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Does Politics Influence Environmental, Social, and Governance Disclosure? Empirical Evidence From US Listed Firms

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ABSTRACT

This study investigates the relations among firm political ideology, state political ideology, and environmental, social, and governance (ESG) disclosure. It is the first study to simultaneously explore both individual- and state-level influences on ESG disclosure. Using panel regression models on a sample of firms in the United States of America from 2013 to 2020, the study finds that liberal ideology is associated with higher ESG disclosure. This behavior is driven by the desire to meet stakeholder expectations and operate in a supportive environment for addressing social and environmental issues. These findings remain consistent across various tests, demonstrating their robustness and reliability. The study contributes to the literature on informal political determinants of ESG disclosure, being potentially helpful for policymakers in developing more impactful regulations and recommendations to incentivize ESG disclosure. The findings may also assist firms in aligning their sustainability reporting with political contexts and stakeholder needs.

JEL Classification: M14, M41

1 | Introduction

The academic debate has been growing recently about the relation between political ideologies and environmental, social, and governance (ESG) disclosure (McCarthy 2018; Seymour 2022). Recent news in the business field also focuses on the matter, with the decision of British Petroleum to significantly reduce its green investments just a few days after the start of Trump's second term showing the impact of political ideology on corporate behavior (Kumar 2025). The concept of political ideology refers to people's beliefs about how society should be structured and tends to be longitudinally stable (Jost, Federico, et al. 2009). This form of ideology can influence corporate behavior through many mechanisms, one of which is employees with similar political beliefs tending to associate and create groups that foster

a sense of belonging and identity. This can lead to the clustering of like-minded individuals within firms (Beyer 1981; Chin et al. 2013; Gupta et al. 2017). Furthermore, previous studies show that “employees and executives do not leave politics at home when at work, but rather let their values guide their actions and decision making within the organization they work for” (Bayat and Goergen 2025, 3).

Although there is a wealth of research on the impact of political orientation on ESG performance (Chin et al. 2013; Di Giuli and Kostovetsky 2014; Gupta et al. 2017), few studies examine its impact on ESG disclosure. This differentiation is significant because it is possible for firms to have low ESG performance but high levels of ESG disclosure, and vice versa. Accordingly, this study investigates the impact of political

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ideologies on the ESG disclosure of American firms, considering both firms' and states' political ideology. Firm political ideology is measured by analyzing firm employees' donations to political parties. State political ideology is determined by the political affiliation (Democratic or Republican) of the senators from the given state.

Given that ideological polarization is historically embedded in its political system, the United States is a particularly suitable setting for the analysis: the "liberal-conservative" scheme divides not only party competition, but also citizens' values and institutional behavior (Waytz et al. 2019). Liberals, usually associated with the Democratic Party, typically emphasize environmental protection, social equity, and regulatory intervention, whereas conservatives, often aligned with the Republican Party, generally prioritize market freedom, limited government, and traditional social values (Jost, Glaser, et al. 2003; Carney et al. 2008; Gupta and Wowak 2017).

The novelty of our study stems mainly from its focus on ESG disclosure instead of ESG performance. Importantly, the few studies that have delved into the matter of ESG disclosure mainly examine how top management's political beliefs affect such disclosure, neglecting the impact of individual stakeholders such as employees and citizens. Additionally, there is a lack of studies on this topic in the United States of America despite its position as the world's leading capital market and the opportune availability of detailed data on employee donations to political parties. Furthermore, the small number of studies in this field has generally shown ambiguous findings. Some studies highlight that firms with a predominantly conservative culture are more likely to be involved in environmental litigation and lawsuits (Hutton et al. 2014, 2015). This suggests that conservative firms may use ESG disclosure tools for legitimation to protect themselves from the associated risks. However, research acknowledges that liberals are generally more interested in environmental and social issues than conservatives (Jost 2006; Pontusson and Rueda 2010; Potrafke 2011; de Andres et al. 2023). This finding implies that liberal firms are expected to disclose more ESG information.

Regardless of the ambiguity of the abovementioned evidence, it still shows that the political environment in which a firm operates plays a significant role in shaping corporate practices. States with a liberal ideology, for example, tend to favor policies that promote corporate responsibility for environmental and social issues, creating a context that incentivizes firms to improve their ESG disclosure practices. By contrast, states with a conservative political orientation may place less emphasis on these aspects. Thus, firms located in liberal states are more likely to have stakeholders more interested in ESG issues and provide a conducive environment for ESG disclosure (Di Giuli and Kostovetsky 2014). That is, the political ideology of the state in which a firm is headquartered moderates the relation between firm political ideology and ESG disclosure.

Our empirical analysis shows that both the political ideology of a firm and that of the state in which firms are headquartered influence ESG disclosure. A firm's liberal ideology is shown to be associated with increased ESG disclosure because of the higher interest of liberals in environmental and social issues.

Furthermore, liberal firms show higher levels of ESG disclosure in liberal than in conservative states: This is because firms aim to meet the expectations of their liberal stakeholders and operate in an environment conducive to addressing social and environmental issues.

This study makes several significant contributions to the existing literature. First, to the best of our knowledge, this is the first study to analyze the impact of both firm and state political ideology on ESG disclosure. This level of detail in examinations of political ideology's effects is lacking in the literature (Muttakin, Chatterjee, et al. 2022), as past studies do not differentiate between political ideologies. Therefore, this research not only enhances our understanding of how individual political commitment can promote transparency and corporate responsibility disclosure but also provides a more nuanced perspective of the influence of different political ideologies. In doing so, this study expands on the knowledge regarding ESG disclosure (Seow 2024), helping with the identification of the contexts in which ESG disclosure is most likely to occur.

Second, the use of individual political donations as a proxy for political ideology, rather than the more usual corporate donations applied in past studies, provides a more accurate assessment of political leanings within corporations through reflecting firm members' personal beliefs. Indeed, individuals' donations are a better measure of their political ideologies because they tend to contribute to candidates who share similar ideological positions, not based on strategic corporate behaviors (Barber 2016; Barber et al. 2017). This deeper understanding of the informal political determinants that influence ESG disclosure can also be useful for policymakers in developing more effective regulations and guidelines to encourage firms toward transparent ESG practice reporting—ultimately leading to sustainable outcomes. From the perspective of the usefulness of this study for firms, they can utilize the evidence to better align their sustainability reports with their headquarters' political contexts, ensuring that they meet both regulatory expectations and stakeholder demands. By analyzing how state political ideology influences ESG disclosure, we produce a more in-depth understanding of stakeholders' varying demands depending on the political orientation of their respective states.

Pertaining to the structure of the rest of the manuscript, Section 2 expounds upon the political ideology–corporate behavior relation. Section 3 reviews the relevant literature and formulates the research hypotheses. Section 4 describes the research design and methods, including sample, measures, and regression model. Section 5 presents the empirical results, and Section 6 concludes the paper.

2 | Political Ideology and Firm Behavior

Political ideology is a complicated concept. A commonly accepted definition describes political ideology as a set of beliefs about the functions of society and the ways to reach them (Erikson and Tedin 2019). This definition highlights the fact that political ideology is not merely an abstract idea, but rather deeply personal and reflective of individuals' views of an ideal society.

Importantly, political ideology encompasses both an individual and collective dimension, serving to describe a common set of mental models within groups. This set of ideas helps people understand their environment and offers guidance on societal organization (Denzau and North 1994; Jost, Federico, et al. 2009). Researchers describe that ideologies solidify and communicate widely held beliefs, viewpoints, and values of specific groups, classes, demographics, and cultures (Jost, Federico, et al. 2009). Worthy of note is that different ideologies embody collectively held yet conflicting philosophies regarding existence, society, and governance (Jost 2006).

Within the US political landscape, the “liberal-conservative” scheme is frequently used to describe how policy preferences and public discourse are shaped. As Jost, Federico, et al. (2009) note, liberal ideologies are generally oriented toward change, social inclusion, and environmental progressivism, whereas conservative ideologies tend to value stability, hierarchy, and individual responsibility. Consequently, this ideological structure influences how firms interpret their role within society and communicate nonfinancial information.

Although firms tend not to possess an explicit political ideology, they comprise individuals that do. These individuals often choose to join or leave an organization based on the organizational values (Schneider 1987; Gupta et al. 2017). Consequently, organizations tend to undergo a process of homogenization over time, aligning more closely with members' prevailing ideologies. Political ideologies hence impact organizations, as individuals bring their beliefs and values to the workplace and tend to cluster with like-minded peers (Beyer 1981). These descriptions show that the collective dimension of political ideology can significantly influence firm behavior.

The academic literature examines how firm members' ideologies influence firm operations and strategies. These studies demonstrate that the complex interaction between ideological dimensions and external factors shapes organizational practices, for instance, hiring (Simons and Ingram 1997), competitive strategy (Barnett and Woywode 2004), risk propensity (Hutton et al. 2014), corporate social responsibility (CSR) initiatives (Chin et al. 2013; Gupta et al. 2017; DesJardine et al. 2024), and openness to social activism (Gupta and Briscoe 2020).

