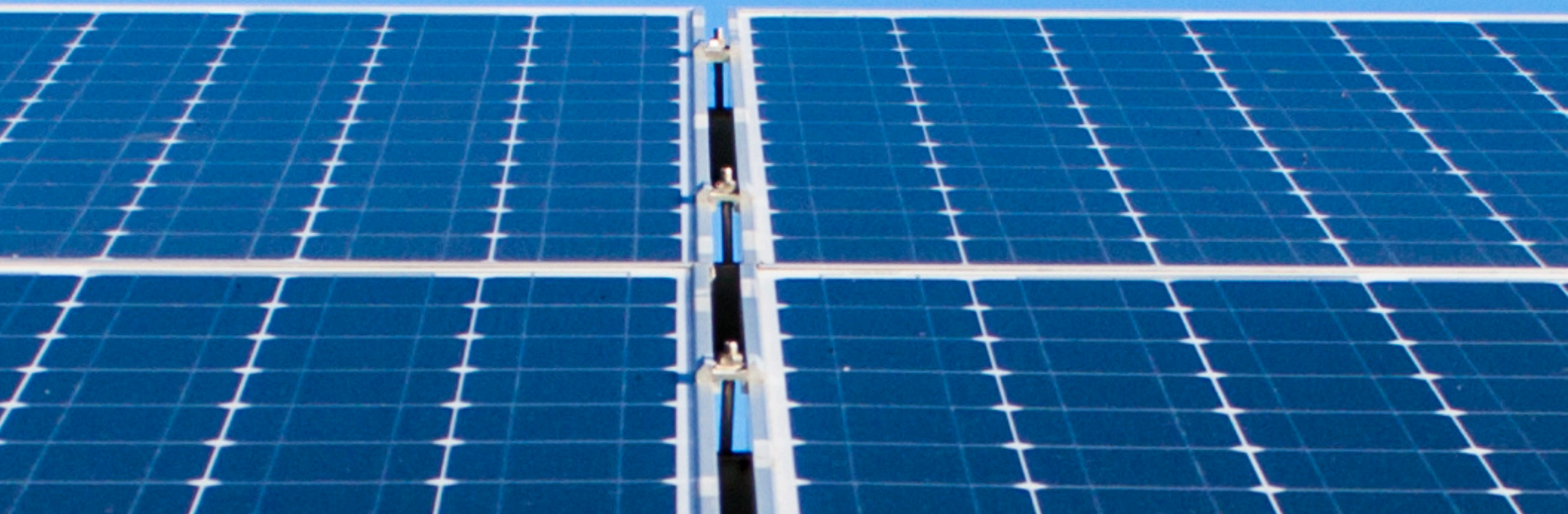


# **Behavioral Risk**

**How Market Perception of ESG  
Drives Beta Volatility**





# What Is Behavioral Risk in ESG?

**Behavioral risk** = **When investor perception of ESG, not fundamentals, moves markets.**

- 👉 **It affects volatility, valuation, and capital flows.**
- 👉 **It's emotional, fast, and can distort real risk.**






