Claremont McKenna College

Corporate Social Responsibility and Corporate Financial Performance: An Examination into Fortune 500 and DJSI Firms Within Consumer-Facing Industries

submitted to
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by
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ABSTRACT

This paper examines the relationship between a firm's Corporate Social Responsibility (CSR) and its Corporate Financial Performance (CFP) in nine consumer-facing industries classified by the Fortune 500. Unlike prior research on the matter, the firms investigated in this study consist only of firms on both the Fortune 500 for the year 2018 and the Dow Jones Sustainability Index (DJSI) between the years 2005-2018 in order to define a clear measurement of CSR. In order to gauge investor and market sentiment, CFP is measured primarily by the firm's stock performance in comparison to the S&P 500 as a basis. The results of this study suggest that while results vary heavily from industry to industry, firms with wealthier target audiences will typically benefit from a more sustainable brand image while firms targeting a lower-income audience actually suffer negative consequences due to the increased costs associated with sustainability and low returns from customers seeking cheap options.

TABLE OF CONTENTS

I. INTRODUCTION

Over the past decade, Corporate Social Responsibility (CSR) has quickly evolved from a charming amenity to an indispensable strategic foundation for firms across a wide spectrum. Gone are the calls for a complete separation of church and state - or business and politics - as the two spheres find themselves hopelessly intertwined in an unending battle of love and war. In a time of political uncertainty and social unrest, power and influence are increasingly transcending the walls of business to engender solutions on a vast scale. Whether it's raising awareness on global issues such as climate change or tackling systemic injustices within communities, firms are increasingly leveraging brand image as a platform for change.

In fact, companies are quickly earning a reputation as catalysts of social transformation on local, national, and global levels. According to Nicolette van Exel, Intuit's head of CSR, "The change in the global socio-economic environment and focus on purpose-driven business models have raised the bar for CSR leaders. There are new demands and reliance on CSR leaders to influence the private sector. Leaders are broadening their skills and influence across human resources, government affairs and branding to align social impact with their company's business strategy, talent pipeline, and policy environment."[1] As companies become increasingly conscious of the scope their impact, more companies are taking a stance on issues such as climate change and

[1] Susan McPherson, "6 CSR Trends to Watch in 2017," Forbes, January 19, 2017.

gay rights in order to gain loyal customers whose values also align with the brand's and develop hiring practices that will atract the best and brightest.

However, as companies begin to place greater significance on the impact of sound business practices, CSR's reach remains heterogeneous within corporate America. The source of motivation for companies in their pursuance of CSR remains a hotly debated topic among researchers in the field. Do companies engage in CSR to increase brand visibility and positively affect bottom lines? Or are companies intrinsically motivated to contribute to society for higher brand visibility and increased financial performance? Professors at Santa Clara and Pepperdine University, Hoje Jo and Maretno Harjoto, define CSR as "serving people, communities, and society in ways that go beyond what is legally required of a firm. According to Barnea and Ruben (2010), however, if CSR initiatives do not maximize firm value, such initiatives are a waste of valuable resources and potentially value-destroying proposition."[2] As it remains, the literature on the subject matter lacks a definitive consensus on CSR in terms of definition, measurement, and impact.

This study approaches CSR's impact on corporate financial performance (CFP) in a new way by building upon the idea that a firm's success depends highly upon public perception. Therefore, rather than attempting to build a new CSR measurement model, this study will utilize an existing model created by Dow Jones. The Dow Jones Sustainability Index (DJSI) serves as a trusted, best-in-class benchmark for investors who

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[2] Hoje Jo and Maretno A. Harjoto, "Corporate Governance and Firm Value: The Impact of Corporate Social Responsibility," Journal of Business Ethics 103 (2011): 351-355 , https://doi.org/10.1007%2Fs10551-011-0869-y.

wish to contribute to sustainable business practices through building a socially meaningful portfolio. This paper contributes to existing literature on CSR by cross-referencing the DJSI with consumer-facing companies from the Fortune 500 and analyzing the companies' CFR across various performance measures through targeted case studies. These companies encapsulate nine sectors, including: 1) apparel, 2) food and drug stores, 3) food, beverages, and tobacco, 4) hotels, restaurants, and leisure, 5) household products, 6) media, 7) motor vehicles and parts, 8) retailing, and 9) transportation.

II. LITERATURE REVIEW

While extensive research exists on the relationship between corporate social performance (CSP) and corporate financial performance (CFP), the academic and practitioner community fall short in drawing a definitive consensus on CSR's impact on long-term profitability. Research from the 1970s[3] to the current day[4] have produced contradictory findings and widespread inconsistencies as a result of varied definitional and methodological approaches. An in-depth analysis of the available literature highlights the recurrence of three key issues[5]: samples spread across firms of multiple sizes, varied measurements of CSR, and inconsistent measurements of financial performance.

A. SAMPLE SIZE VARIANCE

The first key issue in existing studies is the one-size fits all model for firms of all industries. For the most part, the literature attempts to build its own model for CSR measurement with the implicit assumption that these models will hold true for all firms, regardless of size and industry. Researchers from the University of Illinois at Chicago and the University of Nottingham Business School attempted to establish their own CSR model by controlling for a firm's investment in research and development, arguing that CSF and CFR lack substantial evidence for correlation[6]. However, their CSR

[3] Moskowitz explores the question of whether social performance will affect capital markets. Moskowitz, M. (1972) Choosing Socially Responsible Stocks. Business & Society Review, 1, 71-75.
[4] Peloza examines how firms can utilize CSR for economic benefit and how methods vary across industries.
[5] Jennifer J. Griffin and John F. Mahon, "The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research," Business & Society 36, no. 1 (1997): 7-10, https://doi.org/10.1177/000765039703600102.
[6] Abagail McWilliams and Donald Siegel, "Corporate Social Responsibility and Financial Performance: Correlation or Misspecification," Strategic Management Journal 21 (2000): 603-609, https://doi.org/10.1002/(SICI)1097-0266(200005)21:5<603::AID-SMJ101>3.0.CO;2-3.

measurement model fails to account for the nuances associated with firms from various industries.

While some models point to the nonexistent relationship between CSR and CFR, that research is small in number; An abundance of research on the positive relationship between CSR and CFR pervades the field.[7] Numerous studies combed through financial statements and press releases to gauge a company's CSR level. A meta-analysis of 33,878 observations was conducted by devising a scoring system based on each firm's disclosures, social audits, and observable outcomes, eventually concluding that a focus on corporate ethics will eventually pay off in the long run.[8] Other research with similar findings took a broader approach and examined the relationship between a firm's overall reputation and market performance. For example, Professors Charles Fombrum of NYU and Mark Shanley of UChicago concluded that stakeholders construct a firm's relative merits through subjective and ambiguous market and accounting factors.[9]

Finally, floating in the middle of the spectrum lies research that argues for the existence of a "CSR equilibrium" where a firm manipulates their level of CSR to maximize performance, therefore resulting in a neutral relationship. McWilliams and Seigel's study even goes as far as to argue a supply and demand curve exists between CSR initiatives and investors, meaning that greater CSR does not always necessarily lead

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[7] Bernadette M. Ruf et al., "An Empirical Investigation of the Relationship between Change in Corporate Social Performance and Financial Performance: A Stakeholder Theory Perspective," Journal of Business Ethics 32, no. 2 (2001): 143-156, https://doi.org/25074563.

[8] Marc Orlitzky, Frank L. Schmidt, and Sara L. Rynes, "Corporate Social and Financial Performance: A Meta-analysis," Organization Studies 24, no. 3 (2003): 403-410, https://doi.org/10.1177/0170840603024003910.

[9] Charles Fombrun and Mark Shanley, "What's in a Name? Reputation Building and Corporate Strategy," The Academy of Management Journal 33, no. 2 (1990): 233-258, https://doi.org/10.2307/256324.

to higher CFP but rather, CSR only goes so far before it begins to negatively affect the efforts of the firm.[10] In other words, investing in CSR is costly and does not necessarily result in immediate returns. When a firm fails to perform financially, additional sustainability costs will negatively affect the firm.

However, all of the aforementioned literature examines firms over a wide range of industries and sizes. Out of all the studies on CSR and CFP, only a few articles consider industry specific control groups[11] and even fewer examine the impact of CSR within a specific geographical location.[12] The nuance within CSR does not allow for a one-size-fits-all model to serve as sufficient measurement within various firms and therefore requires greater scrutiny into firms of similar backgrounds in order to conduct a thorough analysis of CSR's financial impact. The lack of consensus indicates shortcomings within the literatures' research methodology which is attributable to the high variability in sample size. As a result, this study compares companies of consumer-facing industries within the Fortune 500 in order to better assess firms of similar business type and size.

B. CSR MEASUREMENT

The second key issue, varied CSR measurement methods, stems from the wide variety of CSR definitions and subsequent subjective measurement approaches. As discussed above, some researchers approached their CSR evaluation with a heavier

[10] Abagail McWilliams and Donald Siegel, "Corporate Social Responsibility: A Theory of the Firm Perspective," The Academy of Management Review 26, no. 1 (2001): 117-127, https://doi.org/259398.
[11] Philip L. Cochran and Robert A. Wood, "Corporate Social Responsibility and Financial Performance," Academy of Management Journal 27, no. 1 (1984): 42-56, https://doi.org/255956.
[12] Duygu Turker, "Measuring Corporate Social Responsibility: A Scale Development Study," Journal of Business Ethics 85, no. 4 (2009): 411-427, https://doi.org/40294805.

emphasis on R&D[13] while others placed greater weight on philanthropic efforts and disclosures.[14] The actual term *CSR* lacks a standard definition which engenders a myriad of beliefs on which aspects of a company should deserve greater weight. For the most part, research attempts to build its own models to measure CSR[15], but this often carries a degree of bias in terms of how much weight each input should carry and thus contributes to the lack of a systematic basis for measurement.

Conversely, other research suggests looking to indices as reliable method of measurement because it also provides the added value of a progression index. In his paper on measuring corporate responsibility, Michael Hopkins of MHC International develops a compelling framework for CSR measurement based off of five main features: concept used, definition, conceptual framework, details of methodology easily available, indicators, and measures given.[16] These features are then checked off against six main systems that ranks CSR among companies on a global scale. After a comprehensive review of each and weighing the positives and negatives of the main features available, this paper settled on the Dow Jones Sustainability Index (DJSI). While the DJSI lacks indicators and measures given, the index is the most comprehensive out of the six analyzed by Hopkins by far and provides comprehensive rankings on a global and continental level ranging back to 2005. While the Business in the Community (BiTC)

[13] McWilliams and Siegel, "Corporate Social," 117.
[14] Walter F. Abbott and R. Joseph Monsen, "On the Measurement of Corporate Social Responsibility: Self-Reported Disclosures as a Method of Measuring Corporate Social Involvement," The Academy of Management Journal 22, no. 3 (1979): 501-515, https://doi.org/255740.
[15] The studies of MacWilliams, Fombrum, and Orlitzky all attempt to build their own CSR models by valuing various inputs.
[16] Michael Hopkins, "Measurement of Corporate Social Responsibility," International Journal of Management and Decision Making 6, no. 3/4 (2005): 213-231, https://doi.org/10.1504/IJMDM.2005.006549.

index fulfills the greatest number of checkboxes in Hopkins' framework, it only analyzes businesses in the United Kingdom which stands in opposition to this paper's goal of focusing solely on North American companies. In addition, the Dow Jones acts as one of the world's most respected and trusted financial indices, lending it further credibility for its sustainability index. Therefore, for the purposes of this paper, the DJSI serves as most effective measurement of CSR.

C. FINANCIAL PERFORMANCE

The final issue identified in the literature review is inconsistent financial performance measurements. Financial measures include profitability, asset utilization, growth, liquidity, and risk/market measures among other things. However, similar to CSR measurement, investors vary in their opinions on which indicators provide the best analysis of a firm's financial performance. Therefore, the consideration of numerous indicators in comparison to market performance is essential in order to glean a comprehensive understanding on a firm's financial health.

Boston University researchers pinpoint size (logarithm of total assets), return on assets, return on equity, asset age, and 5-year return on sales as the five key financial measurements used in their study of CSR's impact on CFR.[17] Financial measurements, however, are subject to varying levels of subjectivity; A firm from one industry may have a higher return on assets (ROA) in direct comparison to a firm within a different industry but in actuality, the firm could be underperforming when compared to its industry

[17] Jennifer J. Griffin and John F. Mahon, "The Corporate Social Performance and Corporate Financial Performance Debate: Twenty-Five Years of Incomparable Research," Business & Society 36, no. 1 (1997): 5-31, https://doi.org/10.1177/000765039703600102.

benchmark. Also, Gryffin fails to take stock price into consideration when evaluating financial performance, thus discounting the impact of investors' perception of the firm's ability to increase future profits. Additionally, an evaluation of market capitalization (market cap) would provide greater analysis of firm's financial health in the context of its industry, therefore accounting for the discrepancies that arise when comparing cross-comparing firms of various industries and sizes. Therefore, upon the analysis of financial performance, this paper will focus on market performance: market cap and stock price versus the industry benchmark.

D. DISCUSSION

In essence, this paper's analysis aims to resolve the recurring issues highlighted by the available research: variability between samples and CSR and CFR definitions through a framework that is intentional in the addressing of the issues at hand. By addressing the previous complications and reducing the high variability in sample size, the high degree of variability will, in turn, mitigate itself based on the close relationship between sample size variance, CSR measurement, and financial performance.

III. METHODOLOGY

By approaching CSR measurement from both a quantitative and qualitative perspective, this thesis provides a deeper comprehension of CSR's correlation to CFP. The majority of prior literature on the subject attempts to build out its own model of CSR measurement, weighing various components and compiling arguments for why its own measurement model should supersede all others. However, these models fail to consider the impact of investor sentiments and at the end of the day, investors have a large impact on stock performance. After all, investors will seldom look to value a firm's CSR based on academic models and as a result, this paper argues that the best method of CSR measurement lies in the use of widely respected and accepted sustainability indices and rankings.

