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

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Abstract

This study investigates whether ESG Social ratings authentically capture employees' workplace experiences and whether (mis)alignment between these assessments carries financial consequences. Combining employee satisfaction data with ESG Social ratings from multiple rating agencies for publicly listed firms in German-speaking countries, we uncover systematic divergence between internal and external evaluations of social performance. Firms exhibiting greater employee–ESG disagreement earn significantly higher risk-adjusted returns, suggesting that sustainability-related uncertainty may be associated with higher expected returns. By linking employees' lived experiences to capital-market outcomes, the study positions employee sentiment as a credible indicator of corporate authenticity, legitimacy, and long-term value creation.

Keywords: ESG scores, Employee satisfaction, ESG disagreement, Corporate sustainability

1 Introduction

As ESG ratings have become central to investment decisions and corporate communication, their ability to accurately reflect firms' underlying social practices has gained increasing importance. Global ESG assets are projected to exceed $40 trillion by 2030, and firms increasingly rely on ESG engagement to enhance legitimacy, stakeholder trust, and competitive positioning (Bloomberg, 2024; Porter and Kramer, 2006). Prior research shows that socially responsible activities can reduce information asymmetry and improve access to capital, reinforcing the relevance of ESG metrics for financial markets (Cheng et al., 2014; Flammer, 2015).

Despite this prominence, the Social pillar of ESG ratings remains the least standardized and most subjective component. Unlike Environmental and Governance dimensions, Social ratings rely heavily on qualitative indicators and firm-disclosed policies, making them particularly vulnerable to measurement error and symbolic reporting. Empirical evidence documents substantial disagreement across ESG rating providers, especially within the Social pillar, raising concerns about the construct validity and informational content of these scores (Berg et al., 2022; Christensen et al., 2022).

At the same time, employees occupy a central position in firms' social performance. As internal stakeholders, they directly experience leadership quality, workplace fairness, and daily labor conditions, and are therefore uniquely positioned to assess whether firms' social practices align with their external representations (Mitchell et al., 1997; Morrison, 2011). Yet, while ESG Social ratings aim to capture workplace-related dimensions, they are typically constructed without incorporating systematic input from employees themselves. Prior research shows that employee satisfaction contains value-relevant information about firms' long-term performance and stock returns (Edmans, 2011; Green et al., 2019), suggesting that excluding employee perspectives may omit economically meaningful information from ESG assessments.

Despite the central role of employees in shaping and experiencing firms' social practices, to our knowledge, no existing research has examined whether external ESG Social ratings align with employees' own assessments of workplace conditions. If Social ratings diverge from employees' lived experiences, they may reflect symbolic representations rather than substantive social performance, creating a legitimacy gap between internal realities and external evaluations (Walker and Wan, 2012). Moreover, a higher disagreement between internal and external assessments may introduce uncertainty for investors. While prior work shows that divergence across ESG ratings providers is priced in financial markets (Brandon et al., 2021), it remains unknown whether disagreement between employees and ESG raters constitutes a distinct source of sustainability-related information risk with implications for firm valuation and expected returns.

Our analysis proceeds in three stages. First, we evaluate the alignment between ESG

Social Pillar ratings and employee-reported workplace perceptions. Second, we move beyond aggregate Social scores and examine subcategories on both sides to assess whether any observed divergence reflects aggregation or conceptual heterogeneity across dimensions of social performance. This step allows us to test whether alignment improves when comparing more narrowly defined and conceptually similar constructs, given differences in scope, weighting, and measurement objectives across ESG providers. Lastly, we test whether inside–outside disagreement is priced in capital markets by constructing portfolios sorted on employee–ESG misalignment and estimating their risk-adjusted performance, building on the literature on aggregate confusion and ESG-related information risk (Berg et al., 2022; Christensen et al., 2022; Brandon et al., 2021).

Across all three analyses, the evidence reveals a persistent disconnect between employees' lived experiences and externally reported Social ratings. Misalignment persists even at the subcategory level, indicating that it cannot be attributed solely to aggregation or methodological noise. Firms with greater disagreement earn significantly higher subsequent abnormal returns that standard asset-pricing factors cannot explain, suggesting that investors demand compensation for sustainability-related uncertainty when external ratings fail to capture internal realities. To contextualize these return premia, we also examine governance characteristics. Firms with high misalignment exhibit weaker governance structures—fewer board meetings, lower ethics and governance scores, and less independent oversight—implying that authenticity gaps arise where monitoring and accountability are limited.

This study makes three contributions to the literature. First, it contributes to research on corporate social performance and ESG measurement by providing the first evidence on whether ESG Social Pillar ratings reflect employees' lived workplace experiences. While prior work documents substantial disagreement across ESG rating providers (Berg et al., 2022; Christensen et al., 2022), research in strategic management and organizational studies highlights the risks of symbolic social performance and corporate hypocrisy when external claims diverge from internal realities (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 misalignment.

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). Building on strategic management research emphasizing the role of internal stakeholders and intangible resources in shaping firm outcomes (Barnett, 2007; **?**), we demonstrate 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 un-

certainty by showing that employee–ESG disagreement is priced in capital markets. Extending prior evidence that ESG rating disagreement predicts higher expected returns (Brandon et al., 2021), our findings indicate that misalignment between inside and outside views of social performance represents a novel source of sustainability-related information risk with implications for firm valuation.

More broadly, this study contributes to the literature on legitimacy, symbolic versus substantive action, and stakeholder alignment. Prior work shows that firms often rely on symbolic social practices to manage external perceptions when internal implementation is costly or incomplete (Walker and Wan, 2012; Marquis et al., 2016; Scheidler et al., 2019). We extend this literature by demonstrating that symbolic–substantive gaps are not merely conceptual but can be directly observed through systematic disagreement between employees' lived experiences and externally assigned ESG Social ratings. By linking internal stakeholder perceptions to external evaluations and market outcomes, we position internal–external alignment in social performance as a strategically consequential capability rather than a reporting artifact, with measurable financial consequences when such alignment fails.

Building on these insights, the following section develops the theoretical foundation of our paper.

2 Theoretical Background

Employees as Internal Evaluators of Social Performance

Human capital is a critical strategic resource, and the resource-based view emphasizes that its value depends on employee retention, engagement, and identification (Barney, 1991; Coff, 1997). Because human capital is inherently mobile (Campbell et al., 2012), firms must maintain workplace conditions that sustain employee commitment. When external ESG ratings fail to reflect employees' lived experiences, firms risk both moral legitimacy and strategic advantage, as documented in research on CSR authenticity, stakeholder trust, and employee outcomes (Hawn and Ioannou, 2016; Barnett, 2007). Symbolic ESG initiatives may further generate internal strain, contributing to emotional exhaustion and turnover (Scheidler et al., 2019). Alignment between internal experiences and external representations is therefore not merely communicative; it directly affects retention, engagement, and organizational performance that underpin long-term value creation (Edmans, 2011; Flammer and Luo, 2017).

Recent research reinforces the informational role of employee-generated data. Using large-scale crowdsourced reviews, Briscoe-Tran (2024) shows that employee evaluations provide authentic, bottom-up insights into workplace culture and internal governance that are difficult to infer from external disclosures. Empirical evidence further shows that

strong social engagement with employees enhances retention, attracts high-ability workers, and fosters organizational commitment, ultimately improving firm performance (Flammer and Luo, 2017; Bode et al., 2015; Welch and Yoon, 2023; Albinger and Freeman, 2000). High employee satisfaction has been linked to lower turnover rates and better leadership evaluations (Li and Zhao, 2024; Welch and Yoon, 2023). Consistent with resource-based theories, employees directly influence organizational performance, sustainability, and long-term value creation (Zingales, 2000; Coff, 1997). 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 are therefore important to maintain the value of human capital.

Knowing the information employees hold, the measurement of social performance raises a fundamental question: how can firms credibly assess and communicate their social impact when ESG frameworks rely heavily on firm-disclosed and externally verified data that may not reflect internal realities? This challenge reflects a broader issue of information asymmetry between what organizations experience internally and what they disclose externally, with implications for both legitimacy and long-term competitive advantage. Beyond legitimacy considerations, prior research shows that employee-generated evaluations also contain value-relevant information about firms' long-term prospects that may not be immediately incorporated into market prices (Edmans, 2011; Green et al., 2019).

Stakeholder theory positions employees as particularly legitimate and influential constituencies whose firsthand experiences provide direct insight into a firm's social practices (Freeman and McVea, 2001). Employees possess legitimacy and power as insiders who directly experience management practices, workplace culture, and ethical conduct (Mitchell et al., 1997; Morrison, 2011). Because employees observe leadership behaviour, fairness, and workplace culture daily, their evaluations offer a grounded assessment of whether the firm's social conduct aligns with its stated values. From a social identity perspective, employees' perceptions are shaped by their identification with the organization (Ashforth and Mael, 1989), making them acutely sensitive to inconsistencies between symbolic commitments and substantive practices.

When external ESG ratings reflect these internal experiences, they reinforce perceived authenticity. When they diverge, employees may interpret the firm's social performance as symbolic rather than substantive, risking disengagement, reputational erosion, and weakened internal legitimacy. This conceptual foundation motivates our examination of the *inside–outside* gap between employee-generated workplace reviews and externally assigned ESG Social Pillar ratings.

Taken together, these insights imply that employee sentiment is not merely an outcome of social performance, but a credible internal benchmark of it. Because employees

directly experience the workplace conditions that ESG Social ratings aim to assess—such as fairness, leadership quality, and labor practices—their evaluations provide a natural reference point for judging whether external ESG assessments capture internal realities. This perspective shifts the focus from whether ESG ratings are informative in general to whether they authentically reflect the social conditions experienced by core internal stakeholders.

ESG Social Ratings, Measurement Validity, and Symbolic Responsibility

From a signaling perspective (Spence, 1978), ESG ratings serve as external signals of firms' values and social conduct. Their credibility depends on how well they reflect internal realities. When ESG disclosures rely on selective reporting or public-facing policies, they may transmit symbolic signals that mask substantive social practices. Such noise weakens the informational value of ESG ratings and increases information asymmetry for both investors and employees. While positive social performance can enhance a firm's attractiveness to prospective workers (Turban and Greening, 1997), inconsistent or inflated ESG signals make it difficult for stakeholders to distinguish authentic responsibility from symbolic communication.

These concerns are compounded by substantial disagreement across ESG rating providers. Differences in scope, metrics, and weighting generate what Berg et al. (2022) term *aggregate confusion*, undermining the comparability and reliability of ESG information (Chatterji et al., 2016; Doyle, 2018; Hendratama et al., 2023). 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. As a result, management may overlook emerging social issues that affect competitive positioning, talent retention, or stakeholder trust. 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).

Legitimacy theory suggests that organizations seek societal approval by aligning their disclosures with stakeholder expectations (Suchman, 1995; Deephouse et al., 2008). Within the Social pillar, this gap is particularly salient because disclosure-based indicators can reflect managerial symbolism more strongly than employees' everyday experiences (Marquis et al., 2016; Walker and Wan, 2012). Symbolic ESG reporting—sometimes also described as corporate hypocrisy—may satisfy external evaluators in the short term but weakens authenticity internally and can erode stakeholder trust over time (Borusiak et al., 2024; Laufer, 2003; Scheidler et al., 2019; Laufer, 2003). Crucially, such symbolic–substantive gaps become empirically observable when internal stakeholder experiences systematically

diverge from external ESG representations, rather than being inferred indirectly from disclosure alone (Walker and Wan, 2012; Scheidler et al., 2019). Institutional theory reinforces this dynamic: firms face pressures to conform to the evaluation criteria of ESG rating agencies, which often reward disclosure and formal structures (Di Maggio and Powell, 2010). Such conformity can inflate ESG Social scores without corresponding improvements in workplace conditions, thereby reinforcing the legitimacy gap and weakening the construct validity of Social Pillar ratings.

Employees occupy a unique position in this measurement context. As internal stakeholders, they directly experience the social practices that ESG ratings purport to assess. Empirical evidence shows that when firms engage in credible, substantive social responsibility, employees strengthen their identification with the firm and their positive relationship to it (Kim et al., 2010). Other research finds that higher employee satisfaction tends to correlate with superior ESG performance (Marsh McLennan, 2020), and firms with strong ESG engagement attract and retain high-quality talent, especially among sustainability-conscious workers who prioritize value alignment (Liu and Nemoto, 2021; Colonnelli et al., 2024). At the same time, employees may trade off wages for sustainability, reflecting the complexity of aligning preferences with organizational objectives (Krueger et al., 2023). Despite this relevance, employee sentiment remains largely absent from ESG rating methodologies, which continue to rely on aggregated, firm-disclosed information (Hendratama et al., 2023).

Taken together, these dynamics highlight a central tension in ESG measurement: although external Social ratings are influential in corporate governance and capital markets, they may fail to capture the aspects of social performance most salient to employees. Comparing ESG Social assessments with employees' lived experiences, therefore, provides a critical benchmark for distinguishing symbolic conformity from substantive responsibility and for assessing the validity of ESG Social ratings.

Corporate Legitimacy, Sustainability-Related Information Risk, and Market Implications

Moreover, corporate legitimacy and hypocrisy surrounding non-financial fundamentals have direct capital-market implications. Research on ESG disagreement shows that divergence across external assessments increases uncertainty and yields higher expected returns as compensation for informational opacity (Brandon et al., 2021; Zeng et al., 2025). ESG disagreement has further been associated with higher return volatility, larger absolute price movements, a reduced likelihood of external financing (Christensen et al., 2022), a higher cost of equity capital (Zhou and Ma, 2024), and lower abnormal trading volume (Quotb et al., 2025). These findings suggest that rating disagreement reflects not only methodological noise but also priced 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). Inside–outside misalignment represents a specific form of this uncertainty: when employees' evaluations contradict external ESG ratings, outsiders cannot easily infer whether the firm's social practices are substantive or strategically managed. This ambiguity complicates valuation and can generate return premia for firms whose social performance is more difficult to interpret. This interpretation is consistent with evidence that employee satisfaction contains value-relevant information about firms' long-term prospects that may not be immediately reflected in market prices (Edmans, 2011; Green et al., 2019).

