
Sustainable Finance

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Course Description

Sustainable finance and responsible investment integrate environmental, social and governance (ESG) criteria into financing strategies and decision-making. In European legislation the framing of sustainable finance is under double materiality, this is financial materiality and impact materiality. Sustainable investors consider ESG factors before contributing money and resources to a particular company or venture. The impacts of the companies on the environment, economy and people are the basis for impact materiality. The goal is to redirect the cashflows into a more sustainable economy that aligns with the Climate Paris agreement and other environmental objectives and leads to fair society; hence, it promotes positive societal impact, environmental goals 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 channelling 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 environmental, 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

Course objectives

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 and also cover the lens of impact materiality with a wider range of stakeholders and users. You also will learn how to apply financial tools to incorporate and adopt ESG-related factors in selecting and managing a portfolio.

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 and in impact materiality.
- (ii) Understand the European Union landscape on sustainable finance regulation, including sustainability corporate reporting
- (iii) Understand key environmental, social, and governance factors associated with assessing financial decisions and investments
- (iv) Be able to assess the sustainability strategy and performance of a company and viability of ESG investments, both in the stock and bond spectrum

Methodology

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.

Evaluation criteria

(A) 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. Participation will be individual. This will account for 30% of the grade.

(B) We will split the class in various groups that will work through a real-case sustainability report. Each group will be performing an analysis of corporate sustainability performance and propose sustainable finance sources for the companies. The analysis will be conducted from different perspectives: corporate investor, retail investor and general user. This will account for 20% of the grade.

(C) There will be a final exam that will account for 50% of the grade.

Students are required to attend 80% of classes. Failing to do so without justified reason will imply a Zero grade in the participation/attendance evaluation item and may lead to suspension from the program

As with all courses taught at the UPF BSM, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. Students that pass any Retake exam should get a **5 by default as a final grade for the course**. If the course is again failed after the retake, students will have to register again for the course the following year.

Plagiarism is to use another's work and to present it as one's own without acknowledging the sources in the correct way. All essays, reports or projects handed in by a student must be original work completed by the student. By enrolling at any UPF BSM Master of Science and signing the "Honor Code," students acknowledge that they understand the schools' policy on plagiarism and certify that all course assignments will be their own work, except where indicated by correct referencing. Failing to do so may result in automatic expulsion from the program."

Calendar and Contents

Tentative topic list:

1. The basic ingredients of sustainable finance and investment
2. Sustainable investment techniques, performance, and integrating climate risk
3. Sustainable finance: products, structures and corporate valuation
4. Green / climate finance
5. Cases and evidence on corporate performance: what works and what doesn't?
6. Sustainable finance landscape in the EU and sustainability corporate reporting
7. Assessing sustainability performance of listed companies
8. Impact investing in private markets
9. Sustainable/impact finance: structures
10. Sustainable finance in emerging markets

Tentative list of cases:

1. Financing change, changing finance: should Triodos invest in Tesla?
2. Generation investment management
3. Goldman Sachs: making an imprint in impact investing

4. CLP Group: environmental, social and governance factors and their effects on valuation
5. DC Water: turning sewers from gray to green
6. The Rise fund: TPG bets big on impact
7. Goldman Sachs goes to Rikers Island
8. Nuveen and the Seychelles Blue Bond
9. Open Space: Sustainable Venture Capital
10. Credit Suisse: Building an Impact Investing Business in Asia
11. Nuveen Evaluating a Private Equity Impact Investment
12. The Dakota Access Pipeline

Reading Materials

- Principles of Sustainable Finance, by Schoenmaker and Schramade 2019, Oxford University Press
- Hand, D., Ringel, B., Danel, A. (2022) Sizing the Impact Investing Market: 2022. The Global Impact Investing Network (GIIN). New York.
- Convergence Blended Finance (2023). The State of Blended Finance 2023: Climate Edition. Convergence Report.
- How ESG Issues become financial material to corporations and their investors. David Freiberg, Jean Rogers, George Serafeim. Working paper 20-056, Harvard Business School. Link: https://www.hbs.edu/ris/Publication%20Files/20-056_1c21f28a-12c1-4be6-94eb-020f0bc32971.pdf