This study utilizes the DJSI, "a float-adjusted market capitalization-weighted index that measures the performance of companies selected with economic, environmental, and social criteria,"[18] as the objective benchmark to measure a company's CSR. In partnership with RobecoSAM, a sustainability investment specialist, the DJSI was created with the intent to highlight companies that outperform their peers sustainability-wise within a given industry. The process begins with the Invited Universe [19] where RobecoSAM invites selected companies to partake in the Corporate

[18] Dow Jones Sustainability Indices Methodology. (2019, July). Retrieved from S&P Dow Jones Indices database.

[19] Invited Universe includes the largest companies by float-adjusted market capitalization within the S&P Global BMI. Not all invited companies will choose to CSA, meaning that, while unlikely, highly sustainable companies that decline taking the CSA will be left out of the DJSI.

Sustainability Assessment (CSA)[20], after which each company receives a Total Sustainability Score (TSS). Companies that fail to obtain a TSS less than 40% below the TSS of the highest-scoring company in the Assessed Universe are subsequently disqualified. The remaining companies form the Eligible Universe[21]. In addition, Sustainanalytics, a provider of ethical research investment services, screens the Selected Universe and disqualifies all companies exposed to alcohol, tobacco, gaming, armaments, cluster bombs, firearms, landmines, adult entertainment, uranium mining, nuclear weapons, nuclear power generation, and nuclear power sales based on the DJSI's ethical exclusion criteria. Further technical information on the DJSI's measurement criteria is found in the S&P Dow Jones' Indices Mathematics[22], Float Adjustment[23], Equity Policies & Practice[24], and Classification Standards Methodologies[25].

This study focused solely on the the DJSI North America 40, which lists 600 of the largest US & Canadian companies in the S&P Global BMI that lie above the $500 million existing constituent threshold in its Invited Universe. By examining the list of companies included in the DJSI from 2005-2018, the study essentially removed the significance of the TSS and simply accounted for which companies were on the index at

[20] The CSA is an annual evaluation of companies' sustainability practices by focusing on industry-specific and financially material criteria.
[21] The Eligible Universe is composed of companies have a TSS score within 60% of the top scoring company in their own industry, but the DJSI also makes sure that there are sufficient companies within each eligible industry so it may combine industries where it sees fit rather than lowering the criteria the standards for TSS scoring.
[22] Index Mathematics Methodology. (2019, July). Retrieved from S&P Dow Jones Indices database.
[23] Float Adjustment Methodology. (2019, March). Retrieved from S&P Dow Jones Indices database.
[24] Equity Indices Policies and Practices Methodology. (2019, August). Retrieved from S&P Dow Jones Indices database.
[25] Global Industry Classification Standard (GICS) Methodology. (2019, September). Retrieved from S&P Dow Jones Indices database.

any given point in time. In other words, all companies that appear on the index are assumed, in the case of this study, to possess high CSR regardless of their actual score during the specific years for which they are listed.

Over the span of the fourteen years assessed, a total of 300 companies had earned a spot on the index on one or multiple occasions. These companies were then cross-referenced with the Fortune 500 list, distilling the list even further. Out of the 300 companies on the DJSI, 206 were members of the Fortune 500 in 2018. These 206 remaining companies were then categorized by sector according to their label on the Fortune 500 and then narrowed down to only include sectors that were deemed as "consumer-facing." These sectors encapsulate a total of 9 areas: 1) apparel, 2) food & drug stores, 3) food, beverages, & tobacco[26], 4) hotels, restaurants, & leisure, 5) household products, 6) media, 7) motor vehicles & parts, 8) retailing, and 9) transportation.

The remaining forty-five companies on the list were then evaluated based on stock price fluctuations.[27] Additional data gathered on the fluctuations within the S&P 500 index over the past five years was compared to company performances within each various DJSI cumulative category and within the various industries in order to determine whether or not certain companies with "better" sustainability markers outperformed the market and/or whether sustainability within industries played an effect on a company's ability to outperform the market.

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[26] Tobacco companies, although included in the industry categorization, are not considered for the DJSI due to the elimination of industries with exposure to controversial activities.
[27] Taken from Fortune 500 and Yahoo Finance.

RobecoSAM also provides analysis on each qualifying company in its annual Sustainability Yearbook and on current industry trends. Companies within different industries receive their percentile rankings based on varied weights of economic, environmental, and social dimensions with varied factors for each group. In other words, each industry calculates its rank in different manners based on the headwinds and tailwinds forecasted over the year. The higher the percentile ranking of a company, the better its sustainability initiatives in the three respective categories. Companies are also given awards: Gold Class, Silver Class, Bronze Class, Industry Mover, or Sustainability Yearbook Member depending on their sustainability achievements within their own respective industries.

Finally, the appendix contains data on the stock performance: a graph for each company that depicts the stock performance as a percentage of its starting point plotted against the performance of the S&P 500 and the aggregated average growth rate of the stock compared to the S&P 500.

IV. RESULTS BY INDUSTRY

The following describes the results of the study categorized by the various industries represented. On the surface, DJSI membership does not appear to strongly impact a firm's financial performance, but member firms do appear to outperform the S&P 500, even if only by a small amount. Upon closer analysis, it appears that pursuing sustainability initiatives pose negative effect on firms whose core consumers focus solely on affordability while luxury brands benefit from cultivating a sustainable brand image.

A. APPAREL

A total of three apparel companies qualified for both the DJSI and the Fortune 500: Nike (NKE), PVH, and Hanesbrands (HBI). All three companies, for the most part, outperform the S&P 500 index over the course of the 14 years but their performances all vary for the duration they're on the DJSI. Nike, in particular, has been on the DJSI since its inception and outperforms the S&P 500 by a large margin. Since 2005, Nike stock has grown by almost eight times the amount of the S&P 500 (see Figure 1). Hanesbrands, though only one the DJSI for one year, also outperforms the S&P 500 index by about two times. On the other hand, PVH[28], only on the DJSI for two consecutive years, underperforms against the S&P 500 by about two times.

[28] PVH Corp, formerly known as the Phillips-Van Heusen Corporation, is an American clothing company that owns brands such as Van Heusen, Tommy Hilfiger, Calvin Klein, IZOD, Arrow, Warner's, Olga, True & Co, and Geoffrey Beene.

In terms of weight, the economic[29] dimension is 41%, the environmental[30] dimension is 21%, and the social[31] dimension is 38%. Within the apparel textiles, apparel, & luxury goods industry, RobecoSAM ranks Nike as 71, PVH as 64, and Hanesbrands as 46 out of 100. Heavy brand recognition reliance requires apparel companies to engage continually with customers through fast fashion and ever-evolving online shopping platforms. As consumers place increasing significance upon occupational health and safety, human rights and labor law violations, and negative environmental impact in the supply chain, companies face greater ethical transparency pressure to disclose sustainable practices to the public[32]. Nonetheless, pursuing sustainable practices does not come cheap, as evidenced by the scarce number of Fortune 500 DJSI apparel companies. Sustainable fashion, which encapsulates fair labor practices and sustainable environmental initiatives. Yet, Nike's reputation as a sustainable fashion brand has played a considerable role in catapulting the company to become the fashion empire that it is today[33]. However, the "sustainability" piece also includes Nike's strategic marketing efforts through its partnerships with famous athletes[34] and "Just Do It" motivational

[29] The economic dimension encapsulates supply chain management, risk & crisis management, and brand management.
[30] The environmental dimension encapsulates operational eco-efficiency, environmental policy & management systems, and product stewardship.
[31] The social dimension encapsulates human capital development, occupational health and safety, and human rights.
[32] RobecoSAM, Textiles, Apparel, & Luxury Goods, Corporate Sustainability Assessment (n.p., 2018), 1.
[33] A member of the Sustainable Apparel Coalition, Nike has publicly committed to reducing its carbon emissions by over 50% by the year 2025. It is also Fair Labor Association (FLA) Workplace Code of Conduct certified and scores well in terms of its Supplier Code of Conduct, as scored by the Ethical Fashion Report. Lara Robertson, "How Ethical Is Nike?," Good on You, May 19, 2017.
[34] Nike's controversial support for football star, Colin Kaepernick, resulted in a 31% sales increase after the release of its "Just Do It" campaign video that features Kaepernick. Ciara Linane, "Nike's Online Sales Jumped 31% after Company Unveiled Kaepernick Campaign, Data Show," MarketWatch, September 17, 2018.

empire. The other two companies, perhaps due to their short-lived times on the DJSI, performed well but never achieved the same brand acclaim as Nike.

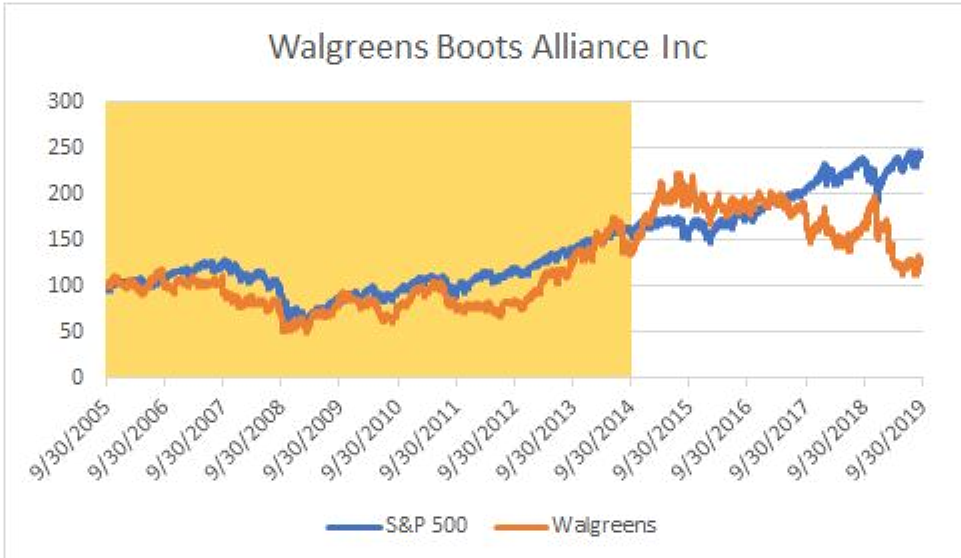
Figure 1

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
NIKE Inc	14	89	71	None	819.88%	142.25%	TRUE
PVH Corp	2	332	64	None	12.86%	27.11%	FALSE
Hanesbrands Inc	1	433	46	None	25.28%	14.64%	TRUE

B. FOOD & DRUG STORES

Kroger (KR) and Walgreens Boots Alliance (WBA) are the only two companies to make it onto both the DJSI and Fortune 500 within the food & drug store sector. Kroger, the U.S.'s largest supermarket chain by revenue, exponentially outperforms the S&P 500 for the first four years while a member of the DJSI. After that, however, its performance drops, culminating in an overall underperformance against the S&P 500 by about two times. Interestingly enough, Walgreens also underperforms against the S&P 500 by about one and a half times while on the DJSI. However, Walgreens consistently underperforms during this time period (2005-2014) but actually begins to demonstrate a more positive outlook after it exits the DJSI (see Figure 2.1). Conversely, Kroger does not gain membership into the DJSI until 2013 and continues its membership until present.

Figure 2.1



Economic[35] dimension receives a weight of 39%, environmental[36] dimension 31%, and social[37] dimension 30%. Within the food & staples retailing industry, RobecoSAM ranks Kroger 60 and Walgreens 55 out of a total of 100. As competition for market share only increases, companies within the industry find themselves pursuing high levels of M&A activity in order to gain a competitive edge. In addition, the industry finds itself spurred by the need for improved IT infrastructure in order to maintain client communication. As consumers increasingly shift towards online preferences, established giants within the food & drug store industry find themselves slow to respond with online platform enhancements. It also faces the added negative press from labor strikes,

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[35] The economic dimension encapsulates supply chain management, health & nutrition, and customer relationship management.
[36] The environmental dimension encapsulates raw material sourcing, operational eco-efficiency, and packaging.
[37] The social dimension encapsulates human capital development, occupational health and safety, and talent attraction & retention.

particularly during the peak seasons.[38] As a result, the industry faces strong headwinds in the face of sustainability, specifically in terms of the economic dimension with remaining relevant in a modern technological era.

Shifting consumer tastes to healthier and natural food options are also driving firms to pursue more responsible forms of food production. Although, cost once again plays the role as the main detractor to the enactment of responsible food production. Ideally, consumers would like to purchase responsibly sourced foods, but the competitive nature of the food & drug stores industry requires competitive pricing. Ethical management within an already competitive processed foods industry raises costs, and could explain why Kroger and Walgreens struggle to outperform the market. Consumers within this industry are simply not ready to pay the higher price associated with products that possess a limited, perishable lifespan.

Figure 2.2

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
Kroger Co	6	17	60	None	33.51%	76.83%	FALSE
Walgreens Boots Alliance Inc	9	19	55	None	44.72%	63.61%	FALSE

[38] RobecoSAM, Food & Staples Retailing, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

C. FOOD, BEVERAGES, & TOBACCO

A total of ten companies categorized as food, beverages, & tobacco[39] made both the DJSI and Fortune 500 list: Mondelez International (MDLZ), Kellogg (K), Molson Coors Brewing Company (TAP), Campbell Soup (CPB), Hershey, Kraft Heinz (HSY), ConAgra Brands (CAG), PepsiCo (PEP), Coca-Cola (KO), and General Mills (GIS). Interestingly enough, only three of these companies, Hershey, Coca-Cola, and General Mills, outperform the S&P 500 for the duration that they are members of the DJSI. This category, coined by the DJSI as food products, scores the economic[40] dimension as 42%, environmental[41] dimension as 28%, and the social[42] dimension as 30%.

