

Mannheim, November 2021

Spring Term 2022

ACC 750 Accounting Seminar

## **Accounting for Sustainability: The Role of Accounting Practice and Transparency in Achieving ESG Goals**

Lecturers: Professor Jannis Bischof/Professor Jens Wüstemann

### **I. Admission and Seminar Dates**

We accept applications for the seminar until **December 27, 2021**. Please submit your applications via email to Silke Frankl (sfrankl@mail.uni-mannheim.de). You can access the seminar registration form under the following link: <https://www.bwl.uni-mannheim.de/en/wuestemann/teaching/>.

For the seminar writing phase, you can choose between **two eight-week periods**: the **fast close period** spans from **January 3, 2022 to February 28, 2022** and the **final close period** from **February 25, 2022 to April 22, 2022**. Please indicate in your registration document in which period you intend to write your seminar thesis. We will publish the allocation of paper topics via email on January 3, 2022 and on February 25, 2022, respectively (at 12 pm).

The seminar presentations will take place on **May 6, 2022**.

Please consult the relevant examination regulation ("Prüfungsordnung") and module catalog ("Modulkatalog") for information on minimum admission requirements.

### **II. Seminar Paper and Presentation**

#### *1. Motivation & Preliminary Remarks*

Responsible investing has truly gone mainstream in recent years. Assets under management in European ESG funds have seen a tenfold increase in the past 10 years reaching a level of €1.1 trillion. This strong trend is expected to continue as a third of all managed assets worldwide are expected to have an ESG focus by 2025. Despite such strong investor demand, sustainability information still often lacks reliability and substance. Commercial ESG ratings are widely used but are found to suffer from severe inconsistencies as rating agencies cannot agree on a consistent framework to evaluate and weight firms' ESG

performance across a host of dimensions. In some cases, this has led to fast-fashion retailers (e.g., Boohoo) receiving above-industry average ratings in spite of poor working conditions. In others, firms deliberately overstate their ESG credentials by greenwashing their activities. Only recently, DWS' former head of sustainability has come forward to allege that the asset manager's ESG labelling is highly misleading. Given these concerns, investors seek more reliable and comparable information on firms' CSR activities.

The IFRS Foundation, at least, has followed suit. During the 2021 UN climate conference in Glasgow, it announced the foundation of the International Sustainability Standards Board (ISSB) that will be headquartered in Frankfurt am Main, Germany. The ISSB will be responsible for the development of standards for the reporting of sustainability-linked information. Such standards shall serve as a comprehensive global baseline that provides firms' stakeholders and investors with information on opportunities and risks that firms face with respect to sustainability issues.

At the same time, the European Union (EU) considers transparency as an integral part of its European Green Deal. In order to increase and harmonize disclosure standards regarding sustainability information, the EU already adopted the Non-Financial Reporting Directive in 2014. This directive is planned to be supplemented by a Corporate Sustainability Reporting Directive (CSRD) for which a first proposal was released in April 2021. On the one hand, such initiatives provide a relevant information base for investors on firm-level sustainability risks and opportunities. On the other hand, such regulation is also intended to increase transparency for consumers, raise their awareness of sustainability-related topics, and ultimately change the behavior of consumers as well as companies. Hence, ESG topics do not only raise questions surrounding their formal accounting treatment such as the financial reporting of green bonds, but companies' mandatory disclosure of sustainability-linked information may also induce them to change their business practices accordingly.

Against the background of these developments, the seminar aims to shed light onto the role of accounting practice and transparency in achieving ESG goals. The first part of the seminar addresses ESG topics from the firm-level perspective. It starts by assessing accounting practices for emission allowances as well as for green bonds that play an increasingly important role in the investment universe. Part A continues by examining how firms react to changes in transparency requirements and ends with an analysis of how firms use non-financial performance indicators for the internal evaluation of management performance. The second part of the seminar looks at sustainability information from the investor perspective. This part covers the question whether and which ESG disclosures are important for firm values, by drawing from normative and empirical literature. Given the increasing availability of commercial ESG ratings, this part also assesses the interaction between such ESG ratings and firms' disclosure levels. Finally, part three addresses the stakeholder perspective. Since interests of different countries in the development of ESG standards diverge, this part first looks at the political economy in the context of ESG standard setting and how ideology might impact the development of such standards. Part three continues with an examination of the impact of ESG risks on supply chain relations. As mentioned above, the EU uses disclosure regulation in order to change the behavior of consumers and companies. Against this background, the seminar ends with an assessment of how disclosure mandates can serve as a policy tool and which unintended consequences of disclosure mandates might arise.

