

Covid Impact and Corporate Environmental, Social, and Governance Behavior

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Abstract : We examine the environmental, social, and governance (ESG) decision-making of companies during turbulent times like COVID-19. We find that firms' ESG reputation risk comove with their industry and local peers, suggesting that managers may follow their industry and local counterparts in engaging in irresponsible activities. Moreover, the comovement in reputation risk is attenuated during the COVID-19 pandemic. Further analyses suggest that the reduction in comovement varies by state-level partisanship and death rate during the pandemic. Comovement in reputation risk declines more significantly in the Democratic states with stringent social distancing policies and in states with higher infection severity. Our findings suggest that social distancing provisions during COVID-19 may lead to a reduction in social activities and information sharing among enterprise managers.

Keywords : ESG, Covid, peer pressure, local comovement, orporate governance

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