The Biodiversity Impact of Corporate Divestitures

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Abstract

While many firms divest greenhouse gas (GHG)-heavy assets to reduce emissions, growing regulatory and stakeholder pressure is driving increased focus on biodiversity impacts. As GHG emissions represent only a portion of the corporate biodiversity footprint (CBF), this study presents the first international analysis of how such divestitures relate to firms' overall CBF. We show that non-GHG CBF declines for sellers following divestitures, yet find no corresponding net decrease in non-GHG CBF levels, suggesting that the biodiversity impact is reallocated to buyers rather than eliminated. However, we observe a net reduction in non-GHG CBF intensity, likely reflecting operational efficiency gains.

Key words: Biodiversity, Divestitures, GHG Emissions, Net Effects, Financial Constraints, Information Quality

1. Introduction

Concerns about biodiversity loss have intensified 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 initiatives, such as the Kunming-Montreal Global Biodiversity Framework, underscore the urgency of addressing biodiversity loss and the need to better understand how economic and corporate activities affect biodiversity. Advancing this understanding can improve both corporate strategy and public policymaking.

This study examines how a major form of corporate restructuring, divestitures of greenhouse gas (GHG)-heavy assets, relates to firms' corporate biodiversity footprint (**CBF**). Firms increasingly divest underperforming, high-emission assets (Duchin et al., 2025), particularly following adverse sustainability incidents (Li et al., 2024). Yet divestitures do not necessarily improve overall environmental performance (Zhou, 2022; Li et al., 2024; Duchin et al., 2025) and may instead reallocate emissions across firms or jurisdictions (Ecker and Keeve, 2025).

Reducing GHG emissions is important but does not capture the full scope of firms' environmental impacts, especially those affecting biodiversity. A linear mapping from GHG reductions to biodiversity improvements is misleading (Di Marco et al., 2018), and a carbon-centric focus does not ensure biodiversity protection (Smith et al., 2016). Although firms often reduce emissions by shedding GHG-intensive assets, the associated biodiversity impacts are frequently only weakly related to carbon reduction. In our sample, up to 98 percent of Unilever's and Nestlé's CBF stems from land use rather than GHG emissions. This distinction is economically meaningful, as biodiversity and natural capital are increasingly recognized as financially material sources of risk and opportunity (Dimson et al., 2026). Consistent with this

view, Lee and Singla (2025) show that sustainability-oriented mutual funds reduce exposure to firms operating in biodiversity-sensitive areas, indicating that investors consider biodiversity risks beyond carbon metrics. A carbon-centric lens may therefore obscure impacts related to land use, water pollution, and air pollution, leaving the overall biodiversity effects of GHG-reducing divestitures ambiguous.

We investigate how such divestitures affect firms' CBF intensity, focusing on the non-GHG component.[1] While the link between GHG-reducing divestitures and lower GHG CBF intensity is straightforward, for example, divesting a coal-fired power plant reduces Scope 1 emissions, our focus is on potential spillovers to non-GHG CBF intensity.[2] Consider a battery manufacturer reliant on cobalt and lithium extracted in biodiversity-sensitive regions. Mining these inputs is land-intensive and associated with habitat destruction and water degradation. Divesting a fossil-fuel-based power unit lowers direct emissions but does not eliminate dependence on these inputs. If production continues or expands, upstream ecological pressures may persist or even intensify despite lower carbon emissions. This distinction is critical: aligning carbon reduction with biodiversity goals can generate joint benefits (Soto-Navarro et al., 2020; Zhu et al., 2021), whereas misalignment may undermine both (Ferreira et al., 2018; Heilmayr et al., 2020).

On one hand, GHG-reducing divestitures may reduce non-GHG CBF intensity by lowering exposure to industries such as oil, gas, and mining, which contribute to deforestation, land degradation, and pollution. They may also indirectly mitigate biodiversity loss by reducing

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

[2] Because divestitures naturally reduce a firm's operational scale, biodiversity impact levels could decrease even absent any improvement in environmental efficiency. To avoid conflating reductions in scale with changes in environmental performance, we examine biodiversity impact intensity (impact per unit of sales). This measure captures whether the firm's remaining asset portfolio is environmentally cleaner per dollar of activity and mitigates a mechanical bias toward documenting environmental improvements following asset sales. Unless explicitly stated otherwise, references to CBF and its components refer to intensity measures rather than absolute levels.

climate-change pressures on ecosystems. Regulatory and investor forces can further align emissions reductions with broader environmental investments, encouraging shifts toward cleaner technologies and lower-impact industries, particularly when financing conditions are favorable. Integrated environmental initiatives—for example, forest restoration combining climate mitigation, biodiversity conservation, and socioeconomic benefits—may amplify these gains.

On the other hand, such divestitures may fail to reduce non-GHG CBF intensity if emissions reductions are not accompanied by declines in other environmental harms. Consistent with substitution in CSR investments (Huang et al., 2025), firms may sell high-emission assets while increasing reliance on suppliers linked to deforestation or pollution.[3] In some cases, divestitures may serve greenwashing purposes, improving sustainability ratings without substantive change (Duchin et al., 2025). In these scenarios, environmental impacts are reallocated rather than reduced, shifting biodiversity burdens to acquiring firms. Evaluating these effects therefore requires a transaction-level perspective that considers both sellers and buyers.

Biodiversity's multidimensional nature makes it difficult to measure and monitor (Dechow, 2023). Despite its economic importance, nature-related risk is not yet consistently assessed or disclosed as financially material (Taskforce on Nature-related Financial Disclosures [TNFD], 2025). We use Iceberg Data Lab's Corporate Biodiversity Footprint (CBF), which captures firm-level impacts from GHG emissions as well as land use, water pollution, and non-GHG air pollution (Garel et al., 2024), across Scope 1, 2, and 3 activities.

[3] Gong et al. (2025) highlight that even investments in environmentally friendly projects, such as renewable energy plants, may be associated with negative biodiversity impacts. While their focus is on the biodiversity implications of asset-level investment decisions, our study complements this work by examining how corporate asset reallocation decisions, specifically divestitures, redraw corporate boundaries and redistribute environmental impacts across firms, thereby influencing firms' overall biodiversity impact through a distinct but complementary channel.

The dataset also evaluates disclosure quality, enabling us to investigate whether reporting practices shape post-divestiture outcomes.

Using an international sample of 9,617 firm-year observations from 2,575 firms across 58 countries (2019–2023), we first analyze the determinants of GHG-reducing divestitures. These transactions are strongly associated with climate transition exposure and investor coordination initiatives, consistent with deliberate strategic realignment rather than purely reputational responses.

We next examine consequences for divesting firms. GHG-reducing divestitures relate to declines in non-GHG CBF components, indicating environmental benefits that extend beyond emissions reductions.[4] This evidence challenges the view that such divestitures are purely cosmetic and provides novel support for positive biodiversity spillovers from carbon-reduction strategies.

A key contribution of our study is the analysis of *net* biodiversity effects at the transaction level. While divestitures can improve sellers' reported performance, aggregate outcomes depend on how assets are used post-transaction. If assets are decommissioned or operated more efficiently, biodiversity impacts may fall; otherwise, they may simply shift across firms. In reduced-sample tests, we find no significant change in net non-GHG CBF levels, consistent with reallocation. However, we document a significant decline in net non-GHG CBF *intensity*, driven in part by improvements in post-divestiture operational efficiency for both sellers and buyers. These gains are amplified when buyers undertake focus-increasing or cross-border acquisitions, suggesting that firms can restructure while lowering biodiversity intensity.

[4] We obtain consistent evidence using non-GHG-related biodiversity incidents from RepRisk as an alternative outcome measure, indicating that our inferences are not sensitive to the choice of specific biodiversity metrics.

We further explore cross-sectional heterogeneity. Financially constrained firms exhibit smaller reductions in non-GHG CBF intensity, consistent with prioritizing short-term financial objectives. Firms with weaker biodiversity disclosure also realize smaller improvements, suggesting reduced accountability (Fan et al., 2025). Mandatory reporting alone is insufficient when informal enforcement is weak. We also find diminished effects among firms with limited external monitoring and among those subject to strong monitoring but lacking explicit biodiversity targets, highlighting the joint role of external oversight and internal commitment. Finally, focusing divestitures yield smaller improvements than non-focusing ones, suggesting that broader strategic motives may produce more effective environmental outcomes.[5]

Overall, our findings contribute to 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). We show that while GHG-reducing divestitures generate positive biodiversity spillovers for sellers, their aggregate effects depend on transaction-level dynamics. Notably, we document net reductions in non-GHG CBF intensity driven by operational improvements.

Our study also informs 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). We show that environmentally motivated divestitures have consequences beyond emissions reduction and that non-GHG benefits extend to both sellers and buyers, highlighting the role of capital reallocation in advancing sustainability. By adopting an international, firm-level perspective, we complement prior plant-level evidence and emphasize the role of climate transition risk in shaping divestiture decisions.

[5] 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.

Finally, we contribute to the literature on impact investing and the environmental consequences of asset transfers (e.g., Starks et al., 2026; Krueger et al., 2020; Bolton and Kacperczyk, 2021; Pástor et al., 2021; Mahieux et al., 2025; Dai et al., 2024; Zhou, 2022). While GHG-reducing divestitures primarily shift environmental damage in terms of non-GHG CBF levels, they reduce non-GHG CBF intensity. We also extend research on sustainability disclosures, showing that weaker reporting and monitoring are associated with smaller environmental gains. Taken together, our findings highlight the importance of moving beyond carbon-centric approaches when evaluating corporate environmental performance.

2. Background and Research Question

2.1. Background on Biodiversity Conservation Initiatives

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 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. Ecosystem degradation not only threatens wildlife but also undermines essential services that support human well-being, including food security, clean water, and disease regulation.

In response, international regulatory frameworks and stakeholder initiatives have increasingly prioritized biodiversity conservation. In October 2021, the first phase of the UN Biodiversity Conference (COP15) concluded with the Kunming Declaration, a policy statement reaffirming global commitments to biodiversity protection (Kunming Declaration, 2021). Drawing parallels to the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC, 2015), the declaration emphasizes redirecting financial flows toward conservation and sustainable biodiversity use. The conference also

heightened investor awareness of biodiversity-related risks and contributed to uncertainty regarding future regulation and litigation. The Kunming-Montreal Global Biodiversity Framework, adopted in 2022, further sets targets to reverse biodiversity loss by 2030 through stronger enforcement, financial incentives, and corporate accountability.[6]

Overall, these developments reflect a growing recognition that addressing biodiversity loss requires a comprehensive approach, one that accounts for its multidimensional nature beyond GHG emissions and integrates environmental considerations into economic decision-making. A key element is understanding how corporate financial activities contribute to biodiversity degradation and identifying mechanisms to mitigate these effects through policy, investment, and business practices.

