

DOES CORPORATE SOCIAL RESPONSIBILITY AFFECT FIRM'S INVESTOR BASE?

By

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Abstract

This paper examines whether corporate social responsibility (CSR) affects firm's relative size of investor base. We test our prediction using a sample of large U.S. sample of 27 749 firm-year observations covering the period from 1991 to 2014. When we use aggregated scores, our findings provide evidence that CSR positively affects firm's investor base. When we rely on disaggregated CSR scores, our findings show that while CSR strengths increase firm's investor base, CSR concerns have no effect.

Résumé

Ce papier examine si la responsabilité sociale et environnementale de l'entreprise (RSE) affecte la taille relative de la base des investisseurs dans l'entreprise. Pour tester notre hypothèse, on a utilisé un large échantillon d'entreprises américaines de 27 749 observations couvrant la période de 1991 à 2014. Lorsque nous utilisons des scores agrégés de RSE, nos résultats démontrent que ceux-ci ont une incidence positive sur la base des investisseurs de l'entreprise. Lorsqu'on utilise des scores désagrégés de RSE (forces et faiblesses), nos résultats montrent que les forces augmentent la base des investisseurs dans l'entreprise alors que les faiblesses n'ont aucun effet.

Keywords: Corporate Social Responsibility; investor base; Risk mitigation; Cost of equity capital.

JEL classification: G32; M14

Mots –clés: Responsabilité sociale des entreprises; base d'investisseurs; Atténuation des risques; Coût du capital social.

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1. Introduction

Over the last decades, business corporations are increasingly attentive to social and environmental issues. They are continuously allocating important investments to different social and environmental activities such as using clean energy, acquiring eco-friendly equipment, supporting community programs and employee benefits plans. This trend fueled a large literature on the financial consequences of corporate social responsibility (hereafter CSR) commitment.

A stream of studies in this literature examines the effect of corporate social responsibility on the firm's cost of equity capital (among others Derwall and Verwijmeren, 2007; Sharfman and Fernando, 2008; El Ghoul *et al.*, 2011; Girerd- Potinet *al.*, 2014 and Ng and Rezaee 2015). Almost all these studies converge in supporting the evidence that corporate social responsibility reduces the cost of equity financing. Two arguments are used to theoretically support this negative relationship, namely the risk reduction (based on investor risk perception and asymmetric information) and the firm's relative size of investor base. Therefore, this negative link might be explained by the risk reduction, the firm's relative size of the investor base or both of them.

As a test of the first argument, there are different studies in the literature such as those of McGuire *et al.* (1988), Feldman *et al.* (1997), Bouslahet *al.* (2013) and Albuquerque *et al.* (2017). Their findings show that CSR engagement decreases firm risk. Nonetheless, at the best of our knowledge there is no investigation testing the second argument. This paper aims to fill this gap and therefore explores how corporate social responsibility affects firm's investor base.

Based on Merton's model of capital market equilibrium under incomplete information (1987) and on a stream of studies that follows especially those of Heinkel *et al.* (2001) and Hong and Kacperczyk (2009), we argue that CSR commitment is positively associated with firm's relative size of investor base.

We test our hypothesis using a large U.S. sample of 27 749 firm-year observations covering the period from 1991 to 2014. When we use aggregated scores, our findings provide evidence that CSR positively affects firm's investor base. When we rely on disaggregated scores, our findings show that while CSR strengths increase firm's investor base, CSR concerns have no effect.

The main contribution of this paper is that it fills a significant gap in the literature. It provides evidence that high (low) CSR strengths increase (decrease) firm's relative size of investor base. Therefore, if the negative effect of CSR on firm's cost of equity was supported by the risk mitigation argument, this work adds to this literature a support of the firm's relative size of investor base argument.

The remainder of this paper is organized as follows. Section 2 presents the theoretical background and develops hypothesis. Section 3 describes the sample, variables and the regression model. Section 4 provides the empirical results of the relationship between CSR and the firm's relative size of investor base. Section 5 presents robustness checks, and Section 6 concludes the paper.

