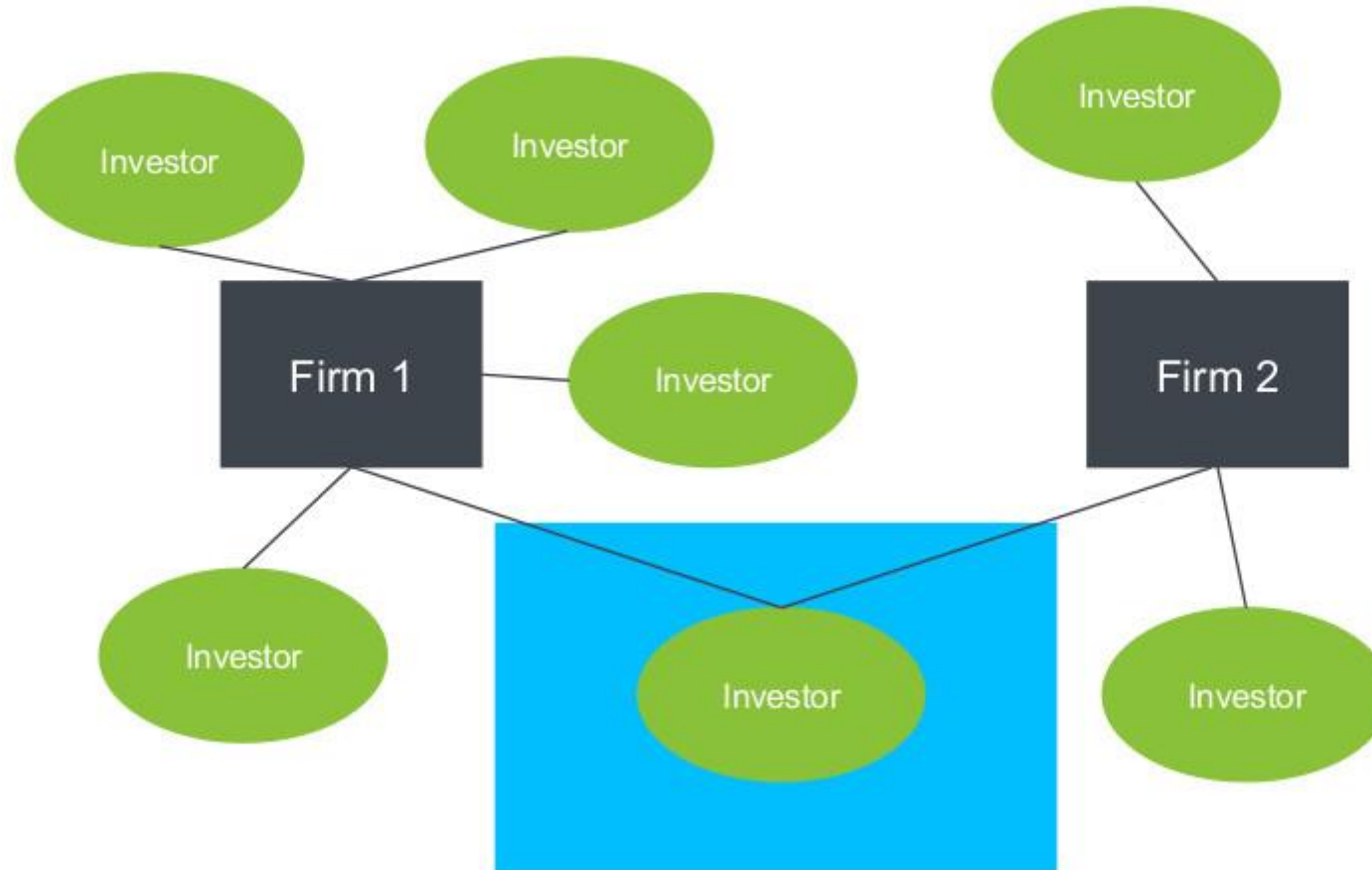**University of Stuttgart**
Institute of Business Administration
Dept. III (Corporate Finance)

