

## Appendix A: Examples of Stakeholder Discussions

This table contains examples of our classifications. In Panel A, we report examples of firms that cite stakeholder objectives. In Panel B, we report firms that mention stakeholders, but are not classified as citing stakeholder objectives based on the context of the statement. We only consider a firm to have cited stakeholder objectives if they mention the words “value,” “benefit,” “interest,” or other synonymous terms.

### *Panel A: Examples of Firms Citing Stakeholder Objectives*

Company	Date	Quote
West Pharmaceutical Services	7/23/2020	We remain committed to deliver value to all our stakeholders on a sustainable basis as well as to maintain and build upon the values that make up our One West team.
Home Depot	12/11/2019	We know that this not only drives strong business practices that has enabled us to deliver consistent industry-leading results, but it is the underpinning of our strategy to create the One Home Depot experience, it is the desire to create value for all of our stakeholders. This includes our shareholders, our associates, our customers, our supplier partners and in the communities that we serve.
Avery Dennison	11/7/2019	So our overriding objective at the company is to create superior long-term value for all of our stakeholders: our customers, our employees, our communities and, of course, our shareholders.
Domino’s Pizza	10/8/2019	We will remain focused on relentlessly driving the brand forward and providing great value to all of our stakeholders, including our customers, the franchisees, team members and shareholders.
Kulicke and Soffa Industries	2/27/2019	Our organizational refinements have further empowered our individual business units to achieve strategic and result-driven goals, which are closely aligned with all of our stakeholders’ interest.
Office Depot	11/7/2018	Our results this quarter again provide tangible evidence that we are well on our way to achieving our goal in building a more sustainable business that will provide benefits for all of our stakeholders.
Xerox Corporation	10/23/2018	We’ve taken the necessary first steps to lay out the objectives that will be the foundation for creating value for all our stakeholders.
Salesforce	4/17/2018	As the CEO I need to embrace all of my stakeholders, not just all of my shareholders. What I’m trying to do is maximize stakeholder value.
Cogent Communications	1/4/2017	Our purpose is to create value for our stakeholders.

### *Panel B: Examples of Firms Mentioning Stakeholders but not Stakeholder Objectives*

Company	Date	Quote
Ventas, Inc	5/18/2020	On behalf of all of us at Ventas, I want to express our deep compassion for those who have lost loved ones to the COVID-19 pandemic, our incredible admiration for frontline health care providers and caregivers, many of whom work in our buildings, and our unwavering commitment to the health and safety of our stakeholders.
Papa John’s	11/6/2019	I want to end my comments by reiterating gratitude for the warm welcome and honest conversations I’ve had with so many of Papa John’s stakeholders.
Mondelez International	4/30/2019	I was fortunate recently to meet farmers and stakeholders we partner with in Ghana and Ivory Coast as part of our Cocoa Life sustainability program.
Matador Resources	2/27/2019	We have a very strong compensation team with strong individuals on it. And we’re all substantial stakeholders and we’re all trying to make sure it’s right.
American International Group	2/14/2019	Maybe it’s a cliché, but it’s absolutely true, our greatest strength is our colleagues, and I want to thank them all for all they’re doing, not just for the company, but for our clients and our stakeholders.
WEC Energy Group	10/3/2018	One other thing to be mindful of too is that what you’re seeing in the regulatory jurisdictions, we’ve been successful in achieving several settlements with a lot of the key stakeholders. Just recently, in our wind generation, we just reached a settlement with key stakeholders of Missouri Public Service Commission staff and the large industrial customers.

Medtronic	12/6/2017	So he spends quite a bit of time talking to the various stakeholders around health care, driving diabetes care, so the payers, governments, health systems and technology companies like IBM, he spends a lot of time with IBM and companies like that.
-----------	-----------	---

## Appendix B

### Table B1: Board Independence

This table provides additional analysis of BOARD\_INDEPENDENCE. Panel A limits the sample only to firms that cite stakeholder value, and compares BOARD\_INDEPENDENCE (and DURATION\_OF\_EXECUTIVE\_PAY) between the group of firms falling short of expectations the group exceeding expectations. Panel B uses a regression interaction approach. The specifications are based on Model (1) of Table 2, but add terms interacting BOARD\_INDEPENDENCE with the FELL\_SHORT indicator.

#### *Panel A: Univariate Statistics Conditional on Mentioning Stakeholder Value*

<i>Variable</i>	Fell Short	Met or Exceeded	Difference [t-stat]
BOARD_INDEPENDENCE	83.80%	84.68%	0.88% [2.76***]
DURATION OF EXECUTIVE PAY	2.01	2.15	0.14 [2.24**]

#### *Panel B: Regression Interactions*

	(1)
FELL_SHORT	0.437*** [4.41]
BOARD_INDEPENDENCE	2.973*** [4.57]
DURATION_OF_EXECUTIVE_PAY	0.153*** [2.80]
FELL_SHORT x BOARD_INDEPENDENCE	-0.513** [-2.11]
Other Controls	Yes
Observations	24,572
Fixed Effects	Quarter
Pseudo R-squared	0.134

**Table B2: Forecast Error as Variable of Interest**

This table displays the results of the following regression models we use to determine the effect missed earnings have on stakeholder narrative usage.

$$\Pr(STAKEHOLDER_{i,t}) = \Lambda(\gamma_0 + \gamma_1 FORECAST\_ERROR_{i,t} + \sum_{k=2}^{12} \gamma_k CONTROL_i + \varepsilon_{i,t}) \quad (1)$$

$$STAKEHOLDER_{i,t} = \beta_0 + \beta_1 FORECAST\_ERROR_{i,t} + \sum_{k=2}^{12} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (2)$$

