Bachelorarbeitsthemen im Studiengang Betriebswirtschaftslehre

2023

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3	The Role of Social Media in Corporate Governance: A Literature Review	*Felix Fritsch*	*Englisch*
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Topic 1:

Public Opinion and the Mandatory Disclosure of a Relative CEO Compensation Measure

Supervisor: Sara Alsarghali, M.Sc.

Topic Description:

Section 953(b) of the Dodd-Frank Act requires publicly listed U.S. corporations to mandatorily disclose a pay ratio that relates the annual compensation of the corporation's chief executive officer (CEO) to the median annual employee compensation. Mandating the disclosure of such information may have implications on both the total annual CEO's compensation and its composition as well as the public opinion on the respective corporation. Recent research suggests that higher pay ratios are related to greater (negative) media coverage and changes to CEO incentive plans while total CEO compensation does not change on average after introducing the pay ratio reform.

The goal of this bachelor thesis is to provide an overview of the pay ratio reform and its potential effects on corporations, CEOs, and investors. Further, it should examine how this mandatorily disclosed information can be used by corporations as a tool of strategic disclosure in comparison with other voluntarily or mandatorily disclosed financial and non-financial information that may influence the public opinion of a company.

Introductory Literature:

- Chang et al. (2022). Does sensationalism affect executive compensation? Evidence from pay ratio disclosure reform. *Journal of Accounting Research, 61(1),* 187-242.
- Jung et al. (2021). Why do firms utilize the flexibility allowed in CEO-Employee pay ratio disclosure? Evidence from Dodd-Frank Act Section 953 (b). *Accounting Horizons, 35(2),* 83-106.
- Jung et al. (2018). Why do firms disclose a supplementary CEO-employee pay ratio? Initial evidence from Dodd-Frank Act Section 953 (b). Available at: https://ssrn.com/abstract=3234013.
- Kelly & Seow (2016). Investor reactions to company disclosure of high CEO pay and high CEO-to-Employee pay ratio: An experimental investigation. *Journal of Management Accounting Research, 28(1),* 107-125.

Topic 2:

Investor Inattention and Corporations' Disclosure Policy

Supervisor: Sara Alsarghali, M.Sc.

Topic Description:

Investors have a finite capacity to organize all the information they receive. Corporations can act strategically in their choice of disclosure policy based on the degree of investors' inattention. For example, firms could opt to publish disappointing earnings announcements on Friday evening when investors are considered less attentive to avoid immediate negative repercussions on its market value.

The thesis should first present the phenomenon of investor inattention and its various forms and reasons. Then the thesis should present the concept of strategic disclosure policy and its various forms. Then, based on a comprehensive literature review of empirical studies, it should deliver a conclusion on the actual occurrence and the effects of the usage of different disclosure policies when investors are inattentive.

Introductory Literature:

- Basu et al. (2017). The effect of investor inattention on Non-GAAP disclosure. Available at: https://ssrn.com/abstract=3071399.
- Bertomeu et al. (2020). Disclosure and investor inattention: Theory and evidence. Available at: https://ssrn.com/abstract=3673225.
- Drake et al. (2015). March Market Madness: The impact of value-irrelevant events on the market pricing of earnings news. *Contemporary Accounting Research, 33(1),* 172-203.
- Gaspar et al. (2019). Why do firms bundle earnings and acquisition announcements? Working Paper. Available at: https://ssrn.com/abstract=3072286.

Topic 3:

The Role of Social Media in Corporate Governance: A Literature Review

Supervisor: Prof. Dr. Felix Fritsch

Topic Description:

Social media has emerged as a powerful tool that can be seen as an external governance tool to monitor corporate actions and discipline managerial misbehavior, with the possibility of ultimately improving corporate governance practices. This thesis provides a comprehensive literature review on the role of social media as a tool for corporate governance. Specifically, it explores how social media impacts transparency, accountability, and stakeholder engagement, and how it can be integrated into existing corporate governance frameworks.