2.2. Divestitures and Their Biodiversity Impact

Many firms have adopted GHG-reduction strategies, including divestitures of high-emission assets, to align with investor preferences and regulatory pressures (Friedman and Ormazabal, 2024; Cohen et al., 2023). Whether such restructuring translates into tangible biodiversity benefits, however, remains an open question.

There are several reasons to expect that divesting GHG-heavy assets may reduce firms' biodiversity footprints. First, GHG-intensive industries often have substantial land and resource demands. Sectors such as oil and gas, mining, and heavy manufacturing not only generate high emissions but also contribute to land degradation, deforestation, and pollution. Divesting these operations may therefore alleviate both climate and biodiversity pressures.

Second, regulatory and investor pressures may align emissions reductions with broader sustainability efforts. As firms face increasing pressure to improve environmental performance (Azar et al., 2021), climate-driven divestitures may coincide with broader commitments to

[6] 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. TNFD aims to provide companies with standardized guidelines for integrating biodiversity and ecosystem considerations into financial decision-making.

environmental stewardship, including habitat protection, pollution reduction, and biodiversity-friendly policies. Firms may also reinvest in greener technologies and business models, allowing divestitures to serve as catalysts for more comprehensive sustainability strategies that extend beyond carbon reduction.

However, strong counterarguments suggest that GHG-reducing divestitures may not lead to biodiversity improvements. First, corporate biodiversity impacts are not always closely tied to emissions. A firm may reduce its GHG footprint without materially changing land use, water consumption, or pollution. For example, switching from coal to natural gas lowers emissions but may not address deforestation, habitat destruction, or chemical waste. This disconnect underscores the need for a broader assessment of environmental performance that incorporates biodiversity alongside carbon metrics.

Second, divestitures may function as greenwashing rather than reflect substantive environmental change. Firms may offload GHG-heavy assets to improve sustainability ratings without reducing underlying environmental harm (Duchin et al., 2025). Divested assets may continue operating under new ownership or be repurposed in ways that increase biodiversity damage through deforestation, habitat loss, or urban expansion. In such cases, divestitures create the appearance of progress while merely shifting environmental burdens.

Given these competing mechanisms, the net impact of GHG-reducing divestitures on biodiversity remains ambiguous. It is therefore essential to assess whether such actions generate real environmental improvements or simply reallocate ecological costs. This leads to our central research question: How do corporate divestitures of GHG-heavy assets relate to firms' biodiversity footprints?

Our analysis emphasizes the need for a broad and nuanced evaluation of the ecological consequences of corporate actions. Specifically, we examine whether divestitures yield meaningful biodiversity benefits or redistribute environmental risks. This question is

particularly important given the interdependence of climate change and biodiversity: climate change accelerates ecosystem degradation, while intact ecosystems enhance resilience to climate impacts (Giglio et al., 2025b).

Accordingly, we evaluate not only changes in the divesting firm's biodiversity footprint but also the net effects across both sellers and buyers. A divestiture may improve the seller's environmental profile while transferring biodiversity risks to the buyer, resulting in no net benefit or even worse outcomes. Evaluating these transactions therefore requires a transaction-level perspective that captures their broader ecological implications.

While divesting GHG-heavy assets can improve reported sustainability metrics, it does not necessarily reduce biodiversity impacts. Meaningful improvements depend on whether assets are decommissioned, operated more efficiently, or replaced by environmentally sustainable alternatives. Absent such changes, underlying environmental pressures persist, merely shifting across firms without being resolved.

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

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 CBF intensity, measured as CBF scaled by firm sales, to account for differences in firm size and activity levels. We analyze both total CBF intensity and its disaggregation 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 intensity 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 Thrifts and Mortgage Finance) (e.g., Li et al., 2024). Financial data are sourced from Compustat North America and Compustat Global.

[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.

We eliminate observations with missing financial information and, given our first-differences design, require companies to have all the necessary data for at least two consecutive years.[8] The resulting sample comprises 9,617 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' non-GHG biodiversity impact (*ΔNon-GHG Impact*) and GHG-reducing divestitures (*GHG-Reducing Divestitures*).

$$\Delta\text{Non-GHG Impact}_t = \delta_0 + \delta_1\ \text{GHG-Reducing Divestitures}_t + \delta_2\ M\&A_t + \delta_3\ \text{Green Capex}_t + \delta_4\ \Delta\text{Firm-Specific Controls}_t + \text{Country, Year, and Industry Fixed Effects} + \varepsilon_t \quad (1)$$

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

[8] Our inferences remain unchanged if we exclude countries or industries with fewer than 10 observations.
[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.

1.[10,11] We define *ΔNon-GHG Impact* as the annual change in this measure. Our main independent variable, *GHG-Reducing Divestitures,* is an indicator variable that equals 1 if the company is the seller in at least one divestiture transaction and its GHG CBF intensity decreases at the end of the fiscal year relative to the previous year; and 0 otherwise. This design allows us to investigate whether divestitures that reduce GHG-related biodiversity impacts are associated with changes in firms' non-GHG biodiversity footprint.

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. To disentangle the effect of GHG-reducing divestitures from other firm strategies aimed at reducing environmental impact, we control for *Green Capex* in the divestiture year. *Green Capex* represents an indicator variable taking the value of 1 if firms have capital expenditures for activities that contribute to environmental objectives; 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 to be zero mean and unit variance. In all our estimations, we cluster

[10] We multiply this variable by –1 so that higher values indicate a more negative impact (Garel et al., 2024).
[11] 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 (untabulated), suggesting that the documented effects are not driven by unobserved shifts in inputs.

standard errors by divesting firm. All continuous variables are winsorized at the 1st and 99th percentiles.[12] Appendix A provides variable definitions.

4. Results

4.1. Descriptive Statistics and Correlations

Table 2 presents descriptive statistics for the variables in their original levels and unstandardized form. We partition the sample based on *GHG-Reducing 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-heavy assets exhibit lower non-GHG-related CBF intensity, both in total and by scope. Additionally, when examining the individual components of a firm's non-GHG CBF intensity, biodiversity loss from land use and air pollution is lower for firms engaging in GHG-reducing 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. At the same time, they are more likely to undertake green Capex. 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-reducing divestitures. In Panel A (sellers), on average, 48 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, 37 percent (10 percent) of sellers are from countries that mandate sustainability disclosures and have high (non-high) informal enforcement. In Panel B (buyers), interestingly, we observe that

[12] Inferences are unaffected if we do not winsorize.

69 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-reducing 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-reducing divestitures (N = 1,040), while those below the diagonal correspond to the subsample without GHG-reducing divestitures (N = 8,577). Overall, correlations are largely similar across the two subsamples, suggesting consistent relations among key variables regardless of divestiture-related GHG intensity changes.[13] Moreover, the maximum correlation among variables in our baseline model is 0.65, indicating no multicollinearity concerns.

4.2. Determinants of GHG-Reducing Divestitures

Before proceeding to the consequence analyses, we provide descriptive evidence on the determinants of GHG-reducing divestitures. Our objective is to identify the economic conditions under which firms choose to divest carbon-intensive assets and to assess whether

[13] Untabulated correlations indicate that, a firm's total CBF (i.e. GHG and non-GHG 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 CBF is much weaker (correlations of 0.09 and 0.26, 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 (0.02 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. Moreover, the correlation 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. 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).

such transactions reflect strategic responses to climate transition risk rather than purely opportunistic or idiosyncratic restructuring decisions. While research documents stakeholder pressure and reputational concerns as drivers of environmentally motivated divestitures (Duchin et al. 2024), we focus on a complementary issue: which firms actively restructure their asset portfolios when exposed to climate-related risks and transition signals.

We develop a determinants framework that links GHG-reducing divestitures to three broad sets of factors. First, we capture firms' exposure to climate transition risk using measures of GHG biodiversity impact (*High GHG Impact*), GHG-related incidents (*#GHG-Related Incidents*), and climate-relevant information developments (*#GHG-Related Key Developments*). These variables proxy for firms' carbon exposure and the salience of transition-related risk and scrutiny. Second, we consider external transition pressures and coordination mechanisms, including investor-led initiatives such as Climate Action 100+ (*Climate Action 100+*), firms' sustainability aspirations (*High Sustainable Aspirations*), and the regulatory environment surrounding sustainability disclosure (*Mandatory Sustainability Disclosure*). Third, we account for corporate restructuring dynamics and firm characteristics that may influence a firm's ability to adjust its asset portfolio, including prior M&A activity (*M&A*), prior divestitures (*Divestitures*), prior green Capex (*Green Capex*), firm-specific controls from our baseline model, and financial constraints (*Financially Constrained*). All determinants are lagged. Variable definitions are in Appendix A. Specifically, we estimate the following regression model:

$$\begin{aligned} \textit{GHG-Reducing Divestitures}_t = {} & \delta_0 + \delta_1\, \textit{High GHG Impact}_{t-1} + \delta_2\, \textit{\#GHG-Related Incidents}_{t-1} \\ & + \delta_3\, \textit{\#GHG-Related Key Developments}_{t-1} + \delta_4\, \textit{Climate Action 100+} \\ & + \delta_5\, \textit{High Sustainable Aspirations}_{t-1} + \delta_6\, \textit{Mandatory Sustainability Disclosure} \\ & + \delta_7\, \textit{M\&A}_{t-1} + \delta_8\, \textit{Divestitures}_{t-1} + \delta_9\, \textit{Green Capex}_{t-1} + \delta_{10}\, \textit{Firm-Specific Controls}_{t-1} \\ & + \delta_{11}\, \textit{Financially Constrained} + \textit{Country, Year, and Industry Fixed Effects} + \varepsilon_t \end{aligned} \quad (2)$$

Consistent with a transition-adjustment interpretation, results in Table 5 show that GHG-reducing divestitures are significantly *more likely* among firms with higher GHG biodiversity impact and a greater frequency of GHG-related incidents and developments. Investor coordination initiatives are also positively associated with divestiture activity, suggesting that capital market pressures are related to firms' strategic responses to transition risk. In addition, GHG-reducing divestitures are strongly related to broader restructuring activity, as firms engaging in prior mergers, acquisitions, and divestitures are more likely to reallocate carbon-intensive assets. Firm characteristics further indicate that organizational and financial conditions are correlated with the divestiture decision, with larger firms more likely to divest and firms with stronger liquidity positions exhibiting a lower likelihood of undertaking such transactions.

