Supplementary Material

Table S1 shows the complete list of variables used in the main text and in Appendix A and their relative sources.

Table S1. Variables description.

Variable	Definition	Source
Dependent variable		
LnSpread	Logarithm of the initial all-in-drawn spread over LIBOR of the loan granted to the *i-th* firm in *t*.	DealScan
Key explanatory variables		
EW_Rating	Equal-weighted rating, based on the information in the ASSET4 economic, environmental, social, and corporate governance pillars, of the *i-th* firm in the year preceding *t*.	ASSET4
HighEWRating	Dummy variable equal to 1 if the CSR equal-weighted rating of the *i-th* firm in the year preceding *t* is in the highest tertile of the empirical distribution.	Authors' elaboration
LowEWRating	Dummy variable equal to 1 if the CSR equal-weighted rating of the *i-th* firm in the year preceding *t* is in the lowest tertile of the empirical distribution.	Authors' elaboration
HighESGCountry	Dummy variable equal to 1 if the ESG rating assigned by Bloomberg to the *i-th* firm's home country in the year preceding *t* is above the average of the sample.	Authors' elaboration
Borrower variables		
Size	Logarithm of total assets of the *i-th* firm in the year preceding *t*.	Datastream
CashFlow	Ratio of cash flow to total assets of the *i-th* firm in the year preceding *t*.	Datastream
ROS	Ratio of operating income to sales revenue of the *i-th* firm in the year preceding *t*.	Datastream
IE_Revenue	Ratio of interest expenses to total revenues of the *i-th* firm in the year preceding *t*.	Datastream
Leverage	Ratio of total assets minus total equity to total assets of the *i-th* firm in the year preceding *t*.	Datastream
MTBV	Market-to-book ratio of the *i-th* firm in the year preceding *t*.	Datastream
Stock_StdDev	Annualized stock volatility based on weekly stock prices of the *i-th* firm over the year prior to *t*.	Datastream
Risk_Weight	Risk weight assigned to the *i-th* firm using the Basel II standardized approach.	Authors' elaboration
Industry	Indicator variables for industry sectors present in our sample and based on 2-digit SIC codes (Mining; Construction; Manufacturing; Transportation and Public Utilities; Wholesale Trade; Retail Trade; Services; Public Administration). Mining is the omitted variable in all regressions.	DealScan
Loan variables		
Maturity	Maturity of the loan in months.	DealScan
Secured	Dummy variable equal to 1 if the loan is secured; 0 otherwise.	DealScan
Covenant	Dummy variable equal to 1 if there are covenants in the loan contract; 0 otherwise.	DealScan
Purpose	Indicator variables for M&A, Capital Expenditures, Leverage buyout, Restructuring, Working capital, Miscellaneous. M&A is the omitted variable in all regressions.	DealScan
Type	Indicator variables for Revolver/Line, Term_Loan, Bridge_Loan, Other. Revolver/Line is the omitted variable in all regressions.	DealScan
Seniority	Indicator variables for Seniority, Mezzanine and Subordinated loans. Seniority is the omitted variable in all regressions.	DealScan
Loan_Concentration	Log of (loan package amount/(loan package amount + total debt)).	DealScan
Country and other control variables		
Sov_Stock_Ret	Stock index return of the country where the *i-th* firm is established over the three months preceding *t*.	Datastream
Sov_Rating	S&P long-term foreign currency rating of the country where the *i-th* firm is established and mapped into 22 numerical categories (22 is assigned to AAA level and 1 to SD).	Datastream
Ref_rate	Loan reference rate (Euribor or Libor) value observed in *t*.	Datastream
Lme	Dummy variable equal to 1 if firm headquarter is located in a liberal market economy (United Kingdom and Denmark); 0 otherwise.	Authors' elaboration
LLme	Dummy variable equal to 1 if firm headquarter is located in a liberal-like market economy (Estonia, Finland, Netherlands, Ireland, Sweden); 0 otherwise.	Authors' elaboration
Cme	Dummy variable equal to 1 if firm headquarter is located in a coordinated market economy (Austria, Belgium, Germany, France); 0 otherwise. Cme is the omitted variable in all regressions.	Authors' elaboration

Sd	Dummy variable equal to 1 if firm headquarter is located in a state-dominated market economy (Czech Rep., Slovakia, Poland, Romania, Slovenia); 0 otherwise.	Authors' elaboration
Hy	Dummy variable equal to 1 if firm headquarter is located in a hybrid market economy (Italy, Spain, Cyprus, Portugal, Greece); 0 otherwise.	Authors' elaboration
Year dummies	Indicator variables for year dummies.	