The Hershey Company, one of the largest chocolate manufacturers in the world that also produces baked products, cookies, milkshakes, cakes, drinks, among other items, did not gain entry into the DJSI until 2012, after which its stock marginally outperformed the S&P 500 before experiencing a plateau beginning in 2014 and then a sharp decline in 2017, before skyrocketing again in 2019. No exception to the world's declining candy sales growth, Hershey struggled to meet expectations after expanding into global markets and furthermore, fell short after expanding into the snack business with the acquisition of a Krave, a beef jerky manufacturer. Although, as a classic Buffett stock, Hershey's stock experienced a brief spike in 2016 after Mondelez International

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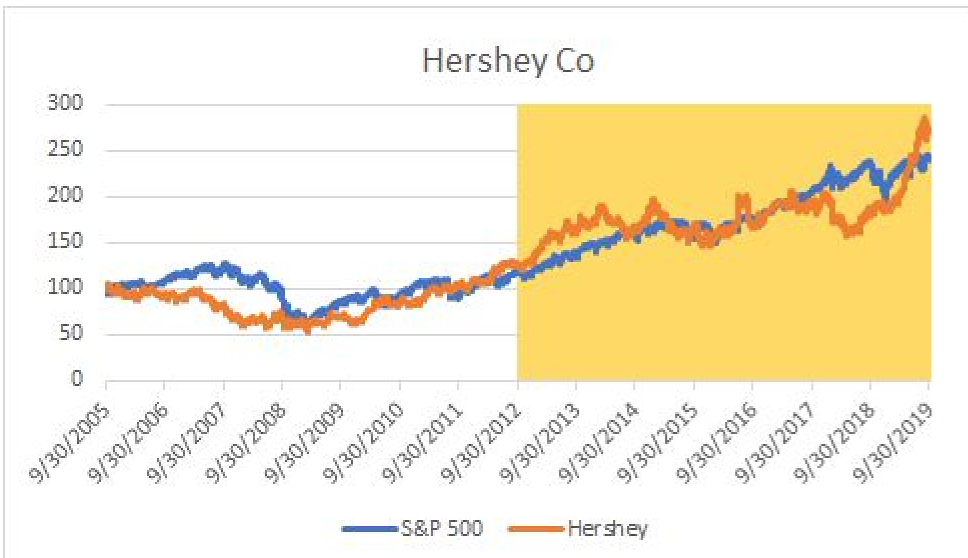
[39] The DJSI eliminates all tobacco companies based on ethical sustainability, so none of the companies included in the sample have any affiliation with tobacco.
[40] The economic dimension encapsulates supply management, health & nutrition, and innovation management.
[41] The environmental dimension encapsulates operational eco-efficiency, raw material sourcing, and packaging.
[42] The social dimension encapsulates human capital development, occupation health and safety, and human rights.

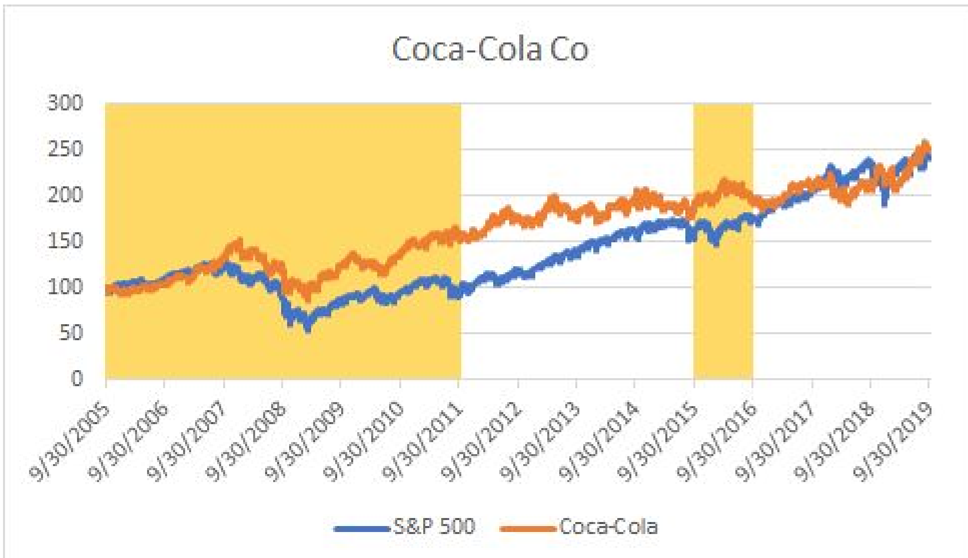
made a bid to acquire the company but subsequently fell again after Hershey declined the offer. In 2019, Hershey once again experienced a sharp stock rise after it successfully acquired One Brands, a nutrition bar company, and Pirate Brands, a snack producer of puffed rice and corn, cheese puffs, potato sticks, and corn sticks (see Figure 3.1). Overall steady performance has allowed the company to outperform the S&P 500 for the time that it has been a member of the DJSI.

Figure 3.1



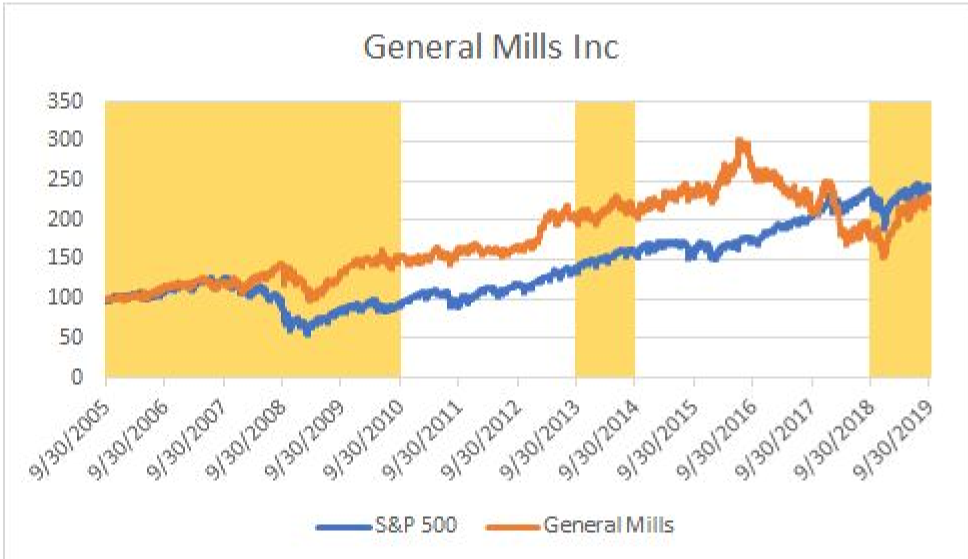
Another star performer has been the Coca-Cola Company, a manufacturer, retailer, and marketer of nonalcoholic concentrates and syrups. After the Great Recession in 2008, Coca-Cola recovered much more quickly than the S&P 500 and has been performing steadily ever since. However, the performance of the S&P 500 has caught up to Coca-Cola's over the past few years, which the company attributes to currency exchange headwinds and declining soda sales as consumer tastes shift toward healthier options (see Figure 3.2). In order to keep up with shifting consumer preferences, Coca-Cola has expanded its offerings to include healthier options such as Dasani water, vitaminwater, Powerade sports drinks, Minute Maid lemonade, and Georgia and Gold Peak iced teas.

Figure 3.2



The final star performer in this sector is General Mills, a multinational manufacturer and marketer of branded foods sold through retail stores. Some of their better-known brands include Cheerios, Haagen-Dazs, Yoplait, Gold Medal Flour, Nature Valley, Pillsbury, and Betty Crocker. With such a diverse portfolio of brands, General Mills quickly outperforms the S&P 500 after the Great Recession and has remained steady throughout the years up until recently. Although a bit delayed, the impact of shifting consumer preferences towards more healthy and organic foods has caught up to General Mills, as evidenced by its declining stock in 2019 (see Figure 3.3). However, the manufacturing giant's wide range of food provides it a larger cushion than some of its counterparts.

Figure 3.3



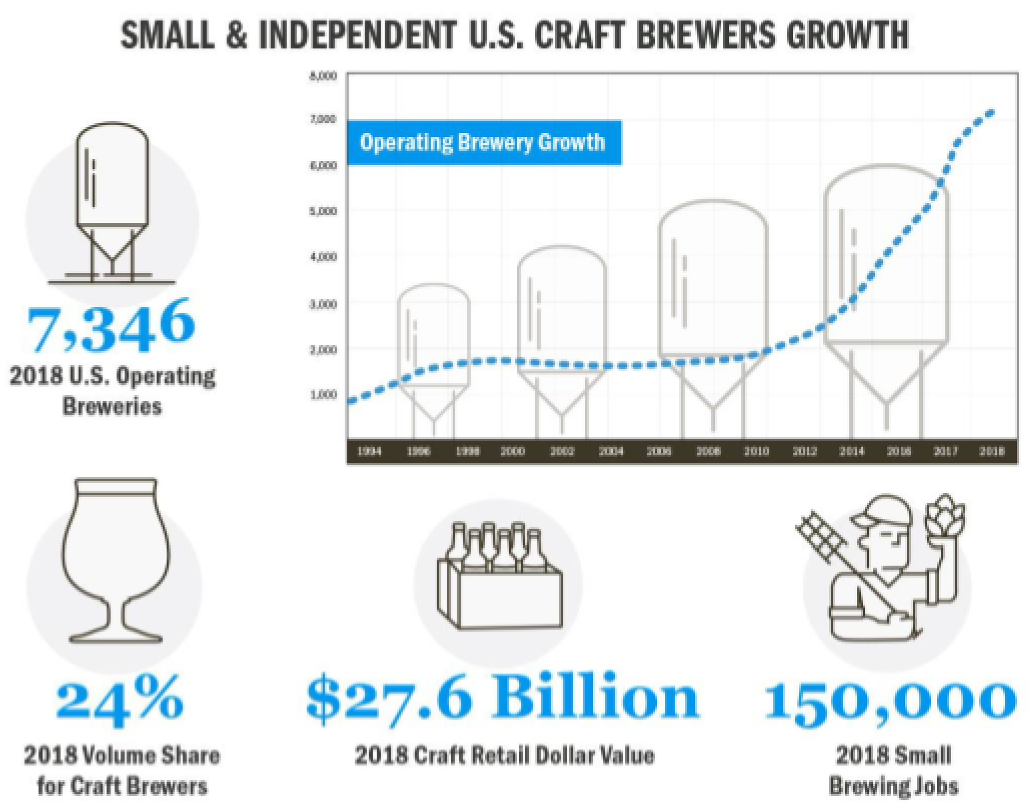
On the other hand, the other six companies within the sector all experienced poor financial performance for the time in which they were DJSI members (see Figure 3.5). As the number of wealthy households continues to grow, consumer taste increasingly shift to natural and organic ingredients. As a result, popular snack manufacturers are forced to adapt by sourcing healthy foods that provide high nutritional value.

Mondelez International, home to household brand names such as Oreos, Chips Ahoy, Cadbury, and Trident, finds itself performing better than its counterparts through its initiative to improve supply chain management, cut unnecessary costs, and the acquisition of healthier snack brands like Perfect Bar, a nutritional snack bar, and Tate's Bake Shop, provider of gourmet homemade baked goods and health food items.

Kellogg's, cereal and convenience food producer, sees dismal performance after only two years on the DJSI, primarily due to quickly declining cereal popularity among consumers. While containing many convenient snacks, Kellogg fails to include a healthy snack brand among the brands it represents.

Molson Coors Brewing Company, the world's seventh largest brewing company that includes brands such as Coors Light, Miller Lite, Molson Canadian, and Blue Moon, faces headwind in its industry as well after a sharp decline in sales in May of 2018, causing a subsequent large drop in the stock performance. The company's decline in sales could be attributed to the rising preference for craft beers made by small, independent, and traditional micro-breweries (see Figure 3.4).

Figure 3.4



Note: From CraftBeer.com by the Brewers Association. The Wayfarer Study, "What is Craft Beer?," CraftBeer.com.

Campbell Soup, a processed food and snack company, ConAgra Brands, containing packed food brands such as Chef Boyardee and Hebrew National, and PepsiCo, a food, snack, and beverage company, are all struggling in the same boat as the companies listed above, battling shifting consumer tastes (see Figure 3.5). An increasing reliance upon convenient but healthy foods is ushering in a new era of healthy, super-food brands and pushing out the old generation of high-calorie food products and beverages.[43] Similar to the food and drug stores sector, the only food, beverages, and tobacco companies on both the DJSI and Fortune 500 are the giants that have largely dominated the industry since around the 1950s which provides them with the ability to afford the additional expenses to pursue sustainable practices. Yet, these companies have struggled to keep up with the shifting consumer tastes towards healthier options.

[43] RobecoSAM, Food Products, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1. RobecoSAM, Beverages, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

Figure 3.5

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
Mondelez International Inc	6	117	92	Bronze Class	73.15%	74.91%	FALSE
Kellogg Co	2	226	89	Yearbook	-6.21%	18.89%	FALSE
Molson Coors Brewing Co	8	275	85	Industry Mover	45.17%	163.10%	FALSE
Campbell Soup Co	10	358	83	Yearbook	43.84%	181.60%	FALSE
Hershey Co	7	379	85	Yearbook	115.89%	104.32%	TRUE
Kraft Heinz Co	8	114	68	None	N/A	N/A	N/A
ConAgra Brands Inc	6	321	76	None	9.85%	120.98%	FALSE
	9				42.58%	46.58%	FALSE
PepsiCo	2	45	45	None	8.74%	36.96%	FALSE
	6				59.87%	-5.57%	TRUE
Coca-Cola Co	1	87	39	None	7.53%	11.02%	FALSE
	5				52.99%	3.00%	TRUE
	1				5.43%	18.13%	FALSE
General Mills Inc	1	182	86	Yearbook	25.24%	1.97%	TRUE

D. HOTELS, RESTAURANTS, & LEISURE

This sector, containing a total of six companies, has largely exceeded the performance of the S&P 500. These six companies, which include Starbucks (SBUX), Hilton (PK), Yum! Brands (YUM), McDonald's (MCD), Wyndham Destinations (WH), and Las Vegas Sands, all vastly outperform the S&P 500 for the duration in which they are members of the DJSI with the exception of Wyndham and the latter time that the Las

Vegas Sands (LVS) finds itself on the index. The sector of restaurants and leisure is made up of 42% economic[44], 18% environmental[45], and 40% social[46].