Because higher information risk is typically associated with a higher cost of equity capital (Easley and O'hara, 2004), disagreement between employee sentiment and ESG ratings has potential financial consequences. Firms with larger discrepancies face greater uncertainty about the authenticity of their social practices, prompting investors to demand a risk premium. Reducing inside–outside inconsistency, therefore, becomes strategically valuable: improving the credibility of social disclosures can simultaneously support legitimacy and mitigate financing costs.

Employee voice plays an important role in this process. It provides authentic information about organizational practices and exerts a disciplinary effect on firms' public disclosures, encouraging alignment between communicated and internal realities (Dube and Zhu, 2021). When internal and external assessments diverge, firms face increased information asymmetry and sustainability-related information risk.

Taken together, these theoretical perspectives converge on a central argument: the credibility of a firm's social responsibility depends on the consistency between what it communicates externally and what its employees experience internally. When this consistency is strong, firms earn legitimacy, strengthen human capital, and reduce uncertainty. When it is weak, they risk symbolic conformity and information asymmetry that undermine both reputation and market valuation. Building on this framework, we now derive a set of hypotheses linking the alignment between ESG Social ratings and employee sentiment to both organizational and financial outcomes.

3 Hypothesis Development

Theoretical mechanisms developed above suggest that alignment between external ESG Social assessments and employees' lived experiences is a key indicator of substantive rather than symbolic social performance. External ratings often rely on firm disclosures and formal policies, making them vulnerable to symbolic reporting (Marquis et al., 2016; Walker and Wan, 2012). In contrast, employees 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).

When employee sentiment and ESG ratings converge, firms are more likely to demonstrate authentic social practices; when they diverge, the gap signals potential legitimacy concerns (Suchman, 1995; Sauerwald and Su, 2019) and risks to human-capital outcomes (Flammer and Luo, 2017).

Moreover, the extent to which external raters can accurately capture internal social realities varies across industries. In human-capital-intensive sectors, where workplace culture, employee interactions, and social practices are more observable and material, external assessments should more closely reflect internal experiences. In contrast, in asset-intensive industries, where social performance is less transparent, greater divergence is likely.

Building on these insights, we expect that stronger Social Pillar ratings correspond to more positive employee experiences, and that this relationship is amplified in industries where social factors are central to value creation.

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.*

While Hypothesis 1 tests whether ESG Social Pillar ratings reflect employees' lived workplace experiences at an aggregate level, such an assessment may mask important heterogeneity across the underlying components of social performance. Social Pillar ratings aggregate multiple dimensions—including labor relations, human-capital development, diversity, and workplace safety—that vary substantially in what they are designed to capture (Berg et al., 2022; Chatterji et al., 2016). Importantly, major ESG providers construct Social scores to assess financially material social risks: exposures that may affect firms' future cash flows, regulatory vulnerability, or reputational downside. Employees, in contrast, evaluate experienced workplace conditions—leadership, fairness, culture, and day-to-day treatment. These are conceptually related but not identical constructs.

This distinction matters for interpreting alignment in Hypothesis 1. Even if employees and ESG agencies evaluate the same broad domain ("Social performance"), some divergence may arise not because rating agencies mismeasure social performance, but because they measure a different facet of it—external, risk-oriented assessments versus internal, experience-based evaluations. As a result, any observed (mis)alignment in the aggregate Social score may blend categories that are close to employees' lived experiences with others that are more policy-based, externally oriented, or symbolic (Marquis et al., 2016; Walker and Wan, 2012).

Disaggregating the Social pillar, therefore,e plays a crucial role: it allows us to isolate where alignment should be expected and where conceptual differences naturally generate

divergence. Subdimensions tied to workplace experience—such as equality, labor management, or employee development—should correspond more closely to employee sentiment because they reflect conditions directly observable by insiders. In contrast, categories that reflect compliance structures, community involvement, or policy disclosures may align more weakly because they capture risk-management practices rather than internal social realities.

Hypothesis 2. *Alignment between ESG Social subcategory scores and employee sentiment varies systematically across dimensions and is stronger in subcategories that capture employee-observable workplace conditions, thereby reducing ambiguity arising from the difference between risk-based ESG assessments and experience-based employee evaluations.*

Taken together, Hypotheses 1 and 2 focus on the informational content of ESG Social ratings and the extent to which they reflect employees' lived workplace experiences. By moving from aggregate scores to disaggregated subdimensions, we assess whether misalignment arises from conceptual aggregation or persists even when comparing closely related constructs. The persistence of divergence at this granular level implies that employee–ESG misalignment reflects more than measurement noise or definitional ambiguity. This raises a natural next question: whether such inside–outside disagreement has consequences beyond measurement validity and is economically meaningful for capital markets. From this point, the analysis shifts from validity to valuation. When external ESG assessments diverge from employees' internal evaluations, investors face uncertainty about whether firms' social performance is substantive or symbolic. Theoretical perspectives offer competing predictions about how markets should respond to such ambiguity.

From a management and legitimacy perspective, inside–outside misalignment signals that firms may be engaging in symbolic rather than substantive social practices. Such firms risk weaker stakeholder trust, reduced organizational identification, and fragile moral legitimacy. If investors interpret disagreement as evidence of hypocrisy or internal dysfunction, misalignment should be penalized in financial markets, predicting lower subsequent stock returns [e.g. Walker and Wan (2012); Scheidler et al. (2019)].

In contrast, financial economics views misalignment through the lens of information asymmetry. When internal and external assessments diverge, investors face uncertainty about the true quality of the firm's social practices. Unlike disagreement among ESG rating agencies, which reflects divergence across external evaluators, employee–ESG misalignment captures inconsistency between internal experience and external representation, offering a sharper test of authenticity-related uncertainty. Following information-risk theory (e.g., Easley and O'hara, 2004), greater uncertainty increases required rates of return as compensation for opacity. Under this perspective, misalignment represents

sustainability-related information risk, predicting higher subsequent stock returns as a risk premium.

Because employees hold privileged access to workplace realities, disagreement that incorporates employee sentiment provides investors with a sharper signal of potential authenticity gaps—and therefore of risk. Whether markets respond according to a legitimacy penalty or an information-risk premium remains an empirical question.

Hypothesis 3. *Inside–outside disagreement in Social performance generates competing theoretical predictions for subsequent stock returns. A legitimacy perspective predicts lower returns for firms exhibiting greater disagreement, whereas an information-risk perspective predicts higher returns, reflecting a risk premium for sustainability-related uncertainty.*

The remainder of the paper is organized as follows. Section 2 proceeds with the data creation, structure, and descriptive statistics. In Section 3, we illustrate the methodology used for our model. Section 4 shows the results, and finally, the paper concludes with Sections 5 and 6.

4 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 panel dataset combining employee reviews from Kununu with ESG Social ratings from three major providers—MSCI, Bloomberg, and LSEG Data & Analytics—together with firm-level financial and stock-return data from LSEG Data & Analytics. The resulting sample covers a set of 322 publicly listed firms in Germany, Austria, and Switzerland between 2013 and 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.

Furthermore, 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.

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, 2005), we retain only firms receiving at least three employee reviews per month to ensure reliability.

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 misalignment measures, which capture the cross-source disagreement in 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 satisfac-

	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 ($M)	1656	6.61e+10	1.51e+11	1.32e+08	1.34e+12
Total Debt Outstanding ($M)	1656	2.00e+10	4.51e+10	0.00	2.74e+11
Misalignment including Kununu	1656	0.98	0.28	0.11	1.64
Misalignment of only ESG providers	1656	1.00	0.36	0.06	1.81

Table 1: Descriptive Statistics

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 misalignment 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 misalignment represents a separate source of variation beyond cross-provider divergence.

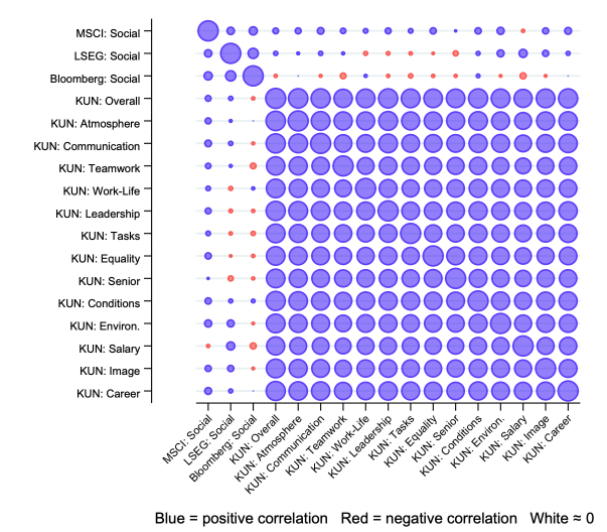

Figure 1: Heat Map Correlation

Notes: Heat Map Correlation between external ESG Social 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).

tion 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 disconnect 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 experienced by employees.

5 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-month fixed effects, and whether this is different across 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 misalignment and estimating their performance using the Fama–French five-factor model (Fama and French, 2015).

To examine whether ESG Social Pillar ratings reflect employees' internal workplace perceptions (*Hypothesis 1*), we estimate firm–month fixed-effects panel regressions of the form:

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

Where $\mathcal{K}_{i,t}$ denotes the monthly average of Kununu employee ratings for firm i in month t, $\mathcal{S}_{i,y(t)}$ is the rescaled annual Social Pillar score from ESG provider $p \in \{\text{MSCI, LSEG, Bloomberg}\}$ corresponding to the calendar year $y(t)$ that contains month t, and $\mathbf{X}_{i,y(t)}$ is a vector of annual firm-level controls (Pretax ROA, ROE, Total Assets, Total Debt, and employee benefits). δ_s are GICS sector fixed effects, μ_i are firm fixed effects, and $\varepsilon_{i,t}$ is the error term.

Because ESG ratings and financial controls are reported at an annual frequency, we assign each firm's yearly values to all months of that year. This approach allows us to exploit higher-frequency variation in employee sentiment while maintaining temporal consistency across explanatory variables, which is important to preserve for *Hypothesis 3* to analyze monthly stock returns.

Disaggregating Subcategories

To test whether the (mis)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. This specification evaluates whether specific sub-scores from MSCI (e.g., Human Capital Development, Labor Management, Supply Chain) and LSEG (e.g., Workforce, Human Rights, Community, Diversity and Opportunity) provide additional explanatory power beyond the aggregate pillar measure:

$$\mathcal{K}_{i,t} = \beta_1 \mathcal{S}_{subcat,i,y(t)} + \beta_2 \mathcal{S}_{pillar,i,y(t)} + \gamma' \mathbf{X}_{i,y(t)} + \delta_s + \mu_i + \varepsilon_{i,t}. \tag{2}$$

Second, we disaggregate the employee side by estimating separate regressions for each employee review sub-dimension (e.g., atmosphere, communication, teamwork, leadership, work-life balance, equality, or career opportunities). Each sub-rating serves as a dependent variable and is regressed on the corresponding ESG Social sub-scores:

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

This approach allows us to assess whether ESG providers capture specific workplace dimensions reported by employees, or whether the misalignment persists even at a more granular level. All specifications include firm-level controls $\mathbf{X}_{it}$ and GICS sector fixed effects δ_s, as in Hypothesis 1.

Stock Market Implications of Misalignment

To test whether the misalignment 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 misalignment.

The degree of misalignment 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 misalignment is defined as the standard deviation of the available social performance indicators:

$$\mathcal{M}_{it} = \sqrt{\frac{1}{N_{it} - 1} \sum_{j=1}^{N_{it}} \left(S_{ijt} - \bar{S}_{it} \right)^2}, \tag{4}$$

where S_{ijt} denotes the standardized social 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 $\mathcal{M}_{it}$ to be defined. Higher values of $\mathcal{M}_{it}$ 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, $\mathcal{M}_{it}^{\text{ESGK}}$, is computed using all available social 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, $\mathcal{M}_{it}^{\text{ESG}}$, is computed analogously but includes only the three ESG ratings and excludes Kununu. Comparing $\mathcal{M}_{it}^{\text{ESGK}}$ and $\mathcal{M}_{it}^{\text{ESG}}$ 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. 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—consistent with either a legitimacy penalty or an information-risk premium.

Portfolio construction. Each month, t, firms are sorted into three portfolios (terciles) based on the cross-sectional distribution of the misalignment measure $\mathcal{M}_{it}$. Taking $\mathcal{M}_{it}^{\text{ESGK}}$ 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 divergence between internal and external evaluations. For each tercile, we form one-month-ahead portfolio 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:

$$R_t^{LS} = R_{3t} - R_{1t}. \tag{5}$$

We repeat this procedure for both $\mathcal{M}_{it}^{\text{ESGK}}$ and $\mathcal{M}_{it}^{\text{ESG}}$ to assess whether the pricing of misalignment is stronger when employee disagreement is explicitly incorporated.

Risk-adjusted return estimation. To assess whether high-misalignment portfolios earn systematic risk premia, we estimate Fama–French five-factor models of the form following Fama and French (2015):

$$R_{qt} = \alpha_q + \beta_m \text{MKT}_t + \beta_s \text{SMB}_t + \beta_h \text{HML}_t + \beta_r \text{RMW}_t + \beta_c \text{CMA}_t + \varepsilon_{qt}, \tag{6}$$

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 the pricing of sustainability-related information risk.

All portfolio returns are measured one month after the misalignment 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 misalignment measures $\mathcal{M}^{\text{ESGK}}it$ and $\mathcal{M}^{\text{ESG}}it$ 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 firm-fixed-effects.

6 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 divergence 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 misalignment—interpreted as sustainability-related information risk—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*, which predicted a positive association between Social scores and employee satisfaction, particularly in human-capital-intensive industries.

Across all models, the coefficients on the Social Pillar ratings from MSCI, LSEG, and Bloomberg are weakly negative and generally insignificant, indicating that external ESG evaluations do not systematically align with employees' reported workplace satisfaction. This pattern directly contradicts the expectation from *Hypothesis 1* that stronger Social scores should correspond to more positive employee experiences.