Overall, these findings suggest that GHG-reducing divestitures relate to firms' strategic responses to climate transition risk, rather than being driven purely by environmental scrutiny or restructuring considerations.

4.3. The Effect of GHG-Reducing Divestitures on Non-GHG CBF

We now turn to our main analysis, which examines whether divesting GHG-heavy assets affects firms' non-GHG CBF, including land use, water pollution, and air pollution. Table 6 presents the results. In Panel A, the dependent variable is the change in non-GHG CBF (*ΔNon-GHG Impact*), both overall (Columns (1)–(5)) and disaggregated by scope (Columns (6)–(8)). Column (1) presents the results without controls or fixed effects; Column (2) includes controls but no fixed effects; and Column (3) reports the full specification. In Column (4), we use an alternative measure of *GHG-Reducing Divestitures*, defined as an indicator variable equal to 1 if the company is the seller in at least one divestiture and the majority of the divesting transactions involve assets operating in high-polluting industries, and 0 otherwise. High-polluting industries are those where the average Scope 1 CO_2 emissions (from LSEG) are above

the industry-year median (based on 4-digits SIC codes). In Column (5), we extend our baseline specification by controlling for the change in GHG intensity to address the possibility that GHG-heavy assets are inherently intensive in other non-GHG biodiversity dimensions, such that divesting these assets concurrently reduces multiple biodiversity components by construction rather than reflecting a deliberate firm-level strategy.

Columns (1)–(5) show that the coefficient on *GHG-Reducing Divestitures* is negative and statistically significant at conventional levels, indicating that, on average, divesting GHG-heavy 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 2.3 percentage points.[15] Results in Columns (6)–(8) 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).

These findings underscore the broader environmental implications of GHG-reducing 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, are linked to improvements in non-GHG biodiversity outcomes. Specifically, expanding extant research (Li et al., 2024; Ecker and Keeve, 2025; Duchin et al., 2025), we document significant reductions in non-GHG biodiversity outcomes, including land use, water pollution, and air pollution. These findings reveal an important positive spillover effect of GHG-reducing divestitures that was previously overlooked due to a typically narrow focus on carbon emissions.

[14] Because our change specification captures within-firm variation over consecutive years, it may not fully reflect persistent cross-sectional differences across firms. Therefore, in untabulated analyses, we re-estimate the model in levels (rather than first differences), including firm and year fixed effects. Inferences are unaffected.

[15] As we use standardized coefficients, the economic significance is computed as follows: *ΔNon-GHG Impact* has an unstandardized standard deviation of 0.142 in the subsample of firms without GHG-reducing divestitures. The coefficient on *GHG-Reducing Divestitures* in Column (3) is –0.165, implying that the non-GHG biodiversity impact of divesting firms is lower by $0.165 \times 0.142 = 0.023$.

In Panel B, we evaluate the change in the individual components of non-GHG biodiversity impact: *ΔLand Impact*, *ΔAir Impact*, and *ΔWater Impact*. 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-reducing 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.[17,18]

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

Importantly, we quantify the *net* effect of GHG-reducing divestitures. Specifically, for a subsample of firms with available data, we investigate the changes in the non-GHG CBF of both divesting and acquiring firms. This analysis allows us to assess whether the overall impact of GHG-reducing 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 non-GHG CBF, but the long-term environmental benefits ultimately depends on how the divested assets are eventually utilized by the buyers.

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

[17] In terms of economic significance, the biodiversity impact from (a) land use would decrease by 0.150 (coeff. of *GHG-Reducing Divestitures* in Column (1)) × 0.125 (st. dev. of *ΔLand Impact* in the subsample of firms without GHG-reducing divestitures) = 0.019, or 1.9 percentage point decrease in land-related CBF relative to the divesting firm's total sales; (b) air pollution would decrease by 0.285 (coeff. of *GHG-Reducing Divestitures* in Column (4)) × 0.005 (st. dev. of *ΔAir Impact* in the subsample of firms without GHG-reducing divestitures) = 0.001, or 0.1 percentage points decrease in air-related CBF relative to the divesting firm's total sales; (c) water pollution would decrease by 0.105 (coeff. of *GHG-Reducing Divestitures* in Column (8)) × 0.016 (st. dev. of *ΔWater Impact* in the subsample of firms without GHG-reducing divestitures) = 0.002, or 0.2 percentage points decrease in water-related CBF relative to the divesting firm's total sales.

[18] While our main analysis focuses on the effect of divesting GHG-heavy assets on firms' non-GHG biodiversity impact, we also examine their impact on total CBF and its GHG component. In untabulated analyses, we find that divesting high-emitting assets leads to reductions in both total CBF and GHG CBF intensity. This finding aligns with prior evidence that divestitures are correlated with reductions in firms' GHG emissions intensity (Ecker and Keeve, 2025; Li et al., 2024). We obtain consistent 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. Overall, these findings support that our measure effectively captures firms that reduce their carbon footprint through asset divestitures.

We construct a subsample from the dataset used in the main analysis. For the treatment group (i.e., firms engaging in GHG-reducing divestitures), we require that in a given year: (*i*) the divesting firm completes one or more divestitures where all acquirers are covered by the Iceberg Data Lab, and (*ii*) 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 (*i*) do not engage in transactions affecting their controlled assets (e.g., mergers, acquisitions, or spinoffs), and (*ii*) have the necessary data in both the current and previous fiscal year. These stringent selection criteria yield 100 seller-buyer-year observations for the treatment group and 7,593 firm-year observations for the control group.[19]

We then compute the net effect of divestitures on both the seller's and the buyer's non-GHG biodiversity impact (*Net Non-GHG Impact)*. For treatment firms, this measure reflects the sum of the divesting firm's and the acquirer's non-GHG 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 measure is taken from the firm's year-end data. We then calculate the annual change in net non-GHG CBF.

Panel A of Table 7 presents the results. We find that GHG-reducing divestitures are associated with a significant *reduction* in the intensity of non-GHG CBF (Column (1)), with statistical significance at the 5 percent level (two-sided test). In economic terms, firms that divest GHG-heavy assets experience a 0.308 standard deviation decrease in *ΔNon-GHG Impact* relative to non-divesting firms. This translates to an average reduction of 4.4 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

[19] 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.

[20] We multiply 0.308 (coeff. of *GHG-Reducing Divestitures* in Column (1)) by 0.142 (st. dev. of *ΔNon-GHG Impact* in the subsample of firms without GHG-reducing divestitures) = 0.044.

but statistically insignificant effect (Column (2)). We next replicate this analysis using the alternative measure of *GHG-Reducing Divestitures*, defined as in section 4.3. Results are in line with those reported in Columns (1)-(2). In Columns (4)-(5), we find that the net reduction in non-GHG CBF intensity is larger when divestitures occur earlier 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), consistent with the buyer operating the asset for a longer portion of the year.[21] Lastly, in Columns (7)-(8), we include the change in sales growth to address the possibility that the intensity-based results are driven by revenue fluctuations rather than biodiversity impacts. Our findings are unchanged. Overall, the results provide suggestive evidence that GHG-reducing divestitures generate synergies between buyers and sellers, enabling increased output without a corresponding rise in non-GHG CBF.[22]

In Panel B, we examine *buyer characteristics* that may explain post-divestiture improvements in net non-GHG CBF intensity. We find that the non-GHG benefits are greater for (a) *focusing* purchases, consistent with operational efficiency gains in the use of acquired assets, and (b) purchases by *foreign buyers*, suggesting these buyers may be better able to utilize acquired assets. To further explore the role of foreign buyers, we assess whether the *asset*, rather than the seller, is foreign to the buyer. Results show larger reductions in non-GHG CBF intensity when buyers acquire foreign targets. This suggests that foreign buyers in our sample may possess superior technologies, management practices, or sustainability standards that enable a more efficient and environmentally responsible use of the acquired assets.

[21] We also observe larger net reductions when (*i*) the average operational efficiency of seller-buyer pairs improves post-divestiture, reflected in lower operating and SG&A expenses relative to sales and higher profitability and asset turnover, and (*ii*) the buyer reduces capital and labor intensity after the acquisition. These findings suggest operational 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.

[22] In untabulated tests, we find that GHG-reducing divestitures do not lead to significant changes in either the intensity or levels of net GHG CBF, suggesting that GHG-heavy assets are transferred between sellers and buyers rather than eliminated, consistent with Duchin et al. (2025).

6. Cross-Sectional Analyses

While our primary tests document that GHG-reducing divestitures reduce non-GHG CBF, we further explore how this effect varies with the sellers': (*i*) financial constraints; (*ii*) quality of biodiversity disclosures; (*iii*) exposure to mandatory sustainability reporting regimes; (*iv*) strength of external biodiversity-related monitoring; and *(v)* divestiture type.

6.1. The Role of Divesting Firms' Financial Constraints

We first examine whether the relation between GHG-reducing divestitures and non-GHG CBF intensity differs conditional on divesting firms' financial constraints. Firms under financial pressure are more likely to prioritize short-term survival over long-term sustainability goals. Divestitures of GHG-heavy assets may therefore be undertaken primarily for liquidity reasons, without consideration of broader biodiversity impacts. Moreover, financially constrained firms are often forced to sell assets quickly, while reducing biodiversity impact typically requires capital-intensive changes, such as ecosystem restoration or adopting more sustainable practices. As a result, constrained firms may lack the resources to make broader sustainability improvements. Accordingly, any positive spillovers to non-GHG CBF intensity are expected to be weaker for financially constrained firms.

Following Bartram et al. (2022), we measure financial constraints using a composite measure based on several proxies commonly used in the literature and computed before the sample period. This approach mitigates reverse-causality concerns, as divestitures affect several inputs to the constraint measures (e.g., leverage, cash holdings, firm size). Classifying firms before sample entry allows us to capture *ex-ante* financing frictions and avoids confounding changes in financial constraints with firms' subsequent divestiture decisions.[23]

[23] Specifically, we use four proxies: (*i*) leverage, (*ii*) the Hadlock-Pierce (2010) index, (*iii*) the Kaplan-Zingales (1997) index, and (*iv*) Altman's Z-score. 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

Results in Table 8 show that the non-GHG CBF benefits are *smaller* for financially constrained firms. This association is consistent with the idea that financial constraints may be linked to a reduced capacity to address broader biodiversity impacts when divesting GHG-heavy assets.

We further examine whether the incremental effect of financial constraints varies with firms' level of biodiversity dependency risk, as firms may simultaneously seek to alleviate financial constraints and reduce biodiversity-related risks through cost savings and operational efficiency. This analysis is particularly relevant given the association of the biodiversity dependency risk with measures of downside risk and with the probability of being targeted by BlackRock's biodiversity engagements (Garel et al., 2025). Therefore, such pressures might 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.[24] Consistent with this interpretation, 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-reducing divestitures carried out under financial pressure are associated with negative spillovers for non-GHG CBF.

