95	95	95	95	95	95

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the *mean absolute deviation* of employee ratings and the three ESG providers. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between internal and external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the five Fama–French factors (MKT–RF, SMB, HML, RMW, CMA). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger employee–ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). OLS standard errors are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A17: Portfolio Returns Sorted by Employee–ESG Disagreement with yearly data using Fama-French 5-factors

	Fama French 5-factors regressions							
	Equally-weighted portfolio				***Value-weighted portfolio***			
	Tercile 1	**Tercile 2**	**Tercile 3**	**Long-short portfolio**	**Tercile 1**	**Tercile 2**	**Tercile 3**	**Long-short portfolio**
Alpha (Abnormal Return)	-0.00787	-0.00633	0.00635	0.0142**	-0.00378	-0.00595	0.00553	0.00931
	(0.00561)	(0.00525)	(0.00457)	(0.00654)	(0.00657)	(0.00581)	(0.00482)	(0.00723)
Market (MKT–RF)	0.937***	0.776***	0.905***	-0.0318	0.777***	0.773***	0.810***	0.0324
	(0.132)	(0.124)	(0.108)	(0.154)	(0.155)	(0.137)	(0.114)	(0.171)
Size (SMB)	-0.0173	0.0890	0.385	0.403	0.176	-0.405	0.0470	-0.129
	(0.358)	(0.335)	(0.292)	(0.418)	(0.419)	(0.371)	(0.308)	(0.462)
Value (HML)	-0.191	0.725*	0.795**	0.985**	-0.0321	0.499	0.763**	0.796
	(0.402)	(0.376)	(0.327)	(0.469)	(0.470)	(0.416)	(0.346)	(0.518)
Profitability (RMW)	-0.144	0.660	0.629	0.773	-0.569	0.533	0.316	0.884
	(0.541)	(0.507)	(0.441)	(0.632)	(0.634)	(0.561)	(0.466)	(0.698)
Investment (CMA)	0.490	-0.794	-0.905*	-1.395*	0.221	-0.829	-1.274**	-1.494*
	(0.621)	(0.582)	(0.506)	(0.725)	(0.728)	(0.644)	(0.535)	(0.802)
N	94	94	94	94	94	94	94	94

Notes: Firms are sorted each month into three portfolios (terciles) based on the degree of disagreement between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the standard deviation of employee ratings and the three ESG providers. Employee satisfaction is aggregated at the *yearly* level for each firm to match the annual frequency of ESG scores, and the resulting yearly disagreement measure is held constant across all months of that year when forming portfolios. The first tercile (*Low*) includes firms with the closest alignment, and the third (*High*) those with the strongest divergence between internal and external social assessments. Reported coefficients are from time–series regressions of monthly portfolio excess returns on the five Fama–French factors (MKT–RF, SMB, HML, RMW and CMA). The intercept (α) represents the risk–adjusted abnormal return unexplained by these factors. A positive and significant α for the long–short (High–Low) portfolio indicates that firms with stronger employee–ESG disagreement earn higher expected returns. All coefficients and returns are expressed in decimal form (e.g., 0.01 = 1%). OLS standard errors are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.