EFFECTS OF SASB SUSTAINABILITY REPORTING ON SHARE PRICING IN THE CONSUMER GOODS SECTOR

by

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A THESIS

Presented to the Department of Accounting
and the Robert D. Clark Honors College
in partial fulfillment of the requirements for the degree of
Bachelor of Science

June 2021

An Abstract of the Thesis of

Alissa Campista for the degree of Bachelor of Arts/Science
in the Department of Accounting to be taken June 2021

Title: **Effects of SASB Sustainability Reporting on Share Pricing in the Consumer Goods Sector**

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As the fight for the recognition of climate change and sustainability as drivers of value becomes increasingly important, consumers, investors, and professionals seek to understand how social and environmental issues can be measured and disclosed. I seek to understand how using the standards set by the Sustainable Accounting Standards Board (SASB) can facilitate the disclosure of better information about a company's performance. My research uses the share prices of publicly traded companies that disclose according to the SASB to calculate the rate of return and abnormal return to observe and measure the effect on their performance.

Acknowledgements

I would like to thank my thesis committee Professor Michele Henney, Professor Stephen McKeon, and Professor Samantha Hopkins for guiding me through this strenuous but rewarding process and serving on my Thesis Committee. I would like to thank Genifer Snipes for her support in researching and citing. Thank you to the professors in the Lundquist College of Business for helping me examine financial reporting and ethical sustainability practices in business and for helping me consider the various perspectives and contexts related sustainability reporting.

Thank you to my Mom and Dad, Ainsley, my roommates, my friends and family, and Maddy Hubbard. Thank you for listening to my ideas and supporting me through this journey. Maddy, thank you for being my Honors College teammate and partner.

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Chapter 1: Introduction

When we think of what is most important to businesses and their owners, we think of buzz words like revenue, profits, expense, the bottom line, stock prices. There is a clear expectation that businesses solely exist to maximize profits for their shareholders. However, consumers and company management are beginning to understand that it should be, and needs to be more than that. Social and environmental issues such as climate change and sustainability are dominating the media headlines and impacting the lives of current and future humans across the globe. A Harvard study argues that "at the current rate of global greenhouse gas emissions, climate change could displace two billion people due to rising ocean levels, cost the U.S. economy billions of dollars, and cause upwards of 250,000 additional deaths per year — all before 2100" (Hyman, 2020). While the impact of climate change and the fight to encourage humans to lead sustainable lives is debated, this paper assumes that climate change, sustainability, and other social and environmental issues are real. With that being said it is important to define the terms. It is crucial that we explore methods and reflect on our habits to continue to live in harmony. However, the non-profit advocacy group, National Resources Defense Council (NRDC), reported that corporations are the primary driving force behind climate change, and not in a good way. NRDC reports that 100 energy companies are responsible for 71% of all industry emissions since the declaration that climate change was human-driven (Axelrod, 2019). They note that the energy sector is not the only one to blame. The top 15 US food and beverage companies generate more greenhouse gases than the entire country of Australia at nearly 630 million metric tons every year (Axelrod, 2019). Scholars at Harvard concur, stating the corporations are disproportionately responsible for the climate change impact (Hyman, 2020). Given these statistics, consumers, corporate managers, and, frankly, all global citizens should be concerned with corporate contribution to climate change. If the concern of climate change is not enough to scare consumers, strategists, and managers about the future of human well-being, in January of 2019 CEO of BlackRock investments, the largest asset manager in the world, with $6.84 trillion under management, stated in a letter to the public and shareholders that going forward they plan to place sustainability at the center of their investment approach (Fink, 2020). With this being said companies who do not share or disclose their sustainability reports are in danger of losing investor interest. While every individual needs to make changes in their daily habits to create and maintain a sustainable environment, this paper aims to focus on corporate sustainability.

After learning that corporations are significant players in climate change, I became curious about what if they were doing to change it. It is clear that companies are aware of their impact, I noted while online shopping that companies began marketing and publicizing their sustainability efforts. For example, when shopping on Nike's website, they note in large font near their leggings that they are made with "sustainable materials" or on Patagonia's website, the entire home page is about their sustainability efforts, noting a "self-imposed Earth tax". As a consumer, I found myself confused by what these statements meant. As a student of the accounting field, I found myself intrigued by how companies could be subject to or claim a self-imposed earth tax and how companies report these statements and information to ensure it is valid. I had learned and studied about financial reporting and was curious about how it could be applied to information regarding sustainability.

Background Information

Financial Reporting

Created in 1933, the Securities and Exchange Commission (SEC), a federal agency, was tasked with protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation (Securities and Exchanges Commission, n.d.). The SEC requires public companies to regularly disclose significant financial and other information, so investors have the timely, accurate, and complete information they need to make confident and informed decisions about when or where to invest (Securities and Exchanges Commission, n.d.). Financial reporting includes information regarding their properties, management, publicly traded stock, financial performance, and business operations (Battilana & Norris, 2019). Financial reporting is communicated and released in a series of financial statements, which are prepared by accountants according to specific rules and generally accepted accounting principles (GAAP) created by the Financial Accounting Standards Board (FASB). It is crucial for investors to have access to this information in order to make informed investments. Investors want to know the revenues, profits, expenses and more about a company. Importantly, the FASB is responsible for ensuring that the information, no matter the company or accounting firm that prepared it, is standardized and can be accurately compared with other companies to help make informed investing decisions. Given that this is an integral part of the study of accounting, myself and other accountants questioned how this framework could be applied to nonfinancial information.