2. Literature review and hypotheses development

The rationale underlying the relative size of investor base argument, used to justify the reduction effect of CSR commitment on firm's cost of equity capital, is that firms with high CSR profile tend to have a higher relative size of investor base and thereby a low cost of equity financing. A high number of investors who hold firm's stocks implies high risk-sharing opportunities and therefore a low risk premium is required by investors to hold company's stock. Conversely, firms with low CSR engagement tend to have a lower relative size of investor base and consequently a high cost of equity capital. A low number of investors who hold firm's stocks implies low risk-sharing opportunities and therefore a high risk premium is required by these investors to hold company's stock.

From a finance perspective, a main question remains on how CSR commitment would impact the investor base. The answer is rooted mainly in the Merton's model (1987) of capital market equilibrium under incomplete information and in a stream of studies that follows this seminal model.

The incomplete information assumption of Merton's model suggests that investors consider only a subset of available and publicly traded securities that they recognize when they form their optimal portfolios and that these subsets differ across investors. Under the resulting capital market equilibrium, in order for the market to clear for a security with limited investor recognition¹, the number of investors who know about this security have to take large undiversified risk positions. Consequently, these investors would then require a higher risk premium and therefore higher expected return to compensate them for the increased risk associated with their large undiversified positions in such "neglected" stocks.

A key prediction arising from Merton's model is that the "neglected" stocks earn a return premium over recognized stocks and more generally that the expected return on a security is decreasing in its degree of investor recognition. In other words, when the relative size of a firm's investor base increases (decreases), its cost of equity capital will in turn decrease (increase). Subsequent papers give support to this prediction.

In particular, Heinkel *et al.* (2001) show that exclusionary investing by "green" investors results in a situation in which polluting firm's stock is held only by neutral investors. Hence, to compensate for the lack of risk-sharing, the polluting firm must offer neutral investors higher risk premium which translates in higher expected returns.

Additionally, Hong and Kacperczyk (2009) and Petersen and Vredenburg (2009) find that the majority of institutional investors prefer firms with high CSR. When compared to arbitrageurs, socially conscious (or norm-constrained) institutional investors are found to include fewer "sin" stocks (i.e. those of public firms operating in the alcohol, tobacco, and gaming industries) in their investment portfolios.

It is noteworthy, that this stream of studies, following Merton (1987) paper, relies on the "neglected" stocks argument. The neglect is due to investors' social and environmental preferences and not necessarily to their non-recognition. In financial markets, such norm-constrained investors are increasingly important actors. According to US SIF Foundation (2016),

¹Merton (1987) refers to the number of investors who know about a security as the degree of "investor recognition".

the value of the total assets engaged in sustainable, responsible and impact investing practices at the start of 2016 is \$8.72 trillion. This amount represents almost 22 percent of the \$40.3 trillion of the total assets under professional management in the U.S.

Some of these norm-constrained investors base their investment only on avoiding undesirable firms due to their low CSR (i.e., negative screening). Others, use the investment process to further their social and environmental goals through proactive investments in companies with high CSR profile (i.e., positive screening and best-in-class approach).

The first approach of avoiding the investment in firms with low CSR suggests a decrease in the relative size of firm's investor base. In the opposite, the second approach of only investing in those stocks with high CSR implies an increase in the relative size of firm's investor base. Therefore, based on the aforementioned literature and given the increasing trend of socially responsible investments in financial markets, we hypothesize that high levels of CSR commitment increase firm's relative size of investor base and that low levels of CSR decrease it.

3. Data and Methodology

3.1. Data

To test our hypothesis, we merged social data coming from MSCI ESG STATS ((formerly KLD Research & Analytics, Inc.) database and accounting and financial data from COMPUSTAT database. The final sample is an unbalanced panel of 27 749 firm-year observations over the period from 1991 to 2014.

3.2. Methodology

3.2.1. Regression Model

Our baseline model directly links CSR score to the firm's relative size of investor base measure as follows:

$$IB_{i,t} = \alpha_0 + \alpha_1 CSR_{i,t} + \sum_i \sum_t CV_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where:

$IB_{i,t}$ stands for relative size of investor base of firm i in year t ;

$CSR_{i,t}$ is the corporate social responsibility score of firm i in year t . Investor base and CSR variables are defined in details below;

$CV_{i,t}$ represents the vector of control variables of firm i in year t . Due to the lack of prior literature on the determinants of the IB, we have limited ourselves to some common variables used in finance studies. Specifically, we control for these variables:

$Size_{i,t}$: Size of firm i in year t , measured by the natural logarithm of the market value of equity.