Regressions (1) and (2) are logistic and OLS regression models estimated at the firm-quarter level. We estimate these regressions using quarterly earnings that occur over the years 2015 to 2020. The dependent variable STAKEHOLDER is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. The independent variable of interest in each regression is the analyst forecast error for firm  $i$  in quarter  $t$ , measured as firm  $i$ 's actual earnings per share (EPS) minus analysts' consensus estimate and scaled by the absolute value of actual EPS. In our computation of forecast error, we scale by 0.25 when firm  $i$ 's EPS is less than 0.25, following Loh and Stulz (2018). The remaining independent variables are control variables we compute as described in Table 1. Model (1) reports the estimates of regression (1), including year-quarter fixed effects. Model (2) ((3)) reports estimates of regression (2) and includes industry and year-quarter (firm and year-quarter) fixed effects. We measure industry fixed effects using the Fama-French 48 industry classifications. We report  $z$ -statistics (model (1)) and  $t$ -statistics (models (2) and (3)) below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1) Logit	(2) OLS	(3) OLS
FORECAST_ERROR	-0.270*** [-2.76]	-0.018*** [-2.69]	-0.019*** [-2.83]
PRIOR_YEAR_ABNORMAL_RETURN	-0.001 [-0.01]	0.001 [0.11]	0.002 [0.42]
ln(ASSETS)	0.105** [2.25]	0.009*** [3.46]	-0.021* [-1.86]
INSTITUTIONAL_OWNERSHIP	-0.450 [-1.31]	-0.016 [-1.22]	0.009 [0.43]
ln(NUMBER_OF_ANALYSTS)	0.007 [0.08]	0.000 [0.10]	0.004 [0.61]
BOARD_INDEPENDENCE	2.598*** [4.36]	0.075*** [3.51]	-0.016 [-0.37]
BOARD_CO_OPTION	-0.311 [-1.48]	-0.007 [-0.77]	-0.031** [-2.04]
CEO_CHAIRMAN	0.083 [0.77]	0.005 [0.91]	-0.001 [-0.16]
CEO_TENURE	-0.020** [-2.02]	-0.001** [-1.99]	-0.000 [-0.67]
SG&A_TO_TOTAL_ASSETS	-0.675 [-0.50]	0.065 [1.06]	-0.045 [-0.30]
DURATION_OF_EXEC_PAY	0.151*** [2.75]	0.003* [1.96]	0.000 [0.04]
ESG_SCORE	0.012*** [3.45]	0.001*** [3.19]	0.000 [0.10]
Observations	24,572	24,572	24,572
Fixed Effects	Quarter	Industry, Quarter	Firm, Quarter
Pseudo R-squared	0.133		
Adj R-squared		0.062	0.162

**Table B3: Stakeholder Language and Future Earnings Misses**

This table displays the results of the following regression models we use to determine whether managers use a stakeholder narrative in advance of missed earnings during subsequent quarters.

$$\Pr(STAKEHOLDER_{i,t}) = \Lambda(\gamma_0 + \gamma_1 FELL\_SHORT_{i,t} + \sum_{k=2}^5 \gamma_k FELL\_SHORT_{i,t+k-1} + \sum_{k=6}^{16} \gamma_k CONTROL_i + \varepsilon_{i,t}) \quad (1)$$

$$STAKEHOLDER_{i,t} = \beta_0 + \beta_1 FELL\_SHORT_{i,t} + \sum_{k=2}^5 \beta_k \gamma_k FELL\_SHORT_{i,t+k-1} + \sum_{k=6}^{16} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (2)$$

Regressions (1) and (2) are logistic and OLS regression models estimated at the firm-quarter level. We estimate these regressions using quarterly earnings that occur over the years 2015 to 2020. The dependent variable STAKEHOLDER is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. The independent variables of interest in each regression include fell short indicators ( $FELL\_SHORT_{t+k}$ ) for each quarter  $t$  to  $t+4$  that is one if firm  $i$  reports earnings that miss analysts' consensus estimate, and zero otherwise. The remaining independent variables are control variables we compute as described in Table 1. Model (1) reports the estimates of regression (1), including year-quarter fixed effects. Model (2) ((3)) reports estimates of regression (2) and includes industry and year-quarter (firm and year-quarter) fixed effects. We measure industry fixed effects using the Fama-French 48 industry classifications. We report  $z$ -statistics (model (1)) and  $t$ -statistics (models (2) and (3)) below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1) Logit	(2) OLS	(3) OLS
FELL_SHORT	0.391*** [4.22]	0.023*** [3.96]	0.021*** [3.91]
FELL_SHORT <sub>t+1</sub>	-0.064 [-1.02]	-0.003 [-1.00]	-0.003 [-0.82]
FELL_SHORT <sub>t+2</sub>	-0.104 [-1.51]	-0.005 [-1.52]	-0.005 [-1.42]
FELL_SHORT <sub>t+3</sub>	-0.203* [-1.89]	-0.009* [-1.97]	-0.010* [-1.98]
FELL_SHORT <sub>t+4</sub>	-0.041 [-0.57]	-0.002 [-0.71]	-0.002 [-0.71]
PRIOR_YEAR_ABNORMAL_RETURN	0.055 [0.46]	0.002 [0.41]	0.004 [0.85]
ln(ASSETS)	0.109** [2.31]	0.009*** [3.56]	-0.020* [-1.79]
INSTITUTIONAL_OWNERSHIP	-0.484 [-1.36]	-0.017 [-1.25]	0.009 [0.43]
ln(NUMBER_OF_ANALYSTS)	-0.025 [-0.28]	-0.001 [-0.20]	0.003 [0.51]
BOARD_INDEPENDENCE	2.589*** [4.26]	0.078*** [3.52]	-0.010 [-0.22]
BOARD_CO_OPTION	-0.285 [-1.34]	-0.006 [-0.65]	-0.029* [-1.84]
CEO_CHAIRMAN	0.098 [0.90]	0.005 [0.95]	-0.003 [-0.30]
CEO_TENURE	-0.021** [-2.06]	-0.001** [-1.98]	-0.000 [-0.43]
SG&A_TO_TOTAL_ASSETS	-0.796 [-0.60]	0.059 [0.97]	-0.052 [-0.33]
DURATION_OF_EXEC_PAY	0.146*** [2.63]	0.003 [1.26]	-0.000 [-0.11]
ESG_SCORE	0.012***	0.001***	-0.000