The thesis begins by defining corporate governance and outlining the key principles that underpin effective corporate governance practices. A systematic literature review is conducted, which primarily includes peer-reviewed journal articles. In addition to summarizing and contrasting recent literature findings qualitatively, the thesis should create a graphical topography of the relevant literature in the form of a map (such as a mind map or other graph) in which the classification and relationships among theories, findings, and methods are summarized. The thesis concludes by discussing the challenges and opportunities of using social media as a governance tool and by identifying potential research questions that could be examined in future studies.

Introductory Literature:

- Ang, J. S., Hsu, C., Tang, D., & Wu, C. (2021). The role of social media in corporate governance. *The Accounting Review*, *96*(2), 1-32.
- Dube, S., & Zhu, C. (2021). The disciplinary effect of social media: Evidence from firms' responses to Glassdoor reviews. *Journal of Accounting Research*, 59(5), 1783-1825.
- Heese, J., & Pacelli, J. (2023). The monitoring role of social media. *Review of Accounting Studies*, 1-41.

Topic 4:

The Impact of Rumors on Firms and Their Information Environment: A Capital Market Perspective

Supervisor: Prof. Dr. Felix Fritsch

Topic Description:

Rumors can be defined as unofficial pieces of information that are circulated among individuals and often lack reliable sources or verification. This thesis investigates the impact of rumors on firms and their information environment from a capital market perspective.

The first part of the thesis describes the phenomenon of rumors, including their initiation, spread, and potential ways for empirical measurement. The second part discusses how rumors may affect firms and their information environment, resulting in consequences such as mispricing, reputational damage, or changes in investor behavior, among others. The third and main part provides a systematic literature review of leading peer-reviewed accounting and finance articles on rumors, gossips, fake news, and soft information impacting firms and their information environment.

In addition to summarizing and contrasting recent literature findings qualitatively, the thesis should create a graphical topography of the relevant literature in the form of a map (such as a mind map or other graph) in which the classification and relationships among theories, findings, and methods are summarized. Optionally, this thesis may also include descriptive evidence of Twitter data and test ideas to identify corporate-related rumors in social media tweets using textual analysis (please approach me if you are interested).

Introductory Literature:

- Alperovych, Y., Cumming, D., Czellar, V., & Groh, A. (2021). M&A rumors about unlisted firms. *Journal of Financial Economics*, 142(3), 1324-1339.
- Bertomeu, J., & Marinovic, I. (2016). A theory of hard and soft information. *The Accounting Review*, 91(1), 1-20.
- Qin, B., & Zhang, Y. (2020). Social media rumors and stock price crash risk. *Journal of Accounting and Economic*s, 69(1), 101-299.
- Schindler, M. (2007). Rumors in financial markets: Insights into behavioral finance. John Wiley & Sons.
- Ng, L., & Wu, F. (2019). Dissecting customer reviews: The value of rumor sentiment dissemination in the stock market. *Review of Financial Studies*, 32(11), 4351-4382.
- Peng, L., & Xiong, W. (2019). Are financial markets informed about rumors in opaque environments? Evidence from short selling during the financial crisis. *Journal of Financial Economics*, 131(1), 118-143.

Topic 5:

Voices in Sustainability Reporting: Stakeholders Participating in the Formal ISSB Standard-Setting Process

Supervisor: Tobias Kalmbach, M.Sc.

Deutscher Titel: Stimmen in der Nachhaltigkeitsberichterstattung: Eine Analyse der am formalen ISSB-Rechnungslegungsprozess beteiligten Interessengruppen

Topic Description:

Sustainability reporting has gained significant attention in recent years as companies strive to communicate their environmental, social, and governance (ESG) performance to stakeholders. This has led to an increased interest in the development of sustainability reporting standards that can provide a consistent framework for reporting on ESG issues. One organization working to develop global sustainability reporting standards is the International Sustainability Standards Board (ISSB). To strengthen its position as a standard setter, the ISSB must ensure that the sustainability reporting standards reflect the needs and expectations of a diverse range of stakeholders and that the standards are relevant and applicable globally.

