The Biodiversity Impact of Corporate Divestitures*

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Abstract

While many firms divest greenhouse gas (GHG)-intensive assets to reduce their emissions, growing regulatory and stakeholder pressure is driving them to broaden their focus to also consider biodiversity impacts. Because GHG emissions represent only a portion of a firm's total corporate biodiversity footprint (CBF), it is important to assess (un)intended spillover effects of divesting GHG-intensive assets. This study presents the first international analysis of how such divestitures relate to firms' CBF, showing that both GHG- and non-GHG-related CBF—land use, water pollution, and air pollution—are reduced. Importantly, when using a subset of firms with sufficient data on both sellers and buyers, we do not find a corresponding *net* decrease in GHG-related CBF, suggesting that emissions are being transferred rather than eliminated. However, we do observe a net reduction in non-GHG CBF intensity, likely due to operational improvements. Cross-sectional analyses show that divestitures' positive spillover on non-GHG CBF is larger among firms with high-quality disclosures and high external biodiversity monitoring, in countries with mandatory sustainability reporting and strong informal enforcement, and for non-focusing divestitures. In contrast, these benefits are muted for financially constrained firms that may prioritize more near-term financial survival considerations.

Key words: Biodiversity, Divestitures, GHG Emissions, Net Effect, Information Quality

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1. Introduction

Concerns about biodiversity conservation have grown in recent years, as scientists warn that species are disappearing at an accelerating pace (e.g., Ceballos and Ehrlich, 2023). The Organisation for Economic Co-operation and Development (OECD, 2019) ranks biodiversity loss among the most critical threats to society, alongside climate change. Regulatory and stakeholder efforts, such as the Kunming-Montreal Global Biodiversity Framework, emphasize the urgency of addressing biodiversity loss, highlighting the need to understand how economic and corporate activities impact biodiversity. Addressing this issue may therefore help improve corporate strategy and policymaking for biodiversity conservation.

This study explores how major corporate actions—specifically divestitures of greenhouse gas (GHG)-intensive assets—relate to firms' biodiversity impact. Firms are increasingly divesting underperforming, high-emission assets (Duchin et al., 2025), particularly following sustainability incidents (Li et al., 2024). However, divestitures may *not* improve firms' overall environmental performance (Zhou, 2022; Li et al., 2024; Duchin et al., 2025) and may simply reallocate emissions across firms or jurisdictions (Ecker and Keeve, 2025).

While reducing GHG emissions is important, these strategies may not address broader, often overlooked, environmental impacts, especially those affecting biodiversity. In fact, assuming a linear relation between GHG reduction and biodiversity conservation is misleading (Di Marco et al., 2018), as a sole focus on carbon metrics does not ensure biodiversity protection (Smith et al., 2016). Although many firms reduce GHG emissions by shedding GHG-intensive assets, the biodiversity impacts of such actions are often unrelated to carbon reduction. For example, in our sample, up to 98 percent of the biodiversity footprint of Unilever and Nestlé is attributed to land use rather than GHG emissions. This suggests that a carbon-centric lens could obscure impacts related to land use, water pollution, and air pollution, and that GHG-intensive divestitures have ambiguous effects on biodiversity. Accordingly, we examine the effects of

such divestitures on both GHG-related and non-GHG-related biodiversity impacts.[1] While the mechanisms behind the former association are intuitive—it is straightforward to conceptualize, for example, how divesting a coal-fired power plant may reduce a utility company's Scope 1 emissions and its associated GHG-driven biodiversity impact—our focus lies in exploring potentially unintended spillover effects of the latter. For instance, a divesting firm may have supply chain exposure to rare mineral extraction in biodiversity-sensitive regions. In such cases, biodiversity impact is less about Scope 1 emissions and more about upstream land use and ecological degradation, which may persist or even intensify regardless of divestiture decisions. This is conceptually important, because aligning carbon reduction with biodiversity goals can produce mutual benefits (Soto-Navarro et al., 2020; Zhu et al., 2021), while misalignment may well undermine both (Ferreira et al., 2018; Heilmayr et al., 2020).

On the one hand, GHG-intensive divestitures may be associated with non-GHG biodiversity improvements if they reduce firms' exposure to high-emission industries such as oil, gas, and mining, which are also major contributors to deforestation, land degradation, and pollution. Such actions may lower firms' contribution to biodiversity loss indirectly by curbing the contribution to climate change that alters ecosystems and species ranges. Additionally, regulatory and investor pressures may align emissions cuts with broader environmental investments, encouraging shifts to greener technologies and lower-impact industries, particularly where low-cost financing supports such transitions. Implementing integrated environmental improvements that address multiple dimensions simultaneously, such as forest restoration efforts that combine climate-change mitigation (through reduced net GHG emissions), biodiversity conservation, and socioeconomic development, may yield substantial biodiversity benefits.

[1] Throughout the paper, we distinguish between *GHG biodiversity footprint*, which captures the impact of firms' GHG emissions on biodiversity through climate-related mechanisms, and *non-GHG biodiversity footprint*, which captures all other direct pressures on biodiversity, such as land use, water pollution, and non-GHG air pollution.

On the other hand, GHG-intensive divestitures may not be associated with non-GHG biodiversity gains if the reduction in GHG emissions does not lead to a concurrent decrease in other environmental harms. For example, in line with managers substituting CSR investments (Huang et al., 2025), an entity could sell a high-GHG factory that runs on coal-powered electricity, reducing its reported emissions, yet it may concurrently increase orders from suppliers in regions with rampant deforestation (e.g., cotton farms causing soil depletion or leather tanneries polluting rivers). Some firms may even use divestitures for greenwashing, improving their sustainability ratings without substantive environmental changes (Duchin et al., 2025). As a result, these divestitures merely reallocate environmental footprints, transferring the asset's biodiversity impact to the acquiring firm rather than reducing or eliminating it. Consequently, evaluating the environmental outcomes of GHG-intensive divestitures requires a comprehensive approach that considers not only the seller's biodiversity impact but also the post-transaction behavior of the buyer.

Biodiversity's complexity makes it particularly difficult to monitor (Dechow, 2023). While nature-related impacts have significant consequences on the economy, they are not yet consistently assessed or disclosed as financially material (Taskforce on Nature-Related Financial Disclosures [TNFD], 2025). We employ Iceberg Data Lab's Corporate Biodiversity Footprint (**CBF**), which measures firm-level impacts from GHG emissions as well as from land use, water pollution, and non-GHG air pollution (Garel et al., 2024). CBF provides a comprehensive and science-based assessment, including Scope 1 (direct), Scope 2 (energy-related), and Scope 3 (value-chain) effects. Iceberg Data Lab also evaluates the quality of firms' biodiversity disclosures, enabling us to examine whether reporting quality relates to post-divestiture biodiversity outcomes.

Using an international sample of 9,498 firm-year observations from 2,541 firms in 45 countries (2019–2023), we find that GHG-intensive divestitures are negatively associated with divesting firms' total CBF, including both its GHG and *non-GHG* components. This suggests

that such divestitures are associated with broader environmental benefits that extend beyond emission cuts. We obtain consistent evidence using non-GHG-related biodiversity incidents from RepRisk as an alternative outcome measure, indicating that our results are not sensitive to the choice of specific biodiversity metrics. Our first set of findings therefore contradicts the notion that divestitures are merely cosmetic and provide the first evidence of positive biodiversity spillovers from carbon reduction strategies.[2] This highlights the importance of evaluating and including biodiversity and climate goals in corporate sustainability plans.

An important aspect of our study is the analysis of *net* biodiversity impacts for both sellers and buyers of GHG-intensive assets. Although divestitures may improve a seller's reported performance, the total environmental benefit depends on the post-transaction use of the asset. If the divested asset is decommissioned or operated more efficiently, biodiversity may benefit; otherwise, the impact may just shift between parties, resulting in no real improvement and possibly even worse overall biodiversity outcomes. In reduced-sample tests, we document no significant effect on the net GHG CBF (in levels and intensity tests), suggesting that emissions-related impacts are mostly reallocated rather than reduced. This raises concerns about the effectiveness of divestitures in generating real GHG-related biodiversity improvements. In contrast, we observe a significant post-divestiture decrease in *net non-GHG CBF intensity* (with no significant effect in levels tests). Further analysis shows that the effect is partially driven by an improvement in average post-divestiture operational efficiency for both sellers and buyers. Moreover, we find that these biodiversity benefits accrue to buyers making focus-increasing and foreign acquisitions. This indicates that firms can grow or restructure while curbing their biodiversity footprint. Overall, unlike in the GHG CBF case, asset transfers likely facilitate operational or technological adjustments that reduce the average post-divestiture non-GHG CBF intensity of both transacting parties.

[2] Our regressions include industry fixed effects to control for potential business model-related effects.

We next assess cross-sectional variation in non-GHG CBF benefits of GHG-intensive divestitures. Specifically, we consider the effects of divesting firms' disclosure quality, mandatory sustainability reporting, external biodiversity monitoring, divestiture type, and financial constraints. We show that firms with high-quality biodiversity reporting exhibit greater post-divestiture reductions in non-GHG CBF. This suggests that better disclosures enhance internal alignment with sustainability goals and external accountability (Fan et al., 2025). Second, we find that firms operating in countries with mandatory sustainability reporting experience greater non-GHG CBF benefits from divesting, *only* when informal enforcement is strong, suggesting that regulatory reporting mandates alone are insufficient to drive comprehensive environmental improvements. Third, we document incrementally larger non-GHG CBF benefits for firms with stronger external monitoring of their biodiversity impact, particularly for those that disclose goals to reduce it. This implies that external accountability and internal commitment both enhance the effectiveness of divestitures in improving biodiversity outcomes. Fourth, we observe that non-focusing divestitures (not aimed at core business refocusing) are related to larger non-GHG CBF improvements than focusing ones, implying that broader strategic motives may lead to a more efficient environmental strategy.[3] Finally, we document that financial constraints are associated with an *increase* in non-GHG CBF post-divestiture, because constrained firms are likely to prioritize immediate financial concerns over environmental impact.[4]

[3] Focusing divestitures (e.g., a utility company selling off its energy subsidiary) often aim to streamline operations and reduce reported GHG emissions, potentially without addressing broader biodiversity impacts. In contrast, non-focusing divestitures (e.g., mining company selling a central, iron ore mine) may be more closely tied to environmental considerations, resulting in more substantive biodiversity improvements.

[4] For financially constrained firms, we also assess how divestitures relate to their biodiversity dependency risk, which prior research links to downside risk and with the probability of being targeted by BlackRock's biodiversity engagements (Garel et al., 2025). We find that when these firms experience a large drop in biodiversity dependency risk after divesting, the negative impact on their non-GHG CBF becomes even stronger. This suggests that limited financial resources can prevent firms from translating the sale of GHG-intensive assets into biodiversity gains, especially when the divestiture is aimed at reducing their reliance on biodiversity-related resources.

By exploring how corporate divestitures influence biodiversity, our study contributes to the conversation on aligning corporate financial and environmental goals. While we provide evidence of positive spillovers from GHG-intensive divestitures, these effects are contextual. Our study therefore highlights the limitations of GHG-centric frameworks and the need to integrate broader environmental considerations into corporate decision-making.

Our work advances the growing literature on biodiversity and corporate behavior (e.g., Giglio et al., 2023, 2025a, 2025b; Karolyi and Tobin-de la Puente, 2023; Garel et al., 2024, 2025; Coqueret et al., 2025; Flammer et al., 2025). Understanding how carbon-reduction efforts and in particular GHG-intensive divestitures relate to corporate biodiversity impact is important for guiding firm strategy and public policy (Karolyi and Tobin-de la Puente, 2023; Giglio et al., 2025). As biodiversity monetization becomes a key issue in sustainable finance (Flammer et al., 2025), firms and investors require better data on biodiversity-related risks and opportunities (Garel et al., 2025). Without such information, stakeholders lack the tools to evaluate the ecological impact of major corporate events. The World Economic Forum's reports estimate that natural capital investments could yield $10 trillion annually and 400 million jobs (WEF, 2020a; 2020b; 2024), underscoring biodiversity's economic relevance.

Our study also extends research on corporate restructuring and sustainability (e.g., Li et al., 2024; Ecker and Keeve, 2025; Arcot et al., 2020; Mavis et al., 2020; Duchin et al., 2025), showing that environmentally driven divestitures are associated with outcomes beyond reducing GHG-emissions intensity. A novel aspect of our study is that these non-GHG-related benefits appear to extend across *both* selling and acquiring firms, illustrating how capital reallocation supports environmental sustainability. Furthermore, our exploration of deal characteristics allows us to investigate potential variation in environmental outcomes post-divestiture.

Additionally, our findings contribute to the literature on impact investing (Starks et al., 2025; Krueger et al., 2020; Bolton and Kacperczyk, 2021; Pástor et al., 2021; Mahieux et al.,

2025) and the environmental outcomes of asset transfers (Dai et al., 2024; Zhou, 2022; Broccardo et al., 2022; Liao et al., 2024). We show that while GHG-intensive divestitures are merely shifting environmental damage in terms of their GHG CBF, they are associated with meaningful reductions in non-GHG CBF. Finally, we extend research on sustainability disclosures (Krueger et al., 2020; Ilhan et al., 2023; Friedman and Ormazabal, 2024; Mahieux et al., 2025; Garel et al., 2025), documenting that stronger reporting practices are associated with greater environmental benefits of corporate actions by encouraging accountability and better strategy execution. Moreover, we show that mandatory reporting alone is not associated with divestitures that yield broader biodiversity benefits, suggesting that such outcomes require strong informal enforcement to make reporting regimes effective. Lastly, we document that external biodiversity monitoring is related to positive spillovers from GHG-intensive divestitures, highlighting the role of shareholder pressure in promoting transparency and external monitoring on nature-related issues. In sum, our study offers insights on balancing corporate performance and biodiversity conservation, and our evidence highlights the need to move beyond solely carbon-centric approaches.

2. Background and Research Question

2.1 Background on Biodiversity Conservation

Biodiversity loss has emerged as a critical global challenge, with scientists warning that the planet is undergoing a mass extinction event driven by human activity (Ceballos and Ehrlich, 2023). Species are disappearing at an accelerated rate due to habitat destruction, climate change, pollution, and the overexploitation of natural resources. The OECD (2019) identifies biodiversity loss as one of the most significant risks to human societies—comparable in scale and urgency to climate change. The degradation of ecosystems not only threatens wildlife but also undermines essential services that support human well-being, including food security, clean water, and disease regulation.

In response to these growing concerns, international regulatory frameworks and stakeholder-driven initiatives have increasingly prioritized biodiversity conservation. In October 2021, the first phase of the UN Biodiversity Conference (COP15) concluded with the adoption of the Kunming Declaration—a policy statement reaffirming global commitments to biodiversity protection (Kunming Declaration, 2021). Drawing parallels to the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (UNFCCC, 2015), the declaration emphasizes the urgent need to direct financial flows toward the conservation and sustainable use of biodiversity. Beyond signaling international intent, the conference also raised investor awareness of the growing risks associated with biodiversity decline and contributed to increased speculation and stakeholder uncertainty about potential new regulations and biodiversity-related litigation. The Kunming-Montreal Global Biodiversity Framework, adopted in 2022, sets ambitious targets to reverse biodiversity loss by 2030 through stronger regulatory enforcement, financial incentives, and corporate accountability measures.[5]

Overall, these regulatory efforts reflect a broader recognition that addressing biodiversity loss requires a comprehensive approach—one that considers the multidimensional aspect of biodiversity beyond GHG emissions, and that integrates overall environmental considerations into economic decision-making. A key element of this approach is deepening our understanding of how corporate financial activities contribute to biodiversity degradation, as well as identifying mechanisms to mitigate these impacts through regulatory policy, investment strategies, and sustainable business practices.

[5] Concurrently, TNFD was established in 2021 as a framework for improving the way businesses and financial institutions assess and disclose their dependencies and impacts on nature. Modeled after the Taskforce on Climate-Related Financial Disclosures, TNFD aims to provide companies with standardized guidelines for integrating biodiversity and ecosystem considerations into financial decision-making. TNFD released its final set of disclosure recommendations in September 2023 (TNFD, 2023). These recommendations aim to help organizations identify, manage, and report nature-related risks and opportunities, aligning financial flows with global biodiversity goals and regulatory expectations.

