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Introduction

As the search for a way to control corporate emissions on a global level continues, voluntary disclosure of climate metrics has been presented as a possible alternative to national or international regulation. The Carbon Disclosure Project (CDP) and UN Global Compact (UNGC) are two of the largest voluntary disclosure programs. They rely on the principle of a self-regulating market in which consumers use each company's self-reported data to invest only in companies that are behaving sustainably, thus creating an incentive for companies to reduce emissions. This study examines the impact of the CDP and the UNGC on a company's overall environmental performance and looks for spillover effects between the two programs. We hope to help answer the question: **Can market-based voluntary environmental programs (VEP) explain variation in corporate environmental performance?**

Methodology

- To measure a company's overall environmental performance, we relied on the widely recognized metrics of Newsweek's "Green Rankings," which ranks the 500 largest global companies by environmental performance.
- All data was collected from CSRHub, an online database of environmental metrics and ratings
- Only companies that that have been ranked in the Newsweek Green Scores for more than one year were included in analysis
- After collecting the data, we compiled the data into one spreadsheet in order to have the data in an analyzable format
- The following analyses were utilized: Wald, OLS, and Exploratory Data Analyses



Impact on Newsweek Green Rankings

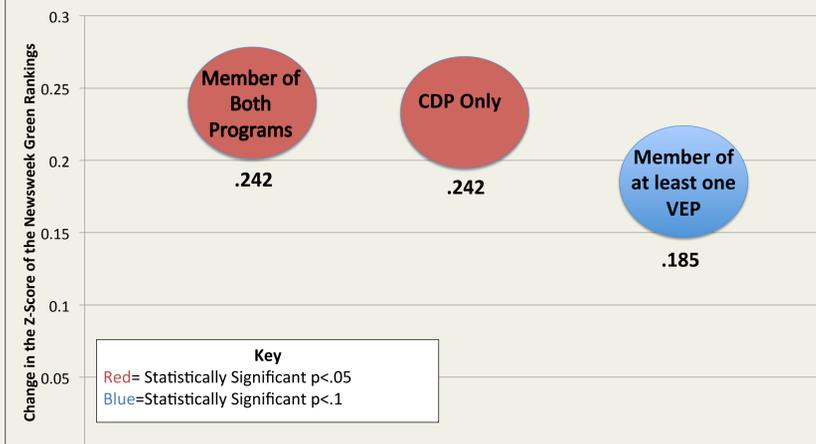
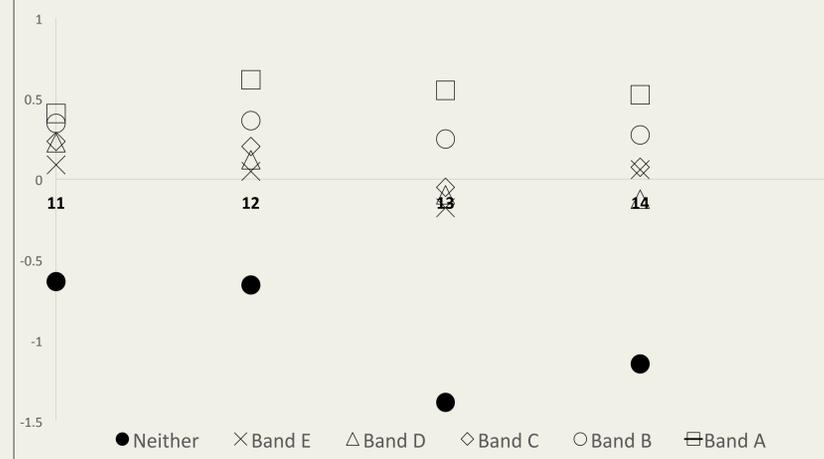


Figure 1: 0 represents the control value for change in the Z-Score of the Newsweek Score for those companies involved in neither the UNGC or the CDP.

Relationship between CDP Bands on Environmental Performance



Results

- Joining a VEP has a significant and positive effect
- Joining only the CDP had a significant impact on environmental performance, whereas joining just the UNGC did not
- A higher CDP level correlates with a better environmental performance
- There is an amplifying effect from being in both programs
- No relationship was found between geographical location of the company, VEP, and environmental performance

Conclusions

- Membership in a VEP can have the ability to influence a company's environmental performance
- The CDP's internal controls and metrics result in improved environmental performance
- The stringency of the program has an impact on its effectiveness
- Simply being a member is often not enough to see improved performance, a company must also be a high performer within the program

Implications

- It is unclear whether these improvements are enough to have significant impact on climate change
- Not all VEPs are equal, conscientious investors and consumers should look for ones that have stricter requirements
- Due to the discovered amplifying effect, current investors looking to invest only in environmentally responsible companies should look for companies who are members of multiple different programs

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