DISSOLVING "DEUTSCHLAND AG"- HOW "EMBEDDEDNESS" IN NEW INSTITUTIONAL INVESTOR NETWORKS CONTRIBUTES TO ENVIRONMENTAL REPORTING
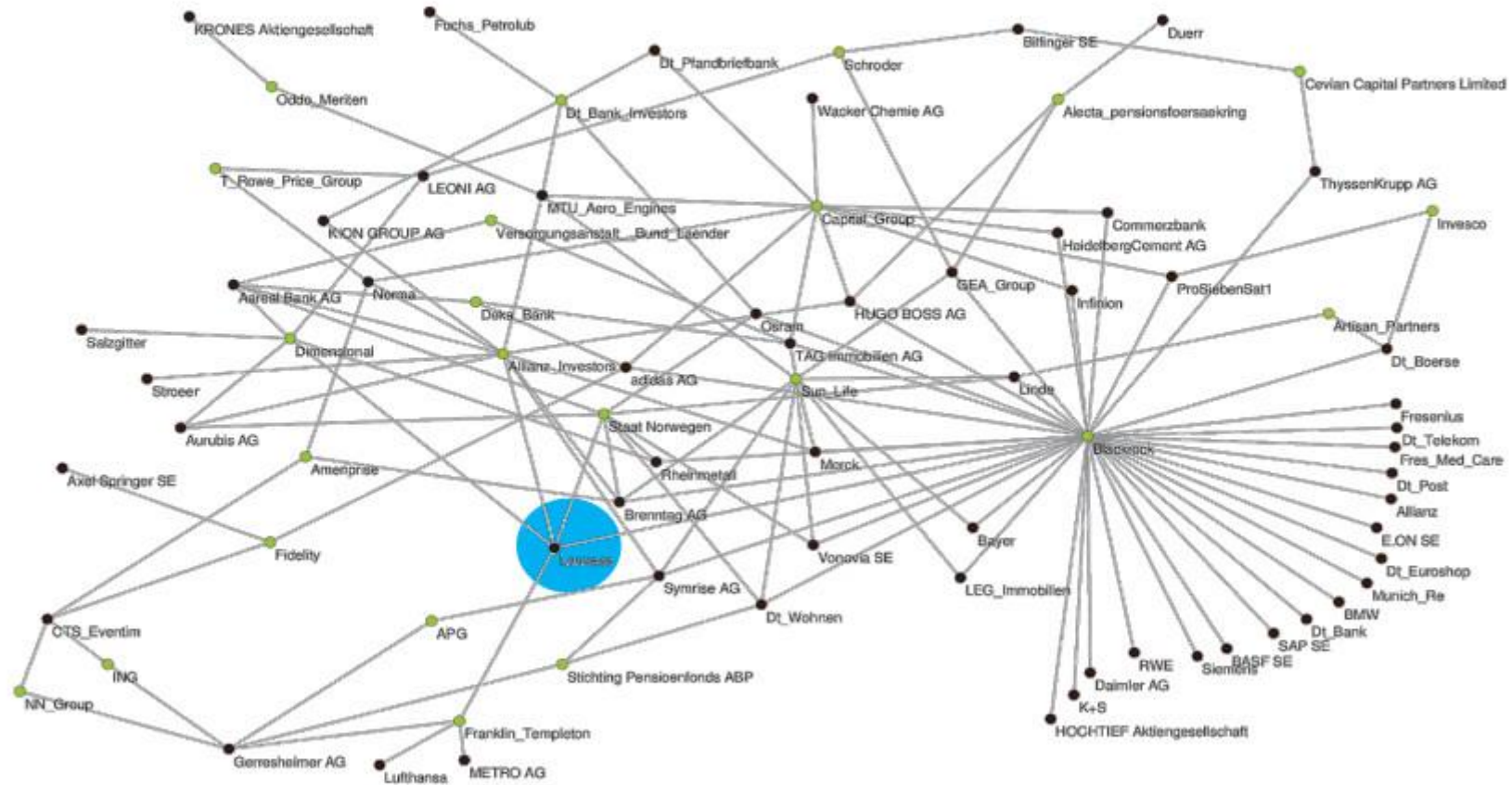
Fabian Bauer, PHD Student

