

**From Headlines to Rulings:
Judges' Exposure to Corporate Environmental Incidents and Judicial
Decision-Making in Environmental Litigation^{*}**

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October 2026

^{*} We are grateful to Khadija Almaghrabi (discussant), Janet Gao, Gilles Hilary, Rong Huang, Michelle Lowry, Stanimir Markov, Linda Myers, Gaizka Ormazabal, Neslihan Ozkan (discussant), Peter Pope, Steven Young, Huai Zhang (discussant), Qian Zhang, and conference/workshop participants at the Bristol-Exeter-Lancaster-Manchester Annual Corporate Finance Conference, the Cardiff-Newcastle-Xiamen Tri-University Annual Conference, Financial Reporting and Business Communication Conference, Accounting Summer Camp, the Journal of Accounting, Auditing and Finance International Symposium, Lancaster University, and Xiamen University for their constructive comments on earlier versions of the paper. We are also grateful to Alex Falco, a litigation lawyer, for helpful comments and insights on the legal issues discussed in this paper. We thank Meiling Li, Jingyi She, Yun Tan, Ningning Xia, and Ziyue Xu for their research assistance. All remaining errors are our own.

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Abstract

We provide evidence that judges exposed to recent corporate environmental incidents through their stockholdings are less likely to rule in favor of defendants in environmental cases. This effect manifests only for exposures shortly preceding judicial decisions and is more pronounced among judges with pro-environmental values, for more salient incidents, and among more active stockholder judges. Cases are also decided faster following such exposure. This effect persists even for incidents that do not trigger wealth losses, consistent with pro-environmental arousal driving the effect. Overall, corporate environmental incidents may generate unintended spillovers into judicial decision-making through non-pecuniary channels.

Keywords: environmental incidents, ESG information, RepRisk, litigation, judicial decisions, environmental cases, stock ownership

JEL codes: G39, K41, M41, P48

1. Introduction

Environmental issues have attracted increasing public and regulatory attention.¹ These societal concerns can enter financial markets through investors who internalize pro-environmental preferences and channel these preferences through firms because doing so is more effective and less costly than individual action (Bénabou and Tirole 2010). By allocating capital toward greener firms, investors derive non-pecuniary benefits and generate positive social impact at scale by influencing asset prices and encouraging firms to adopt sustainable practices (Barber, Morse, and Yasuda 2021; Pástor, Stambaugh, and Taylor 2021). Recent studies further find negative investor reactions, on average, to Environmental, Social, and Governance (ESG) incidents, reflecting their implications for firm and shareholder value (Derrien, Krüger, Landier, and Yao 2025; Lin, She, Yoon, and Zhu 2025). However, a consequential question that remains underexplored is whether corporate environmental incidents move shareholders' decision-making outside financial markets. To narrow this knowledge gap, we leverage a unique institutional setting and specifically examine whether corporate environmental incidents affect decisions made by U.S. federal judges with direct stockholdings (hereafter, "stockholder judges") in environmental lawsuits.

Stockholder judges' rulings present an ideal setting for analyzing the spillover effect of corporate environmental incidents. First, judges, like other public servants, constitute a self-selected group whose membership reflects a strong predisposition toward public service motivation, including a commitment to public interest and societal values, as described by Perry and Wise (1990), which may make them more responsive to corporate environmental incidents. Second, as gatekeepers of social justice, judges make decisions with significant societal

¹ A Pew Research Center report published in 2020 finds that, across 20 surveyed publics, a median of 57% considered climate change a very serious problem since 2015, while a median of 71% would prioritize environmental protection over job creation (Funk, Tyson, Kennedy, and Johnson 2020).

consequences, especially given the common law system in the U.S. Third, although the Code of Conduct for U.S. Judges requires judges to always maintain professional competence and avoid being swayed by extraneous factors, they still have substantial discretion over case outcomes (e.g., Gennaioli and Shleifer 2008), and can exhibit significant personal biases in judicial decisions (e.g., Robertson 2018). Fourth, detailed information on federal judges' financial investments and court cases is publicly accessible, allowing us to identify stockholder judges' exposure to corporate environmental incidents within their portfolios and conduct large sample analyses.

The influence of exposure to corporate environmental incidents through direct stockholding on a judge's judicial decision-making in environmental cases is unclear a priori. On the one hand, a stockholder judge exposed to corporate environmental incidents through their direct stockholdings (hereafter, "exposed judges") may make judicial decisions that are less favorable for defendants, who have potentially caused environmental damage. Environmental protection has become an integral component of civic values (Inglehart 2020), implying that shareholders generally *care* about environmental issues. Additionally, stockholding causes shareholders to allocate attention to portfolio firms (Hartzmark, Hirshman, and Imas 2021), making them likely aware of public news-based corporate incidents. As such, to the extent that investors delegate their citizen values to firms they invest in (Bénabou and Tirole 2010), negative environmental incidents may evoke negative moral emotions, such as guilt and shame, among individuals with strong pro-environmental values, which can subsequently motivate their pro-environmental intentions and actions (Rees, Klug, and Bamberg 2015). Consistent with this view, Eren and Mocan (2018) show that unrelated emotional shocks can lead judges to impose harsher sentences as negative emotions like anger and frustration spill over and intensify their moral condemnation of defendants. On the other hand, exposed judges could be more favorable toward defendants in environmental cases

because favorable judicial decisions would set a pro-defendant precedent in environmental litigation to be drawn on in (and bind) future cases, which could lower firms' risk of environmental litigation that may lead to a wealth loss for stockholder judges in the future.

To empirically test these predictions, we obtain federal judges' financial holdings and all federal environmental case filings, including both corporate-involved cases and those not, filed between 2007 and 2020, from CourtListener.com. We link each judge's stock portfolio to corporate environmental incidents collected by RepRisk to determine whether and, if so, when a judge is exposed to corporate environmental incidents. Notably, firms' ESG ratings can barely predict future ESG incidents (Carlos, Hiatt, and Piyasinchai 2024; Park, Yoon, and Zach 2025), implying the unforeseeable nature of such incidents even to knowledgeable stakeholders. Drawing on Derrien et al.'s (2025) findings on market integration of ESG information, we classify a judge as treated if any company in their stock portfolio has an environmental incident within 183 days before the conclusion of a case in which the judge makes a decision. Non-exposed judges serve as controls. Our primary outcome variable is the likelihood that a judge will dismiss a case, which represents a more favorable outcome for defendants (Huang, Roychowdhury, Sletten, and Xu 2025). Accordingly, our identification strategy relies on (i) the random assignment of court cases to individual judges (e.g., Cohen and Yang 2019); and (ii) the plausibly exogenous timing of environmental incidents at judges' portfolio firms, which occur independently of any pending environmental cases.

Based on a sample of 9,411 environmental cases, we find that cases involving exposed judges are less likely to be dismissed by 5.6 percentage points, consistent with an adverse impact of environmental incidents on environmental defendants. The effect corresponds to roughly 527 additional cases that would not be dismissed if all judges were exposed, holding other factors

constant. This association holds across alternative measures, model specifications, and falsification tests. Importantly, such an exposure effect appears to be transitory, as exposures occurring more than 183 days before the case do not affect environmental case outcomes.

Next, to better understand how judges' judicial decisions are influenced by their exposure to corporate environmental incidents, we examine the variation in this relation across judges' pro-environmental values and the level of arousal induced by incident saliency. First, we expect and find that the baseline relation is concentrated in judges with greater pro-environmental values, as proxied by (i) their childhood exposure to greenspace (Zhi 2026), (ii) being female (Mohai 2014), and (iii) Democratic Party affiliation (Gormley, Kaviani, and Maleki 2026), characteristics associated with stronger pro-environmental values. Next, we provide evidence that our core finding is concentrated in environmental incidents that attract greater societal attention and are more likely to trigger judges' pro-environmental arousal, as reflected by a higher level of the firm's Google search volume in the incident month. These results are generally consistent with the narrative that exposure to corporate environmental incidents triggers judges' pro-environmental arousal, leading to a less favorable view of defendants in environmental cases. Additionally, this relation is more pronounced for judges with greater stock trading activity and larger stockholdings, suggesting that judges who are more engaged with their investments are more likely to be aware of environmental incidents in ways that meaningfully influence their decision-making.

To further substantiate the influence of exposures to corporate environmental incidents on judges' decision-making, we turn to another outcome of environmental cases. Specifically, we find that judges' recent exposure to corporate environmental incidents also leads to faster resolution, reinforcing that exposure to corporate environmental incidents affects judges' decision-making.

Finally, we close the loop by evaluating alternative explanations. First, a negative wealth shock caused by corporate environmental incidents could trigger negative emotional responses to financial losses (e.g., Lin and Pursiainen 2023) or a sense of victimhood (Nguyen, Raghunandan, and Scherf 2025) rather than pro-environmental arousal. We note that this wealth loss effect can coexist with the pro-environmental-arousal mechanism. That said, we argue that the wealth loss effect is not a prerequisite for the outcome on exposed judges' decisions, as evidenced by the fact that dismissal rates in environmental cases decline even (i) after exposure to incidents that do not trigger a negative stock return and (ii) when judges' estimated average wealth change across incident holdings is non-negative. Second, judges with a high tendency to dismiss environmental cases might invest in firms with a high risk of environmental incidents. To mitigate this concern, we re-estimate our baseline specification by (i) controlling for a judge's previous records of dismissals of environmental cases, and (ii) excluding judges who constantly dismiss environmental cases. Our findings continue to hold in these tests. Third, public information on corporate environmental incidents may generally lead judges to treat environmental defendants more harshly, even for those not holding stocks of incident firms. We alleviate this concern by showing that judges' dismissal decisions are not significantly associated with corporate environmental incidents across the market and their market reactions, a result inconsistent with the public news explanation.

Our study contributes to extant literature in several ways, including offering a new perspective in understanding firms' environmental information by documenting its unintended externality in environmental litigation. Firms operate in an era of increasingly heightened ESG transparency and ratings proliferation, but potential consequences of such information remain contested (Christensen, Hail, and Leuz 2021; Kothari, Zhang, and Zuo 2023; Friedman and Ormazabal 2024). Complementing research on the economic effects of sustainability reporting

(see Christensen et al. [2021] for a discussion) and the valuation implications of ESG news (e.g., Derrien et al. 2025; Lin et al. 2025; Park et al. 2025), we show that public environmental news generates spillover effects on justice, demonstrating a social externality with direct implications for litigation risk and the wider development of environmental jurisprudence. Our findings help practitioners and regulators evaluate these broader implications.

In a recent study related to ours, Nguyen et al. (2025) show that shareholder judges' exposure to financial fraud generally does not affect sentencing decisions in white-collar crimes, except for the most serious, price-depressing fraud. While they examine consequences of firms' financial frauds, we focus on inherently non-financial incidents of firms in the environmental dimension. Further, in contrast to their analysis of shareholder judges' pecuniary incentives triggered by stock price declines (i.e., "victimhood"), we identify a non-pecuniary channel rooted in shareholders' pro-environmental preferences. Finally, complementing their focus on firms' verified, substantive violations, we study news-based corporate incidents, whose impacts on firms' performance are likely subtle. As such, our study helps complement their findings.