Other variables used in robustness checks

EW_Rating_Lag	Lagged CSR rating of the *i-th* firm from 3 years before *t*.	ASSET4
NWC	Ratio of net working capital to total assets of the *i-th* firm in the year preceding *t*.	Datastream
OpInc	Ratio of operating income to total assets of the *i-th* firm in the year preceding *t*.	Datastream
RET	Ratio of retained earnings to total assets of the *i-th* firm in the year preceding *t*.	Datastream
Lambda	Inverse Mills ratio from the selection equation.	Authors' elaboration
Relationship	Dummy variable equal to 1 if the arranger was in a syndicated loan granted to the *i-th* firm prior to current loan in the analyzed period; otherwise 0.	Dealscan
Share	Share of the loan to the *i-th* firm held by each arranger.	DealScan
NumLenders	Number of lenders in the syndicate.	DealScan

Table S2 reports the correlations among variables used in the main test.

Table S2. Correlation matrix.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
LnSpread (1)	1.00	-0.21	-0.40	-0.20	-0.07	0.15	0.09	0.02	0.42	0.46	0.01	-0.19	-0.36
EW_Rating (2)	-0.21	1.00	0.50	-0.06	-0.01	-0.09	0.09	-0.09	-0.02	-0.26	-0.06	-0.08	-0.12
Size (3)	-0.40	0.50	1.00	-0.12	0.05	0.04	0.19	-0.28	-0.15	-0.45	0.00	-0.09	0.08
CashFlow (4)	-0.20	-0.06	-0.12	1.00	0.20	-0.20	-0.34	0.32	-0.20	-0.11	-0.06	0.08	0.15
ROS (5)	-0.07	-0.01	0.05	0.20	1.00	0.52	-0.15	0.13	-0.06	-0.13	-0.09	0.02	0.13
IE_Revenue (6)	0.15	-0.09	0.04	-0.20	0.52	1.00	0.10	-0.07	0.04	0.05	-0.04	-0.11	-0.03
Leverage (7)	0.09	0.09	0.19	-0.34	-0.15	0.10	1.00	0.18	0.18	0.06	-0.09	-0.10	0.02
MTBV (8)	0.02	-0.09	-0.28	0.32	0.13	-0.07	0.18	1.00	-0.09	0.05	-0.11	0.09	0.04
Stock_StdDev (9)	0.42	-0.02	-0.15	-0.20	-0.06	0.04	0.18	-0.09	1.00	0.19	0.03	0.04	-0.14
Risk_Weight (10)	0.46	-0.26	-0.45	-0.11	-0.13	0.05	0.06	0.05	0.19	1.00	0.12	-0.02	-0.07
Sov_Stock_Ret (11)	0.01	-0.06	0.00	-0.06	-0.09	-0.04	-0.09	-0.11	0.03	0.12	1.00	0.01	-0.15
Sov_Rating (12)	-0.19	-0.08	-0.09	0.08	0.02	-0.11	-0.10	0.09	0.04	-0.02	0.01	1.00	0.26
Ref_rate (13)	-0.36	-0.12	0.08	0.15	0.13	-0.03	0.02	0.04	-0.14	-0.07	-0.15	0.26	1.00

Notes: The table shows the correlation between the main variables of the full sample. The sample consists of 1,101 loans granted to listed non-financial firms established in EU member states during the 2006-2015 period.

Table S3 shows the estimates obtained by testing our alternative hypotheses *H1a* and *H1b*.

Table S3. The impact of CSR ratings on loan spreads.