Therefore, the main objective of this bachelor thesis is to provide an overview of the types and geographic dispersion of stakeholders who formally participate in the sustainability standard-setting process of the ISSB. The thesis is divided into three parts. First, the student will conduct a literature review on the different stakeholders who formally participate in the financial accounting standard-setting process of the International Accounting Standards Board (IASB). Second, the student will provide an overview of stakeholders interested in sustainability reporting and compare it to stakeholders interested in financial reporting. Finally, the student will present descriptive evidence on the types of stakeholders that submit comment letters to the ISSB regarding sustainability standards and their geographic dispersion, by analyzing a preselected set of comment letters.

Introductory Literature:

- Becker, K., Bischof, J., & Daske, H. (2021). IFRS: Markets, practice, and politics. *Foundations and Trends® in Accounting*, *15*(1–2), 1-262.
- Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: Economic analysis and literature review. *Review of Accounting Studies*, *26*(3), 1176-1248.
- Jorissen, A., Lybaert, N., Orens, R., & Van der Tas, L. (2013). A geographic analysis of constituents’ formal participation in the process of international accounting standard setting: Do we have a level playing field?. *Journal of Accounting and Public Policy*, *32*(4), 237-270.
- Larson, R. K., & Herz, P. J. (2013). A multi-issue/multi-period analysis of the geographic diversity of IASB comment letter participation. *Accounting in Europe*, *10*(1), 99-151.

Topic 6:

Shaping Sustainability Standards: An Analysis of Stakeholder Participation in ESRS Standard Setting

Supervisor: Tobias Kalmbach, M.Sc.

Deutscher Titel: Gestaltung von Nachhaltigkeitsstandards: Eine Analyse der Beteiligung von Interessengruppen an der ESRS-Rechnungslegung

Topic Description:

The European Financial Reporting Advisory Group (EFRAG) is an organization that provides guidance and recommendations on financial reporting issues in the European Union (EU). EFRAG has developed the European Sustainability Reporting Standard (ESRS), a reporting framework designed to help companies report on sustainability information in a consistent and comparable manner, providing a common language for sustainability reporting across the EU. Public consultation provides an opportunity for stakeholders to provide feedback and input on these proposed standards, helping to ensure that they are practical, relevant, and consider the perspectives and needs of a wide range of stakeholders. By seeking feedback from stakeholders, standards setters such as EFRAG can identify issues that may need to be addressed to ensure the successful implementation of standards like the ESRS.

The goal of this bachelor thesis is threefold. In a first step, the student should consolidate the literature on stakeholder participation and influence in accounting setting processes with a specific focus on the European setting. In a second step, the student will provide an overview of the ESRS, hereby comparing the ESRS exposure draft from April 2022 to the draft published after the public consultation process in November 2022. Finally, the student will be provided with a dataset including stakeholders' comments from the public consultation round on the ESRS exposure draft. This data should be analyzed with the question in mind whether and to what extent comments of different stakeholder groups have shaped the ESRS standards.

Introductory Literature:

- Giner, B., & Arce, M. (2012). Lobbying on accounting standards: Evidence from IFRS 2 on share-based payments. *European Accounting Review*, *21*(4), 655-691.
- Gipper, B., Lombardi, B. J., & Skinner, D. J. (2013). The politics of accounting standard-setting: A review of empirical research. *Australian Journal of Management*, *38*(3), 523-551.
- McLeay, S., Ordelheide, D., & Young, S. (2000). Constituent lobbying and its impact on the development of financial reporting regulations: evidence from Germany. *Accounting, Organizations and Society*, *25*(1), 79-98.
- Stolowy, H., & Paugam, L. (2023). Sustainability Reporting: Is Convergence Possible?. *Accounting in Europe*, 1-27.