Furthermore, we present novel evidence on how corporate environmental incidents affect shareholders' decisions beyond financial investments. An emerging stream of literature analyzing externalities of capital markets documents that changes in stock market wealth affect shareholders' non-investment behavior, including job performance (Li, Qian, Xiong, and Zou 2022), driving behavior (Giulietti, Tonin, and Vlassopoulos 2020), and domestic violence (Lin and Pursiainen 2023), while firm-specific events such as accounting misconduct revelations affect local crime rates (Holzman, Miller, and Williams 2021). While these studies focus on financial events that primarily affect shareholders' wealth, we extend this literature by showing that exposure to corporate environmental incidents, which are non-financial in nature and operate through a non-

pecuniary channel, affects shareholder judges' decision-making in environmental litigation. We further find that judges' pro-environmental arousal likely plays a more important role than wealth-related incentives in driving this effect, highlighting a non-financial channel that explains externalities of firm incidents. We also add to emerging research on non-pecuniary externalities of corporate environmental incidents for non-shareholders (e.g., Houston, Lin, Shan, and Shen 2025; Duan, Li, and Michaely 2026) by providing evidence from the perspective of shareholders.

Finally, our findings enrich the understanding of judicial discretion in the litigation process. Prior studies examine judicial ideology (Cohen and Yang 2019), electoral reputation incentives (Cohen, Klement, and Neeman 2015), and career advancement incentives (Choi, Gulati, and Posner 2012). In addition, recent studies find that judges' financial holdings can affect litigation outcomes due to conflicts of interest stemming from such investments (Huang et al. 2025; Harit, Parupati, Pinto, and Sadka 2026). We extend this discussion by showing that judges' stock investments influence their decision-making even when judges' self-serving interests are unlikely at stake, thereby offering a new aspect in understanding the role of judges' financial investments in judicial outcomes. Relatedly, to the extent that firms are frequently involved in costly litigation (Knill, Kindelsperger, and Ovtchinnikov 2024), our findings can help stakeholders better evaluate firms' relative prospects of success in defending against environmental lawsuits.

2. Related Literature and Conceptual Framework

2.1. Corporate Environmental Incidents and Investors' Pro-Environmental Values

Environmental issues have attracted substantial public and societal attention, increasing expectations for firms to act responsibly toward the environment (Bénabou and Tirole 2010; Lee, Kim, and Kim 2018). Both theoretical and empirical research suggests that social expectations and external pressures from various stakeholders are associated with firms' adoption of environmental

practices (Delmas and Toffel 2004; Campbell 2007; Lee et al. 2018). Shareholders can also exert such pressure. Theoretical research suggests that shareholders use investment and engagement decisions to express social preferences and influence firms' corporate responsibility (Bénabou and Tirole 2010; Pástor et al. 2021). Consistent with this view, Dyck, Lins, Roth, and Wagner (2019) provide international evidence that institutional investors affect firms' environmental and social performance, suggesting that shareholders can pressure firms to improve environmental practices.

Shareholders may exert such pressure for both non-pecuniary and financial reasons. On the non-pecuniary side, some investors value environmental outcomes beyond their financial implications and derive utility from holding green assets (Pástor et al. 2021). Riedl and Smeets (2017) find that social preferences and social signaling help explain socially responsible investment decisions, while Bauer, Ruof, and Smeets (2021) find that many pension fund participants support sustainable investments even when they expect lower financial performance. Barber et al. (2021) similarly find that investors in impact venture capital funds accept lower expected returns on impact investments. At the same time, environmental performance has financial implications for shareholders. Matsumura, Prakash, and Vera-Muñoz (2014) find that higher carbon emissions are associated with lower firm value, while Griffin, Lont, and Sun (2017) show that investors price greenhouse gas emissions in equity values. More recent evidence further shows that negative ESG incidents can adversely affect firm value and future performance (Derrien et al. 2025; Lin et al. 2025). Thus, it remains unclear whether shareholders' responses to environmental incidents are driven primarily by pro-environmental or financial considerations.

2.2. Judges and Judicial Decisions

The impartiality of the courts constitutes a cornerstone of the rule of law (Robertson 2018).²

² To the extent that judicial impartiality is fundamental to the right to a fair trial, the Code of Conduct for United States Judges states that "[a] judge should not allow family, social, political, financial, or other relationships to influence

That said, scholars have long recognized that judges are not immune to subconscious biases (Nugent 1994). This vulnerability is fundamentally tied to the substantial discretion judges exercise in interpreting legal standards, weighing evidence, and determining case outcomes (Frankel 1972; Gennaioli and Shleifer 2008). Because legal rules rarely prescribe mechanical applications, this discretion allows judges' personal predispositions and contextual factors to shape rulings (e.g., Rachlinski and Wistrich 2017; Robertson 2018; Harris and Sen 2019). Empirical research documents how such discretion allows judges' personal characteristics to shape judicial decisions, examining characteristics such as political ideology (Kang and Shepherd 2015; Cohen and Yang 2019; Huang, Hui, and Li 2019; Liu 2020; Gormley et al. 2026), race (Scherer 2004; Cox and Miles 2008; Kastellec 2013; Sen 2015), gender (Walker and Barrow 1985; Songer and Crews-Meyer 2000; Peresie 2005), and age (Myers 1988; Kulik, Perry, and Pepper 2003).

In addition to stable personal traits, behavioral factors, such as transient cognitive and emotional states, also manifest in judicial discretion. When legal standards leave room for interpretation, judges become susceptible to situational biases that stricter procedural mandates would otherwise constrain. For instance, judicial decisions vary with the timing of food breaks, consistent with decision fatigue (Danziger, Levav, and Avnaim-Pesso 2011), while sequential decision patterns in asylum rulings are consistent with the gambler's fallacy (Chen, Moskowitz, and Shue 2016). In the same vein, external emotional shocks, such as negative emotions following unexpected losses by favorite football teams (Eren and Mocan 2018) or feelings of victimhood following exposure to the most serious financial frauds (Nguyen et al. 2025), have been shown to affect sentencing severity. Collectively, these findings show how judicial discretion allows

judicial conduct or judgment.” See the Code of Conduct for United States Judges, available at <https://www.uscourts.gov/administration-policies/judiciary-policies/ethics-policies/code-conduct-united-states-judges> (accessed June 2, 2026).

enduring personal characteristics and transient psychological states to affect case outcomes.

2.3. Exposed Judges' Decision-Making in Environmental Cases

It is important to stress that judges' exposure to corporate environmental incidents can be irrelevant to their decision-making in environmental cases. The Code of Conduct for United States Judges requires federal judges to always maintain professional competence and avoid being swayed by extraneous factors. To the extent that exposure to corporate environmental incidents does not affect the facts in a case over which a judge presides, a rational judge should not incorporate such exposure into judicial decision-making. However, judges may overweight salient but legally irrelevant information when making decisions, as formalized by Bordalo, Gennaioli, and Shleifer (2015). Their model provides a theoretical basis for considering whether exposure to a salient corporate environmental incident could influence judicial decisions despite having no bearing on the underlying case.

In one direction, an exposed judge can make less favorable judicial decisions against the defendant, given the socially undesirable outcomes of environmental incidents. To the extent that societal expectations regarding environmental stewardship have made environmental protection a critical aspect of business practices and an increasingly integral component of civic values, corporate environmental incidents can be viewed as violations of environmental norms, particularly by investors who value companies' environmental responsibility. Such incidents may therefore activate investors' personal norms and feelings of moral obligation (Schwartz 1977) and evoke moral intuitions that influence moral judgments (Haidt 2001). Psychological research suggests that such negative emotional responses frequently carry over to subsequent judgments, including judgments unrelated to the event that generated the emotion (Lerner, Goldberg, and Tetlock 1998). Consistent with such a spillover effect, Eren and Mocan (2018) find that unexpected

emotional shocks associated with football losses affect judges' sentencing decisions in unrelated cases. Thus, exposure to corporate environmental incidents may activate shareholder judges' pro-environmental preferences and motivate them to take more pro-environmental actions, leading them to rule less favorably for defendants accused of environmental harm.

This pro-environmental hypothesis rests on two preconditions with respect to judges' motives and abilities to react to their portfolio firms' environmental incidents. First, shareholder judges hold a pro-environmental value/preference, motivating them to react (the "care" condition). We argue that this condition is plausible. Individuals may have intrinsic motivations to act in socially responsible ways (Bénabou and Tirole 2006). Judges, like other public servants, may be drawn to public service by motives grounded in public institutions, including a commitment to the public interest and societal values (Perry and Wise 1990). Bénabou and Tirole (2010) further argue that individuals can express such social preferences through responsible investment and shareholder activism, using firms as a channel through which to pursue socially desirable outcomes.

Second, shareholder judges allocate sufficient attention to environmental incidents in their portfolio firms, enabling a pro-environmental arousal following such incidents (the "being-aware" condition). This precondition is likely to hold as environmental incidents are news-based public events. Moreover, although shareholder judges, as retail investors, are unlikely to access real-time firm news through financial terminals, recent studies establish that ownership per se channels investors' attention to their portfolio assets (Hartzmark et al. 2021). Specifically, investors pay attention to firms they hold even when the stocks are not in the media (Barber and Odean 2008), and they read news about held firms five times more frequently than about non-held firms (Kwan, Liu, and Matthies 2026). For retail investors in particular, they pay disproportionate attention to information on their stocks that is already known and has few implications for future value

(Quispe-Torreblanca, Gathergood, Loewenstein, and Stewart 2026). In brief, stockholding is likely to direct shareholder judges' attention to portfolio firms' information, enabling public, news-based corporate environmental incidents to receive sufficient attention from them.

In the other direction, an exposed judge may rule more in favor of the defendant for their personal interest. Under a common law system, judicial decisions establish precedents that guide future rulings; consequently, a judge may seek to shape the law in ways that align with their personal agendas or attitudes toward specific issues (Priest 1977; Gennaioli and Shleifer 2007). A decision that favors defendants in an environmental lawsuit could potentially reduce firms' future environmental litigation risks. Shareholder judges may be influenced by their financial interests when adjudicating environmental cases, increasing their propensity to rule in favor of defendants (Knill et al. 2024). Given these opposing forces, we formulate our hypothesis as follows:

Hypothesis: *Judges' likelihood of ruling in favor of defendants in environmental cases is not affected by their exposure to corporate environmental incidents through stockholdings.*

3. Research Design and Data

3.1. Capturing Judges' Decision-Making through Lawsuit Outcomes

The outcome of a lawsuit is a product of a judge's judicial decision-making. However, measuring such outcomes in practice can be challenging because lawsuits may be resolved through procedures that do not yield a clear winner or loser (Eisenberg and Schwab 1987). Following Huang et al. (2019) and Huang et al. (2025), we use dismissals as a proxy for outcomes favorable to defendants.³ A dismissal means judges turn down at least part of the requests made by the plaintiff, indicating a decision to some extent in favor of the defendant. Put differently, *ceteris*

³ In practice, whether a case outcome constitutes "success" is subjective and may differ across parties. For example, a defendant may view an unfavorable judgment as a relative success if the award is substantially below the amount claimed. Thus, we acknowledge that using dismissal as a proxy for outcomes favorable to defendants has limitations.

paribus, a lower chance of dismissal indicates that a judge is more favorable toward the plaintiff.

