Discussion of "Do firms respond to calls for environmental improvements made by retail investors?"

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Research question

- Can retail investors pressure firms to improve their environmental performance?
  - Setting: China in 2022/2023
  - Mechanism: posting violations via investor online platform and/or Weibo
  - Research method: randomized controlled experiment

Key findings

- Yes, retail investor pressure via investor online platform works, especially if combined with posting on Weibo
- Spillover effects to other establishments and other pollutant sources

Outline of my comments

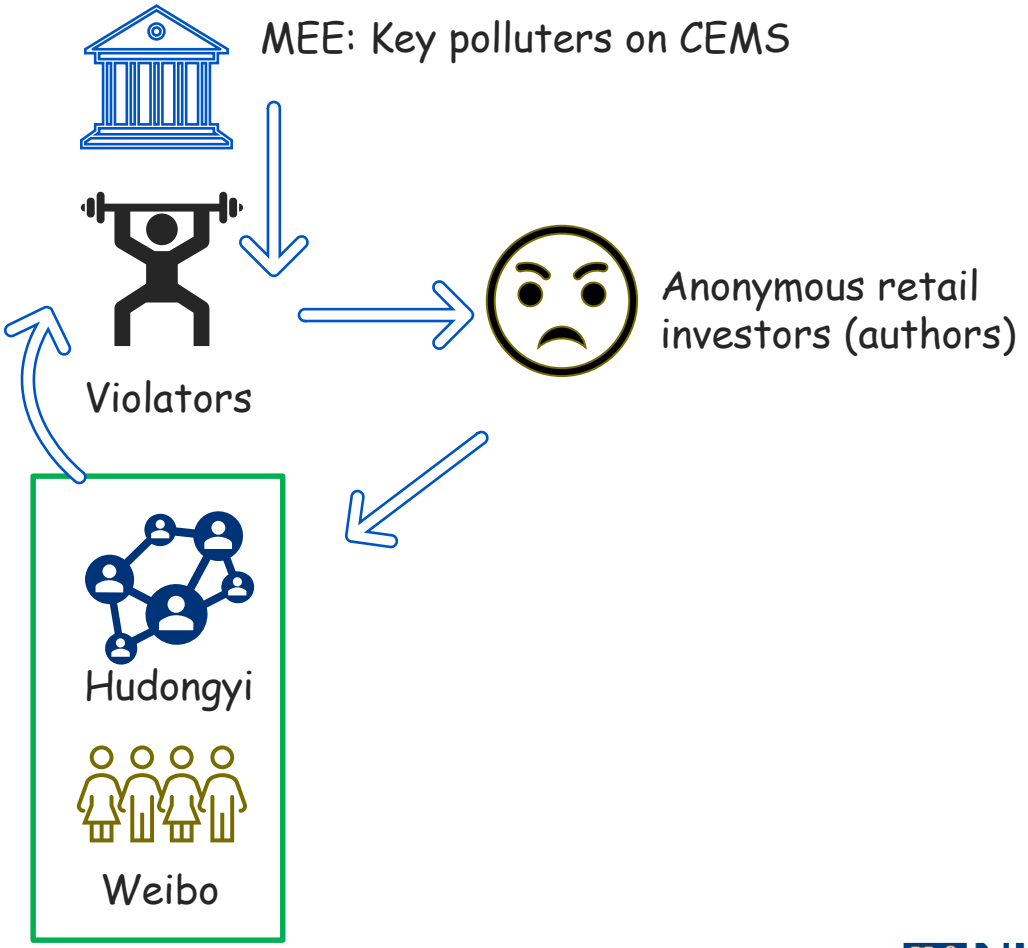
- Contribution
- Hypothesis development
- Research design

