

## Seminario Aleatorio

Sesión 389

### ESG Risk Exposure: A Tale of Two Tails

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#### Resumen

Investing in ESG assets has now become the rule of thumb whenever investors want risk shield, especially during the COVID period. Since ESG investments are evidenced to have lower downside risk, how and to which extent the downside risk of a company is affected by its ESG activities is of particular interest to investors and regulators. This paper studies the ESG impact to the downside risk of companies in the US market by introducing a novel measure, the ESG risk contribution ( $\Delta\text{CoESGRisk}$ ).  $\Delta\text{CoESGRisk}$  is a measurement based on the co-movement between the ESG risk factor (the realization of ESG activities in the market) and the downside risk. We show that when there is a sudden increase in the ESG risk factor, the downside risk of high-ESG companies is reduced. Such impact is positively correlated with the ESG performance and company size, and it varies among different sectors. In addition, during the COVID-19 crisis period, the ESG risk contribution is higher than at normal times. Our paper provides investors with a new method for ESG risk management. For regulators, our new measurement offers some references on evaluating the impact of ESG related policies through quantifying the ESG risk contribution.

SSRN: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4082332](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4082332)

**Viernes 19 de agosto de 2022,  
13:00 horas de CDMX,  
Salón 111, ITAM, Campus Río Hondo**

<https://itam.zoom.us/j/94307844700?pwd=MFZIZWVSaDIhOVRnMmhFWFNkY294dz09>

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