For further insights and in general preparation for the seminar session, we recommend reading the following articles and publications:

- O'Dwyer, M., 2021: [New body to oversee global sustainability disclosure standards](#), Financial Times.
- Saldarriaga, A., 2021: [The EU's new sustainability rules spell trouble for many businesses](#), Financial Times.

## 2. Topics and Related Literature

### Part A: Firm-Level Perspective

- **Topic 1:** "Critical assessment of accounting practices for emission allowances and their implications" (Supervisor: *Vincent Giese*)
  - *Allini, A., Giner, B., & Caldarelli, A., 2018.* Opening the black box of accounting for greenhouse gas emissions: The different views of institutional bodies and firms. *Journal of Cleaner Production* 172, 2195-2205.
  - *Bebbington, J., & Larrinaga-Gonzalez, C., 2008.* Carbon Trading: Accounting and Reporting Issues. *European Accounting Review* 17(4), 697-717.
  - *Johnston, D.M., Sefcik, S.E., & Soderstrom, N.S., 2008.* The Value Relevance of Greenhouse Gas Emissions Allowances: An Exploratory Study in the Related United States SO2 Market. *European Accounting Review* 17(4), 747-764.
- **Topic 2:** "Accounting implications of the structuring of green bonds" (Supervisor: *Alexandra Langness*)
  - *European Financial Reporting Advisory Group (EFRAG):* Summary of the comments received on the Interaction of green/sustainable finance and IFRS 9 requirements. EFRAG TEG meeting, 15 September 2021. Paper 01-03C. [Link](#).
  - *Kansal, S., 2014.* IFRS 9 – Understanding financial instruments and their accounting (Wiley Regulatory Reporting). New York, NY.
  - *Geisel, A., & Spieles, J., 2018.* Eigenschaften von Green Bonds und ihre Bilanzierung nach IFRS. *Betriebs-Berater Kapitalmarkt*, 8, 328-335.
- **Topic 3:** "Real effects of ESG Disclosures: How do firms react to changes in transparency requirements?" (Supervisor: *Alexandra Langness*)
  - *Downar, B., Ernstberger, J., Reichelstein, S., Schwenen, S., & Zaklan, A., 2021.* The impact of carbon disclosure mandates on emissions and financial operating performance. *Review of Accounting Studies*, 26, 1137-1175.
  - *Christensen, H. B., Floyd, E., Liu, L. Y., & Maffett, M. G., 2017.* The real effects of mandated information on social responsibility in financial reports: Evidence from mine-safety records. *Journal of Accounting and Economics*, 64, 284-304.
  - *Chen, Y.-C., Hung, M., & Wang, Y., 2018.* The effect of mandatory CSR disclosure on firm profitability and social externalities: Evidence from China. *Journal of Accounting and Economics*, 65, 169-190.

- **Topic 4:** “The use of non-financial KPIs for the internal evaluation of management performance” (Supervisor: *Daniela Zipperer*)
  - *Ittner, C. D., Larcker, D. F., & Meyer, M. W., 2003.* Subjectivity and the weighting of performance measures: Evidence from a balanced scorecard. *The Accounting Review*, 78(3), 725-758.
  - *Ferreira, A., & Otley, D., 2009.* The design and use of performance management systems: An extended framework for analysis. *Management Accounting Research*, 20(4), 263-282.
  - *Rodrigue, M., Magnan, M., & Boulianne, E., 2013.* Stakeholders' influence on environmental strategy and performance indicators: A managerial perspective. *Management Accounting Research*, 24(4), 301-316.
  - *Cai, Y., Jo, H., & Pan, C., 2011.* Vice or virtue? The impact of corporate social responsibility on executive compensation. *Journal of Business Ethics*, 104(2), 159-173.

