NEOMA BUSINESS SCHOOL
REIMS · ROUEN · PARIS

DEAKIN UNIVERSITY

Conference on Sustainable Finance
NEOMA Business School
May 23, 2024 – Paris, France

Information and registrations here

PROGRAM

08:30 – 09:00 Registration and breakfast – RDD (ground floor)

09:00 – 09:15 Opening Address : Serge Da Motta Veiga, Research Director

SESSION 1 – ROOM: AMPHITHEATER B (ground floor)
Chair: Sami Attaoui (NEOMA Business School)

09:15 – 09:50 Blame it on the weather: Market implied weather volatility and firm performance

Joon Woo Bae[1], Yoontae Jeon[2], **Stephen Szaura**[3], Virgilio Zurita[4]

[1]Weatherhead School of Management, Case Western Reserve University, [2]DeGroote School of Business, McMaster University, [3]BI Norwegian Business School, [4]Hankamer School of Business, Baylor University

Discussant: Zoran Filipović (Université Paris Dauphine – PSL)

Abstract: *We introduce a novel measure of weather risk implied from weather options' contracts. WIVOL captures risks of future temperature oscillations, increasing with climate uncertainty about physical events and regulatory policies. We find that shocks to weather volatility increase the likelihood of unexpected costs: a one-standard deviation change in WIVOL increases quarterly operating costs by 2%, suggesting that firms, on average, do not fully hedge exposures to weather risks. We estimate returns' exposure to WIVOL innovations and show that more negatively exposed firms are valued at a discount, with investors demanding higher compensations to hold these stocks. Firms' exposure to local but not foreign WIVOL predicts returns, which confirms the geographic nature of weather risks shocks.*

09:50 – 10:25 Does Sustainable Investing Make Stocks Less Sensitive to Information about Cash Flows?

Steffen Hitzemann[1], An Qin[2], Stanislav Sokolinski[3], Andrea Tamoni[2]

[1]Bauer College of Business, University of Houston, [2]Rutgers Business School, [3]Broad College of Business, Michigan State University

Discussant: Sami Attaoui (NEOMA Business School)

Abstract: *Traditional finance theory asserts that stock prices depend on expected future cash flows. We explore how the growing prominence of non-pecuniary preferences in the form of sustainable investing alters this core financial relationship. Using the setting of earnings announcements, we find that sustainable investing diminishes stock price sensitivity to earnings news by 45%-58%. This decline in announcement-day returns is mirrored by a comparable drop in trading volume. This effect persists beyond the immediate announcement period, implying a lasting alteration in price formation rather than a short-lived mispricing. Our findings suggest that sustainable investing reduces the significance of cash flows in shaping stock prices.*

10:25 – 11:00 Technology Entrepreneurs' Environmental Commitments and Crowdfunding Outcomes

Vesa Pursiainen[1], Meichen Qian[2],Dragon Yongjun Tang[3]
[1]University of St.Gallen and Swiss Finance Institute, [2]University of Chicago Booth School of Business, [3]University of Hong Kong

Discussant: Emma Li (Deakin University)

Abstract: *We study the role of environmental commitments by technology entrepreneurs in their reward-based crowdfunding campaigns. Technology projects with public environmental commitments are significantly less likely to receive funding, but this varies depending on local climate opinions and political views. Backers in areas less concerned about climate change and more Republican areas are significantly less likely to fund campaigns with environmental commitments. The negative relationship between campaign outcomes and environmental commitments is stronger in cases where such commitments might be assumed more costly, suggesting that at least some backers interpret there to be a trade-off between sustainability and other product features.*

11:00 – 12:00 Keynote Presentation – Stefano Lovo, HEC Paris

12:00– 13:30 LUNCH BREAK – ROOM: RDD (ground floor)

SESSION 2 – ROOM: PS-208 (second floor)
Chair: Gilbert Cette (NEOMA Business School)

13:30 – 14:05 ESG Ratings and Firms' Financing Decisions

Roman Kräussl[1], Joshua Rauh[2], **Denitsa Stefanova**[3]
[1]Bayes Business School (formerly Cass), Hoover Institution at Stanford University, and CEPR, [2]Stanford Graduate School of Business, Hoover Institution, and NBER, [3]University of Luxembourg

Discussant: Jung-Hyun Ahn (NEOMA Business School)

Abstract: *We study the effects of ESG ratings on firms' security issuance decisions. We develop a dataset based on Refinitiv's point-in-time (PIT) ratings product that ensures we are only considering ratings actually available to investors as of the time of financial decisions. We find that higher environmental scores (the "E" component of ESG) are associated with increases in equity issuance and decreases in debt issuance, without increasing the firm's overall capital. There is therefore no evidence that changes in ESG scores either affect a firm's opportunity cost of capital for new investments or relax financing constraints, although changes in ESG scores (and "E" scores in particular) may change the relative prices of issuing different types of securities. We document numerous false inferences that would be made about capital raising if using the standard Refinitiv product instead of the PIT data. We also demonstrate that there are no apparent effects of ESG scores on stock returns as measured by alphas in standard 4-factor asset pricing models.*

14:05 – 14:40 Do Voluntary Pledges Make Loans Greener?

Tobias Berg[1], Robin Döttling[2], **Xander Hut**[1], Wolf Wagner[2]
[1]Goethe University Frankfurt, [2]Rotterdam School of Management, Erasmus University.

