

SUSTAINABLE FINANCE AND INVESTMENTS

Course code	<i>GRAB005</i>
Level of studies	<i>Graduate</i>
Number of credits	<i>6 ECTS; 36 class hours, 124 hours of self-study, 2 hours of consultation</i>
Course coordinator (title and name)	<i>Prof. Dr. Pablo Collazzo e-mail: pablo.collazzo@faculty.ism.it</i>
Prerequisites	<i>Undergraduate diploma</i>
Language of instruction	<i>English</i>

THE AIM OF THE COURSE

This course addresses finance and sustainability as an integrated subject, beginning with an introduction of financial and investment principles, and moving towards financial analysis, risk management and valuation. The course covers diverse aspects of sustainable investments, and offers tools for effective financial valuation and risk assessment. By bringing sustainability to the core of financial decisions, we emphasize the strategic nature of sustainable finance, both in terms of capital structure and asset allocation, leading to incremental outcomes for all stakeholders. Long-term prosperity, competitive advantage, growth, and at times even organizational survival are core drivers of sustainable finance.

Sustainability is in essence a triple bottom-line that requires balancing out economic, social and environmental (ESG) factors into financial choices. Sustainable finance incorporates additional elements into that scope, including financial metrics and notation, risk management, ethical dilemmas, social responsibility, shared value creation and corporate governance.

Sustainable finance and investing based on environmental, social, and governance (ESG) criteria remain a fairly novel concept, yet shaping a paradigm shift in financial management. We support capacity-building in the rapidly changing financial and corporate sectors, for organizations to 'walk the talk' and deliver blended economic and social progress, as well as 'talk the walk', making sure ESG practices are properly disclosed, through intelligible, materiality-driven reporting, as required by the European Sustainability Reporting Standards (ESRS) and related global frameworks.

This practitioner-oriented course on sustainable finance is designed with the student at the center of the learning process, combining case studies with project-based techniques, so as to bridge theory and practice, equipping participants with a market-ready set of skills.

LEARNING OUTCOMES

Course learning outcomes (CLO)	Study methods	Assessment methods
CLO1. To review diverse case studies within different industries to understand the implications of sustainability in priority areas of economy and the way they are reshaping global markets.	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO2. To understand better how markets react to the new standards of sustainable finance and investment.	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO3. To be able to develop a model of sustainable financial analysis to value a financial project.	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO4. To understand financing and investment principles by applying financial concepts and techniques to analyze sustainability activities and transactions	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO5. To learn make better-informed sustainability related decision, all while distinguishing between positive analyses and normative judgements	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO6. To sharpen critical analysis and communication abilities, especially in the context of sustainable financing and investment issues, and apply systems thinking to real-world business problems.	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO7. To expand general understanding of the complex decisions faced by managers in business, government, and non-profit organizations.	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project

CLO8. To be challenged to clarify your own values and opinions on issues related to sustainability.	Lectures, readings, case studies, self-study, in class discussions	Case Studies and Class Participation, Final project
CLO9. To develop critical thinking and problem-solving skills	Lectures, self-study, group work	Case Studies and Class Participation, Final project

ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating will lead to a report to the ISM Committee of Ethics.

QUALITY ASSURANCE MEASURES

The lecturer will apply multiple teaching methods to keep the students engaged in the topic. Continuous student feedback will be invited and accommodated to improve class experience. Students are encouraged to e-mail the lecturer between the respective classes for any assistance or clarification needed.

COURSE OUTLINE

Session	Topic	In-class hours	Readings (Textbook)
1	Introduction to Sustainable Finance and Investment. <i>A brief recap on time value of money, free cash-flows, and financial statements.</i>	4	Sustainable Finance Fundamentals, Ch. 1
2	Value Creation through Sustainable Finance Sustainable Finance and Risk Management	4	Sustainable Finance Fundamentals, Ch. 2 & 4
3	Sustainable Finance Ecosystem Players & Products	4	Sustainable Finance Fundamentals, Ch. 3, 7, 8, 9 & 10
4	Sustainable Finance Ecosystem Players & Products	4	Sustainable Finance Fundamentals, Ch. 3, 7, 8, 9 & 10 Case study (<i>Apple Inc.</i>)
5	Climate Finance Carbon Markets Transition to clean energy	4	Sustainable Finance Fundamentals, Ch. 11 & 12
6	ESG – Meaning & Scope Comparability, Materiality, Frameworks ESG Ratings – Scoring Exercise	4	Sustainable Finance Fundamentals, Ch. 5 & 6
7	ESG – Meaning & Scope Comparability, Materiality, Frameworks ESG Ratings – ESG & SDGs	8	Sustainable Finance Fundamentals, Ch. 5 & 6 Quick Case (<i>Navigating ESG</i>) ESG Exercise (<i>Triodos</i>)
8	ESG and Firm Value Innovation and the way forward	4	Sustainable Finance Fundamentals, Ch. 13 Case study (<i>BlackRock</i>)
		Total: 36 hrs.	

