

## Effect of quality on corporate environmental disclosure: The moderating role of institutional investors

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### Abstrak

As air quality has deteriorated, corporate environmental information disclosure (EID) has received extensive attention. We examine how air quality and institutional investors affect corporate EID under China's New Environmental Protection Law (NEPL). We show that air quality's effect on EID depends on institutional investors' supervision and the legal environment. We demonstrate a negative relationship between air quality and EID and a positive relationship between corporate EID and firm value, based on which we explore the driving force to promote corporate EID. The difference-in-differences method indicates that firms in more polluted areas have a higher EID after NEPL implementation than those in less polluted areas. Additionally, the moderation effect model shows that after NEPL implementation, institutional investors can alleviate the negative relationship between air quality and corporate EID, emphasizing the importance of legislation. Our study contributes to ongoing research on methods promoting EID initiatives as air quality deterioration continues.