We focus on cases officially classified by the Administrative Office of the U.S. Courts into the environmental category, effectively eliminating concerns about subjective classification of lawsuits. In an environmental case, a lower chance of dismissal suggests that the judge rules in a way that is “harsher” to defendants who have possibly had an adverse impact on the environment. Accordingly, we define *DISMISSAL* as an indicator variable that equals one if the case outcome is classified as “dismissed,” and zero otherwise. Specifically, we identify dismissals through five distinct outcome codes reflecting different reasons for a dismissal: (i) “Dismissed-Want of Prosecution,” (ii) “Dismissed for lack of jurisdiction,” (iii) “Dismissed-Settled,” (iv) “Dismissed Voluntarily,” and (v) “Dismissed-Other.” Although judge involvement may vary by dismissal type, prior literature suggests that even procedural dispositions can entail meaningful judicial oversight and discretion (e.g., Mentz 1972; Alexander, Dahlberg, Lahav, and Siegelman 2025).⁴

3.2. Measuring Shareholder Judges’ Exposure to Corporate Environmental Incidents

To capture judges’ exposure to corporate environmental incidents, we employ an indicator variable, *EXPOSURE_ENV*, that equals one if any company in the judge’s disclosed stock portfolio experiences at least one environmental incident tracked by RepRisk within 183 days before the judge’s decision in a case, and zero otherwise (Derrien et al. 2025). In particular, we follow Derrien et al. (2025) in using a 183-day window, which is long enough for news about environmental incidents to reach judges and potentially affect their perspectives, yet recent enough to remain salient for shareholder judges. We rely on RepRisk, which conducts daily analysis of

⁴ We follow Huang et al. (2019) and Huang et al. (2025) in including all dismissal outcomes in our main measure. To address concerns that certain categories may involve more limited substantive review, we later conduct a robustness test using a narrower measure, *DISMISSAL_SUBSTANCE*, which excludes dismissals for want of prosecution and lack of jurisdiction (Section 4.2). The results remain qualitatively unchanged.

publicly available texts to construct firm-specific metrics tracking adverse ESG-related incidents.⁵ For our purpose, we focus on environmental incidents.

Importantly, these news-based corporate environmental incidents provide cleanly identifiable shocks to a firm's environment-related characteristics.⁶ Extant studies show that external ESG ratings can barely predict firms' future ESG incidents (Carlos et al. 2024; Park et al. 2025), leaving even knowledgeable stakeholders unable to anticipate such incident. Moreover, such incidents occur in both high- and low-rating firms (Carlos et al. 2024), implying that shareholder judges are unlikely to select or avoid incident stocks. In addition, prior studies show that corporate ESG incidents attract substantial attention from investors and suppliers (Gantchev, Giannetti, and Li 2022; Lin et al. 2025). Consistent with this attention mechanism, we focus on judges' direct stockholdings, while excluding indirect holdings through mutual funds or other investment vehicles. Such ownership is more likely to increase judges' attention to firm news.⁷

3.3. Identification Strategy

We employ a case-level design relating the case outcome to case-specific exposure to corporate environmental incidents within 183 days before the case conclusion.⁸ Our identification strategy relies on several institutional features that enhance causal interpretation. First, as discussed, the occurrence of environmental incidents in judges' portfolio companies is plausibly

⁵ Available since 2007, RepRisk uses public texts in 20 languages and classifies corporate ESG incidents into 28 categories: environmental (e.g., climate change, pollution, and waste), social (e.g., child labor and human rights abuses), and governance (e.g., executive compensation and corruption).

⁶ See a review of academic studies that analyze ESG incidents collected by RepRisk in the context of active investing at <https://www.reprisk.com/insights/reports/overview-of-studies-using-data-on-esg-risk-incidents-in-active-investing>.

⁷ The restriction to direct holdings in our sample construction also helps sharpen the identification by selecting for the subset of exposures most likely to generate the awareness necessary for pro-environmental arousal. Direct stock ownership is relatively uncommon: the Federal Reserve's Survey of Consumer Finances reports that only around 15% of U.S. households directly owned publicly traded stock during 2016-2019 (full report available at: <https://www.federalreserve.gov/publications/2020-bulletin-changes-in-us-family-finances-from-2016-to-2019.htm>). Unlike indirect holders, who have little reason to monitor the performance or conduct of individual firms in a pooled portfolio, direct stockholders are more likely to be aware of firm-specific news. This heightened awareness is precisely the mechanism through which environmental incidents translate into pro-environmental arousal in our setting.

⁸ Notably, our research design is not a difference-in-differences approach.

exogenous to judges' receipt of environmental cases. Even though judges choose their stockholdings, the occurrence of environmental incidents at their portfolio companies is hardly foreseeable, and the timing is unlikely to be influenced by judges' current or anticipated caseloads, mitigating the concern about reverse causality. Second, federal judges are usually randomly assigned to cases (Huang et al. 2025; Kim, Shi, and Verdi 2025). This random assignment ensures that judges' exposure to environmental incidents through their portfolios should be uncorrelated with unobserved case characteristics that might affect case outcomes. Third, federal judges have life tenure and substantial decisional independence (Dow and Mehta 2021). They face limited consequences for case decisions, reducing concerns that exposed judges might rule differently due to career concerns or external pressures. Additionally, judges may partly choose whether to adjudicate cases through recusal decisions (Broyde and Hall 2025; Huang et al. 2025). If exposed judges recuse themselves due to impartiality concerns, our sample includes only those who can decide impartially, potentially biasing estimates toward zero.

We employ a linear probability model (i.e., ordinary least squares [OLS]) specified in Equation (1), relating the dismissal of an environmental case to a judge's exposure to corporate environmental incidents.⁹ Equation (1) specifies the estimation model, where i, j , and t index case, judge, and year, respectively. $DISMISSAL_{i,j,t}$ indicates whether case i presided over by judge j in year t is dismissed; $EXPOSURE_ENV_{i,j,t}$ indicates whether judge j is exposed to at least one environmental incident through stockholdings within the 183 days before deciding case i in year t . The coefficient of interest, β_1 , captures the average difference in dismissal probability between cases presided over by judges recently exposed to environmental incidents and those presided over

⁹ Nonlinear models with fixed effects are prone to incidental parameter problems and lead to estimation biases (see Greene [2004] for a discussion). Accordingly, we employ an OLS specification to model the likelihood of dismissing a case as our baseline model. All results remain qualitatively similar when we use logit model instead (see Section 4.2).

by non-exposed judges. β_1 is negative if judges' exposure to environmental incidents is associated with lower dismissal rates, that is, less favorable treatment of environmental defendants.

$$\begin{aligned}
DISMISSAL_{i,j,t} = & \beta_0 + \beta_1 EXPOSURE_ENV_{i,j,t} + \beta_2 PORTFOLIOWIDTH_{j,t} \\
& + \beta_3 AVGACTIVECASES_{j,t} + \beta_4 EXPERIENCE_ENV_{j,t} + \beta_5 AGE_{j,t} \\
& + \beta_6 TENURE_{j,t} + \beta_7 FEMALE_j + \beta_8 DEMOCRAT_j + \beta_9 REPUBLICAN_j \\
& + \beta_{10} TOPLAWSCHOOL_j + \beta_{11} RACEBLACK_j + \beta_{12} RACENATIVE_j \\
& + \beta_{13} RACEASIAN_j + \beta_{14} RACEPACIFIC_j + \beta_{15} RACEHISPANIC_j \\
& + District\ FE + Year\ FE + \varepsilon
\end{aligned} \tag{1}$$

Turning to control variables, we include *PORTFOLIOWIDTH*, defined as the number of unique stocks in a judge's portfolio in a year, to account for the fact that judges holding a greater variety of firms' stock have a mechanically higher chance of being exposed to corporate environmental incidents. Additionally, following prior literature (e.g., Huang et al. 2025; Nguyen et al. 2025), we control for judges' case-handling characteristics, including *AVGACTIVECASES*, which measures the judge's workload, and *EXPERIENCE_ENV*, which captures the judge's previous experience with environmental cases. Given the exogenous timing of environmental incidents and the random assignment of judges to cases, case-handling characteristics should not systematically differ between exposed and non-exposed judges. Nonetheless, we include these controls to further mitigate concerns about omitted variables. We also control for judges' demographic characteristics that might affect dismissal propensity: *AGE* (judge's age as of case filing year), *TENURE* (years served as a federal judge), *FEMALE* (indicator for female judges), *DEMOCRAT* and *REPUBLICAN* (indicators for judges' political party affiliation), *TOPLAWSCHOOL* (indicator for graduation from a top-14 law school according to U.S. News & World Report 2020 Ranking), and race indicators (*RACEBLACK*, *RACENATIVE*, *RACEASIAN*, *RACEPACIFIC*, *RACEHISPANIC*). We provide detailed definitions of all variables in Appendix A. We winsorize all continuous variables at the 1st and 99th percentiles to reduce the influence of

outliers. Notably, the hypothesis of an influence of environmental incidents on exposed judges' decision-making is conditioned on both the cross-judge variation in the pro-environmental value and the time-series variation for a judge in terms of incident exposure. Therefore, we include (i) district fixed effects to control district-invariant differences across federal district courts, which retain the cross-judge variation, and (ii) case filing year fixed effects to control for time-invariant factors that may affect the dismissal of environmental cases.

Particularly, it is noteworthy that the random assignment of lawsuits to judges makes non-exposed judges a natural control group in identifying the influence of exposure to corporate environmental incidents. Relatedly, different judges may have portfolios of varying width and composition. These cross-judge differences in incident exposure provide an important source of variation in our independent variable of interest. As such, we include district fixed effects to allow cross-judge comparisons of the potential effect of exposure to corporate environmental incidents (Breuer and deHaan 2024).¹⁰ We cluster standard errors at the judge level to account for potential correlation in the residuals across cases presided over by the same judge.

3.4. Sample Construction and Descriptive Statistics

To construct our sample, we obtain information on federal environmental lawsuits, federal judges' financial disclosures, and judges' biographical, professional, and political information from CourtListener.com. As an initiative of the Free Law Project, it is a free archive of court data, including legal opinions, oral arguments, judges and judicial financial records, and federal filings. Specifically, it sources detailed information on all types of lawsuits from Public Access to Court

¹⁰ An average judge presides over approximately ten environmental cases in our baseline sample. Excluding the cross-judge variation in environmental incident exposure would significantly reduce the variation of our independent variable of interest. For example, never-exposed judges would be dropped from the analysis, even though they reasonably serve as a control group under random case assignment to judges. That said, we also check the results for a within-judge analysis in a robustness check (see Section 4.2), where our core inference remains robust.