Importantly, the control for employee benefits is consistently positive and highly significant across all models ($p < 0.001$). 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.

Turning to individual providers, MSCI's Social Pillar score shows no meaningful association with employee sentiment. LSEG's Social score displays a significant negative coefficient ($\beta = -0.069, p < 0.001$), implying that higher LSEG assessments are associated with lower employee satisfaction. Bloomberg's rating, introduced in Model 3, is again statistically insignificant. Overall, the baseline evidence provides little support for the view that externally assigned Social ratings capture the lived realities of employees

inside the firm.

Table 3 investigates whether this relationship varies across human-capital-intensive versus asset-intensive industries, as anticipated in *Hypothesis 1*. If external raters were better able to assess social performance in sectors where workplace dynamics are more salient and observable, we would expect the alignment between Social ratings and employee satisfaction to strengthen in human-capital-intensive industries.

However, the results show that introducing sectoral heterogeneity does little to improve alignment. MSCI's and LSEG's interaction terms are positive and statistically significant, suggesting a slightly stronger—though still weak—association in human-capital-intensive sectors. Yet the underlying Social Pillar coefficients remain weak or negative, meaning that even in industries where alignment should be most likely, ESG ratings fail to meaningfully track employees' internal assessments. Bloomberg's interaction term is negative and significant, reinforcing the broader pattern of limited correspondence.

Taken together, these findings indicate that Hypothesis 1 is not supported. Social Pillar ratings do not reliably reflect employees' lived workplace experiences, and this misalignment persists even when accounting for differences in industry structure. While certain providers exhibit marginal improvements in human-capital-intensive sectors, the overall evidence suggests that ESG Social ratings only imperfectly capture the internal social realities they purport to measure.

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

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	-0.017		
	(-0.68)		
$\mathcal{S}_{LSEG}$		-0.069***	
		(-3.33)	
$\mathcal{S}_{Bloomberg}$			-0.048
			(-1.91)
Employee Benefits Score	0.229***	0.231***	0.231***
	(25.75)	(26.04)	(25.77)
Pre-tax Return on Assets (%)	0.006	0.007*	0.007*
	(1.89)	(2.20)	(2.07)
Return on Equity (%)	-0.001	-0.000	-0.001
	(-0.61)	(-0.43)	(-0.51)
Total Assets ($M)	-0.000**	-0.000**	-0.000**
	(-2.85)	(-2.61)	(-3.06)
Total Debt Outstanding ($M)	0.000*	0.000**	0.000**
	(2.54)	(3.11)	(2.67)
GICS sector			
Communication Services	0.000	0.000	0.000
	(.)	(.)	(.)
Consumer Discretionary	0.047	0.079	0.060
	(0.91)	(1.52)	(1.17)
Consumer Staples	0.039	0.058	0.025
	(0.21)	(0.31)	(0.13)
Energy	0.139	0.156*	0.148
	(1.76)	(1.99)	(1.88)
Financials	0.178**	0.170*	0.207**
	(2.64)	(2.53)	(3.02)
Health Care	-0.000	0.039	-0.016
	(-0.01)	(0.50)	(-0.21)
Industrials	-0.034	-0.009	-0.020
	(-0.66)	(-0.17)	(-0.39)
Information Technology	0.337***	0.374***	0.321***
	(4.90)	(5.43)	(4.73)
Materials	-0.070	-0.022	-0.060
	(-0.88)	(-0.28)	(-0.77)
Real Estate	0.055	0.065	0.149
	(0.58)	(0.70)	(1.38)
Constant	2.608***	2.775***	2.640***
	(26.43)	(30.81)	(34.83)
Model Statistics			
N	1616	1616	1616
AIC	2563.148	2551.688	2559.706
BIC	2638.576	2627.116	2635.134

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, 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 GICS sector and 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

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**
$\mathcal{S}_{MSCI}$	-0.041		
	(-1.20)		
$\mathcal{S}_{LSEG}$		-0.112***	
		(-3.95)	
$\mathcal{S}_{Bloomberg}$			0.059*
			(2.20)
Employee Benefits Score	0.236***	0.235***	0.240***
	(26.98)	(25.94)	(27.54)
Pre-tax Return on Assets (%)	0.006	0.006*	0.009**
	(1.73)	(1.97)	(2.67)
Return on Equity (%)	-0.000	-0.000	-0.001
	(-0.08)	(-0.07)	(-0.65)
Total Assets ($M)	-0.000	-0.000	-0.000
	(-1.12)	(-0.45)	(-0.88)
Total Debt Outstanding ($M)	0.000	0.000	0.000
	(1.36)	(0.84)	(0.72)
Sector			
Human-capital-intensive	-0.296*	-0.300	0.579***
	(-2.04)	(-1.93)	(5.63)
Social Pillar and sector dummies interaction term			
Human-capital-intensive × Social Pillar Score	0.117*	0.096*	-0.237***
	(2.46)	(2.41)	(-5.41)
Constant			
Constant	2.654***	2.960***	2.374***
	(24.58)	(24.67)	(31.26)
Model Statistics			
N	1616.000	1616.000	1616.000
aic	2593.967	2584.049	2567.983
bic	2631.681	2621.763	2605.697

Note: 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) and GICS sector fixed effects. Coefficients on the interaction terms indicate whether the strength or direction of ESG–employee alignment differs by industry. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Do ESG Social sub-categories capture workplace realities?

We next examine whether specific components of the ESG Social Pillar scores 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 misalignment is not an artifact of aggregation alone but extends to the underlying dimensions of social performance.

For MSCI, none of the core sub-scores—Human Capital Development, Labor Management, or Supply Chain—show statistically significant relationships with employee satisfaction. By contrast, several LSEG subcategories exhibit mixed associations. Diversity and Opportunity ($\beta = 0.116, , p < 0.05$) and Employee Turnover ($\beta = 0.057, , p < 0.001$) are positively related to employee satisfaction, whereas Community ($\beta = -0.085, , p < 0.001$), Health and Safety Policy ($\beta = -0.132, , p < 0.05$), and Daycare Services ($\beta = -0.028, , p < 0.05$) load negatively.

To investigate alignment more directly, we disaggregate both sides of the analysis and regress each Kununu subcategory on ESG sub-dimensions (Appendix Table A4 and Table A5). For MSCI, the picture remains one of broad insignificance. LSEG subcategories produce somewhat more variation, but again, the overall alignment is weak.

Overall, the subcategory findings indicate that misalignment is not driven by only a conceptual gap between risk-based ESG assessments and experience-based employee evaluations. While this interpretation could plausibly explain the weak aggregate alignment in Hypothesis 1, the disaggregated tests in Hypothesis 2 tries to remove this ambiguity: even in subdimensions that closely correspond to employees' lived workplace conditions, the relationship remains weak, inconsistent, or counterintuitive. In other words, once we focus on categories where ESG providers and employees should be capturing the same underlying construct, the two sides still fail to line up. This suggests that the misalignment is substantive rather than a measurement-scope artifact.

This evidence directly motivates the test in Hypothesis 3, which predicts that misalignment—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-misalignment firms should earn lower expected returns (a legitimacy penalty). Conversely, if markets interpret divergence as information risk, high-misalignment 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.

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

	Dependent variable: $\mathcal{K}_{aggr}$	
	Model MSCI	**Model LSEG**
$\mathcal{S}_{MSCI}$	0.579	
	(0.91)	
Human Capital Development Score (MSCI)	-0.279	
	(-1.24)	
Labor Management Score (MSCI)	-0.453	
	(-1.16)	
Supply Chain Score (MSCI)	-0.142	
	(-0.70)	
$\mathcal{S}_{LSEG}$		0.028
		(0.43)
Workforce Score (LSEG)		0.073
		(1.69)
Human Rights Score (LSEG)		-0.004
		(-0.16)
Community Score (LSEG)		-0.085***
		(-3.34)
Health and Safety Policy Score (LSEG)		-0.132*
		(-2.16)
Diversity and Opportunity Score (LSEG)		0.116*
		(2.49)
Employee Health and Safety Team Score (LSEG)		-0.020
		(-1.53)
Employee Turnover Score (LSEG)		0.057***
		(3.49)
Flexible Working Hours Score (LSEG)		-0.001
		(-0.06)
Daycare Services Score (LSEG)		-0.028*
		(-2.46)
Internal Promotion Score (LSEG)		-0.012
		(-1.35)
Employee Benefits Score	0.302***	0.195***
	(6.03)	(22.57)
Pre-tax Return on Assets (%)	0.009	0.009*
	(0.24)	(2.20)
Return on Equity (%)	-0.000	0.000
	(-0.00)	(0.03)
Total Assets ($M)	0.000	-0.000*
	(0.68)	(-1.98)
Total Debt Outstanding ($M)	-0.000	0.000
	(-0.68)	(1.43)
Sector Effects (GICS)		
Communication Services	0.000	0.000
	(.)	(.)
Consumer Discretionary	0.344	0.067
	(1.00)	(1.14)
Consumer Staples	0.675	-0.067
	(1.08)	(-0.45)
Industrials	-0.051	-0.144*
	(-0.06)	(-2.48)
Information Technology	1.049	0.292***
	(1.09)	(3.98)
Energy		0.081
		(0.90)
Financials		0.208**
		(3.02)
Health Care		0.034
		(0.40)
Materials		-0.105
		(-1.21)
Real Estate		-0.178*
		(-1.98)
Constant		
Constant	2.689	2.733***
	(1.95)	(10.71)
Model Statistics		
N	112	1691
AIC	47.466	2545.421
BIC	80.088	2675.815

Note: 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) and GICS sector fixed effects. 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Does Misalignment Affect Market Valuation?

The analyses above documented a systematic divergence between employee-reported workplace conditions and externally assigned ESG Social ratings. Hypothesis 3 posits that this misalignment may have financial consequences, reflecting either a legitimacy penalty—if investors interpret divergence as symbolic rather than substantive social engagement—or an information-risk premium, if disagreement increases uncertainty about firms' true social quality and therefore raises required returns.

Table 5 presents the portfolio-sort results based on $\mathcal{M}_{it}^{\text{ESGK}}$, which captures disagreement across Kununu and the three ESG providers. The pattern is consistent with the information-risk perspective. Firms in the highest-misalignment 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 roughly 1.5 percent per month under equal weighting and 0.8 percent per month under value weighting. These alphas remain robust after controlling for market, size, value, profitability, and investment factors, indicating that the premium associated with misalignment is not explained by known risk factors.

The difference between the equal-weighted and value-weighted alphas provides additional insight into the underlying mechanism. Equal-weighted portfolios give greater influence to smaller firms, whereas value-weighted portfolios are dominated by large firms whose market capitalizations heavily determine portfolio returns. The larger and more significant alpha in the equal-weighted specification indicates that the misalignment premium is strongest among smaller firms, where investors may have fewer alternative information sources and where internal–external inconsistency may therefore generate greater uncertainty. In value-weighted portfolios, the premium persists but is attenuated, suggesting that large firms are somewhat less affected by employee–ESG divergence, possibly because their size, disclosure practices, or analyst coverage partially offsets the information gap. This difference strengthens the interpretation that the premium reflects priced information imperfections: information frictions tend to be more severe for smaller, less visible firms, and the return pattern observed here matches that expectation.

Table 6 further sharpens the interpretation by showing that the return premium disappears when misalignment is calculated using only external ESG providers ($\mathcal{M}_{it}^{\text{ESG}}$). ESG-only disagreement produces no significant abnormal returns in either weighting scheme. The comparison between the two misalignment measures isolates the distinctive informational role of employees' insider assessments. Only when the disagreement measure incorporates employee sentiment does misalignment forecast meaningful abnormal returns. This finding indicates that employees contribute information about the firm's social authenticity that is not already embedded in ESG ratings or priced by markets. To better understand what may underlie this return premium, we next examine whether firms with

high misalignment share distinctive governance characteristics.

The governance comparisons in Table 7 indicate that firms with high internal–external misalignment differ systematically from those with low misalignment across several board characteristics, and the pattern is informative. High-misalignment firms exhibit significantly fewer board meetings, weaker business ethics and governance-pillar scores, and less independent influence in nomination committees. They also have fewer directors holding outside board seats, a feature typically associated with lower exposure to external monitoring networks. Taken together, these characteristics sketch governance structures that appear less robust and less externally oriented. At the same time, high-misalignment firms display a higher incidence of ESG-linked executive compensation. This contrast—formal ESG incentives alongside weaker ethics and governance outcomes—suggests a symbolic orientation to ESG practices: governance structures display adherence to ESG norms, yet employee assessments and ethics-related metrics point to weaker substantive implementation. This pattern is consistent with the interpretation that high-misalignment firms may emphasize disclosure or formal ESG structures, achieving corresponding internal practices, causing legitimacy issues.

These governance differences do not establish a mechanism, but they align with the broader interpretation of misalignment as a credibility or authenticity signal. Firms with weaker governance and ethics monitoring may be more likely to produce outward-facing ESG disclosures that diverge from employees' internal evaluations, and markets may treat this divergence as an additional source of uncertainty—consistent with the information-risk premium documented in the return tests.

Taken together, the evidence supports the information-risk prediction embedded in Hypothesis 3. Misalignment between employees' internal evaluations and external ESG scores appears to reflect uncertainty about the firm's true social practices, and markets require compensation for this opacity. Firms exhibiting larger inside–outside divergence earn higher expected returns, not because these firms are performing better socially, but because investors price the ambiguity created by inconsistent signals. The absence of a premium when only ESG-provider disagreement is considered reinforces that the priced component originates from internal information rather than methodological noise among raters. This return pattern provides strong evidence that employee-based assessments carry unique, value-relevant information that is not yet fully incorporated into market valuations.

These findings are consistent with prior evidence linking ESG rating disagreement to higher returns due to greater information uncertainty (Brandon et al., 2021; Zeng et al., 2025), but extend this mechanism to internal–external misalignment.