Topic 7:

Auditors' Involvement in Financial Statement Footnote Disclosure

Supervisor: Reeyarn Li, PhD

Topic Description:

External auditors play an important role in the preparation and dissemination of their client company's financial reports. An auditor examines and evaluates the financial statements and provides an audit opinion on whether the financial statements, including the accompanying footnotes, give a true and fair view of the company's financial position and performance and are in compliance with the accounting standards. In the audit reports, the auditor occasionally highlights certain financial statement footnote items or specific accounts, besides the otherwise standard language. Such highlights may draw special attention and pressure the client to ensure the highlighted contents are accurate and complete. As a result, the highlighted footnote may be lengthier, contain more specific information, and are distinct from the same item compared with the previous year (Burke et al., 2023).

The goal of this bachelor thesis is to provide a summary on the auditor's involvement in the financial statement footnotes and a survey of (recent) scientific evidence in the field. Following a general introductory discussion, the thesis focuses on findings of the scientific literature, which, for example, analyzes the auditor's role in affecting the footnote's textual property, information content, or consequences in other aspects. In addition to the summary of the predominant empirical findings, the thesis should also discuss, on a theoretical concept, why auditors care about the footnotes and how the client company would respond. For example, litigation risk is the main factor that incentivize auditors to provide high-quality audits. Does litigation risk in turn affect clients' footnote property? (That is, footnotes of clients audited by auditors with high litigation risk are systematically different from those audited by auditors with low litigation risk). The thesis concludes by addressing the auditing industry's prospects and challenges.

Introductory Literature:

- Burke, J., Hoitash, R., Hoitash, U., & Xiao, S. (2023). The disclosure and consequences of US critical audit matters. *The Accounting Review*, 98(2), 59-95.
- Cobabe, M., Stein, S. E., & Valentine, D. F. (2022). Who has the Power? Examining the Power Dynamic between CFOs and Audit Partners in Goodwill Impairment Decisions. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4306119.

Topic 8:

Critical audit Matters Regulation and Auditor Litigation risk

Supervisor: Reeyarn Li, PhD

Topic Description:

The mandatory Critical Audit Matter (CAM) regulation, also known as Key Audit Matters (KAM) in the International Standards on Auditing (ISA), was introduced to enhance the transparency and usefulness of audit reports. Auditors now need to identify and communicate the most significant matters encountered during the audit, making the audit reports more informative and tailored to each company's unique circumstance. The disclosure of CAM/KAM may affect litigation risk for both clients and auditors. On the one hand, the new report might reduce the risk by improving disclosure transparency; on the other hand, the specific matters identified in the audit report could expose the auditor or the client company to litigation if those matters later result in financial statement restatements or other issues.

The goal of this bachelor thesis is to provide a discussion on the effect of CAM/KAM regulation on the content of audit reports and the related financial statements, as well as the economic consequences by writing a summary of (recent) scientific evidence in the field. Following a general discussion on the rolling out of the CAM/KAM regulation both in the U.S. and internationally, the thesis focuses on findings of the scientific literature, which, for example, analyzes the effect of CAM/KAM on the textual property and information content for both the financial statement and audit report in relation to litigation risk. In addition to summarizing the predominant empirical findings, the thesis should also discuss, on a theoretical concept, why and how CAM/KAM would change the litigation risk for both the auditor and the client company. The thesis concludes with an outlook addressing the auditing industry's prospects and challenges.

Introductory Literature:

- Bentley, J. W., Lambert, T. A., & Wang, E. (2021). The effect of increased audit disclosure on managers' real operating decisions: Evidence from disclosing critical audit matters. *The Accounting Review*, 96(1), 23-40.
- Czerney, K., Schmidt, J. J., & Thompson, A. M. (2019). Do investors respond to explanatory language included in unqualified audit reports? *Contemporary Accounting Research*, 36(1), 198-229.

Topic 9:

Strategic Bundling of Corporate Disclosures. Causes and Effects.

Supervisor: Benjamin Tödtmann, M.Sc.

Deutscher Titel: Strategische Bündelung freiwilliger und verpflichtender Offenlegung durch Unternehmen. Ursachen und Wirkungen.

