Review of: "A Method for Discriminating Equities Based on Sustainability Criteria in an ALM Process Designed for Practitioners"

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Potential competing interests: No potential competing interests to declare.

Dear Editor,

I have thoroughly reviewed the manuscript titled "A Method for Discriminating Equities Based on Sustainability Criteria in an ALM Process Designed for Practitioners," and I believe it makes a valuable contribution to the field of sustainable investing and asset liability management (ALM). Below are my comments and recommendations for publication:

The manuscript addresses an important and timely topic regarding the integration of sustainability criteria into investment strategies, particularly within the context of ALM for insurance companies. The methodology proposed is well-structured and systematically explained, making it accessible to practitioners in the financial sector. The use of real-world data from a prominent French mutual insurance company adds credibility and practical relevance to the study. The results demonstrate the effectiveness of the proposed method in constructing sustainable equity indices and optimizing asset allocations, providing actionable insights for decision-makers.

The manuscript offers a novel approach to constructing equity indices based on sustainability indicators, distinct from traditional ESG scoring systems. This contributes to addressing the limitations and biases associated with existing methodologies. The integration of clustering techniques and principal component analysis (PCA) enhances the stability and robustness of the method, thereby mitigating model risk. The study provides empirical evidence of the financial performance and volatility characteristics of the sustainable index compared to conventional indices, which is a valuable addition to the literature on sustainable investing.

The manuscript is well-written and structured, with clear explanations of the methodology, data sources, and results. Figures and tables are appropriately used to illustrate key findings. Technical terms and concepts are adequately defined, making the manuscript accessible to readers with varying levels of expertise in finance and sustainability.

Suggestions for Improvement: While the manuscript acknowledges the limitations associated with the dataset and sustainability indicators used, further discussion on the implications of these limitations for the generalizability of the results would be beneficial. It would be helpful to provide insights into the potential practical challenges or considerations for implementing the proposed methodology within insurance companies, such as data availability, computational resources, and regulatory compliance. Considering the importance of transparency and reproducibility in academic research, providing the code or detailed instructions for replicating the methodology could enhance the credibility and utility of the study.

Overall, I believe this manuscript makes a significant contribution to the literature on sustainable investing and ALM processes. With minor revisions addressing the aforementioned points, I recommend its publication in the journal.