Discussion of “Renewable Governance: Good for the Environment? ”
(by Dyck, Lins, Roth, Towner, and Wagner)

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Summary

- Key question: Does corporate governance ("G") affect environmental performance ("E")?
- Use cross-country data on E and G from ASSET4 database.
- Main specification: \( E_{it} = a + b \times G_{it-1} + \text{controls} + FE + e_{it} \)
Summary

- **Main findings:**
  - Renewable boards (through majority voting) positively associated with E.
  - Renewable boards (through the appointment of female directors) positively associated with E.
  - Traditional governance (e.g., board independence) positively associated with E.

- **Identification:**
  - Exploit country-level regulations/shocks that drive firms to ‘adopt majority voting’ or to ‘add a female director.’
  - Staggered DID.
  - Results are robust.

- Results consistent with the idea that higher shareholder power is “good for the environment.”
This discussion

- There is a lot to like about this paper:
  - Big picture question
  - Considers several dimensions of governance
  - Well written and thought-provoking

- This discussion:
  - Comment #1: Interpretation – renewable governance
  - Comment #2: Interpretation – traditional governance
  - Comment #3: Empirics
  - Comment #4: Measurement
Comment #1: Interpretation – Renewable governance

- Is it “renewable governance” per se or director characteristics?
- Alternative interpretation
Comment #1: Interpretation – Renewable governance

Pre-renewal

Post-renewal

Young

Female
Comment #1: Interpretation – Renewable governance

- In the above story, renewable boards **accelerate** the transition towards younger and female directors who are more environmentally-friendly.

- As this transition is complete, renewable boards may no longer matter for E.

**Suggestion #1:** Add discussion of the distinction between renewable governance per se and director characteristics.
Comment #2: Interpretation – Traditional governance

- Traditional governance:
  - Board Independence
  - Board Size
  - CEO-Chairman Separation
  - Board Structure
  - Audit Committee Independence
  - Stock Classes

- Leaving identification aside, difficult to think about how these dimensions affect environmental performance.

- Authors’ narrative is about **short-termism** of managers.
Comment #2: Interpretation – Traditional governance

- Might be more natural to look at short-term vs. long-term (traditional) governance mechanisms.

**Suggestion #2**: Might help to take into account the temporal dimension of the various governance mechanisms.
Comment #3: Empirics

- Good news: fundamentals of the paper are good
  - country-level shocks that are plausibly exogenous
  - natural treatment and control groups

- But...

- ...standard DID tests are missing!
  - Tests for pre-trends?
  - Graphs?
  - Dynamics?
  - Covariate balance?
  - ...

- Suggestion #3: Run the full battery of DID tests. (Use online appendix if needed.)
### Panel B: Quasi-exogenous Shocks to Female Board Representation

<table>
<thead>
<tr>
<th></th>
<th>Single Country Experience</th>
<th>Broad Sample Excl. the UK</th>
<th>Broad Sample</th>
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<tbody>
<tr>
<td></td>
<td>ASSET4 E z-Scores</td>
<td>Equally-weighted E Scores</td>
<td>ASSET4 E z-Scores</td>
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<tr>
<td>Post Female Board</td>
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<tr>
<td>Representation × Treated</td>
<td>0.082**</td>
<td>0.049**</td>
<td>0.085**</td>
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<tr>
<td></td>
<td>(1.89)</td>
<td>(2.32)</td>
<td>(2.27)</td>
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<td>Log (Total Assets)</td>
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<td>0.010</td>
<td>0.041</td>
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<td>(0.16)</td>
<td>(0.25)</td>
<td>(0.96)</td>
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<tr>
<td>Cash</td>
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<td>-0.027</td>
<td>-0.063</td>
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<tr>
<td></td>
<td>(-0.69)</td>
<td>(-0.35)</td>
<td>(-1.11)</td>
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<tr>
<td>Tangibility</td>
<td>0.279</td>
<td>0.217</td>
<td>-0.131</td>
</tr>
<tr>
<td></td>
<td>(0.74)</td>
<td>(1.14)</td>
<td>(-1.52)</td>
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<tr>
<td>Leverage</td>
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<td>-0.044</td>
<td>0.022</td>
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<td></td>
<td>(0.27)</td>
<td>(-0.40)</td>
<td>(0.17)</td>
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<tr>
<td>Profitability</td>
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<td>0.036</td>
<td>-0.020</td>
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<tr>
<td></td>
<td>(0.55)</td>
<td>(0.32)</td>
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<tr>
<td>Institutional Ownership</td>
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<td>0.106</td>
<td>0.048</td>
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<tr>
<td></td>
<td>(1.13)</td>
<td>(0.78)</td>
<td>(0.31)</td>
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</table>

- **Post Female Board Representation × Treated**
- **Log (Total Assets)**
- **Cash**
- **Tangibility**
- **Leverage**
- **Profitability**
- **Institutional Ownership**

**Firm Fixed Effects**: Yes
**Year Fixed Effects**: Yes

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<th>Obs</th>
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<td>0.949</td>
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**Countries in Sample**
- **Single Country Experience**: UK
- **Broad Sample Excl. the UK**: Australia, Austria, Germany, Greece, Italy, Malaysia, Portugal, Switzerland
- **Broad Sample**: Australia, Austria, Germany, Greece, Italy, Malaysia, Portugal, Switzerland, UK

Add “Female Board Representation” as standalone
Add “Treated” as standalone
Comment #3: Empirics

- **Suggestion #4:** Add standalone terms for interactions.
Comment #4: Measurement

- Measuring E is difficult. Ratings are gameable.

- Might help to have a “more objective” measures.
  - CO2 emissions
  - Volume of toxic releases

Suggestion #5:
- Add robustness for the measurement of E.
Conclusion

- This is a nice paper, well worth reading.