6.2. The Role of Biodiversity Disclosure Quality

We next 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 disclosures are generally limited. Fan et al. (2025) further show that biodiversity risk

below the industry-median for Altman's Z-score. 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.

[24] 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.

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. 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-reducing 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-Reducing Divestitures* to Equation (1).

Column (1) of Table 9 indicates that the benefits of divesting GHG-heavy assets are *smaller* for firms with low-quality biodiversity disclosures, suggesting that such divestitures are less beneficial for nature when external parties are less able to accurately assess firms' biodiversity footprints and effectively monitor changes.[25]

6.3. 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 GHG emissions and biodiversity-related impacts, which enhances transparency. These regimes

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

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 also 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 9 show that mandatory disclosure has a statistically insignificant incremental effect (although the estimated coefficient is large in magnitude) on post-divestiture changes in non-GHG CBF. 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-heavy assets is *not* associated with positive spillovers on non-GHG CBF when mandatory sustainability regimes are accompanied by weak 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.

[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.

6.4. The Role of External Biodiversity Monitoring

Further, we assess if the impact of GHG-reducing 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 10, Column (1) we include the interaction between *GHG-Reducing 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 *smaller* post-divestiture spillovers for firms subject to weaker external biodiversity monitoring and for those subject to strong monitoring but not disclosing an explicit ambition to reduce their biodiversity impact. These findings suggest that, in the absence of strong monitoring or

[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.

clearly articulated strategic commitments to reducing environmental harm, GHG-reducing divestitures are associated with more limited biodiversity benefits.

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

Finally, we consider the role of divestiture type, as firms' biodiversity impact may differ based on whether divestitures are focusing or non-focusing. Focusing divestitures involve selling non-core GHG-heavy 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-Reducing Divestitures* with (a) *GHG-Reducing Divestitures – Focusing* and (b) *GHG-Reducing Divestitures – NonFocusing* in Equation (1).[29] Table 11 shows that focusing divestitures are connected with *smaller* reductions in non-GHG CBF than non-focusing divestitures.

7. Robustness Tests and Additional Analyses

7.1. Instrumental Variable (IV) 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.

[29] *GHG-Reducing 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-Reducing 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.

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.[30]

We refine the approach of Duchin et al. (2025) by isolating only those RepRisk incidents that are specifically linked to GHG emissions.[31] Specifically, the instrument (*Increase GHG-Related Incidents*) is an indicator variable equal to 1 if (*i*) the firm's number of GHG-related incidents in year *t* exceeds that in year *t*–1, and (*ii*) the number of incidents is above the year-sector median in both year *t* and year *t*–1 (calculated across all firms in the Iceberg Data Lab dataset), and 0 otherwise. We argue that an increase in GHG-related incidents is associated with the focal firm's decision to divest GHG-heavy assets, as the companies are pressured to reduce their emissions.[32,33] Panel A of Table OA.1. in the Online Appendix shows that our inferences are robust to using the IV approach.

[30] 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.

[31] 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)."

[32] 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.

[33] 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 0.120. Further, the Anderson-Rubin and the Stock-Wright tests reject the null hypothesis that the instrument is weak.

7.2. Entropy Balancing

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

7.3. Non-GHG-Reducing Divestitures

Next, we address the possibility that divestitures in general, not only those involving GHG-heavy assets, 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-heavy 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-Reducing 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 the Online Appendix - Panel B of Table OA.1., Column (2), show that the coefficient on *Non-GHG-Reducing 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-Reducing Divestitures* remains negative and significant,

reinforcing the interpretation that divesting high-emitting assets are linked to meaningful reductions in firms' biodiversity footprint beyond emissions cuts.

7.4. Non-GHG-Related Biodiversity Incidents

To expand our consequence analyses and further assess the robustness of our conclusions, 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.[34] Similar to our primary 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 Incidents* is -1 if the number of non-GHG-related 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 the Online Appendix - Panel B of Table OA.1., Column (3). In line with our main results, the coefficient of *GHG-Reducing Divestitures* is negative and statistically significant, suggesting that divesting GHG-heavy assets is associated with a reduction in biodiversity incidents unrelated to GHG emissions.

[34] 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."

We report additional robustness analyses in the Online Appendix (Sections OA.1,–OA.3.). Specifically, we (*i*) replicate our net-effects analysis using non-GHG-related biodiversity incidents from RepRisk as an alternative measure of firms' non-GHG CBF, (*ii*) conduct an impact threshold for a confounding variable (ITCV) analysis to assess the sensitivity of our results to potential correlated omitted variable bias, and (*iii*) perform several additional specification checks.[35] Across all analyses, the inferences remain.

8. Conclusion

This study examines how divestitures of GHG-heavy assets relate to firms' biodiversity footprints, an underexplored area of sustainability. We conduct the first international analysis of divestitures' impacts on biodiversity through land use, water pollution, and air pollution. Analyzing 2,575 firms across 58 countries (2019–2023), we document that shedding GHG-heavy assets is linked to a significant decrease in non-GHG biodiversity footprints.

A particularly important aspect of our study is the assessment of the effects of GHG-reducing divestitures for both sellers and buyers. Specifically, we document *net* biodiversity gains in the form of reduced non-GHG CBF intensity. Furthermore, we find that sellers' non-GHG biodiversity gains are smaller for financially constrained firms, highlighting a trade-off between short-term financial relief and broader environmental benefits. Moreover, the positive spillovers from GHG-reducing divestitures are attenuated when selling firms provide lower-quality biodiversity disclosures, operate in countries with mandatory sustainability reporting but weak informal enforcement, are subject to weaker external biodiversity monitoring, or pursue focusing divestitures. Our study underscores the limits of carbon-focused strategies and reinforces the growing need to integrate biodiversity into corporate decision-making, disclosure, and regulation.

[35] Specifically, we add to our baseline specification additional controls for environmental performance, past investment activity, and growth opportunities, implement a Heckman (1979) two-stage procedure to address potential selection bias in firms' divestiture decisions, and control for changes in GHG intensity to account for the possibility that GHG-heavy assets are simultaneously intensive in other biodiversity dimensions.

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APPENDIX A
Variable Definitions

Variable	Definition	Source
Dependent Variables		
Non-GHG 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 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 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 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 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*
Land Impact	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*
Land Impact 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*
Land Impact 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*
Air Impact	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*

Air Impact 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*
Air Impact 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*
Air Impact 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*
Water Impact	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*
Water Impact 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*
Water Impact 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*
Water Impact 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*
GHG 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*
Test Variables		
GHG-Reducing 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-Reducing Divestitures – Early Sale	An indicator variable equal to 1 if, in a given year, the company is the seller in at least one divestiture transaction, its GHG intensity decreases at the end of the fiscal year relative to the previous year, and the number of days between the start of the fiscal year and the divestiture's effective date is below the sample median; and 0 otherwise.	*SDC Platinum + Iceberg Data Lab*
GHG-Reducing Divestitures – Late Sale	An indicator variable equal to 1 if, in a given year, the company is the seller in at least one divestiture transaction, its GHG intensity decreases at the end of the fiscal year relative to the previous year, and the number of days between the start of the fiscal year and the divestiture's effective date is above the sample median; and 0 otherwise.	*SDC Platinum + Iceberg Data Lab*

GHG-Reducing 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+ Iceberg Data Lab*
GHG-Reducing 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+ Iceberg Data Lab*
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*
Green Capex	An indicator variable equal to 1 if the firm has capital expenditures for activities that contribute to environmental objectives; and 0 otherwise.	*LSEG*
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; and 0 otherwise.	*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		
# GHG-Related Key Developments	The number of key developments containing GHG-related terms associated with the divesting firm.	*Capital IQ*
# GHG-Related Incidents	The number of a divesting firm's GHG-related incidents.	*RepRisk*
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*
Climate Action 100+	An indicator variable equal to 1 if the divesting firm is on the list of companies targeted by the Climate Action 100+ initiative, and 0 otherwise.	*Climate Action 100+*
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*
High GHG Impact	An indicator variable equal to 1 the divesting firm's GHG intensity is above the year-industry median, and 0 otherwise.	*Iceberg Data Lab*
High Sustainable Aspirations	An indicator variable equal to 1 the divesting firm's sustainable aspiration score is above the 75th percentile of the year-industry distribution in the sample covered by Bams and van der Kroft (2025), and 0 otherwise.	*Bams and van der Kroft (2025)*
Increase GHG-Related Incidents	An indicator variable equal to 1 if (*i*) the firm's number of GHG-related incidents in year *t* exceeds that in year *t*–1, and (*ii*) the number of incidents is above the year-sector median in both year *t* and year *t*–1 (calculated across all firms in the Iceberg Data Lab dataset), and 0 otherwise.	*RepRisk*
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*

Table 1
Sample distribution

Panel A: Distribution by Year

Year	Total		*GHG-Reducing Divestitures = 0*		*GHG-Reducing Divestitures = 1*	
	N	**%**	**N**	**%**	**N**	**%**
2019	1,056	*10.98*	932	*10.87*	124	*11.92*
2020	2,006	*20.86*	1,830	*21.33*	176	*16.92*
2021	2,389	*24.84*	2,123	*24.75*	266	*25.58*
2022	2,451	*25.49*	2,137	*24.92*	314	*30.19*
2023	1,715	*17.83*	1,555	*18.13*	160	*15.39*
Total	**9,617**	***100.00***	**8,577**	***100.00***	**1,040**	***100.00***