Table 5: Portfolio Returns Sorted by Employee–ESG Misalignment 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**
Market (MKT–RF)	1.026***	0.841***	0.966***	-0.0601	0.373***	0.477***	0.695***	0.323***
	(0.133)	(0.118)	(0.0979)	(0.151)	(0.0785)	(0.0938)	(0.0921)	(0.101)
Size (SMB)	0.139	-0.0858	0.407	0.267	-0.135	-0.0806	-0.186	-0.0503
	(0.356)	(0.305)	(0.262)	(0.404)	(0.210)	(0.251)	(0.246)	(0.269)
Value (HML)	-0.125	0.844**	0.733**	0.858*	0.228	0.630**	0.288	0.0602
	(0.410)	(0.355)	(0.301)	(0.465)	(0.242)	(0.289)	(0.283)	(0.310)
Profitability (RMW)	0.195	1.135**	0.784*	0.590	-0.268	0.592	-0.0569	0.211
	(0.561)	(0.487)	(0.412)	(0.636)	(0.331)	(0.395)	(0.388)	(0.424)
Investment (CMA)	0.643	-0.817	-0.916**	-1.559**	-0.616*	-0.968**	-0.753*	-0.138
	(0.622)	(0.540)	(0.457)	(0.706)	(0.367)	(0.438)	(0.430)	(0.470)
Alpha (Abnormal Return)	-0.00989*	-0.00923*	0.00463	0.0145**	-0.000712	-0.00440	0.00677*	0.00748*
	(0.00580)	(0.00501)	(0.00426)	(0.00659)	(0.00342)	(0.00409)	(0.00401)	(0.00439)
T	105	97	105	105	105	105	105	105

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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 6: Portfolio Returns Sorted by ESG Misalignment 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**
Market (MKT–RF)	0.858***	0.924***	0.930***	0.0720	0.378***	0.377***	0.651***	0.274**
	(0.131)	(0.137)	(0.110)	(0.148)	(0.0773)	(0.0914)	(0.0926)	(0.105)
Size (SMB)	0.0673	0.794**	-0.399	-0.466	-0.193	0.00216	-0.148	0.0449
	(0.366)	(0.378)	(0.308)	(0.414)	(0.216)	(0.255)	(0.259)	(0.294)
Value (HML)	0.161	0.729*	0.644*	0.483	0.354	0.418	0.558*	0.203
	(0.404)	(0.431)	(0.340)	(0.457)	(0.239)	(0.282)	(0.286)	(0.326)
Profitability (RMW)	-0.187	0.434	0.906*	1.092*	-0.242	-0.287	0.719*	0.961**
	(0.559)	(0.601)	(0.470)	(0.632)	(0.330)	(0.390)	(0.395)	(0.450)
Investment (CMA)	-0.00162	-0.599	-0.929*	-0.927	-0.527	-1.089**	-0.644	-0.118
	(0.623)	(0.666)	(0.524)	(0.705)	(0.368)	(0.435)	(0.441)	(0.502)
Alpha (Abnormal Return)	-0.00108	-0.00115	0.00508	0.00616	-0.00298	-0.00176	0.00319	0.00617
	(0.00574)	(0.00618)	(0.00483)	(0.00649)	(0.00339)	(0.00401)	(0.00406)	(0.00462)
T	102	89	102	102	102	102	102	102

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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 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 7: Differences in Board and Governance Characteristics Between Low and High Misalignment Firms

Variable	Low Mean	High Mean	Difference	p-value	Low N	High N
ESG-linked Executive Compensation	0.528	0.629	-0.101	0.000***	735	742
Number of Board Meetings	7.110	6.354	0.757	0.006***	344	314
Average Director Tenure (years)	5.933	5.945	-0.012	0.956	344	314
Industry Expert Directors	1.058	1.315	-0.257	0.016**	344	314
Employee Representatives on Board	4.023	3.726	0.297	0.301	344	314
Majority Independent Directors	0.490	0.481	0.009	0.818	312	289
Board Reelection Frequency	4.067	4.164	-0.097	0.410	343	299
Independent Directors (Mgmt Related)	54.249	54.481	-0.232	0.897	312	289
Business Ethics Pillar Score (SD)	-1.639	-1.766	0.128	0.001***	428	394
Independent Directors (Other Interests)	57.513	57.378	0.135	0.942	312	289
Stakeholder Opposition Score	4.525	3.940	0.585	0.178	36	50
Business Ethics Theme Score	5.451	4.830	0.621	0.000***	608	627
Corruption Score	6.404	6.225	0.179	0.226	496	515
Board Governance Pillar (SD)	-1.197	-1.331	0.135	0.006***	422	394
Inside Directors (%)	0.791	0.395	0.396	0.129	344	314
Max Other Directorships	2.788	2.338	0.450	0.000***	344	314
Max Director Fees	1,612,147	157,826	1,454,321	0.329	344	314
Median Director Fees	663,509	54,516	608,993	0.327	344	314
Pay Committee Meetings	2.532	2.625	-0.093	0.692	316	224
Nomination Committee: Management Affiliation	65.689	58.981	6.708	0.013**	293	206
Nomination Committee: Independent Directors	71.167	62.978	8.189	0.002***	293	206

Note: This table reports differences in means between firms in the lowest (Tercile 1) and highest (Tercile 3) levels of internal–external misalignment, defined as the standardized gap between employee perceptions of sustainability and external ESG scores. Governance characteristics in Table 7 are based on MSCI pillar sub-scores and related board-structure indicators. Higher values reflect firms with strong disclosure-based ESG ratings but comparatively negative employee assessments. For each governance variable, the table shows the mean for low- and high-misalignment firms, the difference in means (Low – High), and the p-value from a two-sample t-test with equal variances. The test evaluates whether governance structures systematically differ across misalignment levels; significant results indicate governance dimensions that tend to co-vary with the extent of employee–ESG disagreement. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Robustness

The findings for Hypotheses 1 and 2 are robust to a broad set of alternative specifications and sample restrictions. The results remain virtually unchanged 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 aggregating $\mathcal{K}_{aggr}$ at the annual rather than monthly level (Appendix Table A9), when excluding employee benefits as a control variable (Appendix Table A10), and when omitting sector fixed effects (Appendix Table A11).

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 negative. 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 misalignment likewise proves robust to multiple alternative asset-pricing specifications and measurement choices. The positive and statistically significant alphas of the high–minus–low misalignment portfolios persist under both the Fama–French three-factor model and the

three-factor model augmented with a momentum factor. The estimates are also virtually unchanged when using heteroskedasticity- and autocorrelation-consistent (Newey–West) standard errors (Appendix Table A12), indicating that serial correlation in monthly portfolio returns does not bias the abnormal return estimates.

We further examine the sensitivity of the misalignment measure itself. Appendix Table A15 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. Likewise, computing misalignment using logit-transformed scores (Appendix Table A16) produces qualitatively similar findings. Because ESG and employee ratings are bounded and non-linear, the logit specification addresses potential scale-compression issues; the persistence of results therefore confirms that the misalignment premium is not an artifact of the bounded rating scales.

We also address potential concerns about the different temporal frequencies of the underlying data. Constructing $\mathcal{M}_{it}^{\text{ESGK}}$ 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 misalignment effect is not driven by high-frequency fluctuations in monthly reviews but reflects the stable, informational component of employee perceptions themselves.

Finally, the disappearance of the return premium when Kununu scores are excluded from the misalignment 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.

7 Discussion

The results reveal a systematic misalignment between how employees perceive their firms' social practices and how ESG rating agencies evaluate them. This misalignment carries not only conceptual but also financial implications: while ESG ratings often fail to reflect employees' lived experiences, firms where these two perspectives diverge earn higher abnormal returns. The evidence indicates that such disagreement may capture a dimension of sustainability-related information risk not fully accounted for by standard asset-pricing factors. In this sense, the consistency between a firm's public ESG image and its internal social reality becomes a signal of authenticity, while divergence is perceived by markets as a sign of uncertainty or even potential corporate hypocrisy.

When employee perceptions diverge from ESG ratings, investors face ambiguity about the credibility of a firm's social performance. This ambiguity increases the perceived

ambiguity of non-financial fundamentals—such as workplace quality, ethical culture, and human capital strength—making valuation more uncertain. Overall, this disagreement amplifies information risk: investors cannot easily discern whether the firm's sustainability practices are substantive or symbolic (Walker and Wan, 2012). If markets associate sustainability ambiguity with higher uncertainty, investors may require higher expected returns. The observed abnormal returns of firms with strong employee–ESG misalignment, therefore, might reflect a risk premium for sustainability-related uncertainty. This mechanism parallels the findings of Brandon et al. (2021), who show that disagreement among ESG rating agencies predicts higher stock returns, suggesting a risk premium for firms with higher ESG rating disagreement. Extending their logic, our results indicate that internal–external misalignment—disagreement between employees and ESG agencies—confirms this phenomenon: firms where inside and outside views diverge exhibit greater sustainability-related uncertainty with higher expected returns. In this way, employee–ESG disagreement bridges the literatures on ESG disagreement and employee voice, showing that both informational and ethical inconsistencies have financial consequences. Overall, we interpret the return spread as consistent with compensation for information uncertainty rather than proof of a distinct priced factor. While our time-series portfolio tests cannot, by themselves, establish that ESG misalignment is a priced risk factor, they show that standard asset-pricing models fail to capture the return differentials associated with misalignment. Future work could assess pricing directly using Fama–MacBeth or characteristic-managed portfolio approaches. Anyways, while our portfolio tests cannot isolate a risk premium from behavioral underreaction, the consistency of the effect across robustness checks suggests that markets interpret internal–external misalignment as a credible uncertainty signal.

This study makes several other contributions. First, from a theoretical perspective, we extend stakeholder theory (Freeman and McVea, 2001) by positioning employees not only as internal stakeholders but also as strategic information providers whose experiences can enhance the validity of ESG Social assessments. Second, it contributes to legitimacy theory (Suchman, 1995), within the broader institutional perspective, by showing how symbolic conformity to ESG rating standards can decouple public disclosure from internal realities, particularly within the Social pillar scores. Third, we build on the resource-based view (Barney, 1991) by showing that employee sentiment functions as a firm-specific, intangible asset capable of driving sustained competitive advantage through improved ESG alignment. Lastly, grounded in signaling theory (Spence, 1978), our findings show that ESG ratings act as external signals of firms' ethical standards and social performance. The credibility of these signals depends on their consistency with employees' lived experiences, which serve as a verification mechanism for authenticity. When signals and internal realities diverge, the resulting inconsistency weakens their informational value, generating ambiguity for both employees and investors.

When internal experiences contradict ESG ratings, legitimacy becomes fragile, and investors face uncertainty about the authenticity of firms' social performance. At the same time, misalignment reflects underutilized or alienated human capital—a strategic resource whose value is not fully observable to outsiders. In both cases, the resulting ambiguity about non-financial fundamentals increases perceived risk, which manifests in higher abnormal returns not explained by standard risk factors. In doing so, it connects the literature on ESG rating validity (Christensen et al., 2022; Berg et al., 2022) with the evidence on the financial materiality of employee voice (Edmans, 2011; Green et al., 2019), suggesting that the gap between inside and outside perspectives is itself an informative signal. Furthermore, the findings also enrich the literature on greenwashing and CSR authenticity. Discrepancies between employee assessments and ESG ratings highlight how selective disclosure can inflate a firm's social reputation without reflecting genuine workplace conditions. Such divergence is consistent with symbolic management strategies that seek legitimacy through reporting rather than substantive change (Marquis et al., 2016; De Freitas Netto et al., 2020; Huang et al., 2024). By linking this legitimacy gap to measurable risk premia, our study demonstrates that markets penalize sustainability ambiguity, translating ethical inconsistency into financial cost.

Methodologically, this study introduces the *Inside–Outside* view alignment framework, which reconceptualizes ESG accuracy as a function of the congruence between internal employee perceptions and external ESG ratings. This framework advances research on stakeholder engagement and sustainability governance by highlighting the value of bottom-up, experiential data for validating top-down assessments (Freeman and McVea, 2001). Empirically, we provide large-scale evidence of misalignment between employee sentiment and ESG Social ratings across more than 300 publicly listed firms in the DACH region.

Lastly, a distinctive contribution of this study lies in its dataset. We combine employee reviews from Kununu—a leading employer-review platform in German-speaking countries—with ESG ratings from MSCI, Bloomberg, and LSEG. Kununu's verification process ensures review reliability by screening both technical and textual components, offering stronger data quality than more widely used but less regionally focused platforms such as Glassdoor. Previous research has shown that Kununu reviews tend to be lower on average than Glassdoor's, reflecting stricter moderation and reduced self-selection bias (Cloos, 2021). This makes the dataset particularly well-suited to measuring workplace realities in the DACH region, where cultural and regulatory contexts emphasize transparency and labor rights. By mixing these internal signals with external ESG ratings, our approach enables a more accurate evaluation of how well rating methodologies capture the lived experience of employees—the stakeholders most directly affected by corporate social practices.

For managers, the governance patterns associated with high misalignment offer clear practical implications. Strengthening board monitoring, ethics oversight, and internal

control systems may reduce the risk of symbolic ESG practices and enhance alignment between disclosed ESG performance and employees' lived experiences. Because the return premium associated with misalignment reflects uncertainty and a higher perceived cost of capital, improving governance can serve as a strategic lever to protect legitimacy, reduce sustainability-related information risk, and improve financial outcomes. In this sense, governance quality becomes an actionable managerial mechanism for ensuring that social-performance claims are both credible and internally consistent.

These insights carry practical implications for multiple stakeholders. For managers, employee sentiment serves as a real-time diagnostic of organizational integrity and financial resilience. Monitoring internal perceptions can help detect emerging social risks, reduce costly employee turnover, and enhance productivity—factors that ultimately influence firm value. For investors and rating agencies, incorporating employee-based indicators can improve the informational efficiency of ESG ratings and mitigate mispricing arising from sustainability-related information asymmetries. For policymakers, the results highlight the importance of integrating stakeholder-based evidence into sustainability reporting frameworks to ensure that disclosed ESG performance reflects the underlying social reality and conveys financially material information to markets.

