

The Impact of Climate Engagement: A Field Experiment

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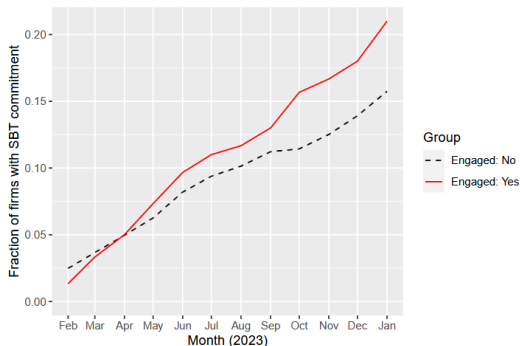
- Some investors prefer green stocks/assets due to pecuniary or non-pecuniary reasons
- The ones with non-pecuniary reasons may want to change how firms operate
→ They have two options
 1. Invest only in green stocks and influence firms indirectly
 2. Pursue active engagement with the firms
- **Fundamental Q:** To what extent do these two options work as intended?

This paper

- Runs a randomized experiment with an index provider, where the treatment is done via communication
- Finds that the treatment increases climate target adaptation by 5.3 pp (or by 33%)

Experiment

- Index that tracks firms on a decarbonization trajectory
- In this index, there are 1227 firms that do not have SBT commitments.
- 300 of 1227 are randomly selected to be treated
- Treatment: The index provider sends a formal letter to the treated, reminding them that commitment to SBT is a requirement to be included in the index.
→ The letter details the benefits of such commitment



This is a **preregistered study**

→ limits the additional analysis in addition to the registered ones
ex-post

→ Thus, I will focus on the interpretation of the current findings

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- Communication is tricky
 - It is a part of engagement but probably not the most salient one
 - The ideal case: an exogenous variation in proposals or votes
- My framing: **More intense communication** can **speed up** firm actions

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- Due to these reasons, I believe that **speed up** fits better into this setting

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- Randomization is done within a **non-random sample** from the population
 - Within the sample, there is no selection
- Due to the non-random sample, a selection bias can still occur
 - There is a reason why these firms are selected for this index: they tend to be greener!
 - Therefore, these firms are more likely to react to **the treatment as it is already in line with their policies**.
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- **More precise interpretation**: Firms that are already leaning towards a type of action will speed up their actions when they are communicated in a more serious way.

- Do firms know that they are included in the indices?
- Do firms apply to be included in the index or does the provider construct the index by itself?
- The time between the initiation of the indices and treatment is important. The initiation itself can convince firms to adopt SBTs.
- How did the index provider communicate its requirements for the whole sample at the initiation? Was there explicit communication regarding the SBTs?
- Are there any firms that committed to SBT and then removed?
- Why don't you report the average marginal effects when you use probit? It is easier to interpret.
- Do you have any intuition for the heterogeneity (larger firms, etc.)?