Electronic Records (PACER), organizes the records in a more structured manner, and makes the data freely accessible to the public. At the case level, information provided by CourtListener.com includes, but is not limited to, that on defendants and plaintiffs, judges and courts, filing and termination dates, nature of case, and detailed outcomes. Although CourtListener.com does not cover all cases in the PACER universe, we are not aware of any systematic selection bias in its coverage, especially given its crowdsourced nature. Specifically, the detailed case records it obtains are largely contributed by a variety of professionals who purchased them from PACER.

The Ethics in Government Act of 1978 requires top government officials, including federal judges, to file an annual financial disclosure report providing (i) a full list of assets, including stockholdings in individual companies, held by the judge, and the values of such holdings, and (ii) all outside income from sources including (but not limited to) investments, board positions, teaching gigs, or gifts. Dollar amounts of asset holdings and income are reported in value ranges rather than as exact amounts. When these disclosure forms are submitted, they are checked for conflicts of interest and made available to the public upon request. CourtListener.com also sources and organizes federal judges' financial disclosure forms (Form AO 10) and makes the data publicly available. Accordingly, we rely on the records of judges' self-disclosed financial holdings provided by CourtListener.com to identify (i) the starting and ending dates of a judge's holding of a firm's stocks, (ii) the dollar value of transactions during the holding period, and (iii) the dollar value that a judge holds in a company's stocks. Specifically, as the amounts of asset holdings and income are reported in ranges, we use the midpoint of each range to measure the dollar value.

As noted earlier, we collect detailed information on corporate environmental incidents from RepRisk (Derrien et al. 2025; Park et al. 2025). We match judges' stockholdings with RepRisk firm-level environmental incidents to identify shareholder judges' exposure to corporate

environmental incidents. Environmental cases presided over by exposed judges serve as our treatment group. We include cases presided over by both non-shareholder judges, who typically have other types of financial investments, and non-exposed shareholder judges as the control group.

Our final sample consists of cases filed between 2007 (the first year RepRisk publishes ESG incidents) and 2020 (the most recent year with sufficient court case information available at the time of research) and consists of 9,411 environmental litigation cases. As a case may take several years to conclude, this approach includes case terminations (and corporate environmental incidents) up to 2023. These cases involve 998 unique federal judges presiding across 90 distinct federal district courts throughout the United States. Table 1, Panel A presents the distribution of cases across years, which does not show a clear trend over time. Panel B presents the distribution across circuits. We note that the Fifth Circuit contains the largest number of cases in our sample, with the Eastern District of Louisiana accounting for the majority. To address concerns that this district may drive our findings, we conduct robustness checks in further analyses (see Section 4.2).

We present descriptive statistics for the variables used in our main tests in Table 2, Panel A. On average, 69.5% of environmental cases are dismissed and 25.2% of environmental cases have presiding judges exposed to environmental incidents. Judge characteristics show considerable variation. The judge in our sample is 67 years old on average, with about 16 years of tenure. Approximately 14% of observations involve female judges, 72% involve Democratic appointees, and 15% involve judges who graduated from top 14 law schools.

Panel B of Table 2 presents Pearson correlations between variables in the main test. *EXPOSURE_ENV* shows a negative correlation with *DISMISSAL*, providing initial univariate evidence consistent with the notion that exposed judges are less likely to dismiss environmental cases. Overall, these correlations do not flag a major multicollinearity concern.

4. Empirical Results

4.1. Baseline Results

Table 3 presents the results from estimating the baseline model specified in Equation (1) on the relation between judges' exposure to corporate environmental incidents and their likelihood of dismissing an environmental case. We progressively include more control variables in the estimation. The results in Column (1) include only the key independent variable (*EXPOSURE_ENV*) and fixed effects. In Column (2), we add controls for judges' portfolio breadth (*PORTFOLIOWIDTH*) and case-handling characteristics, such as judge workload (*AVGACTIVECASES*) and judges' previous experience with environmental cases (*EXPERIENCE_ENV*). In Column (3), we further include controls for judges' demographic characteristics. Across all three columns, the estimated coefficients on *EXPOSURE_ENV* are negative and statistically significant. Specifically, the coefficient obtained from estimating the full specification is -0.056, indicating that, on average, exposed judges are less likely to dismiss environmental cases by 5.6 percentage points, which corresponds to 8.1% of the sample mean ($0.056/0.695 \approx 8.1\%$) or 0.12 standard deviations of the dependent variable ($0.056/0.461 \approx 0.12$). In terms of the economic magnitude of our findings, this 5.6 percentage-point difference implies that approximately 527 additional cases (out of 9,411 total) would not be dismissed if all judges were exposed, compared with the scenario in which no judges were exposed. Given the substantial costs and implications of environmental litigation, this effect appears economically meaningful.

The coefficients on control variables generally align with expectations and prior literature about the influence of judges' background on their decisions. Judges with longer tenure (*TENURE*) or younger judges (*AGE*) are less likely to dismiss cases, possibly reflecting age-related differences in cognitive processing (Black, Owens, and Wohlfarth 2023) or generational differences in

environmental attitudes (Van Liere and Dunlap 1980). Female (*FEMALE*), Native (*RACENATIVE*), and Hispanic (*RACEHISPANIC*) judges are significantly less likely to dismiss environmental cases, consistent with prior research documenting that judges' race and gender influence judicial decision-making (Rachlinski and Wistrich 2017). Interestingly, we find that judges with broader stock portfolios (*PORTFOLIOWIDTH*) are more likely to dismiss environmental cases, potentially reflecting their private-interest incentives, as “defendant-friendly” rulings may reduce future environmental litigation risks for firms they hold (Knill et al. 2024).

4.2. Robustness Checks

To verify the validity of our baseline inferences, we conduct a series of robustness checks and present the results in Table 4. First, we examine whether our results are robust to alternative definitions of environmental incident exposure and report the results in Panel A. Our baseline measure (*EXPOSURE_ENV*) equals one if the judge experienced at least one environmental incident in their portfolio. One concern is that a single incident might not have sufficient impact on judicial decision-making. In the model presented in Column (1) of Panel A, we address this concern by using *MULTIEXPOSURE_ENV*, which equals one only if the judge's portfolio companies experienced three or more environmental incidents within the 183-day window. Our core inference remains consistent with this alternative proxy. Multiple incidents appear to produce effects similar to those of single incidents, suggesting that exposure rather than incident frequency primarily matters for judicial decision-making. In Column (2), we use the logarithm of the number of environmental incidents as a continuous measure of the exposure. The results reveal that exposure to a greater number of corporate environmental incidents reduces judges' likelihood of dismissing an environmental lawsuit, lending further support to our baseline findings. In Column (3), we use Violation Tracker, a database maintained by Good Jobs First that catalogs corporate

violations and fines assessed by regulatory agencies, as an alternative data source for environmental incidents. While RepRisk tracks incidents based on media coverage and stakeholder reports, capturing a broader range of environmental concerns including those that do not result in formal regulatory violations, Violation Tracker focuses specifically on verified violations and fines, providing a narrower but more severe set of incidents. Specifically, we code *EXPOSURE_VT* as one if the judge's portfolio companies had at least one environmental violation recorded in Violation Tracker within the 183-day window, and zero otherwise. The coefficient remains negative and statistically significant. Collectively, we interpret the results as evidence that strengthens our confidence that our baseline results reflect genuine exposure effects for judges.

Second, we use alternative definitions of case dismissals and report the results in Panel B. Our baseline dismissal measure includes all dismissal categories: (i) want of prosecution, (ii) lack of jurisdiction, (iii) settled, (iv) voluntary, and (v) other dismissals. Some dismissals (particularly settlements) might reflect negotiated outcomes rather than judges' substantive rulings on the merits of a case. To mitigate this concern, we vary the definition of a dismissal and use *DISMISSAL_SUBSTANCE* in Column (1), which includes only substantive judgments by excluding "want of prosecution" and "lack of jurisdiction" dismissals, as these latter categories typically reflect procedural or technical deficiencies. The coefficient on *EXPOSURE_ENV* is similar to our baseline estimate, indicating that exposure affects substantive dismissal decisions beyond merely procedural outcomes. In the same spirit, we use *DISMISSAL_EXSETTLE* in Column (2), which excludes settled cases from the dismissal category. Even though judges often facilitate settlements and their expected rulings shape settlement negotiations (Cooter, Marks, and Mnookin 1982; Resnik 1982), it remains possible that settlements primarily reflect party negotiations rather than judicial influence. Our baseline inference remains robust to this alternative

measure. These results demonstrate that our findings are not artifacts of how we define dismissal.

Third, we assess whether our results are sensitive to alternative sampling choices and report the results in Panel C. One concern with our baseline sample is that case volume varies in the cross-section, making some courts and/or judges overrepresented while leaving others underrepresented. In particular, the Eastern District of Louisiana, which falls within the Fifth Circuit, accounts for a disproportionate share of cases, potentially driving our results. In Column (1), we exclude all cases from this district and obtain results similar to our baseline estimation, alleviating concerns about this high-volume district. In Column (2), we further implement entropy balancing to address concerns about systematic differences between cases presided over by exposed versus non-exposed judges. Specifically, we reweight the sample based on all baseline control variables so that they satisfy the first-moment balance condition across the two groups. The matched-sample results support our baseline inference and mitigate sampling-bias concerns.

Finally, we evaluate the robustness of our results to alternative model specifications and present the results in Panel D. In Column (1), given that the coefficients estimated in a linear probability model could be hard to interpret, we estimate a logit model. In Column (2), we add case-ending year-week fixed effects into the baseline model to parse out the potential confounding factors associated with the time when a judge makes judicial decisions (e.g., Eren and Mocan 2018). In Column (3), we re-estimate a model including district-by-year fixed effects. This more saturated specification controls for time-varying differences across districts. In Column (4), we estimate an even more restrictive model that includes judge-by-year fixed effects, allowing us to examine whether exposure to corporate environmental incidents leads to within-judge variation in judicial decision-making in the same case-ending year. Throughout the columns, the coefficients on *EXPOSURE_ENV* are consistent with our baseline results, lending additional credence to our

baseline inference that judges' exposure to corporate environmental incidents through stockholdings leads them to make decisions that are "harsher" to defendants. Notably, the within-judge results in Column (4) show that judges are harsher toward defendants in environmental cases when they are exposed to corporate environmental incidents than when they are not exposed within the same year, thereby providing particularly strong support for our hypothesis.

Overall, these results demonstrate that our main findings are not sensitive to specific measurement choices, sample composition, or model specifications. Across all alternatives examined, we consistently find that judges exposed to environmental incidents are significantly less likely to dismiss environmental cases.