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

Main Sector	Total		*GHG-Reducing Divestitures = 0*		*GHG-Reducing Divestitures = 1*	
	N	**%**	**N**	**%**	**N**	**%**
Automotive & Logistics	414	*4.30*	355	*4.14*	59	*5.67*
Beverages	226	*2.35*	200	*2.33*	26	*2.50*
Building Products	60	*0.62*	56	*0.65*	4	*0.38*
Chemicals	786	*8.17*	701	*8.17*	85	*8.17*
Construction & Real Estate	414	*4.30*	348	*4.06*	66	*6.35*
Defense	41	*0.43*	30	*0.35*	11	*1.06*
Education	12	*0.12*	11	*0.13*	1	*0.10*
Electrical Equipment	145	*1.51*	130	*1.52*	15	*1.44*
Electronics	938	*9.75*	879	*10.25*	59	*5.67*
Energy	74	*0.77*	65	*0.76*	9	*0.87*
Food	734	*7.63*	645	*7.52*	89	*8.56*
Healthcare	330	*3.43*	297	*3.46*	33	*3.17*
Hotel & Accommodation	57	*0.59*	38	*0.44*	19	*1.83*
Household Goods	221	*2.30*	209	*2.44*	12	*1.15*
Industrial Equipment	503	*5.23*	465	*5.42*	38	*3.65*
Internet & Data	270	*2.81*	241	*2.81*	29	*2.79*
Leisure	230	*2.39*	212	*2.47*	18	*1.73*
Materials	150	*1.56*	134	*1.56*	16	*1.54*
Media	87	*0.90*	76	*0.89*	11	*1.06*
Metals & Mining	615	*6.39*	560	*6.53*	55	*5.29*
Oil & Gas	373	*3.88*	319	*3.72*	54	*5.19*
Paper & Forest	93	*0.97*	79	*0.92*	14	*1.35*
Pharmaceutical	555	*5.77*	500	*5.83*	55	*5.29*
Power	584	*6.07*	498	*5.81*	86	*8.27*
Retail & Wholesale	152	*1.58*	136	*1.59*	16	*1.54*
Services	166	*1.73*	140	*1.63*	26	*2.50*
Software	337	*3.50*	308	*3.59*	29	*2.79*
Telecommunications	329	*3.42*	286	*3.33*	43	*4.13*
Textiles	191	*2.00*	180	*2.10*	11	*1.06*
Tobacco	29	*0.30*	22	*0.26*	7	*0.67*
Transportation	441	*4.60*	408	*4.76*	33	*3.17*
Waste	35	*0.36*	24	*0.27*	11	*1.06*

Water	25	*0.27*	25	*0.29*	0	*0.00*
Total	**9,617**	***100.00***	**8,577**	***100.00***	**1,040**	***100.00***

Panel C: Distribution by Country

Country Name	Total		*GHG-Reducing Divestitures = 0*		*GHG-Reducing Divestitures = 1*	
	N	**%**	**N**	**%**	**N**	**%**
United States	1,974	*20.52*	1,668	*19.45*	306	*29.42*
China	1,552	*16.14*	1,518	*17.70*	34	*3.27*
Japan	1,111	*11.55*	977	*11.39*	134	*12.88*
India	446	*4.64*	435	*5.07*	11	*1.06*
Korea (South)	370	*3.85*	330	*3.85*	40	*3.85*
United Kingdom	324	*3.37*	252	*2.94*	72	*6.92*
Taiwan	304	*3.16*	299	*3.49*	5	*0.48*
Canada	237	*2.46*	218	*2.54*	19	*1.83*
France	232	*2.41*	159	*1.85*	73	*7.02*
Germany	225	*2.34*	168	*1.96*	57	*5.48*
Australia	224	*2.33*	199	*2.32*	25	*2.40*
Cayman Islands	216	*2.25*	210	*2.45*	6	*0.58*
Turkey	193	*2.01*	186	*2.17*	7	*0.67*
Switzerland	161	*1.67*	142	*1.66*	19	*1.83*
Sweden	156	*1.62*	143	*1.67*	13	*1.25*
Thailand	140	*1.46*	136	*1.59*	4	*0.38*
Netherlands	114	*1.19*	93	*1.08*	21	*2.02*
Brazil	100	*1.04*	95	*1.11*	5	*0.48*
Italy	97	*1.01*	79	*0.92*	18	*1.73*
Indonesia	96	*1.00*	95	*1.11*	1	*0.10*
Malaysia	94	*0.98*	89	*1.04*	5	*0.48*
Spain	90	*0.94*	68	*0.79*	22	*2.12*
Israel	86	*0.89*	80	*0.93*	6	*0.58*
South Africa	80	*0.83*	70	*0.82*	10	*0.96*
Hong Kong	74	*0.77*	72	*0.84*	2	*0.19*
Norway	67	*0.70*	56	*0.65*	11	*1.06*
Singapore	64	*0.67*	55	*0.64*	9	*0.87*
Denmark	63	*0.66*	53	*0.62*	10	*0.96*
Mexico	62	*0.64*	55	*0.64*	7	*0.67*
Saudi Arabia	62	*0.64*	61	*0.71*	1	*0.10*
Finland	60	*0.62*	44	*0.51*	16	*1.54*
Ireland	58	*0.60*	44	*0.51*	14	*1.35*
Belgium	51	*0.53*	41	*0.48*	10	*0.96*
New Zealand	49	*0.51*	44	*0.51*	5	*0.48*
Other	385	*4.00*	343	*3.99*	42	*4.03*
Total	**9,617**	***100.00***	**8,577**	***100.00***	**1,040**	***100.00***

Table 2
Descriptive Statistics

	GHG-Reducing Divestitures = 0				*GHG-Reducing Divestitures* = 1				T-test	Kruskal-Wallis Test	Probability Test
Variable	**N**	**Mean**	**p50**	**SD**	**N**	**Mean**	**p50**	**SD**			
Non-GHG Impact	8,577	0.170	0.049	0.341	1,040	0.141	0.039	0.294	**2.65*****	**11.84*****	
Non-GHG Impact Scope 1	8,577	0.014	0.001	0.039	1,040	0.011	0.001	0.034	**2.21****	0.61	
Non-GHG Impact Scope 2	8,577	0.0001	0.0000002	0.0002	1,040	0.0001	0.0000004	0.0002	**1.89***	0.27	
Non-GHG Impact Scope 3	8,577	0.152	0.039	0.324	1,040	0.128	0.030	0.284	**2.23****	**11.70*****	
Land Impact	8,577	0.122	0.020	0.287	1,040	0.101	0.016	0.252	**2.35****	**8.42*****	
Land Impact Scope 1	8,577	0.008	0.0002	0.024	1,040	0.005	0.0003	0.016	**3.68*****	0.03	
Land Impact Scope 3	8,577	0.111	0.016	0.276	1,040	0.094	0.012	0.244	**1.82***	**5.91*****	
Air Impact	8,577	0.007	0.002	0.016	1,040	0.005	0.002	0.011	**4.13*****	**2.82***	
Air Impact Scope 1	8,577	0.001	0.00004	0.003	1,040	0.001	0.0001	0.002	**3.03*****	**5.73****	
Air Impact Scope 2	8,577	0.0001	0.0000002	0.0002	1,040	0.0001	0.0000004	0.0002	**1.86***	0.30	
Air Impact Scope 3	8,577	0.006	0.001	0.014	1,040	0.004	0.001	0.01	**3.71*****	2.51	
Water Impact	8,577	0.027	0.002	0.062	1,040	0.025	0.002	0.064	0.81	**6.85*****	
Water Impact Scope 1	8,577	0.003	0.00000003	0.010	1,040	0.003	0.0000001	0.011	-0.52	2.39	
Water Impact Scope 2	8,577	0.00001	0.00000002	0.00002	1,040	0.00001	0.00000004	0.00002	**2.10****	0.08	
Water Impact Scope 3	8,577	0.021	0.002	0.050	1,040	0.018	0.001	0.047	**1.97****	**12.16*****	
M&A	8,577	0.071	0.000	0.256	1,040	0.314	0.000	0.465			**-25.08*****
Size	8,577	8.898	8.911	1.338	1,040	10.076	10.049	1.266	**-26.79*****	**39.74*****	
ROA	8,577	0.081	0.070	0.085	1,040	0.064	0.057	0.069	**6.17*****	**52.84*****	
Leverage	8,577	0.524	0.534	0.199	1,040	0.617	0.622	0.171	**-14.36*****	**197.95*****	
Capex to Total Assets	8,577	0.044	0.034	0.037	1,040	0.036	0.031	0.028	**6.71*****	**28.29*****	
Green Capex	8,577	0.055	0.000	0.228	1,040	0.075	0.000	0.264			**-2.62****
Tangibility	8,577	0.305	0.258	0.220	1,040	0.280	0.227	0.207	**3.51*****	**10.63*****	
Asset Growth	8,577	0.147	0.078	0.260	1,040	0.079	0.046	0.192	**8.20*****	**106.84*****	
Cash to Total Assets	8,577	0.172	0.129	0.150	1,040	0.105	0.087	0.086	**14.09*****	**189.66*****	

This table presents the descriptive statistics for our variables in their original levels and unstandardized form. We partition our final sample based on *GHG-Reducing 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-Reducing Divestitures

Panel A: Seller Characteristics

Variable	N	Mean	p50	SD	Min	p25	p75	Max
Percentage of Foreign Divested Assets	1,040	0.482	0.500	0.460	0.000	0.000	1.000	1.000
Percentage of Focusing Divestitures	1,040	0.729	1.000	0.412	0.000	0.500	1.000	1.000
Mandatory Sustainability Disclosure	1,040	0.469	0.000	0.499	0.000	0.000	1.000	1.000
Mandatory Sustainability Disclosure & High Informal Enforcement	1,040	0.365	0.000	0.482	0.000	0.000	1.000	1.000
Mandatory Sustainability Disclosure & Non-High Informal Enforcement	1,040	0.104	0.000	0.305	0.000	0.000	0.000	1.000

