DISSOLVING "DEUTSCHLAND AG" - HOW "EMBEDDEDNESS" IN NEW INSTITUTIONAL INVESTOR NETWORKS CONTRIBUTES TO ENVIRONMENTAL REPORTING

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Corporate Governance – Ownership Structure

Firm 1

Investor

Investor

Investor

Firm 2

Investor

Investor

Investor

Investor

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German Institutional Investor Network
Research Approach

Social Network Analysis
- Centrality Measures (Closeness)
- Diffusion Theory

Carbon Disclosure Project
- Dummy variable indicating weather a firm fulfils at least 70 percent of disclosure obligations (Rating better than D)
- Transparency – but no Performance Indicator

Logit Regression
- Control variables:
  - Firm Size
  - Industry Sectors

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Conclusions

- Traditional Corporate Germany („Deutschland AG“) was replaced by a institutional investor network, driven by foreign institutional investors („universal owners“).

- „Universal Owners“ being aware of climate change decrease asymmetric information by pushing firms towards environmental reporting, allowing fair valuation.

- Firm „Embeddedness“ into Institutional Investor Networks contributes to increased transparency towards climate change.
Relevance to Policy-Makers and Practitioners

Policy-Makers

- Identifying systemic risks such as climate change and therefore demanding for corresponding information to be released (engagement), “universal owners” can fulfil corporate governance functions and act as forerunners before hard law regulation is in place (voluntary environmental reporting is now mandatory in Germany for large companies).

- Investor coalitions such as the CDP or PRI can play an important role for transparency/reporting standards and therefore should be strengthened via institution building.

Practitioners

- The presence of “universal owners” within a firm has positive effects on the reduction of asymmetric information especially with respect to systemic risks. Hence this presence acts as a quality criteria for evaluating the corporate governance structure.