1. Title

Do environmental, societal, and governance (ESG) efforts make firms less vulnerable to financial market shocks? Evidence from the Covid-19 pandemic

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3. Abstract

Previous research indicates that stocks of companies endowed with high levels of environmental, societal, and governance (ESG) responsibility characteristics fared better during the financial crisis of 2008-2009. But it is not known why this happens, or whether it applies to other systematic crises of different type. To add new knowledge on this issue, we utilize the Covid-19 pandemic as a financial shock, and develop new methodology for estimating firms' systematic risk, specifically designed for identifying the effects of market crash and the role of ESG in stock price response. This provides an important independent test of the "More ESG, less crash" -hypothesis, as well as helps shed light on its mechanism.

4. Data description

Publicly listed US and European firms, stock returns, financials, and ESG metrics from various sources

5. JEL codes for the project

G01, G12, G34

6. Key-words

Stock returns, ESG investing, stock market crash, pandemic