4.3. Falsification Tests

We proceed by conducting a series of falsification tests and present the results in Table 5. In Panel A, we present the results from estimations of models relating judges' dismissal decisions to exposure to non-environmental ESG incidents. If our results reflect judges' responses to environmental issues, then only exposure to environmental incidents should significantly affect environmental case dismissals. We use *EXPOSURE_SOC* and *EXPOSURE_GOV* to indicate judges' exposure to social and governance incidents in their portfolio companies, respectively, and present the corresponding results in Columns (1) and (2). The coefficients are statistically insignificant, suggesting that judges exposed to social or governance problems in their portfolios show no differential treatment of environmental defendants. We interpret the results as evidence that the environmental incident channel operates by triggering judges' pro-environmental values, rather than by general corporate skepticism.

Next, we examine environmental incidents occurring after judges' decisions and present the results in Panel B. Our baseline measure uses incidents in days [-183, 0] relative to the decision

date, hypothesizing that recent exposure affects judges' decision-making. In parallel, we define *EXPOSURE_ENV_AFTER* to indicate environmental incidents in days [+1, +183], i.e., the 6 months after judges' decisions. Incidents that occur after a decision should not affect it. Accordingly, we observe that the coefficient on *EXPOSURE_ENV_AFTER* is statistically insignificant. This null result provides compelling evidence against reverse causation or omitted-variable explanations. Importantly, by demonstrating such within-judge, inter-temporal difference in judicial decision-making from the baseline results, these results also alleviate the concern that our baseline results primarily reflect a judge's stable tendency to rule in favor of a party in environmental lawsuits.

Together, the specificity to environmental incidents (not social/governance incidents) and to the pre-decision exposure window (not later periods) supports the interpretation that environmental incident exposure influences judges' treatment of environmental defendants.

4.4. Recency Effect

We hypothesize that exposed judges' lower propensity to dismiss environmental lawsuits primarily reflects a moral-emotional response triggered by negative corporate environmental incidents (Haidt 2003; Rees et al. 2015). It follows that such an arousal is more likely to lead to a transient reaction rather than a permanent shift in judges' decision-making tendency. Consequently, we predict that corporate environmental incidents sufficiently long before an exposed judge's ruling have little influence on their judicial decision-making. We evaluate this hypothesis of a "recency effect" by relating the likelihood of a dismissal order to an indicator of environmental incidents occurring in a [-366, -184] window before case termination (*EXPOSURE_ENV_EARLIER*), i.e., six to twelve months prior to a judge's decision in an environmental case. We present the results in Table 6.

The estimated coefficient of *EXPOSURE_ENV_EARLIER* is statistically insignificant, indicating that earlier incidents do not affect judges' dismissal likelihood. We interpret these results as evidence of judges' pro-environmental arousal, in which the influence of a salient triggering event attenuates over time (Barber and Odean 2008). The results further mitigate concerns that judges' enduring traits are the primary driver of our core findings and lend direct support to our recent exposure design.

5. Cross-Sectional Analyses

5.1. Judges' Pro-Environmental Values

The “care” condition of our hypothesis of a pro-environmental arousal predicts that such an arousal should be more pronounced for judges who are more prone to pro-environmental values. We examine this mechanism by exploiting the cross-sectional variation in our baseline results based on judges' propensity for pro-environmental values. Although it is difficult to directly observe this propensity, we draw on prior studies and employ several proxies.

Particularly, we follow Zhi (2026) and use a judge's childhood exposure to greenspace as a proxy for their intrinsic preferences for environmental protection. Research in environmental psychology suggests that childhood engagement with nature is associated with adults' preferences for environmental protection and preservation (Bixler, Floyd, and Hammitt 2002; Jensen and Olsen 2019). To capture a judge's childhood exposure to greenspace, we retrieve judges' place of birth from CourtListener.com and match it to the Normalized Difference Vegetation Index (NDVI) at the county level obtained from Google Earth Engine. Given that the NDVI data becomes available only after 1982, but more than 95% of the judges in our sample were born before the 1980s, we rely on the NDVI data in 1985, the earliest year with high-quality data, to capture the county-level greenspace of a judge's place of birth. The rationale is that greenspace in a region

typically does not change dramatically over time. We measure greenspace using the ratio of the sum of vegetation and water areas to the total area of a county, including both land and water.

To complement this measure, we use a judge's gender and party affiliation as proxies for their intrinsic pro-environmental values. Prior studies have established that people with certain characteristics express greater environmental concern and view environmental protection as a priority, such as females (Mohai 2014) and Democrats (Saad 2022; Gormley et al. 2026). We rely on records from CourtListener.com for judges' party affiliation and gender.

We present the results for these cross-sectional analyses in Table 7. In Columns (1) and (2), we partition the baseline sample using the sample median level of judges' childhood exposure to greenspace and re-estimate the baseline specification in subsamples. The result for judges with higher childhood exposure to greenspace (*HIGH_GREEN*=1) in Column (1) shows a negative and statistically significant coefficient on *EXPOSURE_ENV*. In contrast, the result for lower-greenspace-exposure judges (*HIGH_GREEN*=0) presented in Column (2) shows that the exposure effect is muted. We interpret this result as supporting our conjecture that pro-environmental arousal is stronger for exposed judges with a likely greater preference for environmental protection.

We report the results regarding the cross-sectional variation by judges' gender in Columns (3) and (4). We restrict the sample to cases with female judges (*FEMALE*=1) in Column (3), and those with male judges (*FEMALE*=0) in Column (4). While the coefficients on *EXPOSURE_ENV* are negative and significant in both columns, the test of coefficient equality between columns indicates a statistically significant difference between the two. Specifically, female exposed judges appear to respond more strongly. Next, in Columns (5) and (6), we present the results about the cross-sectional variation by judges' political ideology. For Democratic judges, the coefficient on *EXPOSURE_ENV* is negative and significant, but it is statistically insignificant for non-

Democratic judges. The coefficient difference between columns is also statistically significant. Collectively, we interpret the results as additional support for the notion that judges' pro-environmental arousal influences their decision-making in environmental cases.¹¹

5.2. Saliency of Environmental Incidents

If corporate environmental incidents trigger pro-environmental responses among exposed judges, we expect these responses to be stronger for more salient incidents, consistent with the “being-aware” condition. Salient and vivid information can attract greater attention and receive greater weight in subsequent decision-making because of the availability heuristic (Tversky and Kahneman 1974). In the judicial context, salient case facts can attract disproportionate attention and influence judicial reasoning and outcomes, even when such facts are legally irrelevant (Bordalo et al. 2015). Accordingly, environmental incidents that attract greater media attention may be more likely to come to judges' attention. Moreover, negative environmental incidents may elicit moral emotions that motivate subsequent pro-environmental responses (Rees et al. 2015).

To evaluate this prediction, we proxy public attention to an incident firm using its abnormal Google search volume in the incident month, defined as the difference between the firm's search volume in that month and the average search volume across all firms in the same month, following deHaan, Lawrence, and Litjens (2025). Notably, we do not obtain Google search volume for non-incident firms or periods; otherwise, this measure essentially captures the attention that investors pay to a firm in general, with or without incidents, rather than attention to incident firms around the news event. We then average the abnormal Google search volume indices across all incidents

¹¹ In untabulated tests, we also analyze the cross-sectional variation in our baseline results with respect to judges' extrinsic climate of pro-environmental preference. Relying on random survey data provided by Gallup Poll Social Series (GPSS) in the March (Environment) series, we measure local citizens' perception of the priority of environmental issues in society and use it as a proxy for judges' extrinsic climate of pro-environmental preference. Based on the same estimation methods as presented in Table 7, we find the baseline relation is more prominent for judges in an extrinsic environment of pro-environmental preference, consistent with the pro-environmental preference condition.

to which a judge is exposed in the 183-day window prior to a case decision. We split exposed cases at the sample median of the average abnormal search volume, retain all non-exposed cases as controls, and re-estimate the baseline specification in each subsample.

We report results for exposure to incidents with high and low average saliency in Table 8, Columns (1) and (2), respectively. The results show that the coefficient on *EXPOSURE_ENV* is more negative for high-saliency incidents (*HIGH_SEARCH*=1) than for low-saliency ones (*HIGH_SEARCH*=0). We interpret these results as further evidence that moral pro-environmental arousal is likely to explain a lower dismissal rate for exposed judges in environmental lawsuits.

5.3. Judge Financial Investment Characteristics

The pro-environmental arousal hypothesis implies that the influence of judges' exposure to corporate environmental incidents should be more prominent for judges exposed to a greater extent. Therefore, we further investigate the extent to which the relation varies cross-sectionally with the judge-specific degree of the exposure. In particular, the degree of exposure to corporate environmental incidents is likely to be greater for shareholder judges who are more heavily involved in stock investing. Therefore, we investigate cross-sectional variation in our baseline results based on shareholder judges' stock market involvement. Specifically, we use judges' total stockholdings and transaction values, respectively, as proxies for their involvement in the stock market. We expect exposed judges who hold and trade larger positions to monitor their invested firms more closely and pay closer attention to portfolio company news. We partition the sample based on the sample median of judge-year-level dollar amounts of stockholding and transactions, respectively, and re-estimate the baseline specification in subsamples. Given that we include judges with no stock investment records in our sample as an important control group, whose stockholding and transaction values are missing by construction, we retain cases presided over by

these judges as a control group in both subsamples.

We present the results in Table 9. In Columns (1) and (2), we report the results from tests based on transaction volume. We observe a negative coefficient on *EXPOSURE_ENV* among judges with above-sample-median transaction volume (*HIGH_TRANSACT*=1), but this relation is muted among their low-transaction counterparts (*HIGH_TRANSACT*=0). The cross-estimation difference between the coefficients appears statistically significant. Similarly, in the results for tests pertaining to stockholding amount presented in Columns (3) and (4), we find that the coefficient on *EXPOSURE_ENV* is negative in the high-holding subsample (*HIGH_HOLD*=1) but is smaller in magnitude in the low-holding subsample (*HIGH_HOLD*=0), with the difference in coefficients significant. Collectively, these results support our conjecture that pro-environmental arousal is more pronounced among exposed judges who are more engaged in stock markets, consistent with both the “care” and “being-aware” conditions.

6. Additional Analyses

6.1. Additional Court Outcome

To further understand how exposed judges alter their judicial decision-making, we also explore the time a judge takes to conclude a case as an outcome variable. Specifically, we define *CASEDURATION* as the number of months from case filing to termination. It is a commonly used measure of judicial efficiency in the law and economics literature (Djankov, La Porta, Lopez-de-Silanes, and Shleifer 2003). We present the result in Table 10.

The coefficient on *EXPOSURE_ENV* is negative and statistically significant, indicating that exposed judges make quicker decisions in subsequent environmental lawsuits. Faster resolution could reflect that exposed judges develop clearer priors about environmental wrongdoing, reducing deliberation time, or that they may have a sense of urgency about environmental matters,

motivating quicker action. To the extent that extending case duration might wear down plaintiff lawyers, who are often paid on an outcome-based contingency fee, we interpret the results as additional evidence that exposed judges rule more harshly against defendants.