	[3.46]	[3.13]	[-0.09]
Observations	24,047	24,047	24,047
Fixed Effects	Quarter	Industry, Quarter	Firm, Quarter
Pseudo R-squared	0.133		
Adj R-squared		0.0621	0.162

---

**Table B4: Firms Narrowly Beating and Subsequent Performance**

This table displays the results of the following regression models we use to determine whether managers use a stakeholder narrative when the narrowly beat analyst expectations.

$$\Pr(STAKEHOLDER_{i,t}) = \Lambda(\gamma_0 + \gamma_1 NARROW\_BEAT_{i,t} + \sum_{k=2}^5 \gamma_k FELL\_SHORT_{i,t+k-1} + \sum_{k=6}^{16} \gamma_k CONTROL_i + \varepsilon_{i,t}) \quad (1)$$

Regression (1) is a logistic regression model estimated at the firm-quarter level. We estimate this regression using quarterly earnings that occur over the years 2015 to 2020. The dependent variable STAKEHOLDER is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. The independent variables of interest in each regression include an indicator that is one if firm  $i$ 's earnings exceed analysts' consensus forecast by 0.01 or less, and zero otherwise. Additionally, we include a fell short indicator (FELL\_SHORT $_{t+k}$ ) for each quarter  $t+1$  to  $t+4$  that is one if firm  $i$  reports earnings that miss analysts' consensus estimate, and zero otherwise. The remaining independent variables are control variables we compute as described in Table 1. We report  $z$ -statistics below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1)	(2)
NARROW_BEAT	-0.207** [-2.16]	-0.210** [-2.17]
FELL_SHORT $_{t+1}$		-0.010 [-0.16]
FELL_SHORT $_{t+2}$		-0.066 [-0.95]
FELL_SHORT $_{t+3}$		-0.124* [-1.92]
FELL_SHORT $_{t+4}$		-0.019 [-0.27]
PRIOR_YEAR_ABNORMAL_RETURN	-0.025 [-0.22]	-0.007 [-0.06]
ln(ASSETS)	0.108** [2.31]	0.109** [2.30]
INSTITUTIONAL_OWNERSHIP	-0.490 [-1.42]	-0.543 [-1.51]
ln(NUMBER_OF_ANALYSTS)	0.001 [0.02]	-0.036 [-0.39]
BOARD_INDEPENDENCE	2.621*** [4.39]	2.598*** [4.28]
BOARD_CO_OPTION	-0.308 [-1.46]	-0.289 [-1.36]
CEO_CHAIRMAN	0.078 [0.72]	0.093 [0.85]
CEO_TENURE	-0.020** [-2.02]	-0.020** [-2.01]
SG&A_TO_TOTAL_ASSETS	-0.734 [-0.54]	-0.990 [-0.73]
DURATION_OF_EXEC_PAY	0.153*** [2.78]	0.146*** [2.61]
ESG_SCORE	0.012*** [3.37]	0.011*** [3.25]
Observations	24,572	24,047
Fixed Effects	Quarter	Quarter

**Table B5: Pre-Announcement Stakeholder Discussion**

This table recreates Table 2 of the main text, but the dependent variable, STAKEHOLDER, takes a value of one if the firm cites stakeholder value during the pre- earnings announcement period. We define the pre-announcement period as beginning at the quarter close and ending the day prior to the earnings announcement. Because many firms impose a quiet period and limit executive communications during this time, we restrict the sample to only cases where we find a record of some CEO communication during this period. The independent variable of interest in each regression is a FELL\_SHORT indicator that is one if firm  $i$  reports quarter  $t$  earnings that miss analysts' consensus estimate, and zero otherwise. The remaining independent variables are control variables we compute as described in Table 1. Model (1) reports the estimates with year-quarter fixed effects. Model (2) ((3)) reports estimates with industry and year-quarter (firm and year-quarter) fixed effects. We measure industry fixed effects using the Fama-French 48 industry classifications. We report  $z$ -statistics (model (1)) and  $t$ -statistics (models (2) and (3)) below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1) Logit	(2) OLS	(3) OLS
FELL_SHORT	0.467** [1.99]	0.020** [1.97]	0.023 [1.44]
PRIOR_YEAR_ABNORMAL_RETURN	-0.293 [-0.78]	-0.012 [-0.78]	-0.021 [-0.67]
ln(ASSETS)	0.067 [0.62]	0.005 [0.95]	-0.032 [-0.67]
INSTITUTIONAL_OWNERSHIP	0.213 [0.27]	-0.007 [-0.24]	-0.025 [-0.28]
ln(NUMBER_OF_ANALYSTS)	0.149 [0.81]	0.009 [1.04]	0.033 [1.25]
BOARD_INDEPENDENCE	5.381*** [3.20]	0.168*** [3.38]	0.018 [0.11]
BOARD_CO_OPTION	-0.497 [-1.08]	-0.020 [-0.96]	-0.065 [-0.99]
CEO_CHAIRMAN	0.235 [0.97]	0.009 [0.78]	0.027 [0.63]
CEO_TENURE	-0.004 [-0.21]	0.000 [0.50]	0.001 [0.58]
SG&A_TO_TOTAL_ASSETS	-0.372 [-0.14]	0.014 [0.12]	0.629 [0.78]
DURATION_OF_EXEC_PAY	0.118 [0.78]	0.007 [0.98]	0.014 [0.78]
ESG_SCORE	0.018*** [2.66]	0.001** [2.02]	-0.000 [-0.14]
Observations	1,872	1,931	1,931
Fixed Effects	Quarter	Quarter, Industry	Quarter, Firm
Pseudo R-squared	0.146		
Adj R-squared		0.0545	0.148

