University of Zurich^{UZH}

Master thesis

Do companies report about environmental issues adequately?

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Abstract

This work evaluates the qualitative risk information provided by 10-K forms of S&P companies, from 2009 to 2018, and investigates how much and what companies report about environmental issues. The analyses was carried out using Latent Dirichlet allocation, an unsupervised learning approach. The Fama-French five-factor model was then extended to include a factor, which measures the extent companies report about environmental risk. Through this focus on environmental risk disclosure, this paper contributes to and expands on existing literature in three key ways. Firstly, although risk reporting attained more weight over the time period observed, this did not correlate with more environmental reporting. Secondly, I found that industries facing greater environmental risk disclose significantly more. Finally, more environmental reporting is associated with lower returns on average, especially after the Paris Agreement.