	(1)
EW_Rating	-0.416***
	(0.078)
Size	-0.107***
	(0.018)
CashFlow	-0.695**
	(0.311)
ROS	-0.188
	(0.166)
IE_Revenue	1.473**
	(0.589)
Leverage	0.555***
	(0.138)

MTBV	-0.019**
	(0.009)
Stock_StdDev	1.000***
	(0.134)
Risk_Weight	0.884***
	(0.081)
Construction	-0.183*
	(0.102)
Manufacturing	-0.083
	(0.072)
Transportation and Public Utilities	-0.036
	(0.071)
Wholesale Trade	0.018
	(0.114)
Retail Trade	-0.060
	(0.096)
Services	0.024
	(0.078)
Maturity	0.135
	(0.092)
Secured	0.251***
	(0.050)
Covenant	0.122**
	(0.057)
Capital Expenditures	-0.224
	(0.350)
Leverage buyout	0.786***
	(0.126)
Restructuring	-0.339
	(0.226)
Working capital	-0.140
	(0.125)
Miscellaneous	0.020
	(0.074)
Term_Loan	0.266***
	(0.039)
Bridge_Loan	0.085
	(0.117)
Other	0.281***
	(0.063)
Mezzanine	1.057***
	(0.358)
Subordinated	0.695***
	(0.128)
Loan_Concentration	-0.013
	(0.027)
Sov_Stock_Ret	0.123
	(0.183)
Sov_Rating	-0.066***
	(0.010)
Ref_rate	0.005
	(0.063)
Lme	0.300***
	(0.047)
LLme	0.086
	(0.054)
Sd	0.037
	(0.142)
Hy	-0.008
	(0.080)
Constant	5.596***
	(0.464)
Year FE	YES
Observations	1,101
Adjusted R-squared	0.676

Notes: The table shows the results of Eq. (1) estimated by including *EW_Rating* as our variable of interest. The dependent variable is *LnSpread*, a logarithm of the all-in-drawn spread of a loan granted to the *i-th* firm on day *t*. Robust standard errors are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.

Table S4 shows the complete list of variables used in in Appendix B and their relative sources.

Table S4. Variable description.

Variable	Definition	Source
Ec_Score	Economic Score, based on the information in the ASSET4 economic pillar, of the *i-th* firm in the year preceding *t*.	ASSET4
Soc_Score	Social Score, based on the information in the ASSET4 social pillar, of the *i-th* firm in the year preceding *t*.	ASSET4
Env_Score	Environmental Score, based on the information in the ASSET4 environmental pillar, of the *i-th* firm in the year preceding *t*.	ASSET4
Gov_Score	Governance Score, based on the information in the ASSET4 governance pillar, of the *i-th* firm in the year preceding *t*.	ASSET4
HighZscore	Dummy variable equal to 1 if the z-score of the *i-th* firm in the year preceding *t* is in the highest tertile of the empirical distribution.	Authors' elaboration
LowZscore	Dummy variable equal to 1 if the z-score of the *i-th* firm in the year preceding *t* is in the lowest tertile of the empirical distribution.	Authors' elaboration
Secured	Dummy variable equal to 1 if the loan is secured; 0 otherwise.	DealScan
Small	Dummy variable equal to 1 if the *i-th* firm's total assets in the year preceding *t* are lower than the tenth percentile of the sample.	Authors' elaboration
Crisis	Dummy variable equal to 1 in crisis periods of European economy.	OECD

Table S5 report the estimates obtained by testing the impact of each CSR pillar on loan spread.

Table S5. The impact of firm's scores in each CSR pillar on loan spreads.

	(1)	(2)	(3)	(4)
Ec_Score	-0.223***	-	-	-
	(0.072)	-	-	-
Soc_Score	-	-0.420***	-	-
	-	(0.079)	-	-
Env_Score	-	-	-0.406***	-
	-	-	(0.078)	-
Gov_Score	-	-	-	-0.143*
	-	-	-	(0.076)
Size	-0.131***	-0.110***	-0.105***	-0.136***
	(0.018)	(0.018)	(0.018)	(0.017)
CashFlow	-0.525*	-0.686**	-0.748**	-0.632**
	(0.317)	(0.311)	(0.313)	(0.313)
ROS	-0.174	-0.218	-0.182	-0.239
	(0.175)	(0.166)	(0.172)	(0.180)
IE_Revenue	1.622***	1.466**	1.465**	1.873***
	(0.611)	(0.595)	(0.586)	(0.609)
Leverage	0.558***	0.600***	0.552***	0.568***
	(0.138)	(0.138)	(0.138)	(0.138)
MTBV	-0.021**	-0.019**	-0.019**	-0.020**
	(0.009)	(0.009)	(0.009)	(0.009)
Stock_StdDev	0.965***	1.006***	1.041***	0.974***
	(0.135)	(0.133)	(0.135)	(0.135)
Risk_Weight	0.884***	0.881***	0.911***	0.902***
	(0.082)	(0.081)	(0.081)	(0.082)
Construction	-0.177*	-0.175*	-0.164	-0.207**
	(0.104)	(0.103)	(0.101)	(0.105)
Manufacturing	-0.092	-0.088	-0.041	-0.092
	(0.074)	(0.072)	(0.072)	(0.074)
Transportation and Public Utilities	-0.038	-0.037	-0.007	-0.037
	(0.073)	(0.071)	(0.071)	(0.073)
Wholesale Trade	0.010	0.036	0.066	0.043
	(0.113)	(0.118)	(0.117)	(0.119)
Retail Trade	-0.061	-0.080	-0.033	-0.053
	(0.099)	(0.097)	(0.095)	(0.099)
Services	0.006	0.021	0.020	0.017
	(0.079)	(0.078)	(0.078)	(0.080)
Maturity	0.126	0.122	0.131	0.125
	(0.094)	(0.092)	(0.092)	(0.094)
Secured	0.256***	0.255***	0.250***	0.264***
	(0.050)	(0.050)	(0.050)	(0.050)