2.2 Divestitures and Their Biodiversity Impact

Many firms have adopted GHG-reduction strategies, including those involving the divestiture of high-emission assets, to align with investor preferences and regulatory pressures (Friedman and Ormazabal, 2024; Cohen et al., 2023). However, whether these corporate restructuring actions translate into tangible biodiversity benefits remains an open question.

There are several reasons to expect that firms that divest from GHG-intensive assets may also reduce their biodiversity footprint. First, GHG-intensive industries often have high land and resource demands. Sectors such as oil and gas, mining, and heavy manufacturing not only contribute significantly to carbon emissions but also directly impact biodiversity through land degradation, deforestation, and water and air pollution. Divesting from such operations may therefore alleviate these pressures, helping to reduce both climate change and biodiversity loss.

Second, regulatory and investor pressures may align GHG emissions reduction with broader sustainability efforts. As firms face increasing pressure to improve their environmental performance (Azar et al., 2021), divestitures driven by climate concerns may coincide with broader commitments to environmental stewardship. This could include actions to protect natural habitats, reduce pollution, and implement biodiversity-friendly policies. Firms divesting high-GHG assets may also reinvest in greener technologies and business models. In such cases, divestitures could act as a catalyst for holistic sustainability strategies, promoting environmental benefits beyond carbon reductions. This implies that divestitures are not merely about shedding emissions, but also about transitioning toward more sustainable operations—redirecting capital into low-impact industries, renewable energy, or circular economy initiatives that reduce both emissions and biodiversity degradation.

However, compelling arguments suggest that GHG-intensive asset divestitures may *not* necessarily lead to biodiversity improvements. First, corporate biodiversity impacts are not always directly tied to emissions. A firm may reduce its GHG footprint without meaningfully changing its land use, water consumption, or pollution levels. For example, a manufacturing

firm switching from coal to natural gas might lower emissions without addressing concerns such as deforestation, habitat destruction, or chemical waste. This disconnect highlights the need for a more comprehensive approach to assessing corporate environmental performance—one that includes biodiversity impacts alongside GHG emissions.

Second, divestitures may serve as a greenwashing tool rather than reflect genuine environmental improvements. Some firms may offload high-GHG assets to boost their sustainability ratings without implementing substantive environmental protections (Duchin et al., 2025). This can create a misleading appearance of environmental progress while biodiversity degradation continues—or even worsens. For instance, a divested GHG-intensive asset may continue operating under a new owner, resulting in no real change, or it may be converted in ways that increase biodiversity harm through deforestation, habitat destruction, or urban development. This underscores the risk that divestitures, if not backed by meaningful environmental action, may prioritize optics over outcomes.

Given these contrasting perspectives, the *net* impact of GHG-intensive asset divestitures on biodiversity remains unclear. It is therefore essential to assess whether such corporate actions lead to meaningful environmental improvements or simply shift ecological burdens elsewhere. This brings us to our research question: *How do corporate divestitures of GHG-intensive assets relate to firms' biodiversity footprints?*

Our research highlights the importance of a broad and nuanced approach when evaluating the ecological consequences of corporate actions. Specifically, we aim to investigate whether divestitures of GHG-intensive assets yield meaningful biodiversity benefits or merely redistribute environmental risks. This question is critical, given the interconnectedness of climate change and biodiversity. Climate change accelerates ecosystem degradation, while intact ecosystems provide the adaptive capacity to mitigate climate impacts (Giglio et al., 2025).

Accordingly, we are not only interested in examining changes in the divesting firm's biodiversity footprints, but also in evaluating the *net* effect across both the selling and acquiring

firms. A divestiture may improve the environmental profile of the seller while transferring biodiversity risks to the buyer—resulting in no net benefit, or even a worsening of outcomes. Thus, beyond firm-level effects, it is necessary to assess the broader ecological implications of these transactions to determine whether they genuinely contribute to biodiversity conservation or simply shift the burden elsewhere.

While divesting GHG-intensive assets can enhance reported summary sustainability metrics, it may not automatically translate into real-world reductions in biodiversity impacts.[6] Meaningful improvements depend on whether the asset is decommissioned, operated with lower emissions intensity, or replaced by environmentally sound alternatives. Without such measures, the underlying emissions—and their associated ecological pressures—persist, merely changing ownership without resolving the underlying environmental harm.

3. Data, Sample, and Research Design

3.1. Corporate Biodiversity Footprint (CBF)

To empirically evaluate our research question, we follow Garel et al. (2024) and use the CBF measure, a robust, firm-level metric developed by Iceberg Data Lab. CBF quantifies the biodiversity loss attributable to a firm's annual operations across four key components: (1) GHG emissions, (2) land use, (3) water pollution, and (4) air pollution (excluding that attributable to GHG emissions). This dataset provides a complete view of a firm's total ecological impact, going beyond carbon emissions alone. Accordingly, we use it to assess the effects of sustainability-driven divestitures beyond carbon reduction. We can do so, because CBF is operationalized using the Mean Species Abundance (MSA) metric, which measures the relative abundance of native species in ecosystems affected by human activities, compared to undisturbed (pristine) environments. CBF is expressed in standardized units of square

[6] In untabulated tests, we find that divesting firms experience higher environmental scores in the year after the sale of GHG-intensive assets.

kilometers of MSA (km² MSA), enabling consistent and interpretable comparisons of biodiversity impact.[7]

CBF adopts a three-scope approach to capture both direct and value chain-related impacts. Scope 1 accounts for environmental pressures directly linked to a firm's operations, such as land artificialization or habitat conversion. Scope 2 reflects the impacts from purchased utilities including electricity, heating, and cooling. Scope 3 includes indirect effects from the production, sale, or purchase of goods and services, as well as investment-related impacts. In our empirical analyses, we examine both the total CBF effects, and effects disaggregated across Scope 1, Scope 2, and Scope 3 activities. This comprehensive approach enables a granular assessment of a firm's biodiversity footprint and offers insights into how various parts of its value chain contribute to ecosystem degradation. By integrating these dimensions, CBF serves as a useful metric for understanding firm-level biodiversity impacts.

3.2. Sample Description

The CBF dataset provides firm-level biodiversity data for approximately 2,700 publicly listed international companies over the period 2018–2023 (Iceberg Data Lab, 2023). We exclude observations from financial firms (i.e., those in Asset Management, Banking, Financial Services, Insurance, or Real Estate) (e.g., Li et al., 2024). Financial data are sourced from Compustat North America and Compustat Global.

We eliminate observations with missing financial information and exclude countries or industries with fewer than 10 observations.[8] Given our research design that uses first

[7] The measure is intuitive and easy to interpret. For example, a CBF of –0.8 km².MSA in a given year indicates that the firm's activities caused biodiversity loss equivalent to 0.8 km² of undisturbed, pristine-conditioned forest.
[8] Our inferences remain unchanged if we do not eliminate these observations from our sample.

differences, we also require companies to have all the necessary data for at least two consecutive years. The resulting sample comprises 9,498 observations spanning 2019-2023.

We obtain divestiture-related data from Refinitiv SDC Platinum that offers detailed transaction-level information on divestitures, including details on the divested unit and the parties involved. We define divestitures as transactions that result in a change of control over assets—either by the loss of majority interest in a target or the sale of (some of) the target's assets. Specifically, we include transactions where the "Form of the Deal," as defined by Refinitiv SDC Platinum, is "Acquisition of Assets," "Acquisition of Certain Assets," or "Acquisition of Majority Interest."[9]

Table 1 presents the sample distribution by year, industry, and country. Panel A shows increasing coverage over time. Panel B indicates that the Electronics, Chemicals, and Food sectors are the most represented. Panel C reveals a concentration of observations in the U.S., China, and Japan.

3.3. Research Design

We employ the following regression to test the association between firms' biodiversity impact (*ΔCBF*) and GHG-intensive divestitures (*GHG-Intensive Divestitures*).

$$\Delta CBF_t = \delta_0 + \delta_1\ GHG\text{-}Intensive\ Divestitures_t + \delta_2\ M\&A_t + \delta_3\ \Delta Firm\text{-}Specific\ Controls_t + Country,\ Year,\ and\ Industry\ Fixed\ Effects + \varepsilon_t \quad (1)$$

In Equation (1), *CBF* is, alternatively, the biodiversity loss (in terms of km^2.MSA) caused by (1) a firm's GHG emissions, land use, air pollution, and water pollution divided by total sales and multiplied by –1 (*Biodiversity Impact*); (2) a firm's GHG emissions divided by total sales and multiplied by –1 (*GHG Biodiversity Impact*); or (3) a firm's land use, air pollution, and water pollution divided by total sales and multiplied by –1 (*Non-GHG*

[9] Similar to Ecker and Keeve (2025), we use the effective date (i.e., the transaction completion date) rather than the announcement date to ensure that the divested assets are excluded from the sellers' reporting.

Biodiversity Impact).[10,11] We define *ΔCBF* as the difference in a firm's biodiversity loss between the current and the previous year. *GHG-Intensive Divestitures* is an indicator variable that equals 1 if the company is the seller in at least one divestiture transaction and its GHG CBF decreases at the end of the fiscal year relative to the previous year; and 0 otherwise.

To control for the impact of other restructuring actions such as mergers and acquisitions on a firm's biodiversity footprint, Equation (1) includes *M&A,* an indicator variable equal to 1 if the company is the buyer in at least one transaction or participates in a merger in a given year; and 0 otherwise. We additionally include *changes* in *Firm-Specific Controls* in Equation (1), such as *Size*, computed as the natural logarithm of total assets, *ROA*, which represents pretax income divided by total assets, *Leverage*, computed as total liabilities divided by total assets, *Capex to Total Assets*, which is capital expenditures divided by total assets, *Tangibility*, defined as net property, plant, and equipment divided by total assets, *Asset Growth*, represented by the percentage change in total assets, and *Cash to Total Assets*, computed as cash and cash equivalents divided by total assets.

We also include country, industry, and year fixed effects to control for country-level and industry-specific factors, as well as time trends. For ease of interpretation, we standardize all continuous variables with zero mean and unit variance. In all our estimations, we cluster standard errors by divesting firm. All continuous variables are winsorized at the 1st and 99th percentiles.[12] Appendix A provides variable definitions.

[10] We multiply these variables by –1 so that higher values indicate a more negative impact (Garel et al., 2024).
[11] In untabulated robustness tests, we re-estimate the model using two alternative denominators—total assets and capital employed—to ensure that our inferences are not affected by the choice of scaling in the CBF measures. The findings remain consistent, suggesting that the documented effects are not driven by unobserved shifts in inputs.
[12] Inferences are unaffected if we do not winsorize.

4. Results

4.1. Descriptives and Correlations

Table 2 presents descriptive statistics for the variables in their original levels and unstandardized form. We partition the sample based on *GHG-Intensive Divestitures* and test for differences in the means, distributions, and proportions of our variables in the two subsamples. The results indicate that, on average, firms divesting GHG-intensive assets exhibit lower total CBF. Moreover, divesting firms also have lower GHG-related and non-GHG-related CBF, both in total and by scope. Additionally, when examining the individual components of a firm's non-GHG CBF, the biodiversity loss from land use and air pollution is lower for firms engaging in GHG-intensive divestitures, whereas biodiversity loss from water pollution is similar across the two subsamples.

Divesting firms are more likely to engage in mergers and acquisitions, potentially using proceeds from divestitures to finance new investments. Moreover, they tend to be larger, less profitable, and more leveraged. On average, they also invest less in long-term assets, as reflected in their lower Capex to total assets and tangibility ratios, as well as by their slower asset growth. Divesting firms have lower liquidity, as indicated by their lower cash to total assets ratio.

Table 3 reports key characteristics of sellers and buyers in GHG-intensive divestitures. In Panel A (sellers), on average, 49 percent of divestitures involve foreign assets; 73 percent are focus-increasing (i.e., the divested asset and seller operate in different SIC industries); and 47 percent of sellers are from countries that mandate sustainability disclosures. Among these, 36 percent (11 percent) of sellers are from countries that mandate sustainability disclosures and have high (non-high) informal enforcement. In Panel B (buyers), we observe that 70 percent of divestitures involve private buyers; 34 percent have buyers acquiring foreign assets; 57 percent have buyers located in a country different from the seller; and 19 percent are focus-increasing (same SIC industry asset and buyer). 15 percent have buyers in countries with mandatory

sustainability disclosures, out of which 11 percent (4 percent) are from countries with high (non-high) informal enforcement.

Table 4 presents Pearson pairwise correlations, reported in original, unstandardized form. The correlations are based on our final sample, partitioned according to the GHG-intensive divestitures indicator. This variable equals 1 if the firm is the seller in at least one divestiture transaction and experiences a reduction in GHG intensity by the end of the fiscal year relative to the prior year, and 0 otherwise. Correlation coefficients above the diagonal correspond to the subsample with GHG-intensive divestitures (N = 1,014), while those below the diagonal correspond to the subsample without GHG-intensive divestitures (N = 8,484).

Overall, correlations across the two subsamples are largely similar, suggesting consistent relations among key variables regardless of divestiture-related GHG intensity changes. That said, the magnitudes of some correlations provide meaningful insights. Specifically, total CBF is highly correlated with biodiversity impact from land use (correlations of 0.90 and 0.89, respectively), whereas the correlation of total CBF with GHG emissions is much weaker (correlations of 0.08 and 0.25, respectively), indicating that land-use change is a major driver of corporate biodiversity impacts far beyond GHG emissions. More importantly, non-GHG CBF shows low correlation with biodiversity impact due to GHG emissions (0.01 and 0.14, respectively), suggesting that focusing exclusively on GHG-related actions may lead to overlooking significant components of a firm's broader biodiversity impacts.

Another notable correlation is between biodiversity impacts from GHG emissions and those from non-GHG air pollution (0.77 and 0.85, respectively). This suggests that corporate activities contributing to GHG emissions are also likely associated with other forms of air pollution, highlighting the interrelated nature of atmospheric environmental externalities.[13]

[13] Our inferences remain unchanged if we exclude air pollution from non-GHG CBF (i.e., if non-GHG CBF includes land use and water pollution only).

4.2. The Effect of GHG-Intensive Divestitures on GHG and Non-GHG CBF

We first examine the effect of divesting GHG-intensive assets on firms' total CBF and its GHG component. The results are presented in Table 5 and show that divesting GHG-intensive assets is associated with reductions in both total CBF and GHG CBF intensity. This finding aligns with prior evidence that divestitures are associated with reductions in firms' GHG emissions intensity (Ecker and Keeve, 2025; Li et al., 2024). We obtain similar results for aggregate GHG CBF as well as Scope 1, Scope 2, and Scope 3 emissions, with all effects being statistically significant at the 1 percent level. These results confirm that our measure effectively captures firms that lower their carbon footprint through asset divestitures.

Next, we consider that when divesting high-GHG-emitting assets, firms may also influence non-GHG CBF components, such as land use, water pollution, and air pollution. Table 6 presents our main results on the effect of GHG-intensive divestitures on non-GHG CBF. In Panel A, the dependent variable is the change in non-GHG CBF (*ΔNon-GHG Biodiversity Impact*), both overall (Columns (1)–(4)) and disaggregated by scope (Columns (5)–(7)). Columns (1)–(4) show that the coefficient on *GHG-Intensive Divestitures* is negative and statistically significant at the 1 percent level, indicating that, on average, divesting GHG-intensive assets is associated with a reduction in a firm's non-GHG biodiversity impact.[14]

In terms of economic significance, non-GHG biodiversity impact as a percentage of the divesting firm's total sales decreases by 2.4 percentage points.[15] Results in Columns (5)–(7) suggest that this effect is primarily driven by a reduction in both direct (Scope 1) and indirect biodiversity impacts through the value chain (Scope 3 effects).

[14] Since our change analysis approach captures within-firm variation over consecutive years, it may not fully capture persistent differences across firms. Therefore, in untabulated analyses we use a levels specification with firm and year fixed effects and find that the results are consistent with our baseline findings.