FINAL GRADE COMPOSITION

Type of assignment	% of the total grade
Review Quizzes (individual; 2 x 10%)	20
Case Studies (individual + group; 3 x 20%)	60
ESG Exercise (group)	20
Total:	100

DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

Assessment 1. REVIEW QUIZZES (20%)

Two review quizzes will be conducted. Multiple-choice and open questions will be provided in order to test your learning on the topics discussed up to that moment in the course. Each review quiz is worth 10% of the final grade.

Assessment 2. CASE STUDIES (60%)

Students should upload their *individual* answers to the case questions ahead of the session scheduled for the in-class discussion. In addition, each *group* will be assigned one of the case questions and is expected to share insights (analysis, PowerPoint) and lead on the discussion of such question. The case studies add up to 60% of the grade.

Assessment 3. ESG EXERCISE (20%)

The ESG exercise consists of a *group* presentation of the assigned case questions, accounting for 20% of the final grade. The exercise is combined with a podcast discussion and a short simulation.

RETAKE

In case of a negative final grade, a re-take exam (open questions) will be organized. The weight of a re-take is 60%. Review Quizzes and the ESG Exercise cannot be retaken but their evaluation (if positive) is not annulled.

REQUIRED READINGS

Readings include journal articles and book chapters drawn from academic literature, policy-oriented publications, and government reports. Readings are available on the internet or via e-learning.

Selected Case Studies are posted online.

Main Textbook: *Sustainable Finance Fundamentals*, by C. Vargas, Routledge, 2023.

Additional Readings and Websites:

Adams, C. A., Alhamood, A., He, X., Tian, J., Wang, L., & Wang, Y. (2021). The double-materiality concept: Application and issues. Global Reporting Initiative (GRI).

Baumüller, J., & Sopp, K. (2022). Double materiality and the shift from non-financial to European sustainability reporting: Review, outlook and implications. *Journal of Applied Accounting Research*, 23(1), 8–28.

Collazzo, P. & B. Facchinetti (2024). ESG Frameworks – a Convergence Exercise, in: *Ethisch ökologische Unternehmenspolitik für KMU*; Edited by R. Paulesich, D. Feser and M. Strohmaier, Springer Nature, forthcoming.

Ehlers, T., Gao, D., & Pack, F. (2021). BIS Papers No 118. A taxonomy of sustainable finance taxonomies. Bank for International Settlements. Retrieved from bis.org/publ/bppdf/bispap118.pdf

Elkington, J. (2018, June 25). 25 years ago I coined the phrase “Triple Bottom Line.” Here’s why it’s time to rethink it. *Harvard Business Review*.

European Commission. (n.d.-a). EU taxonomy for sustainable activities. Retrieved from https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

European Commission. (n.d.-b). Overview of sustainable finance. Retrieved from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en

Friedman, M. (1970, September 13). Responsibility of business is to increase its profits. *The New York Times*.

Mugglin, I., Rendlen, B., Favier, A., & Frey, N. (2017). WWF white paper: Sustainable finance – now or never! WWF Switzerland.

Schoenmaker, D. (2017). From risk to opportunity: A framework for sustainable finance. Rotterdam School of Management series on positive change 2. Rotterdam School of Management, Erasmus University.

<https://www.unepfi.org/>

<https://purposebrand.com/blog/esg-report-examples-fortune-2022/>

<https://sustinere.ee/en>

<https://www.globalreporting.org/>

<https://thegiin.org/impact-investing/need-to-know/>

<https://www.impaakt.com/#>

<https://www.blackrock.com/lu/individual/themes/thematic-investing/why-invest-thematically>