Comments on contribution

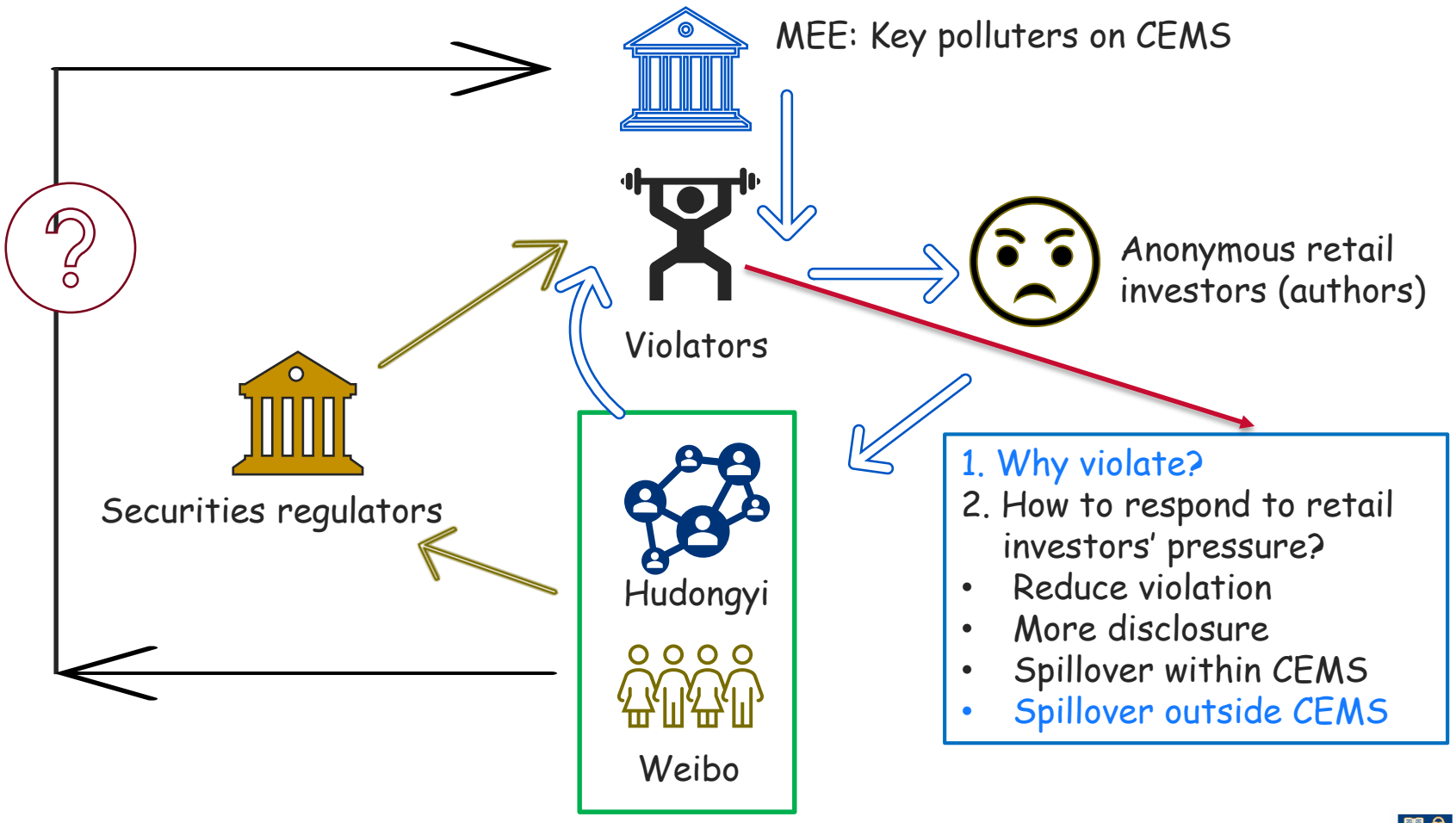
- Buntaine et al. (2024, AER) is an important competing paper
  - Main finding is that public appeals to the regulator through Weibo reduce environmental violations
- How to differentiate from Buntaine et al.
  - Social media is not a homogenous concept
    - User base of Weibo is different from the user base of online investor platform
  - Focus on the online investor platform rather than Weibo
    - Distinguish securities regulators vs environmental regulators?

Comments on hypotheses

- Paper's hypothesis: Investor demand adds pressure but why works?
- Prior research on Chinese securities regulations:
  - Jiang et al. 2010: It took more than mandatory disclosure (e.g., personal action against top management of the controlling entities) to stop tunnelling
  - Chen, Ke, and Yang 2013: mixed evidence on role of individual investors in governance



