GLOBAL RESEARCH ALLIANCE FOR SUSTAINABLE FINANCE AND INVESTMENT

GRASFI 2021 CONFERENCE

SEPTEMBER 1-3, 2021

ORGANISED BY THE INTERNATIONAL INSTITUTE OF GREEN FINANCE (IIGF) OF THE CENTRAL UNIVERSITY OF FINANCE AND ECONOMICS (CUFE)

GLOBAL RESEARCH ALLIANCE FOR SUSTAINABLE FINANCE AND INVESTMENT

中央财经大学绿色金融国际研究院
International Institute of Green Finance, CUFE

WELCOME TO THE GRASFI 2021 CONFERENCE

Sustainable finance has become one of the most vibrant topics in global economics, politics, global, and of course finance. While sustainable finance is still in its infancy, sustainability-related challenges are mounting: COVID will push 47 million more women and girls below the poverty line, according to the UNDP; global greenhouse gas emissions are still rising, and biodiversity loss is all but reversed.

Globally, a consensus is emerging that these challenges need to be tackled in order to avoid a “climate catastrophe”, mass migration, social conflicts or even starvation and collapse of ecosystems. This leads to many questions that the academic community needs to answer in cooperation with the financial community, the business community, global political leaders and regulators. These questions range from the assessment of financial risks to global reporting and ESG standards of various financial instruments, such as bonds, equity, insurance; they range from regulatory and voluntary measures in sustainable finance, such as global carbon markets and sustainable finance taxonomies to stakeholder activism through stewardship and corporate governance. The questions for sustainable finance also encompass how to distribute the responsibilities of a sustainable post-COVID recovery and green transition between the more and the less developed countries.

Over the course of the 4th Annual GRASFI conference, we will touch upon many of these questions. This is the first GRASFI conference organized in an emerging economy and the first in Asia – one of the most vibrant green and sustainable finance markets globally. We hope that this conference brings together a diverse, global and interdisciplinary community of academics, policymakers, private sector practitioners and others to discuss and evaluate the opportunities, tools, challenges and success stories and to learn from each other.

The program includes keynotes from leading practitioners and academics in finance and financial regulation, as well as climate, biodiversity and social scientists. The program also features two high-level panels on emerging markets finance and sustainable finance regulation. Most importantly, the academic committee together with over 20 reviewers has selected 39 academic papers of the highest quality, which will be presented in 13 paper sessions. Finally, in the tradition of GRASFI, partner universities organize 8 side events on a wide-ranging list of topics related to sustainable finance with fantastic panelists and speakers.

We hope that the outcomes of the conference will inspire future research, policy making and financial decision-making to accelerate the alignment of our financial systems with the urgent needs of sustainable development in time for the two COPs on biodiversity and climate and far beyond.

The GRASFI 2021 Conference has been generously supported by:

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Paper prizes supportted by:

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CONFERENCE SCHEDULE

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Wednesday, September 1, 2021

Panel 1 - Central Banks and regulators

13:15 - 14:30 London / 20:15 - 21:30 Beijing

Central banks and supervsiors have recognised climate change as a material risk for macrofinancial stability. They are also starting to work on other environmental challenges including biodiversity risk. A consensus is building that their policies and operational frameworks need to be adjusted in order to mitigate climate and other environmental risks and support the scaling up of sustainable finance and the transition of economies and financial systems to net-zero. This session will take stock of the developments to date, discuss the major challenges facing central banks and supervisors with regards to implementation, and give an outlook on the future direction of travel.

Key questions:

- What are the key priorities for your institution for addressing climate and other environmental risks?
- What are specific policies and instruments that your institution has already introduced? What policies and instruments are you planning to introduce?
- What are the main challenges and bottlenecks?

Moderator:

Ulrich Volz, Professor of Economics and Director of the Centre for Sustainable Finance, SOAS, University of London.

Speakers:

Mariana Escobar Uribe, Head of Sustainable Finance, Superintendencia Financiera de Colombia
Chris Faint, Head of Division & Head of the Bank's Climate Hub, Bank of England
Irene Monasterolo, Assistant Professor of Climate Economics and Finance, Vienna University of Economics and Business
Najwa Mouhaouri, Lead of the Green Finance Unit, Bank Al-Maghrib
Ye Yanfei, Deputy Director of the Policy Research Bureau, CBIRC

Thursday, September 2, 2021

Panel 2 - Emerging Markets Finance

13:00 - 14:00 London / 20:00 - 21:00 Beijing

Many emerging markets for decades have been able to attract global investments from both private and public financial institutions. This has lifted billions of people out of poverty and has partly improved equity in many emerging economies. In the aftermath of COVID-19, however, future economic development in emerging economies looks challenging with debt crises, a continued health crisis, lack of economic opportunities risking social unrest, and unresolved as well as accelerating environmental issues. The IMF predicts that all inequality improvements made since 2008 could be wiped out.

Against this backdrop, this panel will discuss recent development and challenges for sustainable finance and investment in emerging economies, including the question of China's increasing footprint in emerging markets finance. With leading experts from all major regions and sectors, questions on financing priorities, responsibilities and sustainability standards will be discussed.

Moderator:

Christoph Nedopil, Associate Professor Economics, FISF Fudan University, Director Green Finance & Development Center, FISF Fudan University.

Speakers:

Sanaa Abouzaid, Country Manager for Central America, International Finance Corporation, World Bank Group
Kevin Gallagher, Professor of Global Development Policy; Director, Global Development Policy Center, Boston University.
Paul Milon, Head of Stewardship, Asia Pacific at BNP Paribas Asset Management.
ZHAO Zheng, Deputy General Manager of the International Department, SINOSURE China.
Anzetse Were, Senior Economist, FSD Kenya.

FIRESIDE CHAT

Wednesday, September 2, 2021

Sovereign debt post COVID-19 and how to finance sustainable recovery

15:30 - 16:30 London / 22:30 - 23:30 Beijing

Speakers

Balázs Horváth

Chief Economist for Asia-Pacific, UNDP

Balázs Horváth is Chief Economist for Asia-Pacific in UNDP. He led the drafting teams producing flagship reports in the region, notably on the Social and Economic Impact of COVID-19 in Asia-Pacific, on addressing this impact through Social Protection, and on Economic Aspects of Climate Change. He also led the production with distinguished Chinese counterparts of flagship reports in China on Harmonizing Investment and Financing Standards, and on Low-Carbon Development. Prior to this, he worked as Director of UNDP's Seoul Policy Centre, UNDP Country Director in South Sudan, and in various other capacities in UNDP and the IMF. Balázs is Hungarian and holds a PhD in Economics from the University of Pennsylvania.

Hannah Wanjie Ryder

CEO of Development Reimagined

Hannah Wanjie Ryder is CEO of Development Reimagined, a pioneering African-owned International Development Consultancy with headquarters in China, and offices in Kenya and the UK. As a private sector firm with a mission for sustainable development and poverty reduction, her firm provides strategic advice and practical support to African, Chinese, and international clients on issues ranging from debt financing, the Belt and Road Initiative, to Africa's growth markets, green growth, and China's foreign aid. A former diplomat and economist with close to 20 years of experience, Ms Ryder is also a Senior Associate at the Washington DC-based Centre for Strategic International Studies and a member of UAE's International Advisory Council on the New Economy. She also plays various advisory roles for the United Nations, was a co-author of the 2006 Stern Review and helped design and negotiate the US$100bn climate finance commitment written into climate accords

Cobus van Staden

Senior Researcher, South African Institute of International Affairs

Cobus van Staden is a senior researcher focusing on Africa-China relations at the South African Institute of International Affairs. He is also the co-host of the China in Africa podcast and the director of research and analysis at the China-Africa Project.

SIDE EVENTS

Tuesday, August 31, 2021

Panel Discussion on ESG Measurements & Standards

13:30-15:00 London / 20:30-22:00 Beijing

With the growth of sustainable, responsible, and impact (SRI) investing, how to measure and assess environmental, social, and governance (ESG) impacts of investment is increasingly becoming an imperative issue. As trillions of dollars are invested based on firms' ESG performance and impact, the reliability of existing ESG and impact measures and the proper disclosure of ESG-related information are of foremost importance to investors, managers, and policymakers

In addition, numerous concerns have been raised on the reliability of existing ESG ratings, including the incomparability between different ESG metrics, bias and inconsistencies in rating construction, and low correlations between different ratings. All these challenges call for greater standardization of ESG information disclosure and impact measurement, as well as properly valuing impact not just in its natural unit but also in monetary terms. Leveraging their strong research capabilities in this area, Singapore Green Finance Centre(SGFC) and Sim Kee Boon Institute (SKBI) at Singapore Management University (SMU) will hold a panel discussion on "ESG Measurements and Standards" as a side event of the AnnualGRASFI Conference. The proposed agenda for this side event will cover two main topics: (1)divergence and convergence of different ESG ratings, and (2) how measurements can move beyond ratings towards an impact-weighted account. We will also discuss how to measure &assess SDGs-alignment, and how big data & AI can change the landscape of ESG impact measurement, especially in the post-pandemic era.

Moderators:

David Fernandez, Professor of Finance (Practice) and Director of SKBI & SGFC, SingaporeManagement University

LIANG Hao, Associate Professor of Finance, Lee Kong Chian Fellow, Management Committee Member of SGFC, Singapore Management University.

Confirmed Speakers:

Dave Chen, CEO/Chairman, Equilibrium & Adjunct Professor of Finance, Northwestern University – Kellogg School of Management.

Wong Dan Chi, Asian ESG Specialist, Schroders & Adjunct Faculty, Singapore Management University.

Shawn Cole, John G. McLean Professor of Business Administration, Harvard Business School.

Adrian De Groot Ruiz, Executive Director, Impact Institute.

Andrew King, Questrom Professor in Management, Boston University.

Michael Tang, Head of Listing Policy & Product Admission, Singapore Exchange (SGX).

Wednesday September 1, 2021

Biodiversity Finance – The frontier of green finance

10:00 - 11:30 London / 17:00 - 18:30 Beijing

Environmental degradation and biodiversity loss have been recognised as major threats to economic prosperity and financial stability. The protection of ecosystems has consequently received more attention, with growing awareness also in financial markets for the need to account for environmental risks and impacts. Biodiversity finance has become one of the hottest issues in finance. The side event explores biodiversity finance from a holistic view to discuss recent developments and challenges.

Moderators:

Christoph Nedopil, Associate Professor Economics, FISF Fudan University, Director Green Finance & Development Center, FISF Fudan University

Ulrich Volz, Professor of Economics and Director of the Centre for Sustainable Finance, SOAS, University of London.

