

Summary of *The Irrelevance of Environmental, Social, and Governance Disclosure to Retail Investors*

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1. What are the research questions?

- How will retail investors adjust their portfolio holdings in response to firms' environmental, social, and governance (ESG) disclosures? Could we explain the phenomenon?

2. Why are the research questions interesting?

- Prior studies suggest that ESG disclosures attract investors who have a “taste” for these types of activities.
 - Hartzmark and Sussman (2019) support this for mutual fund flows;
 - the evidence on retail investors trading individual company stocks is **limited**.
- This paper examines this **limitation** using the data from Robinhood.

3. What is the paper's contribution?

- This article contributes to the literature that examines how ESG disclosures affect the composition of firms' shareholder base (Friedman and Heinle, 2016).
 - **Past studies:** ESG disclosures attract institutional investors who have a “taste” for these types of activities, and investor's demand also influences firms' ESG activities.
 - **Expand:** retail investors do not adjust their holdings of individual firm securities in response to firm-initiated ESG disclosures.
- This article contributes to the literature that examines how investors respond to firms' ESG disclosures (Hirst et al., 2021).
 - **Past studies:** use full sample to research this question.
 - **Expand:** narrows the unit of analysis to retail investors and indicates that these disclosures do not influence retail investors' real-world portfolio choices.
- This article contributes to the discussion of disclosure proposals of regulators.
 - **Past discussion:** assumes that investors are homogeneous.
 - **Expand:** shows that retail investors may have different informational needs when it comes to ESG disclosures.

4. What hypotheses are tested in the paper?

- H1: ESG press releases will (or won't) impact retail investor response (e.g. choice of portfolio holdings);
 - H2: Economic content can (or can't) explain the phenomenon.
 - H3: Visibility of ESG press releases will (or won't) impact retail investor response.

a) Do these hypotheses follow from and answer the research questions?

- Yes, H1 answers the research question and H2, H3 try to further study the reason and heterogeneity.

b) Do these hypotheses follow from theory? Explain logic of the hypotheses.

- Logic: investors usually respond to disclosures thus retail investors may also respond to ESG disclosures, but considering that retail investors are not so sophisticated, they may ignore the information about ESG and not respond to ESG disclosures.

5. Sample: comment on the appropriateness of the sample selection procedures.

- This paper uses retail investor data track the trading activities of retail investors who use Robinhood as their brokerage firm from June 1,2018 through December 31, 2019. The time period is not enough and it only focuses users of Robinhood which is limited.

6. Comment on the appropriateness of variable definition and measurement.

- Dependent variable:
 - *RI_RESPONSE*: is the retail investor response and includes five variables.
- Independent variable:
 - *ESG PR Day*: refers to ESG press days;
 - *NonESG PR Day*: days that firm had a press release that was not ESG related;
 - *EA Day*: refers to days on which the firm announces earnings.
- In my view, these variables are measured well and noise is also exclude.

7. Comment on the appropriateness of the regress/predict model specification.

- Since fixed effects are controlled and std is clustered by date, the regression model is specified well. But it's better if it includes more firm-level variables.

8. What difficulties arise in drawing inferences from the empirical work?

- this paper only focuses on the data of Robinhood during 2018-2019, the sample is limited and can't reflect the objective law of retail investors' response to ESG disclosures.

9. Describe at least one publishable and feasible extension of this research.

- this paper could furtherly research:
 - whether retail investors will respond to ESG disclosures if the regulator change disclosure proposals;
 - whether a ESG-related firm's ESG disclosures will be noticed by retail investors;
 - whether a ESG-disclosure will be noticed by retail investors while there are prominent ESG news.