3 | Literature Review and Hypotheses Development

Previous literature can be articulated into two main streams: the largest, investigating the relation between political ideology and ESG performance and the most recent, investigating the possible links between political ideology and ESG disclosure. This differentiation is significant because it is possible for firms to have low ESG performance but high levels of ESG disclosure, and vice versa. Our study is grounded in the second stream of literature, but an overview of the first stream is also needed to better understand the academic landscape in which this study is included.

Examining the existing quantitative and qualitative literature on the impact of political ideology on ESG performance,

Chin et al. (2013) observe that liberal CEOs prioritize social initiatives over financial performance (even in cases of poor financial results), while conservative CEOs tend to prioritize economic performance. Di Giuli and Kostovetsky (2014) observe that firms headquartered in Democratic states and led by Democratic-leaning CEOs, directors, and founders tend to invest more in social issues and receive higher ESG ratings than Republican-leaning firms. Gupta et al. (2017) further suggest that CEO preferences and firm members' political orientation can predict social engagement, with firms being more involved in ESG performance when most firm members hold liberal views. More recently, Muttakin, Mihret, et al. (2021) found that corporate political donations are associated with higher greenhouse gas emission intensity, indicating that firms may leverage these donations to mitigate regulatory constraints. Gur and Tomashevskiy (2024) use a qualitative approach to highlight the impact of political ideology on firms' willingness to publicly address controversial political issues, observing that liberal firms tend to prioritize social issues over environmental ones. Additionally, Kim (2024) pinpoints that firms with liberal CEOs outperform those with conservative CEOs in terms of environmental performance and that liberal CEOs are more likely to emphasize environmental strengths and effectively address related concerns. This first stream of literature shows that the liberal ideology of the upper echelons of management is mainly associated with higher ESG performance.

Despite this important stream of literature on the relation between political ideology and ESG performance, investigations into the relation of political ideology with ESG disclosure remain scant. Griffin and Sun (2013) explore the relation between political interest and disclosure intensity for 2010 and 2011, highlighting a significant correlation between donations to political parties and investors' reactions to social news. Muttakin, Chatterjee, et al. (2022) analyze the impact of corporate political donations (without distinguishing between different political parties) on social information quality in Australian-listed firms, uncovering a negative relation between corporate donation level and nonfinancial information quality. These few studies link political interests to disclosure, but do not explicitly investigate the relation between political ideology (liberal versus conservative) and ESG disclosure.

Importantly, there is a greater quantity of studies on ESG disclosure determinants that are connected at some level to political ideology. For example, some studies show that regulatory pressures significantly influence and drive ESG disclosure levels (Krueger, Sautner, Tang, et al. 2024; Bolognesi et al. 2025), and so do investor preferences (Kräussl et al. 2024; Lopez-de-Silanes et al. 2024). These findings imply a relation between political ideology and ESG disclosure strategies. Moreover, previous studies theoretically emphasize the critical role of positive societal perceptions in firm sustainability (Suchman 1995), entailing that companies must align their operations with prevailing social norms (Bicchieri 2006)—particularly those related to ESG issues. Firms frequently use ESG reports as a strategic communication tool to enhance their reputation and communicate their commitment to these norms (Dowling and Pfeffer 1975; Palazzo and Scherer 2006). Additionally, while we mention above some studies depicting that liberal-learning firms exhibit higher levels of ESG disclosure, there are other studies demonstrating that

companies with a predominantly conservative culture are more likely to be involved in environmental litigation and lawsuits (Hutton et al. 2014, 2015). A possible interpretation of the latter finding is that conservative firms use disclosure tools for legitimation and to protect themselves from the associated risks.

In summary, the studies above showcase that political ideology plays a significant role in shaping corporate values and priorities, impacts firm decision-making processes and communications, and that liberal firms tend to show greater sensitivity toward environmental and social issues. Accordingly, we propose Hypothesis 1 (H1).

H1. *Firm liberal ideology is associated with increased ESG disclosure.*

Firms' decisions regarding ESG disclosure and performance are influenced by their institutional contexts (Risi et al. 2023; Singhania and Saini 2023; Heubeck and Ahrens 2025), and organizations are affected by societal frameworks that include both public and private regulations (DiMaggio and Powell 1983; Campbell 2007). Additionally, there is evidence outlining that political ideology influences ESG-related rules and regulations. Liberal contexts are generally more supportive (vs. conservative contexts) of policies that address social inequality and promote environmental protection (Pontusson and Rueda 2010; Potrafke 2011; de Andres et al. 2023). These delineations allow the inference that stakeholders (e.g., firms) in liberal contexts (vs. conservative contexts) exhibit greater interest in ESG disclosure as the political climate likely encourages ESG transparency. Conservative contexts possibly associate with opposite outcomes, as companies face institutional environments that are likely less conducive to ESG disclosure.

Stakeholder theory suggests that firms engage in ESG disclosure to meet their stakeholders' expectations and demands (Herold et al. 2019). Following this theory and the evidence earlier in this paper, we can suggest that firms in liberal states are more likely to have a higher level of ESG disclosure than their counterparts in conservative states. Social movement theory reinforces this perspective, viewing ESG disclosure as a response to societal pressure on firms to adhere to standard reporting practices (Islam and Van Staden 2018). Importantly, the expositions thus far show that ESG disclosure may be influenced by both the firm's internal political ideology and the institutional context's political ideology; because these two (i.e., firm and state political ideology) can diverge, we must grasp how they interact and what their combined effect is on corporate ESG disclosure.

In sum, the studies cited above demonstrate that firms' decisions about ESG disclosure are influenced by the political ideology in their institutional contexts and the firm's internal political ideology, that ESG-related decisions are made by firms mainly for stakeholder engagement reasons, and that conservative contexts (vs. liberal contexts) are less supportive of policies that address social inequality and promote environmental protection. We therefore propose hypothesis H2.

H2. *Firms with a liberal ideology and with their headquarters in conservative states tend to disclose less ESG information than those with their headquarters in liberal states.*

4 | Research Design

4.1 | Sample

This study considers a sample of US firms listed on the S&P 1500—a combination of the S&P 500 (containing large caps), S&P 400 (mid-cap), and S&P 600 (small-cap)—in October 2021. In total, the S&P 1500 contains about 90% of the market capitalization of the US stock market from all sectors, giving us a complete representation of the American economy without bias toward firms of a particular size or sector. Furthermore, the US context represents a unique setting because of the availability of data related to donations to political parties, a type of information typically not available in other countries.

The study period is from 2013 to 2020. There are various reasons for the choice of this period. First, it is a long period that covers the entire presidencies of Barack Obama (second term) and Donald Trump (first term), two presidents with very different visions of environmental and social issues. Second, it allows us to analyze a period equally divided between Democratic administration years (2013–2016) and Republican administration years (2017–2020), thus avoiding potential bias due to an unbalanced sample toward one party or the other. Third, this period is characterized by relevant regulatory developments and market dynamics related to ESG disclosure. Specifically, there is the Security and Exchange Commission (SEC) “Commission Guidance Regarding Disclosure Related to Climate Change” in 2010, and the period after 2013 is marked by an increasing focus on environmental issues by regulators and institutional investors. Market pressures have incentivized greater attention being placed on ESG sustainability issues, leading to a sharp increase in awareness of ESG-related issues and investments (Krueger, Sautner, and Starks 2020).

Regarding data sources, firm political ideology data stem from the Center for Responsive Politics (www.opensecrets.org) and the US Federal Election Commission (also known as FEC); state political ideology data are from the Senate of the United States of America; ESG data are from Bloomberg; and financial and governance data are from Thomson Reuters Refinitiv.

Table 1 shows the sampling process, starting from the constituent list of the S&P 1500. Our final sample includes 760 firms and 4715 firm-year observations. The number of firm-year observations is more than eight times the number of firms because we use an unbalanced panel; specifically, when a data item is missing for a given year, the observation is deleted from the database, but we do not delete the firm from the database. This leads to unequal numbers of observations and firms.

Consistent with data collected by the Center for Responsive Politics, the number of firms in the sample with data on employee donations to parties, candidates, and political action committees (PACs) increases over time.

Table 2 shows the sample distribution by industry (Panel A) and state (Panel B). We use the Industry Classification Benchmark (ICB) code to classify firms in the sample by industry. The most represented industries are Consumer Discretionary (ICB Industry Code 40), followed by Industrials (ICB Industry

TABLE 1 | Sample construction.

Panel A									
	Number of firms					Number of observations			
S&P 1500	1500					12,000			
Lack of political donations data	(–) 565					(–) 5065			
Gross database	935					6935			
Lack of financial data	(–) 107					(–) 1747			
Lack of corporate governance data	(–) 68					(–) 473			
Final database	760					4.715			
Panel B									
	2013	2014	2015	2016	2017	2018	2019	2020	Total
S&P1500	1500	1500	1500	1500	1500	1500	1500	1500	12,000
Lack of political donations data	–717	–716	–622	–622	–616	–616	–578	–578	–5065
Gross database	783	784	878	878	884	884	922	922	6935
Lack of financial data	–330	–315	–315	–170	–176	–130	–175	–136	–1747
Lack of corporate governance data	–9	–23	–112	–156	–27	–62	–25	–59	–473
Final database	444	446	451	552	681	692	722	727	4715

Note: The table contains information on sample construction. Panel A normalizes the sample selection process, showing the total number of firms investigated, the number of observations, and how these numbers were obtained. Panel B breaks down the sample by showing the number of observations for each year.