Part B: Investor Perspective

- **Topic 5:** “Interdependencies between Firm Value and ESG Disclosures – Do Firms' Disclosure Decisions Matter for Investors?” (Supervisor: *Daniela Zipperer*)
  - *Matsumura, E. M., Prakash, R., & Vera-Munoz, S. C., 2014.* Firm-value effects of carbon emissions and carbon disclosures. *The Accounting Review*, 89(2), 695-724.
  - *Plumlee, M., Brown, D., Hayes, R. M., & Marshall, R. S., 2015.* Voluntary environmental disclosure quality and firm value: Further evidence. *Journal of accounting and public policy*, 34(4), 336-361.
  - *Amel-Zadeh, A., & Serafeim, G., 2018.* Why and how investors use ESG information: Evidence from a global survey. *Financial Analysts Journal*, 74(3), 87-103.
  - *Fatemi, A., Glaum, M., & Kaiser, S., 2018.* ESG performance and firm value: The moderating role of disclosure. *Global Finance Journal*, 38, 45-64.
- **Topic 6:** “Critical assessment of materiality-concepts within non-financial reporting” / „Kritische Würdigung der Wesentlichkeitskonzeption im Rahmen der nicht-finanziellen Berichterstattung“ (Supervisor: *Johannes Hausmann*)
  - Richtlinie 2014/95/EU des Europäischen Parlaments und des Rates vom 22. Oktober 2014 zur Änderung der Richtlinie 2013/34/EU im Hinblick auf die Angabe nichtfinanzieller und die Diversität betreffender Informationen durch bestimmte große Unternehmen und Gruppen, in: *Amtsblatt der EU*, Nr. L 330/1 vom 15.11.2014, S. 1–9
  - *EU Kommission:* Mitteilung der Kommission - Leitlinien für die Berichterstattung über nichtfinanzielle Informationen: Nachtrag zur klimabezogenen Berichterstattung (KOM(2019)/C209/10) vom 20.06.2019, S. 1–30.
  - *Barckow, Andreas:* Prima Klima oder dicke Luft - was unverbindliche Leitlinien der Europäischen Kommission an Überraschungen für die Unternehmensberichterstattung bergen, in: *Betriebs-Berater*, 74. Jg. (2019), Nr. 31, S. I

- *Baumüller, Josef/Scheid, Oliver: Unterschiedliche Auslegungen zur (selben) Wesentlichkeit in der nichtfinanziellen Berichterstattung in Deutschland und Österreich?, in: Zeitschrift für internationale Rechnungslegung, 16. Jg. (2020), Nr. 4, S. 122–129.*
- **Topic 7:** “Critical Assessment of Commercial ESG Ratings and their Interaction with Disclosure Levels” (Supervisor: *Frederik Kohl*)
  - *Berg, F., Fabisik, K., & Sautner, Z., 2021. Is History Repeating Itself? The (Un)Predictable Past of ESG Ratings, ECGI WP.*
  - *Berg, F., Kölbl, J., & Rigobon, R., 2020. Aggregate Confusion: The Divergence of ESG Ratings, WP.*
  - *Christensen, D. M., Serafeim, G., & Sikochi, A., 2021. Why is Corporate Virtue in the Eye of the Beholder? The Case of ESG Ratings. *The Accounting Review*, Forthcoming.*

### Part C: Stakeholder Perspective

- **Topic 8:** “Political Economy in the Context of ESG Standard Setting – Conflicts of Interest and the Role of Ideology” (Supervisor: *Clemens Lauer*)
  - *O’Dwyer, M., 2021: [New body to oversee global sustainability disclosure standards](#), Financial Times.*
  - *IFRS Foundation, 2020: [Consultation Paper on Sustainability Reporting](#).*
  - *IFRS Foundation, 2021: [IFRS Foundation announces International Sustainability Standards Board, consolidation with CDSB and VRF, and publication of prototype disclosure requirements](#).*
  - *Bischof, J., Daske, H., & Sextroh, C.J., 2020. Why Do Politicians Intervene in Accounting Regulation? The Role of Ideology and Special Interests. *Journal of Accounting Research* 58(3), 589-642.*
  - *Becker, K., Bischof, J., & Daske, H., 2021. IFRS: Markets, Practice, and Politics. Chapter 5. *Foundations and Trends in Accounting*, 15(1-2), 1-262.*
- **Topic 9:** “Of incomplete contracts: The impact of ESG risks on trade credit” (Supervisor: *Vincent Giese*)
  - *Aktas, N., de Bodt, E., Lobe, F., & Statnik, J.-C., 2012. The information content of trade credit. *Journal of Banking & Finance* 36(5), 1402-1413.*
  - *Costello, A.M., 2013. Mitigating incentive conflicts in inter-firm relationships: Evidence from long-term supply contracts. *Journal of Accounting and Economics* 56, 19-39.*
  - *Burkart, M., & Ellingsen, T., 2004. In-Kind Finance: A Theory of Trade Credit. *American Economic Review* 94 (3), 569-613.*
  - *Giannetti, M., Burkart, M., & Ellingsen, T., 2011. What you sell is what you lend? Explaining trade credit contracts. *Review of Financial Studies* 24(4), 1261-1298.*
- **Topic 10:** “Critical Assessment of Non-Financial Disclosure Mandates as a Policy Tool – Evidence of Unintended Consequences from Product Quality Disclosure & Uneven Regulation” (Supervisor: *Frederik Kohl*)