Speakers:

Odile Conchou, Focal Point Financial Sector and Resource Mobilization and Mainstreaming of Biodiversity, Secretariat of the Convention on Biological Diversity

Marianne Haahr, Executive Director, Green Digital Finance Alliance – Technology for biodiversity finance

Alice Hughes, Associate Professor, Centre for Integrative Conservation, Chinese Academy of Science – What finance is getting wrong about biodiversity

Robert-Alexandre Poujade, ESG Analyst, Biodiversity Lead, BNP Paribas Asset Management – Financial sector and biodiversity

Simon Zadek, Chair, Finance for Biodiversity – Nature positive finance

Tenke Zoltani, Senior Impact Advisor, Zoscales Partners – Debt and nature

Better Finance: Level EEI – Level the Playing Field for Energy efficiency investment products

16:00 - 17:30 London / 23:00 - 00:30 Beijing (+1)

Workshop 1 – How should researchers measure preferences for sustainability in financial markets?

Short presentation 1 (Academia): "*How to measure preferences for sustainability in financial markets*"

Based on the paper "Get Real!", Mastricht University will present its finding in terms of preferences and how to measure them in cooperation with a Dutch pension fund (Pensioenfonds Detailhandel).

Speaker:

Professor Rob Bauer, Professor of Finance (chair: Institutional Investors) at Maastricht University School of Business and Economics

Short presentation 2 (Practice): "*How to Translate Investors' Preferences for Sustainability into an Investment Strategy*"

This presentation will give insights into practice. Pensioenfonds Detailhandel will present how they translated the research results (presentation 1) into their investment strategy. A focus will be put on challenges during the implementation and client satisfaction afterward.

Speaker:

Henk Groot, Head of Investments at Pensioenfonds Detailhandel

Workshop 2 – How to measure investors' impact?

Presentation 1: "*The investor's guide to impact*"

The University of Zurich wrote a guide for investors who want to generate a positive impact in the real economy. It supports investors in developing an evidence-based impact strategy for their entire portfolio. Investor impact can mean enabling "green" companies with a net-positive impact to grow faster or encouraging "brown" companies to improve. It can also include influencing other investors by being part of a movement.

Based on the available evidence, the guide makes recommendations on how to maximize the impact of investors. This presentation aims at discussing the different strategies available to investor to generate an impact in the real economy, including the barriers they may face and solutions to address specific hurdles.
Speaker:
Dr Julian Kölbel, Economist and Environmental Scientist and the BMW Foundation Fellow at the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich

Presentation 2: "*2DII, best practices regarding financial impact products*"
2DII will provide an overview of financial products and mechanisms enabling the funding of energy efficiency activities and the use of renewable energy resources. The discussion will focus on the level of evidence of each identified product and mechanism to generate a positive impact in the real economy. On top of that, financial performances of the targeted financial products and structures will be mentioned.
In addition, 2DII will briefly present the Climate Impact Management System, which aims to provide financial institutions (FIs) with a clear roadmap to develop, refine, optimize, and communicate on impactful climate strategies. This framework can also support the development of labels and certifications for financial products. The system was developed by 2DII's Evidence for Impact Programme and the French Ecological Transition Agency (ADEME).
Speaker:
Mickaël Mangot, Head of the Retail Investor Research Program, 2° Investing Initiative

Thursday September 2, 2021

Stewardship: A powerful and multi-faceted investor tool to drive sustainability

09:30 - 10:30 London / 16:30 - 17:30 Beijing

Stewardship has emerged as a critical component of investors' sustainable investment approaches. But what are the concrete ways through which investors can use stewardship to drive improved sustainability practices and make better-informed investment decisions? Using concrete examples and case studies, this panel will discuss the stewardship toolbox and how investors can promote sustainable outcomes through voting and constructive engagement with companies, including through collaborative engagement initiatives. It will also cover the various escalation strategies when companies don't respond to engagement, from filing shareholder resolutions all the way to exclusion as a last resort.

Moderator:

Sheila Ter Lagg, ESG Specialist, BNP Paribas Asset Management

Speakers:

George Dallas, Policy Director, International Corporate Governance Network

Michael Herskovich, Global Head of Stewardship, BNP Paribas Asset Management

Valerie Kwan, Director, Engagements Asia Investor Group on Climate Change

Biodiversity and Financial Stability – Exploring the case for action

20:00 - 21:30 London / 03:00 -04:30 Beijing (+1)

A growing number of central banks and supervisors have recognised the need to extend their focus from climate change to the challenges of addressing the implications of broader nature-related risks and the conservation of nature and biodiversity. Doing this will involve understanding the impact of finance on the provision of key ecosystem services as well as the consequences of biodiversity loss for financial stability. To respond to this emerging agenda, the NGFS and the International Network for Sustainable Financial Policy Insights, Research, and Exchange (INSPIRE) – one of the NGFS research stakeholders – have launched a joint Study Group on 'Biodiversity and Financial Stability'. The study group was established in April 2021 to establish a research-based approach to how central banks and supervisory authorities can fulfil their mandates in the context of biodiversity loss. It is co-chaired by Dr Ma Jun (Director of the Center for Finance & Development at Tsinghua University and chair of the NGFS Workstream on Research) and Professor in Practice Nick Robins (London School of Economics and INSPIRE). The Study Group is conducting a programme of research and dialogue to address these challenges and propose recommendations for action and further inquiry. The goal of the research initiative is to establish an evidence-based approach to how central banks and supervisory authorities could fulfil their mandates in the context of biodiversity loss, with a focus on land-use and deforestation.

This session has the aim of bringing together the Study Group chairs and members with an international audience to discuss areas of interest, first outcomes, and future plans.

Moderator:

Nick Robins, Professor in Practice for Sustainable Finance at the London School of Economics and INSPIRE, and Co-Chair of the NGFS-INSPIRE Study Group on Biodiversity and Central Banking

Speakers:

Jessica Dempsey, Associate Professor, Biodiversity Centre, University of British Columbia

Katie Leach, Senior Programme Development Manager – Biodiversity, ShareAction

Romain Svartzman, Economist, Sustainable Finance and Climate-related Risks, Banque de France

Friday September 3, 2021

Connect to the Future: Fill the gap in sustainable research between universities and the market

09:30 - 11:00 London / 16:30 - 18:00 Beijing

China is one of the most dynamic countries for responding to climate change, which also plays a crucial role in realizing the global "Carbon Neutrality" goal. The current problem is that green finance, as an emerging field, has not yet fully walk into the public's vision, and sustainable investment led by ESG is just a vague concept for most investors.

At present, the academic disciplines associate with sustainable development are relatively scattered globally. Combining multidisciplinary education with finance as a touchpoint is an emerging but urgent need research area. Developing and innovating related subjects is one of the effective ways in guiding the students' sustainable development awareness.

The post-millennial generation is living in the era of internet information explosion so that they have a more obvious impact on climate change and a sense of self-responsibility. However, they are not yet clear enough how individuals can contribute to climate change and realize self-worth at the same time.

Keynote Sharing- Market status

Based on the characteristics of sustainable development, its related subjects usually involve multidisciplinary research. Keynote sharing will display the current course setting within the top universities. Such as the MIT set "Strategies for sustainable business", the UOM has brought out "Sustainable business practices", and IIGF launched "Sustainable Finance Youth Program (SFYP)" aiming for ESG research. Taking "Sustainable Finance Youth Program" students' experience as a starting point, by sharing with the audience and experts their understanding of sustainable finance, the interest towards possible cross research, etc., and comparing the current course setting from the perspective of Chinese and foreign students, analyze the existing problems and gaps in the market.

Round-table Discussion

- Inviting selected students of the Sustainable Finance Youth Program to share their experiences in campus-related sustainability courses and activities, communicate and exchange the mind-building path of sustainable development.
- Professors and experts can share the most cutting-edge sustainable development trends and possible future research directions and discuss them with students.

Speakers:

Michael Hsih, Chief Representative Officer, Deutsche Börse Group Beijing Representative Office

Yichen Shih, Vice Dean, International Institute of Green Finance, Central University of Finance and Economics; Dean of Institute of Green Investment

Yao Wang, Dean, International Institute of Green Finance

CoCo Du, Research Assistant Professor, Hong Kong University of Science and Technology Business School

Sanaa Abouzaid

Country Manager for the Central America Region, International Finance Corporation (IFC)

Sanaa Abouzaid is the International Finance Corporation (IFC) Country Manager for the Central America Region. Based in Panama City, Ms. Abouzaid leads IFC's operations in Panama, Costa Rica, Nicaragua, Honduras, El Salvador, and Guatemala.

Ms. Abouzaid has extensive private sector development experience having worked across investment and advisory services operations for more than seventeen years. Prior to her current appointment, she was the Regional Corporate Governance Lead for the Middle East and North Africa (MENA) region at IFC.

Ms. Abouzaid has been working with private sector companies in many regions, including Latin America and the Caribbean, MENA, Asia, and Sub-Saharan Africa. She helped these companies develop and improve their corporate governance practices in order to enhance their performance, solidify their market reputation, and improve their access to external financing.

Ms. Abouzaid is a family business governance expert and the author of several publications, including, the "IFC Family Business Governance Handbook", a guide on best corporate governance practices for family-owned companies. The Handbook has been published in English and subsequently translated into twenty additional languages.

Ms. Abouzaid holds an MBA in Finance and Investments from the George Washington University and a BBA in Finance and Accounting from ISCAE. She speaks English, French, Arabic, Spanish, and Italian.

Rob Bauer

Professor of Finance, Maastricht University School of Business and Economics

Rob Bauer is Professor of Finance (chair: Institutional Investors) at Maastricht University School of Business and Economics in The Netherlands. His academic research is focused on pension funds, strategic investment policy, mutual fund performance, responsible investing, shareholder activism and corporate governance. Rob is also Director of the European Centre for Corporate Engagement (ECCE) at Maastricht University, and Executive Director of the International Centre for Pension Management (ICPM) in Toronto.

Armida Salsiah Alisjahbana

Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)

Prior to joining ESCAP, Ms. Alisjahbana was Professor of Economics at Universitas Padjadjaran in Bandung, Indonesia, a position she assumed in 2005. She joined Universitas Padjadjaran as a lecturer in 1988. Since 2016, she has served as Director for the Center for Sustainable Development Goals Studies at Universitas Padjadjaran and Vice Chair of the Indonesian Academy of Sciences. She also serves on the Governing Board of the Economic Research Institute for ASEAN and East Asia (ERIA), and member of the Indonesian Academy of Sciences (Akademi Ilmu Pengetahuan Indonesia - AIPI), the Forum of Statistics Community (Forum Masyarakat Statistik or Advisory Council of the Indonesian Statistics), the International Advisory Board of the Bulletin of Indonesian Economic Studies and Council Member of the Regional Science Association International (RSAI).