	(1)	(2)	(3)	(4)
Covenant	0.123**	0.108*	0.113*	0.120**
	(0.057)	(0.057)	(0.058)	(0.057)
Capital Expenditures	-0.185	-0.175	-0.257	-0.147
	(0.335)	(0.364)	(0.358)	(0.376)
Leverage buyout	0.789***	0.820***	0.748***	0.775***
	(0.126)	(0.125)	(0.125)	(0.126)
Restructuring	-0.292	-0.298	-0.370	-0.253
	(0.260)	(0.244)	(0.231)	(0.268)
Working capital	-0.122	-0.105	-0.159	-0.084
	(0.126)	(0.123)	(0.123)	(0.121)
Miscellaneous	0.017	0.024	0.021	0.024
	(0.076)	(0.075)	(0.075)	(0.076)
Term_Loan	0.279***	0.267***	0.270***	0.276***
	(0.039)	(0.039)	(0.039)	(0.039)
Bridge_Loan	0.082	0.081	0.089	0.098
	(0.118)	(0.117)	(0.116)	(0.122)
Other	0.283***	0.282***	0.288***	0.274***
	(0.064)	(0.063)	(0.063)	(0.064)
Mezzanine	1.054***	1.075***	1.039***	1.042***
	(0.349)	(0.354)	(0.355)	(0.351)
Subordinated	0.668***	0.689***	0.690***	0.651***
	(0.137)	(0.127)	(0.121)	(0.128)
Loan_Concentration	-0.011	-0.015	-0.012	-0.010
	(0.027)	(0.027)	(0.027)	(0.027)
Sov_Stock_Ret	0.177	0.129	0.146	0.156
	(0.182)	(0.181)	(0.183)	(0.184)
Sov_Rating	-0.062***	-0.068***	-0.068***	-0.064***
	(0.010)	(0.010)	(0.010)	(0.010)
Ref_rate	0.008	0.013	0.001	0.000
	(0.064)	(0.063)	(0.062)	(0.063)
Lme	0.244***	0.273***	0.253***	0.296***
	(0.046)	(0.046)	(0.046)	(0.052)
LLme	0.074	0.061	0.058	0.073
	(0.055)	(0.053)	(0.054)	(0.054)
Sd	0.041	0.026	-0.024	0.022
	(0.141)	(0.142)	(0.149)	(0.138)
Hy	0.019	0.003	-0.061	-0.007
	(0.080)	(0.080)	(0.081)	(0.080)
Constant	5.761***	5.664***	5.565***	5.823***
	(0.478)	(0.462)	(0.464)	(0.466)
Year FE	YES	YES	YES	YES
Observations	1,101	1,101	1,101	1,101
Adjusted R-squared	0.670	0.675	0.675	0.668

Notes: In columns (1), (2), (3), and (4), we report results of Eq. (1) estimated by replacing *Ew_Rating* alternatively with: *Ec_Score*, *Soc_Score*, *Env_Score* and *Gov_Score*. The dependent variable is *LnSpread*, a logarithm of the all-in-drawn spread of a loan granted to the *i-th* firm on day *t*. Robust standard errors are in parentheses. ***, **, and * denote significance at the 1%, 5%, and 10% level, respectively.