$Profitability_{i,t}$: Profitability of firm i in year t , measured by the earnings before interest and taxes scaled by the beginning of period total assets.

$Industries_{i,t}$: Dummy for firm i in year t indicating industry membership (i.e., industry-fixed effects) based on the 48 industry classification of Fama and French (1997)

$Years$: year dummies to control for year fixed effects.

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All of the continuous variables used in this study are winsorized at the first and the 99th percentile.

3.2.2. *Measure of firm's relative size of investor base*

Our tests require that we develop an empirical proxy for our dependant variable, the firm's relative size of investor base. We follow previous literature (e.g. Moskowitz, 2005; Bouslahet *al.*, 2013 and Chiche rneaet *al.*, 2015) and rely on the annual firm's number of common ordinary shareholders measure obtained directly from the Compustat database (item CSHR). We scaled this variable by the annual firm's number of common shares outstanding also obtained from Compustat database (item CSHO).

According to Compustat database description, the first item (i.e. firm's number of common ordinary shareholders) represents the actual number of shareholders of common/ordinary capital as reported by the company. Therefore, it represents ownership interests in the corporation.

Also, the item common shares outstanding gives the net number of all common shares outstanding at year-end. This represents common stock authorized by the company, issued, purchased and held by investors.

3.2.3. *Corporate social responsibility scores*

Our CSR scores come from the MSCI ESG STATS. Annually, this database provides binary data (one or zero) for U.S. public firms. Each year and for each firm, a set of ratings is given on seven qualitative CSR dimensions (both strength and concern scores) and six exclusionary screens (with only concern scores). The qualitative dimensions are community, diversity, employee relations, environment, product, human rights, and corporate governance. The exclusionary screens are alcohol, gambling, firearms, military, nuclear power, and tobacco.

We follow previous studies (among others Harjoto and Jo, 2008 and Oikonomouet *al.*, 2012) and compute for each firm-year observation the average strengths, STR_index, and the average concerns, CON_index, scores of the above-mentioned seven CSR dimensions. The average strengths STR_index (concerns CON_index) score is the total number of strengths (concerns) divided by the total number of possible strengths (concerns), for each firm-year observation. Also, we compute an aggregate social score, CSR_index, which represents the difference between the average strengths and the average concerns scores. Therefore, we construct three different CSR scores, one aggregated and two disaggregated to enable us to capture different aspects of firm social and environmental commitment.

4. Empirical results

4.1. *Univariate analyses*

Table 1 reports summary statistics for the firm's investor base, CSR score and control variables of interest for our models. The mean of the firm's investor base variable is 10.10% and ranges from 0.2% to 37.4%. The mean of the aggregated social score CSR_index, which represents the net of social strengths over social concerns, is negative (-0.016). This indicates that social

concerns exceed social strengths with a mean of 0.064 and 0.048 respectively. Also, Table 1 shows that the sample mean of the size, leverage and profitability are respectively 7.308, 26.2% and 7.5%.

<<Please insert Table 1 about here>>

In Table 2, we report the Pearson correlation coefficients among our key variables. The firm's investor base and the three CSR scores are positively and significantly correlated at the 1% level. While this positive correlation between the investor base and respectively the aggregated CSR score, CSR_index, and CSR strengths, STR_index, score is supportive to our hypothesis, the positive correlation with CSR concerns, CON_index, score is not. A possible explanation of this result is the positive correlation between the two scores (STR_index and CON_index) as reported in earlier studies. Finally, all correlations are not high and therefore multicollinearity cannot be an econometric issue for our regressions.

<<Please insert Table 2 about here>>

Table 3 provides means and mean difference tests of the firm's investor base variable using subsamples of firms with high and low CSR scores around the industry median for each given year of our sample. The differences in the last column show that the investor base of firms with high CSR is significantly higher, at 1% level, than that of firms with lower CSR. Similar to the above findings in Table 2, these results for the aggregated CSR score, CSR_index, and CSR strengths, STR_index, score is supportive to our hypothesis whereas they do not for CSR concerns, CON_index, score.

We further explore the differences in the investor base when respectively we restrict the sample separately to those firms with no CSR concerns and those with no CSR strengths. The differences remain positive between the two subsamples of firms with high and low CSR scores for the three CSR variables tested. However, the magnitude of the difference is largely high when considering only firms with no CSR concerns (0.018) while this difference is relatively weak for the sample with no CSR strengths (0.002).

