

Module Outline: Global Sustainable Finance FIN30510

“There can be no Plan B, because there is no planet B”, Former United Nations General Secretary, Ban Ki-Moon.

Environmental risk, climate change, and societal concerns have been at the centre of public debate for some time and there is growing evidence to suggest such concerns are increasingly important to the decision-making process. The United Nations developed the 2030 Agenda for Sustainable Development (UN, 2015) to guide the transition towards a sustainable and inclusive society that incorporates environmental and societal challenges. They established 17 Sustainable Development Goals that are of critical importance in facilitating this transition. While achieving these goals and successfully transitioning to a net zero carbon society requires a transdisciplinary approach, finance plays a central role. The primary function of the financial system is to channel funds to their most productive uses to maximise growth. Hence, finance can play a leading role in accelerating the transition to a decarbonized and more circular system by allocating investment to sustainable corporations and investment opportunities. Sustainable finance examines how finance interacts with economic, environmental, and societal issues. The traditional approach to finance focuses on maximising shareholder wealth, whereas here we will argue that financing this transition should incorporate the interests of multiple stakeholders (both internal and external) so that the transition is economically viable, ethical, and just. In this module we will examine sustainability and why it matters, the challenges and opportunities for corporations including corporate governance and behaviour, internalizing externalities, changing business models, and sustainable reporting; and how to finance sustainability including sustainable equity investment, sustainable debt (green bonds, blue bonds, social bonds), and investing for long-term value creation.

Please note that this module is designed to be interactive, so student participation is essential.

The information below provides important information regarding FIN30510. Please read over this document carefully.

Lecturer Profile

Dr. Julie Byrne is an associate professor in banking and finance at UCD. She is also the academic director of the Bachelor of Commerce programme at the Quinn School of business, the co-Director of the UCD Centre for Business and Society (CeBas) and a lead researcher at the UCD Energy Institute. Julie’s main research interests are in sustainable finance, energy & environmental finance, and corporate finance. She is currently a co-Pi on the Next Generation Energy Systems (NexSys) partnership programme, funded by Science Foundation Ireland, and a funded investigator on the Science Foundation Ireland (SFI) funded Valuation and Risk (VAR) project. Previously, she was a funded investigator on the Energy Systems Integration Partnership Programme (ESIPP). An active researcher,

she has published in journals such as Journal of International Financial Markets, Institutions and Money, Renewable and Sustainable Energy Reviews, Energy Policy, and Energies. She has supervised several PhD and Post-Doctoral researchers in the areas of sustainable and energy finance.

Course Outline 2021/22*

Topic No.	TOPIC(S)
1	What is sustainability and why does it matter? <ul style="list-style-type: none"> ➤ Sustainable Development Goals ➤ Economic Goals ➤ Environmental Goals ➤ Societal Goals ➤ From shareholder to stakeholder perspective ➤ The role of the financial system
2	Corporate Sustainability <ul style="list-style-type: none"> ➤ Internalization of externalities ➤ Scenario Analysis ➤ Corporate Governance ➤ Circular Business Models ➤ Sustainable Reporting
3	Financing Sustainability <ul style="list-style-type: none"> ➤ Equity ➤ Bonds ➤ Long-term value creation
4	Current Research in sustainable finance (guest presenters) <ul style="list-style-type: none"> ➤ Sustainable corporate finance ➤ Blockchain ➤ Sustainable transport

*subject to change

Information Regarding Material on Brightspace

Please note that outline lecture notes will be provided on Brightspace in advance of each lecture. Occasionally, short readings will be posted in addition to lecture notes and it is expected that you read them so they can be debated and discussed in class.

Information Regarding Readings

There is no textbook for this module but the following readings are recommended. Please note that you do not need to understand the technical/econometric models used in these academic papers. Instead, understand what question the research is addressing, the findings, and their implications.