Code 50) and Financials (ICB Industry Code 30). Moreover, most observations come from firms based in economically-developed states such as California, Texas, and New York. The majority of the most represented states are traditionally democratic, suggesting that most of the sample belongs to these states. This pattern likely reflects the fact that many firms in the S&P 1500 are headquartered in large coastal states, such as California and New York, where Democrats consistently hold both Senate seats.

4.2 | Independent Variables: Political Ideology Measures

We assess political ideology using the “liberal-conservative” scheme, which has been previously adopted to divide American political parties (Jost 2006; Jost, Federico, et al. 2009). Political ideology is measured at the two different levels of the firm and the state.

4.2.1 | Firm Political Ideology

Firm political ideology (*Firm_Id*) refers to the political orientation of individuals within a firm, including the political beliefs of top executives, board members, and other employees. To determine *Firm_Id*, we gather the donations made to candidates or PACs, for each electoral cycle, by individuals within the firm from the Center for Responsive Politics and the US Federal Election Commission. We then sum these donations with those made in the previous electoral cycle. The measure of firm political ideology is based on donations over a long period (4 years) in order to ensure its stability and reliability.

We use donations as a proxy for political ideology because they can manifest through various behaviors, including contributing to political campaigns (Cook et al. 2014). For each firm, we calculate the difference between donations to candidates, parties, and PACs related to the Democratic Party and those related to the Republican Party. To avoid possible biases related to the use of an absolute value, we gather the number of employees of each company from Thomson Reuters Refinitiv and divide the difference between donations to candidates, parties, and PACs related to the two major parties for the number employees, hence obtaining the average donation per employee. Finally, we standardize this value to obtain *Firm_Id*.

We gather only donations made by individuals, excluding those made by firms' PACs, as the former provides a better measure of individuals' political ideologies and does not reflect possible corporate strategic behavior (Barber 2016; Barber et al. 2017; Stuckatz 2022). Indeed, individuals donate more to candidates with whom they share similar ideological positions, such that they tend to donate to more ideologically extreme candidates (Barber 2016). By contrast, PACs typically focus on gaining access to legislators to influence policymaking (Ansolabehere et al. 2003; Stuckatz 2022), leading to greater support for more moderate candidates (Barber et al. 2017). In addition, many PAC donations tend to be bipartisan and there tends to be little variability within the PAC of the same firm (Ansolabehere et al. 2003; Thieme 2020), with the two parties (Democratic and Republican) tending to share PAC donations roughly equally.

We hold that the use of individual political donations represents a significant improvement over previous proxies of

TABLE 2 | Sample distribution by industry (panel A) and state (panel B).

Panel A			
Industry	Freq.	%	Cumulative %
Basic materials	215	4.56%	4.56%
Consumer discretionary	914	19.39%	23.95%
Consumer staples	264	5.60%	29.55%
Energy	186	3.94%	33.49%
Financials	674	14.30%	47.79%
Health care	460	9.76%	57.55%
Industrials	892	18.92%	76.47%
Real estate	251	5.32%	81.79%
Technology	450	9.54%	91.33%
Telecommunications	117	2.48%	93.81%
Utilities	292	6.19%	100.00%
Total	4715	100.00%	100.00%
Panel B			
State	Freq.	%	Cumulative %
Alabama	13	0.28%	0.28%
Arizona	80	1.70%	1.97%
Arkansas	38	0.81%	2.78%
California	629	13.34%	16.12%
Colorado	74	1.57%	17.69%
Connecticut	115	2.44%	20.13%
Delaware	20	0.42%	20.55%
Florida	184	3.90%	24.45%
Georgia	152	3.22%	27.68%
Hawaii	21	0.45%	28.12%
Idaho	13	0.28%	28.40%
Illinois	317	6.72%	35.12%
Indiana	70	1.48%	36.61%
Iowa	11	0.23%	36.84%
Kansas	2	0.04%	36.88%
Kentucky	26	0.55%	37.43%
Louisiana	21	0.45%	37.88%
Maine	8	0.17%	38.05%
Maryland	82	1.74%	39.79%
Massachusetts	198	4.20%	43.99%
Michigan	91	1.93%	45.92%
Minnesota	147	3.12%	49.03%

(Continues)

TABLE 2 | (Continued)

Panel B			
State	Freq.	%	Cumulative %
Mississippi	22	0.47%	49.50%
Missouri	70	1.48%	50.99%
Montana	2	0.04%	51.03%
Nebraska	21	0.45%	51.47%
Nevada	43	0.91%	52.39%
New Hampshire	5	0.11%	52.49%
New Jersey	122	2.59%	55.08%
New York	423	8.97%	64.05%
North Carolina	118	2.50%	66.55%
North Dakota	8	0.17%	66.72%
Ohio	260	5.51%	72.24%
Oklahoma	28	0.59%	72.83%
Oregon	19	0.40%	73.23%
Pennsylvania	251	5.32%	78.56%
Rhode Island	36	0.76%	79.32%
South Carolina	15	0.32%	79.64%
South Dakota	3	0.06%	79.70%
Tennessee	100	2.12%	81.82%
Texas	450	9.54%	91.37%
Utah	31	0.66%	92.03%
Virginia	167	3.54%	95.57%
Washington	139	2.95%	98.52%
Wisconsin	70	1.48%	100.00%
Total	4715	100.00%	100.00%

Note: The table shows the distribution of the sample according to different criteria. Panel A shows the breakdown by industry using ICB classification and Panel B shows the distribution by state in which the company is based.

firm political ideology (e.g., lobbying expenditures or membership in trade associations). Financial donations to candidates, parties, and PACs reliably reflect individual and organizational political preferences and are strongly associated with policy outcomes and business decisions (Bonica 2019).

4.2.2 | State Political Ideology

State political ideology (*State_Id*) refers to the overall political climate of the state where the firm's headquarters is located. We use the orientation of the senators representing the state in the US Senate as the measure. Each American state is represented by two members, regardless of the population; senators stay in their offices for 6 years, but terms are distributed over time by a system of classes, such that elections to renew one-third of the Senate occur every 2 years. In addition, the entire

electoral body of the state elects each senator; therefore, these elections represent the political orientation of the people in a state.

We collect publicly available information on the senators for each state during the research period, assigning 1 to senators elected for the Democratic Party (liberal ideology) and 0 to those elected for the Republican Party (conservative ideology). We then sum the values for the two senators and generate the dummy variable *State_Id* (1 if both state senators are Democratic; 0 otherwise). This dichotomization is adopted for two main reasons. First, the presence of two Democratic senators strongly signals a consistently liberal political environment, reducing ambiguity compared to mixed representation, which could dilute ideological influence. Second, a binary measure simplifies the interpretation and facilitates the analysis of the interaction effects between firm and state political ideology, the latter being central to our hypotheses. Although this approach may oversimplify political diversity, it ensures a clear and theoretically consistent distinction between states with homogeneous liberal contexts and all other cases.

4.3 | Dependent Variables: ESG Disclosure Measures

Various ESG disclosure measures are used as dependent variables. The use of ESG disclosure measures instead of ESG performance measures represents an important novelty of this work. First, we measure our main dependent variable (*Esg_Disc*) using Bloomberg's ESG disclosure score, which is a disclosure metric. Meanwhile, the Thomson Reuters Refinitiv and Kinder, Lydenberg and Domini (also known as KLD) measures ESG performance or CSR rating. Additionally, the Bloomberg ESG disclosure score is tailored to each industrial sector (Baldini et al. 2018).

Second, the single social and environmental components of Bloomberg's ESG disclosure score are also used as dependent variables, as follows: environmental disclosure (*Env_Disc*), assessed by the Bloomberg ENV disclosure score; social disclosure (*Soc_Disc*), assessed by the Bloomberg SOC disclosure score.

Third, the combined level of environmental and social disclosure (*Envsoc_Disc*; it does not include the governance dimension) is used as a dependent variable, calculated as the average of *Env_Disc* and *Soc_Disc*. The governance dimension is excluded for conceptual and methodological reasons. Regarding conceptual reasons, governance disclosure often focuses on internal corporate structure (e.g., board composition, shareholder rights, and compliance systems), hence diverging significantly from the outward-oriented impacts of environmental and social disclosures. Regarding methodological reasons, discrepancies in data availability and comparability across ESG dimensions can influence the reliability of the aggregated ESG scores (Sahin et al. 2022). To mitigate this reliability issue and ensure that the focus remains on environmental and social disclosure, the governance dimension is excluded from the analyses.

4.4 | Control Variables

Based on prior literature (Baldini et al. 2018), and with the goal of testing the relevance of our independent variables, we include the following firm-specific control variables in our models: *Coverage*, *Leverage*, *Size*, *ROA*, *MTB*, and *Growth*. *Coverage* is the number of financial analysts following the firm in year *t*, *Leverage* is calculated using the total debt to total assets ratio, *Size* is measured by the natural logarithm of the firm's total assets, *ROA* is the firm's return on assets in year *t*, *MTB* represents the firm's market-to-book ratio, and *Growth* is the firm's sales growth rate from year *t*-1 to year *t*. Our model also includes the firm's ESG performance, measured by the two variables of *Controversies* and *Lag_ESGPerf*, taken from Refinitiv. A detailed description of all variables and data sources is provided in the Appendix.

