

Discussion of “Lie to Me: Video-Based Detection of ESG Washing”

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Overview



HOW TO DETECT ESG
WASHING?



UTILIZING VIDEO-
BASED MEASURES



ANALYZING BANK
CEOS' VIDEOS



COMPARING WITH
BORROWERS' ESG
PERFORMANCE

How to Detect ESG Washing?

- Is the research question important or interesting?
 - Yes
 - ESG washing can mislead investors and direct capital to firms with poor ESG performance.
 - Existing research has not converged on how to measure ESG washing.

How to Detect ESG Washing? (contd.)

- *But is it just a measurement paper? What are the consequences of ESG washing?*
 - *Market consequences (e.g., less stock liquidity?)*
 - *Long-term financial performance*
 - *Loss of trust by stakeholders?*

Video-Based Measure

- Is the video-based ESG detection measure meaningful?
 - Yes
 - Videos contain rich information (e.g., textual, audio, visual)
 - Visual expressions are more spontaneous than textual disclosures.
 - *But can you run a horse race against other ESG washing measures (e.g., mismatch between ESG Disclosure and Performance)?*

Bank CEOs' Videos

- Why only focus on bank CEOs' videos?
 - *Unclear*
 - *Justify why focus on bank CEOs (data or design constraints?)*
 - *Out-of-sample tests:*
 - *What about non-bank CEOs?*
 - *What about non PRB videos?*

Borrowers' ESG Performance

- Why focus on borrowers' ESG performance?
 - Assumption: Banks actively monitor borrowers' ESG performance
 - *Issues:*
 - *It is indirect.*
 - *Banks may not monitor all borrowers' ESG performance unless there are explicit sustainability-linked targets in loans.*
 - *Suggestions:*
 - *Also examine banks' own ESG performance*
 - *Restrict to sustainability-linked loans*

Other Comments

- Confounding effects of CEO characteristics (e.g., CEO overconfidence)
- Small sample of 32 CEOs
 - Discuss the generalizability of the finding
 - Robustness check: Drop one CEO/bank at a time
- Discuss the transferability of your training dataset to your setting (i.e., court trials vs. CEO ESG commitment)
- The policy implication of mandatory video disclosure seems to be too strong.

Conclusion

- The paper addresses an important issue in the ESG domain.
- It contributes to the understanding of misinformation created by managers in capital markets.
- Strengthen it as an ESG washing paper rather than a banking paper
- Improve its internal and external validities

Thank You