**Table B6: Magnitude of Underperformance**

This table displays the results of the following regression models we use to determine the association between the magnitude with which a firm misses earnings and the usage of stakeholder language.

$$\Pr(STAKEHOLDER_{i,t}) = \Lambda(\gamma_0 + \gamma_1 ABS\_FORECAST\_ERROR_{i,t} + \sum_{k=2}^{12} \gamma_k CONTROL_i + \varepsilon_{i,t}) \quad (1)$$

$$STAKEHOLDER_{i,t} = \beta_0 + \beta_1 ABS\_FORECAST\_ERROR_{i,t} + \sum_{k=2}^{12} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (2)$$

Regressions (1) and (2) are logistic and OLS regression models estimated at the firm quarter level. We estimate these regressions using the sample of quarterly earnings over the years 2015 to 2020 that do not meet analyst's consensus forecast estimate. The dependent variable STAKEHOLDER is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. The independent variable of interest in each regression is the absolute value of analysts' forecast error which we compute following Loh and Stulz (2018). Specifically, we compute absolute forecast error as the absolute value of the quantity that is the difference between analysts' consensus EPS forecast and EPS, scaled by actual EPS. In instances where the absolute value of actual EPS is less than 0.25, we scale forecast error by 0.25 (Loh and Stulz, 2018). We winsorize the final absolute forecast error at the 1% level. The remaining independent variables are control variables we compute as described in Table 1. Model (1) reports the estimates of regression (1), including year-quarter fixed effects. Model (2) reports estimates of regression (2) and includes industry and year-quarter fixed effects. We measure industry fixed effects using the Fama-French 48 industry classifications. We report  $z$ -statistics (model (1)) and  $t$ -statistics (model (2)) below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1) Logit	(2) OLS
ABS FORECAST ERROR	-0.238** [-2.06]	-0.034* [-1.81]
PRIOR_YEAR_ABNORMAL_RETURN	0.251 [1.35]	0.014 [1.43]
ln(ASSETS)	0.084 [1.35]	0.008** [2.37]
INSTITUTIONAL_OWNERSHIP	0.005 [0.01]	-0.002 [-0.13]
ln(NUMBER_OF_ANALYSTS)	0.037 [0.33]	0.005 [0.90]
BOARD_INDEPENDENCE	3.047*** [3.78]	0.089*** [2.78]
BOARD_CO_OPTION	-0.160 [-0.57]	0.001 [0.07]
CEO_CHAIRMAN	0.073 [0.50]	0.006 [0.67]
CEO_TENURE	-0.037*** [-3.06]	-0.001*** [-2.87]
SG&A_TO_TOTAL_ASSETS	-1.795 [-0.96]	0.028 [0.31]
DURATION_OF_EXEC_PAY	0.211*** [3.04]	0.007* [1.93]
ESG_SCORE	0.015*** [3.40]	0.001*** [2.75]
Observations	6,961	6,961
Fixed Effects	Quarter	Industry, Quarter
Pseudo R-squared	0.180	
Adj R-squared		0.103

**Table B7: Negative Earnings**

This table displays the results of the following regression models we use to determine the effect missed earnings have on stakeholder narrative usage.

$$\Pr(STAKEHOLDER_{i,t}) = \Lambda(\gamma_0 + \gamma_1 NEGATIVE\_EARNINGS_{i,t} + \sum_{k=2}^{12} \gamma_k CONTROL_i + \varepsilon_{i,t}) \quad (1)$$

$$STAKEHOLDER_{i,t} = \beta_0 + \beta_1 NEGATIVE\_EARNINGS_{i,t} + \sum_{k=2}^{12} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (2)$$

Regressions (1) and (2) are logistic and OLS regression models estimated at the firm-quarter level. We estimate these regressions using quarterly earnings that occur over the years 2015 to 2020. The dependent variable STAKEHOLDER is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. The independent variable of interest in each regression is an indicator variable, denoted NEGATIVE\_EARNINGS, that is one if the firm has negative earnings per share (EPS) during the respective quarter, and zero. Model (1) reports the estimates of regression (1), including year-quarter fixed effects. Model (2) ((3)) reports estimates of regression (2) and includes industry and year-quarter (firm and year-quarter) fixed effects. We measure industry fixed effects using the Fama-French 48 industry classifications. We report  $z$ -statistics (model (1)) and  $t$ -statistics (models (2) and (3)) below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1)	(2)	(3)
	Logit	OLS	OLS
NEGATIVE_EARNINGS	0.282** [2.04]	0.012 [1.49]	0.013 [1.54]
PRIOR_YEAR_ABNORMAL_RETURN	0.023 [0.21]	0.001 [0.14]	0.002 [0.44]
ln(ASSETS)	0.115** [2.46]	0.009*** [3.57]	-0.019* [-1.74]
INSTITUTIONAL_OWNERSHIP	-0.446 [-1.30]	-0.016 [-1.20]	0.009 [0.44]
ln(NUMBER_OF_ANALYSTS)	-0.002 [-0.02]	0.000 [0.10]	0.004 [0.69]
BOARD_INDEPENDENCE	2.600*** [4.35]	0.075*** [3.49]	-0.017 [-0.39]
BOARD_CO_OPTION	-0.317 [-1.51]	-0.007 [-0.80]	-0.031** [-2.01]
CEO_CHAIRMAN	0.084 [0.78]	0.005 [0.93]	-0.001 [-0.14]
CEO_TENURE	-0.020** [-2.01]	-0.001** [-1.98]	-0.000 [-0.69]
SG&A_TO_TOTAL_ASSETS	-0.700 [-0.52]	0.064 [1.03]	-0.007 [-0.05]
DURATION_OF_EXEC_PAY	0.154*** [2.81]	0.003 [1.41]	0.000 [0.09]
ESG_SCORE	0.012*** [3.41]	0.001*** [3.15]	0.000 [0.12]
Observations	24,572	24,572	24,572
Fixed Effects	Quarter	Industry, Quarter	Firm, Quarter
Pseudo R-squared	0.129		
Adj R-squared		0.060	0.160