Topic Description:

Firms disclose various types of information to the public, including financial and non-financial information. These disclosures are a crucial aspect of a firm's communication with its stakeholders, such as investors, creditors, and the public. However, not all information is favorable for firms who therefore might try and hide the information despite regulatory obligations to disclose. Firms could, for example, combine positive and negative information to influence stakeholders' perceptions of the firm's performance. Alternatively, mandatory disclosures might be accompanied by voluntary disclosures on a different topic to distract stakeholders, as they might be inattentive.

This thesis should provide an overview of two literature streams. First, theoretical literature should be reviewed and hypotheses on why firms might engage in strategic news bundling derived thereof. Second, the empirical literature on firms' news bundling practices and their consequences should be reviewed and consolidated. Finally, students could collect evidence and discuss the benefits and challenges of regulating strategic bundling practices to protect investors.

Introductory Literature:

- Gay, S. (2017). Strategic news bundling and privacy breach disclosures. *Journal of Cybersecurity*, *3*(2), 91-108.
- Rawson, C., Twedt, B., & Watkins, J. (2022). Managers' strategic use of concurrent disclosure: evidence from 8-K filings and press releases. *The Accounting Review*, forthcoming.
- Segal, B., & Segal, D. (2016). Are managers strategic in reporting non-earnings news? Evidence on timing and news bundling. *Review of Accounting Studies*, *21*, 1203-1244.

Topic 10:

Disclosure Stickiness and Firms' Decision to Stop Disclosing.

Supervisor: Benjamin Tödtmann, M.Sc.

Deutscher Titel: Die Persistenz freiwilliger Offenlegungen und die unternehmerische Entscheidung, Offenlegungen einzustellen.

Topic Description:

In October 2022, Netflix announced that it would stop providing subscriber forecasts starting in the first quarter of 2023. From a theoretical angle, it is noteworthy that Netflix stops to provide this forecast. Theory implies that it is costly for firms to stop disclosing guidance (i.e., forecasts) once initiated, as stakeholders could interpret silence as unfavorable information. In line with this theory, firms have empirically been shown to continue disclosure of a certain metric, once started, called "disclosure stickiness". Further, it is noteworthy that Netflix publicly announced its decision. Firms can either publicly announce their decision to stop disclosing or alternatively stop disclosing silently, i.e., without announcement. Both practices can trigger negative stock market reactions. The choice a firm ultimately makes likely depends on further factors.

The goal of this thesis is to review and summarize the empirical literature on the above-mentioned related phenomena. First, is disclosure indeed "sticky", i.e., is it costly for firms to stop disclosing once they started? Second, what are the potential mechanisms behind firms' decision to stop disclosing? As a potential add-on, the student could collect some anecdotal examples of companies discontinuing a specific disclosure (such as the Netflix example above) and summarize the arguments companies employ to explain their decision.

Introductory Literature:

- Bischof, J., & Daske, H. (2013). Mandatory disclosure, voluntary disclosure, and stock market liquidity: Evidence from the EU bank stress tests. *Journal of Accounting Research*, *51*(5), 997-1029.
- Brochet, F., Faurel, L., & McVay, S. (2011). Manager-specific effects on earnings guidance: An analysis of top executive turnovers. *Journal of Accounting Research*, *49*(5), 1123-1162.
- Chen, S., Matsumoto, D., & Rajgopal, S. (2011). Is silence golden? An empirical analysis of firms that stop giving quarterly earnings guidance. *Journal of Accounting and Economics*, *51*(1-2), 134-150.

Topic 11:

The Use of Large Language Models in Accounting and Finance: A Literature Overview

Supervisor: Matthias Uckert, M.Sc.

Deutscher Titel: Der Einsatz von großen Sprachmodellen in Accounting und Finance: Eine Literaturübersicht

Topic Description:

The development and application of (large) language models, such as GPT (Generative Pre-trained Transformer) and BERT (Bidirectional Encoder Representations from Transformers), have brought about significant advancements in numerous domains, including natural language processing, text analysis, and machine learning. These state-of-the-art models, powered by deep learning architectures, possess an unprecedented ability to understand, generate, and manipulate human-like text based on context, opening up a wide range of applications and possibilities.