[15] Because we use standardized coefficients, the economic significance is computed as follows: *ΔNon-GHG Biodiversity Impact* has an unstandardized standard deviation of 0.142 in the subsample of firms without GHG-intensive divestitures. The coefficient on *GHG-Intensive Divestitures* in Column (4) is –0.168, implying that the non-GHG biodiversity impact of divesting firms is lower by $0.168 \times 0.142 = 0.024$.

These findings underscore the broader environmental implications of GHG-intensive divestitures, extending beyond emissions reductions. Our results highlight the broader role of corporate restructuring in enabling environmental sustainability, showing that restructuring actions—such as environmentally motivated divestitures—yield positive outcomes beyond GHG mitigation. Specifically, expanding extant research (Li et al., 2024; Ecker and Keeve, 2025; Duchin et al., 2025), we document significant improvements in non-GHG biodiversity outcomes, including land use, water pollution, and air pollution. These findings reveal an important spillover effect of GHG-intensive divestitures that was previously overlooked due to a typically narrow focus on carbon emissions.

In Panel B, we evaluate the change in the individual components of biodiversity impact: *ΔBiodiversity Impact – Land*, *ΔBiodiversity Impact – Air*, and *ΔBiodiversity Impact – Water*. We report results both in aggregate and disaggregated by scope.[16] These findings indicate that all three components—air, land, and water—contribute to the reduction in non-GHG biodiversity impact associated with GHG-intensive divestitures. Specifically, for the aggregate impact, the effect is statistically significant at the 1 percent level across all three components. Furthermore, we find that the effect is driven by both Scope 1 and Scope 3 activities.[17]

5. The *Net* Effect of GHG-Intensive Divestitures

Importantly, we quantify the *net* effect of GHG-intensive divestitures. Specifically, for a subsample of firms with available data, we examine the changes in the CBF of both divesting and acquiring firms. This analysis allows us to assess whether the overall impact of GHG-

[16] Note that Iceberg Data Lab does not estimate Scope 2 measures for *Biodiversity Impact – Land*.

[17] In terms of economic significance, the biodiversity impact from (a) land use would decrease by 0.152 (coeff. of *GHG-Intensive Divestitures* in Column (1)) × 0.125 (st. dev. of Δ*Biodiversity Impact – Land* in the subsample of firms without GHG-intensive divestitures) = 0.019, or 1.9 percentage point decrease in CBF relative to the divesting firm's total sales; (b) air pollution would decrease by 0.290 (coeff. of *GHG-Intensive Divestitures* in Column (4)) × 0.005 (st. dev. of Δ*Biodiversity Impact – Air* in the subsample of firms without GHG-intensive divestitures) = 0.001, or 0.1 percentage points decrease in CBF relative to the divesting firm's total sales; (c) water pollution would decrease by 0.103 (coeff. of *GHG-Intensive Divestitures* in Column (8)) × 0.016 (st. dev. of Δ*Biodiversity Impact - Water* in the subsample of firms without GHG-intensive divestitures) = 0.002, or 0.2 percentage points decrease in CBF relative to the divesting firm's total sales.

intensive divestitures on biodiversity is positive or negative—in other words, whether the overall social costs or benefits of such divestitures align with broader sustainability goals. This constitutes a novel contribution of the study, as divestitures may lower a seller's GHG emissions and potentially its non-GHG CBF, but the true environmental benefit ultimately depends on how the assets are eventually utilized post-divestiture by the buyers.

We construct a subsample from the dataset used in the main analysis. For the treatment group (i.e., firms engaging in GHG-intensive divestitures), we require that in a given year: (1) the divesting firm completes one or more divestitures where all acquirers are covered by the Iceberg Data Lab, and (2) both the divesting firm and the acquirer have the necessary data for the fiscal year of the divestiture and the preceding year. For the control group, we require that firms (1) do not engage in transactions affecting their controlled assets (e.g., mergers, acquisitions, or spinoffs), and (2) have the necessary data in both the current and previous fiscal year. These stringent selection criteria yield 80 seller-buyer-year observations for the treatment group and 7,515 firm-year observations for the control group.[18]

We then compute the net effect of divestitures on both the seller's and the buyer's biodiversity impact, distinguishing between *Net GHG Biodiversity Impact* and *Net Non-GHG Biodiversity Impact*. For treatment firms, these measures reflect the sum of the divesting firm's and the acquirer's biodiversity impact as of the fiscal year-end during which the divestiture occurs. In cases with multiple acquirers, we use the average net effect across seller-buyer-year pairs. For control firms, the biodiversity impact measure is taken from the firm's year-end data. We then calculate the annual change in both net GHG and non-GHG biodiversity impacts.

[18] Our inferences are unaffected if we impose even more restrictive criteria for the treatment group: requiring that (i) the divesting firm engages in divestitures with a single acquiror, (ii) the acquiror acquires assets exclusively from a single seller, (iii) both the divesting firm and the acquiror are non-financial firms, and (iv) both have the necessary data in the fiscal year when the divestiture is completed and the year before that. This condition reduces the treatment sample size to 29 observations, while the control group is unaffected.

Panel A of Table 7 presents the results. Columns (1) and (2) show that the coefficients on *GHG-Intensive Divestitures* are statistically insignificant for both intensity and levels of GHG CBF, suggesting that high-emission assets are transferred between sellers and buyers rather than eliminated, consistent with Duchin et al. (2025). More importantly, given the focus of our paper, we find that GHG-intensive divestitures are associated with a significant *reduction* in the intensity of non-GHG CBF (Column (3)), with statistical significance at the 5 percent level (two-sided test).[19] In economic terms, firms that divest GHG-intensive assets experience a 0.521 standard deviation decrease in *ΔNon-GHG Biodiversity Impact* relative to non-divesting firms. This translates to an average reduction of 7.4 percentage points in non-GHG biodiversity impact relative to total sales.[20] In contrast, using levels (i.e., biodiversity impact measured in km².MSA) rather than intensity yields a directionally similar but statistically insignificant effect (Column (4)). Overall, we find some suggestive evidence that GHG-intensive divestitures generate synergies between buyers and sellers, enabling increased output without a corresponding rise in non-GHG CBF.[21]

In untabulated univariate tests, we find that the net reduction in non-GHG CBF intensity is greater when the divestiture occurs early in the fiscal year (i.e., the number of days between the start of the fiscal year and the divestiture's effective date is below the sample median) compared to later transactions. Furthermore, the observed net reduction in non-GHG CBF may be partially attributed to operational efficiency gains across both sellers and buyers. Post-divestiture, the average seller-buyer pair exhibits lower operating and SG&A expenses relative to sales, along with improved profitability and asset turnover, indicative of not only cost efficiencies, but also scaling effects. In particular, we find evidence that buyers exhibit reduced

[19] To address the possibility that the intensity-based results are driven by revenue fluctuations rather than biodiversity impacts, we conduct additional robustness tests (untabulated) in which we include the change in sales as a control variable in both the main specifications and the net-effect tests. Our findings are unchanged.
[20] We multiply 0.521 (coeff. of *GHG-Intensive Divestitures* in Column (3)) by 0.142 (st. dev. of *ΔNon-GHG Biodiversity Impact* in the subsample of firms without GHG-intensive divestitures) = 0.074.
[21] Our inferences hold when we employ entropy balancing (untabulated).

capital and labor intensity after the acquisition. These patterns suggest synergies that enable increased output without greater environmental degradation, likely through more efficient resource use and lower input intensity, ultimately contributing to the reduction in biodiversity pressures unrelated to GHG emissions.

In Panel B, we examine *deal characteristics* that may explain post-divestiture improvements in net non-GHG CBF. First, we find that reductions are driven by *focusing* purchases, consistent with our earlier results on efficiency gains. Second, purchases by *foreign buyers* are associated with larger reductions in non-GHG CBF, suggesting these buyers are better able to utilize acquired assets. To verify this, we assess whether the *asset*, rather than the seller, is foreign to the buyer. Results show larger reductions in non-GHG CBF when buyers acquire foreign targets. This implies that foreign buyers may possess superior technologies, management practices, or sustainability standards, enabling more efficient and environmentally responsible use of acquired assets.

6. Cross-Sectional Analyses

While our primary tests confirm that the findings of extant research on divestitures' impact on GHG emissions are also present in our sample (Ecker and Keeve, 2025; Duchin et al., 2025; Li et al., 2024), we further examine how the effect of GHG-intensive divestitures on non-GHG CBF varies with the sellers': *(i)* quality of biodiversity disclosures; *(ii)* mandatory sustainability reporting regimes; *(iii)* strength of external biodiversity-related monitoring; *(iv)* divestiture type; and *(v)* financial constraints.[22]

6.1 The Role of Biodiversity Disclosure Quality

We first assess the role of firms' biodiversity disclosure quality on divestiture outcomes. Despite increased investor interest in high-quality biodiversity reporting, which can enhance the credibility and value of divestitures, Garel et al. (2025) show that firms' biodiversity

[22] For completeness, we also examine how these conditions influence the effect of divesting GHG-intensive assets on GHG CBF (see Appendix B).

disclosures are generally limited. Fan et al. (2025) further show that biodiversity risk disclosures shape investor perceptions by reducing uncertainty and adjusting expectations about biodiversity-related risks, with stronger effects when disclosures are informative and timely. As such, investors are more likely to monitor and estimate the biodiversity footprint of firms with high-quality disclosures, enabling improved external oversight of firms' sustainability efforts (Dimson et al., 2021). Firms themselves are likely to track their biodiversity performance and ensure that their divestitures have sustainability effects. By focusing on environmental performance measures, firms can direct resources to reduce their biodiversity footprints.

To evaluate the potential incremental effect of biodiversity disclosure quality on the association between GHG-intensive divestitures and non-GHG CBF, we use the *Biodiversity Disclosure Quality* measure developed by Iceberg Data Lab. This measure ranges from 1 to 4, where 1 represents the highest quality (CBF computed based on biodiversity-related metrics reported by the firm) and 4 represents the lowest (CBF computed based on average sectorial metrics). We multiply this measure by –1 so that higher values indicate better disclosure quality and add it and its interaction with *GHG-Intensive Divestitures* to Equation (1).

Column (1) of Table 8 shows that the coefficient of the interaction term is negative and significant, indicating that high-quality biodiversity disclosures strengthen the effect of divesting GHG-intensive assets. This suggests that divesting GHG-intensive assets is more beneficial for nature when firms disclose high-quality biodiversity information, as external parties more accurately assess the firm's biodiversity footprint and monitor changes.[23,24]

[23] This scrutiny may increase the credibility and impact of divestiture decisions, helping ensure that asset sales result in genuine, rather than symbolic, environmental improvements.

[24] We additionally examine the incremental effect of biodiversity disclosure quality on GHG CBF and report the results in Panel A of Appendix B. Results indicate that biodiversity disclosure quality does not have an incremental effect when it comes to reducing GHG emission intensity through divestitures (Column (1)). This finding implies that firms engaging in GHG-intensive divestitures experience a significant reduction in GHG emissions, independent of how transparently they report biodiversity information. A potential explanation is that high-quality biodiversity information is particularly relevant for assessing biodiversity loss from land use, air pollution, and water pollution (i.e., non-GHG impact), rather than GHG emissions, because of the potentially more opaque and complex nature of the former.

6.2 The Role of Mandatory Sustainability Disclosures and Informal Institutional Enforcement

Next, we consider the influence of mandatory sustainability reporting in the divesting firm's country. Mandatory disclosures increase accountability by requiring firms to report both GHG emissions with biodiversity-related impacts, which enhances transparency. These regimes invite greater scrutiny from investors, activists, and regulators, reducing greenwashing. For example, a company selling oil refineries in a country with strict disclosure requirements may face pressure to mitigate biodiversity impacts from its drilling operations. Moreover, regulations are expanding to include biodiversity reporting (e.g., the TNFD in the EU), prompting firms to divest biodiversity-harming assets ahead of tighter rules.

Using data from Krueger et al. (2024), we determine whether sustainability disclosure is mandatory or voluntary in the divesting firm's country. Results in Column (2) of Table 8 show that mandatory disclosure, has a statistically insignificant effect (although the estimated coefficient is large in magnitude) on post-divestiture non-GHG CBF.[25] We further examine the cross-country heterogeneity in *informal institutional enforcement*, as Krueger et al. (2024) show that sustainability disclosure mandates are more effective when such enforcement is strong. We use Yale's Environmental Performance Index (EPI) (Block et al., 2024) as a proxy for informal enforcement and split the sample into two sub-samples: (a) sellers from countries with high informal enforcement (EPI is at or above the 75th percentile of the sample distribution), and (b) sellers from countries with lower (i.e., non-high) informal enforcement (EPI below the 75th percentile).[26] Results indicate that divesting GHG-intensive assets is associated with positive spillovers on non-GHG CBF *only* when mandatory sustainability regimes are accompanied by

[25] We also examine the incremental effect of mandatory sustainability disclosures on GHG CBF and observe a statistically stronger reduction in GHG intensity when firms divest high-GHG assets in countries where sustainability disclosures are mandatory (Panel A of Appendix B, Column (2)). This effect is consistent with the tendency of firms operating in these environments to prioritize reducing GHG emissions.

[26] EPI reflects environmental awareness across countries (e.g., Dyck et al., 2019; Ilhan et al., 2023), with higher values indicating stronger environmental performance and a greater shared belief in the importance of environmental issues.

strong informal enforcement. This finding underscores the critical role of informal institutions in enhancing the effectiveness of formal sustainability mandates, suggesting that regulatory requirements alone may be insufficient to drive broader environmental improvements in the absence of strong societal norms.

6.3 The Role of External Biodiversity Monitoring

Further, we assess if the impact of GHG-intensive divestitures on firms' non-GHG CBF is influenced by the degree of external monitoring of divesting firms' biodiversity performance. We use a firm's inclusion in the *Nature Action 100* (NA100) initiative to proxy for the strength of external monitoring. NA100 is a global, investor-led engagement program designed to foster greater corporate ambition and action in reversing nature and biodiversity loss, with the dual aim of mitigating financial risk and safeguarding the long-term economic interests of investors' clients and beneficiaries. NA100 targets 100 firms across eight sectors with the aim of addressing biodiversity and nature loss (Garel et al., 2024).[27,28] By construction, NA100 membership reflects coordinated investor engagement and scrutiny on biodiversity issues, articulation of clear investor expectations for corporate action, and systematic monitoring and reporting corporate progress against established benchmark indicators through annual updates. This makes it an appropriate proxy for external biodiversity monitoring.

In Table 9, Column (1) we include the interaction between *GHG-Intensive Divestitures* and *Nature Action 100*, a variable indicating whether the divesting firm is on the list of companies targeted by the NA100. In Column (2) we include *Nature Action 100 Ambition Dis.* and *Nature Action 100 No Ambition Dis.*, indicating if the divesting firm is included in NA100 and discloses (does not disclose) a commitment to protect nature. Results show incrementally

[27] Target firms are selected based on four criteria: (i) operation in a sector that is considered important for reversing nature loss; (ii) high potential impact on nature as identified by the Finance for Biodiversity Foundation; (iii) large market capitalization within the sector; and (iv) location in developed or emerging markets.
[28] The initiative was launched at UN Biodiversity Conference (COP15) and is supported by over 200 institutions representing approximately USD 27 trillion in assets under management as of 2023.

larger post-divestiture spillovers for firms with higher external biodiversity monitoring and for those that have a stated ambition of reducing their biodiversity impact. In other words, divestitures are associated with more pronounced biodiversity benefits in the presence of both outside pressure and a clear, disclosed strategic intention to reduce environmental harm.[29]

6.4 The Role of Divestiture Type (Focusing vs. Non-Focusing)

Firms' impact on biodiversity may differ based on whether divestitures are focusing or non-focusing. Focusing divestitures involve selling non-core GHG-intensive assets (e.g., an airline selling its oil extraction business), while non-focusing divestitures involve selling core assets (e.g., an oil company selling oil wells). Focusing divestitures are often driven by efficiency or financial performance goals and may not prioritize addressing broader environmental concerns. Non-focusing divestitures are more likely to be motivated by sustainability considerations, as they do not primarily aim to improve operational efficiency.