**Table B8: Stakeholder Language and Earnings Management**

This table displays the results of the following regression models we use to determine the relation between earnings management and the usage of stakeholder language.

$$\Pr(\text{STAKEHOLDER}_{i,t}) = \Lambda(\gamma_0 + \gamma_1 \text{FELL\_SHORT}_{i,t} + \gamma_2 \text{DISCRETIONARY\_ACCRUALS}_{i,t} + \sum_{k=3}^{13} \gamma_k \text{CONTROL}_i + \varepsilon_{i,t}) \quad (13)$$

$$\Pr(\text{STAKEHOLDER}_{i,t}) = \Lambda(\gamma_0 + \gamma_1 \text{FELL\_SHORT}_{i,t} + \gamma_2 \text{DISCRETIONARY\_ACCRUALS}_{i,t} + \gamma_3 \text{FELL\_SHORT}_{i,t} \times \text{DISCRETIONARY\_ACCRUALS}_{i,t} + \sum_{k=4}^{14} \gamma_k \text{CONTROL}_i + \varepsilon_{i,t}) \quad (14)$$

Regressions (1) and (2) are logistic models estimated at the firm-quarter level. We estimate regression (1) using the sample of quarterly earnings that occur over the years 2015 to 2020. The dependent variable STAKEHOLDER is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. The independent variables include a FELL\_SHORT indicator that is one if firm  $i$  reports quarter  $t$  earnings that miss analysts' consensus estimate, and zero otherwise. We use discretionary accruals to assess a firm's degree of earnings management. Following Dechow, Sloan, and Sweeney (1995), Matsumoto (2002), and Abarbanella and Lehavy, (2003), we use a modified Jones (1991) model and quarterly Compustat data to construct each firm's DISCRETIONARY\_ACCRUALS variable for quarter  $t$ . Regression model (1) includes DISCRETIONARY\_ACCRUALS by itself and regression model (2) includes the interaction of DISCRETIONARY\_ACCRUALS and the FELL\_SHORT indicator. The remaining independent variables in each regression model are control variables we compute as described in Table 1. All models include year-quarter fixed effects. We report  $z$ -statistics below coefficient estimates and we cluster standard errors by firm. In model (1) and (3), we use the full sample. In model (2), we include observations for which FELL\_SHORT is one and exclude the FELL\_SHORT indicator from our estimation. We denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	<i>Full Sample</i> (1)	<i>Fell Short Only</i> (2)	<i>Full Sample</i> (3)
FELL_SHORT	0.340*** [3.75]		0.336*** [3.74]
DISCRETIONARY_ACCRUALS	0.210 [0.32]	-0.678 [-0.64]	0.611 [0.75]
FELL_SHORT x DISCRETIONARY_ACCRUALS			-1.094 [-1.29]
PRIOR_YEAR_ABNORMAL_RETURN	0.008 [0.07]	0.120 [0.61]	0.003 [0.03]
ln(ASSETS)	0.185*** [3.48]	0.169** [2.40]	0.191*** [3.67]
INSTITUTIONAL_OWNERSHIP	-0.401 [-1.05]	0.030 [0.07]	-0.410 [-1.11]
ln(NUMBER_OF_ANALYSTS)	-0.052 [-0.54]	-0.037 [-0.31]	-0.067 [-0.71]
BOARD_INDEPENDENCE	2.312*** [3.72]	2.992*** [3.37]	2.319*** [3.72]
BOARD_CO_OPTION	-0.186 [-0.80]	0.075 [0.24]	-0.235 [-1.01]
CEO_CHAIRMAN	0.084 [0.72]	0.104 [0.64]	0.063 [0.55]
CEO_TENURE	-0.022** [-2.01]	-0.042*** [-3.20]	-0.021* [-1.96]
SG&A_TO_TOTAL_ASSETS	-1.191 [-0.82]	-3.107 [-1.47]	-1.013 [-0.73]
DURATION_OF_EXEC_PAY	0.130** [2.20]	0.211*** [2.73]	0.125** [2.15]
ESG_SCORE	0.009** [2.57]	0.011** [2.40]	0.009** [2.37]

Observations	20,530	5,024	20,530
Fixed Effects	Quarter	Quarter	Quarter
Pseudo R-squared	0.135	0.149	0.135

---

**Table B9: Do stakeholder firms underperform because they allocate resources to stakeholder issues?**

This table displays the results of the following regression models we use to determine the relation between missed earnings and ESG rating levels and changes:

$$ESG\_SCORE_{i,t} = \beta_0 + \beta_1 QUARTERS\_FALLING\_SHORT_{i,t} + \sum_{k=2}^{11} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (1)$$

$$\Delta ESG\_SCORE_{i,t} = \beta_0 + \beta_1 QUARTERS\_FALLING\_SHORT_{i,t} + \sum_{k=2}^{11} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (2)$$

