



University of
Zurich^{UZH}

Department of Banking and Finance
Chair of Quantitative Finance

Bachelor thesis

Determinants on the Sustainability of Companies: Evidence for the U.S. stock market

Supervisor:

Jonathan Krakow

Professor:

Prof. Dr. Marc Chesney

Author:

Aleck Malek Allahverdian

Field of Study: Banking and Finance

Submission Date: February 21, 2020

Abstract

Employing a unique news data set, this thesis studies whether and to what extent the U.S. stock market reacts to daily Environmental, Social, and Governance (ESG) practices in the short-run. More specifically, constituents of the Dow Jones Industrial Average (DJIA) are investigated over the period 2016-2018 utilizing an event study methodology. News samples containing positive and negative market sentiment are constructed by defining an elaborated ESG mapping based on established frameworks. Furthermore, manipulation of large-scale data shows that news distribution differs distinctively across ESG dimensions. Whereas governance-related topics are reported on the most, articles with respect to environmental issues are given the least medial attention. Evidence indicates that investors process public ESG information asymmetrically. Companies exposed to negative media coverage suffer a statistically significant loss of 0.13% on the day of information disclosure, whereas positive notifications generate no significant increase in market valuation. Precisely, the reportage of adverse governance-related notifications demonstrates the largest decline in equity valuation at 0.24% over a three-day event window.