

Abstract

This thesis investigates the impact of ESG scores on default risk and profitability. In order to facilitate the analysis of financial data provided by a Czech banking institution, which comprises anonymised financial indicators and ESG scores, models for credit risk and profitability of non-financial companies were constructed. The former are estimated using ordinary least squares and binary choice methods, while the latter are estimated using a first-differenced estimator and a generalised method of moments. The findings of the thesis indicate that firms with superior and inferior ESG scores exhibit different behaviours. Companies with worse ESG scores demonstrate a more pronounced effect of changes in profitability and solvency on default probability, while liquidity appears to be a more significant factor for the other group. The analysis of profitability revealed higher persistence of returns for firms with superior ESG performance.

JEL Classification C23, G32, F23, L25, Q58

Keywords ESG, credit risk, profitability, panel data analysis

Title Credit Risk and ESG Scores