



ESG METRICS ON SHAREHOLDER ENGAGEMENT

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TOPIC OF STUDY

Using United Airlines as a case study to investigate how ethical ESG investment strategies and active shareholder engagement contribute to promoting workplace safety and well-being. The main ESG factor we would like to focus on is the Social aspect, particularly concerning sexual misconduct.

MOTIVATION

- **Recognizing ESG Impact:** Witnessed negative impacts of ESG neglect — sexual misconduct, and harassment on campus.
- **Advocacy and Action:** "Cats Against Assault" group led legislative advocacy in Washington:
 - **House Bill 1618:** Removes the statute of limitations for sexual assault.
 - **House Bill 2242:** Strengthens protections for survivors; streamlines sexual assault investigations in higher education.



FINANCIAL BACKGROUND

Challenges & Findings:

- United Airlines Faced significant challenges due to the global pandemic.
- Profit margins fluctuated, reflecting operational and profitability challenges.
- Despite these issues, improvements in profitability metrics post-pandemic indicate a recovery path.
- United must improve liquidity, manage debt, and increase operational efficiency for sustainable growth.

UNITED AIRLINES FINANCIAL STATE (2019-2023)

Current ratio

- Decreased 1.52 to 1.43
- Decrease in Liquidity & issues covering Short-term Liabilities

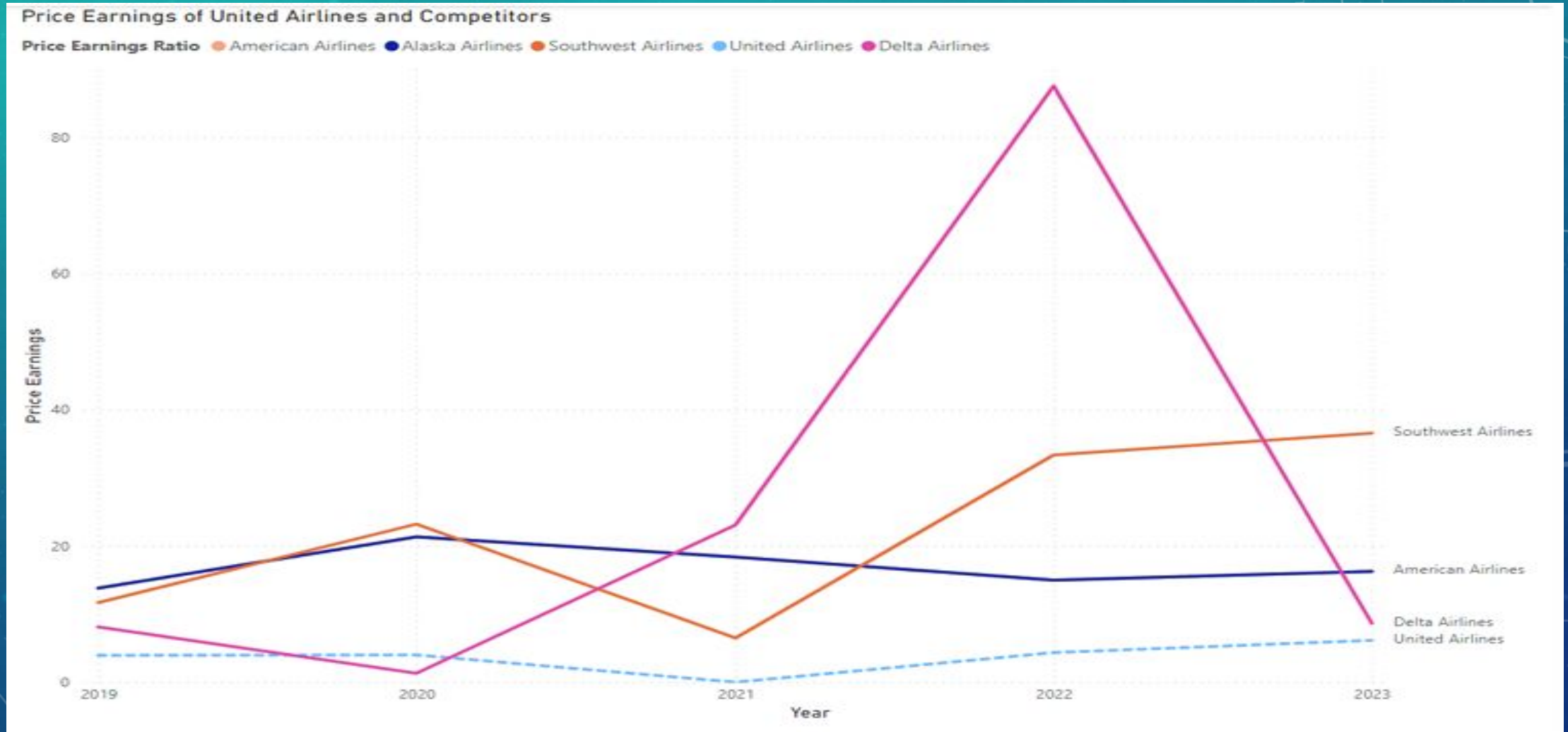
Debt to Equity

- Increased 2.44 to 3.88
- More Leveraged & less financially stable

(EPS) EARNINGS PER SHARE (2019 – 2023)