From 2009 to 2014, she was Minister of National Development Planning and the Head of the National Development Planning Agency (BAPPENAS), Indonesia. She served as Co-chair of the Global Partnership for Effective Development Cooperation from 2012 to 2014. From 2009 to 2014, she was Alternate Governor of the World Bank and Alternate Governor of the Asian Development Bank representing the government of Indonesia. In 2016, she was a member of the High Level Independent Team of Advisors to support the ECOSOC Dialogue on the longer term positioning of the United Nations Development System in the context of the 2030 Agenda on Sustainable Development. Ms. Alisjahbana has been involved in various research projects and consultancies to the United Nations University/Institute for Advanced Study in Tokyo, the World Bank, the Asian Development Bank (ADB), the Department of Foreign Affairs and Trade (DFAT), Australia, the Australian Agency for International Development (AusAID), the European Commission, and the International Labor Organization (ILO).

Ms. Alisjahbana earned her Bachelor degree in Economics and Development Studies from Universitas Indonesia, Indonesia, a Masters degree in Economics from Northwestern University, USA and a Ph.D in Economics from University of Washington, USA. She was awarded the Mahaputra Adipradana Order (Bintang Mahaputra Adipradana) from the Republic of Indonesia, honorary brevet from the Indonesian Navy and honorary flight wing from the Indonesian Air Force.

Rob Bauer

Professor of Finance, Maastricht University School of Business and Economics

Rob Bauer is Professor of Finance (chair: Institutional Investors) at Maastricht University School of Business and Economics in The Netherlands. His academic research is focused on pension funds, strategic investment policy, mutual fund performance, responsible investing, shareholder activism and corporate governance. Rob is also Director of the European Centre for Corporate Engagement (ECCE) at Maastricht University, and Executive Director of the International Centre for Pension Management (ICPM) in Toronto.

Alex Bernhardt

Global Head of Sustainability Research, BNP Paribas

Alex is a noted expert in sustainable finance. In his role, Alex is responsible for ESG research and integration across BNP Paribas Asset Management and plays an important role in driving the firm's overall sustainability research agenda, thought leadership and thematic fund development.

Prior to BNPP AM, Alex spent 16 years at Marsh McLennan (NYSE: MMC), a $17B revenue (2020) professional services conglomerate. His final MMC role was as internal strategy consultant, designing cross-business strategies to address climate resilience, sustainability and the catastrophe protection gap. Between 2015-2020, Alex led Mercer Investment's Responsible Investment advisory business in North America, where he undertook ESG integration work with the boards and investment committees of institutional investors of all types and sizes. He was a co-lead contributor to Mercer's Investing in a Time of Climate Change research (models released in 2015 and 2019) and undertook related consulting assignments for institutional investors across North America with over $800B of portfolio assets. While at Mercer, Alex served as a member of the firm's Global Strategic Research Committee and the Sustainability Committee for the firm's Sustainable Opportunities private market fund-of-funds and (co)authored several research publications on subjects as wide-ranging as turnover in equity markets and infrastructure investment in Africa.

Prior to joining Mercer, Alex was a Senior Vice President at MMC operating company Guy Carpenter, where he founded and ran the firm's GC Micro Risk Solutions® division focused on designing and developing index-based micro(re)insurance programs for development banks, microfinance institutions and insurers.

Steven Billiet

CEO APAC and Head of Global Client Group, BNP Paribas Asset Management.

Steven Billiet is armed with considerable experience in the asset management and financial services industry, and his career spans over 27 years, of which 18 years are Chief Executive Officer roles at business entities of global organisations in Australia, Hong Kong, India, Singapore and Taiwan.

Since joining BNP Paribas Asset Management (BNPP AM) in 2020 as Chief Executive Officer Asia Pacific and Head of Distribution Asia Pacific, Steven has successfully refocused the firm's Asia Pacific business by accelerating commercial traction within wholesale distribution in the region; and contributed to expanding the strategy in China, which will remain a key growth area for the business.

As the Head of Global Client Group, he is instrumental in spearheading the firm's business development strategy to become a leading provider of quality investment solutions for individual, corporate and institutional investors; while maintaining focus on delivering sustainable returns for clients in line with BNPP AM's core values and culture.

Steven joined BNPP AM from J.P. Morgan Asset Management, where he spent six years as CEO for Singapore. Prior to this, he worked at ING Investment Management, as CEO of Taiwan, then Australia and subsequently Singapore. He joined ING Investment Management from ING Vysya Bank where he was Head of Private Banking and Bancassurance, having previously been ING Investment Management's Head of Product Development and Sales for Belgium. Steven has a Master's Degree in Economics from the University of Ghent, Belgium, and a Master's Degree in Financial Management from the Vlerick Business School, also in Ghent.

Barbara Buchner

Global Managing Director, Climate Finance, Climate Policy Initiative

Dr. Barbara Buchner is Global Managing Director of Climate Policy Initiative. Named one of the 20 most influential women in climate change, Barbara advises leaders on climate, energy, and land-use investments around the world.
Barbara is the lead author on CPI's Global Landscape of Climate Finance which has set the benchmark for climate finance tracking. Barbara also directs the Global Innovation Lab for Climate Finance (the Lab), a climate finance incubator that leverages public-private collaboration to develop innovative climate finance instruments that resolve financing barriers to renewable energy, urban infrastructure, sustainable agriculture and land-use projects in emerging markets. Instruments from the Lab have already mobilized over 2.4 billion US dollars for sustainable development.
Barbara is on the Advisory Board of the BCFN Foundation, a member of the Finance Sector Expert Group for the UNFCCC's Race to Zero and Race to Resilience, a Professor in Practice for Sustainable Finance at the University of London SOAS Centre for Sustainable Finance, and a member of the One Planet Lab.

Ben Caldecott

Director, Oxford Sustainable Finance Programme, and Lombard Odier Associate Professor, Univeristy of Oxford

Dr Ben Caldecott is a British environmentalist and expert in sustainable finance who is the founding Director of the Oxford Sustainable Finance Programme at the University of Oxford Smith School of Enterprise and the Environment. At the University of Oxford, he is the inaugural Lombard Odier Associate Professor and Senior Research Fellow of Sustainable Finance, the first ever endowed professorship of sustainable finance, and a Supernumerary Fellow at Oriel College.

Dr Caldecott is also the founding Director and Principal Investigator of the UK Centre for Greening Finance & Investment (CGFI), established by UK Research and Innovation in 2021 as the national centre to accelerate the adoption and use of climate and environmental data and analytics by financial institutions internationally. Since 2019, he has also been seconded to the UK Cabinet Office as the COP26 Strategy Advisor for Finance. He is a Trustee of the Green Alliance.

Mariana Escobar Uribe

Head of Sustainable Finance, Superintendencia Financiera de Colombia

Mariana Escobar Uribe is an Advisor to the Financial Superintendent of Colombia responsible for the SFC's Green Finance and Climate Risk strategy. Marian joined the SFC in 2018 to support the design of the innovation strategy of the SFC. Before working in the SFC, Mariana served as Deputy Director of Postal Affairs at the Ministry of Information and Communication Technology of Colombia and as an adviser on inclusion at the Department of Social Prosperity. She also worked at Citi Colombia as Sustainability Manager and representative of Citi Foundation in Colombia. Mariana holds a Master's Degree in International Relations from Bentley University and a Master's in International Affairs and Development from Columbia University.

Chris Faint

Head of Division & Head of the Bank's Climate Hub, Bank of England

Chris heads up the Bank' of England's climate hub, which has responsibility for developing and implementing the institution's strategic approach to climate change and he is a Bank representative in the NGFS. Chris has been particularly focused on the PRA's supervisory statement on financial risks arising from climate change and the development of a system-wide climate change stress test.
Beyond climate, Chris has responsibilities spanning the authorisation, supervision, and analysis of firms operating as investment banks in the UK.

Prior to working at the Bank, Chris held roles at HM Treasury and Ernst and Young, where he qualified as a Chartered Accountant.

Vitor Gaspar

Director of the Fiscal Affairs Department (IMF)

Mr. Gaspar has been Director of the Fiscal Affairs Department at the IMF since 2014. He was Portuguese Minister of State and Finance from 2011–13, and has held various positions in European and Portuguese institutions, including head of BEPA at the European Commission, director-general of research at the European Central Bank, director of Economic Studies and Statistics at the Central Bank of Portugal, and Director of Economic Studies at the Portuguese Ministry of Finance.
Mr. Gaspar holds a Ph.D. and a post-doctoral agregado in Economics from Universidade Nova de Lisboa; he graduated from Universidade Católica Portuguesa.

Kevin P. Gallagher

Professor of global development policy at Boston University (BU)

Dr. Kevin P. Gallagher is a professor of global development policy at Boston University (BU), where he directs the Global Development Policy Center (GDP Center. The GDP Center's mission is to advance policy relevant research for financial stability, human wellbeing, and the environment on a global scale.

Dr. Gallagher is the author or co-author of The Case for a New Bretton Woods: Reforming Global Economic Governance for Prosperity and the Planet, The China Triangle: Latin America's China Boom and the Fate of the Washington Consensus, Ruling Capital: Emerging Markets and the Reregulation of Cross-border Finance, The Dragon in the Room: China and the Future of Latin American Industrialization, The Enclave Economy: Foreign Investment and Sustainable Development in Mexico's Silicon Valley, and Free Trade and the Environment: Mexico, NAFTA, and Beyond.

Dr. Gallagher serves on the United Nations Committee for Development Policy and the Think Twenty International Finance Task Force to the G20. He has served on the U.S. Department of State's Investment Subcommittee of the Advisory Committee on International Economic Policy and the National Advisory Council on trade policy at the Environmental Protection Agency. He has been a visiting or adjunct professor at the Paul Nitze School for Advanced International Studies at Johns Hopkins University, the Fletcher School of Law and Diplomacy, Tufts University; El Colegio de Mexico in Mexico; Tsinghua University in China; and the Center for State and Society in Argentina.