To test the role of divestiture type, we replace *GHG-Intensive Divestitures* with (a) *GHG-Intensive Divestitures – Focusing* and (b) *GHG-Intensive Divestitures – NonFocusing* in Equation (1).[30] Table 10 shows that non-focusing divestitures are associated with larger reductions in non-GHG CBF than focusing divestitures.[31]

[29] When examining the incremental effect of external biodiversity monitoring on the GHG CBF (Panel B of Appendix B), we find that neither strong external monitoring nor public commitments to reduce nature-related harm significantly are significantly related to GHG emission intensity through divestitures. This indicates that NA100 primarily targets non-GHG CBF (such as land use, air pollution, and water pollution), rather than carbon emissions. Firms may therefore respond to biodiversity-related investor pressure by divesting GHG-intensive assets that harm ecosystems rather than solely pursuing decarbonization strategies.

[30] *GHG-Intensive Divestitures – Focusing* is an indicator variable equal to 1 if, in a given year, the company is the seller in at least one focusing divestiture transaction and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise. *GHG-Intensive Divestitures – NonFocusing* is an indicator variable equal to 1 if, in a given year, the company is the seller in at least one divestiture transaction, all of the divestitures that year are non-focusing, and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise. A divestiture is focusing when the divesting firm and the divested unit are in different primary SIC industries, and non-focusing otherwise.

[31] However, the type of divestiture does not appear to influence GHG emissions intensity, suggesting that once high-GHG assets are divested—whether through a focusing or non-focusing strategy—the reduction in GHG emissions is similar (see Panel C of Appendix B). This could indicate that firms primarily choose GHG-intensive assets based on their emissions rather than considering broader environmental concerns.

6.5 The Role of Divesting Firms' Financial Constraints

Finally, firms under financial pressure are likely to prioritize short-term survival over long-term sustainability goals. Divesting GHG-intensive assets may be done for liquidity reasons, without regard for broader biodiversity impacts. Financially constrained firms are often forced to sell assets quickly, and reducing biodiversity impact requires capital-intensive changes, such as ecosystem restoration or adopting sustainable practices. These firms may lack the resources to make meaningful sustainability improvements. Conversely, firms may simultaneously alleviate both financial constraints and biodiversity risks through cost savings and operational efficiency.

We measure financial constraints using a composite measure based on four proxies: (*i*) leverage, (*ii*) the Hadlock-Pierce (2010) index, (*iii*) the Kaplan-Zingales (1997) index, and (*iv*) Altman's Z-score.[32] Results in Table 11 show an incremental *increase* in non-GHG CBF for financially constrained firms. This association is consistent with the idea that financial constraints may be linked to a reduced ability to address biodiversity impacts when divesting GHG-intensive assets.[33,34]

We further examine how the effect of financial constraints varies with firms' level of biodiversity dependency risk. This analysis is particularly relevant given the association of the dependency risk with measures of downside risk and with the probability of being targeted by BlackRock's biodiversity engagements (Garel et al., 2025). Therefore, these pressures might

[32] Following Bartram et al. (2022), we assign yearly (industry-year) percentile rankings for leverage, the Hadlock-Pierce index, and the Kaplan-Zingales index (Altman's Z-score) over the nine years preceding our sample period (i.e., fiscal years 2010–2018) and compute time-series average percentile rankings for each firm and measure. Using these average rankings, we classify firms as financially constrained if they rank, on average, above the percentile 75th for leverage, the Hadlock-Pierce index, or the Kaplan-Zingales index, or if they rank below the industry-median for Altman's Z-score, and 0 otherwise. The composite measure (*Financially Constrained*) equals 1 if the firm is classified as constrained on at least two of the four proxies; and 0 otherwise.

[33] When examining the incremental effect of financial constraints on GHG CBF, we find some evidence that financially constrained firms exhibit reductions in their GHG intensity (see Panel D of Appendix B). This is consistent with such firms prioritizing reductions in GHG emissions due to their greater visibility.

[34] Results hold when using the four financial constraints measures separately instead of the composite measure (untabulated).

determine financially constrained firms to actively aim to sell assets that not only contribute to GHG emissions but also expose them to greater biodiversity-related risks. While focusing narrowly on reducing their exposure to such risks, firms may overlook their post-divestiture impact on non-GHG CBF.[35] We find that financially constrained firms that significantly reduce their biodiversity dependency risk following a divestiture also show an increase in their non-GHG CBF. Overall, these findings suggest that GHG-intensive divestitures carried out under financial pressure are associated with negative spillovers for non-GHG CBF.

7. Robustness Tests and Additional Analyses

7.1 Instrumental Variable Analysis

Our empirical models contain controls and fixed effects motivated by extant research. Further, our primary regression specification is in changes form. In addition, we conduct cross-sectional analyses that also aid in ensuring the robustness of our inferences. However, residual endogeneity due to reverse causality and correlated omitted variables may persist. Consequently, we employ the occurrence of environmental incidents reported in RepRisk as an instrument for environmental pressure. This approach builds on the identification strategy developed by Duchin et al. (2025) who argue that, while firms' environmental practices contribute to the occurrence of such incidents, the *timing* of RepRisk events is unlikely to be fully anticipated or controlled by the firm, at least at annual frequency. In this sense, the incidents flagged by external, media sources, function as quasi-exogenous shocks to environmental scrutiny.[36]

[35] Biodiversity dependency risk, as defined by Iceberg Data Lab, represents the proportion of a firm's total revenues that are highly dependent on one or more ecosystem services. We define a firm's dependency risk as decreasing when it is above the year-industry median prior to the divestiture and falls below the industry-median in the year of the divestiture.

[36] RepRisk events can be viewed as being similar to other unexpected reputational or regulatory triggers, such as corporate scandals, or natural disasters, that heighten external awareness and stakeholder pressure on firms without being directly manipulated by them.

We refine the approach of Duchin et al. (2025) by isolating only those RepRisk incidents that are specifically linked to GHG emissions.[37] Specifically, the instrument (*Increase GHG-Related Incidents*) captures the likelihood that the number of a firm's GHG-related incidents increase compared to the previous year, while their number of GHG-related incidents in both periods is above the year-sector median across all firms in the Iceberg Data Lab dataset. We argue that an increase in GHG-related incidents is associated with the focal firm's decision to divest GHG-intensive assets, as the companies are pressured to reduce their emissions.[38,39] Panel A of Table 12 shows that our inferences are robust to using the IV approach.

7.2 Entropy Balancing

One of the characteristics of our data is the size difference between the sample of firms undergoing GHG-intensive divestitures (treatment sample) and the sample of firms not involved in GHG-intensive divestitures (control sample). To achieve covariate balance between the treatment and control groups, we employ entropy balancing. Specifically, we use the lagged firm-specific controls from our baseline model and the lagged GHG emission intensity. This preprocessing approach recalibrates the unit weights and generates a well-balanced testing sample that is subsequently used in the estimation of our main model. The results employing this balanced sample are reported in Column (1) of Table 12, Panel B. We observe that results are similar and no inferences are affected. The entropy balancing analysis strengthens the

[37] We define GHG-related incidents as those classified under the following categories: "Climate change, GHG emissions, and global pollution," "Supply chain issues," "Airborne pollutants," "Arctic drilling," "Coal-fired power plants," "Deep sea drilling," "Fracking," "Greenhouse gas (GHG) emissions," "Offshore drilling," "Oil sands," "UNGC Principle 7 (Environment)," "UNGC Principle 8 (Environment)," and "UNGC Principle 9 (Environment)."

[38] The targeted incidents selection strengthens the relevance of the instrument by focusing on a clear channel of environmental pressure. At the same time, we explicitly exclude events uniquely related to biodiversity issues that are the focus of our dependent variable. This exclusion is critical to satisfying the exclusion restriction: by using only GHG-related incidents as the instrument, we mitigate the risk that the instrument directly affects biodiversity-related outcomes other than through changes in reputational pressure.

[39] Regarding the statistical appropriateness of our IV approach, the Kleibergen-Paap LM statistic is significant, indicating that the model is not under-identified. Furthermore, the Cragg-Donald Wald F statistic and the Kleibergen-Paap Wald F statistic reject the weak identification test. The adjusted R^2 of the first stage is 0.121. Further, the Anderson-Rubin and the Stock-Wright tests reject the null hypothesis that the instrument is weak.

credibility of our findings by addressing potential covariate imbalances, ensuring that the treatment and control groups are statistically comparable across key covariates.

7.3 Non-GHG-Intensive Divestitures

Next, we address the possibility that divestitures in general, not just GHG-intensive ones, may influence a firm's biodiversity impact. Selling assets reshapes corporate boundaries, which can lead to changes in operational focus, resource allocation, and environmental strategies. Hence, we additionally consider the effect of divesting non-GHG-intensive assets, enabling a comprehensive assessment of how various divestiture types relate to a firm's biodiversity footprint. Specifically, we expand our model in Equation (1) with *Non-GHG-Intensive Divestitures*, an indicator variable equal to 1 if the company is the seller in at least one divestiture transaction and the seller's GHG intensity does not decrease at the end of the fiscal year relative to the previous year, and 0 otherwise. Results in Panel B of Table 12, Column (2), show that the coefficient on *Non-GHG-Intensive Divestitures* is positive and significant, suggesting that such transactions are not associated with reductions in environmental pressure and, in fact, relate to higher biodiversity footprints. In contrast, the coefficient on *GHG-Intensive Divestitures* remains negative and significant, reinforcing the interpretation that divesting high-emitting assets are associated with meaningful reductions in firms' biodiversity footprint beyond emissions cuts.

7.4 Non-GHG-Related Biodiversity Incidents

To expand our outcome analyses and further assess the robustness of our inferences, we use the occurrence of non-GHG-related biodiversity incidents from RepRisk as an alternative measure of a firm's biodiversity impact, beyond GHG emissions.[40] Similar to our primary

[40] We define non-GHG-related biodiversity incidents as those classified under the following categories: "Impacts on landscapes, ecosystems and biodiversity," "Local pollution," "Overuse and wasting of resources," "Waste issues," "Abusive/Illegal fishing," "Biological weapons," "Chemical weapons," "Coral reefs," "Endangered species," "Forest burning," "Genetically modified organisms (GMOs)," "High conservation value forests," "Hydropower (dams)," "Land ecosystems," "Land grabbing," "Marine/Coastal ecosystems," "Monocultures," "Plastics," "Protected areas," "Rare earths," "Sand mining and dredging," "Seabed mining," "Ship breaking and scrapping," "Wastewater management," and "Water scarcity."

dependent variable, this measure focuses on biodiversity incidents that are unrelated to GHG events, thereby offering a targeted assessment of biodiversity risks. Unlike self-reported disclosures, RepRisk data are derived from a wide range of external sources, including news reports, NGOs, and governmental agencies, helping to reduce the potential for bias from managerial discretion and greenwashing. These externally reported incidents reflect aspects of corporate impact that may not be fully captured by conventional environmental scores.

Specifically, we create an ordered indicator capturing the change in non-GHG-related biodiversity incidents: *ΔNon-GHG-Related Biodiversity Incidents* is -1 if the number of non-GHG-related biodiversity incidents decreases relative to the previous year, 0 if the number of incidents remains unchanged, and +1 if the number of incidents increases. We estimate the model in Equation (1) using an ordered logit regression and report the results in Panel B of Table 12, Column (3). In line with our main results, the coefficient of *GHG-Intensive Divestitures* is negative and statistically significant, suggesting that divesting GHG-intensive assets is associated with a reduction in biodiversity incidents unrelated to GHG emissions.

7.5 Net Effect Using an Alternative Dependent Variable

We use the GHG-related and non-GHG-related biodiversity incidents from RepRisk to gauge the robustness of our net effects analysis. Following a similar approach to that described in Section 5, we construct a subsample including only firms covered by RepRisk. This results in 5,492 observations—148 seller-buyer-year observations in the treatment group and 5,344 firm-year observations in the control group.

We compute the net effect of high-GHG divestitures on biodiversity-related incidents, distinguishing between *Net GHG-Related Incidents* and *Net Non-GHG-Related Biodiversity Incidents*. For treatment firms, we compute the sum of the divesting firm's and the acquirer's incidents in the fiscal year of the divestiture. For control firms, we use the number of incidents recorded during the current fiscal year. We then calculate the annual change in both types of biodiversity incidents and define *ΔNet GHG-Related Incidents (ΔNet Non-GHG-Related*

Biodiversity Incidents) as an ordered indicator equal to -1 if the net number of GHG-related (non-GHG-related) biodiversity incidents decreases relative to the previous year, 0 if the net number of incidents remains the same, and +1 if the net number of incidents increases.

Panel C of Table 12 presents the results. Using this alternative measure of biodiversity impact, we find that divesting GHG-intensive assets is associated with a net reduction only in non-GHG-related biodiversity incidents, consistent with our main net-effect test.

7.6 Impact Threshold for a Confounding Variable (ITCV)

Lastly, to address the possibility of correlated omitted variable bias, we implement the Impact Threshold for a Confounding Variable (ITCV) approach, following Larcker and Rusticus (2010). Specifically, we compute the ITCV based on the specification in Column (4) of Table 6, Panel A.[41] The resulting ITCV for *GHG-Intensive Divestitures* is –0.033, indicating that the product of the partial correlations between a potential omitted variable and the independent variable (*GHG-Intensive Divestitures*) and between that confounder and the dependent variable (*ΔNon-GHG Biodiversity Impact*) would need to be lower (more negative) than –0.033 to invalidate our inferences.

To assess how likely it is that such a variable exists, we compare the ITCV against the impact values of control variables within the model, that is, the product of their partial correlations with both the dependent and independent variables. All control variables have impact values substantially above the ITCV, indicating that an omitted variable would have to have a more negative product of partial correlations than any of our included controls to overturn the significance of the coefficient on *GHG-Intensive Divestitures*. Because our specification includes the standard set of controls commonly used in the divestitures and

[41] We make use of the *konfound* command in Stata (Xu et al., 2019).

biodiversity literature (e.g., Garel et al., 2024; Ecker and Keeve, 2025), we believe it is unlikely that any omitted variable could invalidate our findings.[42,43]

8. Conclusion

This study examines how divestitures of GHG-intensive assets relate to firms' biodiversity footprints, an underexplored area of sustainability. Using Iceberg Data Lab's CBF metric, we conduct the first international analysis of divestitures' impacts on biodiversity through land use, water, and air pollution. Analyzing 2,541 firms across 45 countries (2019–2023), we document that shedding GHG-intensive assets is associated with a significant decrease in non-GHG biodiversity footprints.

A particularly important aspect of our study is the assessment of the GHG-intensive divestiture effects for both sellers and buyers. While GHG-related CBF remains largely unchanged—suggesting emissions-heavy assets are often transferred rather than decommissioned—we find that divestitures relate to *net* biodiversity gains, in terms of reduced non-GHG CBF intensity. Furthermore, sellers' non-GHG biodiversity gains are greater when the selling firms have high-quality biodiversity disclosures, operate in countries with both mandatory sustainability reporting and strong informal enforcement, are subject to stronger external biodiversity performance monitoring, and pursue non-focusing divestitures. In contrast, financially constrained firms see smaller biodiversity improvements, highlighting a trade-off between financial relief and environmental benefits.

[42] When we extend the model from Equation (1) by including changes in the seller's environmental score and lagged Capex to total assets at lags of one, two, and three years (to control for changes in environmental performance and past investments) and market-to-book ratio (to control for growth opportunities), our conclusions do not change (untabulated).

[43] As an additional test, to correct for potential selection bias resulting from firms' decisions to divest high-emitting assets, we implement Heckman's (1979) two-stage estimation procedure (untabulated). In the first stage, we estimate the selection equation using the control variables from the main model plus our composite financial-constraints measure. We then compute the inverse Mills ratio and add it to the model in Equation (1) to estimate the second-stage regression. Our inferences remain unchanged (untabulated).