By bridging internal stakeholder perceptions, ESG ratings, and market outcomes, this study offers a unified perspective on how authenticity in social performance sustains both ethical and financial value creation. Incorporating employee voice into ESG evaluation frameworks can enhance transparency, strengthen trust in sustainability metrics, and promote genuine alignment between corporate responsibility and organizational practice.

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

Table A1: Definitions and ranges of employee review variables.

Variable	Description and Values
Employment Status	Indicates whether the reviewer is a current or former employee. Values: *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. Values: *True / False* for each benefit. 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)
Recommend Employer?	Indicates whether the employee recommends the employer. Values: *Yes / No*.

Table A2: Definitions and ranges of employee review variables.

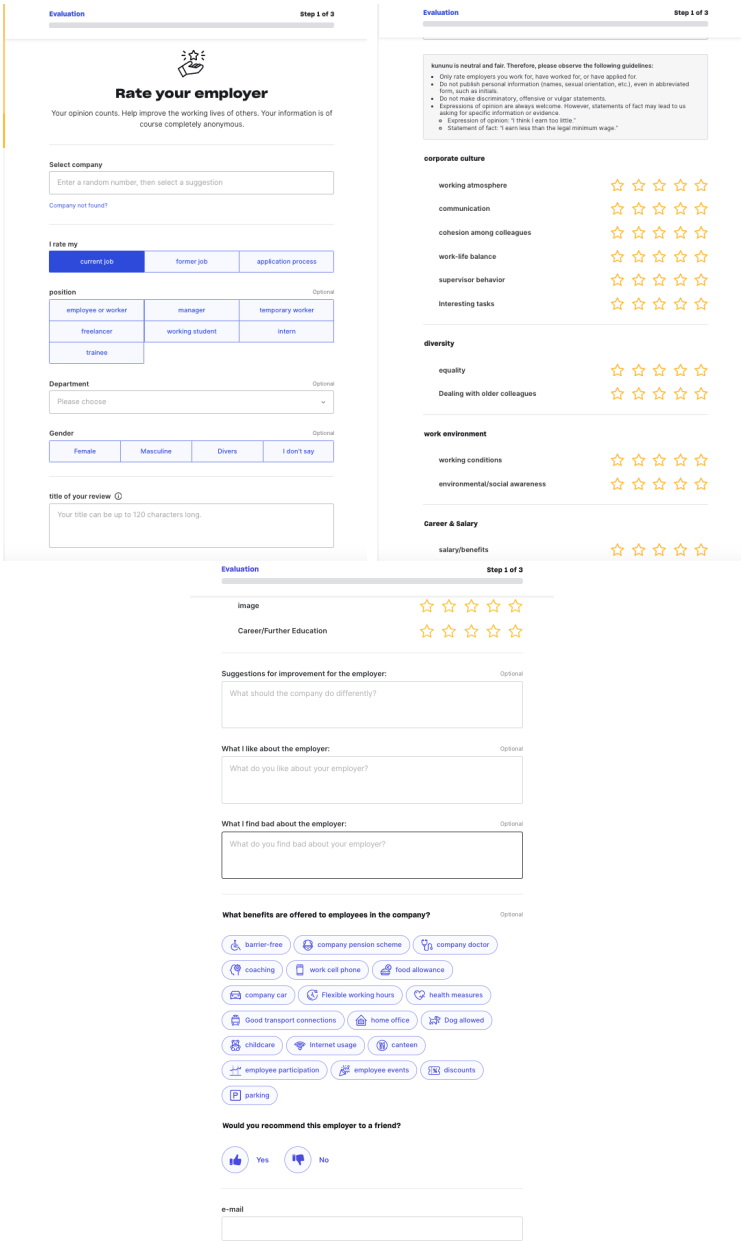
Kununu Questionnaire to Employees

This section presents the structure of the Kununu questionnaire used to gather employee feedback to 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.

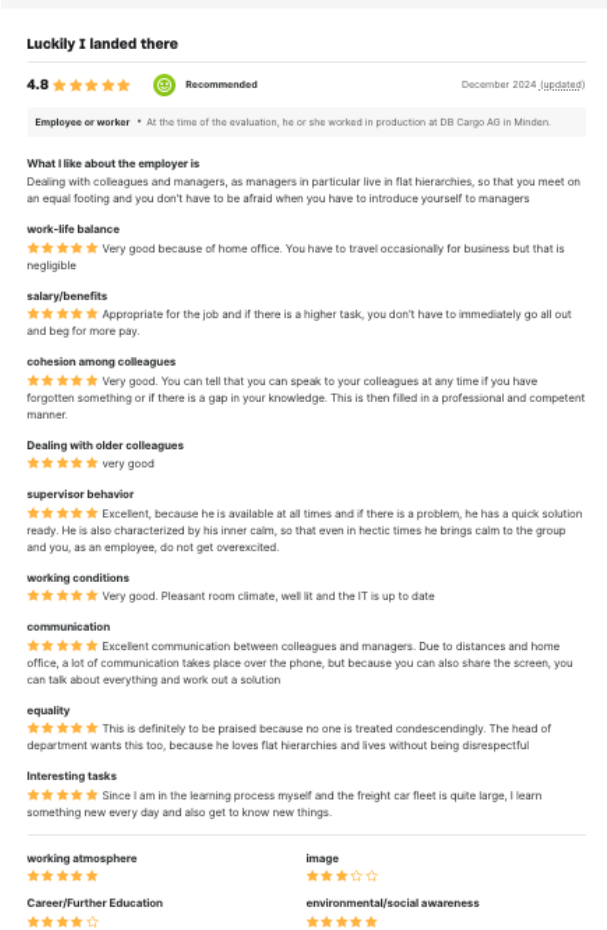
The Figure A1 displays screenshots of the Kununu questionnaire, illustrating the format and types of questions presented to employees during the review process.

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 ★★★★☆

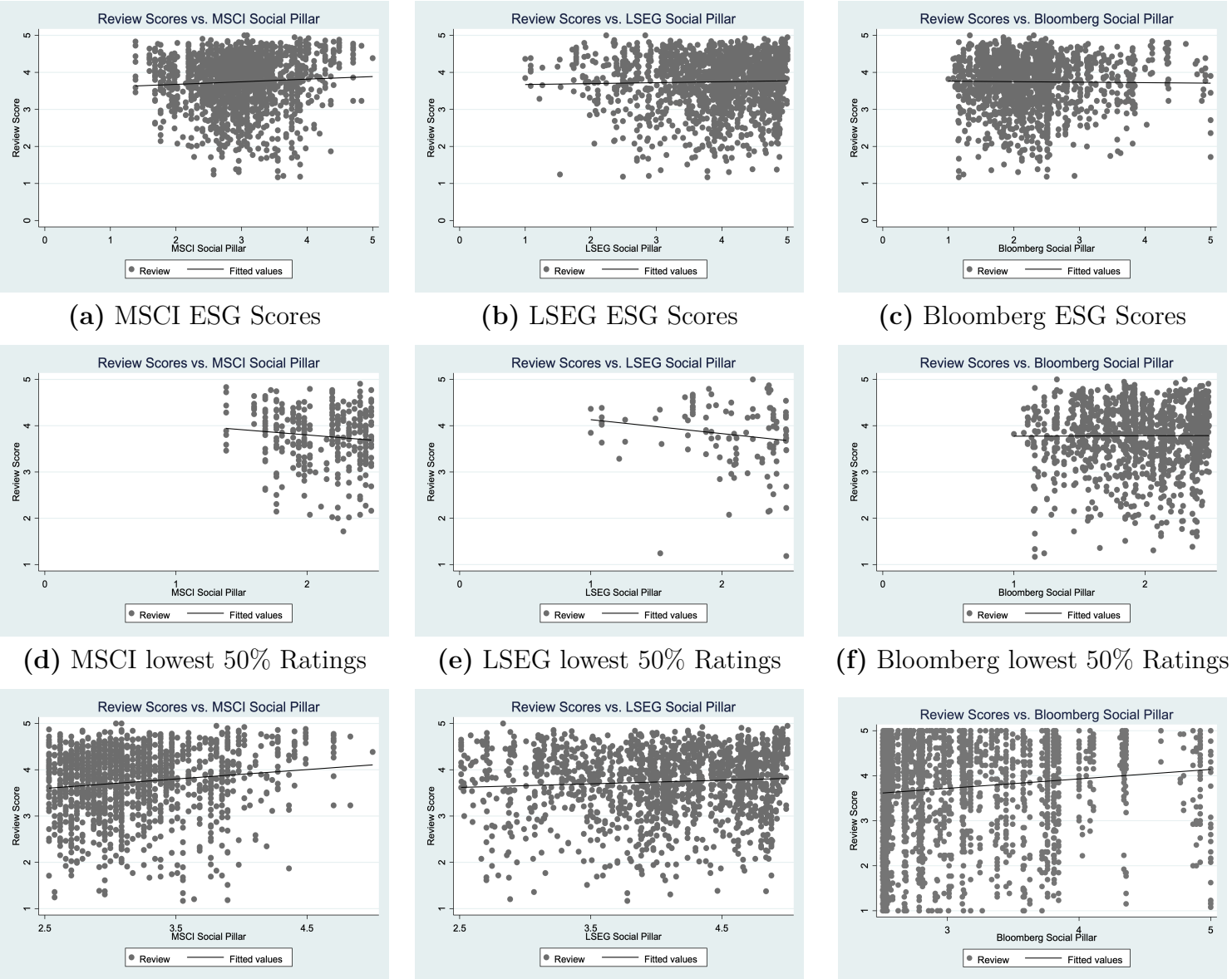
environmental/social awareness ★★★★★

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

Table A3: Correlation matrix with $\mathcal{K}_{subcategories}$ & $\mathcal{S}_{aggregated}$ and $\mathcal{S}_{subcategories}$

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
(1) $\mathcal{K}_{aggregatedreview}$	1.00																														
(2) KUN: Atmosphere	0.94***	1.00																													
(3) KUN: Communication	0.91***	0.87***	1.00																												
(4) KUN: Teamwork	0.83***	0.81***	0.74***	1.00																											
(5) KUN: Work-Life	0.86***	0.80***	0.76***	0.69***	1.00																										
(6) KUN: Leadership	0.91***	0.88***	0.85***	0.76***	0.78***	1.00																									
(7) KUN: Tasks	0.87***	0.80***	0.76***	0.73***	0.71***	0.77***	1.00																								
(8)KUN: Equality	0.85***	0.79***	0.77***	0.70***	0.71***	0.76***	0.72***	1.00																							
(9) KUN: Senior	0.85***	0.80***	0.76***	0.70***	0.74***	0.77***	0.72***	0.77***	1.00																						
(10) KUN: Conditions	0.91***	0.85***	0.82***	0.73***	0.79***	0.80***	0.79***	0.77***	0.77***	1.00																					
(11) KUN: Environ.	0.87***	0.79***	0.79***	0.67***	0.77***	0.76***	0.73***	0.73***	0.72***	0.81***	1.00																				
(12) KUN: Salary	0.80***	0.69***	0.68***	0.60***	0.69***	0.68***	0.68***	0.65***	0.64***	0.71***	0.70***	1.00																			
(13) KUN: Image	0.87***	0.80***	0.77***	0.67***	0.72***	0.76***	0.73***	0.70***	0.71***	0.78***	0.77***	0.70***	1.00																		
(14) KUN: Career	0.91***	0.84***	0.83***	0.73***	0.75***	0.82***	0.79***	0.76***	0.74***	0.82***	0.77***	0.74***	0.78***	1.00																	
(15) $\mathcal{S}_{MSCI}$	0.06*	0.07**	0.09***	0.05*	0.04	0.07**	0.04	0.07**	0.00	0.08**	0.10***	-0.01	0.07**	0.09***	1.00																
(16) $\mathcal{S}_{LSEG}$	0.03	0.01	0.03	0.01	-0.02	-0.02	-0.01	-0.01	-0.04	0.03	0.10***	0.14***	0.07**	0.03	0.11***	1.00															
(17) $\mathcal{S}_{Bloomberg}$	-0.01	0.00	-0.01	-0.06*	0.01	-0.01	-0.03	-0.01	-0.01	0.02	-0.01	-0.07**	-0.01	0.00	0.14***	0.23***	1.00														
(18) MSCI: Human Capital Dev.	-0.06*	-0.04	-0.01	-0.06*	-0.08**	-0.06*	-0.09***	-0.03	-0.11***	-0.04	0.00	-0.12***	0.00	-0.04	0.44***	0.35***	0.25***	1.00													
(19) MSCI: Labor Management	0.05*	0.07*	0.07**	0.07**	0.04	0.05*	0.07**	0.05	-0.00	0.06*	0.05	-0.05	0.05	0.10***	0.53***	-0.00	0.18***	0.37***	1.00												
(20) MSCI: Supply Chain	-0.14	-0.17	-0.12	-0.02	-0.08	-0.13	-0.18*	-0.06	-0.10	-0.13	-0.14	-0.23**	-0.18*	-0.10	0.39***	-0.12	0.09	0.44***	-0.10	1.00											
(21) MSCI: Workforce Score	0.05*	0.03	0.05*	0.02	-0.00	0.01	0.01	0.01	-0.00	0.04	0.11***	0.14***	0.08***	0.04	0.08***	0.77***	0.29***	0.32***	0.12***	-0.09	1.00										
(22) LSEG: Human Rights	0.02	-0.00	0.02	-0.01	-0.00	-0.03	-0.02	0.01	-0.02	0.02	0.07**	0.11***	0.03	0.03	0.11***	0.82***	0.26***	0.28***	-0.03	0.02	0.56***	1.00									
(23) LSEG: Community Score	-0.02	-0.04	-0.02	-0.03	-0.05	-0.06*	-0.07**	-0.05*	-0.10***	-0.02	0.05*	0.08**	0.03	-0.03	0.05*	0.80***	0.05*	0.32***	-0.04	0.18*	0.52***	0.56***	1.00								
(24) LSEG: Product Responsibility	0.07**	0.05*	0.06*	0.05	0.00	0.03	0.06*	0.03	0.01	0.07**	0.10***	0.14***	0.12***	0.06**	0.05*	0.68***	0.09***	0.16***	-0.04	-0.29***	0.40***	0.42***	0.37***	1.00							
(25) LSEG: Health and Safety Policy	0.05	0.04	0.06*	0.02	0.01	0.04	0.03	0.00	-0.00	0.04	0.08**	0.05*	0.07**	0.05*	0.16***	0.24***	0.02	0.09***	0.23***	0.10	0.34***	0.08**	0.20***	0.16***	1.00						
(26) LSEG: Diversity and Opportunity	-0.03	-0.03	-0.04	-0.04	-0.05	-0.04	-0.06*	-0.08***	-0.06*	-0.02	0.01	0.03	0.00	-0.02	0.02	0.46***	0.16***	0.13***	-0.03	0.09	0.56***	0.34***	0.32***	0.20***	0.39***	1.00					
(27) LSEG: Employee Health and Safety	-0.06*	-0.07**	-0.05*	-0.06*	-0.09***	-0.08***	-0.03	-0.08**	-0.10***	-0.07**	-0.03	0.00	-0.06*	-0.05*	-0.01	0.39***	0.29***	0.13***	0.01	0.54***	0.43***	0.38***	0.19***	0.27***	0.06**	0.17***	1.00				
(28) LSEG: Employee Turnover	0.21***	0.17***	0.20***	0.17***	0.18***	0.18***	0.18***	0.19***	0.25***	0.16***	0.16***	0.24***	0.19***	0.17***	0.01	0.05	-0.12***	-0.10***	0.00	-0.13	0.04	0.02	0.08**	0.07*	-0.10***	-0.08**	-0.13***	1.00			
(29) LSEG:Flexible Working Hours	0.04	0.03	0.00	0.02	0.03	0.00	0.04	-0.01	0.01	0.04	0.07**	0.11***	0.04	0.01	0.02	0.41***	0.17***	0.02	-0.07**	-0.03	0.47***	0.28***	0.22***	0.32***	0.18***	0.46***	0.23***	0.00	1.00		
(30) LSEG: Daycare Services	-0.04	-0.04	-0.05	-0.02	-0.06*	-0.08**	-0.04	-0.04	-0.06*	-0.03	-0.00	0.05*	-0.00	-0.04	-0.24***	0.42***	0.15***	-0.06*	-0.18***	-0.02	0.51***	0.31***	0.27***	0.25***	0.04	0.30***	0.34***	-0.09***	0.38***	1.00	
(31) LSEG: Internal Promotion	-0.02	-0.02	-0.01	-0.00	-0.04	-0.02	-0.03	0.02	-0.04	0.00	-0.04	-0.09***	0.01	0.00	0.20***	0.24***	0.21***	0.30***	0.17***	0.64***	0.27***	0.21***	0.09***	0.16***	0.07**	0.06*	0.14***	-0.12***	-0.01	0.08**	1.00