Kerstin Lopatta

Chair of Financial Accounting, Auditing and Sustainability, University of Hamburg

Professor Lopatta received her PhD from the Johann Wolfgang Goethe University Frankfurt. She was an Assistant Professor at the Free University Berlin and has been abroad as a Visiting Professor e.g. at the Stern School of Business, New York University, and at the Accountancy Department, City University of Hong Kong. Her main areas of research are related to earnings management and corporate social responsibility

Ma Jun

Chairman of the Green Finance Committee, China Society for Finance and Banking; President of Institute of Finance and Sustainability; Co-Chair of the G20 Sustainable Finance Working Group

Dr. Ma Jun is currently the Chairman of the Green Finance Committee, China Society for Finance and Banking, President of Institute of Finance and Sustainability, Co-Chairman of the G20 Sustainable Finance Study Group, and the former member of the Monetary Policy Committee of the People's Bank of China. As a leader in the field of green and sustainable finance, Dr. Ma Jun also serves as the sustainable finance special adviser of the United Nations Environment Programme, Chairman of the regulatory working group of NGFS, the Director of Beijing Green Finance Association, the Director of Hong Kong Green Finance Association, and many other public welfare duties.

From 2017 to 2020, Dr. Ma Jun served as the Director of the Research Center of Finance and Development, Tsinghua University National Institute of Financial Research, the Director of the Research Center of Green Finance Development, Tsinghua University National Institute of Financial Research. During his tenure as Chief Economist of the Research Bureau of the People's Bank of China from 2014 to 2017, Dr. Ma Jun led the drafting of the Guidance of Green Finance in China and promoted the formation of a global green finance consensus under the G20 platform. From 2000 to 2013, he served as Chief Economist, Head of China and Hong Kong Strategy, and Managing Director of Greater China at Deutsche Bank. From 1992 to 2000, he served as a senior economist at the World Bank and an economist at the International Monetary Fund. From 1988 to 1990, he worked as a research fellow at the Development Research Center of the State Council of China. Dr. Ma Jun has published more than a dozen books and hundreds of articles on macroeconomic, monetary policy, environmental economics and green finance.

Dr. Ma Jun received his Master’s degree in Management from Fudan University in 1988, and he received his PhD. in Economics from Georgetown University in 1994.

Paul Milon

Head of Stewardship, Asia Pacific, BNP Paribas Asset Management, Hong Kong

Paul Milon joined BNP Paribas Asset Management (BNPP AM) in January 2008 and has more than thirteen years of experience in the asset management industry. In his current position, he leads BNPP AM's stewardship activities in Asia Pacific. This includes direct and collaborative corporate engagement, as well as working with policymakers on key issues relating to sustainable finance and investment. Paul works closely with Asian investment teams to better integrate environmental, social and corporate governance (ESG) criteria in investment decisions, including through engagement with portfolio companies. He is the co-chair of the Asia Investor Group on Climate Change (AIGCC) Engagement & Policy working group. Prior to that, Paul held various positions within BNP Paribas Asset Management in Hong Kong and Paris. As ESG Specialist, he successfully established our Sustainability Centre's presence in Asia. Before that, he was a senior investment specialist within our Fundamental Active Equities teams. In this role, he oversaw the strong growth of BNPP AM's Indian equities capability for international clients. Paul was also responsible for consultant relations in Asia, and launched and managed the award-winning BNPP AM Investment Academy in the region. Before relocating to Hong Kong, he worked as an ESG analyst in the Sustainability Research team in Paris. Paul holds a Master's in Management with a major in Entrepreneurship from the EDHEC Business School in France. He is a SASB FSA (Fundamentals of Sustainability Accounting) Certificate holder.

Irene Monasterolo

Assistant Professor of Climate Economics and Finance, Vienna University of Economics and Business

Irene Monasterolo, PhD, is an Assistant Professor of Climate Economics and Finance at the Institute for Ecological Economics, Vienna University of Economics and Business, and a visiting research fellow at Boston University, USA. Irene's research focuses on i) climate stress-test to price climate transition risk scenarios into countries' competitiveness, risk and financial stability, ii) macroecological Stock-Flow Consistent models of the transition to a sustainable bioeconomy, iii) univariate and multivariate financial econometrics models to assess market's pricing of carbon stranded assets, iv) stakeholders' knowledge co-production to identify barriers and opportunities to scaling-up sustainable finance. Irene has extensive experience in developing policy-relevant academic research on how to align the financial system to the Sustainable Development Goals and the Paris Agreement. Irene has contributed to develop the first climate stress-test methodology applied to development banks and central banks' portfolios that introduces climate into financial risk metrics (CLIMAFIN-tool), and the EIRIN Stock-Flow Consistent behavioural model to assess financial and distributive effects of green fiscal, monetary policies and green bonds. Her research has been published on top-ranked academic journals, such as Nature Climate Change and Climatic Change. In addition, Irene has been working as a consultant for major development banks (e.g. World Bank, European Investment Bank, Inter-American Development Bank) on climate change mitigation and adaptation, and sustainable agriculture in the Caribbean, the Western Balkans and Eastern Europe. She leads the Research Area "Environment-Economy Interactions" of the European Association for Evolutionary Political Economy (EAEPE), of which she is also a council member since 2018.

Najwa Mouhaouri

Head of the Green Finance Unit, Bank Al-Maghrib

Christoph Nedopil

Associate Professor Economics, FISF Fudan University, Director Green Finance & Development Center, FISF Fudan University

Dr Christoph Nedopil is the Founding Director of the Green Belt and Road Initiative Center and a Senior Research Fellow at the International Institute of Green Finance (IIGF) of the Central University of Finance and Economics (CUFE) in Beijing, China. Christoph is a member of the Belt and Road Initiative Green Coalition (BRIGC) of the Chinese Ministry of Ecology and Environment. He has contributed to policies and provided research/consulting amongst others for the China Council for International Cooperation on Environment and Development (CCICED), the Ministry of Commerce, various private and multilateral finance institutions (e.g. ADB, IFC, as well as multilateral institutions (e.g. UNDP, UNESCAP) and international governments. Christoph holds a master of engineering from the Technical University Berlin, a master of public administration from Harvard Kennedy School, as well as a PhD in Economics. He has extensive experience in finance, sustainability, innovation, and infrastructure, having worked for the International Finance Corporation (IFC) for almost 10 years and being a Director for the Sino-German Sustainable Transport Project with the German Cooperation Agency GIZ in Beijing. He has authored books, articles and reports, including UNDP's SDG Finance Taxonomy, IFC's “Navigating through Crises” and “Corporate Governance - Handbook for Board Directors”, and multiple academic papers on capital flows, sustainability and international development.

Falko Paetzold

Assistant Professor for Social Finance, EBS University

Falko Paetzold holds a PhD degree with magna cum laude distinction from University of Zurich and an MBA degree with Dean’s List and Sustainability Leadership distinctions from University of St. Gallen (HSG) in Switzerland. He was a research affiliate and lecturer at ETH Zurich, Fellow at Harvard University, and Post-Doc at MIT Sloan.
Falko Paetzold also leads the Center for Sustainable Finance and Private Wealth (CSP) at University of Zurich, a spin-off from the Impact Investing for the Next Generation program for owners of private wealth that he co-initiated when he was a Fellow at the Initiative for Responsible Investment (IRI) at Harvard University.
In the past, Falko Paetzold developed sustainable investing fund structures and led M&A projects at Bank Vontobel AG in Zurich, and advised banks and family offices as a Partner with the Contrast Capital consultancy. He founded the network GreenBuzz that enables intra-preneurs in several cities to drive sustainability ahead within their firms.
Falko Paetzold holds advisory board roles at the Swiss Association of Asset Managers, the fintech start-up YOVA AG, and the community GreenBuzz Zurich.

Emily Shuckburgh

Director of Cambridge Zero, University of Cambridge
Reader in Environmental Data Science at the Department of Computer Science and Technology.

Dr Emily Shuckburgh is Director of Cambridge Zero, the University of Cambridge's major climate change initiative. She is also Reader in Environmental Data Science at the Department of Computer Science and Technology and leads the UKRI Centre for Doctoral Training on the Application of AI to the study of Environmental Risks (AI4ER).
She is a mathematician and climate scientist and a Fellow of Darwin College, a Fellow of the Cambridge Institute for Sustainability Leadership, an Associate Fellow of the Centre for Science and Policy, a Fellow of the British Antarctic Survey and a Fellow of the Royal Meteorological Society.
She worked for more than a decade at the British Antarctic Survey where she led a UK national research programme on the Southern Ocean and its role in climate (ORCHESTRA), and was deputy head of the Polar Oceans Team and head of the Data Science Group. Prior to that she undertook research at École Normale Supérieure in Paris and at MIT. She has also acted as an advisor to the UK Government on behalf of the Natural Environment Research Council.
In 2016 she was awarded an OBE for services to science and the public communication of science. She is co-author with HRH The Prince of Wales and Tony Juniper of the Ladybird Book on Climate Change.

Cobus van Staden

Senior Researcher, Foreign Policy Programme, South African Institute of International Affairs

Cobus van Staden is a senior researcher focusing on Africa-China relations at the South African Institute of International Affairs. He is also the co-host of the China in Africa podcast and the director of research and analysis at the China-Africa Project.

Terry Townshend

Fellow, Paulson Institute

Terry Townshend is a Beijing-based wildlife conservationist with a background in environmental economics and environmental law. He is a Fellow of the Paulson Institute and, in 2020, co-authored a groundbreaking study called "Financing Nature: Closing the Biodiversity Financing Gap".Since 2016 he has worked with ShanShui Conservation Center, a local NGO set up by Professor Lu Zhi at Peking University, to set up the first community-based wildlife watching project on the Tibetan Plateau with a community of yak herders, and is an advisor to the Beijing Municipal Government on biodiversity. He runs the Birding Beijing website, celebrating the birds and wildlife of China's capital city, and initiated citizen science projects to track some of Beijing's iconic birds, including the Beijing Swift and Beijing Cuckoo, both of which were discovered to migrate to southern Africa. Terry also serves on the Global Advisory Group of BirdLife International, the largest conservation partnership in the world.