Finally, to address the impact of corporate governance structure on ESG disclosure, we include gender diversity in the board of directors (*Board_Gender*), the presence of a CSR committee within the firm (*Csrcommittee*), and board size (*Board_Size*). The Appendix provides further information on data sources and the calculation of the variables.

4.5 | Empirical Model

We employed a fixed-effects panel regression model with robust standard errors to investigate the relation between political ideology and ESG disclosure. The specification of the model is as follows:

$$DISC_{i,t} = \alpha_i + \lambda_t + \beta_1 Firm_Id_{i,t} + \beta_2 State_Id_{i,t} + \beta_3 (Firm_Id_{i,t} * State_Id_{i,t}) + \gamma_4 X_{i,t} + \epsilon_{i,t} \quad (1)$$

where α_i denotes firm-specific fixed effects; λ_t represents year fixed effects to control for time-specific factors; *Firm_Id_{i,t}* is firm political ideology; *State_Id_{i,t}* is state political ideology; (*Firm_Id_{i,t}* * *State_Id_{i,t}*) is the interaction between the two political ideology variables; and *X_{i,t}* represents a vector of the control variables. The variables are winsorized at the 1st and 99th percentiles to reduce the effect of outliers. The same model is applied multiple times to different dependent variables to thoroughly assess the robustness of the findings.

5 | Results

5.1 | Descriptive Statistics

Table 3 provides an overview of the dependent and independent variables, calculated by year (Panel A), industry (Panel B), and state political ideology (Panel C). For *Firm_Id_{i,t}*, a positive value indicates a stronger firm liberal ideology, whereas a negative value reflects a more conservative stance. Over the entire period (Panel A), the average value of *Firm_Id_{i,t}* is 0.008, which suggests an overall preference for the Republican Party. However, there is a clear shift over time (from -0.058 in 2013 to 0.024 in 2020), indicating a growing inclination toward Democratic support. Meanwhile, the average ESG disclosure score is 44.658, showing a steady upward trend: In 2013, the lowest recorded score was 39.956, which rose to 49.447 by 2020, showing an

TABLE 3 | Means of the main variables per year (panel A), industry (panel B), and state political orientation (panel C).

Panel A					
Year	Firm_Id	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
2013	-0.058	39.956	17.767	17.159	17.463
2014	-0.050	40.786	19.155	18.128	18.642
2015	-0.030	44.121	23.698	21.207	22.452
2016	-0.017	43.248	21.467	20.92	21.193
2017	0.000	43.535	21.555	21.412	21.484
2018	0.004	45.133	24.007	23.387	23.697
2019	0.020	47.137	27.36	25.703	26.531
2020	0.024	49.447	31.028	28.482	29.755
Total	-0.008	44.658	23.875	22.661	23.268
Panel B					
Industry	Firm_Id	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Basic materials	0.028	51.57	36.92	29.22	33.07
Consumer discretionary	0.078	41.917	19.975	19.175	19.575
Consumer staples	0.025	52.025	37.369	29.822	33.596
Energy	-0.166	51.814	32.557	34.019	33.288
Financials	-0.103	39.335	12.71	17.697	15.204
Health care	0.088	43.659	21.751	22.309	22.03
Industrials	0.041	43.33	21.703	21.214	21.458
Real estate	0.011	44.347	23.701	21.443	22.572
Technology	0.133	45.888	27.999	22.707	25.353
Telecommunications	0.186	46.149	25.46	24.574	25.017
Utilities	-0.623	52.62	37.662	31.668	34.665
Total	-0.008	44.658	23.875	22.661	23.268
Panel C					
State_Id	Firm_Id	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
0	-0.096	43.833	22.315	22.045	22.180
1	0.076	45.437	25.349	23.242	24.295
Total	-0.008	44.658	23.875	22.661	23.268

Note: This table shows the mean values for the independent variable *Firm-id* (the difference between donations to the Democratic Party and donations to the Republican Party for two election cycles) and the mean values for the dependent variables per year (Panel A), industry (Panel B), and state political orientation (Panel C).

increasing corporate focus on ESG issues. This trend is also evident in the other dependent measures, namely, *Env_Disc*, *Soc_Disc*, and *Envsoc_Disc*, which show average scores of 23.875, 22.661, and 23.268, respectively. Each of these metrics consistently increases over time: In 2020, *Env_Disc* reached 31.028, *Soc_Disc* reached 28.482, and *Envsoc_Disc* was 29.755 (vs. 17.767, 17.159, and 17.463, respectively, in 2013). These data reinforce our initial assumption that corporate awareness and ESG disclosure are increasing.

Panel B shows variations across industries. Firms in the Telecommunications, Technology, and Healthcare sectors tend

to exhibit more liberal ideologies on average (e.g., *Firm_Id* of 0.186, 0.133, and 0.088, respectively), while sectors such as energy, financials, and especially utilities display more conservative orientations (e.g., *Firm_Id* of -0.166, -0.103, and -0.623, respectively).

Panel C highlights the importance of institutional context. Firms located in liberal states (*State_Id*=1) are on average more liberal (*Firm_Id*=0.076) and demonstrate higher ESG disclosure (*Esg_Disc*=45.437) than those in conservative states (*State_Id*=0), where the average *Firm_Id* is -0.096 and *Esg_Disc* is 43.833. A possible interpretation is that firms in

TABLE 4 | Descriptive statistics for all variables.

Variable	Obs	Mean	Std. dev.	Min	Max
Esg_Disc	4715	44.658	12.085	23.529	85.806
Env_Disc	4715	23.875	22.098	0	92.298
Soc_Disc	4715	22.661	13.147	0	78.930
Envsoc_Disc	4715	23.268	16.719	0	81.824
Firm_Id	4715	-0.008	1.175	-28.883	9.595
State_Id	4715	0.514	0.500	0	1
Coverage	4715	15.035	8.557	1	54
Leverage	4715	0.839	15.792	-779.217	561.393
Size	4715	16.264	1.569	11.508	21.757
ROA	4715	0.082	0.106	-3.132	0.593
MTB	4715	2.936	41.862	-1691.091	502.482
Growth	4715	0.052	0.178	-1	2.878
Controversies	4715	85.927	27.559	0.6	100
Lag_ESGPerf	4715	50.591	19.046	1.6	93.16
Board_Gender	4715	21.802	9.958	0	62.5
Csrcommittee	4715	0.538	0.499	0	1
Board_Size	4715	10.709	2.300	1	30

Note: The table shows descriptive statistics for the dependent, independent, and control variables used in the empirical model.

liberal environments tend to align more with progressive values and ESG practices.

Table 4 provides an overview of the key descriptive statistics of the variables. Examining the ESG-related variables, the average scores for firm ESG disclosure ranged from 23.529 to 85.806. The *Env_Disc*, *Soc_Disc*, and *Envsoc_Disc* scores also show considerable variation. Firms tend to avoid major controversies, as reflected in the average *Controversies* score of 85.927, indicating that only a small portion of the firms in our sample have faced significant ESG-related incidents. In addition, the *Lag_ESGPerf* score sits at 50.591 (range, 1.6–93.16).

On average, the firms in our sample have a *size* of 16.264. Each firm is typically covered by 15 analysts and the market-to-book ratio averages at 2.936, although the wide standard deviation suggests notable differences between firms. Regarding profitability, firms show an average ROA of 8.2%, while sales growth averages at 5.2% over the analyzed period.

In terms of governance and corporate responsibility, women hold an average of 21.8% of board seats, and 53.8% of firms have a CSR committee in place. Board size varies widely, with the average being approximately 10.7 board members.

Table 5 reports Pearson's correlation matrix. It shows a negative and statistically significant correlation between *Firm_Id* and *Esg_Disc*, *Env_Disc*, *Soc_Disc*, and *Envsoc_Disc*. The correlation is positive and statistically significant between *State_Id* and *Esg_Disc*, *Env_Disc*, *Soc_Disc*, and *Envsoc_Disc*. These data

provide evidence confirming H1 and H2. We do not find high correlation coefficients among the control variables, indicating that our analysis is unbiased by multicollinearity.

5.2 | Regression Results

The results of the main regression model are presented in Table 6. Column 1 shows the relation between political ideology and *Esg_Disc*, column 2 shows the relation between political ideology and *Env_Disc*, column 3 shows the relation between political ideology and *Soc_Disc*, and column 4 shows the relation between political ideology and *Envsoc_Disc*. Our model includes an interaction between *Firm_Id* and *State_Id*. In this specification, the coefficient of *Firm_Id* (β_1) captures its effect in nonliberal states, while the interaction term (β_3) shows how this effect changes in liberal states. Therefore, the combined effect of *Firm_Id* in liberal states is obtained by summing the coefficients of *Firm_Id* and the interaction term (i.e., $\beta_1 + \beta_3$).