Notes: The table presents the Pearson correlation coefficients between key variables. *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$.



(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 A4: 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
$\mathcal{S}_{MSCI}$	0.612	0.577	0.522	0.847	0.791	1.472	0.464	0.940	0.239	0.966	0.339	0.487	-0.016
	(0.82)	(0.73)	(0.59)	(1.22)	(1.03)	(1.74)	(0.66)	(1.34)	(0.28)	(1.18)	(0.39)	(0.55)	(-0.02)
Human Capital Development Score (MSCI)	-0.332	-0.378	-0.442	-0.354	-0.139	-0.485	-0.023	-0.149	-0.181	-0.200	-0.359	-0.435	-0.504
	(-1.26)	(-1.35)	(-1.42)	(-1.44)	(-0.51)	(-1.62)	(-0.09)	(-0.60)	(-0.59)	(-0.69)	(-1.16)	(-1.39)	(-1.59)
Labor Management Score (MSCI)	-0.496	-0.510	-0.594	-0.609	-0.495	-0.876	-0.204	-0.563	-0.426	-0.562	-0.344	-0.430	-0.018
	(-1.09)	(-1.05)	(-1.11)	(-1.44)	(-1.06)	(-1.70)	(-0.48)	(-1.32)	(-0.81)	(-1.13)	(-0.65)	(-0.80)	(-0.03)
Supply Chain Score (MSCI)	-0.150	-0.032	-0.003	-0.140	-0.336	-0.284	-0.228	-0.177	-0.217	-0.191	0.068	-0.138	0.140
	(-0.63)	(-0.13)	(-0.01)	(-0.63)	(-1.37)	(-1.05)	(-1.02)	(-0.79)	(-0.78)	(-0.73)	(0.24)	(-0.49)	(0.49)
Employee Benefits Score	0.246***	0.297***	0.291***	0.212***	0.359***	0.283***	0.337***	0.235***	0.320***	0.273***	0.290***	0.357***	0.278***
	(4.22)	(4.77)	(4.22)	(3.89)	(5.96)	(4.26)	(6.11)	(4.28)	(4.72)	(4.25)	(4.24)	(5.14)	(3.94)
Pre-tax Return on Assets (%)	-0.014	0.003	0.028	-0.044	-0.029	0.035	0.042	-0.062	0.008	0.002	0.090	-0.006	-0.024
	(-0.33)	(0.07)	(0.56)	(-1.11)	(-0.68)	(0.72)	(1.05)	(-1.55)	(0.17)	(0.05)	(1.82)	(-0.13)	(-0.47)
Return on Equity (%)	0.007	0.002	-0.006	0.013	0.010	-0.007	-0.013	0.025	-0.001	0.005	-0.031	0.010	0.012
	(0.38)	(0.09)	(-0.29)	(0.77)	(0.51)	(-0.31)	(-0.77)	(1.41)	(-0.04)	(0.23)	(-1.40)	(0.46)	(0.52)
Total Assets ($M)	0.000	0.000	0.000	0.000	-0.000	0.000	0.000	-0.000	0.000	0.000	0.000*	0.000	0.000
	(1.62)	(1.17)	(1.07)	(1.31)	(-0.24)	(0.53)	(0.22)	(-1.30)	(0.61)	(0.22)	(2.41)	(0.19)	(0.30)
Total Debt Outstanding ($M)	-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
	(-1.45)	(-1.22)	(-0.87)	(-1.54)	(0.22)	(-0.77)	(0.05)	(-0.23)	(-0.33)	(-0.11)	(-2.52)	(0.01)	(-0.34)
Sector Effects (GICS)													
Communication Services	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
	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)
Consumer Discretionary	0.617	0.627	0.430	0.772*	0.320	0.456	0.025	0.328	0.211	0.117	1.409**	0.175	-0.025
	(1.53)	(1.46)	(0.90)	(2.05)	(0.77)	(0.99)	(0.07)	(0.87)	(0.45)	(0.26)	(2.98)	(0.37)	(-0.05)
Consumer Staples	0.584	0.747	1.234	0.526	0.281	-0.139	0.997	-0.324	0.953	0.665	1.676	1.089	0.615
	(0.80)	(0.96)	(1.43)	(0.77)	(0.37)	(-0.17)	(1.45)	(-0.47)	(1.12)	(0.83)	(1.96)	(1.25)	(0.70)
Industrials	-0.085	0.058	-0.955	1.380	-1.257	-1.410	0.406	-1.514	-0.119	2.009	3.657**	0.119	-1.778
	(-0.09)	(0.06)	(-0.83)	(1.51)	(-1.25)	(-1.27)	(0.44)	(-1.65)	(-0.10)	(1.87)	(3.20)	(0.10)	(-1.51)
Information Technology	0.775	1.110	0.972	1.628	0.957	0.865	2.060	0.909	0.867	1.602	1.565	0.058	-0.029
	(0.69)	(0.93)	(0.73)	(1.55)	(0.83)	(0.68)	(1.94)	(0.86)	(0.66)	(1.30)	(1.19)	(0.04)	(-0.02)
Constant	3.058	2.805	3.070	3.124*	2.047	2.165	1.639	2.427	3.632	1.665	2.051	3.049	4.228*
	(1.90)	(1.63)	(1.61)	(2.07)	(1.23)	(1.18)	(1.08)	(1.60)	(1.94)	(0.94)	(1.08)	(1.59)	(2.17)
Model Statistics													
N	112	112	112	112	112	112	112	112	112	112	112	112	112
AIC	82.036	96.294	119.316	66.825	88.755	111.093	69.214	68.480	115.836	103.421	117.846	120.930	124.091
BIC	114.658	128.916	151.938	99.447	121.377	143.715	101.836	101.102	148.458	136.043	150.468	153.552	156.713

Note: 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) and GICS sector fixed effects. Coefficients on MSCI sub-scores indicate whether specific ESG categories align with employee-reported experiences in corresponding workplace dimensions. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Table A5: Regression $\mathcal{S}_{MSCIsubcategories}$ vs $\mathcal{K}_{sub}$