6.2. Alternative Explanation: Wealth Loss Effect

An alternative explanation for our results is a wealth loss effect, which posits that negative environmental incidents reduce firm value (e.g., Derrien et al. 2025), thereby leading to financial losses for exposed judges. Prior research demonstrates that wealth shocks affect various shareholder behaviors (Engelberg and Parsons 2016; Li et al. 2022), and similar mechanisms might operate for judges. For example, Nguyen et al. (2025) demonstrate that judges who experience financial losses from financial fraud become more skeptical of defendants in white-collar crime or more sympathetic to plaintiffs as fellow victims. Theoretically, it is worth noting that a wealth loss effect can coexist with, or even complement, the pro-environmental arousal we hypothesize. That said, we caution that although the average effect of corporate environmental incidents is negative on firm value, the negative market reaction is observed in only about half of the incidents in our sample (as revealed in untabulated tests), thereby diminishing the importance of the wealth loss effect in our setting. Empirically, we evaluate this effect in the cross-section. Specifically, we examine whether our baseline results continue to hold for corporate environmental incidents that do not cause a negative wealth shock to exposed judges.

To this end, we calculate cumulative abnormal returns (CARs, calculated using the market model) for each corporate environmental incident in a five-day window (i.e., $CAR [-1,3]$) in our sample. Based on the incident-specific CARs, our first proxy for the wealth loss effect is the average of the CARs for all incidents that a judge is exposed to through stockholding in the 183-day window prior to a case decision, and this measure essentially captures the average extent of a

wealth shock that those incidents cause to their shareholders, thereby reflecting the depth of a wealth loss effect. To complement this “cross-incident” measure, we additionally leverage the judge’s stockholding value and gauge the extent of wealth loss for an exposed judge across all incident firms. Specifically, for each corporate environmental incident, we multiply the incident CAR by the dollar value a judge holds in the corresponding firm in the incident year, so that we capture the wealth change a judge experiences from holding an incident firm’s stock. We average this wealth change across all incidents to which a judge is exposed in the 183-day window prior to a case decision. Accordingly, we conduct two sets of subsample analyses based on the two measures, respectively. Specifically, in each set of tests, we split exposed cases according to whether the measure of wealth loss is negative, while retaining all non-exposed cases as a control group, and re-estimate the baseline specification in the subsamples.

We present the results in Table 11, Panel A. In Columns (1) and (2), we report the results based on average CARs. The coefficients on *EXPOSURE_ENV* are negative in both columns, indicating that exposed judges become less likely to dismiss an environmental case even when they do not experience wealth loss. That said, the slightly more negative coefficient in the negative-CAR subsample lends some credence to the wealth loss mechanism, as incidents that cause financial losses elicit somewhat stronger judicial responses. In Columns (3) and (4), we report the results based on average wealth changes. Reassuringly, the persistence of a negative coefficient in the absence of wealth losses confirms the pro-environmental arousal mechanism. Our core findings do not rely on wealth loss but primarily reflect pro-environmental arousal.

6.3. Alternative Explanation: Judges’ Tendency to Dismiss Environmental Cases

Another alternative explanation is that a judge might systematically favor or disfavor environmental plaintiffs, and these tendencies correlate with their stockholdings. For example,

judges who are generally pro-environment could tend to hold only stocks of firms with lower environmental risks, leading to a lower chance of exposure to corporate environmental incidents and, therefore, a lower likelihood of dismissing environmental cases. In this scenario, the relation we observe between judges' dismissal rates and their exposure to corporate environmental incidents may be mechanical and reflect judge-specific characteristics.

We argue that this explanation is unlikely based on the results we have obtained so far. First, the fact that the exposure effect we document appears transient and manifests only in a window right before the judicial decision (see Sections 4.3 and 4.4) indicates that this effect is time-varying even for the same shareholder judge. Second, we find the exposure effect using a within-judge design (see Section 4.2), further alleviating concerns about judge-specific tendencies.

To further evaluate this alternative explanation empirically, we conduct additional tests and present the results in Table 11, Panel B. First, we control for judges' historical dismissal patterns in the baseline estimation. The coefficients on *EXPOSURE_ENV* remain virtually unchanged when we include either the number or percentage of past environmental case dismissals (Columns [1] and [2]). The results also remain robust when we exclude judges who always dismiss environmental cases (Column [3]). These tests indicate that stable judicial tendencies do not explain our findings, thereby mitigating any lingering concerns about stable judge traits.

6.4. Alternative Explanation: Public News Effect

Insofar as corporate environmental incident records on RepRisk are essentially those covered by the media, one could be concerned that even if a judge holds no shares, they could still have knowledge of the incident, and large environmental problems could plausibly impact their decision-making (i.e., a public news effect). Although it is hard to completely rule out this possibility, we argue that, in theory, the extent of judges' personal exposure may not be significant

enough for all but the most serious corporate environmental incidents. In contrast, to the extent that stockholders routinely delegate their citizen values to firms they invest in (Bénabou and Tirole 2010; Pástor et al. 2021), stockholder judges are much more likely to pay attention to such incidents in their portfolio firms, either through active information acquisition or through subscribing to business news and corporate disclosure. Moreover, given that environmental incidents occur almost every week at U.S. listed firms, a public news effect should nullify our baseline findings, as judges would all be effectively treated when making judicial decisions. In addition, our empirical results so far also cast doubt on this explanation given that the exposure effect (i) is robust to the inclusion of year-week fixed effects (see Section 4.2) and (ii) manifests only in a fairly short window before the judicial decision (see Section 4.4).

We also formally evaluate the public news interpretation and present the results in Table 11, Panel C. Specifically, we relate judges' dismissal decisions in environmental cases to (i) the number of corporate environmental incidents pertaining to any firms (Column [1]), (ii) the number of any firms' corporate environmental incidents that elicit a negative market reaction (Column [2]), (iii) the average market reaction to all corporate environmental incidents in any firms (Column [3]), and (iv) the most negative signed market reaction to all corporate environmental incidents in any firms within 183 days before the judge's decision in a case (Column [4]). Throughout the columns, public news about corporate environmental incidents does not appear to be associated with judges' decision-making in environmental cases, rejecting the public news interpretation.

7. Concluding Remarks

While ESG has received increasing attention among both practitioners and academics (e.g., Gillan, Koch, and Starks 2021), the implications of ESG information remain under-researched, especially outside financial markets. We narrow this gap by analyzing federal judges' decisions in

environmental cases arising from corporate environmental incidents through their stockholdings. We find that exposed judges are less prone to rule in favor of defendants accused of harming the environment. Such an effect is muted for corporate social and governance incidents and manifests only for environmental incidents in the period immediately preceding a judge's decision-making. Consistent with "care" and "being-aware" conditions for shareholder judges, this relation is stronger (i) for judges who are more likely to hold pro-environmental values, such as judges with greater childhood exposure to greenspace, female judges, and liberal-leaning judges, (ii) for more salient corporate environmental incidents, and (iii) for judges with more active stock investment activities. This effect does not appear to depend on wealth losses from the incidents and is unlikely attributable to certain judges' intrinsic tendency to dismiss environmental cases or public news on corporate environmental incidents that a judge is not exposed to through stockholding.

Our study provides initial insights that news-based corporate environmental incidents can shape shareholders' decisions beyond financial investment, thereby enriching our understanding of the unintended externality of corporate environmental information and contributing to the ongoing discourse regarding the consequences of corporate ESG transparency (Christensen et al. 2021; Kothari et al. 2023; Friedman and Ormazabal 2024). Importantly, we provide evidence that such an exposure effect is primarily attributable to a pro-environmental arousal and does not depend on wealth shocks to shareholder judges. Furthermore, while recent studies show that financial events affect shareholders' non-investment behaviors (Giulietti et al. 2020; Li et al. 2022; Lin and Pursiainen 2023), we shed fresh light on the impact of non-financial exposures, specifically exposures to corporate environmental incidents, on shareholder judges' judicial rulings. These findings also extend the emerging research on externalities of corporate environmental incidents to stakeholders (e.g., Houston et al. 2025; Duan et al. 2026) from the

perspective of shareholders. Finally, we broaden research on judicial discretion (e.g., Choi et al. 2012; Cohen et al. 2015; Huang et al. 2019; Nguyen et al. 2025) by showing that judges' stock investments shape decision-making even in the absence of self-serving financial incentives. We highlight a non-pecuniary channel complementing recent findings that judges' investments can compromise impartiality through conflicts of interest (e.g., Harit et al. 2026; Huang et al. 2025).

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Appendix A. Variable Definitions

Variable	Definition
Main Variables	
<i>DISMISSAL</i>	Indicator that equals 1 if the case outcome is “Dismissed-Want of Prosecution,” “Dismissed for lack of jurisdiction,” “Dismissed-Settled,” “Dismissed Voluntarily,” or “Dismissed-Other,” and 0 otherwise.
<i>EXPOSURE_ENV</i>	Indicator that equals 1 if any company in the judge’s stock portfolio has at least one environmental incident tracked by RepRisk within 183 days before the judge’s decision in a case, and 0 otherwise.
<i>PORTFOLIOWIDTH</i>	The number of unique stocks in a judge’s portfolio at the end of a calendar year.
<i>AVGACTIVECASES</i>	The average number of open cases handled by a judge in the middle of the case filing year, divided by 100.
<i>EXPERIENCE_ENV</i>	The total number of environmental cases ever adjudicated by a judge as of the case filing year, divided by 100.
<i>AGE</i>	The age of the judge as of the case filing year.
<i>TENURE</i>	The number of years a judge has served as of the case filing year.
<i>FEMALE</i>	Indicator that equals 1 for female judges, and 0 otherwise.
<i>DEMOCRAT</i>	Indicator that equals 1 for Democratic-affiliated judges, and 0 otherwise.
<i>REPUBLICAN</i>	Indicator that equals 1 for Republican-affiliated judges, and 0 otherwise.
<i>TOPLAWSCHOOL</i>	Indicator that equals 1 if a judge attended a Top 14 law school (per U.S. News & World Report 2020 ranking), and 0 otherwise.
<i>RACEBLACK</i>	Indicator that equals 1 for Black American judges, and 0 otherwise.
<i>RACENATIVE</i>	Indicator that equals 1 for Native American judges, and 0 otherwise.
<i>RACEASIAN</i>	Indicator that equals 1 for Asian American judges, and 0 otherwise.
<i>RACEPACIFIC</i>	Indicator that equals 1 for Pacific Islander judges, and 0 otherwise.
<i>RACEHISPANIC</i>	Indicator that equals 1 for Hispanic judges, and 0 otherwise.
Robustness and Falsification Tests	
<i>MULTIEXPOSURE_ENV</i>	Indicator that equals 1 if the judge’s stock portfolio has at least three environmental incidents tracked by RepRisk within 183 days before the judge’s decision in a case, and 0 otherwise.
<i>LNEXPOSURE</i>	The natural logarithm of one plus the number of environmental incidents tracked by RepRisk in the judge’s stock portfolio within 183 days before the judge’s decision in a case.
<i>EXPOSURE_VT</i>	Indicator that equals 1 if any company in the judge’s stock portfolio has at least one environmental incident tracked by Violation Tracker within 183 days before the judge’s decision in a case, and 0 otherwise.
<i>DISMISSAL_SUBSTANCE</i>	Indicator that equals 1 if the case outcome is “Dismissed-Settled,” “Dismissed Voluntarily,” or “Dismissed-Other,” and 0 otherwise.
<i>DISMISSAL_EXSETTLE</i>	Indicator that equals 1 if the case outcome is “Dismissed-Want of Prosecution,” “Dismissed for lack of jurisdiction,” or “Dismissed-Other,” and 0 otherwise.
<i>EXPOSURE_SOC</i>	Indicator that equals 1 if any company in the judge’s stock portfolio has at least one social incident tracked by RepRisk within 183 days before the judge’s decision in a case, and 0 otherwise.
<i>EXPOSURE_GOV</i>	Indicator that equals 1 if any company in the judge’s stock portfolio has at least one governance incident tracked by RepRisk within 183 days before the judge’s decision in a case, and 0 otherwise.
<i>EXPOSURE_ENV_AFTER</i>	Indicator that equals 1 if any company in the judge’s stock portfolio has at least one environmental incident tracked by RepRisk within the [+1, +183] day window after the judge’s decision in a case, and 0 otherwise.
<i>EXPOSURE_ENV_EARLIER</i>	Indicator that equals 1 if any company in the judge’s stock portfolio has at least one environmental incident tracked by RepRisk within the [-366, -184] day window before the judge’s decision in a case, and 0 otherwise.
Cross-sectional Tests	
<i>HIGH_GREEN</i>	Indicator that equals 1 if a judge’s childhood exposure to greenspace is above the sample median, and 0 otherwise. A judge’s childhood exposure is inferred based on the ratio of green and blue space to the total area in a judge’s county of birth