The variable *Firm_Id* has a statistically significant negative impact on ESG disclosure, with a coefficient of -0.746 ($p < 0.01$). This impact is confirmed upon looking at the other dependent measures: *Firm_Id* negatively affects *Env_Disc* (-1.109 , $p < 0.01$), *Soc_Disc* (-0.833 , $p < 0.01$), and *Envsoc_Disc* (-0.971 , $p < 0.01$). The interaction term *Firm_Id*State_Id* is statistically significant across all four models ($p < 0.001$), with coefficients of 0.880 for *Esg_Disc*, 1.528 for *Env_Disc*, 0.822 for *Soc_Disc*, and 1.175 for *Envsoc_Disc*.

TABLE 5 | Pearson's correlation matrix.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
(1) Esg_Disc	1.000																
(2) Env_Disc	0.965***	1.000															
(3) Soc_Disc	0.913***	0.794***	1.000														
(4) Envsoc_Disc	0.995***	0.971***	0.916***	1.000													
(5) Firm_Id	-0.049***	-0.061***	-0.029**	-0.052***	1.000												
(6) State_Id	0.069***	0.072***	0.048***	0.066***	0.073***	1.000											
(7) Coverage	0.349***	0.350***	0.299***	0.348***	0.017	0.062***	1.000										
(8) Leverage	0.008	0.009	0.002	0.007	-0.003	-0.007	0.006	1.000									
(9) Size	0.487***	0.455***	0.439***	0.472***	-0.051***	0.015	0.490***	0.016	1.000								
(10) ROA	0.007	0.020	-0.005	0.011	0.035**	0.072***	0.152***	-0.022	-0.139***	1.000							
(11) MTB	-0.024*	-0.015	-0.038***	-0.025*	0.001	0.023*	0.030**	0.448***	-0.004	-0.019	1.000						
(12) Growth	-0.129***	-0.127***	-0.113***	-0.128***	0.006	0.038***	0.031**	0.003	-0.050***	0.139***	0.023	1.000					
(13) Controversies	-0.254***	-0.253***	-0.212***	-0.250***	-0.030**	-0.067***	-0.349***	-0.017	-0.427***	0.006	-0.020	0.063***	1.000				
(14) Lag_ESGPerf	0.749***	0.723***	0.671***	0.741***	-0.033**	0.118***	0.368***	0.011	0.519***	0.028**	-0.017	-0.133***	-0.287***	1.000			
(15) Board_Gender	0.328***	0.295***	0.321***	0.321***	0.040***	0.129***	0.121***	0.019	0.175***	0.007	-0.018	-0.101***	-0.104***	0.343***	1.000		
(16) Csrcommittee	0.633***	0.616***	0.569***	0.629***	-0.029**	0.048***	0.327***	0.017	0.455***	-0.001	0.000	-0.130***	-0.243***	0.613***	0.258***	1.000	
(17) Board_Size	0.260***	0.244***	0.236***	0.254***	-0.023	-0.020	0.228***	0.012	0.530***	-0.056***	-0.001	-0.052***	-0.211***	0.286***	0.098***	0.260***	1.000

Note: The table shows the Pearson correlation coefficients for the variables used in the model. Statistical significances are reported as follows:

* $p < 0.1$.
 ** $p < 0.05$.
 *** $p < 0.01$.

TABLE 6 | Regression results.

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id	-0.746*** (0.129)	-1.109*** (0.265)	-0.833*** (0.178)	-0.971*** (0.202)
State_Id	0.105 (0.698)	-0.478 (1.367)	0.260 (0.957)	-0.109 (0.972)
Firm_Id*State_Id	0.880*** (0.162)	1.528*** (0.352)	0.822*** (0.219)	1.175*** (0.245)
Coverage	0.0520* (0.0310)	0.117* (0.0622)	0.0121 (0.0416)	0.0644 (0.0442)
Leverage	0.000605 (0.00417)	0.000723 (0.00736)	0.00100 (0.00386)	0.000863 (0.00553)
Size	-0.894* (0.460)	-0.984 (0.902)	-1.195* (0.641)	-1.090* (0.653)
ROA	0.302 (0.816)	0.601 (1.657)	0.940 (1.149)	0.770 (1.186)
MTB	0.00221** (0.00103)	0.00624*** (0.00189)	-0.000135 (0.00131)	0.00305** (0.00154)
Growth	0.532 (0.448)	0.488 (0.952)	0.888 (0.627)	0.688 (0.649)
Controversies	0.00751** (0.00341)	0.0192*** (0.00685)	0.00380 (0.00483)	0.0115** (0.00484)
Lag_ESGPerf	0.124*** (0.0168)	0.230*** (0.0329)	0.132*** (0.0217)	0.181*** (0.0241)
Board_Gender	0.0102 (0.0157)	0.0372 (0.0348)	0.00123 (0.0204)	0.0192 (0.0224)
Csrcommittee	2.134*** (0.368)	3.448*** (0.758)	2.803*** (0.476)	3.125*** (0.533)
Board_Size	0.0850 (0.0732)	0.144 (0.148)	0.0827 (0.0990)	0.113 (0.101)
Year fixed effect	YES	YES	YES	YES
Intercept	42.04*** (7.108)	10.88 (14.07)	24.45** (9.932)	17.66* (10.10)
<i>F</i>	103.9***	59.65***	70.30***	94.68***
<i>R</i> ²	0.632	0.489	0.533	0.600
<i>n</i>	4715	4715	4715	4715

Note: The table contains the results of linear regression on the main fixed-effects model. Standard errors are given in parentheses. Statistical significances are reported as follows:

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

To improve the interpretability of the findings, we assess the economic magnitude of the estimated effects, with firm political ideology (*Firm_Id*) being standardized ($SD = 1.175$). In conservative states (*State_Id* = 0), a one standard deviation increase toward a more liberal orientation is associated with a decrease of approximately 0.88 points in ESG disclosure; in liberal states (*State_Id* = 1), the same change translates to an increase of 0.19 points. Additionally, in a liberal state, moving from an extremely conservative to an extremely liberal orientation (roughly two standard deviations) corresponds to an overall difference of about 2.14 points (nearly 4.8%) of the mean ESG disclosure score (44.66). Although moderate in absolute terms, these changes are systematic and meaningful given the scale of ESG disclosure scores and the strategic importance of ESG transparency for firms.

These results confirm H1, demonstrating that political ideology influences ESG disclosure. Specifically, both firm and state liberal ideology are associated with increased ESG disclosure. These findings also support hypothesis H2, showing that liberal firms with their headquarters in conservative states tend to disclose less ESG information than those in liberal states.

Moreover, the interaction coefficients are higher than the *Firm_Id* coefficients, indicating that state political ideology has a stronger effect on ESG disclosure than firm political ideology. The exception is the social disclosure component, in which firm ideology plays a slightly more dominant role. The model also explains a large portion of the variation in ESG disclosure measures ($R^2 = 0.489\text{--}0.632$), supporting the robustness of these findings.

The results regarding the interaction effect between firm and state political ideology provide important insights into how internal and external political orientations jointly shape ESG disclosure. Firms located in liberal states exhibit the highest disclosure levels, whereas those in conservative states show the lowest. Moreover, when firm and state ideologies diverge, disclosure outcomes tend to converge toward intermediate levels; this signifies that external institutional pressures can partially offset internal ideological preferences, a pattern that aligns with stakeholder and institutional theories and their emphasis on the influence of local norms in organizational behavior.

Our sector-specific evidence (Tables 7 and 8) fortifies this interpretation. In highly regulated or norm-sensitive sectors such as utilities and consumer staples, the interaction effect is stronger and statistically significant. The indication is that ideological alignment amplifies ESG disclosure in contexts with higher social and regulatory expectations. Conversely, in sectors such as financials and consumer discretionary, where competitive and economic incentives dominate, the moderating effect of state political ideology is weaker or nonsignificant. These findings highlight the contingent nature of the effects of political ideology in both institutional and industrial environments. To assess the risk of multicollinearity, we run a variance inflation factor (VIF) test for all the models (untabulated), showing that the VIF is lower than the significance value of 10 for all variables. Therefore, multicollinearity does not affect our results. Standard errors are clustered by firm.

For one, our findings confirm previous literature related to the impact of firm political ideology on corporate behavior (Chin et al. 2013; Gupta et al. 2017). For another, knowledge of ESG disclosure is advanced through the demonstration that firms tend to align their operations, particularly those related to ESG disclosure (Dowling and Pfeffer 1975; Palazzo and Scherer 2006), with prevailing social norms. Furthermore, in showing that state political ideology plays a crucial moderating role in firm ESG disclosure, our evidence adds to the literature on the role of institutional contexts in shaping corporate behavior (DiMaggio and Powell 1983; Campbell 2007). They also align with stakeholder theory, which proposes that firms engage in ESG disclosure to meet stakeholder expectations (Herold et al. 2019).