P/E RATIO OF UNITED AIRLINES & COMPETITORS (2019-2023)



CAPM ANALYSIS (USING WRDS CAPITAL IQ)

$$E(R_i) = R_f + \beta_i(E(R_m) - R_f)$$

- $E(R_i)$ = is the expected return
- R_f = the risk-free return
- β_i = the investment's beta
- $(E(R_m) - R_f)$ = the market risk premium

CAPM MODEL RESULTS

Alpha (α): -0.0191

- Indicates underperformance against the risk-adjusted benchmark.

Beta (β): -1.5084

- Shows higher volatility compared to the market.

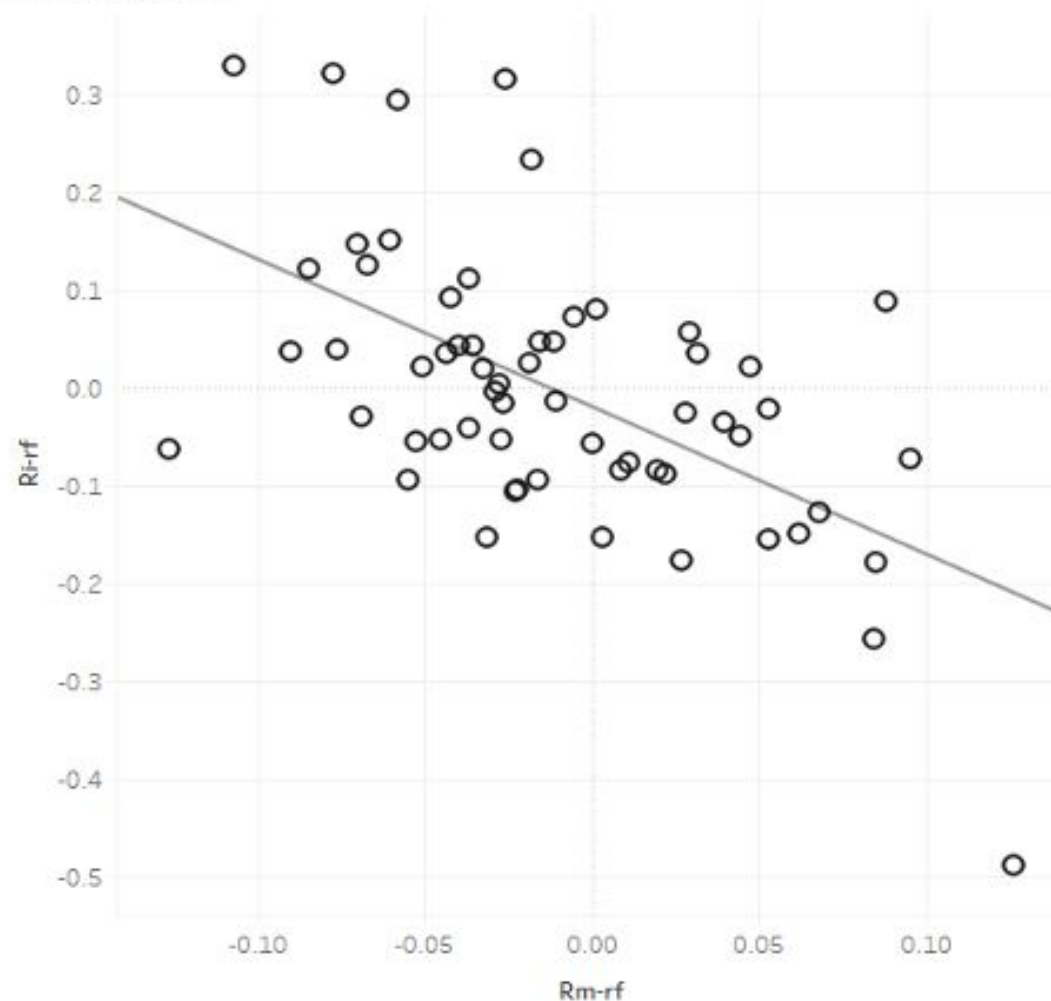
R^2 : 0.3301

- Implies a 33.01% correlation with market movements.