As consumers demonstrate an increasing preference for convenience, affordable options for dining out has become ever more popular. This, coupled with a desire for healthier dining options, has forced restaurants to place greater weight on food safety, worker welfare, and transparency within its supply chain management.[47] Starbucks, a coffee company and coffeehouse chain and a member of the DJSI since its inception, see almost six times in stock increases compared to the S&P 500 during its fourteen years on the DJSI (see Figure 4.2). Its clever marketing strategy paired with its wide selection of drinks and snacks has propelled the company into its position as the industry's coffee powerhouse. Starbucks prides itself on possessing the reputation as the "do-good" company, overcoming multiple situations such as the holiday cup and racial bias fiascos. After alleged reports of discrimination against minority groups by Starbucks employees, the company closed all company-owned stores for a mandatory racial-bias education day for all of its employees. The company also invests in its employees by offering the Starbucks College Achievement Plan, which provides full funding to Arizona State University's online program, and now allows anyone to use the space and bathroom without making a purchase in order to increase inclusivity. Clearly, the policies work, as

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[44] The economic dimension encapsulates supply chain management, codes of business conduct, and customer relationship management.

[45] The environmental dimension encapsulates operational eco-efficiency, environmental policy and management systems, and raw material sourcing.

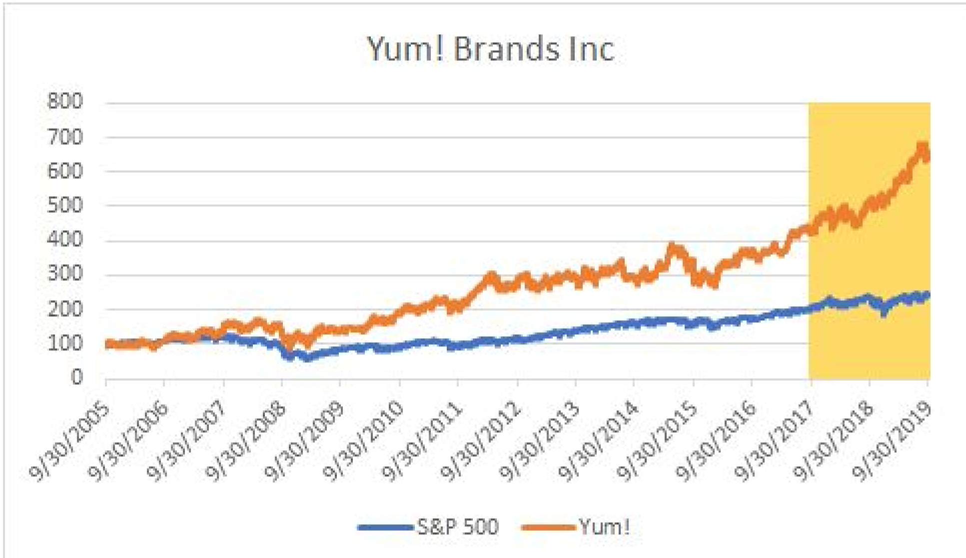
[46] The social dimension encapsulates talent attraction and retention, stakeholder engagement, and labor practice indicators.

[47] RobecoSAM, Restaurants & Leisure Facilities, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

Starbucks continues to establish its dominance within the space while carrying the reputation as a sustainable empire.

Similarly, though catering to a different sort of consumer, both McDonald’s and Yum! Brands find themselves with financial performances that vastly outperform the S&P 500 for the time in which they are members of the DJSI. The great majority of McDonald’s CSR work revolves around its Ronald McDonald house charity, which works primarily with young children. Yum! Brands, operator of brands such as TacoBell, KFC, and Pizza Hut, also engages in high levels of CSR, but lacks the reputation that Starbucks and McDonald’s have for their sustainability work. Yet, Yum! Brands has doubled the performance of the S&P 500, lending evidence to the staying power of convenient dining out options (see Figure 4.1). Additionally, even as consumers demonstrate a growing preference for healthier options, both Yum! Brands and McDonald’s have maintained their brand through a heavy reliance on their economic dimension by enforcing good supply chain management and marketing initiatives.

Figure 4.1



In addition, the travel industry has found itself flourishing as age expectancy rises, which in turn leads to the embracing of sustainability in order to attract customers. By reducing environmental impact and engaging in the local community, hotels and tourist attractions are investing in their surrounding areas in order to build a better and safer community that will attract a greater number of visitors.[48] Both Hilton and Las Vegas Sands Corp (owner of multiple luxury hotel properties on the Las Vegas Strip), two high-end hotel brands both outperformed the S&P 500 while they were on the DJSI (see Figure 4.2). Big spending consumers with money to spare have the luxury to afford to care about sustainability while lower-end hotels are hard-pressed to find consumers who are willing to pay a higher price, as evidenced by Wyndham, owner of La Quinta, Days

[48] RobecoSAM, Hotels, Resorts, & Cruise Lines, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1. RobecoSAM, Casinos & Gaming, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

Inn, and Super 8. Consumers looking for a cheaper option place low emphasis on sustainability as their main concern is finding something affordable.

Exhibit 4.2

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
Starbucks Corp	14	132	73	None	605.95%	142.25%	TRUE
Hilton Worldwide Holdings Inc	2	324	93	Silver Class, Industry Mover	39.89%	18.89%	TRUE
Yum! Brands Inc	2	472	80	Yearbook	49.82%	18.89%	TRUE
McDonald's Corp	9	131	60	None	181.76%	63.61%	TRUE
Wyndham Destinations Inc	5	479	60	None	57.93%	72.15%	FALSE
Las Vegas Sands Corp	2	227	79	None	164.64%	1.97%	TRUE
	1				-4.47%	1.97%	FALSE

E. HOUSEHOLD PRODUCTS

A total of five household products companies were included on both the Fortune 500 and DJSI: Colgate-Palmolive (CL), Stanley Black & Decker (SWK), Kimberly-Clark (KMB), Masco (MAS), and Avon Products (AVP). Out of these, three companies outperformed the S&P 500 while on the DJSI. The economic[49] dimension is weighted at 53%, the environmental[50] dimension at 21%, and the social[51] dimension at 26%.

[49] The economic dimension encapsulates brand management, strategy for emerging markets, customer relationship management, and innovation management.
[50] The environmental dimension encapsulates packaging, operational eco-efficiency, and product stewardship.
[51] The social dimension encapsulates human capital development and occupational health and safety.

Consumers underscore the importance of performance, ease-of-use, convenience, cost efficiency, and environmental awareness. The competitive nature of the market demands that brands differentiate themselves, and these brands are accomplishing the feat by using more natural ingredients while simultaneously reducing costs.

Kimberly-Clark and Co, manufacturer of popular brands such as Cottonelle, Huggies, and and Kotex, has placed their commitment to safe materials as first on their list of initiatives. Stanley Black & Decker, famous for its Black & Decker and Craftsman power tools, has made it their mission to empower its community through vocational training and STEAM (Science, Technology, Engineering, Arts, and Math) education while reducing its carbon footprint. Masco, manufacturer of products for home improvement, likewise engages in similar initiatives. All three of these companies place a high value upon CSR, as evidenced by their company websites, in which an entire section is devoted to breaking down their CSR initiatives. By placing CSR at the front and center of its company image, these three companies have earned a reputation for being the leaders in CSR, thus contributing to building their brand in the eyes of the consumers and their outperformance of the S&P 500 during the time for which they were members of the DJSI.

On the other hand, Colgate-Palmolive, manufacturer of popular household cleaning and health brands such as Colgate, Softsoap, and Palmolive, has struggled in comparison to the S&P 500 largely due to shifting consumer preferences for more natural ingredients in their products (see Figure 5). Yet, the company faces difficulty due to the fact that more natural household products have proven not as effective as solutions that contain more harsh chemicals. Avon's dismal performance can be attributed to the scandal rocked the company after reports surfaced that it had bribed Chinese officials in order to obtain a direct selling license. After being fined $135 million by the SEC for its crimes, Avon was never able to recover and has been in downfall since. Interestingly, Colgate-Palmolive and Avon Products, both of which failed to outperform the S&P 500, lack a section on their company websites specifically devoted to CSR initiatives which could in turn contribute to lower quality brand image.

The majority of consumers place great value upon the place they call home and so they take great care to find sustainable and effective products to keep their home functioning. As a result, many consumers will find a brand and product that works for them and stick with it, making marketing and brand awareness ever more important.[52]

Figure 5

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
Colgate-Palmolive Co	9	184	92	Gold Class	91.28%	160.84%	FALSE
Stanley Black & Decker Inc	8	228	97	Bronze Class, Industry Mover	194.11%	163.10%	TRUE
Kimberly-Clark Corp	5	163	42	None	9.29%	-6.84%	TRUE
	1				11.63%	18.13%	FALSE
Masco Corp	1	373	28	None	32.40%	-1.82%	TRUE
Avon Products	1	485	N/A	None	-70.11%	-1.82%	FALSE

[52] RobecoSAM, Household Products, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1. RobecoSAM, Machinery and Electrical Equipment, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1. RobecoSAM, Building Products, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

F. MEDIA

Only two companies made it onto both the Fortune 500 and DJSI: Walt Disney (DIS) and Time Warner (TWX). For the purpose of this analysis, Time Warner will be excluded from the sample size due to the fact that it no longer exists, as it was bought out by Charter Communications in 2016 and sold to AT&T in 2018 and stock comparison would prove to be difficult. RobecoSAM weighs media as 44% economic[53] dimension, 17% environmental[54] dimension, and 39% social[55] dimension. As the industry only becomes more competitive, companies are making the push to shift towards digitalization in the form of online, pay-per-month models in order to keep ahead of the curve. The shift towards digitalization, however, has also left companies vulnerable to the threat of cyberattacks, which companies are struggling to combat. As technology continues to expand, companies must also continue to engage in forward thinking and produce new and creative content. Firms that are able to attract and retain talent are the ones that are able to push ahead, but talent attracts talent and so the large media companies are able to maintain their edge within the industry.[56]

Walt Disney, a member of the DJSI since its inception, has boasted impeccable earnings growth, outperforming the S&P 500 by almost four times (see Figure 6.1). By building upon its past success through the adaptation of old hits, Disney also pushes

[53] The economic dimension encapsulates codes of business conduct, brand management, customer relationship management, and information security & cybersecurity.
[54] The environmental dimension encapsulates operational eco-efficiency and environmental policy & management systems.
[55] The social dimension encapsulates talent attraction & retention, human capital development, and responsibility of content.
[56] RobecoSAM, Media, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

forward with the acquisition of many successful studios such as Pixar, Lucas Films, Marvel, and 20th Century Fox, all of which have demonstrated strong performances. Recently, Disney leveraged their content by implementing a new streaming platform, evidencing their forward thinking and creative prowess as leaders within their industry. No other production studio possesses the ability to develop a streaming platform of this magnitude nor implement anything similar and thus, through its clever use of technology, retainment of a talented and skilled workforce, and constant creation of new business opportunities, Disney has built and kept its reputation as the happiest place (studio production company and theme parks) in the world.

In this case, brand image holds a large impact and it is Disney's constant attention to cultivating its reputation that lends it the lasting popularity it possesses today.

Figure 6.1

Figure 6.2

Company	Year s	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
Walt Disney Co	14	55	71	None	447.47%	142.25%	TRUE
Time Warner Inc	7	98	N/A	None	N/A	N/A	N/A

G. MOTOR VEHICLES & PARTS

The motor vehicles & parts industry has seen poor performance, containing only three companies on both the Fortune 500 and DJSI: General Motors (GM), Ford Motor (F), and Goodyear Tire & Rubber (GT). As environmental sustainability becomes increasingly prevalent, the government has taken matters into their own hands and enacted strict laws which automobile manufacturers must follow. Companies like Volkswagen have already seen the damage that can arise from disobeying the rules such as losing consumer faith in the brand and dropping financial performance. In addition, increasing gas prices have forced consumers to place strong value upon fuel efficiency. With so many brands and car models to choose from, consumers are becoming increasingly choosy about which vehicle they purchase, especially due to how vital a car is to everyday life and the large size of the investment.[57] The DJSI weighs the economic dimension at 37%, the environmental dimension at 31%, and the social dimension at 32%.

All three companies have experienced low financial performance in comparison to the S&P 500 (see Figure 7), which could be attributed to the lack of a dominating

[57] RobecoSAM, Automobiles, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

brand within the motor vehicle space. Within the motor vehicle industry, Ford and GM are the two companies among the five large American car brands[58] that have actively utilized environmental initiatives in their marketing tactics. With so many options to choose from and with sustainable options running plenty, consumers find themselves examining other aspects in order to differentiate between the various brands and models such as design, comfort, and technological amenities. Old motor vehicle companies that once found themselves at the top of the industry are now struggling to stay afloat in a competitive field against other international companies with greater innovative capabilities. Yet, past events have also demonstrated the impact of circumventing the emission laws set in place by the government; Consumers lose trust in the brand and thus quickly turn to another one as a substitute, implying that there exists a certain threshold for sustainability that consumers expect the companies to meet, but after surpassing that threshold, consumers no longer place as great of value upon how much further these companies exceed the sustainability threshold.