5.3 | Robustness Checks

To ensure the robustness of our findings, we implement a series of additional analyses addressing potential biases and endogeneity concerns. First, we assess finding consistency using lagged control variables, helping mitigate the potential issues of autocorrelation and reverse causality. The variable *Firm_Id* has a statistically significant negative impact on ESG disclosure, with a coefficient of -0.720 ($p < 0.01$) for *Esg_Disc*, -1.057 ($p < 0.01$) for *Env_Disc*, -0.813 ($p < 0.01$) for *Soc_Disc*, and -0.935 ($p < 0.01$) for *Envsoc_Disc*. In addition, the significant interaction between *Firm_Id* and *State_Id* is confirmed with positive coefficients in all models. Specifically, the *Firm_Id*State_Id* coefficient is 0.805 ($p < 0.01$) for *Esg_Disc*, 1.378 ($p < 0.01$) for *Env_Disc*, 0.739 ($p < 0.01$) for *Soc_Disc*, and 1.059 ($p < 0.01$) for *Envsoc_Disc*. As in the previous model, the VIF (untabulated) test shows that the analyses do not suffer from multicollinearity, and standard errors are clustered by firm. The results in Table 9 confirm the findings of the main model.

Second, we employ an instrumental variable two-stage least squares regression to address the potential endogeneity in firm political ideology. To reduce concerns about simultaneity bias, firm political ideology is applied as the instrumental variable, using the average difference in political donations per employee within the same industry and electoral cycle (*Avg_Firm_Id*). This instrument has been used previously because it reflects industry-level ideological tendencies while remaining plausibly exogenous to firm-level ESG disclosure choices (e.g., Chin et al. 2013; Gupta et al. 2017). In our models, the instrument shows a strong and significant correlation with *Firm_Id* ($p < 0.001$), supporting its relevance. Additionally, the first-stage F-statistics exceed 10 in all specifications (Tables 10 and 11), confirming the instrument's strength (Staiger and Stock 1997). The rationale for its validity is that while industry-wide ideological trends influence firm political ideology, they are unlikely to directly affect a specific firm's ESG disclosure decisions beyond this channel, thus satisfying the exclusion restriction assumption.

We use the average donation difference between the Democratic and Republican parties per employee for all firms in the same industry and the same electoral cycle as an instrument for *Firm_Id* (Table 10). These results confirm our main findings. Then, we treat the interaction between *Firm_Id* and *State_Id* as an endogenous variable, using the interaction between the fitted

TABLE 7 | Regression results (high-disclosure sectors).

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id	-0.519*** (0.138)	-0.831*** (0.253)	-0.592*** (0.172)	-0.712*** (0.183)
State_Id	-3.408 (3.050)	-9.468*** (3.074)	0.853 (5.679)	-4.307 (4.101)
Firm_Id*State_Id	4.044* (2.139)	-5.744 (4.132)	16.37*** (2.524)	5.314* (2.792)
Coverage	0.196** (0.0970)	0.310** (0.148)	0.283 (0.182)	0.297** (0.131)
Leverage	0.129 (0.221)	0.305 (0.372)	0.181 (0.248)	0.243 (0.272)
Size	-1.035 (1.870)	3.046 (3.555)	-5.914** (2.411)	-1.434 (2.562)
ROA	1.619 (3.191)	2.941 (5.901)	1.098 (4.597)	2.020 (4.242)
MTB	-0.194 (0.424)	-0.510 (0.751)	-0.233 (0.461)	-0.371 (0.526)
Growth	-0.710 (1.203)	-0.714 (2.517)	0.100 (2.238)	-0.307 (1.767)
Controversies	0.00731 (0.0121)	0.0178 (0.0236)	0.00248 (0.0150)	0.0102 (0.0160)
Lag_ESGPerf	0.265*** (0.0709)	0.453*** (0.111)	0.255*** (0.0923)	0.354*** (0.0943)
Board_Gender	-0.0683 (0.0584)	-0.126 (0.128)	-0.0595 (0.0599)	-0.0927 (0.0803)
Csrcommittee	1.272 (1.229)	1.874 (2.670)	1.935 (1.750)	1.905 (1.797)
Board_Size	0.00446 (0.230)	-0.336 (0.463)	0.417 (0.329)	0.0406 (0.318)
Year fixed effect	YES	YES	YES	YES
Intercept	43.89 (30.40)	-53.51 (59.69)	99.20** (38.02)	22.84 (41.71)
F	48.66***	73.09***	43.10***	60.18***
R ²	0.727	0.623	0.644	0.712
n	478	478	478	478

Note: The table contains the results of linear regression on the main fixed-effects model only addressing high-disclosure sectors. Standard errors are given in parentheses. Statistical significances are reported as follows:

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

TABLE 8 | Regression results (low-disclosure sectors).

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id	-0.913*** (0.128)	-1.282*** (0.262)	-1.134*** (0.213)	-1.208*** (0.186)
State_Id	-1.628** (0.679)	-3.242*** (1.176)	-0.824 (1.287)	-2.033** (0.999)
Firm_Id*State_Id	-2.553 (1.894)	-3.981 (4.727)	-2.736* (1.467)	-3.358 (2.787)
Coverage	0.0442 (0.0482)	0.0946 (0.101)	0.0234 (0.0610)	0.0590 (0.0705)
Leverage	-0.0208 (0.0252)	-0.0561 (0.0630)	-0.0157 (0.0167)	-0.0359 (0.0365)
Size	-0.982 (0.688)	-0.741 (1.338)	-1.142 (0.868)	-0.942 (0.955)
ROA	-4.757* (2.792)	-11.47** (5.448)	-2.360 (3.659)	-6.915* (3.950)
MTB	-0.00327 (0.0127)	-0.000793 (0.0267)	-0.00856 (0.0137)	-0.00468 (0.0175)
Growth	2.354** (0.945)	2.875 (1.980)	3.680*** (1.085)	3.278** (1.336)
Controversies	-0.000104 (0.00473)	0.000989 (0.0102)	-0.00147 (0.00653)	-0.000240 (0.00662)
Lag_ESGPerf	0.0882*** (0.0201)	0.152*** (0.0477)	0.0862*** (0.0277)	0.119*** (0.0299)
Board_Gender	0.0266 (0.0227)	0.101** (0.0490)	-0.00432 (0.0311)	0.0484 (0.0323)
Csrcommittee	1.443*** (0.495)	2.526** (1.121)	1.654*** (0.621)	2.090*** (0.698)
Board_Size	0.0920 (0.0918)	0.155 (0.191)	0.131 (0.141)	0.143 (0.132)
Year fixed effect	YES	YES	YES	YES
Intercept	44.87*** (10.84)	10.06 (21.30)	24.01* (13.66)	17.03 (15.02)
F	37.14***	16.24***	26.67***	32.04***
R ²	0.628	0.455	0.541	0.593
n	1588	1588	1588	1588

Note: The table contains the results of linear regression on the main fixed-effects model only addressing low-disclosure sectors. Standard errors are given in parentheses. Statistical significances are reported as follows:

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

TABLE 9 | Regression results (lagged control variables).

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id	-0.720*** (0.137)	-1.057*** (0.264)	-0.813*** (0.180)	-0.935*** (0.204)
State_Id	-0.196 (0.757)	-0.933 (1.484)	-0.168 (1.001)	-0.550 (1.055)
Firm_Id*State_Id	0.805*** (0.166)	1.378*** (0.340)	0.739*** (0.216)	1.059*** (0.243)
Lag.Coverage	0.0508* (0.0296)	0.0816 (0.0588)	0.0435 (0.0401)	0.0625 (0.0422)
Lag.Leverage	0.0221** (0.0104)	0.0379* (0.0206)	0.0128 (0.0139)	0.0253 (0.0154)
Lag. Size	-0.235 (0.471)	0.376 (0.922)	-0.679 (0.631)	-0.152 (0.667)
Lag.ROA	0.545 (0.938)	0.488 (2.075)	1.340 (1.358)	0.914 (1.364)
Lag.MTB	-0.00389** (0.00161)	-0.00482 (0.00390)	-0.00555*** (0.00199)	-0.00518* (0.00276)
Lag. Growth	-0.131 (0.484)	0.0419 (0.974)	-0.167 (0.590)	-0.0625 (0.674)
Lag.Controversies	0.00385 (0.00376)	0.0103 (0.00751)	0.00258 (0.00558)	0.00642 (0.00548)
Lag2_ESGPerf	0.0913*** (0.0153)	0.168*** (0.0315)	0.0963*** (0.0202)	0.132*** (0.0219)
Lag.Board_Gender	0.0169 (0.0197)	0.0543 (0.0432)	0.0222 (0.0236)	0.0382 (0.0282)
Lag.Csrcommittee	1.574*** (0.416)	2.167*** (0.785)	2.375*** (0.564)	2.271*** (0.594)
Lag.Board_Size	0.0691 (0.0860)	0.121 (0.160)	0.0346 (0.125)	0.0778 (0.120)
Year fixed effect	YES	YES	YES	YES
Intercept	34.13*** (7.295)	-5.377 (14.51)	18.36* (9.838)	6.492 (10.40)
F	97.79***	54.37***	67.43***	87.20***
R ²	0.619	0.473	0.523	0.584
n	4499	4499	4499	4499

Note: The table contains the results of linear regression on the main fixed-effects model with lagged control variables. Standard errors are given in parentheses.