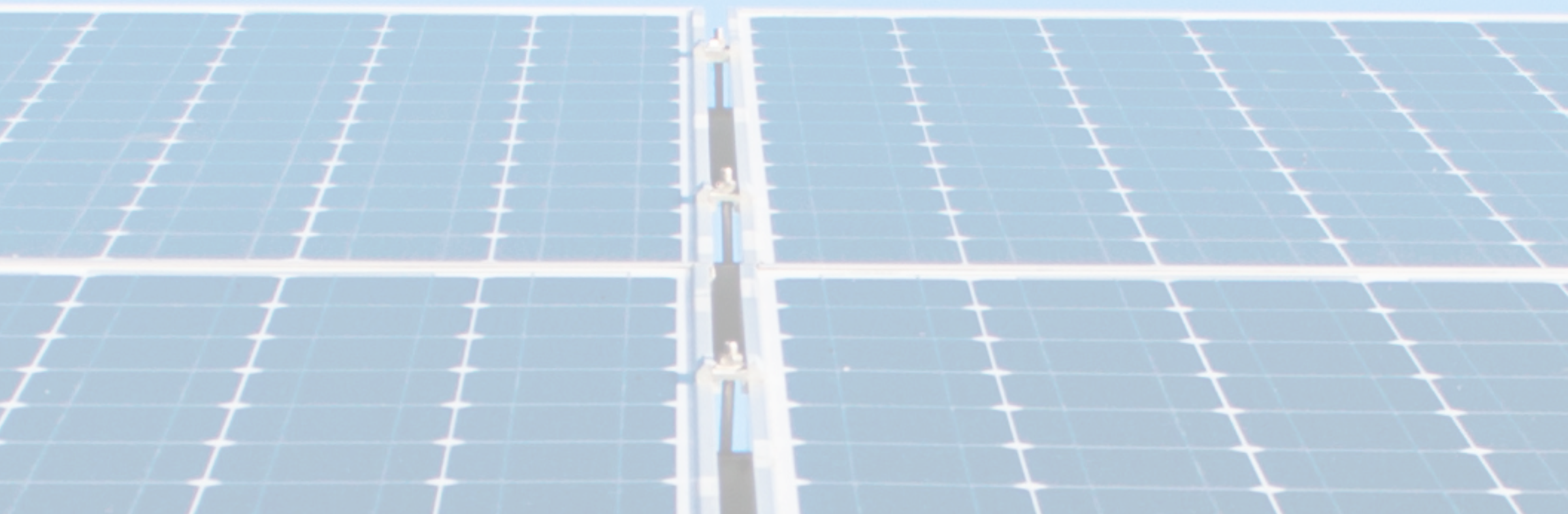
# Why Beta Matters

**Beta = how a stock moves vs. the market.**

 **High beta → more volatile.**

 **Low beta → more stable.**


**But what if ESG perception changes beta?**



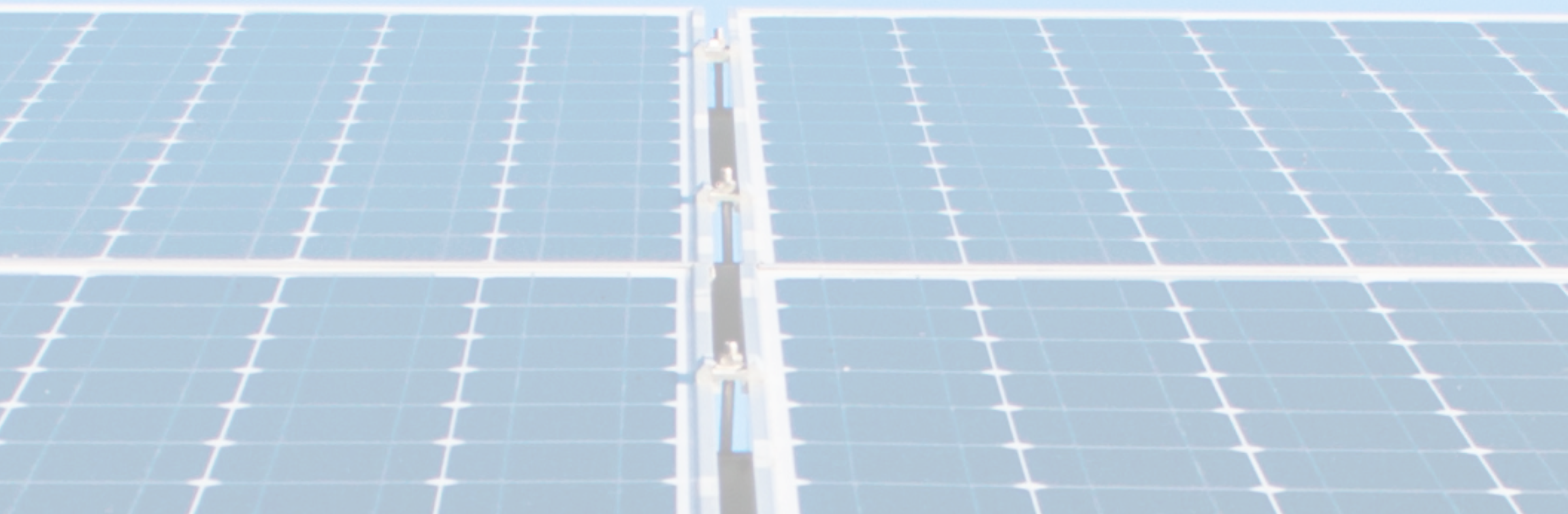


# Real-World Case - Tesla

 **Tesla dropped from S&P 500 ESG Index (May 2022).**

 **Beta jumped from 1.8 → 2.2 in 2 weeks.**

**Nothing changed in operations—just perception.**





# Why This Matters to Investors

✓ ESG isn't just about long-term sustainability.  