Although, these univariate results give some support to our hypothesis, a multivariate framework is needed for the exploration of the investigated relationship between the investor base and CSR.

<<Please insert Table 3 about here>>

4.2. Multivariate analyses

In this study, we investigate how CSR engagement affects firm's investor base. Table 4 presents the year and industry fixed effects OLS regression estimates of our different tested models. In the first model in column 2, we use the aggregated score CSR_index. The estimated coefficient of the effect of the aggregated CSR on investor base is positive and significant at 1% level. In the third column, the model uses CSR strengths score STR_index. The coefficient of STR_index is positive and significant at 1% level. Thus, these two results using CSR_index and STR_index support our tested hypothesis.

In the third model (fourth column), we test the effect of CSR concerns, CON_index, on investor base. The estimated coefficient for CON_index score is positive and significant at 1% level. In contrast to the earlier two results, this finding contradicts our hypothesis.

Instead of using separately STR_index and CON_index, we use both of them in the fourth model. Both coefficients of STR_index and CON_index are positive and significant at 1% level as we found in models second and third model.

As mentioned in the univariate analyses, the results of CON_index might be driven by its correlation with STR_index. To eliminate this potential issue, we rerun our regressions for our two models 2 and 3 using two subsamples respectively with no CSR concerns and no CSR strengths. By doing so, we isolate the impact of STR_index from that of CON_index on the firm's investor base. Interestingly, the obtained estimates show that while STR_index positively and significantly affect investor base, CON_index had no effect.

Overall, these findings provide evidence that CSR strengths, STR_index, increase firm's investor base whereas CSR concerns, CON_index, have no effect.

<<Please insert Table 4 about here>>

5. Robustness checks

In this section, we subject our finding in Table 4 to additional tests in order to examine their robustness. Respectively we use alternative measures of our key variables: firm's investor base and CSR scores. Also, we rerun our regressions controlling for additional control variables.

5.1. *Alternative measure of the firm's relative size of investor base*

To assess the robustness of our earlier results, we construct an alternative investor base metric computed as the annual firm's number of common ordinary shareholders divided by the annual firm's number of common shares issued instead of the number of common shares outstanding.

The annual firm's number of common shares issued is obtained from Compustat and represents the number of shares owned by all shareholders of company. The number of shares outstanding might be different from that of common shares issued and the difference is the treasury stock.²

Using this alternative proxy of firm's investor base, we re-estimate our models presented in Table 4. The results are reported in Table 5 and are qualitatively similar to those in Table 4. Therefore, our earlier inferences remain unchanged.

<<Please insert Table 5 about here>>

5.2. *Alternative measures of CSR score*

Different approaches are used to measure CSR scores in the literature and none of them gains the consensus. Therefore, to assess the robustness of our results in Table 4, we construct alternative measures of CSR scores. We computed CSR strengths (concerns) as the sum of the raw

²² Treasury stock represents corporation's own common stock that it has reacquired from shareholders. Thus, the number of shares issued is the sum of those outstanding and the treasury stock.

individual strengths (concerns) ratings. Then, we construct the aggregated CSR score as the difference between total strengths and total concerns.

We re-run our earlier regressions using these alternative measures of CSR. The obtained findings are qualitatively similar to those reported in Table 4. Thus, all our inferences still hold.³

5.3. Other robustness checks

As mentioned earlier in the methodology section, there is a lack of information in prior literature on the determinants of the firm's investor base. Hence, as additional robustness checks of our results, we test the effects of two other control variables. These variables are of high importance for the investor and namely are firm's leverage as an indicator firm's risk and Kaplan and Zingales (1997) index as a proxy of firm's access to capital.

First, we compute $Leverage_{i,t}$ as financial leverage ratio of firm i in year t , as reflected by its long-term debt over its market equity and adjusted for its industry. We re-run our regressions using this control variable and the results are reported in Table 6. All the findings are supportive and similar to those presented in Table 4. Consequently, our conclusions still hold.

