

How Sustainable Companies could be affected by severe Environmental and Political Events on Climate Change

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Abstract

The objective of this thesis is to examine a potential effect of significant political and severe natural events related to climate change on the stock price performance of the top 30 companies rated as sustainable by the *Corporate Knights* Magazine. For this purpose, an event study is conducted among the major political events, such as Conferences of the Parties (COP), as well as natural events, such as hurricanes and floods. The event study is between 2005 and 2018 to reveal potential positive or negative abnormal performance. Furthermore, a possible performance difference across events and years due to the sustainable development of those companies is examined. Finally, the author creates sub-sets of companies with more Environmental, Social, Governance (ESG) data disclosure and companies with less, to identify possible differences in stock price performance.

The findings of the study reveal mixed results for individual companies as well as the portfolio view. For the single companies, neither negative nor high positive abnormal returns are observed for each of the events tested over the years. Instead, most events seem to have a rather negative effect on the overall portfolio performance of the top 30 sustainable companies, even though the corresponding t-tests do not allow for generalization of these results for all events. In addition, investors seem to not yet reward the sustainably rated companies which disclose more ESG related information within their own corporate reports compared to those companies which do not.