Sustainability Reporting

The United Nations (UN) describes corporate sustainability reporting as a potential mechanism to generate data and measure the progress of companies and their performance in all dimensions of sustainable development, set goals, and support the transition towards a low carbon, resources efficient, and inclusive green economy (UN Environment Programme, n.d.). Plainly put, sustainability reporting measures non-financial impacts of business with specific attention to environmental, social, and governance factors or commonly referred to as ESGs. Sustainability reporting differs from financial reporting in that while financial reporting is legally required for publicly traded companies, sustainability reporting is not.

History of Sustainability Reporting

While this may seem like a new and upcoming topic, sustainability reporting or the idea of it dates back 1940. Theodore J Kreps, a business and economics professor at Stanford University, coined the idea of a "social audit" (Minguel, 2017). He began the discussion surrounding "social measurement" and characterized it as follows:

> "The American people want their economic system of free enterprise to promote (1) the growth, health, and education of the population; (2) resourcefulness and invention; (3) the democratization of business organization; (4) reason and effectiveness in labor organizations; (5) international peace; (6) the enlargement of individual liberty; (7) increased opportunity for each individual to develop to the full all his intellectual, aesthetic, spiritual, and economic capacities" (Minguel, 2017).

While the name and characteristics have evolved, the message rings true, calling for businesses and corporations to look beyond profit margins and financial information. Since the 1940s, sustainability reporting has evolved with attempts toward standardization. In 1987, the United Nations World Commission on Environment and Development described sustainable development and outlined the starting framework for reporting the information. They outlined the strategy for the need to integrate "economic and ecological considerations in decision making" (United Nations, 1987). Since the UN's declaration for sustainable development and to find a "strategic framework" to achieve it, there have been additional movements and attempts to create sustainability standards (D'Aquila, 2018).

Current State of Sustainability Reporting

Since the 1980s there have been many efforts to create a framework for measuring and reporting sustainability efforts and ESG's. Companies around the globe are beginning to understand the value of sustainability reporting. A survey by the Governance and Accountability Institute found in 2011, only 20% of S&P 500 companies published a sustainability report, however in 2015, nearly 81% of the S&P 500 companies were reporting (see Figure 1 for percentage of companies who shared sustainability reports) (Environmental Leader, 2016).

Share of S&P 500 companies who published sustainability reports in the US 2011-2015

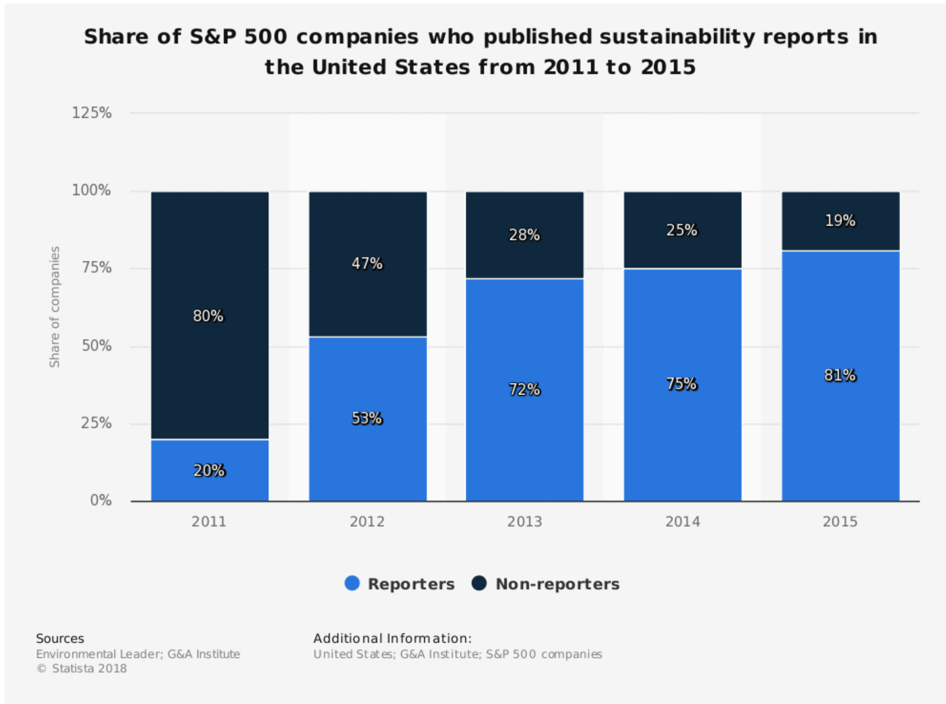


Figure 1: Share of S&P 500 companies who published sustainability reports in the US from 2011 to 2015.

