Session 10

CSR and Climate Impact Reporting

Both red and green? Value impact of political connections and CSR in China’s cross-border M&A

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Abstract

China’s communist history and special institutional setting constitute an ideal setting to study the role of political connectedness on the relation between corporate social responsibility (CSR) and cross-border mergers and acquisitions (CBMAs) both encouraged by Chinese government. There are two competing theories regarding CSR: stakeholder value maximization theory and shareholder expense theory. This paper aims to shed light on the debate that why managers (e.g., CEO, Chair of the Board) engage in CSR activity in the context of CBMAs. Based on stakeholder value maximization theory, high CSR performance signals a good reputation and helps bidders lower uncertainties and risks around the announcement, promoting bidders to gain higher excess stock returns. While based on shareholder expense theory, high CSR performance disperses corporate resources and could be also a kind of agency costs during the deal process, destroying the wealth effects of CBMA announcement.

Using a sample of CBMAs attempted by Chinese listed firms between 2010 and 2018, we firstly examine the relationship between bidder’s prior CSR performance and excess stock returns around the CBMA announcement. Furthermore, we focus on CEO’s and/or Chair's political links and distinguish them into two types, ascribed and achieved, respectively, which reflect varying sources of political ties and corporate strategies in managing the association with the Communist Party (the Party hereafter) and the government in China, and thus impart differentiated effects on CSR and CBMA. Ascribed political links produce a “detaching effect” between firms and the Party and the government, while achieved political links create a “binding effect”. We also consider the strength (hierarchy) and channels (multiple sources) of each type of political connections in our analysis.

We show that bidders with higher CSR performance achieve worse announcement stock returns, supporting the shareholder expense theory of CSR. Then, we investigate political links of the CEO and/or Chair as possible
reasons for CSR being at the shareholder costs. We find that CSR is driven by incumbent achieved political links of the CEO or Chair, who are more likely to meet the Party and the government expectations instead of all stakeholders' benefits. In addition, we document that if the CEO or the Chair have ascribed political links, they could offset the negative effect of CSR on announcement stock returns.
Determinants of climate change disclosures among African and Asian energy firms

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Abstract

This study examines the energy sector in Africa and Asia to investigate the extent of climate change disclosures of firms. The study investigates the organizational, firm governance, country-level factors and global factors that influence climate change disclosures in Africa and Asia. Institutional theory is used as the theoretical lens to explore how institutional factors influence climate change disclosures. A quantitative approach is applied to evaluate results from an unbalanced panel data of 31 firms from 18 countries for the periods 2015 to 2020. A composite index to measure the extent of climate change disclosure, with individual indicators (from GRI 305: Emissions) is constructed. The study applies a panel corrected standard error regression for the analysis. The results indicate that comparatively, energy firms in Asia significantly disclose more on Greenhouse Gas (GHG) emissions than African energy firms. Furthermore, board size and board diversity are found to be corporate governance factors that significantly affect the climate change disclosure of energy firms in both Africa and Asia. Additionally, the multinational status of a firm in the energy sector and the firms’ level of profitability as measured by its return on assets significantly affect climate change disclosure of firms. Conversely, cross-listing of firms in stock exchanges across different jurisdictions affect disclosure negatively. Other external global and country-specific factors that significantly influence the climate change disclosure of African and Asian energy sector firms are UNGC membership and the Human Development Index (HDI) of a country within which a firm operates. The study however failed to find a significant effect of board independence and the GDP growth of a country on climate change disclosure. This study has implications for investors, governments, Civil Society Organisations, standard-setters and governance actors of energy firms in both Africa and Asia. These stakeholders can exert institutional pressures that drive high climate action by firms. This study is unique in exploring the extent of climate change disclosure comparatively between firms in two different continents and providing a cross-country analysis on climate change. We extend knowledge on how businesses are taking action in line with the 2030 Agenda for Sustainable Development (specifically Sustainable Development Goal 13), the Paris Agreement and the Sendai Framework for Disaster Risk Reduction.