

# Sustainable Finance

3 ECTS

TERM 2

ELECTIVE/MANDATORY

## Professor

Prof. Albert Banal-Estanol

## Overview and objectives

Sustainable finance and responsible investment integrate environmental, social and governance (ESG) criteria into financing strategies and decision-making. Sustainable investors consider ESG factors before contributing money and resources to a particular company or venture. The goal is to promote positive societal impact, corporate responsibility, and long-term financial return.

Sustainable finance covers a wide range of activities, from putting cash into green energy projects to investing in companies that demonstrate social values such as social inclusion or good corporate governance. Sustainable finance has a key role to play in the world's transition to net zero by channeling private money into carbon-neutral projects, according to the European Union, whose Green Deal Investment Plan aims to raise \$1.14 trillion to help pay the cost of making Europe a net-zero climate-change emissions region by 2050. Sustainable finance is embodied well in the idea of the triple bottom line: profit, people, and the planet.

Sustainable investing ensures that firms are not judged solely on short-term financial gains but on a broader picture of what and how they contribute to society at large. Sustainable investment has become increasingly popular, especially due to demand from millennials and impact investors who prefer to buy from and invest in companies with intrinsic values that drive positive change. Sustainable investing encourages companies to embrace sustainable principles, which can provide social and financial gains long-term. A record \$649 billion poured into ESG-focused funds worldwide in 2021, up from the \$542 billion and \$285 billion that flowed into these funds in 2020 and 2019, respectively. ESG funds now account for 10% of worldwide fund assets

This course aims to provide you with unique skills and valuable insights to understand this exciting growing area. You will become familiar with key concepts related to sustainability and then learn how to integrate them into the financial decision-making process for public and private issuers and investors. You will establish core knowledge of the key ESG factors associated with assessing financial decisions and investments. You also will learn how to apply financial tools to incorporate and adopt ESG-related factors in selecting and managing a portfolio.

## Course outline

The topic list is:

1. The basic ingredients of sustainable finance and investment
2. Sustainable investment techniques and green washing
3. Sustainable/impact finance products
4. Green/climate finance
5. Cases and evidence on corporate performance: what works and what doesn't?
6. Sustainability: reporting, regulation and scoring
7. Private impact investing
8. Sustainable/impact finance structures
9. Emerging market investing
10. The sustainable investment frontier

The list of cases is:

1. Generation investment management
2. Barry Callebaut: does sustainability pay?
3. Apple Inc: the second green bond
4. CLP Group: ESG factors and their effects on valuation
5. The Rise Fund: TPG Bets Big on Impact
6. Goldman Sachs Goes to Rikers Island
7. DC Water: Turning sewers from gray to green
8. Nuveen evaluating a Private Equity impact investment
9. Open Space Ventures - Sustainable venture capital

## Required activities

You will learn through a series of lectures, relevant examples, and case studies, designed to apply your newly developed skills to address real-world financial problems.

Lectures will mainly develop the concepts and methodologies that make up the items of the course list. These sessions are based on the textbook, but we have prepared a set of slides that set out the main material more specifically. The slides should be the fundamental support for personal preparation before and/or after the lectures.

The module requires the preparation of business case studies. Resolutions of the cases will be presented in groups. During those sessions, we will also encourage student participation in the discussions, which will be evaluated individually.

## Materials

- Principles of Sustainable Finance, by Schoenmaker and Schramade 2019, Oxford University Press

## Evaluation criteria

(A) Active participation in class discussions is valued since it contributes to overall learning. We will judge your performance based both on the quality and the quantity of your comments. This will account for 30% of the grade.

(B) We will also solve real business cases. Students will need to prepare a solution and be ready for group discussion. The preparation of the solutions of the case can be done in groups. This will account for 30% of the grade.

(C) The solutions of the business cases will also be presented. The presentation of the case can also be done in groups. This will account for 40% of the grade.

## Competencies

Having successfully completed this course, you will

- (i) Have acquired knowledge of the key concepts related to sustainability in the financial decision-making process for issuers and investors.
- (ii) Understand key environmental, social, and governance factors associated with assessing financial decisions and investments
- (iii) Be able to assess the viability of ESG investments, both in the stock and bond spectrum