Panel B: Buyer Characteristics

Variable	N	Mean	p50	SD	Min	p25	p75	Max
Percentage of Private Buyers	1,040	0.688	1.000	0.411	0.000	0.400	1.000	1.000
Percentage of Foreign Targets	1,040	0.344	0.000	0.424	0.000	0.000	0.775	1.000
Percentage of Foreign Buyers	1,040	0.572	0.817	0.460	0.000	0.000	1.000	1.000
Percentage of Focusing Acquisitions	1,040	0.186	0.000	0.348	0.000	0.000	0.250	1.000
Percentage of Buyers with Mandatory Sustainability Disclosures	1,040	0.153	0.000	0.324	0.000	0.000	0.000	1.000
Percentage of Buyers with Mandatory Sustainability Disclosures & High Informal Enforcement	1,040	0.115	0.000	0.286	0.000	0.000	0.000	1.000
Percentage of Buyers with Mandatory Sustainability Disclosures & Non-High Informal Enforcement	1,040	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-reducing divestitures (N = 1,040). *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-Reducing Divestitures = 0 \ GHG-Reducing Divestitures = 1	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) *Non-GHG Impact*		**0.91**	**0.22**	**0.28**	-0.04	**-0.08**	**0.10**	**0.06**	-0.02	**-0.06**	**0.07**	-0.04	-0.04
(2) *Land Impact*	**0.90**		**0.18**	**-0.06**	**-0.07**	**-0.09**	**0.11**	**0.09**	-0.02	**-0.06**	**0.08**	-0.02	-0.03
(3) *Air Impact*	**0.23**	**0.17**		0.03	-0.02	-0.03	0.02	**0.08**	**0.05**	-0.03	**0.13**	0.01	-0.02
(4) *Water Impact*	**0.23**	**-0.08**	**0.07**		0.02	0.02	0.01	**-0.14**	0.02	-0.02	0.02	-0.05	-0.02
(5) *M&A*	**-0.02**	**-0.02**	0.0003	0.01		**0.24**	-0.04	**0.05**	-0.01	0.05	-0.02	0.03	0.01
(6) *Size*	**-0.06**	**-0.06**	**0.08**	**-0.02**	**0.21**		**-0.08**	**0.22**	0.04	**0.10**	**0.09**	**-0.07**	**-0.24**
(7) *ROA*	**0.05**	**0.06**	**-0.03**	0.003	**-0.04**	**-0.24**		**-0.18**	**0.13**	-0.02	0.02	**0.13**	**0.11**
(8) *Leverage*	**-0.04**	**-0.02**	**0.03**	**-0.12**	**0.09**	**0.38**	**-0.30**		**-0.05**	0.01	-0.002	**-0.06**	**-0.18**
(9) *Capex to Total Assets*	**0.06**	**0.07**	**0.04**	0.02	**-0.03**	**-0.06**	**0.04**	-0.02		0.05	**0.65**	0.02	**-0.09**
(10) *Green Capex*	**-0.02**	-0.02	-0.01	-0.01	**0.02**	**0.1**	**-0.03**	0.005	**0.03**		0.03	-0.01	0.01
(11) *Tangibility*	**0.08**	**0.08**	**0.19**	0.01	-0.01	**0.16**	**-0.12**	**0.15**	**0.54**	**0.03**		-0.03	**-0.24**
(12) *Asset Growth*	0.01	**0.02**	**-0.04**	0.01	-0.0001	**-0.21**	**0.12**	**-0.08**	**0.13**	**-0.03**	**-0.11**		**0.16**
(13) *Cash to Total Assets*	**-0.02**	-0.01	**-0.08**	-0.0003	**-0.11**	**-0.32**	**0.17**	**-0.37**	**-0.14**	**-0.03**	**-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-Reducing 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-Reducing Divestitures* = 1 (N = 1,040), whereas coefficients below the diagonal correspond to correlations in the subsample where *GHG-Reducing Divestitures* = 0 (N = 8,577). All variables are defined in Appendix A. Correlations in bold reflect 10 percent significance.

Table 5
Determinants of GHG-Reducing Divestitures

	Dependent Variable:
	GHG-Reducing Divestitures
VARIABLES	(1)
High GHG Biodiversity Impact	**0.029***** **[3.94]**
# GHG-Related Incidents	**0.025***** **[3.90]**
# GHG-Related Key Developments	**0.012**** **[2.22]**
Climate Action 100+	**0.055**** **[2.19]**
High Sustainable Aspirations	0.010 [1.09]
Mandatory Sustainability Disclosure	0.020 [0.32]
M&A	0.076*** [4.63]
Divestitures	0.115*** [7.97]
Size	0.036*** [6.65]
ROA	-0.014*** [-3.79]
Leverage	0.004 [0.87]
Capex to Total Assets	0.000 [0.04]
Green Capex	-0.036 [-1.53]
Tangibility	-0.021*** [-3.68]
Asset Growth	-0.001 [-0.35]
Cash to Total Assets	-0.024*** [-6.39]
Financially Constrained	-0.013 [-1.30]
Constant	-0.224*** [-5.84]
Country, Year, and Industry FE	*Yes*
Observations	7,654
Adjusted R^2	0.166

This table reports the OLS estimation results of the model presented in Equation (2). The dependent variable is *GHG-Reducing Divestitures* in year *t*. The determinants are measured with a one-year lag. All 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).

Table 6
Effect of GHG-Reducing Divestitures on Non-GHG CBF

Panel A: Non-GHG CBF

	Dependent Variable:							
	ΔNon-GHG Biodiversity Impact (Land, Air, and Water)							
	Aggregate							
	No Controls, No FE	No FE	Full Model	Alternative Main Independent Variable	Extended Model	*Scope 1*	*Scope 2*	*Scope 3*
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
GHG-Reducing Divestitures	**-0.135*** **	**-0.154*** **	**-0.165*** **	**-0.078***	**-0.121*** **	**-0.055***	0.050	**-0.183*** **
	[-4.57]	**[-4.97]**	**[-5.15]**	**[-1.94]**	**[-3.74]**	**[-1.69]**	[1.63]	**[-5.60]**
M&A		0.101***	0.086***	0.062**	0.064**	0.087***	-0.026	0.090***
		[3.51]	[2.92]	[2.14]	[2.14]	[2.68]	[-0.79]	[2.99]
ΔSize		0.028**	0.030**	0.033***	0.039***	-0.001	-0.041***	0.033***
		[2.56]	[2.44]	[2.63]	[3.37]	[-0.08]	[-3.29]	[2.80]
ΔROA		0.027**	0.023*	0.022	0.043***	-0.031**	0.002	0.030**
		[2.03]	[1.70]	[1.60]	[3.31]	[-2.21]	[0.15]	[2.26]
ΔLeverage		0.005	0.001	0.001	0.003	0.002	-0.011	0.002
		[0.38]	[0.07]	[0.05]	[0.29]	[0.16]	[-0.88]	[0.15]
ΔCapex to Total Assets		0.025*	0.030**	0.029**	0.036**	-0.001	-0.003	0.035**
		[1.70]	[1.98]	[1.96]	[2.46]	[-0.06]	[-0.18]	[2.29]
Green Capex		-0.096***	-0.072*	-0.073**	-0.060	0.011	-0.017	-0.073**
		[-2.90]	[-1.95]	[-1.97]	[-1.63]	[0.29]	[-0.39]	[-1.97]
ΔTangibility		0.013	0.004	0.004	-0.003	0.004	-0.019	0.001
		[0.83]	[0.24]	[0.25]	[-0.18]	[0.26]	[-1.47]	[0.03]
ΔAsset Growth		0.008	0.002	0.001	0.007	0.016	0.016	0.005
		[0.67]	[0.13]	[0.07]	[0.57]	[1.27]	[1.25]	[0.39]
ΔCash to Total Assets		0.001	0.002	0.001	-0.000	0.006	-0.007	-0.000
		[0.05]	[0.13]	[0.10]	[-0.01]	[0.53]	[-0.49]	[-0.03]

ΔGHG Impact					0.185***			
					[10.38]			
Constant	0.015*	0.012	0.286	0.311	0.149	0.329	-0.515	0.266
	[1.85]	[1.45]	[0.88]	[0.96]	[0.60]	[1.21]	[-1.05]	[0.84]
Country, Year, and Industry FE	*No*	*No*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Observations	9,617	9,617	9,617	9,617	9,617	9,617	9,617	9,617
Adjusted R^2	0.002	0.005	0.009	0.007	0.045	-0.000	0.008	0.012

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

	Dependent Variable:										
	ΔLand Impact			*ΔAir Impact*				*ΔWater Impact*			
	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-Reducing Divestitures	**-0.150*** **	**-0.065** **	**-0.169*** **	**-0.285*** **	**-0.158*** **	**0.054***	**-0.273*** **	**-0.105*** **	-0.038	0.050	**-0.116*** **
	[-4.62]	**[-2.15]**	**[-5.06]**	**[-8.88]**	**[-4.50]**	**[1.80]**	**[-8.34]**	**[-3.31]**	[-1.11]	[1.62]	**[-3.74]**
M&A	0.067**	0.068**	0.072**	0.136***	0.067*	-0.021	0.152***	0.090***	0.072**	-0.028	0.096***
	[2.31]	[2.22]	[2.44]	[3.83]	[1.88]	[-0.63]	[4.37]	[2.62]	[2.02]	[-0.83]	[2.72]
ΔSize	0.034***	-0.003	0.038***	-0.011	-0.006	-0.042***	-0.013	-0.012	0.001	-0.044***	-0.007
	[2.67]	[-0.20]	[3.14]	[-1.01]	[-0.50]	[-3.31]	[-1.17]	[-0.98]	[0.07]	[-3.46]	[-0.59]
ΔROA	0.032**	-0.020	0.041***	-0.059***	-0.059***	0.003	-0.055***	-0.037***	-0.050***	0.001	-0.028**
	[2.39]	[-1.43]	[3.17]	[-4.21]	[-4.25]	[0.24]	[-4.09]	[-2.93]	[-3.47]	[0.08]	[-2.42]
ΔLeverage	0.007	0.013	0.006	-0.010	0.008	-0.009	-0.009	-0.010	-0.031***	-0.010	-0.0004
	[0.56]	[1.07]	[0.45]	[-0.99]	[0.80]	[-0.72]	[-0.95]	[-0.97]	[-3.02]	[-0.83]	[-0.04]
ΔCapex to Total Assets	0.029*	0.0001	0.034**	-0.009	-0.030**	-0.003	0.001	0.014	0.023*	-0.004	0.010
	[1.95]	[0.00]	[2.23]	[-0.71]	[-2.15]	[-0.20]	[0.05]	[1.21]	[1.88]	[-0.24]	[0.92]
Green Capex	-0.063*	0.022	-0.062	-0.053	-0.013	-0.018	-0.054	-0.054*	-0.042	-0.006	-0.057*
	[-1.68]	[0.53]	[-1.63]	[-1.61]	[-0.39]	[-0.40]	[-1.60]	[-1.65]	[-1.24]	[-0.13]	[-1.71]
ΔTangibility	-0.001	-0.007	-0.004	0.024	0.033**	-0.019	0.020	0.016	0.045***	-0.017	0.013
	[-0.05]	[-0.40]	[-0.25]	[1.55]	[2.18]	[-1.46]	[1.34]	[1.19]	[2.94]	[-1.34]	[0.97]
ΔAsset Growth	0.005	0.020	0.005	-0.007	0.003	0.016	-0.009	0.011	0.006	0.019	0.012

	[0.34]	[1.51]	[0.39]	[-0.75]	[0.27]	[1.23]	[-0.99]	[1.09]	[0.66]	[1.45]	[1.16]
ΔCash to Total Assets	0.009	0.001	0.007	-0.002	0.013	-0.006	-0.005	-0.010	0.015	-0.009	-0.011
	[0.67]	[0.10]	[0.49]	[-0.18]	[1.14]	[-0.45]	[-0.44]	[-0.81]	[1.30]	[-0.65]	[-0.90]
Constant	0.297	0.438	0.266	0.421*	0.210***	-0.536	0.480	0.044	0.070	-0.319	0.052
	[0.86]	[1.23]	[0.79]	[1.72]	[3.35]	[-1.05]	[1.59]	[0.89]	[0.89]	[-0.95]	[1.07]
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Observations	9,617	9,617	9,617	9,617	9,617	9,617	9,617	9,617	9,617	9,617	9,617
Adjusted R^2	0.010	0.0004	0.013	0.019	0.038	0.008	0.020	0.017	0.024	0.009	0.023