We acknowledge two caveats of our study. First, while our findings are consistent with the notion that managers respond to biodiversity concerns, we cannot directly observe whether biodiversity explicitly factors into their divestiture decisions. As such, causality cannot be firmly established, and alternative explanations cannot be fully ruled out. Second, although the Iceberg Data Lab metrics represent the most comprehensive proxies currently available for tracking biodiversity-related corporate impacts, they remain an imperfect measure. While we also use non-GHG-related biodiversity incidents from RepRisk as an alternative proxy for non-GHG CBF, we highlight the need for future research to develop more refined biodiversity measures and to more directly examine the role of biodiversity considerations in corporate strategy decisions.

Overall, our findings stress the importance of financial capacity, institutional context, and strategic intent in shaping environmental outcomes. They suggest that while GHG-intensive divestitures are associated with biodiversity benefits, these benefits are conditional. Our study underscores the limits of carbon-focused strategies and reinforces the growing need to integrate biodiversity into corporate decision-making, disclosure, and regulation.

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APPENDIX A
Variable Definitions

Variable	Definition	Source
Dependent Variables		
Biodiversity Impact	Biodiversity loss (measured in km^2.MSA) caused by the company's GHG emissions, land use, air pollution, and water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Non-GHG Biodiversity Impact	Biodiversity loss (measured in km^2.MSA) caused by the company's land use, air pollution, and water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Net Non-GHG Biodiversity Impact	The sum of the non-GHG biodiversity impact of the buyer and seller (for treatment firms – i.e., firms engaging in divestitures). For control firms, we use the non-GHG biodiversity impact of the firm. We use both (1) intensity and (2) levels of biodiversity loss. For intensity, we divide biodiversity loss (in terms of km^2.MSA) caused by the company's land use, air pollution, and water pollution by total sales and multiply it by -1. For levels, we use biodiversity loss (in terms of km^2.MSA) caused by the company's land use, air pollution, and water pollution multiplied by -1.	*SDC Platinum* + *Iceberg Data Lab*
Non-GHG Biodiversity Impact Scope 1	Biodiversity loss (measured in km^2.MSA) caused by the company's direct activities related to land use, air pollution, and water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Non-GHG Biodiversity Impact Scope 2	Biodiversity loss (measured in km^2.MSA) caused by the company's energy consumption – due to land use, air pollution, and water pollution – divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Non-GHG Biodiversity Impact Scope 3	Biodiversity loss (measured in km^2.MSA) caused by the company's upstream and downstream activities related to land use, air pollution, and water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
GHG Biodiversity Impact	Biodiversity loss (measured in km^2.MSA) caused by the company's GHG emissions divided by total sales and multiplied by -1. GHG emissions include emissions from (a) direct activities, (b) electricity consumption, and (c) emissions associated with the company's upstream and downstream supply chain. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Net GHG Biodiversity Impact	The sum of the GHG biodiversity impact of the buyer and seller (for treatment firms – i.e., firms engaging in divestitures). For control firms, we use the GHG biodiversity impact of the firm. We use both (1) intensity and (2) levels of biodiversity loss. For intensity, we divide biodiversity loss (in terms of km^2.MSA) caused by the company's GHG emissions by total sales and multiply it by -1. For levels, we use biodiversity loss (in terms of km^2.MSA) caused by the company's GHG emissions multiplied by -1.	*SDC Platinum* + *Iceberg Data Lab*

GHG Biodiversity Impact Scope 1	Biodiversity loss (measured in km^2.MSA) caused by the company's direct activities related to GHG emissions divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
GHG Biodiversity Impact Scope 2	Biodiversity loss (measured in km^2.MSA) caused by the company's energy consumption impacting GHG emissions divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
GHG Biodiversity Impact Scope 3	Biodiversity loss (measured in km^2.MSA) caused by the company's upstream and downstream activities related to GHG emissions divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact – Land	Biodiversity loss (measured in km^2.MSA) caused by the company's land use divided by total sales and multiplied by -1. Land use includes (a) the direct and (b) indirect impact of the company's activities, and (c) the impact of the company's upstream and downstream supply chain. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Land Scope 1	Biodiversity loss (measured in km^2.MSA) caused by the company's direct activities related to land use divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Land Scope 3	Biodiversity loss (measured in km^2.MSA) caused by the company's upstream and downstream activities related to land use divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact – Air	Biodiversity loss (measured in km^2.MSA) caused by the company's air pollution divided by total sales and multiplied by -1. Air pollution includes nitrogen oxides (NOx) emissions from (a) direct activities, (b) electricity consumption, and (c) emissions associated with the company's upstream and downstream supply chain. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Air Scope 1	Biodiversity loss (measured in km^2.MSA) caused by the company's direct activities related to air pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Air Scope 2	Biodiversity loss (measured in km^2.MSA) caused by the company's energy consumption impacting air pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Air Scope 3	Biodiversity loss (measured in km^2.MSA) caused by the company's upstream and downstream activities related to air pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*

Biodiversity Impact – Water	Biodiversity loss (measured in km^2.MSA) caused by the company's water pollution divided by total sales and multiplied by -1. Water pollution includes the release of toxic substances into water from the company's (a) direct activities, (b) electricity consumption, and (c) upstream and downstream supply chain. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Water Scope 1	Biodiversity loss (measured in km^2.MSA) caused by the company's direct activities related to water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Water Scope 2	Biodiversity loss (measured in km^2.MSA) caused by the company's energy consumption impacting water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*
Biodiversity Impact - Water Scope 3	Biodiversity loss (measured in km^2.MSA) caused by the company's upstream and downstream activities related to water pollution divided by total sales and multiplied by -1. The original variable is multiplied by -1 so that higher values indicate a more negative impact on biodiversity.	*Iceberg Data Lab*

Test Variables

GHG-Intensive Divestitures	An indicator variable equal to 1 if the company is the seller in at least one divestiture transaction and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise.	*SDC Platinum + Iceberg Data Lab*
GHG-Intensive Divestitures – Focusing	An indicator variable equal to 1 if, in a given year, the company is the seller in at least one focusing divestiture transaction and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise. A divestiture is focusing when the divesting firm and the divested unit are in different primary SIC industries, and non-focusing otherwise.	*SDC Platinum*
GHG-Intensive Divestitures – NonFocusing	An indicator variable equal to 1 if, in a given year, the company is the seller in at least one divestiture transaction, all of the divestitures that year are non-focusing, and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise.	*SDC Platinum*

Control Variables

Asset Growth	The percentage change in total assets.	*Compustat*
Capex to Total Assets	Capital expenditures divided by total assets.	*Compustat*
Cash to Total Assets	Cash and cash equivalents divided by total assets.	*Compustat*
Leverage	Total liabilities divided by total assets.	*Compustat*
M&A	An indicator variable equal to 1 if the company is the buyer in at least one transaction or participates in a merger in a given year.	*SDC Platinum*
ROA	Pretax income divided by total assets.	*Compustat*
Size	The natural logarithm of total assets.	*Compustat*
Tangibility	Net property, plant, and equipment divided by total assets.	*Compustat*

Additional Variables

Biodiversity Disclosure Quality	The level of disclosure quality, ranging from 1 to 4, where 1 represents the highest quality (reported metrics) and 4 represents the lowest (modeled based on average sectorial metrics), multiplied by -1.	*Iceberg Data Lab*
Decrease Dependency Risk	An indicator variable equal to 1 if a firm's biodiversity dependency risk is above the year-industry median prior to the divestiture and falls below the median in the year of the divestiture, and 0 otherwise.	*Iceberg Data Lab*
Financially Constrained	An indicator variable equal to 1 if, in the fiscal years 2010–2018, the firm is classified as financially constrained on at least two of the following four proxies: (i) leverage, (ii) the Hadlock-Pierce (2010) index, (iii) the Kaplan-Zingales (1997) index, and (iv) Altman's Z-score; and 0 otherwise. We classify firms as financially constrained if their yearly average percentile ranking of leverage, the Hadlock-Pierce index, or the Kaplan-Zingales index is above the 75th percentile, or if their industry-year average percentile ranking of Altman's Z-score is below the industry-median. The Hadlock-Pierce index = $-0.737 \times \text{Size} + 0.043 \times \text{Size}^2 - 0.040 \times \text{Age}$, where Size is the log of Min(Total assets, \$4.5 billion) and Age is Min(Firm age, 37 years). The Kaplan-Zingales Index = $-1.002 \times$ Cash flow + $0.283 \times$ Tobin's Q + $3.139 \times$ Total debt − $39.368 \times$ Dividends − $1.315 \times$ Cash. Altman's Z-score = 1.20 x Working capital/Total assets + 1.40 x Retained earnings/Total assets + 3.30 x ROA + 0.60 x Market value of equity/Book value of debt + 1.00 x Sales/Total assets.	*Compustat*
Informal Enforcement	The Environmental Performance Index (EPI), reflecting societal outcomes related to climate change performance, environmental health, and ecosystem vitality. Values can range between 0 and 100, with higher values indicating stronger environmental performance in a country. We classify informal enforcement as high when a country's EPI is at or above the 75th percentile of the sample distribution, capturing countries with the strongest common belief in the importance of environmental issues; informal enforcement is non-high otherwise.	*Krueger et al. (2024); Yale University*
Mandatory Sustainability Disclosure	An indicator variable equal to 1 if sustainability disclosures are mandated in the company's country of origin, and 0 otherwise.	*Krueger et al. (2024)*
Nature Action 100	An indicator variable equal to 1 if the divesting firm is on the list of companies targeted by the Nature Action 100 initiative; and 0 otherwise.	*Nature Action 100 Company Benchmark*
Nature Action 100 Ambition Dis.	An indicator variable equal to 1 if the divesting firm is included in the Nature Action 100 initiative and discloses a commitment to protect nature; and 0 otherwise.	*Nature Action 100 Company Benchmark*
Nature Action 100 No Ambition Dis.	An indicator variable equal to 1 if the divesting firm is included in the Nature Action 100 initiative and does not disclose a commitment to protect nature; and 0 otherwise.	*Nature Action 100 Company Benchmark*

APPENDIX B
Cross-Sectional Analyses of GHG CBF

Panel A: The Effect of Biodiversity Disclosure Quality and Mandatory Sustainability Disclosure

	Dependent Variable:	
	ΔGHG Biodiversity Impact	
VARIABLES	(1)	(2)
GHG-Intensive Divestitures x Biodiversity Disclosure Quality	-0.039	
	[-1.38]	
GHG-Intensive Divestitures x Mandatory Sustainability Disclosure		**-0.121***
		[-1.95]
GHG-Intensive Divestitures	**-0.322*****	**-0.281*****
	[-10.18]	**[-7.02]**
Biodiversity Disclosure Quality	**-0.042*****	
	[-3.05]	
Mandatory Sustainability Disclosure		-0.031
		[-0.38]
M&A	0.148***	0.145***
	[4.14]	[4.05]
ΔSize	-0.029**	-0.028**
	[-2.54]	[-2.42]
ΔROA	-0.068***	-0.068***
	[-4.67]	[-4.66]
ΔLeverage	-0.010	-0.009
	[-0.99]	[-0.97]
ΔCapex to Total Assets	-0.005	-0.005
	[-0.41]	[-0.43]
ΔTangibility	0.019	0.020
	[1.40]	[1.44]
ΔAsset Growth	-0.014	-0.014
	[-1.38]	[-1.40]
ΔCash to Total Assets	-0.002	-0.002
	[-0.19]	[-0.16]
Constant	0.129	0.168
	[0.26]	[0.34]
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	9,498	9,498
Adjusted R^2	0.034	0.033

Panel A reports the regression results on the incremental effect of biodiversity disclosure quality (Column (1)) and mandatory sustainability disclosure (Column (2)) on GHG biodiversity impact. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Panel B: The Effect of External Biodiversity Monitoring

	Dependent Variable:	
	ΔGHG Biodiversity Impact	
VARIABLES	(1)	(2)
GHG-Intensive Divestitures x Nature Action 100	0.034	
	[0.42]	
Nature Action 100	0.010	
	[0.34]	
GHG-Intensive Divestitures x Nature Action 100 Ambition Dis. (a)		0.017
		[0.17]
GHG-Intensive Divestitures x Nature Action 100 No Ambition Dis. (b)		0.076
		[0.57]
GHG-Intensive Divestitures	**-0.340*** **	**-0.340*** **
	[-9.94]	**[-9.94]**
Nature Action 100 Ambition Dis.		0.021
		[0.56]
Nature Action 100 No Ambition Dis.		-0.009
		[-0.21]
M&A	0.144***	0.144***
	[4.02]	[4.01]
ΔSize	-0.028**	-0.028**
	[-2.41]	[-2.41]
ΔROA	-0.068***	-0.068***
	[-4.67]	[-4.67]
ΔLeverage	-0.010	-0.010
	[-0.99]	[-0.99]
ΔCapex to Total Assets	-0.005	-0.005
	[-0.42]	[-0.42]
ΔTangibility	0.020	0.020
	[1.43]	[1.43]
ΔAsset Growth	-0.014	-0.014
	[-1.40]	[-1.40]
ΔCash to Total Assets	-0.002	-0.002
	[-0.18]	[-0.18]
Constant	0.166	0.166
	[0.33]	[0.33]
Test for differences in coefficients		
F-test p-value: *(a) = (b)*		0.71
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	9,498	9,498
Adjusted R-squared	0.032	0.032

Panel B reports the regression results on the incremental effect of external biodiversity monitoring on GHG biodiversity impact. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in

brackets. We also report the p-value from a Wald test for the difference across the coefficients of interest. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Panel C: The Effect of Divestiture Type	
	Dependent Variable:
	ΔGHG Biodiversity Impact
VARIABLES	(1)
GHG-Intensive Divestitures - Focusing (a)	**-0.328*** **
	[-9.75]
GHG-Intensive Divestitures - NonFocusing (b)	**-0.364*** **
	[-5.58]
M&A	0.144***
	[4.03]
ΔSize	-0.028**
	[-2.44]
ΔROA	-0.068***
	[-4.67]
ΔLeverage	-0.010
	[-1.00]
ΔCapex to Total Assets	-0.005
	[-0.42]
ΔTangibility	0.020
	[1.42]
ΔAsset Growth	-0.014
	[-1.40]
ΔCash to Total Assets	-0.002
	[-0.19]
Constant	0.166
	[0.33]
Test for differences in coefficients	
F-test p-value: *(a) = (b)*	0.59
Country, Year, and Industry FE	*Yes*
Observations	9,498
Adjusted R^2	0.032

Panel C reports the regression results of our cross-sectional tests on the effect of divestiture type. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. We report the p-value from a Wald test for the difference across the coefficients of interest. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Panel D: The Effect of Financial Constraints	
	Dependent Variable:
	ΔGHG Biodiversity Impact
	(1)
GHG-Intensive Divestitures x Financially Constrained	**-0.143***
	[-1.84]
GHG-Intensive Divestitures	**-0.298*****
	[-8.69]
Financially Constrained	0.020
	[0.83]
M&A	0.146***
	[4.09]
ΔSize	-0.027**
	[-2.33]
ΔROA	-0.068***
	[-4.67]
ΔLeverage	-0.010
	[-0.99]
ΔCapex to Total Assets	-0.005
	[-0.43]
ΔTangibility	0.019
	[1.40]
ΔAsset Growth	-0.015
	[-1.45]
ΔCash to Total Assets	-0.002
	[-0.19]
Constant	0.155
	[0.31]
Country, Year, and Industry FE	*Yes*
Observations	9,498
Adjusted R-squared	0.033

Panel D reports the regression results on the incremental effect of financial constraints on GHG biodiversity impact. We use a composite measure of financial constraints based on four proxies: (*i*) leverage, (*ii*) the Hadlock-Pierce index, (*iii*) the Kaplan-Zingales index, and (*iv*) Altman's Z-score. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 1
Sample distribution

Panel A: Distribution by Year

Year	Total		*GHG-Intensive Divestitures* = 0		*GHG-Intensive Divestitures* = 1	
	N	%	N	%	N	%
2019	1,043	*10.98*	922	*10.87*	121	*11.93*
2020	1,987	*20.92*	1816	*21.40*	171	*16.86*
2021	2,361	*24.86*	2,104	*24.80*	257	*25.35*
2022	2,420	*25.48*	2,110	*24.87*	310	*30.57*
2023	1,687	*17.76*	1,532	*18.06*	155	*15.29*
Total	**9,498**	***100.00***	**8,484**	***100.00***	**1,014**	***100.00***