<<Please insert Table 6 about here>>

Second, we follow the corporate finance literature (e.g., Lamont *et al.* 2001; Almeida *et al.*, 2004; Bakke and Whited, 2010; Cheng *et al.*, 2014) and use Kaplan and Zingales (1997) index. We constructed KZ for a given firm i in a given year t as follows:

$$KZ = -1.001909 * CF + 3.139193 * TLTD - 39.36780 * TDIV - 1.314759 * CASH + 0.2826389 * Q \quad (2)$$

Where CF is the ratio of cash-flow to book assets; $TLTD$ is the ratio of total long-term debt to book assets; $TDIV$ is the ratio of total dividends to book assets; $CASH$ is the ratio of the stock of cash to book assets; and Q is the market to book ratio, whose numerator is defined as book assets minus book equity minus balance sheet deferred taxes plus the market value of equity, and the denominator is equal to book assets.

The results of the regressions using KZ as additional control variable are supportive and qualitatively similar to those presented in Table 4. Consequently, our conclusions are robust to the inclusion of this variable to our models.⁴

6. Conclusion

The purpose of this paper is to examine whether CSR commitment affects firm's relative size of investor base. Based on Merton's model (1987) of capital market equilibrium under incomplete information and in a stream of studies that follows and particularly Heinkel *et al.* (2001), we argue that firms with high (low) CSR profile tend to have a higher (lower) relative size of investor base.

We test our prediction using a large US sample of 27 749 firm-year observations covering the period from 1991 to 2014. When we use aggregate scores, the results show that CSR positively

³ These results are not tabulated to save space and available upon request.

⁴ These results are not tabulated to save space and available upon request.

affects firm's investor base. When we rely on disaggregated scores, the findings indicate that while CSR strengths increase firm's investor base, CSR concerns have no effect.

Our findings have important practical implications. In particular, they should increase managers' incentives to pursue CSR initiatives. By doing so, they can increase firm's investor base and consequently decrease firm's cost of equity financing.

Our results have some limitations and there is a room for future research improvements. Although, we rely on three different measures of CSR they remain aggregated variables of CSR activities and we might miss additional information to explain more variations in the investor base. Future work could use the seven different KLD' CSR dimensions namely community, employees, diversity, environment, product, human rights and governance.

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Table 1: Descriptive statistics

	Obs	Mean	Median	Std. Dev.	Min	Max
Investor base	29 881	0,101	0,038	0,124	0,002	0,374
CSR_index	30 718	-0,016	-0,024	0,095	-0,464	0,749
STR_index	30 718	0,048	0,018	0,084	0,000	0,843
CON_index	30 718	0,064	0,048	0,065	0,000	0,681
Size	30 619	7,308	7,200	1,572	-1,110	10,592
Leverage	30 501	0,262	0,132	0,328	0,000	1,102
ROA	30 648	0,075	0,094	0,130	-0,520	0,211

This table provides descriptive statistics for our key variables. The sample consists of 27 749 firm-year observations jointly covered in MSCI ESG STATS (former KLD) and Compustat between 1991 and 2014. *Investor base*: the relative size of firm's investor base computed as annual firm's number of common ordinary shareholders (Compustat item CSHR) scaled by the annual firm's number of common shares outstanding (Compustat item CSHO). *CSR_index*: total social score computed for each company and each year as the difference between the social strengths (*STR_index*) and the social concerns (*CON_index*). For each year and each firm, we sum the averages scores of strengths (concerns) for the seven KLD dimensions and obtain *STR_index* (*CON_index*) score; *Size_{i,t}*: size of firm i in year t, measured by the natural logarithm of the market value of equity; *Leverage_{i,t}*: Financial leverage ratio of firm i in year t, as measured by its long term debt over its market equity; *ROA_{i,t}*: Return on assets of firm i in year t, measured by the earnings before interest and taxes scaled by the beginning of period total assets. All the continuous variables are winsorized at the first and the 99th percentile. ***, **, * indicate significance at the 1%, 5% and 10% levels, respectively.

Table 2: Correlation matrix

	(1)	(2)	(3)	(4)	(5)	(6)
Investor base (1)	1,000					
CSR_index (2)	0,020***	1,000				
STR_index (3)	0,042***	0,732***	1,000			
CON_index (4)	0,025***	-0,510***	0,217***	1,000		
Size (5)	0,064***	0,184***	0,432***	0,283***	1,000	
Leverage (6)	0,022***	-0,081***	-0,007***	0,107***	-0,088***	1,000
ROA (7)	0,105***	0,082***	0,110***	0,021***	0,365***	-0,073***

This table reports the correlation coefficients between our key variables. All the continuous variables are winsorized at the first and the 99th percentile. All other variables are as defined in the note to Table 1. ***, **, * indicate significance at the 1%, 5% and 10% level, respectively.