Source: (Environmental Leader, 2016)

The figure demonstrates that US companies agree that this information should be shared because it is of value or they would not be willingly disclosing this information. However, there is varying methods for this information to be reported. In the most recent 20 years, there have been six commonly referenced standard setting and reporting initiatives (D'Aquila, 2018). As Jill M. D'Aquila of the CPA Journal reports, there are many challenges to setting up a system of sustainable activity including competing frameworks, the absence of uniform reporting standards, different measures of materiality, language differences, difficulty comparing companies, and the disparity between company and investor views (D'Aquila, 2018). As mentioned earlier, there are six common initiatives:

- Carbon Disclosure Project (CPI),
- Dow Jones Sustainability Index (DJSI),
- Global Initiative for Sustainability Ratings (GISR),
- Global Reporting Initiative (GRI),
- International Integrated Reporting Council (IIRC),
- Sustainability Accounting Standards Board (SASB).

The year founded, audience, focus and form of report for each initiative are as presented in Table 1.

	Year Founded	Type	Audience	Form of Report	Focus
CPI	2000	Reporting and Rating	Investors and other stakeholders	CDP Questionnaire	Provide Investors with climate change, water, and carbon data
DJSI	1999	Rating	Investors	RobeccoSAM Questionnaire	Evaluate the sustainability performance of the largest 2,500 S&P firms through a family of indices
GISR	2011	Rating	Investors and other stakeholders	Center of Ratings Excellence (CORE) Program	Steward an ESG ratings standard to accelerate the contribution of organizations worldwide to sustainable development
GRI	1997	Reporting	Broad set of stakeholders	Sustainability Report	Empower sustainable decisions through the established standards and a global multi-stakeholder network
IIRC	2010	Reporting	Providers of financial capital	Integrated annual report or standalone report	Establish integrated reporting and thinking within mainstream business practice for both public and private sectors

SASB	2012	Reporting	Investors in US public companies	SEC 10-K, 20-F Filings	Establish and improve industry specific metrics for investors in the US
(D'Aquila, 2018)					

Table 1: Commonly Referenced Standard Settings and Reporting Initiatives

Importantly, the GRI, IIRC, and SASB focus on the reporting of the sustainability information while CDP, DJSI, and GISR focus on their ratings. Of these initiatives, the Global Reporting Initiative was the first and these guidelines were the same for all businesses, regardless of industry, size, nationality, or ownership (Battilana & Norris, 2019). Importantly, as Julie Battilana of the Harvard Business School notes, GRI reports were not audited, and Rogers, the founder of the Sustainability Accounting Standards Board (SASB), noted that they were not used by investors (Battilana & Norris, 2019). So, in 2011, SASB set out to create sustainability accounting standards for each sector of the economy by 2016 (Battilana & Norris, 2019).

The Sustainability Accounting Standards Board

Founded in 2011 by Dr. Jean Rogers, the SASB aims to connect businesses and investors on the financial impact of sustainability (SASB, n.d.). The standards are financially material and industry specific (SASB, n.d.). Information is material according to the US Supreme Court if there was “substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the total mix of information available” (Battilana & Norris, 2019). SASB used studies and the concept of materiality to show that investors were interested in this data and would use the data if it were standardized across industries. The board understood that sustainability issues manifest differently depending on a company’s industry, sector, and size. SASB created a materiality map to demonstrate the importance across industries using the five dimensions of sustainability (See Appendix 1) (SASB, n.d.). The standards show information about corporate performance as well the five dimensions of sustainability: the environment, social capital, human capital, busines model and innovation, and leadership and governance (See Figure 2 for graphic).

Figure 2: Five Key Dimensions of Sustainability

(SASB, n.d.)

The SASB breaks down each dimension of the five dimensions of sustainability for each industry to target exactly what ESG issues an industry is facing. The SASB offers standards for 77 industries across 11 sectors to ensure companies are accurately applying the five dimensions of sustainability to their corporate activities. These 77 standards allow for standardization and comparability for companies in each industry (SASB, n.d.).

Current Literature about SASB

The current literature regarding SASB and sustainability reporting, current literature has explored many connections between sustainability and a variety of variables. Kim et al. (2012) explored the relation between sustainability scores and earnings quality. Moser and Martin (2012) provided an overview of the materiality of sustainability issues and called for further research on sustainability activities. Waddock and Graves (1997), Barnett and Salomon (2012), Margolis et al. (2009), Eccles et al. (2014) all question the relation between sustainability or sustainability ratings and firm performance. Hoi et al. (2013) examined the relation between irresponsible sustainability activities and corporate tax avoidance. On the other side, Davis et al. (2015) explored the correlation between socially responsible firms and paying more taxes. Khan et al. (2015) examined the relationship between material sustainability issues and sustainability ratings. These papers contribute to current literature and help companies and the accounting industry to create better measures of a company's sustainability performance. The results of this paper will examine the relation between SASB sustainability disclosures and equity pricing.

Chapter 2: Research and Methodology

The SASB Standards

The Purpose of SASB Standards

The SASB standards identify sustainability topics and performance metrics that are financially material and are likely to impact companies in 77 industries. The standards are designed to support internal and external reporting, build systems of internal control and governance for key performance metrics, and capture reliable information about key operational matters to drive long term value creation (SASB, n.d.). The standards are designed to communicate corporate performance about relevant "sustainability issues in a cost-effective and decision useful manner using existing disclosure and reporting mechanisms" (SASB, 2018).

