

Masterarbeit am Lehrstuhl Controlling – Oktober 2023

Topic: ESG-based compensation and shareholder pressure

In light of the recent development towards a sustainable economy, many firms adopt ESG-based executive compensation. Top managers are paid for achieving ecological, social and governance-related targets that go beyond a firm's financial performance. Notably, ESG-based compensation is not the only means to provide incentives for a sustainable management. Regulators around the world establish novel disclosure requirements that mandate firms to provide granular information about their ESG performance. Arguably, this information is used in capital markets. ESG investors exert pressure on firms to act in a sustainable way. From a conceptual perspective, it is therefore unclear to which extent ESG-based compensation should be used to complement executives' equity-based incentives.

First, this thesis portrays the typical structure of executive compensation arrangements and explains the purpose of the different compensation components. Second, the author reviews the empirical literature on ESG-based compensation and explains how ESG targets are implemented in executive compensation contracts. Third, the thesis compares ESG-based compensation and ESG disclosures as alternative mechanism to motivate sustainable actions. The authors should review and summarize recent theoretical literature in this field (Bonham and Riggs-Cragun 2022; Chaigneau and Sahuguet 2023) and explain how firms should use and design ESG-based compensation to provide incentives to their top management.

Ausgangsliteratur

Bonham, J. and A. Riggs-Cragun. 2022. Motivating ESG Activities Through Contracts, Taxes and Disclosure Regulation. Working paper, <https://ssrn.com/abstract=4016659>

Chaigneau, P. and N. Sahuguet. 2023. ESG Ratings for Corporate Governance. Working paper, <https://ssrn.com/abstract=4345102>

Cohen, S., I. Kadach, G. Ormazabal and S. Reichelstein. 2023. Executive Compensation Tied to ESG Performance: International Evidence. *Journal of Accounting Research* 61(3): 805-853. <https://doi.org/10.1111/1475-679X.12481>

Walker, D. I. .2022. The Economic (In)significance of Executive Pay ESG Incentives. Boston Univ. School of Law Research Paper.

Bewerbungsprozess

Interessierte Studierende können sich bis **06.10.2023** per E-Mail bewerben. Dazu senden Sie bitte ein Sammelzeugnis und ein kurzes Motivationsschreiben an ulrich.schaefer@univie.ac.at.

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