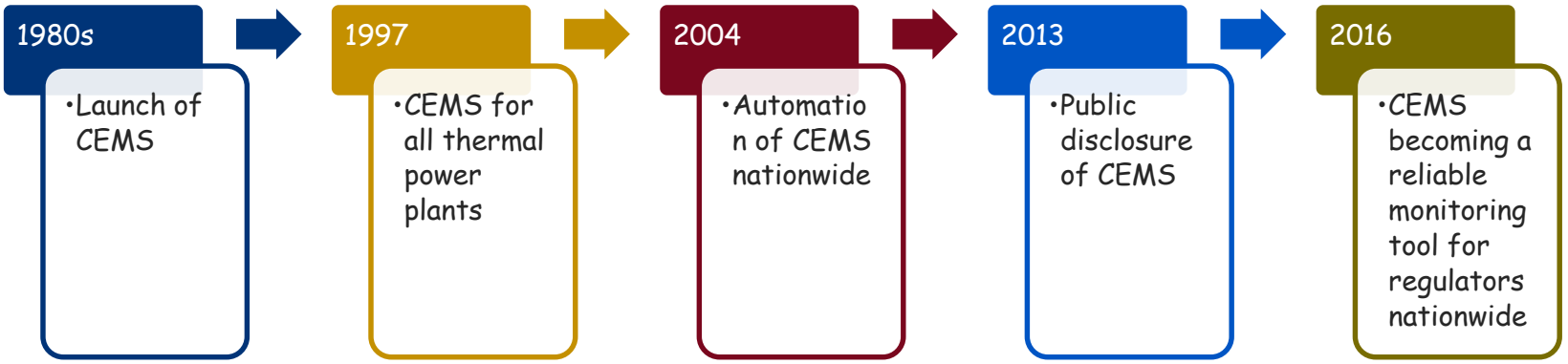
Comments on hypotheses



Comments on hypotheses

- Similar to Buntaine et al. (2024), can you conduct informal interviews of key stakeholders (e.g., retail investors, various regulators, and firm insiders) to better understand the key drivers of firm behavior?

Context matters: timeline of CEMS



CEMS: Continuous Emission Monitoring Systems

Question: would you find similar results in a different institutional context?

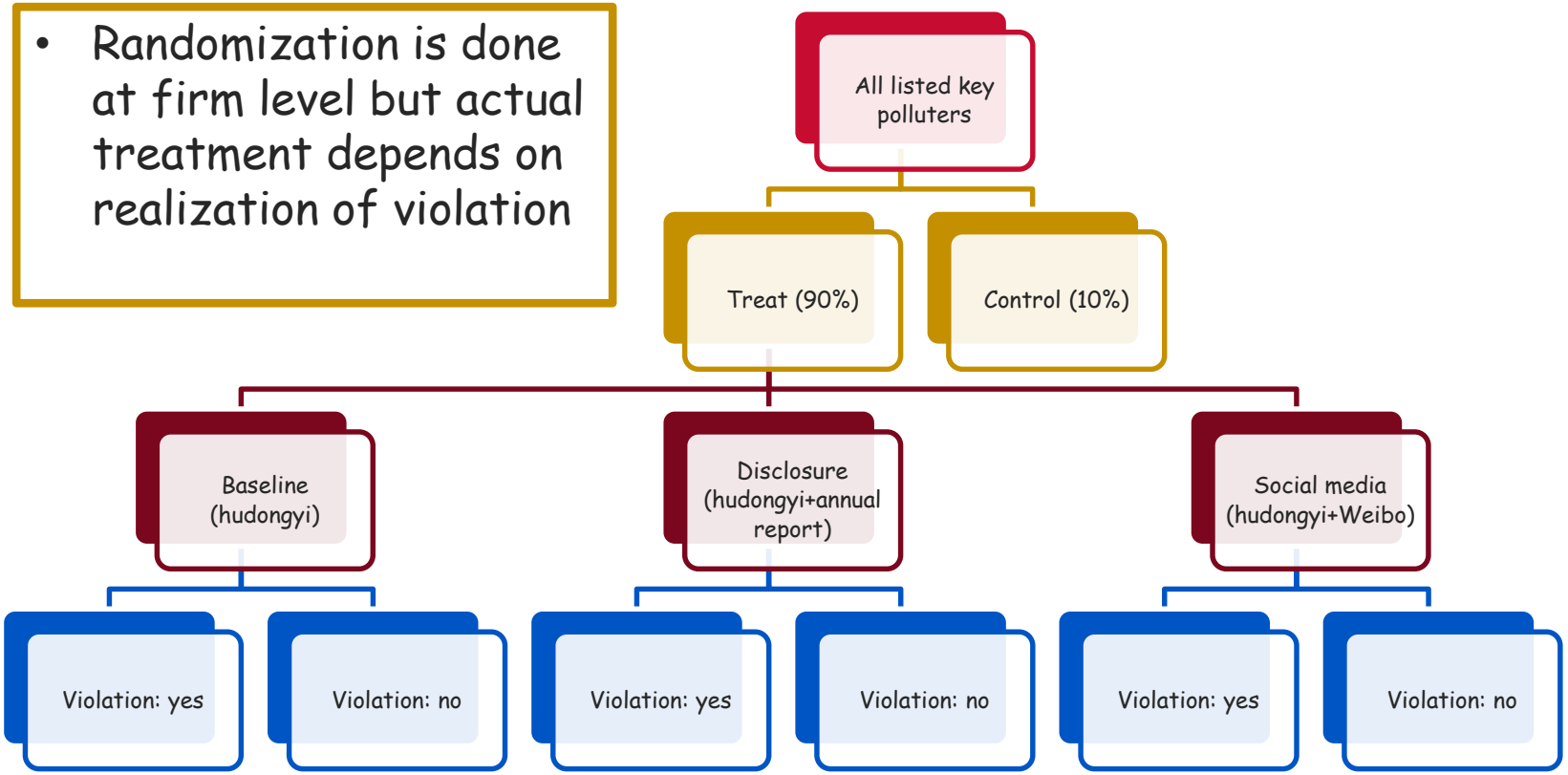
- It would be helpful to highlight the importance of institutional context for result interpretation