Panel B: Distribution by Main Sector (from Iceberg Data Lab)

Main Sector	Total		*GHG-Intensive Divestitures* = 0		*GHG-Intensive Divestitures* = 1	
	N	%	N	%	N	%
Automotive & Logistics	414	*4.36*	355	*4.18*	59	*5.82*
Beverages	226	*2.38*	200	*2.36*	26	*2.56*
Building Products	60	*0.63*	56	*0.66*	4	*0.40*
Chemicals	786	*8.28*	701	*8.26*	85	*8.38*
Construction	355	*3.74*	308	*3.63*	47	*4.64*
Defense	41	*0.42*	30	*0.35*	11	*1.08*
Education	12	*0.12*	11	*0.13*	1	*0.10*
Electrical Equipment	145	*1.53*	130	*1.53*	15	*1.48*
Electronics	938	*9.88*	879	*10.36*	59	*5.82*
Energy	71	*0.75*	62	*0.73*	9	*0.90*
Food	731	*7.70*	642	*7.57*	89	*8.78*
Healthcare	330	*3.47*	297	*3.50*	33	*3.25*
Hotel & Accommodation	53	*0.56*	34	*0.40*	19	*1.87*
Household Goods	221	*2.33*	209	*2.46*	12	*1.18*
Industrial Equipment	503	*5.30*	465	*5.48*	38	*3.75*
Internet & Data	266	*2.80*	239	*2.82*	27	*2.66*
Leisure	226	*2.38*	208	*2.45*	18	*1.78*
Materials	150	*1.58*	134	*1.58*	16	*1.58*
Media	87	*0.92*	76	*0.90*	11	*1.08*
Metals & Mining	615	*6.48*	560	*6.60*	55	*5.42*
Oil & Gas	363	*3.82*	311	*3.67*	52	*5.13*
Paper & Forest	93	*0.98*	79	*0.93*	14	*1.38*
Pharmaceutical	551	*5.80*	496	*5.85*	55	*5.42*
Power	579	*6.10*	493	*5.81*	86	*8.48*
Retail & Wholesale	152	*1.60*	136	*1.60*	16	*1.58*
Services	162	*1.71*	138	*1.63*	24	*2.37*
Software	337	*3.55*	308	*3.63*	29	*2.86*
Telecommunications	320	*3.37*	278	*3.28*	42	*4.14*
Textiles	191	*2.01*	180	*2.12*	11	*1.08*
Tobacco	29	*0.30*	22	*0.27*	7	*0.70*
Transportation	433	*4.56*	400	*4.71*	33	*3.25*
Waste	35	*0.36*	24	*0.28*	11	*1.08*

Water	23	*0.23*	23	*0.27*	0	*0.00*
Total	**9,498**	***100.00***	**8,484**	***100.00***	**1,014**	***100.00***

Panel C: Distribution by Country

Country	Total		*GHG-Intensive Divestitures* = 0		*GHG-Intensive Divestitures* = 1	
	N	%	N	%	N	%
United States	1,935	*20.37*	1,639	*19.32*	296	*29.19*
China	1,552	*16.34*	1,518	*17.89*	34	*3.35*
Japan	1,107	*11.66*	975	*11.49*	132	*13.02*
India	446	*4.70*	435	*5.13*	11	*1.08*
South Korea	370	*3.90*	330	*3.89*	40	*3.94*
United Kingdom	324	*3.41*	252	*2.97*	72	*7.10*
Taiwan	304	*3.20*	299	*3.52*	5	*0.49*
Canada	232	*2.44*	213	*2.51*	19	*1.87*
France	229	*2.41*	157	*1.85*	72	*7.10*
Australia	224	*2.36*	199	*2.35*	25	*2.47*
Germany	224	*2.36*	168	*1.98*	56	*5.52*
Cayman Islands	212	*2.23*	206	*2.43*	6	*0.59*
Turkey	193	*2.03*	186	*2.19*	7	*0.69*
Switzerland	161	*1.70*	142	*1.67*	19	*1.87*
Sweden	156	*1.64*	143	*1.69*	13	*1.28*
Thailand	140	*1.47*	136	*1.60*	4	*0.39*
Netherlands	114	*1.20*	93	*1.10*	21	*2.07*
Brazil	100	*1.05*	95	*1.12*	5	*0.49*
Italy	97	*1.02*	79	*0.93*	18	*1.78*
Indonesia	96	*1.01*	95	*1.12*	1	*0.10*
Malaysia	94	*0.99*	89	*1.05*	5	*0.49*
Israel	86	*0.91*	80	*0.94*	6	*0.59*
Spain	81	*0.85*	67	*0.79*	14	*1.38*
South Africa	80	*0.84*	70	*0.83*	10	*0.99*
Hong Kong	74	*0.78*	72	*0.85*	2	*0.20*
Norway	67	*0.71*	56	*0.66*	11	*1.08*
Denmark	64	*0.67*	54	*0.64*	10	*0.99*
Singapore	64	*0.67*	55	*0.65*	9	*0.89*
Mexico	62	*0.65*	55	*0.65*	7	*0.69*
Saudi Arabia	62	*0.65*	61	*0.72*	1	*0.10*
Finland	60	*0.63*	44	*0.52*	16	*1.58*
Ireland	58	*0.61*	44	*0.52*	14	*1.38*
Belgium	51	*0.54*	41	*0.48*	10	*0.99*
New Zealand	49	*0.52*	44	*0.52*	5	*0.49*
Other	330	*3.48*	292	*3.43*	38	*3.77*
Total	**9,498**	***100.00***	**8,484**	***100.00***	**1,014**	***100.00***

Table 2
Descriptive Statistics

Variable	*GHG-Intensive Divestitures* = 0				*GHG-Intensive Divestitures* = 1				T-test	Kruskal-Wallis Test	Probability Test
	N	Mean	p50	SD	N	Mean	p50	SD			
Biodiversity Impact	8,484	0.188	0.062	0.356	1,014	0.155	0.052	0.300	**2.87*****	**8.28*****	
Non-GHG Biodiversity Impact	8,484	0.171	0.049	0.343	1,014	0.144	0.040	0.297	**2.44****	**9.92*****	
Non-GHG Biodiversity Impact Scope 1	8,484	0.014	0.001	0.039	1,014	0.011	0.002	0.035	**2.07****	0.70	
Non-GHG Biodiversity Impact Scope 2	8,484	0.0001	0.0000002	0.000	1,014	0.0001	0.0000004	0.000	**1.81***	0.11	
Non-GHG Biodiversity Impact Scope 3	8,484	0.153	0.039	0.325	1,014	0.131	0.030	0.287	**2.03****	**10.14*****	
GHG Biodiversity Impact	8,484	0.015	0.004	0.033	1,014	0.010	0.004	0.021	**4.09*****	1.13	
GHG Biodiversity Impact Scope 1	8,484	0.002	0.0002	0.006	1,014	0.002	0.0001	0.005	**2.76*****	2.61	
GHG Biodiversity Impact Scope 2	8,484	0.0002	0.00003	0.001	1,014	0.0002	0.0001	0.001	1.05	**55.42*****	
GHG Biodiversity Impact Scope 3	8,484	0.012	0.002	0.030	1,014	0.008	0.003	0.020	**3.57*****	0.02	
Biodiversity Impact - Land	8,484	0.123	0.020	0.288	1,014	0.103	0.016	0.255	**2.18****	**8.17*****	
Biodiversity Impact - Land Scope 1	8,484	0.008	0.0002	0.024	1,014	0.005	0.0003	0.016	**3.58*****	0.12	
Biodiversity Impact - Land Scope 3	8,484	0.111	0.016	0.277	1,014	0.096	0.012	0.247	**1.66***	**5.96****	
Biodiversity Impact - Air	8,484	0.007	0.002	0.016	1,014	0.005	0.002	0.011	**3.92*****	2.01	
Biodiversity Impact - Air Scope 1	8,484	0.001	0.00004	0.003	1,014	0.001	0.0001	0.002	**2.82*****	**6.75*****	
Biodiversity Impact - Air Scope 2	8,484	0.0001	0.0000002	0.000	1,014	0.0001	0.0000004	0.000	**1.78***	0.13	
Biodiversity Impact - Air Scope 3	8,484	0.006	0.001	0.014	1,014	0.004	0.001	0.010	**3.53*****	2.06	
Biodiversity Impact - Water	8,484	0.027	0.002	0.062	1,014	0.026	0.002	0.065	0.61	**4.69****	
Biodiversity Impact - Water Scope 1	8,484	0.003	0.00000004	0.010	1,014	0.003	0.0000003	0.012	-0.65	**3.69***	
Biodiversity Impact - Water Scope 2	8,484	0.00001	0.00000002	0.000	1,014	0.00001	0.00000004	0.000	**2.02****	0.01	
Biodiversity Impact - Water Scope 3	8,484	0.021	0.002	0.050	1,014	0.019	0.001	0.048	**1.77***	**9.54*****	
M&A	8,484	0.070	0.000	0.256	1,014	0.313	0.000	0.464			**-24.70*****
Size	8,484	10.833	10.369	2.295	1,014	11.268	10.764	2.276	**-5.72*****	**39.28*****	
ROA	8,484	0.082	0.070	0.085	1,014	0.065	0.057	0.069	**5.98*****	**49.20*****	
Leverage	8,484	0.524	0.533	0.200	1,014	0.619	0.624	0.173	**-14.50*****	**201.88*****	
Capex to Total Assets	8,484	0.044	0.034	0.037	1,014	0.037	0.031	0.028	**6.25*****	**21.66*****	
Tangibility	8,484	0.305	0.258	0.218	1,014	0.285	0.232	0.206	**2.79*****	**6.01****	
Asset Growth	8,484	0.148	0.078	0.260	1,014	0.080	0.047	0.193	**7.99*****	**102.07*****	
Cash to Total Assets	8,484	0.173	0.130	0.150	1,014	0.106	0.089	0.087	**13.84*****	**182.16*****	

This table presents the descriptive statistics for our variables in their original levels and unstandardized form. We partition our final sample based on *GHG-Intensive Divestitures*, an indicator variable equal to 1 if the company is the seller in at least one divestiture transaction and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise. Variables are defined in Appendix A. The last three columns show the t-statistics, $\chi 2$-statistics, and z-statistics of the tests whose null hypothesis is that the two subsamples have identical means, distributions, or proportions. Significance level is indicated by *** (for $p<0.01$), ** (for $p<0.05$), and * (for $p<0.10$).

Table 3
Characteristics of Sellers and Buyers in GHG-Intensive Divestitures

Panel A: Seller Characteristics								
Variable	**N**	**Mean**	**p50**	**SD**	**Min**	**p25**	**p75**	**Max**
Percentage of Foreign Divested Assets	1,014	0.486	0.500	0.460	0.000	0.000	1.000	1.000
Percentage of Focusing Divestitures	1,014	0.725	1.000	0.414	0.000	0.500	1.000	1.000
Mandatory Sustainability Disclosure	1,014	0.468	0.000	0.499	0.000	0.000	1.000	1.000
Mandatory Sustainability Disclosure & High Informal Enforcement	1,014	0.363	0.000	0.481	0.000	0.000	1.000	1.000
Mandatory Sustainability Disclosure & Non-High Informal Enforcement	1,014	0.106	0.000	0.307	0.000	0.000	0.000	1.000
Panel B: Deal Characteristics								
Variable	**N**	**Mean**	**p50**	**SD**	**Min**	**p25**	**p75**	**Max**
Percentage of Private Buyers	1,014	0.696	1.000	0.407	0.000	0.500	1.000	1.000
Percentage of Foreign Targets	1,014	0.340	0.000	0.422	0.000	0.000	0.750	1.000
Percentage of Foreign Buyers	1,014	0.572	0.800	0.460	0.000	0.000	1.000	1.000
Percentage of Focusing Acquisitions	1,014	0.189	0.000	0.350	0.000	0.000	0.250	1.000
Percentage of Buyers with Mandatory Sustainability Disclosures	1,014	0.149	0.000	0.320	0.000	0.000	0.000	1.000
Percentage of Buyers with Mandatory Sustainability Disclosures & High Informal Enforcement	1,014	0.112	0.000	0.281	0.000	0.000	0.000	1.000
Percentage of Buyers with Mandatory Sustainability Disclosures & Non-High Informal Enforcement	1,014	0.038	0.000	0.176	0.000	0.000	0.000	1.000

This table presents the characteristics of sellers (Panel A) and buyers (Panel B) in GHG-intensive divestitures (N = 1,014). *Percentage of Foreign Divested Assets* is the ratio of the number of divestitures involving foreign assets to the seller's total number of divestitures in a given year. *Percentage of Focusing Divestitures* is the ratio of the number of divestitures in which the divested asset and the seller operate in different SIC industries—thereby increasing the seller's focus—to the seller's total number of divestitures in a given year. *Mandatory Sustainability Disclosure* is an indicator variable equal to 1 if sustainability disclosures are mandated in the company's country of origin (Krueger et al. 2024); and 0 otherwise. *Mandatory Sustainability Disclosure & High Informal Enforcement* (*Mandatory Sustainability Disclosure & Non-High Informal Enforcement*) is an indicator variable equal to 1 if sustainability disclosures are mandated in the company's country of origin and the country's EPI is at or above (below) the 75th percentile of the sample distribution; and 0 otherwise. *Percentage of Private Buyers* is the ratio of the number of divestitures involving privately held buyers to the seller's total number of divestitures in a given year. *Percentage of Foreign Targets* is the ratio of the number of divestitures in which buyers acquire foreign assets to the seller's total number of divestitures in a given year. *Percentage of Foreign Buyers* is the ratio of the number of divestitures in which the buyer is located in a different country than the seller to the seller's total number of divestitures in a given year. *Percentage of Focusing Acquisitions* is the ratio of the number of divestitures in which the divested asset and

the buyer operate in the same SIC industry—thereby increasing the buyer's focus—to the seller's total number of divestitures in a given year. *Percentage of Buyers with Mandatory Sustainability Disclosures* is the ratio of the number of divestitures in which the buyer is located in country that mandates sustainability disclosures to the seller's total number of divestitures in a given year. *Percentage of Buyers with Mandatory Sustainability Disclosures* & *High Informal Enforcement* (*Percentage of Buyers with Mandatory Sustainability Disclosures & Non-High Informal Enforcement*) is the ratio of the number of divestitures in which the buyer is located in country that mandates sustainability disclosures and the country's EPI is at or above (below) the 75th percentile of the sample distribution to the seller's total number of divestitures in a given year.

