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

Vanda Roque[1]

1 Instituto Politécnico do Cávado e do Ave

Dear Editor,

I have reviewed the article titled "A Method for Discriminating Equities Based on Sustainability Criteria in an ALM Process Designed for Practitioners." Below are my comments and suggestions for revision.

- The topic is pertinent and on the agenda. In fact, banks, insurance corporations and pension funds, and other financial corporations, are increasingly using sustainability criteria in investment selection. Furthermore, banks have also been adopting sustainability criteria when assessing credit risk.
- The Introduction is clear and provides a good overview of the topic. The authors highlight that "investors are increasingly recognizing the significance of sustainable investments" and "incorporating sustainability criteria into investment strategies". The author also points out the limitations of current ESG scores, namely their subjectivity. Since these scores lack correlation with one another, choosing one ESG score over another introduces significant model risk. Therefore, the authors suggest a new method for sustainability screening that is not based on existing ESG scores, but rather on publicly and readily available information.
- In the last paragraph of the introduction, when you explain the structure of the paper, I suggest that the author clearly identifies the number of the section. For instance, section 2 presents the methodology, namely the data and methods used to construct the equity indices and the data and methods used in the ALM process. Section 3 presents the results, and section 4 concludes.
- The author should state the meaning of the acronym ESG at the beginning of page 2.
- Avoid using acronyms in the title and in the abstract.
- I suggest that section 2 is named "methodology" rather than "general process."
- The author should state the meaning of the acronym HCA at the beginning of section 2.1.2.
- In the results, figures and tables should be self-explanatory. The author should add a label for the y-axis in Figure 1 to make interpretation easier and should also provide an analysis of Figures 1 in the text.
- In section 3.2., the author should refer to Figure 2 in the text as "Figure 2" rather than "graph 2". Values on the axis are hard to read. The author should also explain Figure 2 clearly, namely explain the values of each allocation (108, 105, 102, 93, 92, and 91) since this is not clear. An explanation of why the efficient frontier is opposite to that of the Markowitz model is also in order. A deeper explanation of Table 3 would also be beneficial. Table 3 should be placed

prior to the conclusion.

- All references are related to the text and are quite recent.