Discussant: Laura Trinchera (NEOMA Business School)

Abstract: *We analyze whether voluntary green pledges result in greener loan origination in the project finance (PF) market. The PF market is of key importance for financing large-scale, climate-relevant projects globally. We can directly classify the environmental impact of expenditures financed through PF loans because projects are single-purpose developments. We exploit a tightening of the Equator Principles (EP) that introduced comprehensive climate risk management requirements to newly originated PF loans. This allows us to disentangle the effect of a lender's sign-up decision from the impact of the green pledge itself. In lender-level and loan-level analyses, we find no evidence for a shift from brown to green lending by EP members relative to non-EP members after the tightening. We corroborate this null result using a wide range of alternative model specifications.*

14:40 – 15:15 [The Costs of Being Sustainable]

Emanuele Chini[1], Roman Kräussl[2], **Denitsa Stefanova**[1]

[1]University of Luxembourg, [2]Bayes Business School (formerly Cass), Hoover Institution at Stanford University, and CEPR.

Discussant: Andréanne Tremblay-Simard (FSA Université Laval)

Abstract: *We assess the sustainability footprint of mutual funds through the holdings they have. Rather than relying on ESG metrics, we define the sustainability of a company by its average impact (either positive, or negative) on the 17 UN's Sustainable Development Goals (SDGs). We document that funds aligned with SDGs attract inflows only if they also have a sustainability mandate. For funds without a clear sustainability mandate, the relationship is opposite: those that are more aligned with SDGs, attract fewer flows. When we decompose scores in their positive and negative component, we find that it is mainly the negative component that drives our results. This suggests that, despite investors' preference for sustainable funds, investors limit their actions to excluding funds that are negatively aligned with SDGs rather than increasing capital inflows towards funds that are positively aligned. These findings highlight the fact that investors divest from non-sustainable funds into "neutral" funds, instead of contributing to advancing SDGs by investing in positively aligned funds.*

15:15 – 16:00 COFFEE BREAK – PS-208 (second floor)

16:00 – 17:00 Keynote Presentation – Vikas Agarwal, Distinguished University Professor of the University System of Georgia & Bank of America Distinguished Chair and Professor of Finance at Georgia State University's J. Mack Robinson College of Business

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SESSION 3 – ROOM: PS-208 (second floor)

Chair: Serge Darolles (Université Paris Dauphine – PSL)

17:00 – 17:35 [Ethics of Coal Power Plants Phase Out]

Jiwon Kim[1], Matthew Brander[1], Theodor Cojoianu[1,2], Maretno Agus Harjoto[3]

[1]University of Edinburgh Business School, [2]EU Platform on Sustainable Finance, [3]Pepperdine Graziadio Business School

Discussant: Sylvester Adasi Manu (NEOMA Business School)

Abstract: *Based on Kantian categorical imperative, this study hypothesizes that absolute moral commitments by institutional investors to divest fossil fuel stocks, parent companies' power plants' commitment to transition toward renewable energy power plants, and institutional commitments to support countries' environmental performance are positively related to net corporate level retirements of coal power assets. Using a sample of 1,419 coal power plants parent companies across 90 countries during 2000 to 2021, this study finds a positive relationship between institutional investors' divestment and coal power plants phase out. The parent companies' commitment to transition toward renewable energy power plants is also positively related with the phase out. Parent companies located in countries with greater environmental performance index is significantly related to greater phase out. Using difference-in-difference for the pre-post Paris Agreement, we find firms that have transitioned toward renewable energy prior to the Paris Agreement tend to retire more and reduce more coal power generating capacities after the Paris Agreement. This study highlights the importance of absolute moral commitments from institutional investors, corporations, and institutions as key stakeholders to facilitate coal power plants phase out.*

17:35 – 18:05 **A Greenwashing Index**

Elise Gourier[1,2], **Hélène Mathurin**[1]
[1]ESSEC Business School, [2]CEPR

Discussant: Jason Cen (University of Exeter Business School)

Abstract: *We construct a news-implied index of greenwashing. Our index reveals that greenwashing has become particularly prominent in the past five years. Its increase was driven by skepticism towards the financial sector, specifically ESG funds, ESG ratings and green bonds. We show that greenwashing impacts investors' behavior. Unexpected increases in the greenwashing index are followed by decreases of flows into funds advertised as sustainable, both for retail and institutional investors. They furthermore bias the estimation of stocks' beta on climate risk, distorting the estimated climate risk premium. When accounting for greenwashing, the climate risk premium becomes small and statistically insignificant.*

18:15 – 19:15 **Professional Panel Discussion – ROOM: PS-208 (second floor)**

Sustainability integration: past, present and future

Moderator: Messaoud Chibane (NEOMA Business School)
Panelists:
Isabelle Tracq-Sengeissen, Partner – EY
Laura Malucelli, Sustainable Banking Associate – Crédit Agricole CIB
Mathieu Joubrel, Chief Technical Officer – ValueCo

19:15 Closing Address

Conference Date and Venue

May 23, 2024
NEOMA Business School – Paris Campus
6 Rue Vandrezanne, Paris 75013, France

Questions and inquiries

Send an e-mail to sustainablefinance@neoma-bs.fr