The goal of this bachelor thesis is to provide a comprehensive literature overview of the use of (large) language models in accounting and finance. First, the student should present an overview of the most prominent models and their underlying methodologies. Second, the student will explore the applications of these models in various accounting and finance contexts, such as financial statement analysis, and sentiment analysis. The review should also discuss the advantages and limitations of using large language models in these applications. Finally, the student should identify potential research gaps and opportunities for future exploration in these areas.

Introductory Literature:

- Loughran, T., & McDonald, B. (2020). Textual analysis in finance. *Annual Review of Financial Economics*, *12*, 357-375.
- Huang, A. H., Wang, H., & Yang, Y. (2022). FinBERT: A large language model for extracting information from financial text. *Contemporary Accounting Research*, forthcoming.
- Kenton, J. D. M. W. C., & Toutanova, L. K. (2019, June). Bert: Pre-training of deep bidirectional transformers for language understanding. In *Proceedings of naacL-HLT (Vol. 1, p. 2).*
- Vaswani, A., Shazeer, N., Parmar, N., Uszkoreit, J., Jones, L., Gomez, A. N., & Polosukhin, I. (2017). Attention is all you need. *Advances in neural information processing systems*, *30*.
- Wu, S., Irsoy, O., Lu, S., Dabravolski, V., Dredze, M., Gehrmann, S., & Mann, G. (2023). BloombergGPT: A Large Language Model for Finance. Available at: https://arxiv.org/abs/2303.17564.

Topic 12:

Who Owns Who - Is the Legal Entity Identifier All We Need? A Comparison Between ORBIS and GLEIF

Supervisor: Matthias Uckert, M.Sc.

Deutscher Titel: Wer gehört wem - Ist der Legal Entity Identifier alles, was wir brauchen? Ein Vergleich zwischen ORBIS und GLEIF

Topic Description:

The adoption of the Legal Entity Identifier (LEI) has introduced a new level of transparency and standardization in the identification of legal entities across the globe. The LEI system, managed by the Global Legal Entity Identifier Foundation (GLEIF), provides unique identifiers for legal entities and includes Level 2 data, which offers insights into the ownership structures of these entities. This information has garnered attention due to its potential to facilitate better risk management. However, other commercial databases such as ORBIS, managed by Bureau van Dijk, have long been used as a source of ownership and corporate structure data.

The goal of this bachelor thesis is twofold. First, the student should provide a comparative analysis of ORBIS and GLEIF, focusing on the coverage, granularity, and reliability of the ownership data provided by both sources. Second, the student will conduct a thorough review of the literature on studies that have used ownership data to investigate various research questions in the fields of accounting, finance, and corporate governance.

Introductory Literature:

- La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate ownership around the world. *The Journal of Finance, 54*(2), 471-517.
- Aminadav, G., & Papaioannou, E. (2020). Corporate control around the world. *The Journal of Finance, 75*(3), 1191-1246.
- Engel, J., Nardo, M., & Rancan, M. (2021). Network analysis for economics and finance: An application to firm ownership. In Data Science for Economics and Finance: Methodologies and Applications (pp. 331-355). Cham: Springer International Publishing.
- Kalemli-Ozcan, S., Sorensen, B., Villegas-Sanchez, C., Volosovych, V., & Yesiltas, S. (2015). How to construct nationally representative firm-level data from the Orbis global database: New facts and aggregate implications. Available at: https://www.nber.org/papers/w21558.

Topic 13:

Audit Firm Lobbying

Supervisor: Prof. Felix Vetter, PhD

Topic Description:

Audit mandates are pervasive. While these audit mandates are increasing in scope and, likely, beyond financial information, there is little evidence suggesting that audit mandates generate substantial benefits for society at large. They do, however, generate immediate benefits for audit firms (Breuer, Le, and Vetter, 2023). This begs the question to what extent large-scale audit mandates can be traced back to audit firms' lobbying efforts.

The goal of this bachelor thesis is to provide a literature review on audit firms' lobbying activities. In addition, this thesis explores what can be learned about audit firms lobbying activities from Germany's and the European Commission's Lobbying Registers.