Comments on research design

- Sample selection
  - 46,783 establishments (key polluters per MEE)
    - 42,776 belong to private firms
    - 4,007 belong to publicly listed firms
    - Which segment is most problematic in terms of pollution violations?
  - Final sample N = 2,634 establishments due to survivorship bias (including no longer being key polluters, name changes, bankruptcies, and production cessation)
    - How does this sample attrition affect the quality of randomization?
  - State clearly unit of analysis in each table

Comments on research design

- Randomization is done at firm level but actual treatment depends on realization of violation



TREAT in Table 3 is defined at firm level rather than conditional on "violation: yes"

Comments on research design

Table 1, Panel B

Panel B: Violation Rates of Key Polluting Firms

Groups	(1) # of establishments	(2) Firms	(3) # of violations	(4) Violation-rate (=(3)/(1))
Total	2,634	1,124	727	27.60 %
Control (10%)	325	108	87	26.77 %
Baseline (30%)	757	334	238	31.44 %
Disclosure (30%)	774	345	212	27.39 %
Social Media (30%)	778	337	190	24.42 %
Spillover sample	551	N/A	148	26.86

Comments on research design

Table 3, Panel B

Dependent Variable:	Violation			
	(1)	(2)	(3)	(4)
Treat * Post	-0.025***		-0.018***	
	(-4.75)		(-3.33)	
Baseline* Post		-0.026***		-0.019***
		(-4.50)		(-3.09)
Disclosure* Post		-0.019***		-0.010*
		(-3.19)		(-1.70)
Social Media* Post		-0.030***		-0.025***
		(-5.19)		(-4.28)
Post	0.000	0.000	-0.008	-0.008
	(0.08)	(0.08)	(-1.46)	(-1.48)

- Highlight results for Baseline*Post and Disclosure*Post, which is distinct from Buntaine et al. (2024)?
- Are the interaction coefficients driven by violators or non-violators in the Treat group?

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Comments on research design

Table 7

Dependent Variable:	Violation			
	(1)	(2)	(3)	(4)
Treat * Post	-0.017***		-0.025***	
	(-2.95)		(-4.78)	
Spillover* Post			-0.021***	-0.021***
			(-3.27)	(-3.27)
Baseline* Post		-0.019***		-0.027***
		(-2.96)		(-4.53)
Disclosure* Post		-0.010		-0.019***
		(-1.57)		(-3.22)
Social Media* Post		-0.022***		-0.030***
		(-3.47)		(-5.22)
Post	-0.006	-0.006	0.001	0.001
	(-1.08)	(-1.09)	(0.17)	(0.17)

- Is the coefficient on Spillover*Post driven by Baseline, Disclosure, or Social media group?

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Conclusion

- An interesting paper with a lot of detailed analyses
- The paper sheds light on the role of retail investors on environmental protection