# IMESS DISSERTATION

**Note: Please email the completed mark sheet to Year 2 coordinator**
**(cc Chiara Amini** chiara.amini@ucl.ac.uk **and** ssees-imess@ucl.ac.uk**)**

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

| Student: | Yanqi Guan |
|---|---|
| Dissertation title: | Analyzing the link between Environmental, Social and Governance (ESG) and sovereign bond spreads: an empirical analysis of CEE countries |

| | 70+ | 69-65 | 64-60 | 59-55 | 54-50 | <50 |
|---|---|---|---|---|---|---|
| | A | B | C | D | E | F |
| **Knowledge** *Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.* | | | 64 | | | |
| **Analysis & Interpretation** *Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.* | | | 62 | | | |
| **Structure & Argument** *Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.* | | | 61 | | | |
| **Presentation & Documentation** *Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.* | | | 62 | | | |
| **Methodology** *Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.* | | 67 | | | | |

| ECTS Mark: | | UCL Mark: | 64 | | Marker: | Serena Merrino |
|---|---|---|---|---|---|---|
| *Deducted for late submission:* | | | | | Signed: | |
| *Deducted for inadequate referencing:* | | | | | Date: | 14/08/2022 |

**MARKING GUIDELINES**

**A (UCL mark 70+):** *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

**B(UCL mark 65-69):**
A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

**C (UCL mark 60-61):**
Some evidence of critical analysis, knowledgeable interpretation. Wide range of sources used to develop a logic and coherent argument. Good understanding of techniques applicable to the chosen field of research, the extent of independent research could have improved.

**D (UCL mark 59-55):**
Employ relevant sources and show ability to engage in systematic inquiry. Little critical analysis of the material. It demonstrate methodological awareness but the standard and rigor of the analysis can improve.

**E (UCL mark 54-50):**
Mostly descriptive argument. Employ relevant but limited sources. The structure, logic and overall quality of the argument needs improvement.

**F (UCL mark less than 50):**
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

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**Comments, explaining strengths and weaknesses (_at least 300 words_):**

This dissertation explores the influence of a country's ESG criteria performance on the cost of sovereign debt with an application on CEE countries. The student has selected an interesting, original, and challenging topic. However, the structure of the arguments and the level of the analysis exhibit some room for improvement.

The introduction explores the possibility that adherence to ESG factors have an impact on the cost of external funding – both private and public - sourced by banks, therefore stressing the relevance of studying this topic in current times. The subject is contextualised with respect to the relevant scholarship the dissertation draws upon, identifying two important gaps in the existing literature, as well as with reference to the specific case of CEE countries. In addition, the introductory section summarises the proposed methodology with sufficient accuracy.

Chapter 2 uses a variety of sources to identify the determinants of sovereign debt spreads. This section mainly employs empirical studies to develop an analytical framework, whereby the theoretical dynamics that rule the effect of certain variables on the cost of public debt are not in general well clarified. The literature that has focused on the ESG-bond relationship (the main subject of analysis) is then surveyed in Section 2.3.3: once again, the student does not make the effort to disentangle the underlying mechanisms through which ESG performance transmits to the cost of government borrowing. The review of empirical studies is useful, but it should have been completed by a solid theoretical framework: yet, at this point of the dissertation, it is unclear _how_ ESG performance works in reducing the spread. In particular, while political and social aspects of national economies clearly affect the creditworthiness of borrowing governments and their ability to repay debt, the effect of environmental sustainability is less clearcut.

The econometric analysis is well articulated, as it is based upon the construction of ESG indexes and control variables' selection as reflecting the previous discussion. Descriptive statistics are employed, although the dataset could have been further explored to present stylised facts by country, rather than only at aggregate level. Here, for instance, some emphasis could have been dedicated to discuss how these countries have evolved in terms of ESG aspects: how are CEECs positioned with respect to OECD and global trends?

The model specification is well justified but the discussion of the results is basic. This should be interpreted in light of similar studies and the economies' characteristics. Some of the limitations of the empirical analysis are clarified.

The writing style is engaging but often lacks formality and grammar rigour. The presentation is tidy and formal, but the structure of the dissertation could be rebalanced as 4 out of 6 chapters are empirical while some section is disproportionally short: for instance, Chapters 4 and 6 could be merged to 3 and 5, respectively. Similarly, small paragraphs – such as the ones that introduce each chapter (e.g. 2.1) are not informative and inhibit the fluidity of the narrative.

**Specific questions you would like addressing at the oral defence (_at least 2 questions_):**

Why do you think it is important to research this topic?

Can you summarise how a government's adherence to ESG factors could affect the cost of its borrowing? Why should investors care about environmental sustainability of government investments when purchasing sovereign bonds?

Among your findings, the sub-indexes (ENSI, GOSI, and SOSI) all have different impacts. How would you explain it?

Given your work and findings, how would suggest to expand research in this topic in the future?