WANG Yao

Director General, International Institute of Green Finance (IIGF)

Professor Yao WANG is the Director General of the International Institute of Green Finance (IIGF). She also serves as Deputy Secretary General of Green Finance Committee (GFC) of the China Society for Finance and Banking, as Secretary General of the Green Securities Committee (GSC) of the Securites Association of China, as fellow at the University of Cambridge Institute for Sustainability Leadership (CISL), as advisor to the Sustainable Finance Programme at the Smith School of Enterprise and the Environment at the University of Oxford and as consultant for the Luxembourg Stock Exchange. She was awarded by Asiamoney China Green Finance Awards 2019 "the Outstanding Contribution to Development of Green Finance in China".
Professor WANG worked in investment banks for 7 years, before she became a faculty of Central University of Finance and Economics (CUFE) in 2006. She did her post-doctorate at Bank of Beijing from 2008 to 2010. From 2010 to 2011 she was a Visiting Fellow at Harvard University. Professor WANG is interested in Green Economy, Sustainable Finance, Climate Finance and Green Finance. She is the author of several publications on climate finance and green finance, such as Carbon Finance: Global Vision and Distribution in China (China Economic Publishing House, 2010), and Climate Finance (China Economic Publishing House, 2013). Her co-authored book "Research on the Carbon Finance Mechanism Supporting the Development of China's Low Carbon Economy" won a nomination award for the Seventh China National Outstanding Publication.

Anzetse Were

Senior Economist, FSD Kenya

Anzetse Were is a development economist with over ten years of experience working in Africa on Economic Research, Analysis and Strategy Development with a focus on Macroeconomics, Manufacturing, Private Sector Development, the Informal Economy, Finance Systems, Digitisation, Green Finance, and Trade and Investment. She has a Master's in Economics from the University of Sydney (Australia) and a Bachelor's degree from Brown University (USA). Over her career Anzetse has worked with and advises African governments, private sector, development finance institutions, non-profit organisations, as well as academia and think tanks. She is currently Senior Economist at FSD Kenya

Ye Yanfei

Senior Inspectorate Advisor of the Policy Research Bureau, China Banking and Insurance Regulatory Commission

Mengdi Yue

Researcher, International Institute of Green Finance, Central University of Finance and Economics

Mengdi YUE is a researcher at the International Institute of Green Finance (IIGF) at Central University of Finance and Economics. She received a master's degree in international relations and economics from Johns Hopkins University School of Advanced International Studies (SAIS), and has worked with the American Enterprise Institute (AEI), European Union Chamber of Commerce in China, and the China-ASEAN Environmental Cooperation Center of the Ministry of Ecology and Environment. Her current areas of research include energy policy, debt issues, infrastructure financing and biodiversity finance.

ZHAO Zheng

Deputy General Manager of International Department, SINOSURE China

Having devoted her long time career life specifically in the realm of export credit insurance since she joined SINOSURE in 2003. Zhao Zheng has a deep understanding of the industry and accumulated rich experience in the field of reinsurance, devoting herself to improving reinsurance and overall risk management mechanism to increase underwriting capacity and optimize financial results, through key positions as team director of Reinsurance of Risk Management Dept for over 11 years.

Zhao Zheng joined International Dept as Deputy General Manager in 2015, and now is responsible for international networking development/outreach, through participation in international forums and international organizations such as the Berne Union (the leading global association for the export credit and investment insurance industry), promoting the practical cooperation with leading international credit insurers and the in-depth research on international rules and best practices related to officially supported export credits, and management of SINOSURE's overseas offices.

Zhao Zheng obtained her Master's degree majoring in MIBA from the University of Hamburg, Germany, and had training and working experience in Euler Hermes Germany. She obtained a Bachelor's degree in International Finance from the University of International Business and Economics. She also worked for China Minmetals Corporation before joining SINOSURE.

PAPER SESSIONS

Abstracts

Wednesday, September 1, 2021

14:30 - 16:00 London / 21:30 - 23:00 Beijing

Paper Session 1 - Green Finance Policy and Regulators

Chair: Professor Olaf Weber, professor at the School of Environment, Enterprise and Development & Research Chair in Sustainable Finance, University of Waterloo

Title: Deliberative policy work for sustainable finance: A European Commission 'experiment' to tackle grand challenges

Authors: Stephanie Giamporcaro, Jean-Pascal Gond and Céline Louche

Although regulatory changes can shift financial markets towards sustainability, financial regulations usually focus on market efficiency and stability to the detriment of sustainability issues. Building on insights from sustainable finance, institutional work and deliberative democracy, we investigate means by which to organize the policy work underlying financial regulations in ways that broaden the scope of sustainability issues considered. We focus on the case of a high-level expert group tasked by the European Commission to deliver a roadmap for embedding sustainability within financial regulations. From interviews held with 32 actors and multiple data sources, we identify five types of policy work used by this group: positioning, casting, protecting collective will formation, empowering epistemic community building and promoting public outreach. We find that two mechanisms—hybridizing and responsibilizing—connect these types of work in ways that shape the deliberative quality of regulatory processes and outcomes. Our results advance sustainable finance studies by explaining how regulators organize sustainability-focused policy work, contribute to institutional work by conceptualizing two mechanisms bridging multiple types of policy work, and show how deliberative ideals can be leveraged to democratize the way in which experts interact through regulatory processes.

Title: The Effects of Mandatory ESG Disclosure around the World.

Authors: Rui Zhong, Dragon Tang, Philipp Krueger and Zacharias Sautner

We examine the effects of mandatory ESG disclosure around the world using a novel dataset covering the years 2004 to 2017. Upon the enactment of mandatory ESG disclosure, companies increase ESG reporting, though the average quality of ESG reports is unchanged. Mandatory ESG disclosure has beneficial informational effects on market participants: Analysts earnings forecasts become more accurate and less dispersed after ESG disclosure becomes mandatory. Further, ESG incidents become less likely after ESG disclosure is introduced. Moreover, stock price crash risk declines, as bad ESG events become less likely and, once they occur, news about them is transmitted more quickly to markets. Our findings suggest that mandatory ESG disclosure has beneficial informational and real effects.

Title: Financial Policy, Green Transition and Recovery after the COVID-19.

Authors: Dongyang Pan, Chuanqi Chen, Michael Grubb and Yao Wang.

Public policy that acts on financing activity — referred to here as “financial policy” — can play an important role in supporting the green transition and recovery of the economy. This research studies the specific role of financial policy, the mechanism of support, and how financial policy can be coordinated with other public policies that encourage the green transition, particularly in the recovery period after the COVID-19 pandemic. The method we employ is a macroeconomic growth model with “directed technical change”, the natural environment, and financial features. It is found that (1) financial constraints are non-trivial in the economy and could delay the green transition if no additional policy is introduced. (2) Financial policy directionally supporting the green economic sector can facilitate the green transition and help stop the environmental degradation. (3) A financial policy can bring effects similar to some other policies in supporting the green transition. Compared with related policies, financial policy has certain advantages and disadvantages. There is a clear theoretical rationale to combine financial policy with other policies to save cost and improve the effect. (4) A green recovery after the COVID-19 shock can be realised with an appropriate mix of financial policy and other related policies. The post-pandemic period offers a window of opportunity to hasten the green transition. These findings not only justify the desirability of the currently popular “green financial policy”, show the way of policy conduction and coordination, but also reveal the special value of such policy after the COVID-19 if we want to accelerate the “green recovery”.

Paper Session 2 - Insurance, Risk and Climate Change

Dr. SUN Tianyin, Deputy Director, Research Center for Green Finance Development, Tsinghua University

Title: Pricing of Climate Risk Insurance: Regulatory Frictions and Cross-Subsidies.

Authors: Ishita Sen and Ana-Maria Tenekedjieva Louche

Homeowners’ insurance provides households financial protection from climate losses. To improve access and affordability, state regulators impose price controls on insurance companies. Using novel data, we construct a new measure of rate setting frictions for individual states and show that different states exercise varying degrees of price control, which positively correlates with how exposed a state is to climate events. In high friction states, insurers are more restricted in their ability to set rates and adjust rates less frequently and by a lower amount after experiencing climate losses. In part, insurers overcome pricing frictions by cross-subsidizing insurance across states. We show that in response to losses in high friction states, insurers increase rates in low friction states. Over time, rates get disjoint from underlying risk, and grow faster in states with low pricing frictions. Our findings have consequences for how climate risk is shared in the economy and for long-term access to insurance.

Title: Sustainability assurance and cost asymmetry.

Authors: Alexander Bassen, Laura-Maria Gastone, Kerstin Lopatta, Anna Rafaela Rudolf and Sebastian A. Tideman.

This paper investigates whether sustainability assurance (SA) affects a firm’s cost asymmetry. We argue that SA should improve internal information systems and processes, allowing managers to make better cost decisions. Specifically, we analyze the effect of SA on deliberate management decisions regarding cost adjustments and the resulting effects on shareholder value. Using a sample of firms from 42 countries, we find that SA leads to cost being adjusted to a fuller extent in the event of a sales decline and thus decreases sales, general, and administrative (SG&A) cost asymmetry. Hereby, the SA-related reduction in cost asymmetry is associated with an increase in shareholder value. Our results are robust when we control for self-selection and endogeneity applying the Heckman (1979) correction procedure and an instrument variable estimation.

Title: In search of climate distress risk.

Authors: Quyen Nguyen, Ivan Diaz-Rainey and Duminda Kuruppuarachchi

This paper investigates whether climate risk affects firm-level default (distress) risk. Using the Merton distance to default model, it explores for the presence of climate distress risk in S&P 500 non-financial firms during 2010-2018, employing both backward-looking and forward-looking measure of climate risk. The system generalized method of moments regression shows that climate risk has a negative impact on firms' distance to default, but this impact is limited to transition risk and the forward-looking disclosures of this risk in annual filings. Meanwhile, backward-looking measurements such as corporate carbon footprint (Scope 1 and Scope 2) or physical risk do not have a similar effect in the U.S. context. The paper also indicates that the Paris Agreement temporarily strengthens the negative relationship between climate risk and distance to default in the year 2015. However, this effect is short-lived and fades away in the later years.

Paper Session 3 - Asset Allocation and climate change (1)

Chair: Professor DING Mingfa, Assistant Professor, Chinese Academy of Finance and Development, Central University of Finance and Economics

Title: Climate Change and Long-Horizon Portfolio Choice: Combining Theory and Empirics.

Authors: Mathijs Cosemans, Xander Hut and Mathijs Van Dijk

We propose a novel approach for measuring the impact of climate change on long-horizon equity risk and optimal portfolio choice. Our method combines historical data about the impact of climate change on return dynamics with prior beliefs elicited from the temperature long-run risk (LRR-T) model of Bansal, Kiku, and Ochoa (2019). Our Bayesian framework incorporates this prior information to obtain more precise estimates of long-term climate risks than existing methods that solely rely on historical data. We document two key findings. First, disasters lead to persistently lower risk-free rates, whereas the negative impact on market returns is transitory. As a result, the expected equity risk premium increases after disasters. Second, an investor with LRR-T beliefs perceives stock markets to be riskier over longer horizons because disasters induced by climate change reduce mean reversion in returns. Combining these results, we find that for investors with a horizon longer than 25 quarters, the optimal allocation to equity decreases when accounting for climate change because the increase in perceived market risk outweighs the increase in the market risk premium. In contrast, for short-term investors the allocation to equity increases relative to investors with uninformative prior beliefs about the effect of climate change on future returns.

