

# Report on Master Thesis

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

<b>Student:</b>	<b>Bc. Anna Kortusová</b>
<b>Advisor:</b>	<b>prof. Ing. Evžen Kočenda, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Financing Climate Action: The Pricing of Green Bonds and Its Determinants</b>

## OVERALL ASSESSMENT:

### Contribution

Green bonds' valuation has got attraction from both academics and practitioners in the last years. Anna Kortusová investigates the topic when empirical testing estimate the green premium based on a large data of a dataset of 94 matched pairs of straight, senior, investment-grade green and similar conventional bonds with plain vanilla fixed coupons issued in 2014-2019. She reveals that a small green premium is driven by investors' preferences for environment-friendly projects rather than by demand from profit-maximizing investors. Her results also shed light on understanding of investors' preferences in the green debt market. Anna's findings survive a battery of robustness checks. Her contribution is therefore clear.

### Methods

The author applies several standard methods in her research: Bayesian Model Averaging (BMA) approach and a Weighted Least Squares (WLS) regression. She also discusses potential problems of these models and presents their solutions. Based on these methods 9 hypotheses are tested.

### Literature

A 7-page literature review on related theoretical models and empirical studies seems reasonable. The author compares her results with Hachenberg & Schiereck (2018), Zerbib (2019), Hyun et al. (2020) or Maltais & Nykvist, 2020), what makes her research valuable.

### Manuscript form

Anna's thesis meets standard format requirements on bibliography, notes, figures and tables well illustrate discussed issues. The thesis is worked out nicely the estimated models have a high discriminatory power. I believe that a part of the thesis might be published in a journal with an impact factor.

### Summary and suggested questions for the discussion during the defense

Anna has developed a solid academic approach, reviewed the existing literature, identified open questions and drew relevant conclusions from that. In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a **grade A**.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Questions to the defense:

- 1) Anna concludes that green bonds trade at a yield 1.12 bps lower compared to ordinary bonds. How this result can be affected by recent government actions on the COVID-19 crisis? For instance, one can expect a higher need for additional funding of the Next Generation EU plan announced by the European Commission in May 2020. How the green bond premium could change?
- 2) The author also states that neither maturity nor issue amount has a significant effect on the magnitude of the green premium. However, small issue amounts or long maturities could attract other types of investors (e.g. households or pension funds). What is Anna's opinion on that?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	30
<i>Methods (max. 30 points)</i>	27
<i>Literature (max. 20 points)</i>	19
<i>Manuscript Form (max. 20 points)</i>	18
<b>TOTAL POINTS (max. 100 points)</b>	<b>94</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>A</b>

**NAME OF THE REFEREE:** *prof. PhDr. Petr Teplý, Ph.D.*

*Digitálně podepsáno (31. 8. 2020)*  
*Petr Teplý*

**DATE OF EVALUATION:** *August 31, 2020*

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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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**Overall grading:**

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