Regressions (1) and (2) are OLS regression models estimated at the firm – year level. We estimate these regressions using the sample of quarterly earnings that occur over the years 2015 to 2020. The dependent variable ESG\_SCORE in regression (1) is the most recent Refinitiv ESG rating, Environmental rating, and Social rating of firm  $i$  for calendar year  $t$ . The dependent variable  $\Delta ESG\_SCORE$  in regression (2) is the change in each of the respective ESG ratings for firm  $i$  from calendar year  $t - 1$  to  $t$ . The independent variable of interest is QUARTERS\_FALLING\_SHORT, which we measure as the number of quarters in calendar year  $t - 1$  for which firm  $i$  misses analysts' quarterly consensus estimate. The remaining independent variables are control variables we compute as described in Table 1. Models (1), (3), and (5) display results of regression (1). Models (2), (4), and (6) display results of regression (2). All models include year fixed effects and industry fixed effects we measure using the Fama-French 48 industry classifications. We report  $t$ -statistics below coefficient estimates and we cluster standard errors by firm. We denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

<i>Dependent Variable:</i>	(1) ESG SCORE	(2) $\Delta$ ESG SCORE	(3) E SCORE	(4) $\Delta$ E SCORE	(5) S SCORE	(6) $\Delta$ S SCORE
PRIOR_YEAR_#_OF_QUARTERS_FALLING_SHORT	-0.936*** [-4.19]	-0.143 [-1.51]	-1.027*** [-3.10]	-0.197* [-1.76]	-0.864*** [-3.39]	-0.212 [-1.52]
PRIOR_YEAR_ABNORMAL_RETURN	-0.103 [-0.19]	0.030 [0.08]	0.258 [0.34]	0.618 [1.59]	0.323 [0.50]	0.733** [2.00]
ln(ASSETS)	6.569*** [17.72]	-0.006 [-0.08]	10.636*** [19.75]	0.127 [1.04]	6.791*** [15.99]	0.111 [1.24]
INSTITUTIONAL_OWNERSHIP	-5.560** [-2.56]	2.248*** [3.80]	-9.856*** [-3.01]	3.043*** [3.79]	-6.755*** [-2.70]	2.147*** [3.37]
ln(NUMBER_OF_ANALYSTS)	1.505** [2.34]	-0.123 [-0.80]	1.749* [1.80]	0.007 [0.03]	2.345*** [3.15]	0.030 [0.17]
BOARD_INDEPENDENCE	35.372*** [9.92]	0.194 [0.22]	29.827*** [5.77]	-0.061 [-0.05]	26.914*** [6.67]	2.267** [2.27]
BOARD_CO_OPTION	-0.759 [-0.60]	0.065 [0.19]	-4.339** [-2.23]	-0.175 [-0.35]	-0.813 [-0.55]	-0.413 [-1.03]
CEO_CHAIRMAN	-0.609 [-0.80]	-0.287 [-1.52]	1.031 [0.88]	-0.428 [-1.49]	0.908 [1.02]	-0.606*** [-2.72]
CEO_TENURE	-0.003 [-0.05]	0.012 [0.92]	0.015 [0.18]	0.027 [1.25]	-0.030 [-0.41]	0.031* [1.79]

SG&A_TO_TOTAL_ASSETS	51.689*** [4.20]	-3.640 [-1.50]	65.605*** [3.77]	-0.388 [-0.12]	61.374*** [4.18]	-0.939 [-0.34]
DURATION_OF_EXEC_PAY	1.667*** [3.81]	-0.180 [-1.55]	2.190*** [3.41]	0.125 [0.69]	2.240*** [4.17]	-0.108 [-0.77]
Observations	5,667 Industry, Year	5,039 Industry, Year	5,667 Industry, Year	5,039 Industry, Year	5,667 Industry, Year	5,039 Industry, Year
Fixed Effects						
Adj R-squared	0.488	0.0211	0.529	0.058	0.440	0.018

---

**Table B10: SG&A Expenses**

This table is based on Table B1, but uses Selling, General, and Administrative (SG&A) expenses as an estimate of a firm's resource allocation towards stakeholder issues. The dependent variable in model (1) is the firm's quarterly SG&A expenses scaled by total assets. The dependent variable in model (2) is the quarter-over-quarter percent change in the firm's SG&A expenses. All models include year-quarter fixed effects and industry fixed effects we measure using the Fama-French 48 industry classifications. We report *t*-statistics below coefficient estimates and we cluster standard errors by firm. We denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1)	(2)
	SG&A to Total Assets	% Change in SG&A
FELL_SHORT	-0.002**	0.012
	[-2.38]	[1.26]
PRIOR_YEAR_ABNORMAL_RETURN	0.005***	0.072***
	[3.09]	[6.79]
ln(ASSETS)	-0.011***	-0.005
	[-11.21]	[-1.40]
INSTITUTIONAL_OWNERSHIP	-0.013***	0.028
	[-2.63]	[0.73]
ln(NUMBER_OF_ANALYSTS)	0.010***	0.021**
	[6.74]	[2.51]
BOARD_INDEPENDENCE	0.010	-0.079
	[1.24]	[-1.12]
BOARD_CO_OPTION	-0.000	-0.002
	[-0.13]	[-0.12]
CEO_CHAIRMAN	0.002	-0.016
	[1.09]	[-1.42]
CEO_TENURE	0.000	0.001
	[1.26]	[0.78]
DURATION_OF_EXECUTIVE_PAY	0.002	-0.003
	[1.62]	[-0.55]
Observations	24,572	21,228
Fixed Effects	Industry, Quarter	Industry, Quarter
Adj R-squared	0.512	0.005

