Report on **Master Thesis**

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

Student:	**Bc. Michal Nedeľka**
Advisor:	**Doc. PhDr. Adam Geršl, Ph.D.**
Title of the thesis:	**ESG Scores and Credit Risk**

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

Short summary
The thesis focuses on analyzing the link between ESG (Environmental, Social and Governance) scores and default risk and profitability of non-financial firms using firm-level data provided by a large Czech bank. Given the novelty of the topic and unique data for the analysis, the thesis provides a strong value added and new findings for understanding the effects of firms' ESG status.

Contribution
This thesis provides the man value added in analyzing whether firms with better ESG scores (taking better care of ESG issues) have better or worse performance in terms of profitability, credit risk, and the link betweent the two. The ESG literature is growing rapidly but there have not yet been many studies given the scarcity of data and the ongoing development of how to measure ESG dimensions. The thesis is using a unique dataset of firms provided by one large commercial bank. Thus, the results offer new insights for a sample of firms relying on bank financing.

Methods
The thesis uses a set of suitable regression methods depending on the questions asked and the nature of data (OLS, binary choice, first different estimator, GMM). Unfortunately, the ESG score data did not have a good time dimension. But Michal Nedelka has designed a good way around to study the performance of firms and links between profitability, credit risk, and other variables for various subsamples defined by ESG scores.

Literature
The thesis reviews the available literature, main conclusions and findings are discussed.

Manuscript form
The thesis is well formatted and easy to read.

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

During the defense, Michal Nedelka could elaborate shortly on how the analysis could be extended if a proper dataset with time-varying ESG scores for the firms would be available.

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

CATEGORY		POINTS
Contribution	*(max. 30 points)*	28
Methods	*(max. 30 points)*	27
Literature	*(max. 20 points)*	20
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**95**
GRADE	**(A – B – C – D – E – F)**	**A**

NAME OF THE REFEREE: Doc. Adam Gersl
DATE OF EVALUATION: Sep 9, 2024

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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