Introductory Literature:

- Allen, A. M., Ramanna, K., & Roychowdhury, S. (2018). Auditor lobbying on accounting standards. *Journal of Law, Finance & Accounting 3*(2), 291-331.
- Gros, M., & Worret, D. (2016). Lobbying and audit regulation in the EU. *Accounting in Europe*, *13*(3), 381-403.
- Breuer, M., Le, A., and Vetter, V. (2023). Audit Mandates, Audit Firms, and Auditors. Available at: https://www.dropbox.com/s/254eh7818hnw2t9/blv_mandates_02-2023.pdf?dl=0.
- Wiedemann, J., (2022). Firm Lobbying in the European Union. Available at: https://johannes-wiedemann.github.io//files/Wiedemann_JMP.pdf.

Topic 14:

What Happened to the Barnier Audit Reform?

Supervisor: Prof. Felix Vetter, PhD

Topic Description:

After the financial crisis of 2008/2009, the then Internal Market Commissioner Michel Barnier saw urgent need to reform audit firm regulation. He formulated various reform proposals to improve the quality of final examinations in a so-called Green Paper (European Commission, 2010, "Audit Policy: Lessons from the Crisis"). Audit firms vehemently resisted any changes, so that in the end only individual and very watered-down changes to the law were made.

This thesis explores what happened with the initial points raised in the European Commission's Green Paper. Specifically, this thesis explores which countries implemented (or did not implement) which points of the initial Green Paper, whether only watered-down reforms were implemented, and, if so, at what point in time. If time and space permits, this thesis will further explore whether "watered-down reforms" can be traced back to audit firms' lobbying efforts.

Introductory Literature:

- Allen, A. M., Ramanna, K., & Roychowdhury, S. (2018). Auditor lobbying on accounting standards. *Journal of Law, Finance & Accounting 3*(2), 291-331
- Gros, M., & Worret, D. (2016). Lobbying and audit regulation in the EU. *Accounting in Europe*, *13*(3), 381-403.
- European Commission, (2010). Audit Policy: Lessons from the Crisis.
- Horton, J., Tsipouridou, M., & Wood, A. (2018). European market reaction to audit reforms. *European Accounting Review*, *27*(5), 991-1023.

Topic 15:

The European Union's Corporate Sustainability Reporting Directive (CSRD): Enhanced ESG-Transparency?

Supervisor: Sara Alsarghali, M.Sc.

Topic Description:

Since ESG-Reporting becomes more and more important to all stakeholders of a company, the European Union implemented its Corporate Sustainability Reporting Directive (CSRD) in January 2023 as part of the European Green Deal in order to increase transparency for ESG topics. Applying to the financial year of 2024 first, the Directive forces a broad set of large companies as well as all listed SMEs to disclose ESG-Information in a standardized way.

The goal of this bachelor thesis is to deliver a clear picture of the CSRD and its role in ESG-Transparency. First, the current state of mandatory and voluntary ESG-Reporting and its pros and cons should be examined. Second, the CSRD should be described with respect to its content and goals – also in comparison with the still existing Non-Financial Reporting Directive (NFRD). Further, strengths and weaknesses of the Directive especially with a focus on greenwashing should be analyzed. Lastly, the thesis should conclude with a critical view on whether the CSRD can be expected to enhance ESG-Transparency to shareholders and other stakeholders and what might still have to be done in this regard.

Introductory Literature:

- European Union (2023). Corporate Sustainability Reporting. Available at: https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.
- European Union (2014). Improving corporate governance: Europe's largest companies will have to be more transparent about how they operate. Available at: https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_14_124.
- Fiechter, P., Hitz, J.-M. and N. Lehmann (2022). Real Effects of a Widespread CSR Reporting Mandate: Evidence from the European Union's CSR Directive. *Journal of Accounting Research*, *60*, 1499-1549.
- Grewal et al. (2018). Market reaction to mandatory nonfinancial disclosure. *Management Science*, *65(7)*, 3061-3084.
- Kaplan & Ramanna (2021). How to fix ESG reporting. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3900146.