Table 3: Meancomparison

CSR variable	Subsample	Obs	MeanInvestor base	Difference
CSR_index	High CSR score	13 343	0,105	0,009***
	Low CSR score	16 538	0,096	
STR_index	High CSR score	12 544	0,108	0,014***
	Low CSR score	17 337	0,094	
CON_index	High CSR score	11 895	0,104	0,006***
	Low CSR score	17 986	0,098	
STR_index with no concerns	High CSR score	2 905	0,115	0,018***
	Low CSR score	4 542	0,096	
CON_index with no strengths	High CSR score	458	0,092	0,002***
	Low CSR score	8 644	0,086	

This table provides means and mean differences of the investor base variable for firms in different subsamples with low and high CSR scores. Low and high CSR levels are defined using the industry median (respectively below and above) for the given year. All the continuous variables are winsorized at the first and the 99th percentile. All other variables are as defined in the note to Table 1. ***, **, * indicate significance at the 1%, 5% and 10% level, respectively.

Table 4: Fixed effects OLS regressions

	(1)	(2)	(3)	(4)	(5)	(6)
CSR_index	0,025***					
STR_index		0,079***		0,074***	0,059***	
CON_index			0,074***	0,064***		0,008
Size	-0,001	-0,002***	-0,002***	-0,003***	-0,005***	-0,006***
ROA	0,038***	0,042***	0,043***	0,045***	0,059***	0,068***
Constant	0,241***	0,249***	0,239***	0,250***	0,219***	0,274***
Observations	29 864	29 864	29 864	29 864	7 441	13 215
R-squared	0,148	0,150	0,149	0,151	0,180	0,126
Industry FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES

This Table presents the year and industry fixed effects OLS regression estimates of our different tested models. All the continuous variables are winsorized at the first and the 99th percentile. All

other variables are as defined in the note to Table 1. ***, **, * indicate significance at the 1%, 5% and 10% level, respectively.

Table 5: Alternative measure of the firm's relative size of investor base

	(1)	(2)	(3)	(4)	(5)	(6)
CSR_index	0,030***					
STR_index		0,057***		0,055***	0,037**	
CON_index			0,028***	0,020*		-0,040*
Size	-0,002***	-0,003***	-0,002***	-0,003***	-0,003***	-0,005***
ROA	0,047***	0,049***	0,048***	0,050***	0,058***	0,061***
Constant	0,296***	0,300***	0,291***	0,300***	0,154***	0,327***
Observations	26 407	26 407	26 407	26 407	6 409	12 182
R-squared	0,064	0,065	0,064	0,065	0,095	0,063
Industry FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES

This Table presents the year and industry fixed effects OLS regression estimates of our different tested models using an alternative measure of the firm's investor base. We compute this alternative investor base metric as the annual firm's number of common ordinary shareholders divided by the annual firm's number of common shares issued. All the continuous variables are winsorized at the first and the 99th percentile. All other variables are as defined in the note to Table 1. ***, **, * indicate significance at the 1%, 5% and 10% level, respectively.

Table 6: Alternative model specification

	(1)	(2)	(3)	(4)	(5)	(6)
CSR_index	0,026***					
STR_index		0,080***		0,075***	0,060***	
CON_index			0,075***	0,065***		0,008
Size	-0,001	-0,002***	-0,002***	-0,003***	-0,005***	-0,006***
ROA	0,037***	0,040***	0,041***	0,043***	0,058***	0,068***
Leverage	0,001	-0,000	-0,001	-0,002	-0,004	-0,001
Constant	0,241***	0,250***	0,240***	0,251***	0,221***	0,275***
Observations	29 749	29 749	29 749	29 749	7 419	13 168
R-squared	0,148	0,15	0,149	0,151	0,179	0,126

Industry FE	YES	YES	YES	YES	YES	YES
Year FE	YES	YES	YES	YES	YES	YES

This Table presents the year and industry fixed effects OLS regression estimates of our different tested models and including Leverage as control variable. All the continuous variables are winsorized at the first and the 99th percentile. All other variables are as defined in the note to Table 1. ***, **, * indicate significance at the 1%, 5% and 10% level, respectively.