Title: Sea Level Rise and Portfolio Choice.

Author: Emirhan Ilhan

Economic theory suggests that the presence of undiversifiable background risks influences household portfolio choices. Households face significant location-specific background risks due to sea level rise (SLR). Using detailed local variation in SLR exposure and disaggregated geographic information on households in the United States, I show that SLR exposed homeowners are less likely to participate in the stock market and invest a smaller share of their financial wealth in risky assets, compared to unexposed homeowners in the same neighborhood. Differences in risk preferences and endogenous location choices are unable to explain this effect. Placebo tests in a sample of only renters corroborate that homeownership is the channel through which SLR affects portfolio choices. Using plausibly exogenous variation stemming from the adoption of state-level climate change adaptation plans that reduced households' SLR risks, I provide causal evidence of the effect of SLR risks on portfolio allocation decisions. Following the adoption of such climate adaptation plans, SLR exposed households increase their stock market participation and hold a larger risky share in their financial wealth.

Title: Climate Change Concerns and Mortgage Lending.
Authors: Tinghua Duan and Frank Weikai Li

We examine whether beliefs about climate change affect loan officers' mortgage lending decisions. We show that abnormally high local temperature leads to elevated attention to and belief in climate change in a region. Loan officers approve fewer mortgage applications and originate lower amount of loans in abnormally warm weather. This effect is not fully explained by changes in local economic conditions and demand for mortgage credit, and is considerably stronger among counties with strong prior beliefs about climate change, counties heavily exposed to the risk of sea-level rise, and during periods of heightened media attention. By contrast, Fintech lenders partially fill the gap in demand left by traditional lenders when local temperature is abnormally high.

Thursday, September 2, 2021

11:00 – 12:30 London / 18:00 – 19:30 Beijing

Paper Session 4 - Green Banking

Chair: Dr. Julia Kapraun, Assistant Professor, Finance Department, Goethe University Frankfurt

Title: Banking Barriers to the Green Economy

Authors: Tarik Roukny, Hans Degryse and Joris Tielens

In the race against climate change, financial intermediaries hold a key role in rapidly redirecting resources towards greener economic activities. However, this transition entails a dilemma for banks: entry of innovative and green firms in polluting industries risks devaluating legacy positions held with incumbent clients. As a result, banks exposed to such losses may be reluctant to finance innovation aiming to reduce polluting activities such as green house gas emissions. In this paper, we formalize potential banking barriers to investments in green firms that threaten the value of legacy contracts by affecting collateral pledged by incumbent clients to banks as well as probabilities of default. We show that the more homogeneous and concentrated the banking system is in a given industry, the fewer new innovative firms will be granted loanable funds. We further exploit data on credit allocations in Belgium between 2008 and 2018, to investigate the empirical relevancy of such barriers in polluting industries with larger exposures to green technology disruption. The results indicate that the market structure of the banking system may be key to facilitating a green economic transition highlighting the need for policies to address the role of brown legacy positions and heterogeneous bank business models.

Title: Inequality, discrimination, and the financial system: How gender and law shape banker mobility, bank-firm relationships and bank activity.

Authors: Marco Ceccarelli, Christoph Herpfer and Steven Ongena

We investigate interactions between the labor market for commercial bankers and credit markets for firms. Bankers' attractiveness in the labor market increases with the number and quality of relationships they have with firms, and banks attract bankers through superior compensation. Frictions in the labor market for bankers, such as gender discrimination and non compete clauses, shape banker mobility. For example, women are more likely to leave banks involved in gender discrimination lawsuits and are less likely to get promoted. The labor market of bankers is directly linked to the credit market for firms. After a banker switches to a new bank, their firms are twice as likely to initiate a new lending relationship with that bank. Consistent with an information channel, this effect is concentrated among opaque firms. These new relationships are durable, improve bank-borrower matching, and create substantial business for banks, including cross selling of other financial services.

Title: Investing in influence: Investors, portfolio firms, and political giving

Authors: Eyub Yegen, Marianne Bertrand, Matilde Bombardini, Ray Fisman and Francesco Trebbi

Campaign finance laws aim to limit an individual's influence over the political process. We show that corporate ownership may be an important mechanism by which institutional investors circumvent such constraints and amplify their influence. Using data on the political giving and ownership of all 13-F investors between 1980 and 2016, we show that the probability that a firm's Political Action Committee (PAC) donates to a politician supported by an investor's PAC nearly doubles after the investor acquires a large stake, and that it increases five-fold when the investor obtains a board seat. This increase in similarity of political giving coincides with the election cycle the acquisition takes place in, and is not driven by selection into specific politically strategic acquisitions, as convergence in political behavior is observed even for exogenously determined acquisitions caused by stock index inclusions. The relationship is stronger for private funds, and those with high partisanship, suggesting the relationship is driven by investor preferences rather than strategic concerns. Finally, we show that portfolio firms' PAC expenditure experiences a relatively large shift at the acquisition date relative to past giving, whereas no such pattern is observed for institutional investors. We argue that these findings are best explained by investors influencing portfolio firm giving, suggesting that PAC giving may be another means by which influential shareholders impact corporate decision-making, in a manner that amplifies investors' political voice.

Paper Session 5 - Stewardship

Chair: Professor Hao LIANG, Associate Professor of Finance & Lee Kong Chian Fellow, Singapore Management University

Title: Beyond "One Size Fits All": Configuring Collaborative Shareholder Engagement on Climate Change.

Authors: Jean-Pascal Gond, Rieneke Slager, Kevin Chuah, Santi Furnari and Mikael Homanen

We study collaborative shareholder engagements on climate change issues coordinated by the United Nations-supported Principles for Responsible Investment (PRI). These engagements involve collaboration among coalitions of institutional investors seeking behind-the-scenes dialogue with target firms to encourage improved environmental sustainability practices. Whereas previous studies have focused on individual factors and their net effects on successful engagements, little is known about how these factors combine to simultaneously affect engagement outcomes. Drawing on a unique dataset of 553 climate change engagements coordinated by the PRI between 2008 and 2019, and combining a configurational approach—fuzzy-set Qualitative Comparative Analysis (fsQCA)—with a regression framework, we develop an emerging "tailor-to-target" theory of collaborative shareholder engagement. Our results show that successful investor coalitions combine different engagement levers into configurations (or "recipes") tailored to fit the characteristics and environmental predispositions of the target firm. Our theory and evidence extend the stakeholder salience framework by highlighting the interactions among firm capacity, investor coalition attributes, and the focal engagement issue in successful engagement, while also contributing to studies of external corporate governance by moving beyond a "one-size-fits-all" approach. Our findings have key practical implications for investors, engagement organizations, and policymakers who seek to shape firms' climate change behaviors through the adoption of environmentally sustainable practices.

Title: Corporate Directors Learn From Environmental Engagements: Causal Evidence From Withdrawn Shareholder Proposals.

Authors: Colin Tissen, Rob Bauer and Jeroen Derwall

We examine whether corporate directors learn from environmental engagements by studying the success and implementation of environmental shareholder proposals. We deem a proposal successful when the proposal sponsor withdrew it after negotiating with the target firm. Our results indicate that environmental proposals targeting firms at which directors have a stronger environmental knowledge base are more likely to be withdrawn. Next, using a difference-in-difference estimation with a matched control group, we show that the withdrawal of an environmental shareholder proposal leads to an improvement in the environmental performance of targeted firms. Most importantly, we find that a proposal withdrawal leads to a 7.2% increase in the environmental performance of non-targeted firms that are connected to the target firm through overlapping directorships. Since the successful engagement at the target firm is exogenous to the connected firm, we causally show that directors learn from engagements. Our results imply that environmental shareholder engagements improve corporate directors' attention to and knowledge of environmental issues and that this improvement has real effects on the firms they serve.

Title: When the Mainstream Matters: Coalition Composition in Collective Shareholder Activism on ESG Issues

Author: Kevin Chuah

How shareholder activists influence firms' environmental, social, and governance (ESG) practices has become a central concern in corporate governance. Yet, much of the literature has focused on shareholder activists in isolation to each other. Accordingly, I investigate how the composition of shareholder activist coalitions contributes to successful engagements with targeted firms. Consistent with studies emphasizing the benefits of stakeholder salience, I focus on participation in ESG activism by highly-salient mainstream shareholders—e.g., mutual funds. However, I also highlight how susceptibility to attentional constraints affects the mainstream's willingness to participate in collective activism and the efficacy of their participation. I find that mainstream shareholder participation is greater when activists are in close geographical proximity to each other and conversely, when located distantly from targeted firms. In terms of outcomes, I show that firms are more responsive when coalitions involve greater mainstream participation compared to those dominated by lower salience shareholders—e.g., religious groups. Importantly, I further demonstrate that mainstream participation is less effective during busy periods of the corporate calendar when attentional constraints are heightened. My theory and evidence emphasizes the benefits of mobilizing salient shareholders but extends on this view by highlighting attention-related boundary conditions that manifest themselves through geographical proximity and calendar time.

Paper Session 6 - Green Bonds

Chair: Professor Martina Linnenluecke, Professor & Director, Center for Corporate Sustainability and Environmental Finance, Macquarie University

Title: Why Do Firms Issue Green Bonds?

Authors: Julien Xavier Daubanes, Shema Frédéric Mitali and Jean-Charles Rochet

In the past few years, for example, green bonds drove rapidly increasing amounts of investments to firms' climate-friendly initiatives, and the existing empirical literature suggests that it works: When firms issue green bonds, their share value rises and their CO2 emissions decrease. Moreover, the absence of green bonds' yield spread rules out that investors' concern for the environment plays a significant role.
Instead, we hold that firms' managers use green bonds to signal the economic efficiency of their green projects to investors in order to inflate their firms' stock price. Our model predicts that, through green finance, managers' sensitivity to their firms' stock price amplifies the effect of carbon pricing, inducing firms to undertake more green projects, in contrast with the traditional view of corporate social responsibility. We empirically test this prediction by exploiting both cross-country variations in effective carbon pricing and cross-industry differences in the stock price sensitivity of managers' compensation. We also draw theoretical welfare and policy implications from our theory, and show how it extends to the presence of concerned investors.

Title: Is Carbon Risk Priced in the Cross-Section of Corporate Bond Returns?