**Table B11: Market Reactions**

This table reports the results of the following regression model we use to determine whether stakeholder language affects the market's reaction to quarterly earnings announcements that miss analysts' expectation.

$$RETURN_{i,t} = \beta_0 + \beta_1 STAKEHOLDER_{i,t} + \beta_2 ABS\_FORECAST\_ERROR_{i,t} + \sum_{k=3}^{11} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (1)$$

The dependent variable, RETURN, is either the cumulative return or a buy-and-hold abnormal return (BHAR or DGTW) over various trading day windows around a firm's quarterly earnings announcement. We compute buy-and-hold abnormal return using two different benchmark returns. First, we use the CRSP value-weighted index return over a contemporaneous period (BHAR). Second, we follow Daniel, Grinblatt, Titman, and Wermers (1997) and use the return on a characteristic matched portfolio based on a firm's size, book-to-market ratio, and past 12-month return (DGTW). The independent variable of interest, STAKEHOLDER, is one if firm  $i$  cites a stakeholder objective in communications falling within two weeks of the quarter  $t$  earnings release, and zero otherwise. Additionally, we control for the magnitude of the earnings miss by including the absolute forecast error which we compute following Loh and Stulz (2018). The remaining independent variables are identical to those used in Table 2 and computed as described in Table 1. We estimate regression (1) on the sample of 6,961 firm quarter observations that miss earnings expectations. Reported in the table are the coefficients on our variables of interest, STAKEHOLDER and ABS\_FORECAST\_ERROR measures. Each model includes industry and year-quarter fixed effects. We measure industry fixed effects using the Fama-French 48 industry classifications. We report  $t$ -statistics below coefficient estimates. We cluster standard errors by firm and denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	[-1,1]	STAKEHOLDER	ABS FORECAST ERROR
CUMULATIVE		-0.001	-0.034***
		[-0.23]	[-7.88]
BHAR		-0.002	-0.033***
		[-0.61]	[-7.95]
DGTW		-0.003	-0.033***
		[-0.57]	[-8.22]
	[-3,3]	STAKEHOLDER	ABS FORECAST ERROR
CUMULATIVE		-0.007	-0.037***
		[-1.30]	[-6.97]
BHAR		-0.006	-0.035***
		[-1.23]	[-7.12]
DGTW		-0.005	-0.034***
		[-1.04]	[-7.32]
	[-5,5]	STAKEHOLDER	ABS FORECAST ERROR
CUMULATIVE		-0.002	-0.038***
		[-0.34]	[-6.61]
BHAR		-0.001	-0.037***
		[-0.14]	[-6.69]
DGTW		0.001	-0.035***
		[0.11]	[6.82]
	[-1,10]	STAKEHOLDER	ABS FORECAST ERROR
CUMULATIVE		-0.003	-0.041***
		[-0.47]	[-7.24]
BHAR		-0.006	-0.038***
		[-1.07]	[-7.17]
DGTW		-0.003	-0.034***
		[-0.54]	[-6.80]

	[-1,20]	STAKEHOLDER	ABS FORECAST ERROR
Cumulative		-0.005	-0.044***
		[-0.62]	[-6.34]
BHAR		-0.006	-0.040***
		[-0.88]	[-6.02]
DGTW		-0.002	-0.037***
		[-0.35]	[-5.95]
	[-1,30]	STAKEHOLDER	ABS FORECAST ERROR
Cumulative		-0.004	-0.036***
		[-0.50]	[-5.13]
BHAR		-0.003	-0.037***
		[-0.34]	[-5.57]
DGTW		0.002	-0.035***
		[0.21]	[5.52]

**Table B12: Additional Turnover Tests**

This table displays the results of the following regression model we use to determine the effect that stakeholder narrative usage has on the turnover – performance relation:

$$\Pr(\text{TURNOVER}_{i,t}) = \Lambda(\gamma_0 + \gamma_1 \text{ANNUAL\_STAKEHOLDER}_{i,t-1} + \gamma_2 \text{PRIOR\_YEAR\_ABNORMAL\_RETURN}_{i,t-1} + \gamma_3 \text{ANNUAL\_STAKEHOLDER}_{i,t-1} \times \text{PRIOR\_YEAR\_ABNORMAL\_RETURN}_{i,t-1} + \sum_{k=4}^{13} \gamma_k \text{CONTROL}_i + \varepsilon_{i,t}) \quad (1)$$