Overview of SASB Standards

Companies can use Sustainable Industry Classification System (SICS) to determine which industry standards best identify relevant sustainability issues to their company and similar companies. Once an appropriate industry standard is chosen, the standards will include: disclosure topics, accounting metrics, technical protocols, and activity metrics:

Disclosure Topics	A minimum set of industry-specific disclosure topics reasonably likely to constitute material information, and a brief description of how management or mismanagement of each topic may affect value creation.
Accounting Metrics	A set of quantitative and/or qualitative accounting metrics intended to measure performance on each topic.
Technical Protocols	Each accounting metric is accompanied by a technical protocol that provides guidance on definitions, scope, implementation, compilation, and presentation, all of which are intended to constitute suitable criteria for third-party assurance.

Activity Metrics	A set of metrics that quantify the scale of a company's business and are intended for use in conjunction with accounting metrics to normalize data and facilitate comparison.
(SASB, 2018)	

Table 2: Overview of the components of SASB standards

The standards described are to be used in conjunction with the SASB Standards Application Guidance, the SASB Conceptual Framework, and the SASB Rules of Procedures.

The Consumer Goods Sector

The consumer goods sector is a category of companies that provide goods that are bought and used by consumers, individuals, or households rather than manufacturers and industries (Scott & Investopedia Staff, 2020). These companies make and sell for everyday private consumption. Companies of the consumer goods sector are involved in distributing a wide range of items including food productions, packaged goods, beverages, automobiles, electronics, clothing, household items, toys and many others (Scott & Investopedia Staff, 2020). The consumer goods market must continuously adapt to consumers demands and trends. Digital innovation, technology, and increased focus on sustainable and healthy habits are some of the biggest influences on the sector in recent years (Statista, n.d.). Given the industry trends and high demand for sustainable products in this sector, this paper focuses on the application of SASB standards in the consumer goods sector. The consumer goods sector can be broken down into many different industries however, this paper focuses on two of them as defined by SASB: (1) Apparel, Accessories and Footwear, and (2) Household and Personal Products. The companies of interest were chosen from these industries. I used all the public companies in each industry that disclosed according to SASB.

Apparel, Accessories, and Footwear

The Apparel, Accessories, and Footwear industry includes companies involved in the design, manufacturing, wholesaling, and retailing of various products, including men's, women's, and children's clothing, handbags, jewelry, watches, and footwear. Products are largely manufactured by vendors in emerging markets, thereby allowing companies in the industry to primarily focus on design, wholesaling, marketing, supply chain management, and retail activities (SASB, 2018). For the players in the Apparel, Accessory, and Footwear industry, the demand and companies are characterized by fashion trends or consumer tastes, successful marketing campaigns to demographic groups, and managing international operations, productions, and exportation ("Footwear Manufacturing", 2020; "Apparel Manufacturing", 2021). The following table shows the topic and accounting metrics of interest for companies in the Apparel, Accessories, & Footwear industry:

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Management of Chemicals in Products	Discussion of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	n/a	CG-AA-250a.1
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	n/a	CG-AA-250a.2
Environmental Impacts in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreement[2]	Quantitative	Percentage (%)	CG-AA-430a.1
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)	CG-AA-430a.2
Labor Conditions in the Supply Chain	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor	Quantitative	Percentage (%)	CG-AA-430b.1
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits[3]	Quantitative	Rate	CG-AA-430b.2
	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	Discussion and Analysis	n/a	CG-AA-430b.3
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials	Discussion and Analysis	n/a	CG-AA-440a.1
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard	Quantitative	Percentage (%) by weight	CG-AA-440a.2

Sustainability Disclosure Topics & Accounting Metrics

(SASB, 2018)

There are nine publicly traded companies that disclose according to the SASB Apparel, Accessories, and Footwear framework: Burlington Stores (BURL), Columbia Sportswear (COLM), Deckers Outdoor (DECK), Gap (GPS), Hanesbrand Inc. (HBI), Nike (NKE), PVH Corp (PVH), Ralph Lauren (RL), and VF Corp (VFC).

Burlington Stores

Founded in 1972, Burlington is a holding company who sells merchandise through their subsidiaries Burlington Coat Factory, Cohoes Fashion, Super Baby Depot and MJM Designer shoes. They sell women's ready to wear apparel, menswear, youth and baby apparel, footwear, accessories, home, toys, and coats. They market and sell their products to moderate, middle to higher price range (Burlington Stores Inc., n.d.) and ("Burlington Stores Inc", 2021).

Columbia Sportswear

Founded in 1938, Columbia Sportswear's primary business activities include designing, sourcing, marketing, and distributing active and outdoor lifestyle apparel, footwear, accessories, and equipment. Their primary brands include Columbia, SOREL, Mountain Hard Wear, and prAna. The Columbia line includes apparel, accessories, footwear, and equipment for all seasons, activities, and age groups. The SOREL brand primarily provides footwear for women, men, and youth consumers. Mountain Hard Wear includes apparel, accessories, and equipment specifically for climbers and their lifestyle. Lastly, prAna focuses on clothing and apparel for an active lifestyle (Columbia Sportswear Co., n.d.) and ("Columbia Sportswear Co", 2021).