	(using 1985 data).
<i>HIGH_SEARCH</i>	Indicator that equals 1 if a judge is exposed to environmental incidents whose abnormal monthly Google search volume, averaged across incident stocks in the pre-decision window prior to the decision of an environmental case, is above the sample median, and 0 otherwise. Monthly Google search volume data are published by deHaan et al. (2025) via https://github.com/robinlitjens/GoogleTickerStock-SVI .
<i>HIGH_TRANSACT</i>	Indicator that equals 1 if the total transactions of all stocks in a judge's portfolio in a year is at or above the sample median, and 0 otherwise.
<i>HIGH_HOLD</i>	Indicator that equals 1 if the gross value of all stocks in a judge's portfolio in a year is at or above the sample median, and 0 otherwise.
Other Tests	
<i>CASEDURATION</i>	The number of months between the case filing date and the termination date.
<i>NEG_CAR</i>	Indicator that equals 1 if a judge experiences a negative average five-day $[-1, 3]$ cumulative abnormal return (CAR) across incident stocks in the pre-decision window prior to the decision of an environmental case, and 0 otherwise. CARs pertaining to environmental incidents are calculated based on the market model.
<i>NEGCHGWEALTH</i>	Indicator that equals 1 if a judge experiences a negative wealth change from all incident stocks in the pre-decision window prior to the decision of an environmental case, and 0 otherwise. We calculate a judge's wealth change using the average of five-day wealth changes pertaining to each incident stock. For an incident stock, we multiply the five-day $[-1, 3]$ CAR with the holding value of the stock at the end of the year to infer the five-day wealth change.
<i>PASTNUM_DISMISSAL</i>	The total number of environmental cases a judge rules as dismissed (i.e., <i>DISMISSAL</i> = 1) in all years prior to the case filing year.
<i>PASTPERC_DISMISSAL</i>	The percentage of environmental cases a judge rules as dismissed (i.e., <i>DISMISSAL</i> = 1) in all years prior to the case filing year, out of all the judge's environmental cases in those years.
<i>NUM_ENV</i>	The number of unique corporate environmental incidents pertaining to any firm and covered by RepRisk within 183 days before the judge's decision in a case.
<i>NUM_ENV_NEG_CAR</i>	The number of corporate environmental incidents with a negative market reaction (i.e., $CAR [-1, 3] < 0$) pertaining to any firm within 183 days before the judge's decision in a case.
<i>NUM_ENV_MEAN_CAR</i>	The average market reaction (measured by CAR $[-1, 3]$) to all corporate environmental incidents pertaining to any firm within 183 days before the judge's decision in a case.
<i>NUM_ENV_SIGN_CAR</i>	The lowest signed market reaction (measured by CAR $[-1, 3]$) to all corporate environmental incidents pertaining to any firm within 183 days before the judge's decision in a case.

Table 1. Sample Distribution

This table presents the distribution of environmental cases, average case duration, dismissal rate, and number of unique judges by case filing year (Panel A) and by circuit (Panel B).

Panel A: Distribution of Environmental Cases by Filing Year

Year	Number of cases	Average case duration	Dismissal rate	Number of distinct judges
2007	347	13.14	48%	244
2008	565	17.57	64%	252
2009	432	14.47	49%	259
2010	594	29.63	57%	296
2011	445	20.00	47%	278
2012	383	15.09	44%	250
2013	1,158	42.67	71%	277
2014	369	13.36	52%	240
2015	724	7.08	75%	251
2016	1,641	11.18	79%	314
2017	1,120	4.60	80%	221
2018	1,290	2.85	89%	202
2019	260	6.25	54%	172
2020	83	6.25	55%	68

Panel B: Distribution of Environmental Cases by Circuit

Circuit	Number of cases	Average case duration	Dismissal rate	Number of distinct judges
First	281	11.46	22%	41
Second	347	13.86	43%	94
Third	313	11.09	56%	86
Fourth	311	13.92	52%	77
Fifth	4,585	17.57	94%	98
Sixth	303	11.89	46%	92
Seventh	202	15.10	47%	68
Eighth	184	9.62	37%	63
Ninth	1,760	13.82	50%	188
Tenth	314	13.45	41%	60
Eleventh	384	7.28	31%	102
District of Columbia	427	13.23	58%	29

Table 2. Descriptive Statistics

This table presents descriptive statistics of variables used in the baseline analysis. Panel A reports the summary statistics, and Panel B reports the Pearson correlations between variables. Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles.

Panel A. Summary Statistics

Variable	N	Mean	SD	P25	Median	P75
<i>DISMISSAL</i>	9,411	0.695	0.461	0	1	1
<i>EXPOSURE_ENV</i>	9,411	0.252	0.434	0	0	1
<i>PORTFOLIOWIDTH</i>	9,411	5.014	15.168	0	0	2
<i>AVGACTIVECASES</i>	9,411	16.937	22.014	2.375	4.825	34.825
<i>EXPERIENCE_ENV</i>	9,411	12.915	14.816	1.370	3.900	24.440
<i>AGE</i>	9,411	67.181	8.462	62	69	73
<i>TENURE</i>	9,411	15.863	7.720	12	18	20
<i>FEMALE</i>	9,411	0.137	0.344	0	0	0
<i>DEMOCRAT</i>	9,411	0.717	0.451	0	1	1
<i>REPUBLICAN</i>	9,411	0.282	0.450	0	0	1
<i>TOPLAWSCHOOL</i>	9,411	0.153	0.360	0	0	0
<i>RACEBLACK</i>	9,411	0.069	0.253	0	0	0
<i>RACENATIVE</i>	9,411	0.000	0.018	0	0	0
<i>RACEASIAN</i>	9,411	0.017	0.128	0	0	0
<i>RACEPACIFIC</i>	9,411	0.000	0.021	0	0	0
<i>RACEHISPANIC</i>	9,411	0.042	0.200	0	0	0

Panel B. Correlation Matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1) <i>DISMISSAL</i>								
(2) <i>EXPOSURE_ENV</i>	-0.289*							
(3) <i>PORTFOLIOWIDTH</i>	-0.103*	0.531*						
(4) <i>AVGACTIVECASES</i>	0.359*	-0.317*	-0.184*					
(5) <i>EXPERIENCE_ENV</i>	0.433*	-0.404*	-0.223*	0.682*				
(6) <i>AGE</i>	0.298*	-0.058*	0.018	0.401*	0.519*			
(7) <i>TENURE</i>	0.146*	0.023*	0.088*	0.226*	0.329*	0.781*		
(8) <i>FEMALE</i>	-0.222*	0.150*	0.086*	-0.245*	-0.286*	-0.365*	-0.218*	
(9) <i>DEMOCRAT</i>	0.313*	-0.369*	-0.236*	0.389*	0.439*	0.169*	-0.019	-0.043*
(10) <i>REPUBLICAN</i>	-0.311*	0.371*	0.237*	-0.387*	-0.438*	-0.168*	0.020	0.037*
(11) <i>TOPLAWSCHOOL</i>	-0.206*	0.139*	0.066*	-0.245*	-0.296*	-0.251*	-0.154*	0.114*
(12) <i>RACEBLACK</i>	-0.097*	0.005	0.022*	-0.174*	-0.196*	-0.240*	-0.104*	0.157*
(13) <i>RACENATIVE</i>	-0.014	-0.010	-0.006	-0.012	-0.015	-0.032*	-0.032*	0.045*
(14) <i>RACEASIAN</i>	-0.061*	0.035*	-0.000	-0.079*	-0.105*	-0.181*	-0.159*	0.116*
(15) <i>RACEPACIFIC</i>	-0.020	-0.012	-0.006	-0.015	-0.017	-0.018	-0.014	-0.008
(16) <i>RACEHISPANIC</i>	-0.130*	0.028*	-0.039*	-0.135*	-0.152*	-0.201*	-0.147*	0.048*
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
(10) <i>REPUBLICAN</i>	-0.996*							
(11) <i>TOPLAWSCHOOL</i>	-0.022*	0.021*						
(12) <i>RACEBLACK</i>	-0.004	-0.004	0.082*					
(13) <i>RACENATIVE</i>	0.011	-0.011	-0.008	-0.005				
(14) <i>RACEASIAN</i>	0.020	-0.019	0.016	-0.036*	-0.002			
(15) <i>RACEPACIFIC</i>	0.002	-0.002	0.049*	-0.006	-0.000	0.118*		
(16) <i>RACEHISPANIC</i>	-0.096*	0.095*	0.075*	-0.053*	-0.004	-0.023*	-0.004	

Table 3. Baseline Results

This table presents the empirical results from estimating the regression model (1). *EXPOSURE_ENV* is measured as an indicator variable that captures judges' exposure to environmental incidents. The outcome variable, *DISMISSAL*, indicates whether an environmental case is dismissed by the judge. Columns (1) to (3) show the results from models with different control variables. Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