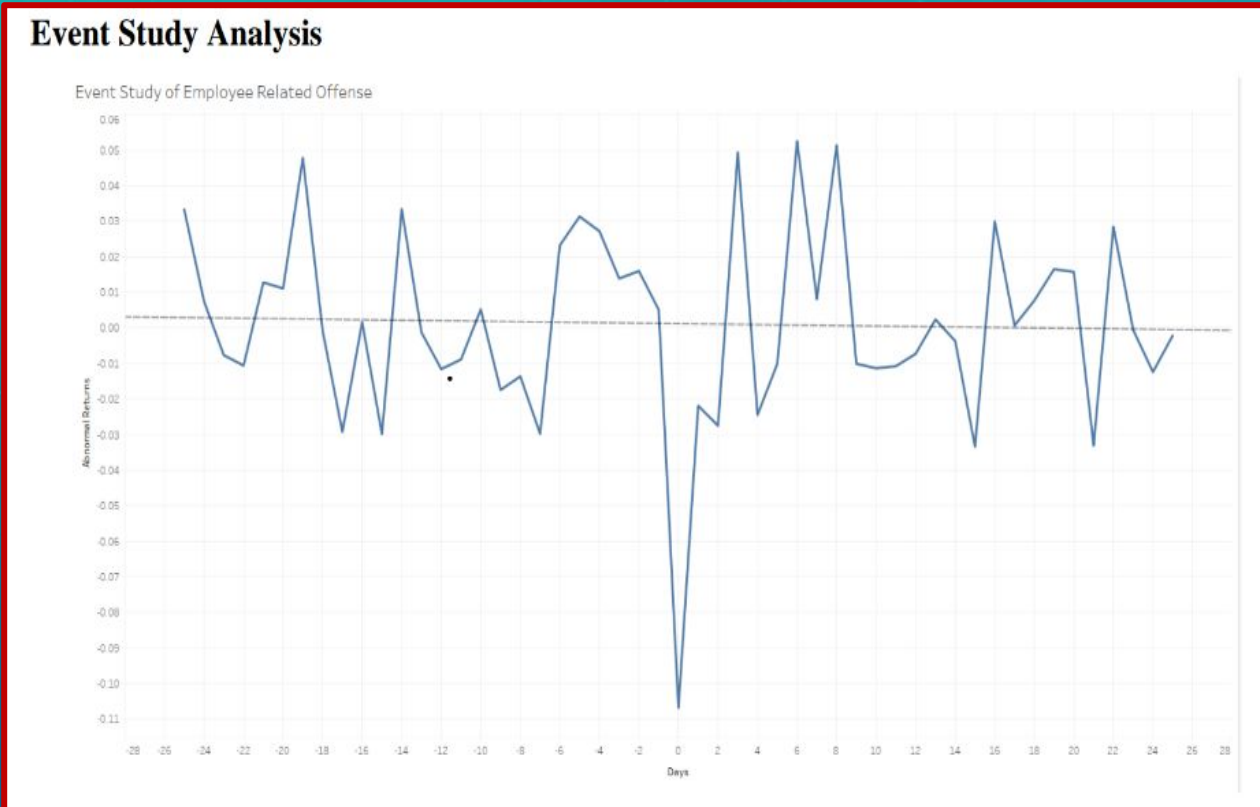
Statistical Significance:

- Alpha's p-value: 0.2158
 - Suggests that underperformance may not be statistically significant.
- Beta's p-value: Near zero
 - Confirms significant volatility.

CAPM Model



EVENT STUDY ANALYSIS



- Event Study on a Wage and Hour Violation lawsuit 1/11/2024
 - Size and publicity of the lawsuit created a statistically significant impact on Stock price
- 'Any Damage to our brand image could adversely affect our business or financial results.' United Airlines 10k, 2023






UNITED AIRLINES ESG INDUSTRY RANKS OVER TIME

ESG Catagories	Score Date								
	2014	2015	2016	2017	2018	2019	2020	2022	2023
Accident Rate				14	15	17	25	58	70
Business and Human Rights	18	18							
Discrimination & Harassment								71	90
Employee Support Programs								24	76
Employee Turnover Rate	23	18	19	16	22	22	27	71	75
Reporting on breaches	11	12	13	17	19	19	23	65	75
Risk Culture		15	14	11	20	15	23	45	56
Trend of Employee Wellbeing	17	11	12	11	19	16	25	50	47

- Companies with high sexual assault instances underperform the U.S. stock market by 19.9% and spend 7% more on labor costs

INDUSTRY COMPARISON

Industry Comparison

Company	ESG Risk Rating			Industry Rank
Ryanair Holdings Plc	23.6		Medium	212 out of 410
Air China Ltd.	28.5		Medium	328 out of 410
United Airlines Holdings, Inc.	28.7		Medium	329 out of 410
InterGlobe Aviation Ltd.	30.4		High	347 out of 410
Southwest Airlines Co.	30.6		High	353 out of 410

POLICY RECOMMENDATIONS

- Investments:
 - Improved and lengthened trainings for employees to deal with sexual misconduct and other escalated issues
 - Research to create a more flexible reporting process for flyers and staff
 - Market United Airline's investments for good PR and reputation

CONCLUSION

- While sexual misconduct lawsuits have not directly impacted stock prices of United Airlines, mishandling these situations lower the reputation of the company and leave employees unhappy in their job, which in turn can impact United Airline's stock prices
- It is in a company's best interest to take preventative investments to keep employees and customers safe to reduce their financial risk and gain a positive reputation