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Corporate Governance – Ownership Structure
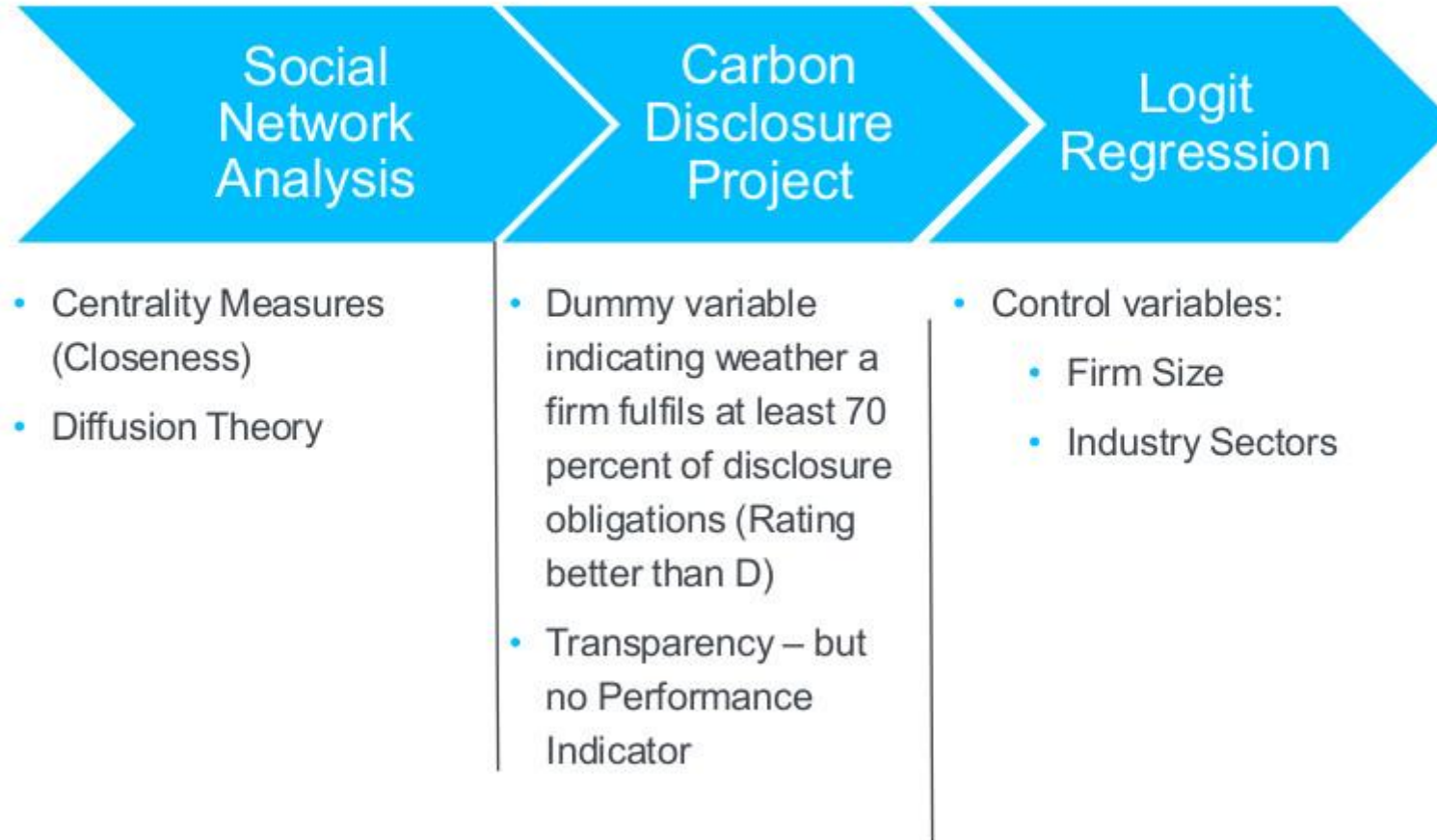
German Institutional Investor Network

Research Approach

Social
Network
Analysis

Carbon
Disclosure
Project

Logit
Regression

- Centrality Measures (Closeness)
- Diffusion Theory

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

- Control variables:
  - Firm Size
  - Industry Sectors

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.

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