Deckers Outdoor Corporation

Founded in 1973, Deckers Outdoor's primary business activities include footwear, apparel, and accessory design, marketing, and distribution. They have five primary brands including UGG, Koolaburra by UGG, HOKA, Teva, and Sanuk. The UGG and Koolaburra by UGG focus is on apparel, accessories, and footwear fashion for women, men, and children using sheepskin and other plush materials. HOKA is a line of athletic footwear and apparel. Teva's product line includes sandals, shoes, and boots. Sanuk's line focuses on sandals and the casual shoe categories (Decker's Outdoor Corporation, n.d.) and ("Deckers Outdoor Corporation", 2021).

Gap Incorporated

Founded in 1969, Gap Inc is a collection of brands that provide apparel, and accessories for women, men, and children. Their brands include Gap, Old Navy, Banana Republic, Athleta, Intermix, and Janie and Jack. Gap Inc is an omni-channel retailer with stores in Unites States, Canada, United Kingdom, Asia, Europe, Latin America, Middle East, and Africa (Gap Inc., n.d.) and ("Gap Inc.", 2021).

HanesBrands Incorporated

HanesBrands Inc. manufactures and markets everyday basic apparel such as bras, panties, shapewear, sheer hosiery, men's underwear, children's underwear, socks, t-shirts, sweatshirts, fleece, and other activewear. Their innerwear and outerwear apparel brands include Hanes, Champion, Playtex, Bali, Maidenform, JMS/Just My Size, Wonderbra, and Gear for Sports. Outside the Unites States, they have additional brands such as DIM, Nur Die/Nur Der, Lovable, Abanderado, Shock Absorber, Zorba, Sol y Oro, Rinbros, Track N Field, and Ritmo (HanesBrands Inc., n.d.) and ("HanesBrands Inc", 2021).

Nike

Founded in 1964, Nike primary business activities are the design, development, and marketing of athletic footwear, apparel, accessories, and equipment. Their products generally range in six categories including: Running, Basketball, the Jordan Brand, Soccer, and Training & Sportswear products. Additionally, they market and sell products for other sports such as football, baseball, cricket, golf, lacrosse, tennis, skateboarding, volleyball, wrestling and other outdoor activities (Nike Inc., n.d.) and (“Nike Inc.”, 2021).

PVH Corporation

Founded in 1881, PVH Corp. is primarily an apparel company which designs and markets dress shirts, neckwear, sportswear, jeanswear, performance and intimate apparel, underwear, swimwear, handbags, accessories, and footwear. PVH has several notable brands including Calvin Klein, Tommy Hilfiger, Van Heusen, IZOD, Arrow, Warner’s, Olga, Geoffrey Beene, and True & Co. The company divides its business based on North America and International Segments (PVH Corp, n.d.) and (“PVH Corporation”, 2021).

Ralph Lauren Corporation

Founded in 1967, Ralph Lauren designs, markets, and distributes premium lifestyle products that include apparel, accessories, home, fragrances, and hospitality. Their brand names include Ralph Lauren, Ralph Lauren Collection, Ralph Lauren Purple Label, Polo Ralph Lauren, Double RL, Lauren Ralph Lauren, Polo Ralph Lauren Children, Chaps, and Club Monaco (Ralph Lauren Corporation, n.d.) and (“Ralph Lauren Corporation”).

VF Corporation

Founded in 1899, VF primary business activities include designing, producing, marketing, and distributing products such as outerwear, footwear, apparel, backpacks, luggage, and accessories. VF has 16 brands that are divided by three segments: Outdoor, Work, and Active. Their Outdoor brands are designed for outdoor based lifestyle activities such as apparel, footwear, and equipment. Notable Outdoor brands include Altra, Icebreaker, Smartwool, The North Face, and Timberland. Their Work brand offers work and work-inspired apparel, footwear, and accessories. Those include Bulwark Protection, Dickies, Horace Small, Kodiak, Red Kap, Terra, VF Solutions, and Walls. Lastly, their Active brand offers active and active-inspired apparel, footwear, and accessories. VF Active brands include Eagle Creek, Eastpak, JanSport, Kipling, Napapijri, Supreme, and Vans (VF Corporation, n.d.) and ("VF Corporation, 2021).

Household and Personal Products

The Household and Personal Products industry comprises companies that manufacture a wide range of goods for personal and commercial consumption, including cosmetics, household and industrial cleaning supplies, soaps and detergents, sanitary paper products, household batteries, razors, and kitchen utensils (SASB, 2018). Usually operating globally, household and personal products companies typically sell their products to supermarket chains, mass merchandisers, grocery stores, membership club stores, drug stores, convenience stores, distributors, and e-commerce retailers ((SASB, 2018), "Soap and Other Detergent Manufacturing", 2021; "Personal Care Products Manufacturing", 2021). For companies in the Household and Personal Products industry, demand is driven from population growth, economic growth, and trends for cruelty free, clean, or sustainable ingredients (“Soap and Other Detergent Manufacturing”, 2021; “Personal Care Products Manufacturing”, 2021). The following table shows the topic and accounting metrics of interest for companies in the Household and Personal Products industry:

