Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	**Timur Bahodirovich Barotov**
Advisor:	**doc. PhDr. Jozef Baruník, Ph.D.**
Title of the thesis:	**Climate Change Risk Premium, Stock Returns and Volatility Analysis in Relation to ESG Score**

OVERALL ASSESSMENT *(provided in English, Czech, or Slovak):*

Short summary

The thesis focuses on the influence of Environmental, social, and corporate governance (ESG) score on financial markets. In his thesis, Timur demonstrates how the ESG score, when integrated into investment strategies, influences portfolio performances. Thus, if the ESG score is priced, investors perceive the risk related to climate change. The performance is based on the 10-year-long panel data on European stocks.

Contribution

There are strands in the recent financial literature that investigates the importance of environmental concerns. Timur constructs a factor model with the ESG score. Using the European data, he shows a negative risk price for companies with high ESG scores (negative ESG-related risk premium). The results are weakly significant. I see the thesis's contribution in the good empirical analysis of ESG-related risk.

Methods

The analysis uses classical financial tools as the factor models. Timur constructs a model based on his ESG-related factor. The analysis is done properly, and the results are correctly interpreted.

Literature

Timur uses all relevant financial literature. In my view, the thesis wolud benefit from a better exposition of the ESG related papers. Timur uses the sources correctly.

Manuscript form

The thesis is generally well written. However, there is room for a detailed discussion of the nature and benefits of the ESG score and the motivation for using the ESG score in finance. Overall, the thesis is written in a readable form.

Overall evaluation and suggested questions for the discussion during the defense

To conclude, the thesis is a good piece of work. Timur brings some empirical results and he, without any doubts, showed that he understands the topic. In my opinion, the thesis fulfills all the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University. I fully recommend it for the defense and suggest a grade B. The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Q: Are there any similar studies on the U.S. data that you can compare?
Q: Do you think the ESG score will be more important in the future?

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SUMMARY OF POINTS AWARDED *(for details, see below):*

CATEGORY		**POINTS**
Contribution	*(max. 30 points)*	25
Methods	*(max. 30 points)*	30
Literature	*(max. 20 points)*	15
Manuscript Form	*(max. 20 points)*	15
TOTAL POINTS	*(max. 100 points)*	**85**
GRADE	**(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: Mgr. Lukáš Vácha, Ph.D.

DATE OF EVALUATION: 3.9.2022

Digitálně podepsáno (3.9.2022)
Lukáš Vácha

Referee Signature

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EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	**GRADE**
91 – 100	**A**
81 - 90	**B**
71 - 80	**C**
61 – 70	**D**
51 – 60	**E**
0 – 50	**F**