Panel A reports the regression results of the effect of GHG-reducing divestitures on non-GHG biodiversity impact. In Columns (1)-(5), the dependent variable is *Non-GHG Impact*; in Columns (6)-(8) 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-reducing 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 Non-GHG Impact (Land, Air, and Water)							
	Main Tests		Alternative Main Independent Variable		Timing of the Divestiture		Extended Model	
	Intensity	Levels	Intensity	Levels	Intensity	Levels	Intensity	Levels
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
GHG-Reducing Divestitures	**-0.308****	-0.085	**-0.471****	0.241			**-0.330****	-0.086
	[-1.97]	[-0.16]	**[-2.34]**	[0.35]			**[-2.01]**	[-0.15]
GHG-Reducing Divestitures - Early Sale (a)					**-0.643*****	-0.660		
					[-2.84]	[-0.95]		
GHG-Reducing Divestitures - Late Sale (b)					-0.010	0.425		
					[-0.06]	[0.63]		
M&A	0.184	1.124	0.099	0.930	0.222	1.188	0.177	1.133
	[0.72]	[1.33]	[0.52]	[1.23]	[0.89]	[1.41]	[0.67]	[1.30]
ΔSize	0.037***	0.055***	0.038***	0.055***	0.037***	0.055***	0.034***	0.052***
	[2.83]	[4.04]	[2.89]	[3.95]	[2.84]	[4.07]	[2.58]	[3.79]
ΔROA	0.034**	0.060***	0.033**	0.060***	0.034**	0.061***	0.005	0.031**
	[2.31]	[3.89]	[2.27]	[3.87]	[2.32]	[3.94]	[0.30]	[2.06]
ΔLeverage	-0.002	-0.003	-0.001	-0.003	-0.001	-0.003	-0.010	-0.011
	[-0.13]	[-0.31]	[-0.11]	[-0.26]	[-0.11]	[-0.28]	[-0.76]	[-1.04]
ΔCapex to Total Assets	0.026*	0.007	0.026*	0.007	0.026*	0.007	0.026*	0.007
	[1.67]	[0.86]	[1.69]	[0.84]	[1.66]	[0.82]	[1.67]	[0.82]
Green Capex	-0.077	-0.040	-0.078*	-0.040	-0.077	-0.041	-0.078*	-0.042
	[-1.63]	[-0.60]	[-1.67]	[-0.59]	[-1.64]	[-0.62]	[-1.67]	[-0.63]
ΔTangibility	0.010	0.024*	0.009	0.024*	0.011	0.025*	0.014	0.028**
	[0.55]	[1.74]	[0.51]	[1.75]	[0.60]	[1.86]	[0.77]	[2.05]
ΔAsset Growth	0.003	-0.015	0.003	-0.014	0.004	-0.013	-0.017	-0.035***

	[0.24]	[-1.26]	[0.21]	[-1.18]	[0.30]	[-1.15]	[-1.14]	[-2.78]
ΔCash to Total Assets	0.004	0.002	0.004	0.002	0.004	0.003	0.010	0.008
	[0.28]	[0.21]	[0.24]	[0.17]	[0.29]	[0.25]	[0.66]	[0.72]
ΔSales Growth							0.078***	0.079***
							[4.78]	[5.33]
Constant	0.022	-0.390***	0.024	-0.385***	0.016	-0.401***	0.377	-0.056
	[0.13]	[-2.69]	[0.14]	[-2.64]	[0.09]	[-2.78]	[1.04]	[-0.41]
Test for differences in coefficients								
F-test p-value: *(a) = (b)*					**0.01**	0.20		
Country, Year, and Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	7,693	7,693	7,693	7,693	7,693	7,693	7,673	7,673
Adjusted R^2	0.008	0.017	0.008	0.017	0.009	0.020	0.012	0.021

Panel A reports the regression results of the effect of GHG-reducing divestitures on the net non-GHG biodiversity impact. Columns (1)-(2) present the results of the main specification, while in Columns (3)-(4) we use an alternative measure of *GHG-Reducing Divestitures*. In Columns (5)-(6), we replace *GHG-Reducing Divestitures* with *GHG-Reducing Divestitures - Early Sale* and *GHG-Reducing Divestitures - Late Sale*. In Columns (7)-(8), we extend our model by additionally controlling for the change in sales growth. We assess biodiversity impact on both intensity and levels. *Net Non-GHG Impact* is 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. In Columns (1), (3), (5), and (7), the dependent variable is biodiversity loss (in km^2.MSA) from land use, air pollution, and water pollution, divided by total sales and multiplied by -1 (intensity). In Columns (2), (4), (6) and (8), the dependent variable is 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). *GHG-Reducing Divestitures - Early Sale* (*GHG-Reducing Divestitures - Late Sale*) is an indicator variable equal to 1 if, in a given year, the company is the seller in at least one divestiture transaction, its GHG intensity decreases at the end of the fiscal year relative to the previous year, and the number of days between the start of the fiscal year and the divestiture's effective date is below (above) the sample median; and 0 otherwise. *Sales Growth* is the percentage change in total sales. 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. 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 B: ΔNet non-GHG CBF by Buyer Characteristics

Variables		N	Mean: Non-Focusing Transaction (N=71)	Mean: Focusing Transaction (N=29)	T-test
ΔNet Non-GHG Impact	(Intensity)	100	-0.010	-0.104	**2.36****
	(Levels)	100	840.179	-607.505	1.29

Variables		N	Mean: Local Buyer (N=52)	Mean: Foreign Buyer (N=48)	T-test
ΔNet Non-GHG Impact	(Intensity)	100	-0.003	-0.075	**1.97****
	(Levels)	100	530.22	301.331	0.221

Variables		N	Mean: Local Target (N=62)	Mean: Foreign Target (N=38)	T-test
ΔNet Non-GHG Impact	(Intensity)	100	-0.009	-0.083	**1.98****
	(Levels)	100	676.67	2.139	0.64

Panel B presents the results of a univariate analysis examining whether the mean change in net non-GHG CBF differs based on buyer 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 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 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 km^2.MSA) caused by the company's land use, air pollution, and water pollution multiplied by -1 (levels). 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 Financial Constraints

	Dependent Variable:		
	ΔNon-GHG Impact (Land, Air, and Water)		
	Full Sample	*Lower Dependency Risk*	
		Yes	No
VARIABLES	(1)	(2)	(3)
GHG-Reducing Divestitures x Financially Constrained (a)	**0.135****	**0.744****	**0.123****
	[2.29]	**[2.06]**	**[2.03]**
GHG-Reducing Divestitures (b)	**-0.201*****	-0.485	**-0.195*****
	[-5.17]	[-1.46]	**[-5.03]**
Financially Constrained	0.003	0.033	0.005
	[0.17]	[0.18]	[0.29]
M&A	0.083***	0.058	0.091***
	[2.80]	[0.29]	[3.02]
ΔSize	0.030**	0.047	0.033**
	[2.43]	[0.45]	[2.57]
ΔROA	0.023*	-0.046	0.027*
	[1.70]	[-0.53]	[1.92]
ΔLeverage	0.001	-0.115	0.008
	[0.11]	[-1.32]	[0.68]
ΔCapex to Total Assets	0.030**	0.132	0.025*
	[1.99]	[1.17]	[1.77]
Green Capex	-0.074**	-0.663	-0.058
	[-2.00]	[-1.51]	[-1.64]
ΔTangibility	0.004	0.086	0.002
	[0.26]	[0.73]	[0.11]
ΔAsset Growth	0.002	-0.018	0.0004
	[0.13]	[-0.18]	[0.03]
ΔCash to Total Assets	0.002	0.041	0.001
	[0.14]	[0.44]	[0.11]
Constant	0.285	-1.235	0.407
	[0.88]	[-1.35]	[1.29]
Test for differences in coefficients			
Chi-square test p-value: *(a) = (a)*		**0.05**	
Chi-square test p-value: *(b) = (b)*		0.32	
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*
Observations	9,617	376	9,241
Adjusted R^2	0.009	0.073	0.008

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 9
The Effect of Biodiversity Disclosure Quality and Mandatory Sustainability Disclosure

	Dependent Variable:			
	ΔNon-GHG Impact (Land, Air, and Water)			
	Biodiversity Disclosure Quality	*Mandatory Sustainability Reporting*		
		Full Sample	*Informal Enforcement*	
			High	Non-High
VARIABLES	(1)	(2)	(3)	(4)
GHG-Reducing Divestitures x Biodiversity Disclosure Quality	**-0.064****			
	[-2.30]			
GHG-Reducing Divestitures x Mandatory Sustainability Disclosure (a)		-0.045	**-0.182****	0.113
		[-0.72]	**[-2.14]**	[1.09]
GHG-Reducing Divestitures (b)	**-0.150*****	**-0.145*****	-0.046	**-0.187*****
	[-4.82]	**[-3.45]**	[-0.68]	**[-3.53]**
Biodiversity Disclosure Quality	0.008			
	[0.67]			
Mandatory Sustainability Disclosure		-0.034	-0.005	-0.046
		[-0.82]	[-0.17]	[-0.83]
M&A	0.087***	0.086***	0.025	0.144***
	[2.97]	[2.93]	[0.73]	[2.96]
ΔSize	0.031**	0.030**	-0.011	0.041***
	[2.45]	[2.44]	[-0.48]	[2.81]
ΔROA	0.024*	0.023*	0.007	0.033*
	[1.74]	[1.71]	[0.32]	[1.95]
ΔLeverage	0.001	0.001	0.001	0.001
	[0.07]	[0.08]	[0.04]	[0.04]
ΔCapex to Total Assets	0.030**	0.030**	-0.008	0.037**
	[1.98]	[1.97]	[-0.33]	[2.15]
Green Capex	-0.072**	-0.072*	0.016	-0.135**
	[-1.96]	[-1.96]	[0.50]	[-2.30]
ΔTangibility	0.004	0.004	0.038	-0.006

	[0.22]	[0.24]	[1.33]	[-0.30]
ΔAsset Growth	0.002	0.002	0.006	0.002
	[0.12]	[0.13]	[0.27]	[0.12]
ΔCash to Total Assets	0.002	0.002	-0.007	0.004
	[0.12]	[0.14]	[-0.34]	[0.25]
Constant	0.291	0.289	-0.344***	-0.129
	[0.90]	[0.89]	[-5.84]	[-1.19]
Test for differences in coefficients				
Chi-square test p-value: *(a) = (a)*			**0.02**	
Chi-square test p-value: *(b) = (b)*			**0.07**	
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*	*Yes*
Observations	9,617	9,617	3,317	6,300
Adjusted R^2	0.009	0.008	0.006	0.011

This table reports the regression results on the incremental effect of biodiversity disclosure quality (Column (1)) and mandatory sustainability disclosure (Column (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 Non-High (Column (4)) informal enforcement partitions. Significance level is indicated by *** (for p<0.01), ** (for p<0.05), and * (for p<0.10).

