

New topic for a Master Thesis at the Chair of Accounting and Managerial Control

To whom this may concern,

Vienna, July 5, 2023

In recent years, environmental, social and governmental responsibilities (ESG) have become a crucial consideration for businesses across various industries. Today, countless rating agencies (e.g. MSCI, Sustainalytics, ...) are providing ESG-ratings to meet the demand for standardized ESG data. Inevitably, legislation will soon follow. As a result, many companies have adopted ESG frameworks and measurement systems to evaluate, report on, and improve their sustainability performance. At the same time, non-financial metrics (next to existing financial metrics) have been integrated into many compensation schemes for the firms' top management.

The goal of the thesis is to investigate the relationship between Environmental, Social, and Governance (ESG) ratings and the ESG-related compensation of managers. As a starting point take the recent paper by Cohen et al. (2023), where the authors find that ESG pay is more common among firms with higher ESG ratings. One reason for this, they argue, is that in this way firms may signal their commitment to improve ESG performance.

There are many interesting research questions in this context, for instance

Has a change in the ESG rating of a company an impact on the compensation scheme (long vs short term) of top-level managers or vice versa?

Which comes first, the introduction of ESG-related pay or the ESG rating?

Is the incorporation of ESG-related compensation components dependent on the tenure of the CEO? Do companies without ESG-related pay and a bad ESG rating have higher executive turnover?

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References

Cohen, S., Kadach, I., Ormazabal, G., & Reichelstein, S. (2023). Executive Compensation Tied to ESG Performance: International Evidence. *Journal of Accounting Research*, 61(3).

Interested students may apply until 23.07.2023 (incl.). To do so, please submit

1. a motivation why you want to research this topic,
2. a copy of your transcript of records,
3. at least one particular idea of how exactly you would like to answer your research question (does not need to be final), and
4. a description of the competencies you bring with you that enable you to do this work

in a single .pdf file via mail to markus.eigruber@univie.ac.at.

Best regards,

Markus Eigruber, PhD

University of Vienna

Chair of Accounting and Managerial Control

Department of Accounting, Innovation, and Strategy

Oskar-Morgenstern-Platz 1, 1090 Vienna, Austria

markus.eigruber@univie.ac.at