	(1) <i>DISMISSAL</i>	(2) <i>DISMISSAL</i>	(3) <i>DISMISSAL</i>
<i>EXPOSURE_ENV</i>	-0.035** (0.016)	-0.050*** (0.018)	-0.056*** (0.020)
<i>PORTFOLIOWIDTH</i>		0.001* (0.000)	0.001* (0.000)
<i>AVGACTIVECASES</i>		-0.000 (0.000)	-0.000** (0.000)
<i>EXPERIENCE_ENV</i>		-0.000 (0.001)	-0.001 (0.001)
<i>AGE</i>			0.003* (0.002)
<i>TENURE</i>			-0.003** (0.001)
<i>FEMALE</i>			-0.045** (0.021)
<i>DEMOCRAT</i>			0.120 (0.177)
<i>REPUBLICAN</i>			0.095 (0.177)
<i>TOPLAWSCHOOL</i>			-0.006 (0.021)
<i>RACEBLACK</i>			0.003 (0.029)
<i>RACENATIVE</i>			-0.133* (0.072)
<i>RACEASIAN</i>			-0.063 (0.047)
<i>RACEPACIFIC</i>			-0.243 (0.265)
<i>RACEHISPANIC</i>			-0.079** (0.032)
Observations	9,411	9,411	9,411
District FE	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes
Adj. R ²	0.373	0.373	0.376

Table 4. Robustness Checks of the Baseline Results

This table presents the results of robustness checks for the main results in Table 3. Panel A (B) shows the results from re-estimating regression (1) with alternative measures of the independent variable (outcome variable). Panel C presents the results from alternative subsamples, and Panel D shows results from alternative model specifications. Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

Panel A: Alternative Measures of Judges' Exposure to Environmental Incidents

	(1) Three or more environmental incidents tracked by RepRisk	(2) Logarithm of the number of environmental incidents tracked by RepRisk	(3) Environmental incidents tracked by Violation Tracker
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>MULTIEXPOSURE ENV</i>	-0.048** (0.020)		
<i>LNEXPOSURE</i>		-0.014** (0.007)	
<i>EXPOSURE_VT</i>			-0.050** (0.021)
Controls	Yes	Yes	Yes
District FE	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes
Observations	9,411	9,411	9,411
Adj. R ²	0.375	0.375	0.375

Panel B: Alternative Measures of Judges' Dismissal Decisions in Environmental Cases

	(1) Substantive judgment	(2) Excluding settlement
	<i>DISMISSAL SUBSTANCE</i>	<i>DISMISSAL EXSETTLE</i>
<i>EXPOSURE ENV</i>	-0.055*** (0.018)	-0.046** (0.020)
Controls	Yes	Yes
District FE	Yes	Yes
Filing Year FE	Yes	Yes
Observations	9,411	9,411
Adj. R ²	0.376	0.267

Panel C: Sampling Adjustments

	(1) Excl. observations from the Eastern District of Louisiana	(2) Entropy balancing
	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE ENV</i>	-0.045** (0.019)	-0.069** (0.027)
Controls	Yes	Yes
District FE	Yes	Yes
Filing Year FE	Yes	Yes
Observations	5,072	9,411
Adj. R ²	0.083	0.301

Panel D: Alternative Model Specifications

	(1)	(2)	(3)	(4)
	Logit	Incl. case-ending year-week FEs	Incl. district by case-ending year FEs	Incl. judge by case-ending year FEs
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE_ENV</i>	-0.260*** (0.090)	-0.048*** (0.018)	-0.055*** (0.020)	-0.151* (0.078)
Controls	Yes	Yes	Yes	Yes
District FE	Yes	Yes	No	No
Filing Year FE	Yes	Yes	Yes	Yes
End Year-Week FE	No	Yes	No	No
District*End Year FE	No	No	Yes	No
Judge*End Year FE	No	No	No	Yes
Observations	9,405	9,392	9,150	7,020
Pseudo/Adj. R ²	0.359	0.449	0.463	0.655

Table 5. Falsification Tests

This table presents the results of placebo tests using non-environmental incidents and a falsified exposure window. Panel A reports the results of testing whether judges' exposure to non-environmental incidents is associated with their judgments of environmental cases. Panel B reports the results of testing whether judges' exposure to environmental incidents after the decision windows of environmental cases is associated with their judgments. Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

Panel A: Social and Governance Incidents as Falsified Exposure to Environmental Incidents

	(1) Social incidents	(2) Governance incidents
	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE_SOC</i>	-0.013 (0.039)	
<i>EXPOSURE_GOV</i>		0.022 (0.041)
Controls	Yes	Yes
District FE	Yes	Yes
Filing Year FE	Yes	Yes
Observations	9,411	9,411
Adj. R ²	0.374	0.374

Panel B: Environmental incidents outside of a judge's decision window

	<i>DISMISSAL</i>
<i>EXPOSURE_ENV_AFTER</i>	-0.009 (0.040)
Controls	Yes
District FE	Yes
Filing Year FE	Yes
Observations	9,411
Adj. R ²	0.374

Table 6. Recency Effect

This table presents results examining whether the main findings reflect a recency effect. Specifically, we relate shareholder judges' dismissal decisions to their exposure to environmental incidents occurring in a window of six to 12 months before the decision. Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

	<i>DISMISSAL</i>
<i>EXPOSURE_ENV_EARLIER</i>	0.082 (0.056)
Controls	Yes
District FE	Yes
Filing Year FE	Yes
Observations	9,411
Adj. R ²	0.374

Table 7. Cross-sectional Variation in Judges' Pro-Environmental Values

This table presents cross-sectional variations of the baseline results based on judges' pro-environmental values (proxied by childhood exposure to greenspace, gender, and ideological leaning). Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

	Greenspace		Gender		Ideology	
	(1) High Greenspace Exposure (<i>HIGH GREEN</i> =1)	(2) Low Greenspace Exposure (<i>HIGH GREEN</i> =0)	(3) Female Judges (<i>FEMALE</i> =1)	(4) Male Judges (<i>FEMALE</i> =0)	(5) Democratic Judges (<i>DEMOCRAT</i> =1)	(6) Non-Democratic Judges (<i>DEMOCRAT</i> =0)
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE ENV</i>	-0.215** (0.082)	-0.030 (0.020)	-0.083** (0.040)	-0.067*** (0.022)	-0.078** (0.030)	-0.020 (0.025)
Coeff. Diff.	-0.185***		-0.016*		-0.058***	
Controls	Yes	Yes	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,584	4,591	1,290	8,117	6,738	2,666
Adj. R ²	0.428	0.108	0.087	0.407	0.403	0.158

Table 8. Cross-sectional Variation in the Saliency of Environmental Incidents

This table presents cross-sectional variations of the baseline results based on the saliency of environmental incidents (proxied by high Google search volume during the months of environmental incidents). Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

	(1) High Saliency (<i>HIGH_SEARCH</i> =1)	(2) Low Saliency (<i>HIGH_SEARCH</i> =0)
	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE ENV</i>	-0.067*** (0.022)	-0.052* (0.029)
Coeff. Diff.	-0.015***	
Controls	Yes	Yes
District FE	Yes	Yes
Filing Year FE	Yes	Yes
Observations	8,717	7,773
Adj. R ²	0.376	0.405

Table 9. Cross-sectional Variation in Judges' Financial Investment Characteristics

This table presents cross-sectional variations of the baseline results based on the value of judges' financial investment (proxied by the total transaction value or holding value of all financial investments of a judge). Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

	Total Transaction		Holding Value	
	(1)	(2)	(3)	(4)
	High Transaction (<i>HIGH TRANSACT=1</i>)	Low Transaction (<i>HIGH TRANSACT=0</i>)	High Holding (<i>HIGH HOLD=1</i>)	Low Holding (<i>HIGH HOLD=0</i>)
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE ENV</i>	-0.066*** (0.021)	-0.019 (0.022)	-0.065*** (0.023)	-0.038** (0.019)
Coeff. Diff.	<i>-0.047***</i>		<i>-0.027***</i>	
Observations	7,722	7,723	7,720	7,724
Controls	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes	Yes
Adj. R ²	0.419	0.394	0.396	0.419

Table 10. Other Court Outcome

This table presents the results of examining the influence of a judge's exposure to corporate environmental incidents on case duration (from filing to termination). Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

	<i>CASEDURATION</i>
<i>EXPOSURE_ENV</i>	-2.067* (1.219)
Controls	Yes
District FE	Yes
Filing Year FE	Yes
Observations	9,411
Adj. R ²	0.439

Table 11. Alternative Explanations

This table presents the results of testing alternative explanations for the negative association between judges' exposure to environmental incidents and case dismissal. Specifically, Panels A, B, and C test the wealth loss effect, the effect of judges' intrinsic dismissal tendency, and the public news effect, respectively. Variable definitions are outlined in Appendix A. All continuous variables are winsorized at their 1st and 99th percentiles. Standard errors clustered at the judge level are presented in parentheses below the coefficients. ***, **, and * denote significance at the 1, 5, and 10 percent levels, respectively.

Panel A. Wealth Loss Effect

	Market Responses of Incidents		Judge Wealth Changes Surrounding Incidents	
	(1) Negative (<i>NEG_CAR</i> = 1)	(2) Non-negative (<i>NEG_CAR</i> ≠ 1)	(3) Negative (<i>NEGCHGWEALTH</i> = 1)	(4) Non-negative (<i>NEGCHGWEALTH</i> ≠ 1)
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE_ENV</i>	-0.068*** (0.024)	-0.056** (0.023)	-0.058** (0.024)	-0.067*** (0.022)
Controls	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes	Yes
Observations	8,057	8,388	8,005	8,441
Adj. R ²	0.396	0.386	0.395	0.386

Panel B. Judges' Tendency to Dismiss

	(1) Control the number of previous dismissals of environmental cases	(2) Control the percentage of previous dismissals of environmental cases	(3) Drop judges with <i>PASTPERC_DISMISSAL</i> = 100%
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>EXPOSURE_ENV</i>	-0.055*** (0.019)	-0.056*** (0.020)	-0.063*** (0.022)
<i>PASTNUM_DISMISSAL</i>	-0.000** (0.000)		
<i>PASTPERC_DISMISSAL</i>		0.002 (0.025)	
Controls	Yes	Yes	Yes
District FE	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes
Observations	9,411	9,411	8,515
Adj. R ²	0.377	0.376	0.386

Panel C. Public News Effect

	(1)	(2)	(3)	(4)
	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>	<i>DISMISSAL</i>
<i>NUM ENV</i>	-0.000 (0.000)			
<i>NUM_ENV_NEG_CAR</i>		-0.000 (0.000)		
<i>NUM ENV MEAN CAR</i>			0.190 (0.863)	
<i>NUM_ENV_SIGN_CAR</i>				0.029 (0.050)
Controls	Yes	Yes	Yes	Yes
District FE	Yes	Yes	Yes	Yes
Filing Year FE	Yes	Yes	Yes	Yes
Observations	9,365	9,365	9,365	9,365
Adj. R ²	0.378	0.378	0.378	0.378