

# **Insider Entrenchment and Corporate Sustainability Around the World**

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April 10, 2019

## **Abstract**

We break up aggregate corporate sustainability (ESG) and test the impact of firms' corporate governance structures (G) on firms' environmental performance (E). Using a global sample, we find that family-controlled firms, where outsiders have limited influence due to clear-cut insider entrenchment, have 6-13% lower environmental performance. Entrenchment-reducing governance structures positively impact environmental performance. In both widely-held and family-controlled firms, the introduction of majority voting requirements for corporate boards and female board representation are associated with environmental performance that is 6-10% and 12-16% higher, respectively. We conclude that corporate governance is fundamental for the environmental component of sustainability—that is, G drives E.

*Keywords:* Environmental performance, Ownership structure, Sustainability, Corporate social responsibility, ESG, Corporate governance

*JEL Classification:* G15, G23, G32

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