In terms of motor vehicle parts, Goodyear Tire Rubber demonstrates negative growth while the S&P 500 still demonstrates positive growth (see Figure 7). As automobile companies realize the value in gaining lifelong consumers, they are shifting their attention to satisfying current consumers by streamlining their repairs and maintenance departments. As a result, external maintenance and repairs companies are

[58] Cadillac, Chevy, Ford, GMC, Buick

suffering due to decreased sales as their normal customers are going back to the auto dealer in order to get their repairs and parts replacements.[59]

Figure 7

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
General Motors Co	4	10	96	Bronze Class	22.40%	51.34%	FALSE
Ford Motor Co	10	11	38	None	44.83%	59.34%	FALSE
Goodyear Tire & Rubber Co	1	187	54	None	-24.12%	17.01%	FALSE

H. RETAILING

A total of eight companies from the retail industry gained membership onto both the DJSI and Fortune 500,the second most out of all the categories. These eight companies, Best Buy (BBY), Gap (GPS), Target (TGT), Lowe's (LOW), Office Depot (ODP), Macy's (M), J.C. Penney's (JCP), and Kohl's (KSS), all of which buy their goods from wholesalers and resell them in smaller quantities to consumers. The DJSI weighs the dimensions as 50% economic[60], 22% environmental[61], and 28% social[62]. As online shopping becomes increasingly prevalent, consumers find themselves skipping the retailer and purchasing their goods directly from the brand that the good comes from.

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[59] RobecoSAM, Auto Components, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

[60] The economic dimension encapsulates supply chain management, brand management, and customer relationship management.

[61] The environmental dimension encapsulates operational eco-efficiency, environmental policy & management systems, and packaging.

[62] The social dimension encapsulates talent attraction & retention, human capital development, and human rights.

Additionally, now, those that do still go to a retailer are the consumers searching for deals that will allow them to further save on purchases. Therefore, retailers must focus a great deal upon their economic dimension, lending it the 50% weight, much higher than the economic weight of any other industry categorization. However, these traditional retail companies have failed to keep up with the times by implementing the newest technologies and tailoring its customer experience to better cater to its customers' buying habits and as a result, struggle to perform.[63]

All the companies, save for Best Buy and the first time Kohl's appears on the index, have encountered marginally lower performance than the S&P 500 (see Figure 8.2). Best Buy, an electronics retailer, finds itself outperforming the S&P 500 largely due to its concerted efforts to restructure the company (see Figure 8.1). In the face of what has been coined "the Amazon effect", Best Buy, unlike its competitors, has embraced the changing times by growing its online sales, strategic partnerships, and customer experience. Rather than ignoring the looming Amazon presence within the industry, Best Buy has challenged it head on with its price match guarantee, providing it with the performance that it has today. At least one customer representative is stationed at the front of the store to greet customers as they walk in while numerous blue-vested employees float around the store, ready to demonstrate a product or answer a question at any moment. By making the customer experience so amenable, Best Buy management aims draw consumers out of their home and shop in the store instead so that consumers

[63] RobecoSAM, Retailing, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

will find it convenient to have all their electronics questions answered right then and there.

Figure 8.1

In comparison, the other retail companies on the list have struggled to perform during their time on the DJSI, especially Gap, Lowe's, Office Depot, J.C. Penney's, and Kohl's (see Figure 8.2). These companies have found themselves hard-pressed against the growing Amazon effect, experienced decreased stock price, and have failed to divest the necessary money needed to revamp their own online shopping sites. In addition, failure to implement change within their customer service department has also left their typical consumer shifting their attentions to other online shopping options that are easier and more convenient than shopping in store. These once large companies now find themselves forced to close down numerous locations, leaving empty spaces at malls. In turn, as malls begin to see more and more empty spaces, foot traffic begins to die down, thus contributing to the departure of even more stores, resulting in what is known as the "death spiral." Unless these retail stores can afford to undergo heavy restructuring like Best Buy, they will soon find themselves out of business due to their lack of economic sustainability, regardless of how environmentally sustainable they may be.

The final two companies, Target and Macy's, are not experiencing the same poor performance as their competitors, largely in part due to their strategic initiatives to adapt to the changing environment, similar to Best Buy. Target underwent massive restructuring recently by redesigning its stores, enhancing its online platform, lowering prices, and strategically opening new locations close to its target consumer: college students. In addition, Target has also developed new initiatives such as "Drive Up," which allows consumers to pre-order online and then come pick it up from the store, all of which they can do without even leaving their cars.

Similarly, though perhaps not to the same extent, Macy's has also revamped its online platform in order to remain current and has also undergone massive restructuring. In the near future, Macy's plans on revamping the design of a great deal of its stores and focus greater attention upon where it believes it can gain the most market share, such as women's footwear, fine jewelry, and cosmetics and beauty. By addressing its problems head on, Macy's has seen slow but steady growing performance in comparison with the negative performance exhibited by most of its retail competitors.

As consumers do not place a large value upon environmental and social sustainability, retail companies must focus on economic sustainability and strategize about the growth avenues they can pursue in order to remain relevant against the growing presence of online shopping.

Figure 8.2

Company	Years	Fortune 500	SAM Rank	Special Awards	Average Chng.	S&P 500	T/F
Best Buy Co Inc	8	72	89	Yearbook	196.09%	163.10%	TRUE
Gap Inc	14	181	92	Yearbook	-0.40%	142.25%	FALSE
Target Corp	13	39	65	None	68.13%	138.42%	FALSE
Lowe's Cos Inc	2	40	76	None	-12.11%	24.62%	FALSE
Office Depot	11	281	N/A	None	-88.01%	76.71%	FALSE
Macy's Inc	11	120	73	None	10.43%	91.89%	FALSE
J.C. Penney Company Inc	4	235	N/A	None	-61.60%	61.76%	FALSE
	2				14.93%	-1.85%	TRUE
	1				7.58%	29.05%	FALSE
Kohl's Corp	1	157	79	None	-33.48%	1.97%	FALSE

I. TRANSPORTATION

The last industry, transportation, contains five companies on both the DJSI and Fortune 500: UPS, Delta Airlines (DAL), CSX, Alaska Air (ALK), and FedEx (FDX). Rather than condensing both into the single category of “transportation,” the DJSI divided the companies into two separate industries: Airlines and Transportation & Transportation Infrastructure.

Airlines weighs its dimensions at 43% economic[64], 23% environmental[65], and 34% social[66]. As the battle between low cost and full services continues to grow, airline

[64] The economic dimension encapsulates risk & crisis management, efficiency, and fleet management.
[65] The environmental dimension encapsulates operational eco-efficiency, climate strategy, and environmental policy & management systems.
[66] The social dimension encapsulates passenger safety, labor practice indicators, and talent attraction & retention.

companies are forced to look increasingly towards technology in order to develop a personalized, custom experience catered to the tastes and preferences of their consumers. Additionally, airline companies are facing increased scrutiny in light of internal and external factors. Recent news events have highlighted the importance of passenger safety and transparency in the aftermath of operational incidents while on the other hand, airlines must also stay vigilant in the upkeep of their labor practices, as the highly unionized airlines workforce imposes the high risk of strikes. Airlines must also invest in environmentally sustainable aircraft technologies in order to reduce costs and increase efficiency.[67]

The two airlines companies on the list are Alaska Air Group and Delta Air Lines, the first of which, demonstrates negative stock performance during the time that it's on the DJSI while the latter actually outperforms the index while on the DJSI (see Figure 9.1). For years, Delta Air Lines has focused strongly on its goal of boosting customer satisfaction, resulting in the payoff of Delta becoming one of the most reliable airlines in the world. Throughout the past decade, Delta has invested heavily in equipment and processes in order to that its passengers and their belongings arrive to their destinations on time, increasing its overall passenger satisfaction and thus boosting its brand recognition. On the other hand, Alaska Air Group has struggled a bit over the years after strong prior performance primarily due to its struggle to integrate Virgin America into its core brand without alienating loyal customers on both ends. However, both companies have been able to avoid the infamy plaguing some of its competitors in terms of

[67] RobecoSAM, Airlines, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

passenger safety and unionized strikes. As a result, sustainability plays a key factor in determining the success of the airline business, as it possesses great influence in terms of brand recognition. With so many alternatives to choose from, consumers have the option to quickly change airline alliances after just a single negative experience, and so airline companies must take caution to employ a safe yet efficient flight.

The transportation and transportation infrastructure weighs the economic[68] dimension at 34%, the environmental[69] dimension at 27%, and the social[70] dimension at 39%. Across the board, companies in this industry are tasked with the job of ensuring the safe and efficient movement of goods and passengers. One key quality that contributes towards efficiency is investing in sustainable improvements, which targets new customers and retains old ones as companies aim to reduce their carbon footprint throughout the entire value chain. In addition, companies must also place great attention to their workforce as much of the transportation process still relies on actual human capital and nothing leaves a sour taste in the consumers' mouths as late delivery or damaged goods. Therefore, it is vital for these transportation and transportation infrastructure companies to develop an engaged and motivated workforce while also providing high quality treatment to their workers in order to avoid negative press.[71]

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[68] The economic dimension encapsulates codes of business conduct, customer relationship management, and risk & crisis management.
[69] The environmental dimension encapsulates operational eco-efficiency, climate strategy, and fuel efficiency.
[70] The social dimension encapsulates occupational health and safety, stakeholder engagement, and talent attraction & retention.
[71] RobecoSAM, Transportation and Transportation Infrastructure, Corporate Sustainability Assessment (n.p.: Sustainability Yearbook, 2018), 1.

Interestingly, two out of the three transportation & transportation infrastructure companies fail to outperform the S&P 500. The exception, CSX, is a leading rail-based freight transportation company. Interestingly, out of FedEx and UPS, CSX is the least known in the industry, and yet it demonstrates the strongest performance for the time that it has been a member of the DJSI (see Exhibit 9). In the face of technological innovation and changing methods of transportation, CSX has sought to cut expenses in order to boost profitability. On the other hand, UPS and FedEx, both of which are direct competitors, find themselves struggling to keep up with the changing times. Up until 2014, both companies had performances that closely matched the performance of the S&P 500. As ecommerce began to take off, both UPS and FedEx failed to keep up with demand during peak seasons and found themselves over-resourced during the lows, and as a result, damaged its brand image by failing to perform and failing to optimize its resources.

However, in light of recent publications about the treatment of transportation employees, both FedEx and UPS must now strive to improve its human capital development programs in addition to seeking out partnerships with various ecommerce companies in order to remain relevant in the face of the Amazon effect.

Figure 9

Company	Years	Fortune 500	SAM Rank	Special Awards	Average	S&P 500	T/F
United Parcel Service Inc	14	44	84	Yearbook	73.33%	142.25%	FALSE
Delta Airlines Inc	8	75	73	None	668.00%	163.10%	TRUE
CSX Corp	8	265	83	Yearbook	271.02%	163.10%	TRUE
Alaska Air Group Inc	2	355	77	None	-11.17%	18.89%	FALSE
FedEx Corp	2	50	60	None	-7.34%	9.77%	FALSE

V. CONCLUSION

In examining the relationship between CSR and CFR in firms on both the Fortune 500 and DJSI within consumer-facing industries, I find that the relationship varies highly between the various industries. For many industries, such as food, beverages, & tobacco, food & drug stores, and retailing, sustainable initiatives does not directly correlate to increased CFR simply due to the impact of shifting consumer preferences in the face of online platforms. For other industries like apparel and hotels, restaurants, & leisure, increased sustainability as defined by RobecoSAM leads to greater marketing exposure which in turn generates greater profitability.

While businesses *should* implement sustainability initiatives such as environmental conservation, fair labor practices, and community outreach, among others, in the core practices of their business, doing so does not necessarily generate profitable outcomes. The firm must still display strong performance through its core business operations in order to increase its financial performance. As a result, membership on the DJSI does not necessarily lead to increased profitability, as proven by this study. The results of this study are consistent with the current literature which argues that sustainability does not exponentially increase a firm's financial performance.

Further research could take the study a step forward by analyzing the relationship between branding initiatives and profitability. In other words, does an investor's "perception" of a firm's sustainability through the firm's marketing initiatives increase the brand's stability?

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VII. APPENDIX

Table 1. Firms broken down by industry. Contains years on DJSI, Fortune 500 rank in 2018, SAM rank (out of 100), RobecoSAM industry categorization, awards from RobecoSAM, average change in the firm's stock price during time on DJSI, change in S&P 500 during the same time, and whether the firm outperforms the S&P 500.

