

Do banks price ESG performance? Regional evidence from Europe and the United States

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Abstract

This study examines whether corporate ESG performance affects syndicated loan spreads and whether the effect differs between Europe and the United States. Using LPC DealScan loans matched with Refinitiv ESG ratings for 2010–2023, we find that higher ESG scores are associated with lower loan spreads; a one-standard-deviation increase implies a 10.64-basis-point reduction. Environmental and social pillars drive the effect more strongly than governance. The negative ESG–spread relation is stronger in Europe and intensifies after the 2015 Paris Agreement, highlighting the roles of risk mitigation and institutional context in bank loan pricing.

Keywords: ESG performance, syndicated loan, corporate loan pricing, risk mitigation, and institutional theory

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