! It's now a short-term sentiment risk.

🎯 Model it like you model currency or policy risk.





# Takeaway

**If ESG can change beta →**

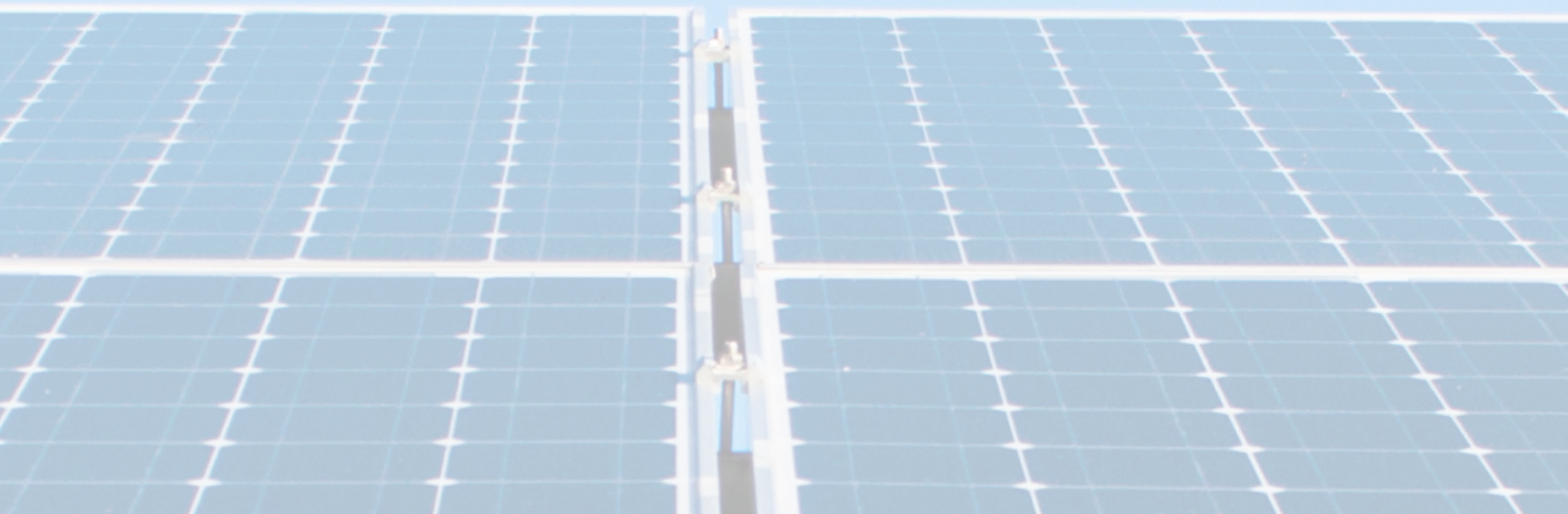
**It can also affect:**

 **WACC**

 **Valuations**

 **Portfolio exposure**

**Let's bring behavioral ESG risk into financial models.**





**Behavioral ESG Risk = Volatility Risk.**

**It's measurable. It's real. And it's growing.**