INDUSTRY	COMPANY	YEARS	FORTUNE 500	SAM RANK	CATEGORY	SPECIAL AWARDS	AVERAGE	S&P 500	T/F
Apparel	NIKE Inc	14	89	71	Textiles, Apparel, & Luxury Goods	None	819.88%	142.25%	TRUE
	PVH Corp	2	332	64	Textiles, Apparel, & Luxury Goods	None	12.86%	27.11%	FALSE
	Hanesbrands Inc	1	433	46	Textiles, Apparel, & Luxury Goods	None	25.28%	14.64%	TRUE
Food & Drug Stores	Kroger Co	6	17	60	Food & Staples Retailing	None	33.51%	76.83%	FALSE
	Walgreens Boots Alliance Inc	9	19	55	Food & Staples Retailing	None	44.72%	63.61%	FALSE
Food, Beverages, & Tobacco	Mondelez International Inc	6	117	92	Food Products	Bronze Class	73.15%	74.91%	FALSE
	Kellogg Co	2	226	89	Food Products	Yearbook	-6.21%	18.89%	FALSE
	Molson Coors Brewing Co	8	275	85	Beverages	Industry Mover	45.17%	163.10%	FALSE

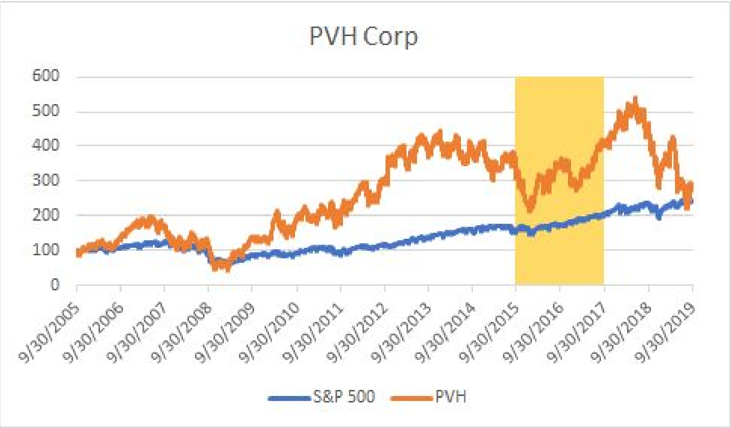
	Campbell Soup Co	10	358	83	Food Products	Yearbook	43.84%	181.60%	FALSE
	Hershey Co	7	379	85	Food Products	Yearbook	115.89%	104.32%	TRUE
	Kraft Heinz Co	8	114	68	Food Products	None	N/A	N/A	N/A
	ConAgra Brands Inc	6	321	76	Food Products	None	9.85%	120.98%	FALSE
		9					42.58%	46.58%	FALSE
	PepsiCo	2	45	45	Beverages	None	8.74%	36.96%	FALSE
	Coca-Cola	6					59.87%	-5.57%	TRUE
	Co	1	87	39	Beverages	None	7.53%	11.02%	FALSE
		5					52.99%	3.00%	TRUE
	General Mills	1					5.43%	18.13%	FALSE
	Inc	1	182	86	Food Products	Yearbook	25.24%	1.97%	TRUE
Hotels, Restaurants, & Leisure	Starbucks Corp	14	132	73	Restaurants & Leisure Facilities	None	605.95%	142.25%	TRUE
	Hilton Worldwide Holdings Inc	2	324	93	Hotels, Resorts, & Cruise Lines	Silver Class, Industry Mover	39.89%	18.89%	TRUE
	Yum! Brands Inc	2	472	80	Restaurants & Leisure Facilities	Yearbook	49.82%	18.89%	TRUE
	McDonald's Corp	9	131	60	Restaurants & Leisure Facilities	None	181.76%	63.61%	TRUE
	Wyndham Destinations Inc	5	479	60	Hotels, Resorts, & Cruise Lines	None	57.93%	72.15%	FALSE

	Las Vegas Sands Corp	2	227	79	Casinos & Gaming	None	164.64%	1.97%	TRUE
		1					-4.47%	1.97%	FALSE
Household Products	Colgate-Palmolive Co	9	184	92	Household Products	Gold Class	91.28%	160.84%	FALSE
	Stanley Black & Decker Inc	8	228	97	Machinery and Electrical Equipment	Bronze Class, Industry Mover	194.11%	163.10%	TRUE
	Kimberly-Clark Corp	5	163	42	Household Products	None	9.29%	-6.84%	TRUE
		1					11.63%	18.13%	FALSE
	Masco Corp	1	373	28	Building Products	None	32.40%	-1.82%	TRUE
	Avon Products	1	485	N/A	N/A	None	-70.11%	-1.82%	FALSE
Media	Walt Disney Co	14	55	71	Media	None	447.47%	142.25%	TRUE
	Time Warner Inc	7	98	N/A	N/A	None	N/A	N/A	N/A
Motor Vehicles & Parts	General Motors Co	4	10	96	Automobiles	Bronze Class	22.40%	51.34%	FALSE
	Ford Motor Co	10	11	38	Automobiles	None	44.83%	59.34%	FALSE
	Goodyear Tire & Rubber Co	1	187	54	Auto Components	None	-24.12%	17.01%	FALSE
Retailing	Best Buy Co Inc	8	72	89	Retailing	Yearbook	196.09%	163.10%	TRUE
	Gap Inc	14	181	92	Retailing	Yearbook	-0.40%	142.25%	FALSE
	Target Corp	13	39	65	Retailing	None	68.13%	138.42%	FALSE

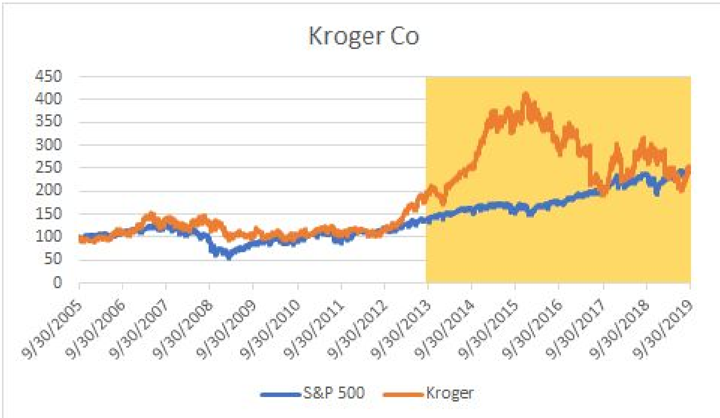
	Lowe's Cos Inc	2	40	76	Retailing	None	-12.11%	24.62%	FALSE
	Office Depot	11	281	N/A	N/A	None	-88.01%	76.71%	FALSE
	Macy's Inc	11	120	73	Retailing	None	10.43%	91.89%	FALSE
	J.C. Penney Company Inc	4	235	N/A	N/A	None	-61.60%	61.76%	FALSE
		2					14.93%	-1.85%	TRUE
		1					7.58%	29.05%	FALSE
	Kohl's Corp	1	157	79	Retailing	None	-33.48%	1.97%	FALSE
Transportation	United Parcel Service Inc	14	44	84	Transportation and Transportation Infrastructure	Yearbook	73.33%	142.25%	FALSE
	Delta Airlines Inc	8	75	73	Airlines	None	668.00%	163.10%	TRUE
	CSX Corp	8	265	83	Transportation and Transportation Infrastructure	Yearbook	271.02%	163.10%	TRUE
	Alaska Air Group Inc	2	355	77	Airlines	None	-11.17%	18.89%	FALSE
	FedEx Corp	2	50	60	Transportation and Transportation Infrastructure	None	-7.34%	9.77%	FALSE

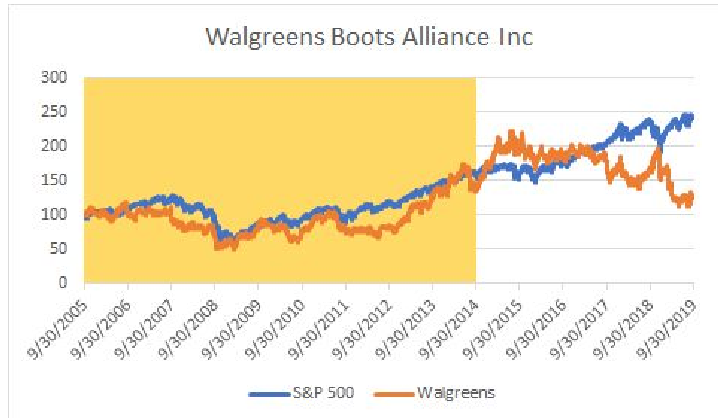
Table 2. Graphs of firm's weighted stock performance in comparison to the S&P 500. Highlighted area is time in which the company was on the DJSI.

