

Global Network Week – October 2024

ESMT Berlin

“Sustainable Finance” with Dr. Hanna Setterberg

The transition to a long-term sustainable economy is a global challenge of extensive magnitude and the financial sector is playing an important role in this process. During the sessions of this week, you will get an overview of the field of sustainable finance, its drivers, trends, and products. You will learn different ways of taking sustainability or ESG (environmental, social and governance) into account when investing in equity, with a special focus on active ownership, trading strategies, and ESG integration. You will also learn about sustainable debt products and the role of banks in the transition to a low carbon economy. You will also get a deeper understanding of how to perform corporate ESG analysis; what data sources to use, how to determine material ESG factors, how to understand ESG scores and sustainability reports, and how to monetize externalities to measure impact.

The sessions during this week will be a mix of interactive lectures, poll-sessions, mini-cases, and group discussions. You will also have the opportunity to learn from practitioners in the finance industry. Finally, you do not need to be a finance and/or sustainability nerd to understand and benefit from the materials, presentations, and discussions in this program – we have designed it to have a relatively broad scope (but we will go into practical details as well).

To be rewarded a course certificate after the course, you must attend at least 80 % of the course sessions.

A warm welcome!

Monday, October 14 (afternoon): Sustainable Finance Overview

In this session we will learn about the global challenges (for example climate change, biodiversity loss, water scarcity, inequalities, etc.) and discuss the role of the financial industry. We will make sure that we have the same understanding of some of the key concepts within the field of sustainable finance. We will also spend some time on building a good learning environment. In the final part of the session, we will be joined a guest to learn about their perspective on sustainability.

Learning goals: Get an overview of the field of sustainable finance.

Tuesday, October 15 (afternoon): Corporate Sustainability Reporting

In this session you will learn about corporate sustainability reporting which is a key and important source of information for stakeholders in the financial markets. We will talk about different reporting frameworks (GRI, SBT, TCFD, TNFD, SASB, etc). We will also cover the upcoming regulations in different jurisdictions around sustainability reporting.

Learning goals: Get an understanding for the concept of double materiality and different reporting frameworks for corporate sustainability reports.

Wednesday, October 16 (afternoon): Sustainable Debt Products

In this session we will cover sustainable finance products such as social, green and sustainability bonds (use of proceeds products), including looking at real examples of sustainable finance frameworks and the role of second opinion providers. To get a deeper understanding about the costs and benefits of issuing a green bond, we will do a case about an emerging market bank that is considering issuing (the case of Isbank). You are asked to prepare the case in study groups).

We will also talk about performance-linked debt products and learn when these types of products are more suitable than use-of proceeds products. We will discuss the role of the banking sector in the transition to a low-carbon economy.

Learning goals: Understand the pro's and con's of different sustainable debt products. Understand the role of banks and debt capital in the transition to a low-carbon economy.

Thursday, October 17 (afternoon): Sustainable Investing Strategies

In this session we will discuss different investing strategies, covering impact investing, thematic investing, screening strategies, corporate engagement etc. We will practice the toolbox on a real investment mini-case and discuss the trade-offs between divestment versus supporting their transition. We will also be joined by a guest from practice to learn about their approach to sustainable investing.

Learning goal: Get deeper insights about different investment strategies, with focus on the issue on exclusion versus transition.

Friday, October 18 (morning): Corporate ESG Analysis and Equity Valuation

In this session we will learn about an important data source for investors, namely ESG scores and ratings. We will discuss how these scores are constructed, how they can be used in investment decisions and what their limitations are. We will also look at how ESG issues can be integrated into fundamental corporate valuation by doing a case on the Nordic steelmaker SSAB, by linking material ESG issues are linked to profitability and growth. You are asked to read the case before class, but no further preparations are needed. In the last part of the session, we will reflect upon the learnings from the whole week and discuss outstanding issues.

Learning goals: Understand the pro's and con's of ESG scores and ratings. Understand what data sources are available and how to integrate ESG into a financial analysis and corporate valuation.