	(1) KUN: Atmosphere	(2) KUN: Communication	(3) KUN: Teamwork	(4) KUN: Work-Life	(5) KUN: Leadership	(6) KUN: Tasks	(7) KUN: Equality	(8) KUN: Senior	(9) KUN: Conditions	(10) KUN: Environ.	(11) KUN: Salary	(12) KUN: Image	(13) KUN: Career
$\mathcal{S}_{LSEG}$	0.171	0.223	0.363*	0.044	0.516**	0.316*	0.357*	0.139	0.052	0.222	0.370*	0.294	0.369*
	(1.04)	(1.31)	(2.57)	(0.28)	(2.83)	(2.11)	(2.14)	(0.85)	(0.33)	(1.38)	(2.44)	(1.78)	(2.15)
Workforce Score (LSEG)	0.048	0.018	-0.020	0.033	-0.014	-0.058	-0.009	0.032	0.062	0.098	0.004	0.014	-0.048
	(0.76)	(0.27)	(-0.37)	(0.54)	(-0.20)	(-1.00)	(-0.14)	(0.52)	(1.02)	(1.57)	(0.07)	(0.22)	(-0.72)
Human Rights Score (LSEG)	-0.056	-0.038	-0.103**	-0.015	-0.133**	-0.067	-0.037	-0.032	-0.015	-0.083	-0.021	-0.069	-0.061
	(-1.27)	(-0.84)	(-2.71)	(-0.35)	(-2.70)	(-1.67)	(-0.83)	(-0.73)	(-0.36)	(-1.90)	(-0.51)	(-1.55)	(-1.31)
Community Score (LSEG)	-0.123**	-0.111*	-0.137***	-0.095*	-0.221***	-0.162***	-0.164***	-0.130**	-0.086	-0.086	-0.195***	-0.186***	-0.170***
	(-2.65)	(-2.30)	(-3.43)	(-2.12)	(-4.28)	(-3.82)	(-3.46)	(-2.80)	(-1.92)	(-1.87)	(-4.54)	(-3.97)	(-3.48)
Product Responsibility Score (LSEG)	-0.053	-0.076	-0.081*	-0.031	-0.146**	-0.092*	-0.110*	-0.045	-0.019	-0.051	-0.055	-0.038	-0.108*
	(-1.23)	(-1.70)	(-2.20)	(-0.75)	(-3.06)	(-2.34)	(-2.51)	(-1.06)	(-0.46)	(-1.20)	(-1.38)	(-0.88)	(-2.39)
Health and Safety Policy Score (LSEG)	-0.060	-0.163*	0.058	-0.025	-0.193*	-0.025	-0.113	-0.078	-0.113	-0.124	-0.264***	-0.055	-0.171*
	(-0.80)	(-2.11)	(0.90)	(-0.35)	(-2.33)	(-0.36)	(-1.49)	(-1.06)	(-1.58)	(-1.69)	(-3.83)	(-0.73)	(-2.19)
Diversity and Opportunity Score (LSEG)	0.075	0.108	0.015	0.061	0.122	0.027	0.089	0.133*	0.154**	0.093	0.169**	0.038	0.106
	(1.32)	(1.84)	(0.31)	(1.12)	(1.93)	(0.53)	(1.54)	(2.36)	(2.83)	(1.65)	(3.22)	(0.66)	(1.78)
Employee Health and Safety Team Score (LSEG)	-0.022	-0.020	-0.017	-0.021	-0.021	0.002	-0.046**	-0.041*	-0.031*	-0.021	-0.039**	-0.032*	-0.002
	(-1.36)	(-1.21)	(-1.25)	(-1.38)	(-1.15)	(0.14)	(-2.83)	(-2.55)	(-2.02)	(-1.33)	(-2.60)	(-1.97)	(-0.12)
Employee Turnover Score (LSEG)	0.041*	0.079***	0.031	0.055**	0.065**	0.056**	0.064**	0.113***	0.030	0.033	0.071***	0.064**	0.051*
	(2.08)	(3.85)	(1.85)	(2.88)	(2.98)	(3.12)	(3.16)	(5.77)	(1.58)	(1.68)	(3.87)	(3.24)	(2.45)
Flexible Working Hours Score (LSEG)	0.011	-0.007	-0.006	0.032	0.007	0.030	-0.009	-0.014	-0.019	-0.041	0.012	-0.005	-0.043
	(0.46)	(-0.28)	(-0.30)	(1.43)	(0.26)	(1.43)	(-0.40)	(-0.63)	(-0.87)	(-1.82)	(0.56)	(-0.24)	(-1.81)
Daycare Services Score (LSEG)	-0.025	-0.020	-0.023*	-0.020	-0.042**	-0.046***	-0.019	-0.016	-0.018	-0.043**	-0.023	-0.017	-0.024
	(-1.81)	(-1.41)	(-1.97)	(-1.48)	(-2.73)	(-3.69)	(-1.33)	(-1.16)	(-1.36)	(-3.16)	(-1.77)	(-1.24)	(-1.63)
Internal Promotion Score (LSEG)	-0.019	-0.018	-0.009	-0.015	-0.018	-0.009	0.000	0.002	-0.014	-0.024*	-0.033***	-0.010	-0.006
	(-1.73)	(-1.59)	(-1.02)	(-1.46)	(-1.46)	(-0.95)	(0.01)	(0.19)	(-1.38)	(-2.26)	(-3.35)	(-0.89)	(-0.56)
Employee Benefits Score	0.205***	0.179***	0.158***	0.219***	0.212***	0.211***	0.160***	0.178***	0.217***	0.205***	0.190***	0.204***	0.212***
	(19.28)	(16.23)	(17.35)	(21.33)	(17.95)	(21.83)	(14.77)	(16.91)	(21.31)	(19.63)	(19.39)	(19.10)	(19.09)
Pre-tax Return on Assets (%)	0.008	0.014**	0.002	0.004	0.017**	0.008	0.009	0.007	0.005	0.010*	0.000	0.015**	0.014**
	(1.58)	(2.73)	(0.53)	(0.87)	(3.22)	(1.72)	(1.90)	(1.56)	(1.03)	(2.03)	(0.02)	(3.05)	(2.71)
Return on Equity (%)	0.001	-0.001	0.001	0.001	-0.002	-0.000	-0.001	-0.001	0.002	0.000	0.002*	-0.000	-0.001
	(0.40)	(-0.56)	(0.84)	(0.42)	(-1.64)	(-0.36)	(-0.58)	(-0.91)	(1.25)	(0.03)	(2.04)	(-0.12)	(-0.66)
Total Assets ($M)	-0.000	-0.000	-0.000	-0.000*	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000	-0.000***	-0.000***	-0.000
	(-1.35)	(-1.18)	(-1.05)	(-2.15)	(-0.81)	(-1.26)	(-0.53)	(-0.51)	(-0.68)	(-0.46)	(-4.73)	(-4.84)	(-1.36)
Total Debt Outstanding ($M)	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
	(0.46)	(0.68)	(0.24)	(1.46)	(0.82)	(0.77)	(0.50)	(-0.14)	(0.36)	(0.07)	(6.03)	(2.15)	(1.47)
Sector Effects (GICS)													
Communication Services	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
	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)
Consumer Discretionary	0.068	-0.035	-0.033	0.199**	-0.055	0.092	-0.097	0.158*	0.063	0.146*	0.149*	0.403***	-0.052
	(0.95)	(-0.47)	(-0.54)	(2.85)	(-0.69)	(1.39)	(-1.32)	(2.20)	(0.90)	(2.05)	(2.23)	(5.54)	(-0.69)
Consumer Staples	-0.106	-0.347	-0.207	-0.095	-0.143	-0.123	-0.207	0.079	-0.067	-0.013	0.352*	-0.005	-0.052
	(-0.58)	(-1.84)	(-1.32)	(-0.54)	(-0.71)	(-0.74)	(-1.11)	(0.44)	(-0.38)	(-0.07)	(2.09)	(-0.03)	(-0.27)
Energy	0.092	-0.061	0.059	0.143	-0.013	0.123	-0.226*	0.141	0.024	0.165	0.143	0.148	-0.001
	(0.83)	(-0.54)	(0.62)	(1.33)	(-0.11)	(1.22)	(-2.00)	(1.28)	(0.22)	(1.52)	(1.40)	(1.33)	(-0.01)
Financials	0.138	0.186*	-0.040	0.224**	0.157	0.155*	-0.002	0.085	0.090	0.192*	0.399***	0.414***	0.202*
	(1.61)	(2.09)	(-0.55)	(2.71)	(1.65)	(1.99)	(-0.03)	(1.00)	(1.10)	(2.28)	(5.06)	(4.82)	(2.25)
Health Care	-0.115	-0.147	-0.140	0.104	-0.186	-0.009	-0.063	0.070	-0.068	0.064	0.496***	0.408***	-0.027
	(-1.09)	(-1.34)	(-1.55)	(1.02)	(-1.59)	(-0.09)	(-0.59)	(0.67)	(-0.67)	(0.62)	(5.09)	(3.85)	(-0.25)
Industrials	-0.178*	-0.279***	-0.116	-0.058	-0.287***	-0.128*	-0.264***	-0.060	-0.267***	-0.039	0.100	0.036	-0.266***
	(-2.52)	(-3.79)	(-1.90)	(-0.85)	(-3.65)	(-1.99)	(-3.66)	(-0.86)	(-3.93)	(-0.56)	(1.52)	(0.51)	(-3.58)
Information Technology	0.309***	0.305***	0.148	0.197*	0.266**	0.196*	0.112	0.200*	0.266**	0.354***	0.276***	0.492***	0.397***
	(3.41)	(3.25)	(1.90)	(2.25)	(2.64)	(2.37)	(1.22)	(2.23)	(3.07)	(3.97)	(3.30)	(5.40)	(4.18)
Materials	-0.241*	-0.344**	-0.101	0.023	-0.363**	-0.024	-0.275*	0.020	-0.095	0.164	-0.013	0.130	-0.196
	(-2.27)	(-3.13)	(-1.11)	(0.22)	(-3.08)	(-0.25)	(-2.55)	(0.19)	(-0.93)	(1.58)	(-0.14)	(1.22)	(-1.77)
Real Estate	-0.189	-0.311**	-0.172	0.087	-0.335**	-0.220*	-0.349**	-0.054	-0.145	-0.188	-0.298**	-0.560***	-0.238
	(-1.63)	(-2.58)	(-1.72)	(0.78)	(-2.60)	(-2.07)	(-2.95)	(-0.47)	(-1.31)	(-1.65)	(-2.78)	(-4.79)	(-1.96)
Constant	2.763***	2.673***	2.990***	2.496***	2.773***	2.948***	3.138***	2.794***	2.773***	2.693***	2.499***	2.513***	2.828***
	(8.87)	(8.27)	(11.16)	(8.29)	(8.02)	(10.38)	(9.90)	(9.03)	(9.29)	(8.78)	(8.69)	(8.02)	(8.66)
Model Statistics													
N	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691	1691
AIC	3221.298	3344.746	2711.708	3107.118	3577.326	2909.841	3282.987	3199.993	3078.581	3168.260	2951.755	3241.512	3382.928
BIC	3357.125	3480.573	2847.535	3242.945	3713.152	3045.668	3418.813	3335.820	3214.408	3304.087	3087.582	3377.339	3518.755

Note: 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) and include GICS sector fixed effects. Coefficients on the ESG sub-dimensions indicate the extent to which each external rating dimension aligns with corresponding aspects of employees' internal experiences. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

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**
$\mathcal{S}_{MSCI}$	-0.004		
	(-0.12)		
$\mathcal{S}_{LSEG}$		-0.071*	
		(-2.42)	
$\mathcal{S}_{Bloomberg}$			-0.031
			(-0.88)
Employee Benefits Score	0.222***	0.225***	0.224***
	(18.22)	(18.49)	(18.24)
Pre-tax Return on Assets (%)	0.001	0.003	0.001
	(0.13)	(0.62)	(0.29)
Return on Equity (%)	-0.000	-0.000	-0.000
	(-0.35)	(-0.30)	(-0.36)
Total Assets ($M)	-0.000**	-0.000**	-0.000**
	(-3.08)	(-2.69)	(-3.17)
Total Debt Outstanding ($M)	0.000**	0.000**	0.000**
	(2.97)	(3.21)	(3.04)
GICS sector			
Communication Services	0.000	0.000	0.000
	(.)	(.)	(.)
Consumer Discretionary	0.053	0.074	0.063
	(0.87)	(1.22)	(1.02)
Energy	0.141	0.146	0.147
	(1.42)	(1.51)	(1.51)
Financials	0.190*	0.158	0.211*
	(2.22)	(1.84)	(2.41)
Health Care	0.016	0.037	0.006
	(0.19)	(0.41)	(0.06)
Industrials	-0.001	0.010	0.009
	(-0.01)	(0.16)	(0.14)
Information Technology	0.370***	0.398***	0.359***
	(4.62)	(5.05)	(4.56)
Materials	0.056	0.088	0.061
	(0.57)	(0.92)	(0.64)
Real Estate	0.180	0.173	0.248
	(1.34)	(1.30)	(1.60)
Constant	2.642***	2.874***	2.685***
	(20.60)	(21.94)	(25.86)
Model Statistics			
N	801	801	801
AIC	913.013	906.168	912.116
BIC	973.930	967.084	973.033

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, 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 GICS sector and 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

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

	Dependent variable: $\mathcal{K}_{aggregatednoenv}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	-0.019		
	(-0.72)		
$\mathcal{S}_{LSEG}$		-0.063**	
		(-2.88)	
$\mathcal{S}_{Bloomberg}$			-0.056*
			(-2.09)
Employee Benefits Score	0.238***	0.240***	0.240***
	(25.33)	(25.55)	(25.38)
Pre-tax Return on Assets (%)	0.008*	0.009*	0.009*
	(2.23)	(2.50)	(2.42)
Return on Equity (%)	-0.001	-0.001	-0.001
	(-0.69)	(-0.54)	(-0.59)
Total Assets ($M)	-0.000**	-0.000**	-0.000**
	(-2.95)	(-2.77)	(-3.17)
Total Debt Outstanding ($M)	0.000**	0.000**	0.000**
	(2.76)	(3.29)	(2.89)
GICS sector			
Communication Services	0.000	0.000	0.000
	(.)	(.)	(.)
Consumer Discretionary	0.035	0.065	0.051
	(0.65)	(1.18)	(0.93)
Consumer Staples	-0.015	0.003	-0.032
	(-0.08)	(0.01)	(-0.16)
Energy	0.147	0.164*	0.157
	(1.76)	(1.97)	(1.89)
Financials	0.206**	0.200**	0.239***
	(2.90)	(2.81)	(3.31)
Health Care	0.021	0.057	0.002
	(0.25)	(0.69)	(0.03)
Industrials	-0.037	-0.013	-0.021
	(-0.67)	(-0.24)	(-0.38)
Information Technology	0.350***	0.382***	0.331***
	(4.81)	(5.24)	(4.62)
Materials	-0.109	-0.064	-0.098
	(-1.29)	(-0.76)	(-1.18)
Real Estate	0.092	0.100	0.201
	(0.92)	(1.01)	(1.76)
Constant	2.617***	2.759***	2.655***
	(25.11)	(28.98)	(33.18)
Model Statistics			
N	1616	1616	1616
AIC	2739.803	2731.407	2735.657
BIC	2815.231	2806.835	2811.085

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, 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 five reviews per month. The main independent variables are Social Pillar ratings from MSCI, LSEG , and Bloomberg, respectively. All models include GICS sector and 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Table A8: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ without observations who declared their gender

	Dependent variable: $\mathcal{K}_{aggregatednogender}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.005		
	(0.17)		
$\mathcal{S}_{LSEG}$		-0.055**	
		(-2.63)	
$\mathcal{S}_{Bloomberg}$			0.005
			(0.19)
Employee Benefits Score	0.232***	0.234***	0.232***
	(24.36)	(24.60)	(24.22)
Pre-tax Return on Assets (%)	-0.000	0.000	-0.000
	(-0.10)	(0.02)	(-0.13)
Return on Equity (%)	-0.001	-0.001	-0.001
	(-0.74)	(-0.53)	(-0.74)
Total Assets ($M)	-0.000**	-0.000**	-0.000***
	(-3.28)	(-2.86)	(-3.33)
Total Debt Outstanding ($M)	0.000**	0.000**	0.000**
	(3.11)	(3.29)	(3.18)
GICS sector			
Communication Services	0.000	0.000	0.000
	(.)	(.)	(.)
Consumer Discretionary	-0.007	0.021	-0.008
	(-0.13)	(0.39)	(-0.15)
Consumer Staples	0.025	0.037	0.025
	(0.13)	(0.19)	(0.13)
Energy	0.021	0.030	0.019
	(0.27)	(0.38)	(0.24)
Financials	0.101	0.085	0.097
	(1.42)	(1.19)	(1.35)
Health Care	-0.054	-0.022	-0.053
	(-0.68)	(-0.27)	(-0.66)
Industrials	-0.077	-0.061	-0.079
	(-1.44)	(-1.14)	(-1.48)
Information Technology	0.333***	0.375***	0.336***
	(4.65)	(5.28)	(4.82)
Materials	-0.058	-0.033	-0.061
	(-0.72)	(-0.41)	(-0.77)
Real Estate	0.127	0.141	0.119
	(1.29)	(1.45)	(1.07)
Constant	2.588***	2.782***	2.593***
	(24.62)	(29.28)	(32.25)
Model Statistics			
N	1343.000	1343.000	1343.000
AIC	1965.216	1957.696	1965.207
BIC	2038.054	2030.533	2038.045

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated monthly employee satisfaction score from Kununu, excluding from the aggregation reviews were respondents declared their gender. The main independent variables are Social Pillar ratings from MSCI, LSEG , and Bloomberg, respectively. All models include GICS sector and 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Table A9: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ by year

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	-0.049		
	(-1.25)		
$\mathcal{S}_{LSEG}$		-0.041	
		(-1.36)	
$\mathcal{S}_{Bloomberg}$			-0.017
			(-0.44)
Employee Benefits Score	0.269***	0.271***	0.269***
	(17.78)	(17.74)	(17.49)
Pre-tax Return on Assets (%)	0.007	0.008	0.007
	(1.64)	(1.68)	(1.66)
Return on Equity (%)	-0.001	-0.001	-0.001
	(-0.87)	(-0.81)	(-0.88)
Total Assets ($M)	-0.000	-0.000	-0.000
	(-0.97)	(-1.10)	(-1.31)
Total Debt Outstanding ($M)	-0.000	0.000	0.000
	(-0.15)	(0.26)	(0.14)
GICS sector			
Communication Services	0.000	0.000	0.000
	(.)	(.)	(.)
Consumer Discretionary	0.046	0.071	0.046
	(0.53)	(0.80)	(0.52)
Consumer Staples	0.097	0.120	0.095
	(0.46)	(0.57)	(0.46)
Energy	0.251*	0.271*	0.259*
	(2.05)	(2.20)	(2.10)
Financials	0.177	0.185	0.187
	(1.68)	(1.76)	(1.73)
Health Care	-0.017	0.013	-0.027
	(-0.14)	(0.11)	(-0.22)
Industrials	0.017	0.040	0.026
	(0.21)	(0.47)	(0.30)
Information Technology	0.355**	0.372**	0.341**
	(3.03)	(3.13)	(2.93)
Materials	-0.111	-0.045	-0.080
	(-0.94)	(-0.38)	(-0.68)
Real Estate	0.287*	0.290*	0.303
	(2.15)	(2.17)	(1.91)
Constant	2.499***	2.471***	2.385***
	(16.44)	(18.76)	(20.09)
Model Statistics			
N	465	465	465
AIC	629.323	629.018	630.769
BIC	687.311	687.006	688.758