Authors: Tinghua Duan, Frank Weikai Li and Quan Wen

This paper examines the pricing of a firm's carbon risk, measured by its carbon emissions intensity, in the cross section of corporate bond returns. Contrary to the "carbon risk premium" hypothesis, we find bonds of firms with higher carbon emissions intensity earn significantly lower returns. This effect cannot be explained by a comprehensive list of bond characteristics and exposure to known risk factors. Investigating sources of the low carbon premium, we find the underperformance of bonds issued by carbon-intensive firms cannot be fully explained by divestment from institutional investors. Instead, our evidence is most consistent with investor underreaction to carbon risk, as carbon emissions intensity is predictive of lower future cash flow news, deteriorating firm creditworthiness, more environmental incidents, and elevated downside risks.

Title: The Preferential Treatment of Green Bonds.

Authors: Matthias Kaldorf, Francesco Giovanardi, Lucas Radke and Florian Wicknig

In this paper, we study the preferential treatment of green bonds in the central bank collateral framework. We evaluate the effects of preferential treatment in an augmented New-Keynesian model, in which green and conventional entrepreneurs issue defaultable bonds to banks that use them to collateralize short-term borrowing. Lenient collateral policy increases bond issuance and default risk, such that the central bank faces a trade-off between increasing collateral supply and subsidizing entrepreneur leverage. When the central bank takes into account environmental concerns, optimal collateral policy features substantial preferential treatment, which decreases the green-conventional bond spread by 73bp and increases the green bond share by 0.69 percentage points, while the green capital share increases by 0.32 percentage points. The limited response of green investment is caused by higher risk taking of green entrepreneurs and the associated decline in the return on green capital due to higher default rates. When Pigouvian taxation is available, optimal collateral policy does not feature preferential treatment, but can still be welfare-improving by addressing adverse collateral scarcity effects of taxation.

14:00 - 15:30 London / 21:00 - 22:30 Beijing

Paper Session 7 - Climate Finance

Chair: Dr. Xiaoyan Zhou, Lead, Performance, Oxford Sustainable Finance Programme, University of Oxford.

Title: A recipe for fast-growing wind financial markets

Authors: Jamie Rickman, Francesca Larosa and Nadia Ameli

Rapidly mobilising finance to scale-up wind deployment is crucial for the sustainable energy transition. It is often assumed that financial markets will spontaneously grow in response to the right market incentives, but little attention has been paid to the endogenous processes which align with rapid growth. A realistic model of how investors behave in wind financial markets is missing. This study shows how internal market dynamics matter for the pace of growth: fast-growing markets contain a set of highly active debt investors who support investment activity and are the favoured partners of new market entrants. These critical debt investors ascend to prominent positions as they gain experience, suggesting a 'financial learning' process operating in debt markets. The ingredients in our 'recipe for fast growth' thus point beyond setting market incentives and towards leveraging the endogenous processes within wind markets that can mobilize finance for the sustainable energy transition.

Title: Outsourcing Climate Change.

Authors: Rui Dai, Rui Duan, Hao Liang and Lilian Ng

This paper exploits newly available information on firms' direct (own production) and indirect (supplier-generated) carbon emission intensities and transaction-level imports to conduct an in-depth holistic analysis of whether and how U.S. firms address climate change. We find robust evidence that U.S. firms' imports amplify the substitutional relationship between their direct and indirect carbon emissions, suggesting that these firms outsource part of their pollution to suppliers overseas. Our key evidence is further substantiated by quasi-natural experiments associated with exogenous shocks to U.S. firms' propensity to outsource carbon emissions. We also show that firms, management, and directors with desires to maintain high environmental standings and environmentally-conscious customers and investors play a role in corporate environmental policies. Finally, firms with more imported emissions tend to have higher reputational risks and larger future stock returns but are less incentivized to develop clean technologies.

Title: A climate investment trap in developing economies

Authors: Nadia Ameli, Olivier Dessens, Matthew Winning, Jennifer Cronin, Hugues Chenet, Paul Drummond, Alvaro Calzadilla, Gabrial Anandarajah and Michael Grubb

Finance is vital for the green energy transition, but the access to low cost finance is uneven as the cost of capital differs substantially between regions. This study shows how modelled decarbonisation pathways of developing economies are disproportionately impacted by assumptions around their cost of capital (WACC). For example, representing regionally specific WACC values indicates 35% lower green electricity production in Africa for a cost-optimal 2°C pathway. Moreover, results show that early convergence of WACC values for green and brown technologies in 2050 would allow Africa to reach net-zero emissions approximately 10 years earlier than when convergence is not considered. A "climate investment trap" arises for developing economies when climate-related investments remain chronically insufficient. Elements of sustainable finance frameworks currently present barriers to these finance flows and radical changes are needed so that capital is better allocated to the regions that most need it.

Paper Session 8 - Asset Allocation and Climate Change (2)

Chair: Dr. Rui ZHONG, Senior Lecturer in Finance, UWA Business School, University of Western Australia

Title: Who Owns the Emissions: Equity Ownership and the Carbon Underground 200

Authors: Truzaar Dordi, Sebastian Gehricke, Alain Naef, and Olaf Weber

The carbon underground 200 collectively own oil, gas and coal reserves with a potential of generating 674 gigatons of carbon emissions, three times greater than our global carbon budget. In this paper, we ask who owns these 200 companies that have such sizable influence on carbon emissions and climate instability over the next century. Using network analysis, we delineate the characteristics of top shareholders who maintain holdings in the fossil fuel industry and establish a list of the most prevalent shareholders based on emissions and network centrality. Our study finds that the most prevalent owners are government signatories of the Paris accord and large investment managers. Collectively, these owners have the potential to influence the strategic direction and governance of the firm and should consequently be held accountable for financing the economic activities that contribute to climate instability.

Title: Understanding Macro and Asset Price Dynamics During the Climate Transition

Authors: Michael Donadelli, Patrick Grüning, and Steffen Hitzemann

This paper analyzes the transition to a low-carbon economy and its effects on macroeconomic quantities and asset prices. Empirically, we document that the relative valuation of oil firms has declined by about one third with the rise of climate change risk awareness. Calibrating a macro asset pricing model for the climate transition to this fact shows that the market expects a 70% (60%) reduction of capital invested in oil-producing (oil-consuming) industries, which allows to constrain the global temperature increase to 2 degrees Celsius. The model provides additional predictions regarding the behavior of oil prices and climate policy risk premia over the transition period.

Title: Strategic Asset Allocation with Climate Change

Authors: Sally Shen, Alexey Rubtsov, and Alex LaPlante

We develop a top-down strategic pathway towards green investing and show that eco-investing should not be a puzzle or a sacrifice if investors consider the unknown impact of climate change on different asset classes. We investigate the impact of climate change over a large universe of asset classes including stocks, bonds, alternatives, and a list of green assets which have low-carbon emissions, in terms of their time-varying risk-return trade-offs using a factor-based vector autoregression (VAR) model with climate risk as an additional state variable. Estimation results show that green assets are, in general, resilient against temperature change, while many grey assets are negatively related to the risk of warming. When simulating a future investment opportunity set, we disentangle the climate effects from the return processes and introduce two climate scenarios: an optimistic scenario implied by the VAR estimates; and a pessimistic one based on the Dynamic Integrated model of Climate and the Economy (DICE). We find that there is substantial demand for green assets under the pessimistic scenario, which verifies the hypothesis that investors with a decent awareness of climate change find it profitable to invest in green.

Paper Session 9 - Corporate Governance

Chair: Dr. Sudheer Chava, Alton M. Costley Chair and Professor of Finance, Scheller College of Business, Georgia Institute of Technology

Title: Do High Ability Managers Choose ESG Projects that Create Shareholder Value?

Authors: Aaron Yoon and Kyle Welch

Managers face external pressure to allocate firm resources to ESG efforts—activities frequently argued as counter to shareholder value incentives. Under such situations, which ESG project to select and how much to invest is not clear. We find evidence that managers that receive higher ratings from employees solve this problem, allocating resources to ESG efforts in a way that enhances shareholder value. Using MSCI ESG Rating and Glassdoor employee scoring of senior managers as signals, we implement a calendar-time portfolio regression design. We find that the two ratings have little correlation, suggesting they are unrelated signals. More importantly, we find that firms with highly rated managers and high ESG exhibit significantly higher future stock returns than those with low ratings on both, and those firms with just high ESG or employee opinions alone. Our results are robust to using firm fixed effect in a panel regression to control for selection. Overall, results highlight the importance of leaders in allocating resources to ESG efforts that improve shareholder value.

Title: The Response of Local Corporate Sustainability to Environmental Disasters: Evidence from Wildfires.

Authors: Ioannis Branikas, Gabriel Buchbinder, Yugang Ding, and Nan Li

Environmental disasters are thought to increase the focus on corporate sustainability in the communities where they occur. Extracting data on wildfires (a frequent type of disaster in the U.S.) and using two rating agencies and EPA air enforcement actions to construct measures of county-level sustainability, we study this conjecture. We show that severe wildfires in a county increase significantly the aggregated environmental sustainability in the following year. This effect is not driven by pre-trends, such as the implementation of existing sustainability programs, nor does it exhibit post-trends, such as the further growth of sustainability in later years. It is also robust to considering other variables that might be related to the wildfire severity and corporate environmental sustainability in a county, such as prescribed fires, wildfires that take place in neighboring areas, and the attention that locals pay to wildfires as these are occurring. Moreover, we show that there is no spillover or substitution effect on non-environmental aspects of corporate sustainability (e.g., diversity, or human rights). Importantly, the impact on the environmental corporate sustainability that we estimate is not homogeneous across counties: it is significant only in counties where the percentage of climate change believers is high, or where most voters are Democrats. Given the high environmental and economic costs of wildfires, our findings that local corporations respond to them by improving their environmental sustainability provide at least some consolation in the aftermath of such disasters.

Title: Does CEO Debt-like Compensation Mitigate Corporate Social Irresponsibility?

Authors: Long Chen, Guanming He, and Gopal Krishnan

Corporate social irresponsibility (CSI) is an increasingly relevant topic to today's business as it may exert stronger impacts on firms than corporate social responsibility (CSR). However, little is known about mechanisms through which to curb such irresponsible actions. We examine whether CEO debt-like compensation (i.e., pension and deferred compensation granted to the CEO of a firm) mitigates the firm's CSI, proxied by environmental, social, and governance (ESG) risk exposure. Using a measure of ESG risk exposure based on media coverage of ESG incidents, we find that CEO inside debt is negatively related to ESG risk exposure. Further, this relation is stronger when firms are confronted with financial constraints, have larger outside debt or lower credit ratings, and when CEOs are younger or have shorter tenure.