Statistical significances are reported as follows:

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

TABLE 10 | Regression results (first instrumental variable).

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id	-7.161***	-10.70***	-10.05***	-10.38***
	(0.957)	(1.624)	(1.303)	(1.371)
Coverage	0.135***	0.258***	0.140***	0.199***
	(0.0235)	(0.0398)	(0.0319)	(0.0336)
Leverage	0.000911	-0.000290	0.00181	0.000761
	(0.0112)	(0.0189)	(0.0152)	(0.0160)
Size	0.184	-0.0855	0.0749	-0.00528
	(0.162)	(0.274)	(0.220)	(0.231)
ROA	3.232**	5.870**	3.032	4.451*
	(1.612)	(2.733)	(2.193)	(2.308)
MTB	-0.00496	-0.00434	-0.0108*	-0.00759
	(0.00421)	(0.00714)	(0.00573)	(0.00603)
Growth	-1.672*	-3.482**	-0.977	-2.230*
	(0.943)	(1.599)	(1.283)	(1.350)
Controversies	-0.0223***	-0.0402***	-0.0232**	-0.0317***
	(0.00694)	(0.0118)	(0.00945)	(0.00995)
Lag_ESGPerf	0.308***	0.565***	0.288***	0.426***
	(0.0120)	(0.0203)	(0.0163)	(0.0171)
Board_Gender	0.0467**	0.0519	0.0835***	0.0677**
	(0.0189)	(0.0320)	(0.0257)	(0.0270)
Csrcommittee	5.691***	10.61***	5.328***	7.968***
	(0.411)	(0.698)	(0.560)	(0.589)
Board_Size	0.00498	-0.0172	0.0542	0.0185
	(0.0807)	(0.137)	(0.110)	(0.116)
Year fixed effect	YES	YES	YES	YES
Intercept	16.36***	-17.86***	-4.781	-11.32***
	(2.491)	(4.225)	(3.389)	(3.568)
First-stage <i>F</i>	94.52***	94.52***	94.52***	94.52***
<i>F</i>	202.46***	213.98***	108.73***	184.10***
<i>R</i> ²	0.391	0.411	0.221	0.365
<i>n</i>	4715	4715	4715	4715

Note: The table contains the results of linear regression on the main fixed-effects model using *Avg_Firm_Id* as an instrumental variable to approximate *Firm_Id*. Standard errors are given in parentheses. Statistical significances are reported as follows:

**p* < 0.1.

***p* < 0.05.

****p* < 0.01.

value of *Firm_Id* and *State_Id* as the instrumental variable (*Fitted_Firm_Id* × *State_Id*). The results reported in Table 11 are consistent with the main findings and address the potential endogeneity concerns.

Thereafter, we validate finding robustness by estimating a random-effects regression model, aiming to control for unobserved heterogeneity; the results reinforce the robustness of the main fixed-effects model. The negative and significant

TABLE 11 | Regression results (second instrumental variable).

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id*State_Id	1.133*** (0.375)	1.816** (0.734)	1.529*** (0.466)	1.672*** (0.532)
Coverage	0.0790*** (0.0157)	0.173*** (0.0306)	0.0612*** (0.0194)	0.117*** (0.0222)
Leverage	0.00296 (0.00764)	0.00280 (0.0150)	0.00467 (0.00949)	0.00374 (0.0109)
Size	0.693*** (0.106)	0.682*** (0.207)	0.785*** (0.131)	0.734*** (0.150)
ROA	1.292 (1.097)	2.942 (2.149)	0.323 (1.363)	1.632 (1.559)
MTB	-0.00490* (0.00289)	-0.00424 (0.00565)	-0.0108*** (0.00359)	-0.00750* (0.00410)
Growth	-1.630** (0.646)	-3.420*** (1.265)	-0.920 (0.803)	-2.170** (0.918)
Controversies	-0.00108 (0.00455)	-0.00811 (0.00892)	0.00651 (0.00566)	-0.000799 (0.00647)
Lag_ESGPerf	0.330*** (0.00808)	0.598*** (0.0158)	0.319*** (0.0100)	0.458*** (0.0115)
Board_Gender	-0.00544 (0.0125)	-0.0268 (0.0245)	0.0107 (0.0155)	-0.00809 (0.0177)
Csrcommittee	5.938*** (0.282)	10.98*** (0.551)	5.673*** (0.350)	8.327*** (0.400)
Board_Size	-0.0430 (0.0552)	-0.0896 (0.108)	-0.0127 (0.0686)	-0.0512 (0.0784)
Year fixed effect	YES	YES	YES	YES
Intercept	8.233*** (1.624)	-30.12*** (3.180)	-16.12*** (2.017)	-23.12*** (2.307)
First-stage F	302.30***	302.30***	302.30***	302.30***
F	425.30***	338.46***	270.27***	392.50***
R^2	0.626	0.571	0.512	0.606
n	4715	4715	4715	4715

Note: The table contains the results of linear regression on the main fixed-effects model using *Fitted_Firm_Id*State_Id* as an instrumental variable to approximate the interaction variable *Firm_Id*State_Id*. Standard errors are given in parentheses. Statistical significances are reported as follows:

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

relation between *Firm_Id* and ESG measures remains consistent. Moreover, the positive and significant interaction between *Firm_Id* and *State_Id* supports our hypotheses. The coefficients are also similar in magnitude, direction, and significance across both models, suggesting that our findings are not driven by unobserved heterogeneity or model

specification, thereby strengthening the validity of our conclusions (Table 12).

Finally, we examine whether the relation between political ideology and ESG disclosure varies across industries, splitting the sample into sectors with high and low disclosure levels.

TABLE 12 | Regression results (random effects).

	(1)	(2)	(3)	(4)
	Esg_Disc	Env_Disc	Soc_Disc	Envsoc_Disc
Firm_Id	-0.720*** (0.0621)	-1.277*** (0.249)	-0.622*** (0.105)	-0.971*** (0.108)
State_Id	0.161 (0.444)	0.100 (0.834)	-0.0932 (0.569)	0.0365 (0.617)
Firm_Id*State_Id	0.947*** (0.186)	1.868*** (0.452)	0.699*** (0.180)	1.297*** (0.265)
Coverage	0.102*** (0.0245)	0.215*** (0.0486)	0.0669** (0.0300)	0.136*** (0.0348)
Leverage	0.00169 (0.00519)	0.00282 (0.00900)	0.00212 (0.00513)	0.00228 (0.00690)
Size	1.306*** (0.201)	2.121*** (0.371)	1.228*** (0.244)	1.657*** (0.279)
ROA	1.604* (0.892)	2.939* (1.679)	2.139* (1.263)	2.451* (1.311)
MTB	0.00156 (0.00141)	0.00511* (0.00261)	-0.00116 (0.00188)	0.00212 (0.00211)
Growth	-0.490 (0.461)	-1.157 (0.964)	-0.178 (0.613)	-0.618 (0.669)
Controversies	0.00569* (0.00344)	0.0144** (0.00680)	0.00270 (0.00476)	0.00886* (0.00483)
Lag_ESGPerf	0.198*** (0.0146)	0.370*** (0.0280)	0.208*** (0.0175)	0.280*** (0.0208)
Board_Gender	0.0190 (0.0146)	0.0464 (0.0314)	0.0149 (0.0180)	0.0298 (0.0207)
Csrcommittee	2.925*** (0.344)	5.139*** (0.714)	3.543*** (0.428)	4.211*** (0.500)
Board_Size	0.0313 (0.0679)	0.0375 (0.133)	0.0311 (0.0877)	0.0401 (0.0929)
Year fixed effect	YES	YES	YES	YES
Intercept	2.510 (2.701)	-47.00*** (5.022)	-18.62*** (3.318)	-32.14*** (3.759)
χ^2	2513.1***	1744.3***	1755.1***	2305.7***
R^2	0.602	0.552	0.509	0.589
n	4715	4715	4715	4715

Note: The table contains the results of linear regression on the empirical model using random effects instead of fixed effects. Standard errors are given in parentheses. Statistical significances are reported as follows:

* $p < 0.1$.

** $p < 0.05$.

*** $p < 0.01$.

To do this, we create two subsamples: (a) the two sectors that show the highest average levels of disclosure (i.e., utilities and consumer staples sectors) and (b) the two sectors with the lowest average levels (i.e., financials and consumer discretionary sectors).

The results reported in Tables 7 and 8 show that the relation between firm political ideology and ESG disclosure measures is confirmed; there are negative signs and statistical significance for all dependent variables, and in both high- and low-disclosure sectors. Regarding the *Firm_Id* and *State_Id* interaction, the analysis yields mixed results. In high-disclosure sectors, there is a positive and significant effect for *Esg_Disc*, *Soc_Disc*, and *Envsoc_Disc*, confirming our main model results. In low-disclosure sectors, the *Firm_Id* and *State_Id* interaction is generally not significant, except for *Soc_Disc*; this indicates a less significant influence of state political ideology on the relation between firm political ideology and ESG disclosure in low-disclosure industries. Therefore, these sectors do not affect the relation between firm political ideology and ESG disclosure.