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, denotes the aggregated yearly employee satisfaction score from Kununu. The main independent variables are Social Pillar ratings from MSCI, LSEG , and Bloomberg, respectively. All models include GICS sector and 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Table A10: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ by month

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.011		
	(0.38)		
$\mathcal{S}_{LSEG}$		-0.017	
		(-0.68)	
$\mathcal{S}_{Bloomberg}$			0.050
			(1.66)
Pre-tax Return on Assets (%)	0.014***	0.014***	0.014***
	(3.48)	(3.51)	(3.31)
Return on Equity (%)	-0.001	-0.001	-0.002
	(-1.21)	(-1.15)	(-1.29)
Total Assets ($M)	-0.000**	-0.000*	-0.000**
	(-2.66)	(-2.54)	(-2.63)
Total Debt Outstanding ($M)	0.000**	0.000**	0.000**
	(2.95)	(2.99)	(3.02)
GICS sector			
Communication Services	0.000	0.000	0.000
	(.)	(.)	(.)
Consumer Discretionary	0.108	0.116	0.094
	(1.75)	(1.85)	(1.51)
Consumer Staples	0.079	0.081	0.095
	(0.36)	(0.37)	(0.43)
Energy	0.275**	0.274**	0.266**
	(2.89)	(2.89)	(2.82)
Financials	0.192*	0.187*	0.163*
	(2.37)	(2.32)	(1.98)
Health Care	0.159	0.168	0.175
	(1.71)	(1.78)	(1.87)
Industrials	-0.176**	-0.174**	-0.187**
	(-2.82)	(-2.79)	(-3.02)
Information Technology	0.527***	0.544***	0.539***
	(6.41)	(6.59)	(6.66)
Materials	-0.037	-0.035	-0.044
	(-0.39)	(-0.37)	(-0.47)
Real Estate	-0.189	-0.179	-0.287*
	(-1.67)	(-1.60)	(-2.24)
Constant	3.603***	3.695***	3.540***
	(33.03)	(37.01)	(43.78)
Model Statistics			
N	1616.000	1616.000	1616.000
AIC	3155.067	3154.726	3152.257
BIC	3225.107	3224.767	3222.298

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 GICS sector and 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. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Table A11: Regressions: $\mathcal{S}_{aggr}$ vs $\mathcal{K}_{aggr}$ by month

	Dependent variable: $\mathcal{K}_{aggr}$		
	Model 1	**Model 2**	**Model 3**
$\mathcal{S}_{MSCI}$	0.039		
	(1.62)		
$\mathcal{S}_{LSEG}$		-0.095***	
		(-4.83)	
$\mathcal{S}_{Bloomberg}$			-0.049*
			(-2.29)
Employee Benefits Score	0.229***	0.237***	0.232***
	(26.64)	(27.48)	(26.98)
Pre-tax Return on Assets (%)	0.008**	0.011***	0.009**
	(2.65)	(3.32)	(2.76)
Return on Equity (%)	-0.000	-0.000	-0.000
	(-0.39)	(-0.38)	(-0.24)
Total Assets ($M)	-0.000*	-0.000	-0.000
	(-2.03)	(-1.56)	(-1.62)
Total Debt Outstanding ($M)	0.000*	0.000**	0.000
	(2.11)	(2.61)	(1.64)
Constant	2.481***	2.909***	2.695***
	(30.48)	(36.74)	(42.52)
Model Statistics			
N	1656.000	1656.000	1656.000
AIC	2747.163	2725.092	2744.384
BIC	2774.224	2752.153	2771.445

Note: This table reports firm fixed-effects panel regressions testing whether external ESG Social Pillar scores reflect employees' internal workplace perceptions. The dependent variable, $\mathcal{K}_{aggr}$, 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. T-statistics are in parentheses. Statistical significance levels are denoted as $^{*}p < 0.05$, $^{**}p < 0.01$, and $^{***}p < 0.001$.

Table A12: Portfolio Returns Sorted by Employee–ESG Misalignment 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**
Market (MKT–RF)	1.026***	0.841***	0.966***	-0.0601	0.373***	0.477***	0.695***	0.323***
	(0.136)	(0.119)	(0.0864)	(0.157)	(0.0631)	(0.0944)	(0.110)	(0.120)
Size (SMB)	0.139	-0.0858	0.407**	0.267	-0.135	-0.0806	-0.186	-0.0503
	(0.378)	(0.336)	(0.198)	(0.401)	(0.227)	(0.240)	(0.212)	(0.262)
Value (HML)	-0.125	0.844***	0.733**	0.858**	0.228	0.630**	0.288	0.0602
	(0.312)	(0.261)	(0.280)	(0.346)	(0.179)	(0.274)	(0.301)	(0.356)
Profitability (RMW)	0.195	1.135***	0.784**	0.590	-0.268	0.592	-0.0569	0.211
	(0.414)	(0.425)	(0.321)	(0.530)	(0.330)	(0.488)	(0.324)	(0.479)
Investment (CMA)	0.643	-0.817*	-0.916**	-1.559***	-0.616**	-0.968**	-0.753*	-0.138
	(0.508)	(0.477)	(0.410)	(0.557)	(0.273)	(0.437)	(0.411)	(0.438)
Alpha (Abnormal Return)	-0.0098**	-0.0092**	0.00463	0.0145**	-0.000712	-0.00440	0.00677*	0.00748*
	(0.00474)	(0.00426)	(0.00399)	(0.00601)	(0.00305)	(0.00348)	(0.00393)	(0.00441)
T	105	97	105	105	105	105	105	105

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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 A13: Portfolio Returns Sorted by Employee–ESG Misalignment using Fama-french 3-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**
Market (MKT–RF)	0.964***	0.956***	1.081***	0.116	0.429***	0.592***	0.772***	0.342***
	(0.115)	(0.102)	(0.0867)	(0.133)	(0.0685)	(0.0829)	(0.0801)	(0.0863)
Size (SMB)	0.00379	0.00926	0.529**	0.525	-0.0000183	0.0642	-0.0383	-0.0382
	(0.334)	(0.295)	(0.252)	(0.387)	(0.199)	(0.241)	(0.233)	(0.251)
Value (HML)	0.0596	0.0283	0.0175	-0.0420	0.0856	-0.0254	-0.00166	-0.0872
	(0.182)	(0.157)	(0.137)	(0.211)	(0.108)	(0.131)	(0.127)	(0.137)
Alpha (Abnormal Return)	-0.00944*	-0.00558	0.00722*	0.0167**	-0.00139	-0.00238	0.00677*	0.00816*
	(0.00552)	(0.00492)	(0.00417)	(0.00640)	(0.00330)	(0.00399)	(0.00386)	(0.00415)
T	105	97	105	105	105	105	105	105

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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 A14: Portfolio Returns Sorted by Employee–ESG Misalignment using Fama-french 3-factors & momentum

	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**
Market (MKT–RF)	0.875***	0.823***	1.028***	0.152	0.400***	0.565***	0.737***	0.338***
	(0.129)	(0.113)	(0.0978)	(0.151)	(0.0775)	(0.0940)	(0.0906)	(0.0980)
Size (SMB)	0.0362	0.0424	0.548**	0.512	0.0108	0.0742	-0.0256	-0.0364
	(0.333)	(0.287)	(0.252)	(0.389)	(0.200)	(0.243)	(0.234)	(0.253)
Value (HML)	-0.0817	-0.187	-0.0663	0.0154	0.0384	-0.0690	-0.0567	-0.0951
	(0.204)	(0.176)	(0.155)	(0.239)	(0.123)	(0.149)	(0.144)	(0.155)
Momentum (MOM)	-0.321	-0.472**	-0.191	0.131	-0.107	-0.0991	-0.125	-0.0178
	(0.216)	(0.189)	(0.164)	(0.253)	(0.130)	(0.158)	(0.152)	(0.164)
Alpha (Abnormal Return)	-0.00690	-0.00195	0.00873**	0.0156**	-0.000542	-0.00160	0.00776*	0.00830*
	(0.00575)	(0.00500)	(0.00436)	(0.00672)	(0.00346)	(0.00419)	(0.00404)	(0.00437)
T	105	97	105	105	105	105	105	105

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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%). T-statistics are in parentheses. OLS standard errors are denoted as $^{*}p < 0.10$, $^{**}p < 0.05$, and $^{***}p < 0.01$.

Table A15: Portfolio Returns Sorted by Employee–ESG Misalignment using Fama-french 5-factors and absolute standard deviations as misalignment 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**
Market (MKT–RF)	0.934***	0.803***	1.029***	0.0955	0.373***	0.467***	0.723***	0.349***
	(0.134)	(0.120)	(0.0965)	(0.159)	(0.0811)	(0.0982)	(0.0940)	(0.114)
Size (SMB)	0.285	-0.0659	0.393	0.109	-0.189	-0.136	-0.200	-0.0103
	(0.360)	(0.312)	(0.260)	(0.429)	(0.218)	(0.264)	(0.253)	(0.306)
Value (HML)	-0.310	0.942**	0.540*	0.850*	0.173	0.614**	0.208	0.0355
	(0.409)	(0.362)	(0.295)	(0.488)	(0.248)	(0.301)	(0.288)	(0.349)
Profitability (RMW)	0.0921	1.099**	0.651	0.558	-0.209	0.409	0.0801	0.289
	(0.563)	(0.498)	(0.406)	(0.671)	(0.341)	(0.413)	(0.395)	(0.479)
Investment (CMA)	0.811	-0.865	-0.703	-1.514**	-0.534	-0.956**	-0.658	-0.124
	(0.621)	(0.551)	(0.448)	(0.740)	(0.377)	(0.456)	(0.436)	(0.529)
Alpha (Abnormal Return)	-0.0103*	-0.00851*	0.00377	0.0141**	-0.00136	-0.00348	0.00466	0.00602
	(0.00576)	(0.00511)	(0.00416)	(0.00686)	(0.00349)	(0.00423)	(0.00405)	(0.00490)
T	106	97	106	106	106	106	106	106

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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 A16: Portfolio Returns Sorted by Employee–ESG Misalignment Using Fama–French Five-Factor Model and Logit-Transformed Dispersion 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**
Market (MKT–RF)	0.963***	0.732***	0.980***	0.0164	0.442***	0.464***	0.645***	0.203*
	(0.130)	(0.102)	(0.0986)	(0.151)	(0.0915)	(0.0811)	(0.0802)	(0.106)
Size (SMB)	0.109	0.237	0.0679	-0.0415	-0.243	-0.0921	0.0512	0.294
	(0.345)	(0.262)	(0.262)	(0.403)	(0.243)	(0.216)	(0.213)	(0.283)
Value (HML)	-0.0570	0.913***	0.685**	0.742	0.0788	0.256	0.517**	0.438
	(0.402)	(0.312)	(0.306)	(0.470)	(0.284)	(0.252)	(0.249)	(0.330)
Profitability (RMW)	0.272	0.917**	0.979**	0.707	-0.324	0.0995	0.630*	0.954**
	(0.554)	(0.432)	(0.421)	(0.646)	(0.391)	(0.346)	(0.343)	(0.455)
Investment (CMA)	0.379	-0.961**	-0.939**	-1.317*	-0.618	-0.715*	-0.601	0.0166
	(0.612)	(0.472)	(0.465)	(0.714)	(0.432)	(0.383)	(0.379)	(0.503)
Alpha (Abnormal Return)	-0.00920	-0.00646	0.00185	0.0110*	0.000403	-0.00275	-0.0000331	-0.000436
	(0.00557)	(0.00438)	(0.00424)	(0.00650)	(0.00393)	(0.00349)	(0.00345)	(0.00458)
T	108	94	108	108	108	108	108	108

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment between employee satisfaction ($\mathcal{K}_{aggr}$) and the Social Pillar score ($\mathcal{S}_{aggr}$), calculated as the *standard deviation of logit-transformed* employee ratings and ESG Social scores across the three 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 Misalignment 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**
Market (MKT–RF)	1.028***	0.787***	0.978***	-0.0501	0.434***	0.404***	0.687***	0.253**
	(0.132)	(0.123)	(0.0996)	(0.151)	(0.0888)	(0.0914)	(0.0859)	(0.103)
Size (SMB)	-0.0263	-0.0555	0.330	0.357	-0.230	-0.134	0.00685	0.237
	(0.355)	(0.321)	(0.267)	(0.405)	(0.238)	(0.245)	(0.230)	(0.276)
Value (HML)	-0.300	0.746**	0.612**	0.913*	-0.0471	0.541*	0.409	0.456
	(0.410)	(0.374)	(0.308)	(0.468)	(0.275)	(0.283)	(0.266)	(0.318)
Profitability (RMW)	-0.0273	0.665	0.459	0.487	-0.311	0.201	0.186	0.498
	(0.561)	(0.506)	(0.421)	(0.639)	(0.376)	(0.387)	(0.363)	(0.435)
Investment (CMA)	0.700	-0.905	-0.677	-1.377*	-0.259	-0.957**	-0.677*	-0.418
	(0.628)	(0.571)	(0.472)	(0.716)	(0.421)	(0.433)	(0.407)	(0.488)
Alpha (Abnormal Return)	-0.00354	-0.00582	0.00743*	0.0110*	0.0000896	-0.00248	0.00573	0.00564
	(0.00571)	(0.00519)	(0.00429)	(0.00651)	(0.00383)	(0.00394)	(0.00370)	(0.00443)
T	107	96	107	107	107	107	107	107

Note: Firms are sorted each month into three portfolios (terciles) based on the degree of misalignment 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 misalignment 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 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 $^{***}p < 0.01$.