TOPIC	ACCOUNTING METRIC	CATEGORY	UNIT OF MEASURE	CODE
Water Management	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m^3), Percentage (%)	CG-HP-140a.1
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	CG-HP-140a.2
Product Environmental, Health, and Safety Performance	Revenue from products that contain REACH substances of very high concern (SVHC)	Quantitative	Reporting currency	CG-HP-250a.1
	Revenue from products that contain substances on the California DTSC Candidate Chemicals List	Quantitative	Reporting currency	CG-HP-250a.2
	Discussion of process to identify and manage emerging materials and chemicals of concern	Discussion and Analysis	n/a	CG-HP-250a.3
	Revenue from products designed with green chemistry principles	Quantitative	Reporting currency	CG-HP-250a.4
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Quantitative	Metric tons (t), Percentage (%)	CG-HP-410a.1
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	CG-HP-410a.2
Environmental & Social Impacts of Palm Oil Supply Chain	Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as (a) Identity Preserved, (b) Segregated, (c) Mass Balance, or (d) Book & Claim	Quantitative	Metric tons (t), Percentage (%)	CG-HP-430a.1

Sustainability Disclosure Topics & Accounting Metrics

(SASB, 2018)

There are five publicly traded companies that disclose according to the SASB framework for Household and Personal Products: Church and Dwight (CHD), The

Clorox Company (CLX), Estee Lauder Companies (EL), Kimberly-Clark (KMB), and The Proctor & Gamble Company (PG).

Church and Dwight

Founded in 1846, Church and Dwight's primary business activities include the development, manufacturing, and marketing a range of consumer products and brands. Their notable brands and products respectively: ARM & HAMMER baking soda, cat litter, laundry detergent, carpet deodorizer and other baking soda based products; TROJAN condoms, lubricants and vibrators; OXICLEAN stain removers, cleaning solutions, laundry detergents and bleach alternatives; SPINBRUSH battery-operated toothbrushes; FIRST RESPONSE home pregnancy and ovulation test kits; NAIR depilatories; ORAJEL oral analgesic; XTRA laundry detergent; L'IL CRITTERS and VITAFUSION gummy dietary supplements; BATISTE dry shampoo; WATERPIK water flossers and showerheads (Church & Dwight Co., Inc., n.d.) and ("Church & Dwight", 2021).

The Clorox Company

Founded in 1913, The Clorox Company manufactures and markets consumer products in three segments: Health and Wellness, Household, and Lifestyle. Notable brands and products include Clorox cleaning and disinfecting wipes and products, Pine-Sol cleaners, Liquid-Plumr clog remover, Poett home care products, Fresh Step cat litter, Glad bags and wraps, Kingsford charcoal, Hidden Valley dressing and sauces, Brita water filtration products, Burt's Bees natural personal care products, and several lines of vitamins, minerals, and supplements (The Clorox Company, n.d.) and ("The Clorox Company") .

Estee Lauder Companies

Founded in 1946, Estee Lauder Companies' primary business activities include the manufacturing and marketing of skin care, makeup, fragrance, and hair care products. Estee Lauder Companies is made up of over 25 brands. Notable brands include Aerin Beauty, Aramis, Aveda, BECCA, BOBBI BROWN, Bumble and bumble, CLINIQUE, DARPHIN Paris, DKNY, DONNA KARAN, Dr. Jart+, Editions de Parfums Frederic Malle, Ermenegildo Zegna, Estee Lauder, GLAM GLOW, Jo Malone London, Kilian Paris, LA MER, Lab Series, LE LABO, MAC, Origins, RODIN olio lusso, smashbox, Tom Ford Beauty, and Too Faced (Estee Lauder Companies, n.d.) and ("Estee Lauder Companies", 2021).

Kimberly-Clark Corporation

Established in 1872, Kimberly Clark's primary business activities include the manufacturing and marketing of household and personal products. Their brands and products are segmented into five areas and their notable brands respectively: Adult Care: Depend, Poise, Plentitud; Baby & Child Care: Huggies, Pull-Ups, GoodNites, DryNites, Little Swimmers; Family Care: Kleenex, Cottonelle, Scott, Wondersoft; Feminine Care: U by Kotex, Kotex; and K-C Professional: Kleenex, Scott, WypAll, KleenGuard (Kimberly-Clark, n.d.) and "Kimberly Clark Corporation", 2021).

The Proctor & Gamble Company

Established in 1837, Proctor and Gamble provides consumer packaged goods in five different segments: Beauty; Grooming; Health Care; Fabric and Home Care; Baby, Feminine, and Family Care. Notable brands for each segment respective to the segments include: Aussie, Head & Shoulders, Herbal Essences, Old Spice, Pantene, Olay, Secret, Native; Braun, Gilette, joy+glee, Venus; Align, Clearblue, Meta, Pepto-Bismol, Prilosec OTC, Vicks, ZzzQuil, Crest, Oral-B, Scope; Ariel, Bounce, Cheer, Downy, Gain, Tide, Cascade, Dawn, Febreeze, Microban, Mr. Clean, Swiffer; Luvs, Pampers, Bounty, Charmin, Puffs, Always, Just, Tampax (Proctor & Gamble Co., n.d.) and ("Proctor & Gamble Co", 2021).