APPAREL

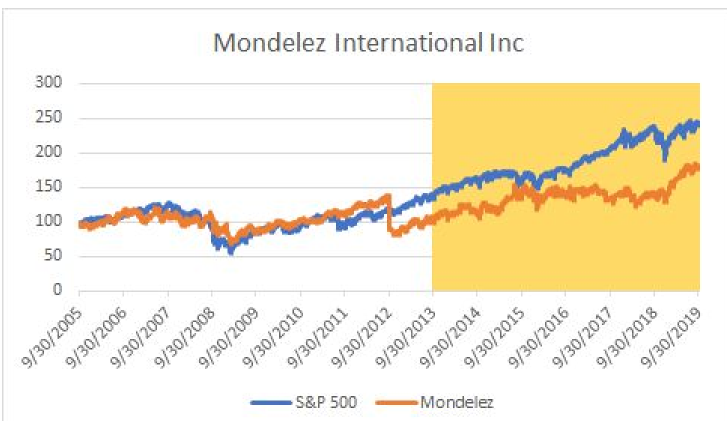


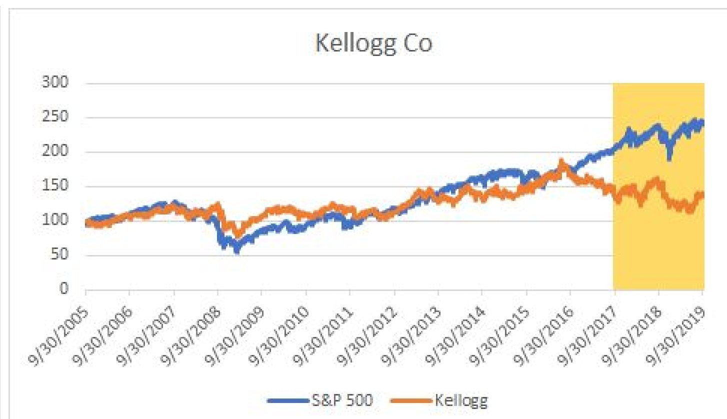
FOOD & DRUG STORES

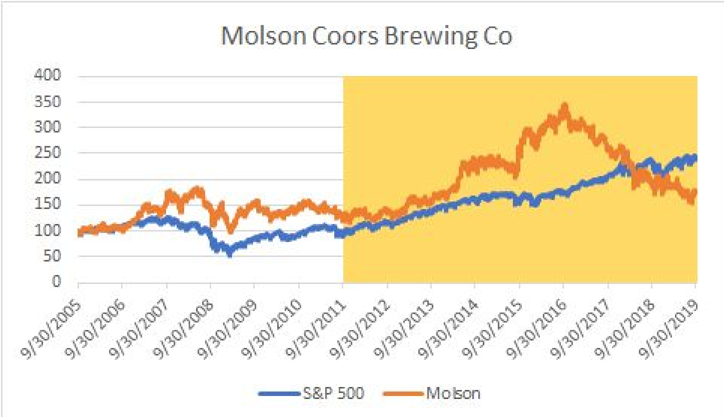




FOOD, BEVERAGES, & TOBACCO



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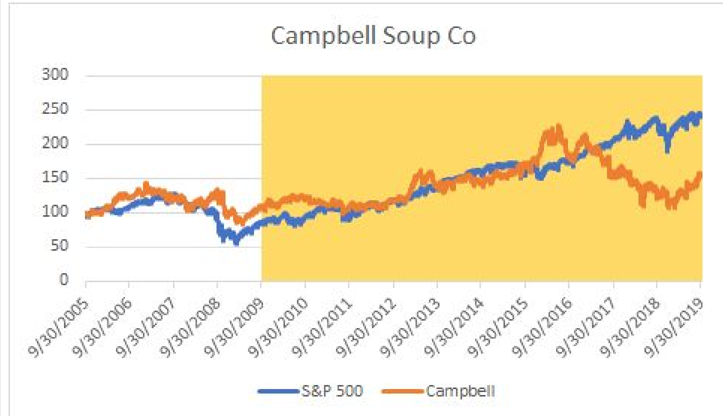
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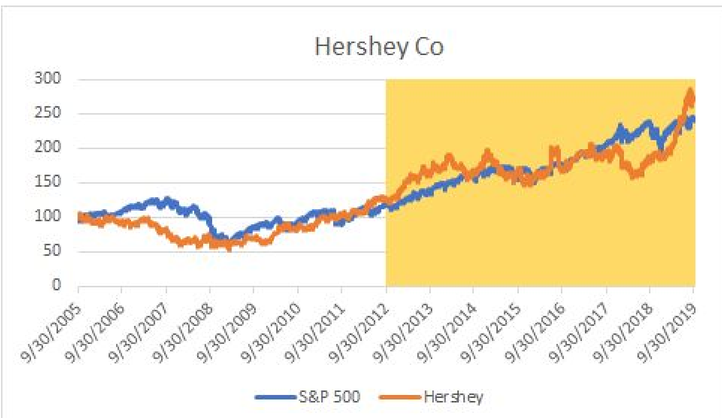
S&P 500
Campbell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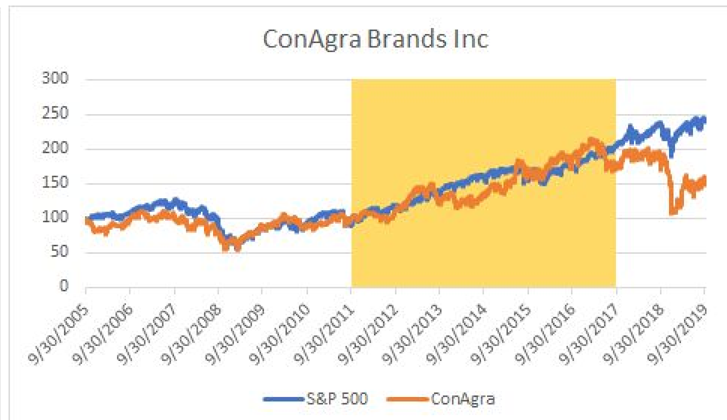
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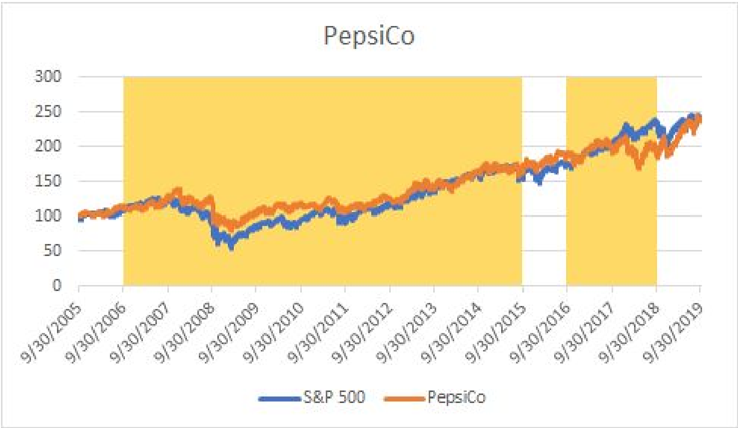
ConAgra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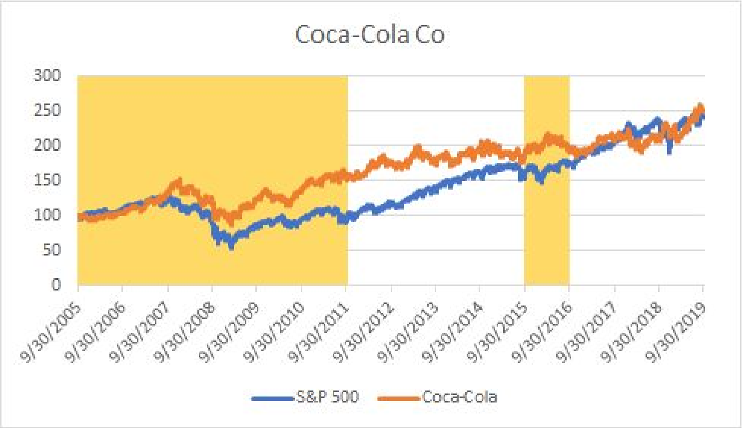
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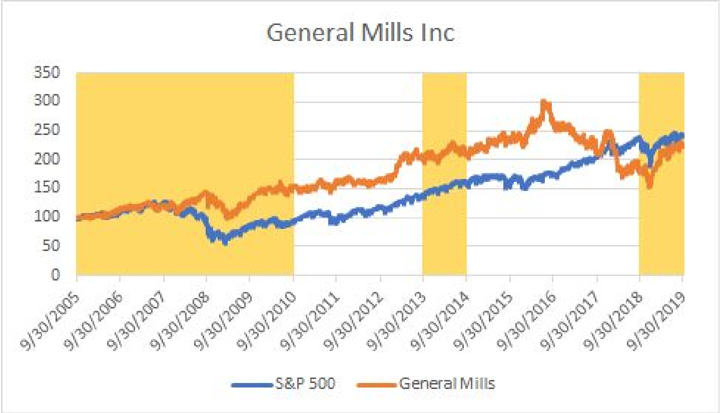
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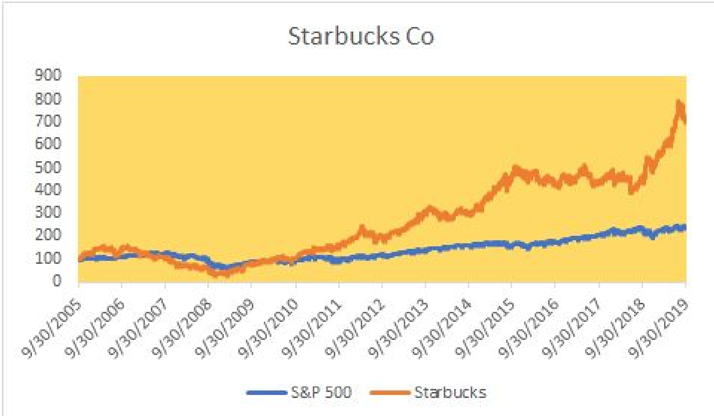
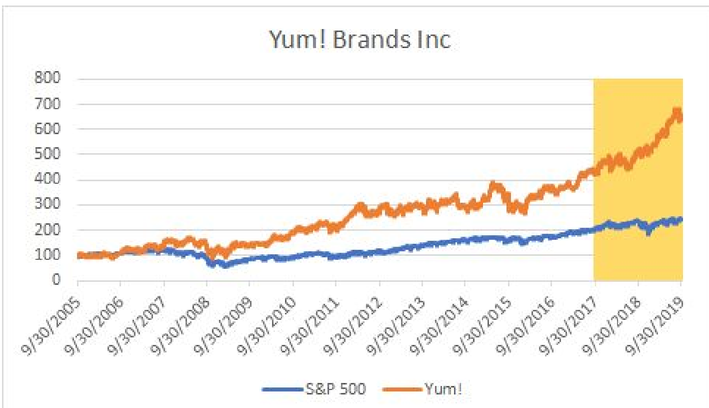
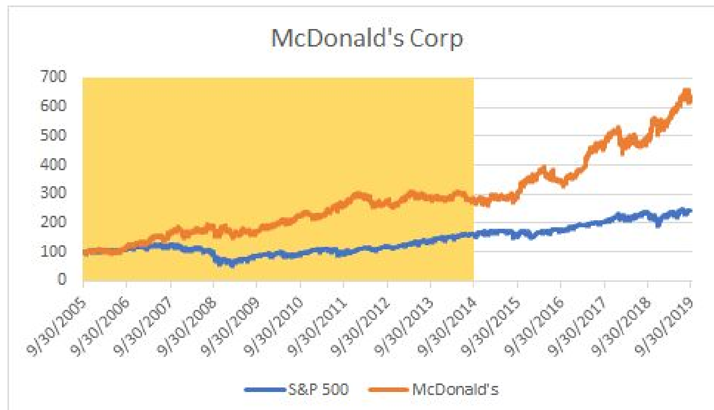
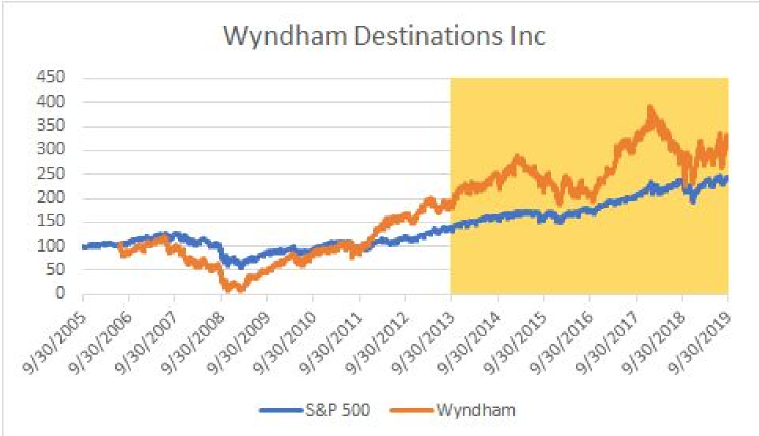
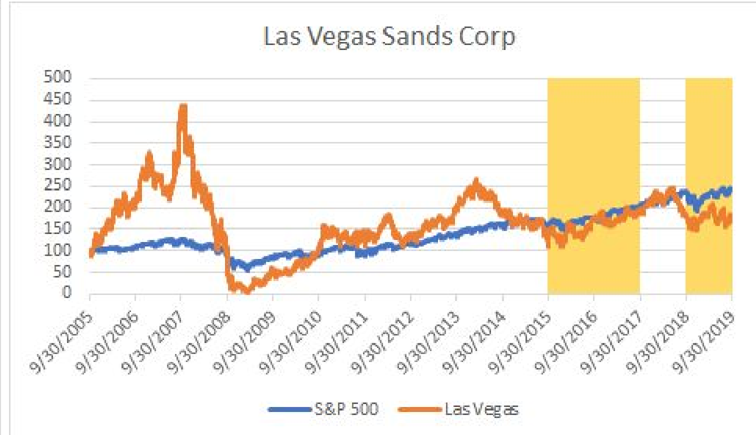
HOTELS, RESTAURANTS, & LEISURE



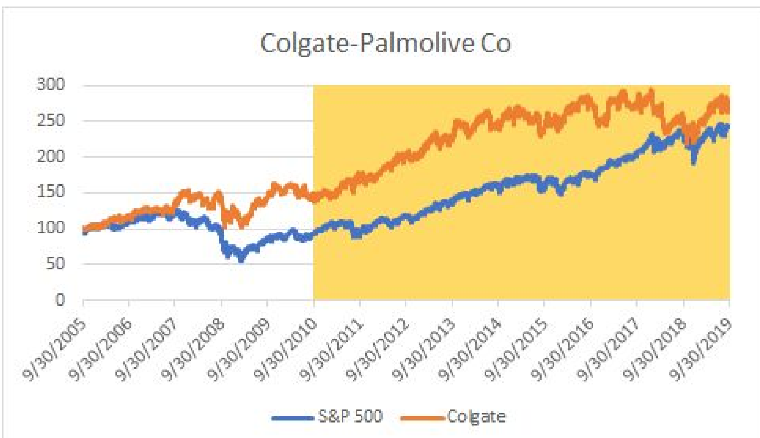


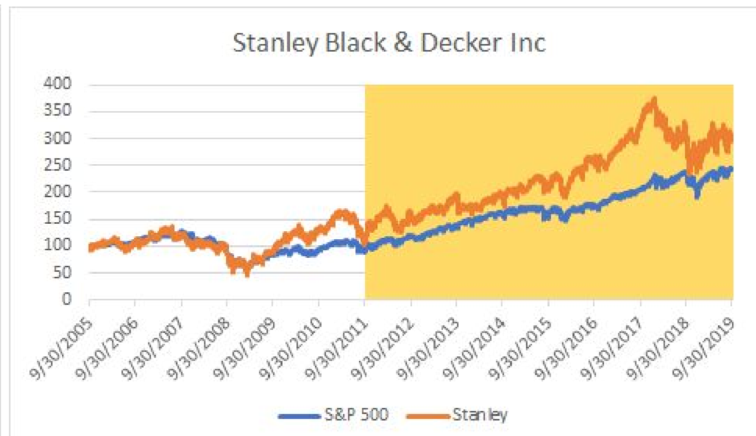


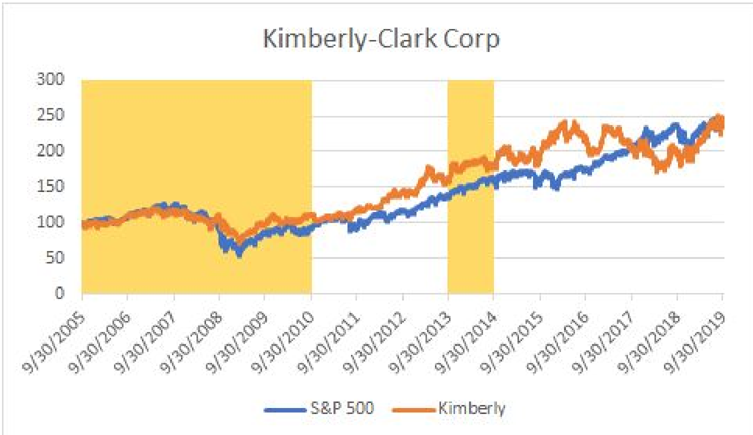




HOUSEHOLD PRODUCTS



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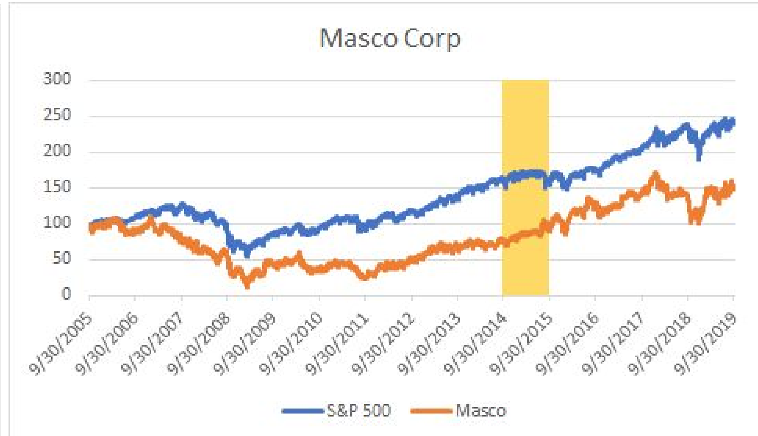
Kimberly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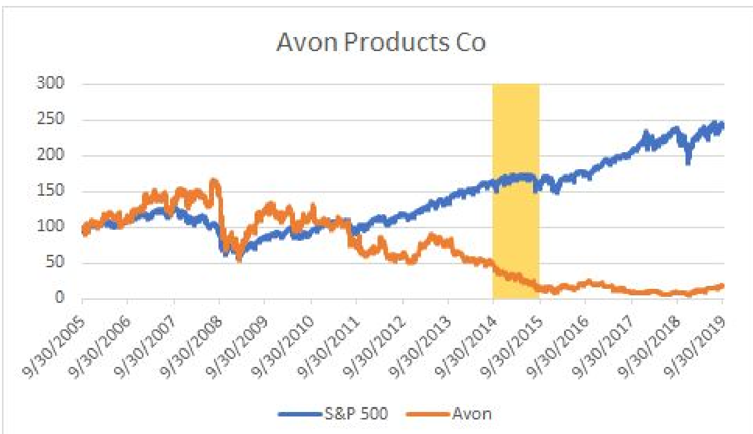
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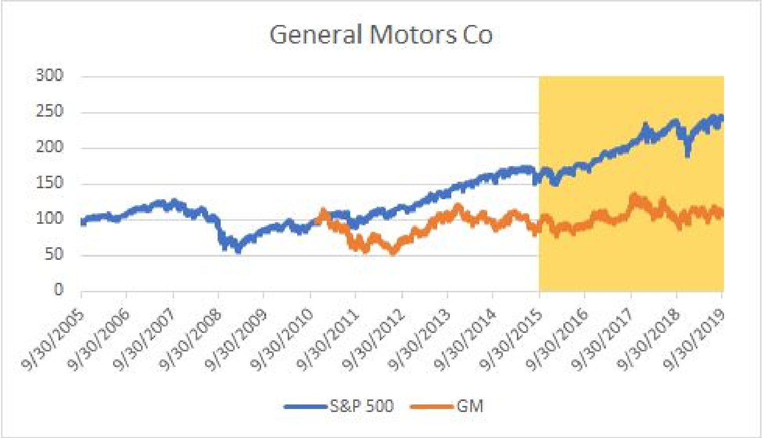
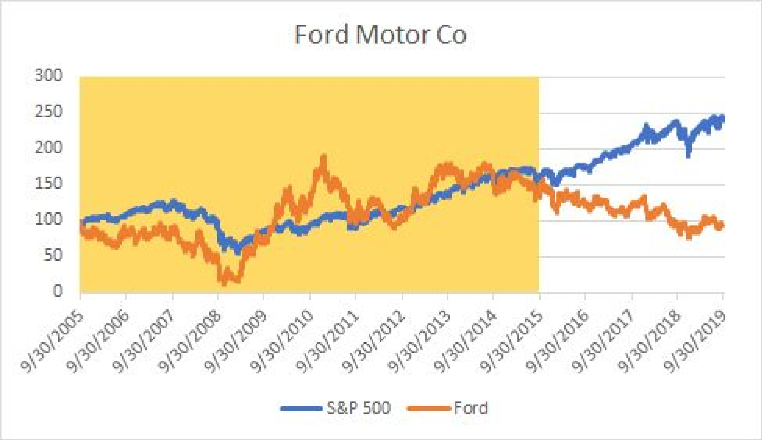
Avon