Table 4
Pearson Correlations

***GHG-Intensive Divestitures* = 0 \ *GHG-Intensive Divestitures* = 1**	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) *Biodiversity Impact*		**0.997**	**0.08**	**0.90**	**0.27**	**0.27**	-0.04	**-0.13**	**0.09**	**0.07**	-0.02	**0.07**	-0.04	-0.05
(2) *Non-GHG Biodiversity Impact*	**0.99**		0.01	**0.91**	**0.22**	**0.28**	-0.04	**-0.13**	**0.10**	**0.06**	-0.02	**0.06**	-0.04	-0.04
(3) *GHG Biodiversity Impact*	**0.25**	**0.14**		-0.005	**0.77**	-0.05	0.01	-0.03	-0.05	**0.12**	**0.08**	**0.17**	0.01	-0.05
(4) *Biodiversity Impact - Land*	**0.89**	**0.90**	**0.10**		**0.18**	**-0.07**	**-0.07**	**-0.13**	**0.11**	**0.09**	-0.03	**0.07**	-0.03	-0.03
(5) *Biodiversity Impact - Air*	**0.33**	**0.23**	**0.85**	**0.17**		0.03	-0.03	-0.05	0.02	**0.07**	0.05	**0.12**	0.01	-0.03
(6) *Biodiversity Impact - Water*	**0.23**	**0.23**	-0.003	**-0.09**	**0.08**		0.02	-0.01	0.004	**-0.15**	0.01	0.01	-0.05	-0.02
(7) *M&A*	**-0.02**	**-0.02**	0.01	**-0.02**	0.01	0.003		**0.18**	-0.05	**0.05**	-0.01	-0.02	0.03	0.01
(8) *Size*	-0.004	-0.01	**0.06**	-0.01	**0.05**	0.004	**0.11**		**-0.07**	**-0.11**	**0.05**	**0.05**	**0.05**	0.01
(9) *ROA*	**0.05**	**0.05**	**-0.06**	**0.06**	**-0.03**	0.001	**-0.04**	**-0.13**		**-0.19**	**0.12**	0.01	**0.12**	**0.10**
(10) *Leverage*	**-0.03**	**-0.04**	**0.04**	**-0.02**	**0.03**	**-0.12**	**0.09**	0.01	**-0.30**		**-0.07**	-0.02	**-0.07**	**-0.19**
(11) *Capex to Total Assets*	**0.06**	**0.06**	**0.04**	**0.07**	**0.03**	0.02	**-0.03**	0.01	**0.04**	-0.02		**0.64**	0.02	**-0.11**
(12) *Tangibility*	**0.11**	**0.08**	**0.24**	**0.08**	**0.19**	0.01	0.01	**0.11**	**-0.12**	**0.15**	**0.55**		-0.04	**-0.26**
(13) *Asset Growth*	0.01	0.01	**-0.05**	**0.02**	**-0.04**	0.01	-0.001	**-0.11**	**0.13**	**-0.08**	**0.14**	**-0.10**		**0.16**
(14) *Cash to Total Assets*	**-0.03**	**-0.02**	**-0.11**	-0.01	**-0.08**	-0.002	**-0.11**	**-0.14**	**0.17**	**-0.37**	**-0.14**	**-0.39**	**0.21**	

This table presents the Pearson pairwise correlations for our main variables in their original levels and unstandardized form. We report correlations for our final sample partitioned based on *GHG-Intensive Divestitures*, an indicator variable equal to 1 if the company is the seller in at least one divestiture transaction and the seller's GHG intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise. Coefficients above the diagonal correspond to correlations in the subsample where *GHG-Intensive Divestitures* = 1 (N = 1,014), whereas coefficients below the diagonal correspond to correlations in the subsample where *GHG-Intensive Divestitures* = 0 (N = 8,484). All variables are defined in Appendix A. Correlations in bold reflect 10 percent significance.

Table 5
The Effect of GHG-Intensive Divestitures on Total CBF and GHG CBF

	Dependent Variable:				
	ΔBiodiversity Impact (GHG, Land, Air, and Water)	*ΔGHG Biodiversity Impact*			
	Aggregate	*Aggregate*	*Scope 1*	*Scope 2*	*Scope 3*
VARIABLES	(1)	(2)	(3)	(4)	(5)
GHG-Intensive Divestitures	**-0.185*** **	**-0.336*** **	**-0.224*** **	**-0.108*** **	**-0.310*** **
	[-5.75]	**[-10.51]**	**[-6.56]**	**[-3.40]**	**[-9.32]**
M&A	0.093***	0.145***	0.061	0.042	0.150***
	[3.03]	[4.04]	[1.65]	[1.37]	[4.14]
ΔSize	0.016	-0.028**	-0.004	-0.026**	-0.025**
	[1.35]	[-2.43]	[-0.31]	[-2.21]	[-2.22]
ΔROA	0.017	-0.068***	-0.031***	-0.037***	-0.066***
	[1.24]	[-4.67]	[-2.68]	[-2.80]	[-4.37]
ΔLeverage	0.001	-0.010	0.013	-0.015	-0.011
	[0.06]	[-1.00]	[1.32]	[-1.23]	[-1.16]
ΔCapex to Total Assets	0.028*	-0.005	0.001	-0.001	-0.009
	[1.88]	[-0.42]	[0.09]	[-0.05]	[-0.70]
ΔTangibility	0.005	0.020	0.026*	-0.005	0.019
	[0.31]	[1.43]	[1.83]	[-0.36]	[1.33]
ΔAsset Growth	0.005	-0.014	-0.006	0.020*	-0.020**
	[0.37]	[-1.40]	[-0.54]	[1.66]	[-2.07]
ΔCash to Total Assets	0.001	-0.002	0.010	0.015	-0.005
	[0.08]	[-0.18]	[0.96]	[1.18]	[-0.41]
Constant	-0.070	0.167	-0.080	0.150	0.121
	[-0.27]	[0.33]	[-0.23]	[0.74]	[0.23]
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Observations	9,498	9,498	9,498	9,498	9,498
Adjusted R^2	0.009	0.033	0.061	0.009	0.030

This table reports the regression results of the effect of GHG-intensive divestitures on total biodiversity impact (Column (1)) and GHG biodiversity impact (Columns (2)-(5)). All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 6
The Effect of GHG-Intensive Divestitures on Non-GHG CBF

Panel A: Non-GHG CBF

	Dependent Variable:						
	ΔNon-GHG Biodiversity Impact (Land, Air, and Water)						
	Aggregate				*Scope 1*	*Scope 2*	*Scope 3*
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
GHG-Intensive Divestitures	**-0.136*** **	**-0.159*** **	**-0.161*** **	**-0.168*** **	**-0.055***	0.048	**-0.187*** **
	[-4.52]	**[-5.04]**	**[-5.09]**	**[-5.14]**	**[-1.65]**	[1.56]	**[-5.60]**
M&A		0.099***	0.098***	0.086***	0.088***	-0.027	0.089***
		[3.43]	[3.37]	[2.88]	[2.67]	[-0.80]	[2.94]
ΔSize		0.018*	0.013	0.021*	0.001	-0.041***	0.022*
		[1.71]	[1.22]	[1.70]	[0.07]	[-3.16]	[1.80]
ΔROA		0.029**	0.029**	0.024*	-0.031**	0.001	0.031**
		[2.15]	[2.11]	[1.75]	[-2.20]	[0.11]	[2.31]
ΔLeverage		0.009	0.006	0.001	0.001	-0.011	0.002
		[0.78]	[0.53]	[0.11]	[0.11]	[-0.90]	[0.20]
ΔCapex to Total Assets			0.025*	0.031**	-0.002	-0.003	0.036**
			[1.67]	[2.03]	[-0.15]	[-0.20]	[2.36]
ΔTangibility			0.015	0.005	0.003	-0.019	0.001
			[0.88]	[0.26]	[0.18]	[-1.47]	[0.06]
ΔAsset Growth			0.017	0.007	0.014	0.017	0.012
			[1.29]	[0.54]	[1.09]	[1.22]	[0.87]
ΔCash to Total Assets			0.001	0.001	0.006	-0.007	-0.001
			[0.07]	[0.06]	[0.54]	[-0.50]	[-0.11]
Constant	0.015*	0.007	0.008	-0.014	-0.444	0.021	0.039
	[1.83]	[0.92]	[0.96]	[-0.11]	[-0.90]	[0.24]	[0.39]
Country, Year, and Industry FE	*No*	*No*	*No*	*Yes*	*Yes*	*Yes*	*Yes*

Observations	9,498	9,498	9,498	9,498	9,498	9,498	9,498
Adjusted R^2	0.002	0.003	0.004	0.009	0.000	0.010	0.012

Panel B: Non-GHG CBF by Components (Land, Air, and Water)

	Dependent Variable:										
	ΔBiodiversity Impact - Land			*ΔBiodiversity Impact - Air*				*ΔBiodiversity Impact - Water*			
	Aggregate	*Scope 1*	*Scope 3*	*Aggregate*	*Scope 1*	*Scope 2*	*Scope 3*	*Aggregate*	*Scope 1*	*Scope 2*	*Scope 3*
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
GHG-Intensive Divestitures	**-0.152*** **	**-0.065** **	**-0.172*** **	**-0.290*** **	**-0.168*** **	**0.053***	**-0.274*** **	**-0.103*** **	-0.040	0.049	**-0.114*** **
	[-4.62]	**[-2.10]**	**[-5.07]**	**[-8.86]**	**[-4.69]**	**[1.72]**	**[-8.22]**	**[-3.19]**	[-1.15]	[1.55]	**[-3.60]**
M&A	0.067**	0.068**	0.072**	0.137***	0.071*	-0.022	0.152***	0.090***	0.074**	-0.028	0.096***
	[2.26]	[2.20]	[2.39]	[3.81]	[1.96]	[-0.65]	[4.30]	[2.58]	[2.03]	[-0.83]	[2.67]
ΔSize	0.022*	-0.005	0.024**	-0.006	-0.008	-0.041***	-0.006	0.004	0.009	-0.044***	0.007
	[1.75]	[-0.34]	[2.03]	[-0.53]	[-0.67]	[-3.16]	[-0.54]	[0.32]	[0.75]	[-3.32]	[0.54]
ΔROA	0.033**	-0.021	0.042***	-0.059***	-0.058***	0.002	-0.055***	-0.039***	-0.050***	0.000	-0.029**
	[2.45]	[-1.45]	[3.23]	[-4.13]	[-4.15]	[0.20]	[-4.10]	[-3.01]	[-3.48]	[0.03]	[-2.51]
ΔLeverage	0.007	0.012	0.006	-0.011	0.007	-0.009	-0.011	-0.011	-0.030***	-0.011	-0.002
	[0.61]	[1.03]	[0.50]	[-1.17]	[0.69]	[-0.74]	[-1.12]	[-1.06]	[-2.94]	[-0.85]	[-0.14]
ΔCapex to Total Assets	0.031**	-0.001	0.036**	-0.011	-0.032**	-0.003	-0.002	0.013	0.023*	-0.004	0.010
	[2.00]	[-0.04]	[2.31]	[-0.92]	[-2.32]	[-0.22]	[-0.14]	[1.17]	[1.83]	[-0.27]	[0.90]
ΔTangibility	-0.000	-0.008	-0.004	0.026*	0.033**	-0.019	0.023	0.019	0.042***	-0.017	0.016
	[-0.03]	[-0.47]	[-0.23]	[1.68]	[2.13]	[-1.45]	[1.53]	[1.36]	[2.78]	[-1.33]	[1.18]
ΔAsset Growth	0.011	0.020	0.012	-0.010	0.002	0.016	-0.013	0.004	0.002	0.020	0.007
	[0.81]	[1.44]	[0.89]	[-1.03]	[0.22]	[1.18]	[-1.34]	[0.43]	[0.22]	[1.44]	[0.64]
ΔCash to Total Assets	0.008	0.001	0.006	-0.002	0.013	-0.006	-0.005	-0.011	0.015	-0.009	-0.012
	[0.60]	[0.12]	[0.41]	[-0.21]	[1.15]	[-0.46]	[-0.45]	[-0.90]	[1.29]	[-0.66]	[-0.99]
Constant	-0.048	-0.529	0.002	0.151	0.060	0.023	0.198	0.054	0.096	0.018	0.086
	[-0.43]	[-0.88]	[0.02]	[0.30]	[0.09]	[0.26]	[0.46]	[0.83]	[0.97]	[0.22]	[1.22]

Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Observations	9,498	9,498	9,498	9,498	9,498	9,498	9,498	9,498	9,498	9,498	9,498
Adjusted R^2	0.010	0.002	0.014	0.019	0.038	0.009	0.019	0.018	0.023	0.011	0.024

Panel A reports the regression results of the effect of GHG-intensive divestitures on non-GHG biodiversity impact. In Columns (1)-(4), the dependent variable is *Non-GHG Biodiversity Impact*; in Columns (5)-(7) the dependent variable is further split into Scope 1, Scope 2, and Scope 3, respectively. Panel B reports the regression results of the effect of GHG-intensive divestitures on Land, Air, and Water. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 7
The Net Effect of Corporate Divestitures

Panel A: Regression Analysis

	Dependent Variable:			
	ΔNet GHG Biodiversity Impact		*ΔNet Non-GHG Biodiversity Impact (Land, Air, and Water)*	
	Intensity	Levels	Intensity	Levels
VARIABLES	(1)	(2)	(3)	(4)
GHG-Intensive Divestitures	-0.344	0.044	**-0.521****	-0.386
	[-1.15]	[0.07]	**[-2.22]**	[-0.60]
M&A	-0.242	-1.332	0.375	2.871
	[-0.59]	[-1.04]	[1.10]	[1.31]
ΔSize	-0.013	0.046***	0.026**	0.040***
	[-1.01]	[3.26]	[2.05]	[3.53]
ΔROA	-0.068***	0.045***	0.035**	0.063***
	[-4.16]	[2.76]	[2.37]	[2.63]
ΔLeverage	-0.006	0.005	0.000	-0.002
	[-0.52]	[0.56]	[0.03]	[-0.22]
ΔCapex to Total Assets	-0.007	0.014*	0.028*	0.007
	[-0.55]	[1.69]	[1.84]	[1.09]
ΔTangibility	0.020	-0.011	0.009	0.028
	[1.31]	[-0.83]	[0.49]	[1.64]
ΔAsset Growth	-0.020*	-0.030**	0.007	-0.012
	[-1.90]	[-2.45]	[0.51]	[-1.34]
ΔCash to Total Assets	0.000	0.005	0.003	0.001
	[0.04]	[0.50]	[0.19]	[0.08]
Constant	0.077	-0.083	-0.638	-0.106
	[1.01]	[-1.22]	[-1.15]	[-1.44]
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*	*Yes*
Observations	7,595	7,595	7,595	7,595
Adjusted R^2	0.025	0.026	0.009	0.029

Panel A reports the regression results of the effect of GHG-intensive divestitures on the net GHG (Columns (1)-(2)) and non-GHG biodiversity impact (Columns (3)-(4)). We assess both biodiversity impact intensity (Columns (1) and (3)) and levels (Columns (2) and (4)). *Net Non-GHG (GHG) Biodiversity Impact* is the sum of the non-GHG (GHG) biodiversity impact of the buyer and seller (for treatment firms – i.e., firms engaging in divestitures). For control firms, we use the non-GHG (GHG) biodiversity impact of the firm. In Column (1), we use the biodiversity loss (in terms of km^2.MSA) caused by the company's GHG emissions divided by total sales and multiplied by -1 (intensity). In Column (2), we use the biodiversity loss (in terms of km^2.MSA) caused by the company's GHG emissions multiplied by -1 (levels). In Column (3), we use the biodiversity loss (in terms of km^2.MSA) caused by the company's land use, air pollution, and water pollution divided by total sales and multiplied by -1 (intensity). In Column (4), we use the biodiversity loss (in terms of km^2.MSA) caused by the company's land use, air pollution, and water pollution multiplied by -1 (levels). The other variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. Significance level is indicated by *** (for $p<0.01$), ** (for $p<0.05$), and * (for $p<0.10$).

Panel B: ΔNet Biodiversity Impact by Deal Characteristics

Variables		N	Mean Non-Focusing Transaction (N=53)	Mean Focusing Transaction (N=27)	T-test
ΔNet GHG Biodiversity Impact	(Intensity)	80	-0.005	-0.008	0.76
	(Levels)	80	-17.569	-24.547	0.07
ΔNet Non-GHG Biodiversity Impact	(Intensity)	80	-0.020	-0.136	**2.08****
	(Levels)	80	1,971.642	-972.759	1.05

Variables		N	Mean Local Buyer (N=40)	Mean Foreign Buyer (N=40)	T-test
ΔNet GHG Biodiversity Impact	(Intensity)	80	-0.006	-0.005	-0.18
	(Levels)	80	-72.559	32.710	-1.20
ΔNet Non-GHG Biodiversity Impact	(Intensity)	80	-0.007	-0.112	**1.98****
	(Levels)	80	2,353.591	-397.778	1.04

Variables		N	Mean Local Target (N=48)	Mean Foreign Target (N=32)	T-test
ΔNet GHG Biodiversity Impact	(Intensity)	80	-0.004	-0.009	1.12
	(Levels)	80	-72.729	59.284	-1.48
ΔNet Non-GHG Biodiversity Impact	(Intensity)	80	-0.015	-0.126	**2.06****
	(Levels)	80	2,172.696	-814.277	1.11

Panel B presents the results of a univariate analysis examining whether the mean change in net biodiversity impact (both GHG-related and non-GHG-related) differs based on deal characteristics, specifically: (a) whether the buyer engages exclusively in focusing acquisitions, (b) whether the buyer is foreign relative to the seller, and (c) whether the buyer acquires only foreign targets. Δ*X* is calculated as the value of *X* in the current year minus the value of *X* in the previous year. *Net Non-GHG Biodiversity Impact* is the sum of the non-GHG biodiversity impact of the buyer and seller. We use measures for both intensity and levels. Specifically, the biodiversity loss (in terms of km^2.MSA) caused by the company's land use, air pollution, and water pollution divided by total sales and multiplied by -1 (intensity); and biodiversity loss (in terms of km^2.MSA) caused by the company's land use, air pollution, and water pollution multiplied by -1 (levels). *Net GHG Biodiversity Impact* is the sum of the GHG emissions intensity and levels of the buyer and seller. The last column shows the t-statistics of the test for which the null hypothesis is that both sub-samples have similar means. Significance level is indicated by *** (for $p<0.01$), ** (for $p<0.05$), and * (for $p<0.10$).

