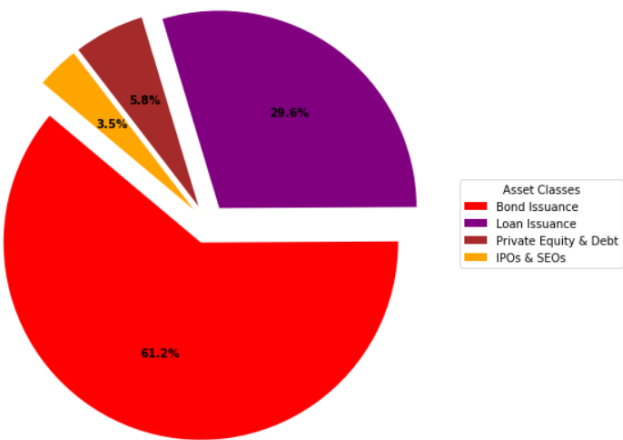


Voice vs Exit vs Denial of (Re)Entry:

Assessing investor impact mechanisms across asset class

Andreas Hoepner (University College Dublin)
Fabiola Schneider (University College Dublin)

Global New Issuance Across Different Asset Classes in 2023



Research Question: How can investors maximise their impact?

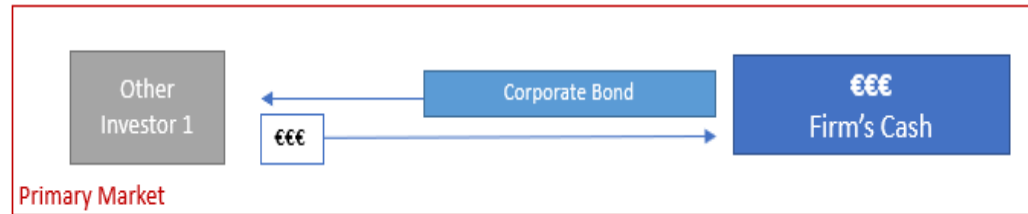
Theory: Voice versus Exit (Hirschman, 1970)

Three existing mechanisms in literature:

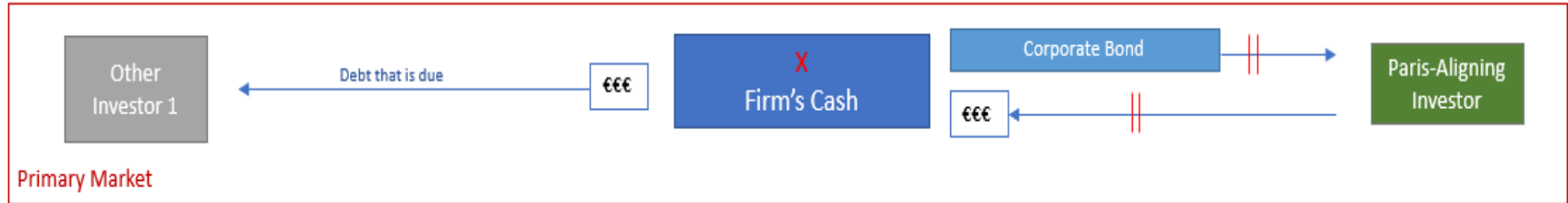
- 1. Engagement
- 2. Threat of Exit
- 3. Divestment

We suggest adding: **Denial of (Re)Entry**

t₀: Past, before aligning with Paris Agreement



t₁: Present, after aligning with Paris Agreement



Conclusion:

Engage in Equities &
Deny Debt

Debt investors are regularly required to decide whether or not to refinance:

- Existing debt is paid back and new refinancing is sought
 - Companies need to keep refinancing their debt and continuous and unconstrained access to debt cash markets is important
 - 'Key Moment to Influence' for investors and companies they finance
- Effect is likely stronger for issuers with
 - (i) higher debt/equity ratios
 - (ii) lower credit ratings

Potential to only refinance firms with Paris-Aligned covenants (Sustainability-Linked Bonds, SLBs)!

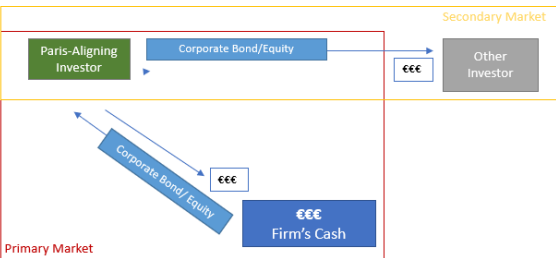
	Equity			Debt		
	Pre IPO	Post IPO	Pre SEO	Pre IPDO	Post IPDO	Pre Refinancing
Voice without Threat	Nothing	Extensive	Nothing	Nothing	No dedicated studies ²⁹	Nothing
Exit & Threat of Exit	Nothing	Extensive	Nothing	Nothing	No dedicated studies ³⁶	Nothing
Denial of (Re)Entry & Threat of Denial	Nothing	Nothing	Nothing	Nothing	Nothing	Nothing

Table 3: Summary of Existing Literature with Regards to Timing in Refinancing Cycle and Asset Class

Mechanism:
Divestment

t₁: Present, after aligning with Paris Agreement

t₀: Past, before aligning with Paris Agreement



	Equity			Debt		
	Pre IPO	Post IPO	Pre SEO	Pre IPDO	Post IPDO	Pre Refinancing
Power of Voice						
Voice without Threat	Medium Voice Power	Limited Voice Power	Medium Voice Power	Medium Voice Power	Very Limited Voice Power	Strong Voice Power
Threat of Exit	Not possible	Medium Voice Power	Medium/Strong Voice Power	Not possible	Very Limited Voice Power	Not possible
Threat of Denial	Strong Voice Power	Not possible	Strong Voice Power	Strong Voice Power	Not possible	Very Strong Voice Power
Cash Flow Effect						
Exit	Not applicable	No Cash Flow Effect	No Cash Flow Effect	Not applicable	No Cash Flow Effect	No Cash Flow Effect
Denial	Yes on Inflow	Not applicable	Yes on Inflow	Yes on Inflow	Not applicable	Yes on Inflow and Outflow!
Security Price Effect						
Exit	Not applicable	Marginal	Considerable	Not applicable	Marginal	Limited
Denial	Limited	Not applicable	Limited	Limited	Not applicable	Limited