However, in terms of how state political ideology interacts with this relation, we find considerable variance between high- and low-disclosure sectors. This suggests that the effect of state political ideology is more complex, difficult to predict, and includes a sectoral component, as well as potential differences in industry-level norms and ESG maturity. In particular, high-disclosure sectors operate under stronger normative and regulatory pressures, making ESG transparency an institutionalized expectation. Here, ideological alignment between firms and their political environment reinforces existing norms, amplifying the likelihood of greater disclosure. Conversely, in low-disclosure sectors, disclosure is less institutionalized and more discretionary. Economic incentives and competitive dynamics tend to dominate in these industries, reducing the relative influence of political ideology. Accordingly, institutional pressures seem to moderate the extent to which ideology shapes ESG disclosure practices.

Overall, the results of our robustness checks confirm the consistency of our findings across different model specifications and estimation techniques. These additional analyses strengthen the validity of our conclusions, demonstrating that the observed effects are not sensitive to specific methodological choices but rather reflect a robust and systematic relation between firm political ideology, state political ideology, and ESG disclosure.

6 | Conclusions

In recent years, firms have dedicated increasing attention to environmental issues, respect for human rights, and transparency in corporate governance to meet the growing expectations of stakeholders and the public. This study examines the impact of firm and state political ideology on ESG disclosure.

We find that a firm's political ideology and the political orientation of the state in which it operates influence its ESG disclosure. Generally, the liberal ideology is associated with increased ESG disclosure, as liberal values tend to prioritize environmental and social issues. We also find that state political ideology

affects the relation between firm political ideology and ESG disclosure levels. Firms in liberal states tend to disclose more ESG information because of their supportive regulatory environments and heightened stakeholder interest in sustainability practices. Thus, state political ideology affects ESG disclosure by influencing applicable rules, regulations, and stakeholder engagement (Pontusson and Rueda 2010; Potrafke 2011; de Andres et al. 2023).

Our findings are aligned with the existing literature showing that liberals tend to show greater sensitivity toward environmental and social issues (Jost, Glaser, et al. 2003; Jost 2006; Shi et al. 2019; Kim et al. 2020), whereas conservatives tend to prioritize traditional business imperatives (Jost, Glaser, et al. 2003; Carney et al. 2008; Gupta and Wowak 2017). We help advance the knowledge on the matter by the simultaneous examination of both firm and state political ideology on ESG disclosure.

This study also contributes to the literature on the determinants of ESG disclosure (Baldini et al. 2018; Turzo et al. 2022; Tsang et al. 2023), specifically through integrating into the debate the informal political incentives that influence ESG disclosure. Our evidence enhances the understanding of the contextual factors that facilitate such practices, having significant implications for companies, policymakers, regulatory bodies, investors, analysts, and the public. First, firms can benefit from this knowledge to better align their sustainability reports with stakeholder needs. Because the state's political ideology has a stronger effect on ESG disclosure than firm political ideology, when internal ideology and the external environment diverge, firms should favor the expectations of external stakeholders that really drive their success, partially forgiving their internal point of view. Second, policymakers and regulatory bodies can use the findings to design useful instruments for incentivizing ESG disclosure and establishing more effective standards that meet firms' needs and stakeholders' expectations. A neutral and principle-based approach—such as through setting uniform minimum disclosure requirements grounded in internationally recognized frameworks (e.g., SASB and ISSB) across all states, and focusing on material and decision-useful information for investors rather than ideological content—would be ideal to avoid politicizing ESG regulations while reducing disparities across states. In addition, introducing industry-specific guidelines and voluntary best-practice benchmarks can help accommodate sectoral differences without imposing rigid politically charged mandates.

Third, investors can apply our results to improve their understanding of the nuances of ESG disclosures. They may be inclined to refine their investment strategies, ultimately leading to increased trust in the accuracy of ESG disclosures. In particular, knowing that firms located in liberal states tend to disclose more ESG information ensures a better comparison of the ESG corporate strategies of firms located in different states. Furthermore, this information can lead investors to justify higher efforts on investigating ESG topics of firms located in liberal states, seeing that firms in these states consider ESG disclosure a form of investment toward satisfying stakeholders' expectations. Analysts can also use our findings to more clearly understand how firms with different political ideologies

disclose ESG information. This may translate into more well-informed decisions when rating firms through an enhanced and more accurate evaluation of the impact of a firm's political ideology on its ESG disclosure.

Fourth, the public benefits from our discussions as we deliver a tool for them to better understand nonfinancial reporting content and its limitations. This understanding allows a more thorough evaluation of the risks associated with ESG information, thereby empowering individuals to make informed and active decisions. Specifically, we show that political ideology at both the firm and state levels holds significant influence over corporate decisions, raising awareness of the matter among those interested.

This study has some limitations. First, owing to a lack of data availability, this study can only assess the impact of political ideology on large listed firms, excluding small- and medium-sized firms. Second, this study provides valuable insights into the research topic only in the context of the United States of America. To address these limitations, future research should broaden the scope of analysis by including different types of firms and countries. This would offer a more comprehensive understanding of the topic and yield more generalizable results. To achieve this, researchers must identify methods for accessing data on political ideology that are not solely based on contributions to political parties but are accessible across different countries worldwide. Third, the study examines firms from diverse industries without accounting for how operating in different sectors may affect the relation between ESG disclosure and political ideology. Future studies should thoroughly explore these effects.

Regarding future directions for study, the interactions between the governance, environmental, and social dimensions of ESG disclosure could be investigated. For example, strong governance practices can enhance transparency and accountability, potentially enhancing the impacts of environmental and social initiatives. Conversely, weak governance structures may hinder a firm's ability to address environmental and social issues effectively, even with high levels of disclosure. Investigating these dynamics can provide a more comprehensive understanding of how the three ESG disclosure dimensions interact with and influence each other, offering valuable insights for policymakers and stakeholders.

Author Contributions

Gianluca Moretti: methodology, data curation, formal analysis, investigation, writing – original draft, writing – review and editing. **Simone Terzani:** conceptualization, methodology, funding acquisition, project administration, writing – review and editing. **Gennaro De Novellis:** conceptualization, methodology, formal analysis, writing – review and editing.

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Conflicts of Interest

The authors declare no conflicts of interest.

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Appendix A

Variable	Description	Source
Dependent variables		
<i>Esg_Disc</i>	ESG disclosure score (var: ESG_DISCLOSURE_SCORE)	Bloomberg
<i>Env_Disc</i>	Environmental disclosure score (var: ENVIRON_DISCLOSURE_SCORE)	Bloomberg
<i>Soc_Disc</i>	Social disclosure score (var: SOCIAL_DISCLOSURE_SCORE)	Bloomberg
<i>Envsoc_Disc</i>	Average between <i>ENV_DISC</i> and <i>SOC_DISC</i>	Bloomberg
Independent variables		
<i>Firm_Id</i>	Firm political ideology measure: standardized average difference per employee of contributions to Democrats and Republicans (<i>Donations</i>). Higher values represent more liberal-leaning firms	Center for Responsive Politics (www.opensecrets.org), based on FEC data
<i>State_Id</i>	State political ideology. Dummy variable: 1 if both senators belong to Democratic party, 0 otherwise	Senate of the United States
Control variables		
<i>Coverage</i>	Number of analysts forecasting earnings per share for the following year (var: EPS1NE)	Thomson Reuters Refinitiv
<i>Leverage</i>	Ratio between the firm's total debt and total equity (var: WC03255/WC03501)	Thomson Reuters Refinitiv
<i>Size</i>	Natural logarithm of firm's total assets (var: WC02999)	Thomson Reuters Refinitiv
<i>ROA</i>	Return on Assets ratio (var: WC18191/WC02999)	Thomson Reuters Refinitiv
<i>MTB</i>	Market-to-book ratio (var: WC05001 × WC05191/WC05476 × WC05191)	Thomson Reuters Refinitiv
<i>Growth</i>	Difference between the natural logarithm of sales of the firm <i>i</i> in year <i>t</i> and <i>t</i> -1. It represents the firm's growth rate (Datastream code: WC01001)	Thomson Reuters Refinitiv
<i>Controversies</i>	ESG Controversies score (var: TRESGCCS)	Thomson Reuters Refinitiv
<i>Lag_ESGPerf</i>	Lagged ESG performance score (var: TRESGS)	Thomson Reuters Refinitiv
<i>Board_Gender</i>	Percentage of women in the board of directors (var: CGBSO03V)	Thomson Reuters Refinitiv
<i>Csrcommittee</i>	Dummy variable: 1 if the company has a CSR committee, 0 otherwise (var: CGVSDP005)	Thomson Reuters Refinitiv
<i>Board_Size</i>	Number of board of directors members (var: CGBSDP060)	Thomson Reuters Refinitiv
Instrumental variables		
<i>Avg_Firm_Id</i>	Average <i>Firm_Id</i> within the same industry and electoral cycle	Center for Responsive Politics (www.opensecrets.org), based on FEC data
<i>Fitted_Firm_Id</i> * <i>State_Id</i>	Interaction between fitted value of <i>Firm_Id</i> and <i>State_Id</i> as the instrumental variable	Center for Responsive Politics (www.opensecrets.org), based on FEC data; Senate of the United States