Berichterstattung zu den Sustainable Development Goals (SDGs) – Interne Anreize versus externer Pressure

Katrin Hummel, Universität Zürich & WU Wien
AGENDA

1. Motivation
2. Sustainable Development Goals
3. Theory, Literature and Hypotheses
4. Research Design
5. Findings
6. Conclusion
Motivation

Grand societal challenges

- WEF Global Risk Report 2019
  - Risks with a high likelihood and high impact:
    - Failure of climate-change mitigation and adaption
    - Extreme weather events
    - Large-scale involuntary migration
    - Etc.

... call for joint action

- UN Resolution «Transforming our world: the 2030 Agenda for Sustainable Development»
  - 17 global goals
  - Achievement until 2030

Source: WEF Global Risk Report 2019
Implications for business:

- Regulation
- Legitimacy and Reputation
- Risk Management
- New Opportunities

Figure 1: Which OEM is the best positioned to win, and at which risk?

Source: UBS Global Research (2019)
Reporting on the Sustainable Development Goals (SDGs)

- Ban Ki-Moon: «Business is a vital partner in achieving the Sustainable Development Goals. Companies can contribute through their core activities, and we ask companies everywhere to assess their impact, set ambitious goals and communicate transparently about the results.» (SDG Compass)

- Descriptive evidence is needed (Gow et al., 2016)

Objective of this study

- Early evidence on SDG reporting among European firms
- What are the driving forces behind SDG disclosure?
  - „Internal“ firm-specific factors
  - „External“ institutional factors
- Are there differences in these driving forces compared to „traditional“ non-financial disclosure?
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Sustainable Development Goals

- Eight Millenium Development Goals
- 18 targets
- Top-down approach
- Criticism of lack of legitimacy

- 17 goals and 169 targets
- Bottom-up approach involving governments, international institutions, civil society, business and the academic community
- Explicit call for the contribution of private business
End poverty in all its forms everywhere

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensure healthy lives and promote well-being for all at all ages

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls

Ensure availability and sustainable management of water and sanitation for all

Ensure access to affordable, reliable, sustainable and modern energy

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Build resilient infrastructure, promote inclusive and sustainable industrialization and faster innovation

Reduce inequality within and among countries

Make cities and human settlements inclusive, safe, resilient and sustainable

Ensure sustainable consumption and production patterns

Take urgent action to combat climate change and its impacts

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and reverse land degradation and halt biodiversity loss

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Strengthen the means of implementation and revitalize the global partnership for sustainable development
12.1 ...

12.2 By 2030, achieve sustainable management and efficient use of natural resources

12.3 By 2030, halve per capita global food waste at the retail and consumer level, and reduce food losses along production and supply chains including post-harvest losses

12.4 By 2020, achieve environmentally sound management of chemicals and all wastes throughout their life cycle in accordance with agreed international frameworks and significantly reduce their release to air, water and soil to minimize their adverse impacts on human health and the environment

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse

12.6 ...

12.7 ....

12.8 ...

12.a ...

12.b ...

12.c ...
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Traditional theories to explain voluntary non-financial disclosure

- Voluntary disclosure theory (Verrecchia, 1983, 2001)
- Legitimacy theory and stakeholder theory (Suchman, 1995; Freeman, 1984)
- Institutional environment (Ball et al., 2000)

Scarce empirical evidence

- Practitioner studies (KPMG, 2018; PWC, 2017)
- Bebbington and Unerman (2018, AAAJ)
- Several calls for research on SDG disclosure (e.g., Witte and Dilyard, 2017, Special issue call for papers from AAAJ 2018)
Theory, Literature and Hypotheses (cont'd)

Hummel and Schlick (2016); Cho et al. (2012); Clarkson et al. (2008); Cho and Patten (2007)

Schramada (2017)

Hummel and Rötzel (2019), Cahan et al. (2016); Burgstahler et al. (2006); Ball et al. (2003)

Cahan et al. (2016); Burgstahler et al. (2006); Ball et al. (2003)

Guenther et al. (2016); Rupley et al., (2012); Brown and Deegan (2008)

Flechter et al. (2018); Groves et al. (2011); Haddock (2005)
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Research Design

Sample
- Firms listed in the Stoxx Europe-600
- Annual reports from 2015-2017

Empirical model
\[
\text{DISC}_{\text{SDG}_{it}} = \beta_0 + \beta_1 \text{CSR\_PERF}_{it} + \beta_2 \text{DJSI}_{it} + \beta_3 \text{MEDIA}_{it} + \beta_4 \text{IND\_B2C}_{i} \\
+ \beta_5 \text{COUNTRY\_SDG}_{it} + \beta_6 \text{CSR\_REG}_{it} + \text{CONTROLS}_{it}
\]

Variables
- CSR PERFORMANCE
- SOCIALLY RESPONSIBLE INVESTORS
- CUSTOMERS
- MEDIA
- DISCLOSURE REGULATION

Controls
- Firm size, RoA, Leverage, Industry, Year
Research Design (cont’d)

**SDG_Binary**
- Textual analysis
- 0/1
- Reference of the SDGs
- Search for:
  - SDG
  - Global goal
  - Sustainable development goal

Loughran et al. (2009), Pencle and Malaescu (2016)

**SDG_Text**
- Textual analysis
- 0-1
- Similarity with the SDG topics:
  - Search terms
  - 20-word windows around search term
  - Aggregate to a dictionary

Hoberg/Maksimovic (2015); Mittelbach-Hörmanseder et al. (2018); Hummel and Rötzel (2019)

**SDG_Qual**
- Manual assessment
- 0-10

Cho et al. (2012); Clarkson et al. (2008); Cho and Patten (2007)

**Benchmark**
- Bloomberg ESG Disclosure Score (ESG_Discl)
- 0-100

Ioannou and Serafeim (2017); Eccles et al. (2011)
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6. Conclusion
## Descriptive Findings

### Regression variables

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Descriptive Findings (cont‘d)

**Number of SDGs prioritized:**

- **Overall (n=481):**
  - Mean = 4.07
- Of DEF4=1 (n=269):
  - Mean = 7.23
Descriptive Findings (cont’d)

SDG Prioritization (n=481)

Overall:
- Climate action
- Decent work
- Responsible consumption
- Good health
## Differences in SDG disclosure

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## Regression Results

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**Cluster Controls**: Included
**Year FE**: Included
**Industry FE**: Included

- Observations: 1,538
- R-squared: 0.2272
- F: 23.62

JUNE 3RD, 2019  DR. KATRIN HUMMEL
Summary of the results

Robustness
- Other proxies
- Subsample of SDG reporters
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Conclusion

Summary

- Main findings:
  - CSR_PERF
  - DJSI
  - COUNTRY_SDG

- Compared to traditional non-financial disclosure:
  - CSR_REG↓
  - COUNTRY_SDG↑

Limitations

- Association study
- Only 3 reporting years
- Novel measurement approach

Outlook

- Consequences of SDG disclosure
  - Economic consequences
  - “Real” effects
Thank you for your attention

Dr. Katrin Hummel
Oberassistentin University of Zurich
Visiting Professor WU Vienna

You can access my latest papers on:
http://ssrn.com/author=1678086
References