Table 8
The Effect of Biodiversity Disclosure Quality and Mandatory Sustainability Disclosure

	Dependent Variable:			
	ΔNon-GHG Biodiversity Impact (Land, Air, and Water)			
	Biodiversity Disclosure Quality	*Mandatory Sustainability Reporting*		
		Full Sample	*Informal Enforcement*	
			High	Non-High
VARIABLES	(1)	(2)	(3)	(4)
GHG-Intensive Divestitures x Biodiversity Disclosure Quality	**-0.066****			
	[-2.34]			
GHG-Intensive Divestitures x Mandatory Sustainability Disclosure (a)		-0.047	**-0.189****	0.119
		[-0.75]	**[-2.18]**	[1.14]
GHG-Intensive Divestitures (b)	**-0.152*****	**-0.146*****	-0.044	**-0.192*****
	[-4.80]	**[-3.42]**	[-0.65]	**[-3.54]**
Biodiversity Disclosure Quality	0.009			
	[0.70]			
Mandatory Sustainability Disclosure		-0.034	-0.005	-0.043
		[-0.83]	[-0.17]	[-0.78]
M&A	0.087***	0.086***	0.026	0.144***
	[2.92]	[2.88]	[0.77]	[2.92]
ΔSize	0.021*	0.021*	-0.007	0.029**
	[1.73]	[1.71]	[-0.28]	[2.05]
ΔROA	0.024*	0.024*	0.007	0.035**
	[1.79]	[1.75]	[0.31]	[2.03]
ΔLeverage	0.001	0.001	0.000	0.001
	[0.11]	[0.12]	[0.00]	[0.06]
ΔCapex to Total Assets	0.031**	0.031**	-0.008	0.039**

	[2.03]	[2.02]	[-0.34]	[2.22]
ΔTangibility	0.004	0.005	0.040	-0.006
	[0.24]	[0.27]	[1.36]	[-0.26]
ΔAsset Growth	0.007	0.007	0.004	0.008
	[0.52]	[0.53]	[0.15]	[0.50]
ΔCash to Total Assets	0.001	0.001	-0.007	0.003
	[0.05]	[0.07]	[-0.33]	[0.16]
Constant	-0.016	-0.011	0.073	-0.170
	[-0.12]	[-0.09]	[0.60]	[-1.15]
Test for differences in coefficients				
Chi-square test p-value: *(a) = (a)*			**0.02**	
Chi-square test p-value: *(b) = (b)*			**0.06**	
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*	*Yes*
Observations	9,498	9,498	3,284	6,214
Adjusted R^2	0.009	0.009	0.006	0.011

This table reports the regression results on the incremental effect of biodiversity disclosure quality (Column (1)) and mandatory sustainability disclosure (Columns (2)). In Columns (3)-(4) we further examine the impact of mandatory sustainability reporting conditional on the strength of informal institutional enforcement (Krueger et al. 2024). We classify informal enforcement as high when a country's Environmental Performance Index (EPI) (Yale University) is at or above the 75th percentile of the sample distribution, capturing countries with the strongest common belief in the importance of environmental issues; informal enforcement is non-high otherwise. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. We report the p-values from two χ2-test for the differences in the main variables of interest across the High (Column (3)) and Low (Column (4)) informal enforcement partitions. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 9
The Effect of External Biodiversity Monitoring

	Dependent Variable:	
	ΔNon-GHG Biodiversity Impact (Land, Air, and Water)	
VARIABLES	(1)	(2)
GHG-Intensive Divestitures x Nature Action 100	**-0.410***	
	[-1.81]	
Nature Action 100	0.007	
	[0.07]	
GHG-Intensive Divestitures x Nature Action 100 Ambition Dis. (a)		**-0.628****
		[-2.33]
GHG-Intensive Divestitures x Nature Action 100 No Ambition Dis. (b)		0.272
		[0.71]
GHG-Intensive Divestitures	**-0.126*****	**-0.126*****
	[-4.67]	**[-4.67]**
Nature Action 100 Ambition Dis.		0.037
		[0.28]
Nature Action 100 No Ambition Dis.		-0.047
		[-0.35]
M&A	0.085***	0.082***
	[2.87]	[2.73]
ΔSize	0.020*	0.020*
	[1.67]	[1.65]
ΔROA	0.024*	0.024*
	[1.73]	[1.74]
ΔLeverage	0.001	0.001
	[0.10]	[0.11]
ΔCapex to Total Assets	0.031**	0.031**
	[2.03]	[2.03]
ΔTangibility	0.004	0.004
	[0.25]	[0.24]
ΔAsset Growth	0.007	0.007
	[0.51]	[0.53]
ΔCash to Total Assets	0.001	0.001
	[0.08]	[0.09]
Constant	-0.012	-0.015
	[-0.09]	[-0.11]
Test for differences in coefficients		
F-test p-value: *(a) = (b)*		**0.05**
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	9,498	9,498
Adjusted R-squared	0.010	0.011

This table reports the regression results on the incremental effect of external biodiversity monitoring on non-GHG biodiversity impact. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. We report the p-value from a Wald test for the difference across the coefficients of interest. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 10
The Effect of Divestiture Type

	Dependent Variable:
	ΔNon-GHG Biodiversity Impact (Land, Air, and Water)
VARIABLES	(1)
GHG-Intensive Divestitures - Focusing (a)	**-0.138***** **[-3.88]**
GHG-Intensive Divestitures - NonFocusing (b)	**-0.275***** **[-4.13]**
M&A	0.084*** [2.81]
ΔSize	0.020* [1.69]
ΔROA	0.024* [1.76]
ΔLeverage	0.001 [0.10]
ΔCapex to Total Assets	0.031** [2.03]
ΔTangibility	0.004 [0.24]
ΔAsset Growth	0.007 [0.51]
ΔCash to Total Assets	0.000 [0.03]
Constant	-0.017 [-0.12]
Test for differences in coefficients F-test p-value: *(a) = (b)*	 **0.06**
Country, Year, and Industry FE	*Yes*
Observations	9,498
Adjusted R^2	0.009

This table reports the regression results of our cross-sectional tests on the effect of divestiture type. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. We report the p-value from a Wald test for the difference across the coefficients of interest. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 11
The Effect of Financial Constraints

	Dependent Variable: *ΔNon-GHG Biodiversity Impact (Land, Air, and Water)*		
	Full Sample	*Lower Dependency Risk*	
		Yes	No
VARIABLES	(1)	(2)	(3)
GHG-Intensive Divestitures x Financially Constrained (a)	**0.139****	**0.804****	**0.127****
	[2.34]	**[2.22]**	**[2.08]**
GHG-Intensive Divestitures (b)	**-0.205*****	-0.497	**-0.199*****
	[-5.15]	[-1.53]	**[-5.00]**
Financially Constrained	0.001	0.007	0.004
	[0.08]	[0.04]	[0.22]
M&A	0.083***	0.036	0.091***
	[2.75]	[0.18]	[2.97]
ΔSize	0.021*	0.002	0.025**
	[1.69]	[0.03]	[2.01]
ΔROA	0.024*	-0.052	0.028*
	[1.75]	[-0.62]	[1.96]
ΔLeverage	0.002	-0.112	0.009
	[0.15]	[-1.30]	[0.70]
ΔCapex to Total Assets	0.031**	0.124	0.026*
	[2.04]	[1.08]	[1.83]
ΔTangibility	0.005	0.079	0.003
	[0.29]	[0.68]	[0.15]
ΔAsset Growth	0.007	-0.007	0.005
	[0.54]	[-0.07]	[0.39]
ΔCash to Total Assets	0.001	0.025	0.000
	[0.07]	[0.27]	[0.03]
Constant	-0.017	-0.173	0.143
	[-0.13]	[-0.23]	[1.02]
Test for differences in coefficients			
Chi-square test p-value: *(a) = (a)*		**0.04**	
Chi-square test p-value: *(b) = (b)*		0.30	
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*
Observations	9,498	375	9,123
Adjusted R^2	0.009	0.069	0.009

This table reports the regression results on the incremental effect of financial constraints on non-GHG biodiversity impact. We use a composite measure of financial constraints based on four proxies: (*i*) leverage, (*ii*) the Hadlock-Pierce index, (*iii*) the Kaplan-Zingales index, and (*iv*) Altman's Z-score. All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. We cluster standard errors at the firm level. T-statistics are reported in brackets. We report the p-values from two $\chi 2$-test for the differences in the main variables of interest across the partitions with lower (Column (2)) and higher (Column (3)) dependency risk post-divestiture. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 12
Robustness Tests and Additional Analyses

Panel A: IV Analysis

	First stage	Second stage
	Predicted GHG-Intensive Divestitures	*ΔNon-GHG Biodiversity Impact (Land, Air, and Water)*
VARIABLES	(1)	(2)
GHG-Intensive Divestitures		**-1.204****
		[-2.00]
Increase GHG-Related Incidents	0.068***	
	[4.87]	
M&A	0.220***	0.322**
	[13.93]	[2.30]
ΔSize	-0.024***	-0.006
	[-7.12]	[-0.27]
ΔROA	0.012***	0.037**
	[3.75]	[2.45]
ΔLeverage	-0.001	0.0001
	[-0.37]	[0.01]
ΔCapex to Total Assets	0.002	0.032**
	[0.88]	[2.44]
ΔTangibility	-0.002	0.002
	[-0.64]	[0.14]
ΔAsset Growth	0.009***	0.017
	[2.77]	[1.20]
ΔCash to Total Assets	0.004	0.005
	[1.46]	[0.41]
Constant	-0.039	-0.029
	[-0.88]	[-0.20]
Cragg-Donald Wald F-statistic		41.81
Kleibergen-Paap Wald F-statistic		23.72
Kleibergen-Paap LM statistic		23.56
Anderson-Rubin Wald test Chi-sq		4.35
Stock-Wright LM S statistic		4.91
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	9,498	9,498

Panel A of this table presents the instrumental variable analysis results. Our instrument (*Increase GHG-Related Incidents*) is the likelihood that a firm experiences an increase in GHG-related incidents compared to the previous year, while their number of GHG-related incidents in both periods is above the year-sector median across all firms in the Iceberg Data Lab dataset. The dependent variable in the first stage regression (Column (1)) is *GHG-Intensive Divestitures*. The dependent variable in the second stage regression (Column (2)) is Δ*Non-GHG Biodiversity Impact.* All variables are defined in Appendix A. ΔX is calculated as the value of X in the current year minus the value of X in the previous year. T-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Panel B: Other Robustness Tests

	Dependent Variable:		
	ΔNon-GHG Biodiversity Impact (Land, Air, and Water)		*ΔNon-GHG-Related Biodiversity Incidents*
	Entropy Balancing	Extended Model	Alternative Dependent Variable
VARIABLES	(1)	(2)	(3)
GHG-Intensive Divestitures (a)	**-0.157*** **	**-0.137*** **	**-0.155***
	[-4.96]	**[-4.23]**	**[-1.72]**
Non-GHG-Intensive Divestitures (b)		**0.203*** **	
		[5.25]	
M&A	0.057	0.044	0.112
	[1.40]	[1.43]	[1.22]
ΔSize	0.015	0.025**	0.024
	[0.58]	[2.09]	[0.92]
ΔROA	0.017	0.024*	0.026
	[0.72]	[1.73]	[0.99]
ΔLeverage	-0.007	0.002	-0.043*
	[-0.28]	[0.18]	[-1.90]
ΔCapex to Total Assets	0.020	0.031**	-0.045*
	[1.03]	[2.03]	[-1.71]
ΔTangibility	-0.005	0.005	0.042
	[-0.19]	[0.29]	[1.40]
ΔAsset Growth	0.021	0.006	-0.023
	[0.91]	[0.46]	[-0.90]
ΔCash to Total Assets	-0.024	-0.000	-0.001
	[-1.32]	[-0.03]	[-0.04]
Constant	0.156	-0.007	
	[0.53]	[-0.05]	
Test for differences in coefficients			
F-test p-value: *(a) = (b)*		**0.00**	
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*
Observations	9,498	9,498	7,139
Adjusted R^2/ Pseudo R^2	0.043	0.011	0.008

Panel B of this table reports the regression results of three robustness tests. In Column (1) we use entropy balancing, while in Column (2) we extend Equation (1) with *Non-GHG-Intensive Divestitures*, an indicator variable equal to 1 if the company is the seller in at least one divestiture transaction and the seller's GHG intensity does not decrease at the end of the fiscal year relative to the previous year; and 0 otherwise. In Column (3), the dependent variable is an ordered indicator capturing the change in non-GHG-related biodiversity incidents; we estimate the model using an ordered logit regression. Specifically, *ΔNon-GHG-Related Biodiversity Incidents* is -1 if the number of non-GHG-related biodiversity incidents decreases relative to the previous year, 0 if the number of incidents remains the same, and +1 if the number of incidents increases. For the other variables, ΔX is calculated as the value of X in the current year minus the value of X in the previous year. The other variables are defined in Appendix A. We cluster standard errors at the firm level. T-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Panel C: Net Effect Tests – Alternative Dependent Variable

	Dependent Variable:	
	ΔNet GHG-Related Incidents	*ΔNet Non-GHG-Related Biodiversity Incidents*
VARIABLES	(1)	(2)
GHG-Intensive Divestitures	-0.386	**-0.619***
	[-1.27]	**[-1.74]**
M&A	0.364	0.951
	[0.68]	[1.55]
ΔSize	-0.004	0.014
	[-0.13]	[0.44]
ΔROA	0.042	0.042
	[1.39]	[1.33]
ΔLeverage	-0.043*	-0.058**
	[-1.69]	[-2.20]
ΔCapex to Total Assets	-0.026	-0.040
	[-0.91]	[-1.33]
ΔTangibility	-0.032	0.050
	[-0.93]	[1.45]
ΔAsset Growth	-0.046	-0.033
	[-1.43]	[-1.11]
ΔCash to Total Assets	0.008	0.009
	[0.27]	[0.32]
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	5,492	5,492
Pseudo R^2	0.008	0.013

Panel C reports the regression results of the effect of GHG-intensive divestitures on the net GHG-related (Column (1)) and net non-GHG-related biodiversity incidents (Column (2)). We estimate both models using an ordered logit regression. We compute the net number of GHG-related (non-GHG-related) biodiversity incidents as the sum of the GHG-related (non-GHG-related) biodiversity incidents of the buyer and seller (for treatment firms – i.e., firms engaging in divestitures). For control firms, we use the GHG-related (non-GHG-related) biodiversity incidents of the firm. *ΔNet GHG-Related Biodiversity Incidents* (*ΔNet Non-GHG-Related Incidents*) is an ordered indicator equal to -1 if the net number of GHG-related (non-GHG-related) biodiversity incidents decreases relative to the previous year, 0 if the net number of incidents remains the same, and +1 if the net number of incidents increases. For the other variables, ΔX is calculated as the value of X in the current year minus the value of X in the previous year. The other variables are defined in Appendix A. We cluster standard errors at the firm level. Z-statistics are reported in brackets. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).