Regression (1) is a logistic regression model estimated at the firm – year level. We estimate this regression using the sample of yearly CEO data from the Execucomp database over the years 2015 to 2020. The dependent variable, TURNOVER, is one if the CEO is under 60 and terminated in year  $t$ , and zero otherwise. The independent variables include ANNUAL\_STAKEHOLDER that counts the number of quarters in year  $t - 1$  for which managers cite a stakeholder objective in their communications that occur within the two weeks of a quarterly earnings release. The measure of firm performance that we use in our independent variables is the PRIOR\_YEAR\_ABNORMAL\_RETURN, computed as the buy-and-hold abnormal return, using the CRSP value-weighted benchmark. The remaining independent variables are control variables we compute as described in Table 1. Models (1) through (4) each include year-fixed effects. We report z-statistics below coefficient estimates and we cluster standard errors by firm. Models (1) and (2) provide estimates of regression (1) on the sample of firms with low and high board co-option, using the sample median as the breakpoint. Models (3) and (4) provide estimates of regression (1) on the sample of firms with focused and busy boards. We measure busy board as the percentage of independent directors having more than one directorship (Ferris et al., 2003). We deem a firm to have a Focused (Busy) Board if less (more) than 50% of the independent directors serve on more than one board. We denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	<u>Low</u> <u>Co-Option</u> (1)	<u>High</u> <u>Co-Option</u> (2)	<u>Focused</u> <u>Board</u> (3)	<u>Busy</u> <u>Board</u> (4)
PRIOR_YEAR_ABNORMAL_RETURN	-1.042**	-0.890*	-0.766**	-1.714***
	[-2.09]	[-1.85]	[-1.99]	[-2.58]
ANNUAL_STAKEHOLDER x ABNORMAL_RETURN	0.920*	0.802	0.706	1.035**
	[1.83]	[1.42]	[0.69]	[2.07]
ANNUAL_STAKEHOLDER	-0.121	-0.142	0.016	-0.553
	[-0.53]	[-0.48]	[0.08]	[-1.21]
ln(ASSETS)	0.024	-0.238	-0.057	-0.179
	[0.26]	[-1.30]	[-0.61]	[-0.88]
INSTITUTIONAL_OWNERSHIP	1.039	-2.007**	-0.302	-0.058
	[1.56]	[-2.51]	[-0.43]	[-0.04]
ln(NUMBER_OF_ANALYSTS)	-0.079	0.259	0.100	-0.251
	[-0.41]	[0.94]	[0.58]	[-0.63]
BOARD_INDEPENDENCE	0.605	5.456**	1.929*	1.521
	[0.60]	[2.31]	[1.93]	[0.58]
BOARD_CO_OPTION	-20.344***	0.869	-2.379***	-1.539
	[-2.78]	[0.95]	[-4.52]	[-1.52]
CEO_CHAIRMAN	-0.221	-0.542	-0.455*	-0.067
	[-0.85]	[-1.37]	[-1.85]	[-0.15]
CEO_TENURE	0.021*	-0.011	0.027**	0.063**
	[1.72]	[-0.48]	[2.41]	[2.32]
SG&A_TO_TOTAL_ASSETS	6.774***	2.806	5.202***	5.367
	[3.53]	[0.99]	[3.14]	[1.11]
DURATION_OF_EXEC_PAY	-0.199	0.126	-0.156	0.055
	[-1.35]	[0.61]	[-1.16]	[0.18]
ESG_SCORE	0.008	0.017	0.005	0.034***
	[1.11]	[1.56]	[0.70]	[2.60]
Observations	2,830	2,837	4,235	1,432

Fixed Effects	Year	Year	Year	Year
Pseudo R-squared	0.0619	0.0963	0.0622	0.0934

---

**Table B13: Effect on Compensation**

This table displays the results of the following regression model we use to determine the effect that stakeholder narrative usage has on subsequent CEO pay:

$$\ln(TDC1_{i,t}) = \beta_0 + \beta_1 ANNUAL\_STAKEHOLDER_{i,t-1} + \sum_{k=2}^{13} \beta_k CONTROL_i + \varepsilon_{i,t} \quad (1)$$

Regressions (1) is an OLS model estimated at the firm – year level. We estimate this regression using the sample of yearly CEO compensation data from the Execucomp database over the years 2015 to 2020. The dependent variable, *TDC1*, is the total compensation of CEO *i* in year *t*. The independent variables include *ANNUAL\_STAKEHOLDER* that counts the number of quarters in year *t* – 1 for which managers cite a stakeholder objective in their communications that occur within the two weeks of a quarterly earnings release. The remaining independent variables are control variables we compute as described in Table 1. In addition, we include an indicator for whether the CEO’s compensation has an *ESG\_COMPONENT*. Models (1) and (3) each include year-fixed effects and models (2) and (4) include both year and firm fixed effects. We report *t*-statistics below coefficient estimates and we cluster standard errors by firm. We denote statistical significance at the 10, 5, and 1 percent levels by \*, \*\*, \*\*\*.

	(1)	(2)	(3)	(4)
ANNUAL_STAKEHOLDER	0.008 [0.37]	0.010 [0.41]	-0.013 [-0.45]	0.020 [0.68]
PRIOR_YEAR_ABNORMAL_RETURN	0.170*** [5.09]	0.132*** [5.56]	0.171*** [3.52]	0.109*** [3.39]
ln(ASSETS)	0.162*** [6.72]	0.173*** [3.28]	0.171*** [6.48]	0.165*** [3.00]
INSTITUTIONAL_OWNERSHIP	0.787*** [5.89]	0.218** [2.05]	0.809*** [3.71]	0.230 [1.52]
ln(NUMBER_OF_ANALYSTS)	0.134*** [2.94]	-0.021 [-0.56]	0.154** [2.41]	-0.003 [-0.04]
BOARD_INDEPENDENCE	0.390* [1.66]	0.360 [1.37]	0.296 [1.17]	0.198 [0.58]
BOARD_CO_OPTION	0.059 [0.65]	0.056 [0.66]	0.052 [0.39]	0.111 [1.01]
CEO_CHAIRMAN	0.071 [1.28]	0.017 [0.30]	0.053 [1.01]	-0.022 [-0.37]
CEO_TENURE	-0.006 [-0.96]	-0.007 [-0.54]	-0.007 [-0.93]	-0.007 [-0.40]
SG&A_TO_TOTAL_ASSETS	0.870* [1.79]	1.759* [1.68]	0.945 [1.39]	1.650 [1.38]
DURATION_OF_EXEC_PAY	0.495*** [7.60]	0.375*** [6.83]	0.454*** [5.37]	0.334*** [5.27]
ESG_SCORE	0.005*** [4.09]	-0.004*** [-2.88]	0.005*** [2.94]	-0.005*** [-3.03]
ESG_COMPONENT			-0.058 [-0.66]	-0.028 [-0.53]
Observations	6,250	6,250	3,920	3,920
Fixed Effects	Year	Firm, Year	Year	Firm, Year
Adj R-squared	0.347	0.738	0.249	0.693