- *Dranove, D., Kessler, D., McClellan, M., & Satterthwaite, M., 2003.* Is More Information Better? The Effects of “Report Cards” on Health Care Providers. *Journal of Political Economy* 111(3), 555-588.
- *Hombach, K., & Sellhorn, T., 2019.* Shaping Corporate Actions Through Targeted Transparency Regulation: A Framework and Review of Extant Evidence. *Schmalenbach Business Review* 71, 137-168.
- *Loewenstein, G., Cain, D. M., & Sah, S., 2011.* The Limits of Transparency: Pitfalls and Potential of Disclosing Conflicts of Interest. *American Economic Review* 101(3), 423-428.
- *Rauter, T., 2020.* The Effect of Mandatory Extraction Payment Disclosures on Corporate Payment and Investment Policies Abroad. *Journal of Accounting Research* 58(5), 1075-1116.
- *Wüstemann, J., Bischof, J., & Koch, C., 2008.* Regulierung durch Transparenz – Ökonomische Analysen, empirische Befunde und Empfehlungen für eine europäische Kapitalmarktregulierung. *Kapitalmarktgesetzgebung im Europäischen Binnenmarkt*, eds. K. J. Hopt, R. Veil and J. A. Kämmerer, 1-18. Tübingen, Germany: Mohr Siebeck.

### III. Administration and General Information

#### 1. Supervision

In general, you should contact your assigned supervisor shortly after the allocation of topics to discuss the general direction of your topic and the principles of writing an academic seminar paper. In addition, we expect that you present and discuss the structure and content of your term paper at one or two more meetings with your supervisor. Please check the list of topics and the chair’s website on how to get in contact with your supervisor.

#### 2. Formal Guidelines

Please check the “Guidelines for Academic Writing” („Richtlinien für die Anfertigung wissenschaftlicher Arbeiten“), which are available for download on the relevant chair’s website. Seminar papers need to be written in English (seminar papers of topic 6 can be written in German). Please note that students in the English-track of the MMM program must write their seminar papers in English. In general, seminar papers consist of 14 to 16 text pages, excluding indices and appendices. You should start your paper with a clear and concise introduction that motivates the topic and derives the main research question of your paper. The introduction should be approximately 1-1.5 pages in length and conclude with a short outline of the course of your study. Accordingly, your seminar thesis shall end with a conclusion that summarizes the main findings of your paper. You can find further details in the “Guidelines for Academic Writing”.

#### 3. Submission of Seminar Papers and Presentations

Please submit two printed copies of your written seminar thesis to Silke Frankl (office assistant to Prof. Wüstemann) during the regular office hours. Seminar papers must not be bounded by hard- or paperback; stapled copies are sufficient. In addition, please submit a digital version of your paper to your supervisor. The digital version shall include, if applicable, all relevant digital content of your thesis (such as MS Excel

files, internet resources, etc.). Seminar papers need to be submitted until 12 pm on the ending date of either the fast or final close period (*vide supra*). Extensions of the submission deadline are only possible in accordance with the examination regulation if you can present a medical certificate. Please note that it is not possible to extend the working period beyond the date scheduled for the seminar presentations. In addition to the written seminar thesis, you are required to prepare a presentation based on your submitted seminar paper. The language of the seminar is English. Details on the content and structure of your presentations will be available from your supervisors only after the submission of your written papers. The presentation slides have to be handed in on April 29, 2022 at the very latest (sfrankl@mail.uni-mannheim.de).

#### 4. Grading

Grading is based on the written paper (60%), the presentation and active seminar participation (40%). Attendance at all seminar sessions is mandatory, and all participants are expected to participate in the seminar discussions.

#### 5. Seminar Preparation and Materials

To effectively prepare for the seminar and the discussions, we will provide all participants with relevant introductory literature as well as the final presentations. Further information on the availability of additional material will be announced in time.

#### 6. Examiner/Supervisor

The students will be examined / supervised by the following Professor / Research Assistant:

Topic 1 (part A)	Prof. Bischof / Vincent Giese
Topic 2 (part A)	Prof. Bischof / Alexandra Langness
Topic 3 (part A)	Prof. Bischof / Alexandra Langness
Topic 4 (part A)	Prof. Bischof / Daniela Zipperer
Topic 5 (part B)	Prof. Bischof / Daniela Zipperer
Topic 6 (part B)	Prof. Wüstemann / Johannes Hausmann
Topic 7 (part B)	Prof. Wüstemann / Frederik Kohl
Topic 8 (part C)	Prof. Bischof / Clemens Lauer
Topic 9 (part C)	Prof. Bischof / Vincent Giese
Topic 10 (part C)	Prof. Wüstemann / Frederik Kohl