Biography of the Professors

Albert Banal-Estanol – Associate Professor

Albert Banal-Estanol is Associate Professor at the Universitat Pompeu Fabra, Programme Director of the MSc in Corporate Finance and Banking, Deputy Director of the Master in Economics of Energy, Climate Change and Sustainability at the Barcelona School of Economics (BSE), affiliated Professor at the BSE, affiliated Professor at City University London and Visiting Professor at the IFP-Energies Nouvelles in Paris. Previously, he has held teaching and research positions at the University of Western Ontario in Canada, Northwestern University in the US, University of Cambridge, UCL London Business School in the UK, and the University of Munich in Germany. He has delivered executive training courses for government agencies, regulators and private companies. His main research interests are in the fields of Corporate Finance, Competition and Regulation, and Innovation and Entrepreneurship.

Albert is member of the Academic Panel of the UK's energy regulator, the Office for Gas and Electricity Markets (Ofgem) and of the UK's competition authority, the Competition and Markets Authority (CMA). Albert is also the past President and former member of the Governing Council of Som Energia, a Spanish cooperative that produces and sells renewable energy (solar/wind). Som Energia reached 85M€ of revenues in 2021 and currently has 135,000 contracts and an annual production of around 25 GWh. With over 75,000 members, Som Energia is the largest energy cooperative in Europe. Albert has been appointed as a member of the Scientific Council of the IFP-Energies Nouvelles, a major research and training engineering school in the fields of energy, transport and the environment based in Paris.

Albert has co-written and acted as a technical expert in several reports for energy regulators, competition authorities, governmental agencies and non-governmental organisations, such as the UK's Ofgem, the UK's OFT, the European Commission's Directorate General (DG) for Competition, the European Parliament and the European Climate Foundation (ECF). Some of his recent reports include "Towards Net-Zero? Gas Infrastructure and Investment Regulation in Spain" for ECF and "The Economic Impact of Enforcement of Competition Policies on the Functioning of EU Energy Markets" for the European Commission's DG for Competition.

Albert has also organised and delivered an extensive range of more than 20 in-house professionally-oriented executive training courses for (i) energy regulators and competition authorities such as Mexico's Comisión Reguladora de Energía (CRE), (ii) government agencies such as the UK's Department for Business, Enterprise and Regulatory Reform and (iii) private companies such as Gaz de France. Albert has also organised several courses on energy regulation and project finance for regulators across Africa in several African cities in collaboration with the World Bank, the EU and the African Forum for Utility Regulators.

Matthew Newman – Adjunct Professor

Matthew is a Senior Associate at ISF Advisors, a leading strategic and financial advisory group focused on mobilizing capital for sustainable food systems in emerging markets. At ISF, Matthew advises a range of clients including governments, foundations, and institutional investors on improving their investment strategies in agriculture, nutrition, and climate.

Prior to joining ISF, Matthew was a Vice President at Impact Investment Exchange (IIX) in Singapore where he was responsible for overseeing the firm's transaction advisory business. At IIX, Matthew managed several impact-focused transactions in various industries across South and Southeast Asia. He has also worked as an Associate at Inveniam Group in Barcelona, Spain.

Matthew holds an MSc in Finance and Banking from UPF Barcelona School of Management and has lived in North America, Europe, and Asia.

Gemma Sanchez Danes – Adjunct Professor

Gemma is a Technical Director with EFRAG Sustainability Reporting; EFRAG is the European organisation responsible for developing sustainability reporting standards and endorsing financial reporting standards for the European Union's largest companies, including listed companies. Gemma is focussed on the Social (ESG) topics and impact materiality workstreams where she leads the team and research activities; her areas of expertise is the financial sector. She represents EFRAG in international forums and initiatives and has been engaged in a number of outreach events.

Gemma is a member of the Advisory Council for the UPF Economics and Business Faculty.

Prior to joining EFRAG, Gemma was a financials services audit partner for a Big Four in Spain.

Gemma holds a BSc in Economics from Universitat Pompeu Fabra (Barcelona) and qualified as a Chartered Accountant in England and Wales. More recently, she completed a Business Sustainability Management course from the Cambridge Institute for Leadership Studies (CISL).