Methodology

Stock Pricing

The purpose of this paper is to determine whether disclosing ESG information according to SASB framework influences stock prices of a company. A stock price reflects the company's value or what the public is willing to pay for the piece of a company (Corporate Finance Institute, n.d.). Furthermore, the law of supply and demand demonstrates that companies with a higher stock price are companies the public and investors are more interested in. A variety of factors can cause the stock price to change in either direction. It was hypothesized that ESG information disclosed according to SASB would positively affect share prices and demonstrate that disclosing this information would be a material method to measure a company's performance. Comparing a company's stock price in the days surrounding the release of the ESG information according to SASB can help determine if the information relayed in these reports is of interest to the public and investors. To determine this information, the change in stock price surrounding the release of the information was gathered and analyzed.

Example of the data collected for each company

To perform this study, data was collected for each company to determine if ESG information according to SASB framework resulted in a positive rate of return and abnormal return. The following table is an example of the data analyzed for each company:

Event Date:	**9/27/20**	**BURLINGTON STORES**	
	Date	BURL	SPY
-3	9/23/20	$ 196.97	$ 3,236.92
+3	9/30/20	$ 206.09	$ 3,363.00
Rate of Return		4.6%	3.9%
Abnormal Return		0.7%	

For each company, the event date or when the information was released to the public was collected. The stock price of the company three business days prior and three business days following the event date was recorded as seen in column two and three. Column four shows the recorded share prices for the S&P 500, a stock market index, on the same dates recorded in column two. Row six shows the computed rate of return for each company and the S&P 500 on the dates of interest. Row seven uses both values from row six to compute the abnormal return on the event. This methodology was used for all 14 companies.

Chapter 3: Data and Results

Abnormal Returns Data

Using the selected methodology, the abnormal return was calculated for each company and expressed as a percentage. The percentages were used as a data set to analyze the results. The following table shows the results for each company by their ticker symbol on the stock market.

Company (Ticker Symbol)	Abnormal Return (%)
BURL	.74%
CHD	.77%
CLX	-.22%
COLM	1.90%
DECK	-1.93%
EL	1.71%
GPS	.75%
HBI	-1.36%
KMB	-1.55%
NKE	-2.25%
PG	-.82%
PVH	-5.30%
RL	.71%
VFC	4.77%

Statistical Data

The abnormal returns created a data set to be analyzed using hypothesis tests and tests of significance. Using this data set, the mean, standard deviation, test statistic, and p-value was computed with alpha set at .05. The following table shows these values:

Mean	-0.15%
Standard Deviation	0.00633167
Test Statistic	-0.2347018
P-Value	0.40904819

Results and Discussion

After statistical analysis on the data set, the results are inconclusive at this time. The test statistic and p-value suggest that the evidence is not strong or robust enough to conclude that the evidence is of statistical significance. Our range of abnormal returns included a minimum of -5.30% and a maximum of 4.77%. From these results, it is concluded that there may have been some confounding factors that influenced the results.

Primarily, there may not have been enough evidence. This paper examines 14 companies across two different industries. Majority of these companies just started compiling and releasing this information in the last two years. For future studies, using more companies may provide a more solid trend and conclusion. Other confounding factor could be the investor and public reception and attitude. The SASB index is usually enclosed in the annual or sustainability report and is often scheduled to be released. They may have been expecting this information and were not surprised by the information. Furthermore, SASB disclosures are not required. Companies opt in and choose to spend their resources on these reports. It is likely investors, and the public expected the information to be released and expected the results of the SASB disclosures therefore their presence did not drastically affecting the stock prices. Another confounding variable is the market landscape itself. It can be difficult to account for all the changing factors of the business world. To account for this and minimize daily market factors, the S&P 500 market price was used. However, there is a possibility that there is other noise, such as the COVID-19 pandemic, affected the results. The results may have been inconclusive, but this study contributes to overall literature surrounding sustainability disclosures and the implementation of SASB.

Chapter 4: Conclusion

In conclusion, this paper aimed to discover the effects of ESG information disclosed according to SASB on share prices of 14 companies in the consumer goods sector. By using share prices to find the rate of return and abnormal return, this study found the results to be inconclusive and in need of more data. This paper comments on the current literature and discussion surrounding ESG disclosures and the implementation of SASB. While the results of this study may have been inconclusive, sustainability reporting is important and in demand. In 2020, nearly 90% of the companies in the S&P 500 published sustainability reports and 14% of them align with SASB (G&A Institute Inc., 2020). Importantly, these reports are not required. Companies choose to invest their resources in collecting, compiling, and disclosing this information. They are choosing to do it for a reason. From a strictly financial point of view, companies would not use their resources if they did not see value creation or a return on this investment. This paper aimed to prove that through share prices and while this study is inconclusive, more companies and more SASB report releases will allow for a larger sample size and more accurate statistical significance.

Glossary

All definitions are referenced from Oxford's Dictionary of Finance and

Banking. See Bibliograph for citation.

Abnormal Return: A rate of return for taking a particular risk that is greater than that required by the market.