- (1) Beccarini, I., Beunza, D., Ferraro, F. and Hoepner, AGF. (2022), 'The contingent role of conflict: deliberative interaction and disagreement in shareholder engagement', *Business Ethics Quarterly*, 1(41)
- (2) Cheong, C. and Choi, J. (2020). Green Bonds: A Survey. *Journal of Derivatives and Quantitative Studies*. Issue 4, volume 28
- (3) Eccles, R., M. Kastropeli and S. Potter (2017), 'How to integrate ESG into investment decision making: results of a global survey of institutional investors', *Journal of Applied Corporate Finance*, 29(4): 112-23.
- (4) Gladwin, T., J. Kennelly and T. Krause (1995), 'Shifting paradigms for sustainable development: Implications for management theory and research', *Academy of Management Review*, 20(4): 874-907.
- (5) Hart, O. and L. Zingales (2017), 'Companies Should Maximize Shareholder Welfare Not Market Value', CEPR Discussion Paper, DP12186.
- (6) Lev, B. (2017), 'Evaluating sustainable competitive advantage', *Journal of Applied Corporate Finance*, 29(2): 70-5.
- (7) Magill, M., MQuinzii, and J.C. Rochet (2015), 'A Theory of the stakeholder corporation', *Econometrica*, 83(5): 1685-725
- (8) Maltais, A. and Nykvist, B. (2020): Understanding the role of green bonds in advancing sustainability, *Journal of Sustainable Finance & Investment*, DOI: 10.1080/20430795.2020.1724864
- (9) McCahery, J., Z. Sautner and L. Starks (2016), "Behind the scenes: the corporate governance preferences of institutional investors", *Journal of Finance*, 71(6): 2905-32
- (10) Roth, N., Thiele, T. & von Unger, M. *Blue bonds: financing resilience of coastal ecosystems* (Blue Natural Capital Financing Facility, 2019).
- (11) United Nations (2015), 'UN Sustainable Development Goals (UN SDGs) - Transforming our world: the 2030 Agenda for Sustainable Development', A/RES/70/1, New York.

Information Regarding Assessment

It is very important that you familiarise yourself with the information provided below. It is your responsibility to ensure that you understand the deadlines, dates, and requirements for each of the assessment components.

All assessment components are individual. There is no group work requirement for this module. The assessment strategy for this module is as follows:

Assessment type	Deadline	Weighting
Individual Assignment	TBC	40%
Group Project	TBC	60%

Assessment 1: Individual Assessment

The 17 United Nations Sustainable Development Goals are outlined in the table below. While these 17 goals can be classified according to economy, the environment, and society; they are interrelated. Some corporations are preparing for the transition to sustainable development (i.e. are future makers), some are waiting for the transition to unfold before acting (future takers), while others are continuing with a business as usual approach. Suppose you are the ESG director for a global corporation and responsible for the strategic direction of the company's ESG framework going forward. Which approach would you advise and why? Argue for your approach, outlining the costs and benefits using empirical evidence to support your strategy. Why do believe the other strategies will fall short?

Figure 1.1: The United Nations Sustainable Development Goals



Source: United Nations <https://sdgs.un.org/goals>

Requirement: Prepare a report for senior management addressing the points above. Your report is to be a maximum of 2,000 words, font 12, 1.5 line spacing. Use the Harvard Referencing System.

Assessment 2: Group Assignment

On the first day of class, I will give you all some time to explore UCD and look at the buildings, restaurants, shops and grounds. While you are exploring, identify an area in terms of either environmental or social concern. We will discuss in advance some examples of what these could be. When you return from your tour, we will hold a brainstorming session where you are required to develop a business idea that will address the environmental or social issue identified that is valuable from a multiple stakeholder perspective, including UCD and its students.

Required

Prepare a poster that will displayed and presented on the final day of class. Each group is required to give a 20 minute presentation to the class discussing the idea, how it is value adding and how each group of stakeholders will benefit from your idea. You should also discuss how it addresses any of the Sustainable Development Goals.