Friday, September 3, 2021

11:00-12:30 London / 18:00-19:30 Beijing
Paper Session 10 - Green Financing

Chair: Professor Dr. Kerstin Lopatta, Chair of Financial Accounting, Auditing and Sustainability, Faculty of Business, Economics and Social Sciences, University of Hamburg

Title: Do Investors Care About Impact?

Authors: Florian Heeb, Julian Kölbel, Falko Paetzold and Stefan Zeisberger

In a framed field experiment, we assess how investors' willingness-to-pay (WTP) for a sustainable investment responds to the investment's impact in the form of CO2 emission savings. We find that, although investors have a substantial WTP for sustainable investments, they do not pay more for an investment with more impact. This finding also holds for a unique sample of dedicated impact investors. We further show that investors' WTP responds to impact when they can directly compare several investment options. Yet, the response is far from being proportional to the level of investments' impact. Our findings indicate that the WTP for sustainable investments depends strongly on the presented choice set and the emotional experience of choosing a sustainable option. Further, our findings suggest that investors do not optimize the impact of their investments but instead optimize the "warm glow" they gain from investing sustainably, which has important implications for modeling the overall impact of sustainable investing on the economy.

Title: Biodiversity finance – pushing the frontier

Author: Christoph Nedopil

Current levels of biodiversity finance are insufficient to protect nature, while current financial flows are detrimental to global biodiversity. This article aims to explore: why is biodiversity finance currently insufficient and how to push the research agenda? To approach this question, I analyze how the topic of biodiversity finance – or rather the nexus of biodiversity and finance – has thus far been approached: I expand the framework Tobin de-la Puente et al. and examine theories and concepts that have been applied to understand both market and firm-level aspects to reduce biodiversity risks and improve biodiversity outcomes through finance. The literature review shows, most importantly, that biodiversity and nature often have no clearly defined property rights, while information on the impacts of business activities on biodiversity and thus information about their risks on the broader economic and non-economic ecosystems are incomplete. This makes investments into activities that destroy biodiversity too cheap as negative externalities cannot be properly priced, while similarly investments in nature-positive activities cannot be properly monetized. To push the frontier of biodiversity finance, I summarize four axioms from the research: (1) Most of nature's value is not bankable; (2) biodiversity finance needs to focus on local risks (in comparison, e.g. to climate finance's global risks); (3) bankability for biodiversity finance needs to improve, e.g. through alignment with climate finance; (4) the biodiversity finance nexus needs to move from financing biodiversity to biodiversity finance.

Title: CAROs: Climate Risk-Adjusted Refinancing Operations

Authors: Chiara Colesanti Senni and Florian Böser

Policy makers have argued that markets are not pricing climate risk appropriately yet, which leads to a misallocation of resources, with potentially adverse effects for financial stability. Climate risk-adjusted refinancing operations (CAROs) conducted by the central bank are one possible way to influence the allocation in the real economy. CAROs are characterized by interest rates on reserve loans, which depend on the climate risk exposure of the assets held by the borrowing bank. We focus on environments where private agents and the government, including the central bank, have differing beliefs about the likelihood of the transition. Thus, from the central bank's perspective, the allocation resulting without its intervention is suboptimal. We show that an appropriate design of CAROs allows the central bank to influence bank lending in a way that induces the optimal allocation under its beliefs. Moreover, we find that firm investment into climate risk mitigation reduces the need for central bank intervention and that CAROs can be used to achieve specific climate-related allocation targets, following a policy coherence argument, for instance. We also characterize the optimal design of CAROs in the presence of financial stability concerns.

Paper Session 11 - Green ESG and Asset Pricing

Chair: Dr. LI Jing, Research Associate, Research Center for Green Finance Development, Tsinghua University PBC School of Finance

Title: ESG Preference, Institutional Trading, and Stock Return Patterns

Authors: Weiming (Elaine) Zhang, Sheridan Titman, Xintong Zhan, and Jie Cao

Socially responsible (SR) institutions focus more on ESG performance and trade less aggressively on earnings surprises and other quantitative mispricing signals. Perhaps, because of their shift in attention, stocks with high SR institutional ownership tend to underreact to earnings disclosures and other sources of quantitative information. These results are not driven by difference in the corporate information environment, proxied by analyst coverage and forecast accuracy. They also do not seem to be driven by indexers or institutions with long horizons. These return patterns emerge in recent years with the rise of ESG investing, and are significant only when there are arbitrage-related funding constraints.

Title: Stock Price Reactions to ESG News: The Role of ESG Ratings and Disagreement

Authors: Aaron Yoon and George Serafeim

We investigate whether ESG ratings predict future ESG news and the associated market reactions. We find that the consensus rating predicts future news, but its predictive ability diminishes for firms with large disagreement between raters. Relation between news and market reaction is moderated by the consensus rating. In the presence of high disagreement between raters, the relation between news and market reactions weakens while the rating with most predictive power predicts future stock returns. Overall, while rating disagreement hinders the incorporation of value relevant ESG news into prices, ratings predict future news and proxy for market expectations of future news.

Title: Do Active Fund Managers Exploit Material ESG Information?

Authors: Linquan Chen, Yao Chen, Alok Kumar, and Woon Sau Leung

Using firm-level ESG news indices, we examine whether active mutual fund managers skillfully integrate material ESG information into their portfolio decisions. We find firm-level ESG news affects mutual fund holdings. Fund managers incorporate material ESG news to cater to investor demand and they also improve their risk-adjusted performance. The ESG news-holding relation is stronger during periods of high ESG demand. In the cross-section, the relation is stronger among funds with retail-oriented clienteles, better ESG ratings, and higher marketing fees. In addition, funds located in Democratic states and managed by "domestic" managers exhibit stronger sensitivity to ESG news.

12:30 – 14:00 London / 19:30 – 21:00 Beijing

Paper Session 12 - Sustainable Investment Choices and Investor Behaviour

Chair: Professor Alexander Bassen, Chair of Capital Markets and Management, Faculty of Business, Economics and Social Sciences, University of Hamburg

Title: Green sentiment, stock returns, and corporate behavior

Authors: Marie Brière and Stefano Ramelli

We propose a new method to estimate non-fundamental demand for green financial assets based on exchange traded funds (ETFs). Given the arbitrage mechanism of ETFs, abnormal flows into green ETFs capture changes in investors' appetite for environmental responsibility that are not yet incorporated in the price of underlying assets. Our measure of green sentiment differs significantly from the indexes of climate-related news and attention proposed by the extant literature. Changes in green sentiment predict a long-lasting stock-price out-performance of more environmentally responsible firms, as well as an increase in their capital investments and cash holdings.

Title: Socially Responsible Investments: Costs and Benefits for University Endowment Funds

Authors: George Aragon, Yuxiang Jiang, Juha Joenvaara, and Cristian Tiu

We find that university endowment funds experience 6% higher donations following the adoption of socially responsible investment (SRI) policies, providing strong evidence that SRI policies influence capital flows to universities. These effects are primarily driven by donors who derive more nonpecuniary utility from SRI objectives. However, SRI funds have greater management costs and portfolio return volatility than other funds and do not experience higher asset growth rates (donations plus investment income). Finally, SRI policies are associated with other university benefits, including enhancements to the fund's risk management practices, more student applications, and more funding for faculty research in sustainability science.

Title: Do sustainable consumers prefer socially responsible investments? A study among the users of robo advisors

Authors: Ann-Christine Brunen and Oliver Laubach

Paper Session 13 - Disclosure and Reporting for Sustainable Finance

Chair: Professor Ivan Diaz-Rainey, Leading the Climate and Energy Finance group, University of Otago

Title: Navigating the corporate disclosure gap: Multiple Imputation of Missing Not at Random Carbon Data

Authors: Malgorzata Olesiewicz, Sonja Greven and Jaakko Kooroshy

Corporate carbon emissions data is disclosed by less than 60% of large and mid-sized companies globally, despite being a key indicator of corporate climate performance. As investors have been increasingly looking to integrate climate risk into their investment strategies and risk reporting, this creates demand for robust prediction models that can generate reliable estimates for missing carbon disclosures. However there is currently a lack of transparency about the quality of such estimates, which are used in the investment decisions process with the same confidence as corporate reported data.

As disclosures remain mostly voluntary and the propensity to disclose is shaped by many factors (e.g. size, sector, geography) missing emissions data should be assumed to be 'missing not at random' (MNAR). However, widely used estimation methods (e.g. linear regression models, input-output models, or sector median models) typically don't correct for MNAR bias; and don't accurately reflect the uncertainty of the estimated data.

To address these issues, the objective of this paper is to:

(1) account for the uncertainty of the missing data and thus obtain regression coefficients by multiple imputation (MI) (2) correct for potential bias by using MI algorithms based on Heckman's sample selection model introduced by Galimard et al. (3) estimate missing carbon disclosures with resulting linear model and report on the uncertainty of the predicted values, measured as the length of the prediction interval.

Title: Institutional Investors and Carbon Emissions: Evidence from the US EPA's semi-scientific Reporting Mandate

Authors: Santanu Kundu and Stefan Ruenzi

Using a novel identification strategy exploiting the difference between the mandated reported emissions and the scientific emissions of the same firm at the same point in time, we find that institutional investors increase their holdings in firms with higher scientific carbon emissions. The increase in ownership is driven by institutions located in climate conscious states. Further, the increase in ownership is more pronounced for firms that have greater capability to become green and in firms where investors can have a 'voice'. Additionally, firms that experience increase in ownership from climate change conscious investors reduce their emissions in the longer run.

Title: Showing off cleaner hands: mandatory climate-related disclosure by financial institutions and the financing of fossil energy

Authors: Jean-Stéphane Mésonnier and Benoit Nguyen

We investigate the real effects of mandatory climate-related disclosure by financial institutions on the funding of carbon-intensive industries. Our impact metric is the amount invested into securities, bonds and stocks, issued by fossil fuel companies. A French law, which came into force in January 2016 in the aftermath of the Paris Agreement on climate change, provides us with a quasi-natural experiment. The new regulation, unique in Europe at that time, requires institutional investors (i.e., insurers, pension funds and asset management firms), but not banks, to report annually on both their climate-related exposure and climate change mitigation policy. Using a unique dataset of security-level portfolio holdings by each institutional sector in each euro area country, we compare the portfolio choices of French institutional investors with those of French banks and all financial institutions located in other EA countries. We find that investors subject to the new disclosure requirements curtailed their financing of fossil energy companies by some 40% compared to investors in the control group.

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