Financial Accounting Standards Board (FASB): In the USA, a non-government body founded in 1973 with the responsibility of promulgating generally accepted accounting principles. This is achieved by the issue of Statements of Financial Accounting Standards, which certified public accountants are expected to follow. Owing to the FASB's close relationship with the Securities and Exchange Commission, US companies that desire a market listing have to comply with the standards it issues.

Materiality: The extent to which an item of accounting information is material. Information is considered material if its omission from or misstatement in a financial statement could influence the decision making of its users. Materiality is therefore not an absolute concept but is dependent on the size and nature of an item and the particular circumstances in which it arises.

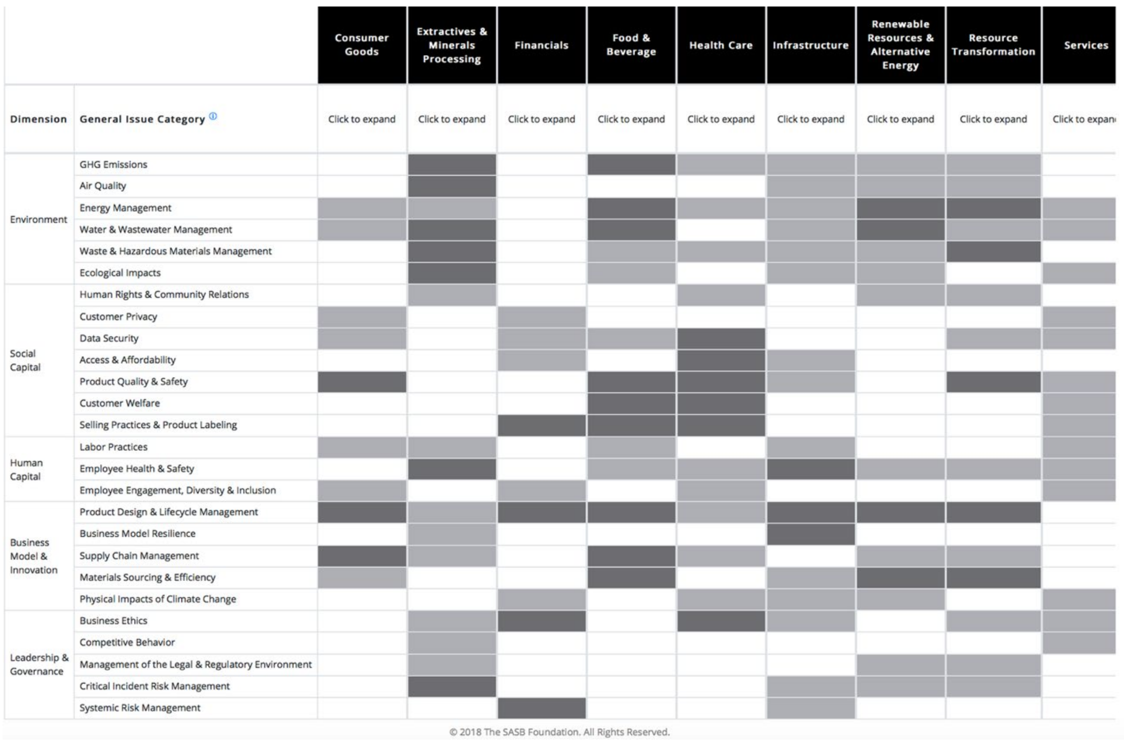
Rate of Return: The annual amount of income from an investment, expressed as a percentage of the original investment. This rate is very important in assessing the relative merits of different investments. It is therefore important to note whether a quoted rate is before or after tax, since with most investments, the after-tax rate of return is most relevant.

S&P 500: A US credit rating agency and financial services company based in New York. S&P rates the bonds issued by companies, public corporations, and sovereign states on a scale from AAA downwards to D: a rating of BBB or above denotes 'investment grade', lower ratings 'speculative grade'. The company also publishes a series of stock-market indexes, the widest being the **S&P 500.**

Appendix

Appendix 1:

Sasb Materiality Map by Industry.



Dimension	General Issue Category	Consumer Goods	Extractives & Minerals Processing	Financials	Food & Beverage	Health Care	Infrastructure	Renewable Resources & Alternative Energy	Resource Transformation	Services
		Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expan
Environment	GHG Emissions									
	Air Quality									
	Energy Management									
	Water & Wastewater Management									
	Waste & Hazardous Materials Management									
	Ecological Impacts									
Social Capital	Human Rights & Community Relations									
	Customer Privacy									
	Data Security									
	Access & Affordability									
	Product Quality & Safety									
	Customer Welfare									
	Selling Practices & Product Labeling									
Human Capital	Labor Practices									
	Employee Health & Safety									
	Employee Engagement, Diversity & Inclusion									
Business Model & Innovation	Product Design & Lifecycle Management									
	Business Model Resilience									
	Supply Chain Management									
	Materials Sourcing & Efficiency									
	Physical Impacts of Climate Change									
Leadership & Governance	Business Ethics									
	Competitive Behavior									
	Management of the Legal & Regulatory Environment									
	Critical Incident Risk Management									
	Systemic Risk Management									

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