MEDIA

MOTOR VEHICLE & PARTS






Goodyear Tire & Rubber Co
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RETAILING


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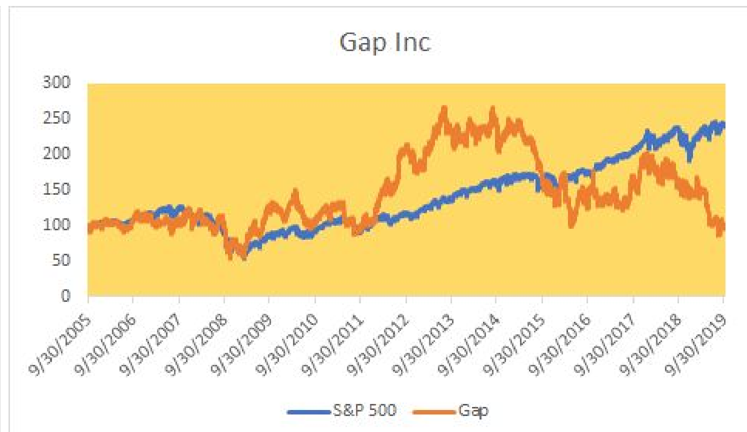
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9/30/2009
9/30/2010
9/30/2011
9/30/2012
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9/30/2015
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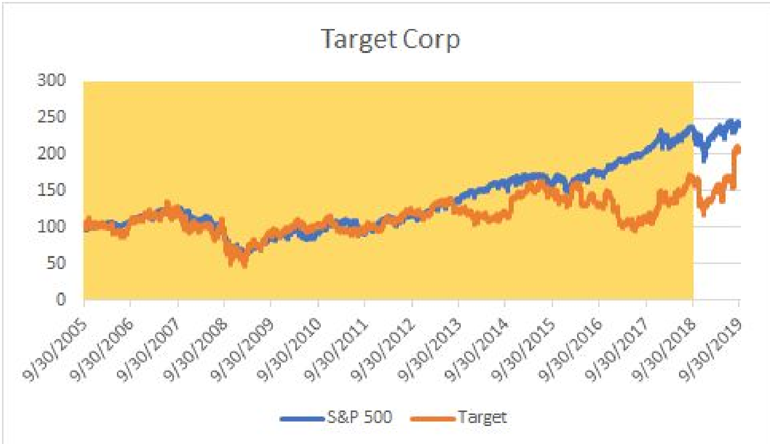
9/30/2018
9/30/2019
S&P 500
Gap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Lowe's Cos Inc
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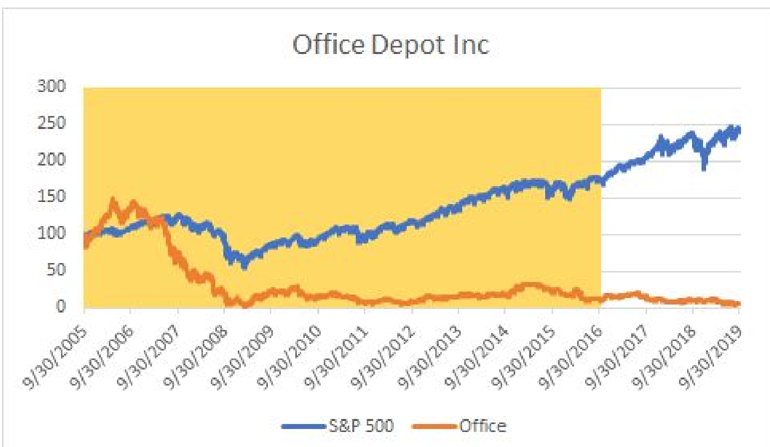
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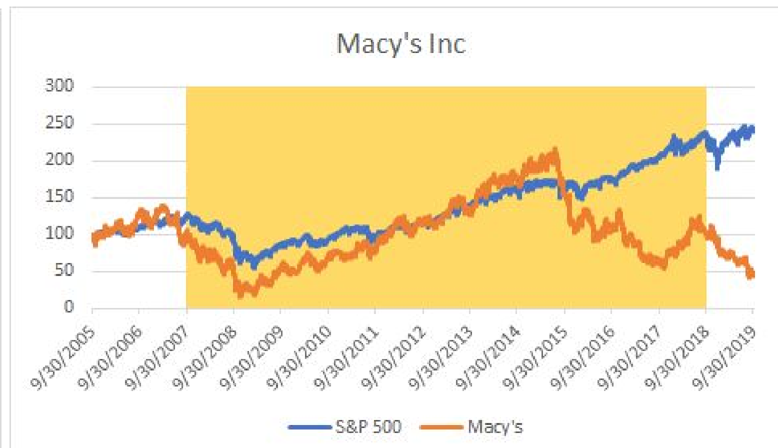
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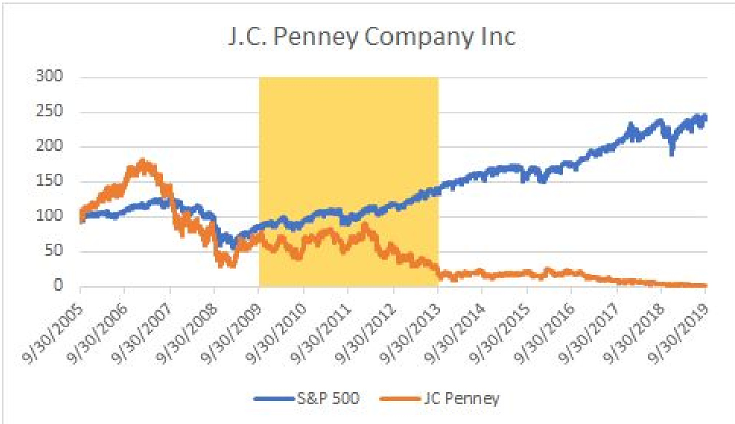
S&P 500
Macy's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200
150
100
50
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9/30/2005
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9/30/2010
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9/30/2012
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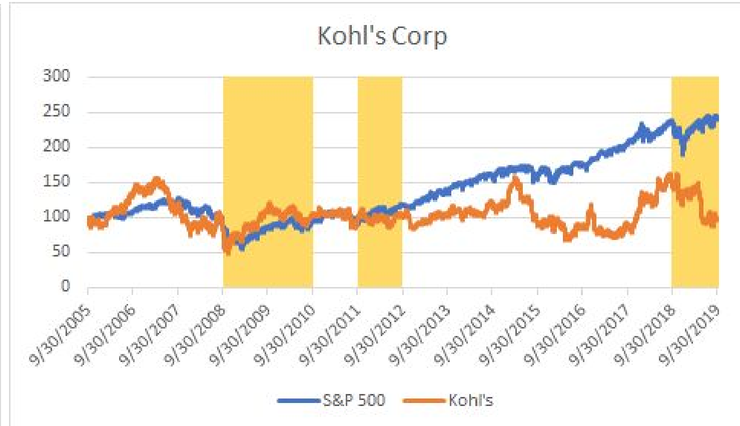
9/30/2017
9/30/2018
9/30/2019
S&P 500
JC Penney


Kohl's Corp
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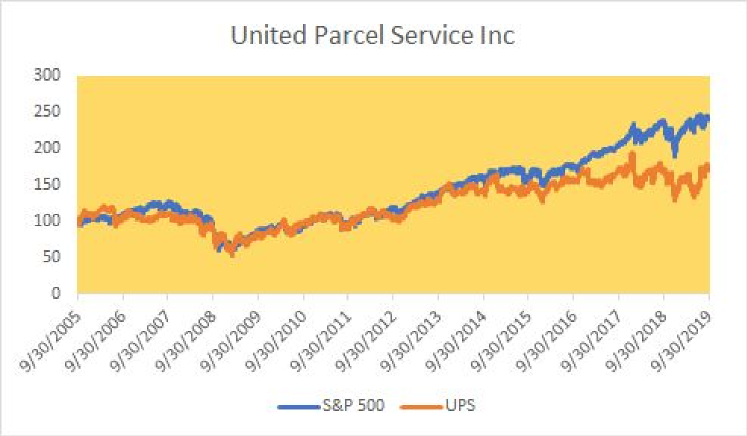
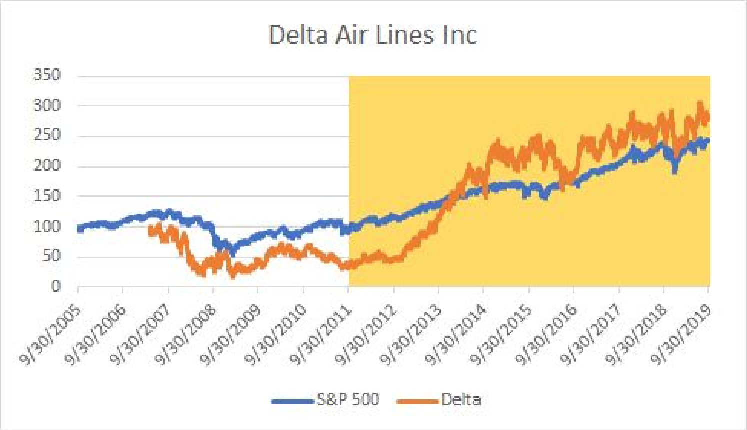
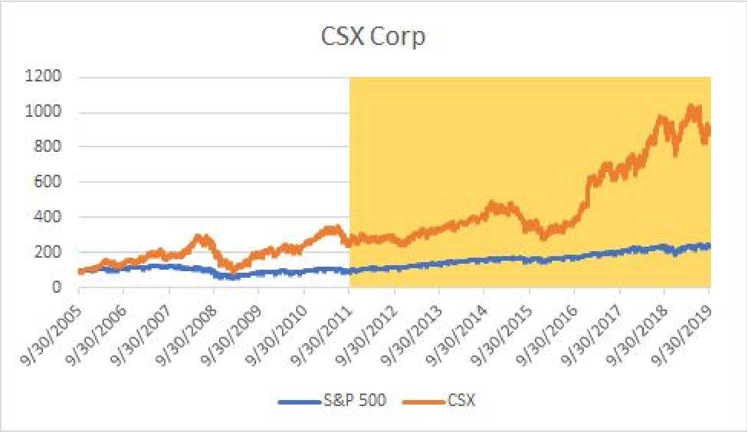
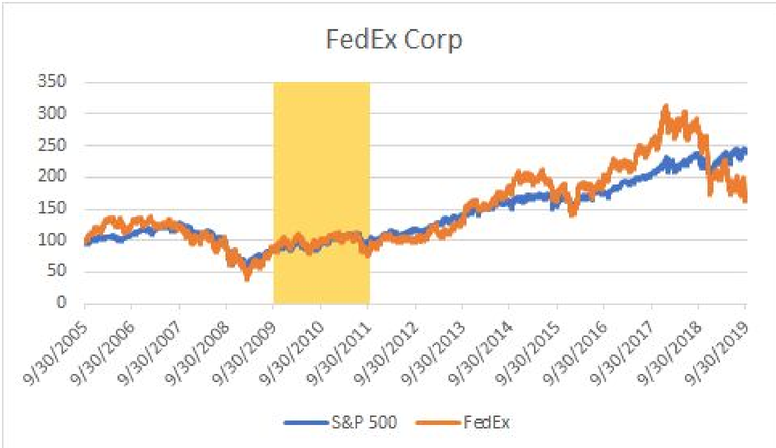
9/30/2019
S&P 500
Kohl's

TRANSPORTATION





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9/30/2012
9/30/2013
9/30/2014
9/30/2015
9/30/2016
9/30/2017
9/30/2018
9/30/2019
S&P 500
FedEx

Table 3. RobecoSAM Categorizations by Industry and Weights for each in the Economic, Environmental, and Social Dimension.

Categories	**Economic**	**Environment**	**Social**
Airlines	43%	23%	34%
Auto Components	29%	37%	34%
Automobiles	37%	31%	32%
Beverages	48%	26%	26%
Building Products	34%	35%	31%
Casinos & Gaming	46%	17%	37%
Food & Staples Retailing	39%	31%	30%
Food, Beverages, & Tobacco	42%	28%	30%
Hotels, Resorts, & Cruise Lines	35%	23%	42%
Household Products	53%	21%	26%
Machinery & Electrical Equipment	44%	28%	28%
Media	44%	17%	39%
Restaurants & Leisure Facilities	42%	18%	40%
Retailing	50%	22%	28%
Textiles, Apparel, & Luxury Goods	41%	21%	38%
Transportation & Transportation Infrastructure	34%	27%	39%