Report on Bachelor / Master Thesis

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

Student:	**Gabriela Bošňáková**
Advisor:	**prof. PhDr. Petr Teplý, Ph.D.**
Title of the thesis:	**Exploring the Impact of ESG Ratings in Banking: A Study of European Banks**

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

Short summary
Gabriela has chosen a very current and important topic – ESG scores and ESG-related new regulatory framework in relation to bank performance. Using the sample of European banks and data extracted from the Refinitiv Eikon database, the thesis aims to estimate the effect of ESG factors on bank performance, specifically on the weighted average cost of capital (WACC) and ROE. Moreover, the author studies the effect of anticipation of new reporting standards (CSRD and ESRS) on abnormal returns as well as the effect of ESG scores on abnormal returns during Covid-19. The main findings suggest that the ESG score increases the WACC up to some threshold and then it has the opposite effect, while no significant correlation between ESG score and ROE is found. Moreover, the thesis reports the mixed effect of CSRD and ESRS regulation issuance on abnormal returns among banks with different level of ESG scores. Finally, the positive impact of a high ESG score on banks' returns was observed during the Covid-19.

Contribution
The relationship between ESG policies and bank performance is undoubtedly an important topic currently, among others due to the huge regulatory burden that (not only) the banks have to face. Gabriela claims that the main contribution of her thesis is the use of the weighted average cost of capital (WACC) as the dependent variable in the context of ESG since there are just a few studies with such a variable and also the uniqueness of providing the study of the impacts of new regulatory framework anticipation on the abnormal returns. However, it is not evident in what aspect this thesis differs from the existing studies that the author refers to.

Methods
Gabriela employs panel data techniques (fixed-effects), Pearson's correlation, and event study to estimate four hypotheses. She extensively discusses the reasoning behind the choice of fixed-effects and event study including the properties of the used techniques. However, the use of Pearson's correlation for testing hypothesis 2 is not mentioned in the chapter dedicated to methodology nor in the introduction and, thus, it is not clear why the author opted for this method. Overall, the methods used are appropriate for the author's level of study.

Literature
The thesis contains a literature overview and theoretical background, which is however a bit confusing and sometimes not exactly to the point. I would expect at least a proper explanation of ESG scores, CSRD and ESRS which a reader might appreciate. On the other hand, the author properly cites sources and the results of the thesis are nicely summarised in the context of existing literature in Tables 6.7 and 6.8, which is helpful.

Manuscript form
The thesis is well written and structured, using appropriate language and style, including academic format for figures and tables. However, there are few deficiencies that disturbed me while reading the text. One minus of the manuscript is the way of referencing literature since the author does not include them into brackets where needed. An example can be found on p.4: „The commitment to achieve net zero by 2050 Marteau et al. (2021)" instead of (Marteau et al., 2021). Also, some sentences seem to be unfinished (e.g. pg. 15: „To evaluate the impact of individual ESG pillars and the overall ESG score on the WACC, while controlling for bank-specific variables (X) and macroeconomic variables (Y).".

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There are also several typos, e.g. on page 12, it is several times written „European Financial Reporting Standards" instead of „European Sustainability Reporting Standards".

Overall evaluation and suggested questions for the discussion during the defense
In my view, the thesis fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B. The results of the Turnitin analysis do not indicate significant text similarity with other available sources.

Questions for the defense:
1. How does your research differ from the existing literature, such as Kim and Li (2021), Danisman (2022) or Bruno et al. (2021)?
2. Why did you choose Pearson's correlation to test hypothesis 2, i.e. relationship between ESG score and ROE?

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

CATEGORY	POINTS
Contribution *(max. 30 points)*	25
Methods *(max. 30 points)*	28
Literature *(max. 20 points)*	17
Manuscript Form *(max. 20 points)*	16
TOTAL POINTS *(max. 100 points)*	**86**
GRADE **(A – B – C – D – E – F)**	**B**

NAME OF THE REFEREE: Mgr. Soňa Sivá

DATE OF EVALUATION: 29.5.2024

Digitally signed
29.05.2024
Soňa Sivá

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Referee Signature

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**