Table 10
The Effect of External Biodiversity Monitoring

	Dependent Variable:	
	ΔNon-GHG Impact (Land, Air, and Water)	
VARIABLES	(1)	(2)
GHG-Reducing Divestitures x Nature Action 100	**-0.414***	
	[-1.82]	
Nature Action 100	0.011	
	[0.11]	
GHG-Reducing Divestitures x Nature Action 100 Ambition Dis. (a)		**-0.633****
		[-2.35]
GHG-Reducing Divestitures x Nature Action 100 No Ambition Dis. (b)		0.272
		[0.70]
GHG-Reducing Divestitures	**-0.124*****	**-0.124*****
	[-4.68]	**[-4.67]**
Nature Action 100 Ambition Dis.		0.041
		[0.31]
Nature Action 100 No Ambition Dis.		-0.044
		[-0.33]
M&A	0.086***	0.082***
	[2.91]	[2.77]
ΔSize	0.030**	0.030**
	[2.42]	[2.42]
ΔROA	0.023*	0.023*
	[1.68]	[1.69]
ΔLeverage	0.001	0.001
	[0.07]	[0.07]
ΔCapex to Total Assets	0.030**	0.030**
	[1.98]	[1.98]
Green Capex	-0.072**	-0.073**
	[-1.96]	[-1.98]
ΔTangibility	0.004	0.004
	[0.23]	[0.22]
ΔAsset Growth	0.001	0.002
	[0.11]	[0.13]
ΔCash to Total Assets	0.002	0.002
	[0.15]	[0.17]
Constant	0.288	0.288
	[0.89]	[0.89]
Test for differences in coefficients		
F-test p-value: *(a) = (b)*		**0.05**
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	9,617	9,617
Adjusted R^2	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 11
The Effect of Divestiture Type

	Dependent Variable:
	ΔNon-GHG Impact (Land, Air, and Water)
VARIABLES	(1)
GHG-Reducing Divestitures - Focusing (a)	**-0.135***** **[-3.89]**
GHG-Reducing Divestitures - NonFocusing (b)	**-0.273***** **[-4.11]**
M&A	0.084*** [2.85]
ΔSize	0.030** [2.44]
ΔROA	0.023* [1.72]
ΔLeverage	0.001 [0.06]
ΔCapex to Total Assets	0.030** [1.98]
Green Capex	-0.072* [-1.94]
ΔTangibility	0.004 [0.22]
ΔAsset Growth	0.001 [0.10]
ΔCash to Total Assets	0.001 [0.11]
Constant	0.287 [0.89]
Test for differences in coefficients F-test p-value: *(a) = (b)*	 **0.06**
Country, Year, and Industry FE	*Yes*
Observations	9,617
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).

Online Appendix

OA.1. Net Effect Using Alternative Dependent Variables

We use 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 of the manuscript, we construct a subsample including only firms covered by RepRisk. This results in 5,563 observations – 155 seller-buyer-year observations in the treatment group and 5,408 firm-year observations in the control group.

We compute the net effect of GHG-reducing divestitures on non-GHG biodiversity-related 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 biodiversity incidents and define *ΔNet Non-GHG-Related Incidents* as an ordered indicator equal to -1 if the net number of non-GHG-related 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.

Table OA.1 (Panel C) in the Online Appendix presents the results. Using these alternative measures of biodiversity impact, we find that divesting GHG-heavy assets is associated with a net reduction in non-GHG-related biodiversity incidents, consistent with our main net-effect test.

OA.2. Impact Threshold for a Confounding Variable (ITCV)

To address the possibility of correlated omitted variable bias, we implement the ITCV approach, following Larcker and Rusticus (2010). Specifically, we compute the ITCV based on the specification in Column (3) of Table 6, Panel A in the manuscript.[36] The resulting ITCV for *GHG-Reducing Divestitures* is –0.033, indicating that the product of the partial correlations

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

between a potential omitted variable and the independent variable (*GHG-Reducing Divestitures*) and between that confounder and the dependent variable (*ΔNon-GHG 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-Reducing Divestitures*. Because our specification includes the standard set of controls commonly used in the divestitures and 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.[37]

OA.3. Other Robustness Tests

We perform a final set of additional analyses to further assess the robustness of our inferences (untabulated). First, we extend Equation (1) by including changes in the seller's environmental score, lagged Capex to total assets and lagged green Capex at one-, two-, and three-year lags to control for changes in environmental performance and past investment activity, as well as the market-to-book ratio to capture growth opportunities. Second, to correct for potential selection bias resulting from firms' decisions to divest high-emitting assets, we implement Heckman's (1979) two-stage estimation procedure. In the first stage, we estimate a selection equation using the baseline controls, our composite financial-constraints measure, and the lagged sustainability-related determinants from Equation (2). We then compute the inverse Mills ratio and add it to the model in Equation (1) to estimate the second-stage regression.

[37] In untabulated tests, we include all determinant variables in our estimations and find that our inferences remain.

Table OA.1. Robustness Tests and Additional Analyses

Panel A: IV Analysis

	First stage	Second stage
	Predicted GHG-Reducing Divestitures	*ΔNon-GHG Impact (Land, Air, and Water)*
VARIABLES	(1)	(2)
GHG-Reducing Divestitures		**-1.198****
		[-1.96]
Increase GHG-Related Incidents	0.066***	
	[4.79]	
M&A	0.221***	0.320**
	[13.73]	[2.29]
ΔSize	-0.021***	0.008
	[-6.51]	[0.41]
ΔROA	0.012***	0.036**
	[3.59]	[2.20]
ΔLeverage	-0.001	-0.0003
	[-0.37]	[-0.03]
ΔCapex to Total Assets	0.002	0.031**
	[0.88]	[2.08]
Green Capex	0.008	-0.062
	[0.51]	[-1.51]
ΔTangibility	-0.002	0.002
	[-0.67]	[0.10]
ΔAsset Growth	0.006*	0.008
	[1.77]	[0.60]
ΔCash to Total Assets	0.005*	0.007
	[1.75]	[0.49]
Constant	-0.040	-0.015
	[-0.86]	[-0.13]
Cragg-Donald Wald F-statistic		39.14
Kleibergen-Paap Wald F-statistic		22.95
Kleibergen-Paap LM statistic		22.97
Anderson-Rubin Wald test Chi-sq		4.29
Stock-Wright LM S statistic		4.40
Country, Year, and Industry FE	*Yes*	*Yes*
Observations	9,617	9,617

Panel A of this table presents the IV analysis results. Our instrument (*Increase GHG-Related Incidents*) is an indicator variable equal to 1 if a firm experiences an increase in GHG-related incidents relative to the previous year and the number of incidents in both periods is above the year-sector median across all firms in the Iceberg Data Lab dataset, and 0 otherwise. The dependent variable in the first stage regression (Column (1)) is *GHG-Reducing Divestitures*. The dependent variable in the second stage regression (Column (2)) is Δ*Non-GHG 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 Impact (Land, Air, and Water)		*ΔNon-GHG-Related Incidents*
VARIABLES	Entropy Balancing	Extended Model	Alternative Dependent Variable
GHG-Reducing Divestitures (a)	**-0.166*** **	**-0.132*** **	**-0.162***
	[-5.52]	**[-4.15]**	**[-1.82]**
Non-GHG-Reducing Divestitures (b)		**0.215*** **	
		[5.51]	
M&A	0.063*	0.042	0.100
	[1.67]	[1.39]	[1.10]
ΔSize	0.017	0.035***	-0.002
	[0.72]	[2.84]	[-0.06]
ΔROA	0.010	0.023*	0.024
	[0.42]	[1.68]	[0.90]
ΔLeverage	-0.003	0.002	-0.040*
	[-0.14]	[0.14]	[-1.76]
ΔCapex to Total Assets	0.015	0.030**	-0.043*
	[0.70]	[1.99]	[-1.66]
Green Capex	0.008	-0.076**	-0.045
	[0.26]	[-2.06]	[-0.44]
ΔTangibility	-0.004	0.004	0.039
	[-0.13]	[0.26]	[1.30]
ΔAsset Growth	0.017	0.001	-0.006
	[0.89]	[0.06]	[-0.24]
ΔCash to Total Assets	-0.024	0.000	-0.002
	[-1.25]	[0.03]	[-0.08]
Constant	0.133	0.300	
	[1.31]	[0.94]	
Test for differences in coefficients			
F-test p-value: *(a) = (b)*		**0.00**	
Country, Year, and Industry FE	*Yes*	*Yes*	*Yes*
Observations	9,617	9,617	7,235
Adjusted R^2/Pseudo R^2	0.045	0.011	0.009

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-Reducing 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 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. 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 C: Net Effect Tests – Alternative Dependent Variable

	Dependent Variable:
	ΔNet Non-GHG-Related Incidents
VARIABLES	(1)
GHG-Reducing Divestitures	**-0.630***
	[-1.86]
M&A	1.033*
	[1.75]
ΔSize	0.000
	[0.00]
ΔROA	0.039
	[1.24]
ΔLeverage	-0.055**
	[-2.09]
ΔCapex to Total Assets	-0.039
	[-1.33]
Green Capex	-0.153
	[-1.27]
ΔTangibility	0.048
	[1.38]
ΔAsset Growth	-0.018
	[-0.61]
ΔCash to Total Assets	0.009
	[0.34]
Country, Year, and Industry FE	*Yes*
Observations	5,563
Pseudo R^2	0.014

This table reports the regression results of the effect of GHG-reducing divestitures on the net non-GHG-related biodiversity incidents. We estimate the model using an ordered logit regression. We compute the net number of non-GHG-related incidents as the sum of the non-GHG-related incidents of the buyer and seller (for treatment firms – i.e., firms engaging in divestitures). For control firms, we use the non-GHG-related incidents of the firm. *ΔNet Non-GHG-Related Incidents* is an ordered indicator equal to -1 if the net number of non-GHG-related 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).