



GRASFI

5th Annual Conference

Zurich, Switzerland

5 - 7 September 2022





WELCOME



Falko Paetzold

Assistant Professor in Social Finance, EBS University, and Managing Director of the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich

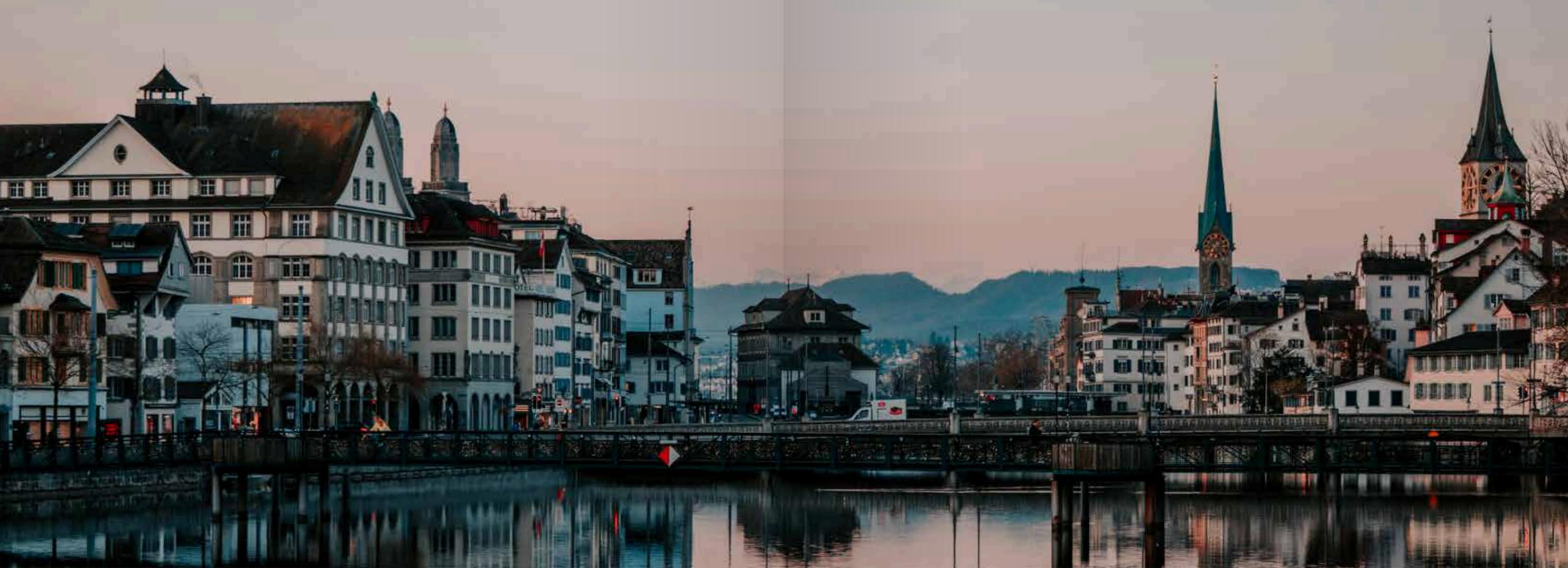
Welcome to Zurich! Zurich is a beautiful place, providing a great backdrop for our intellectual exchange as we discuss cutting-edge academic research. Zurich is also the global heart of private wealth management and a major hub in the global banking and reinsurance business – and the University of Zurich is right in the center of it. What a great place to host the 2022 GRASFI conference – and to advance the real-world positive impact of our academic community. That's also the theme for GRASFI 2022 – driving real-world impact, with dedicated discussions and sessions to bring different stakeholders together and help bridge the gap between science and practice. Towards impact – together!



Heidi Raubenheimer

Executive Director, GRASFI

GRASFI is an alliance: an understanding among our members that, in collaboration, we are more than the sum of our parts. Our annual academic conference represents the most generous of these collaborations as we gather to share and review new research in sustainable finance and investment. We select the best developing research from those submitted by member and non-member universities alike and – in partnership with our sponsors – seek to critique and contribute to this work toward its greater impact on the finance and investment community. Thank you for joining us this week to play your part in promoting impactful academic research on sustainable finance and investment.



SPONSORS

GRASFI 2022 has been generously supported by:



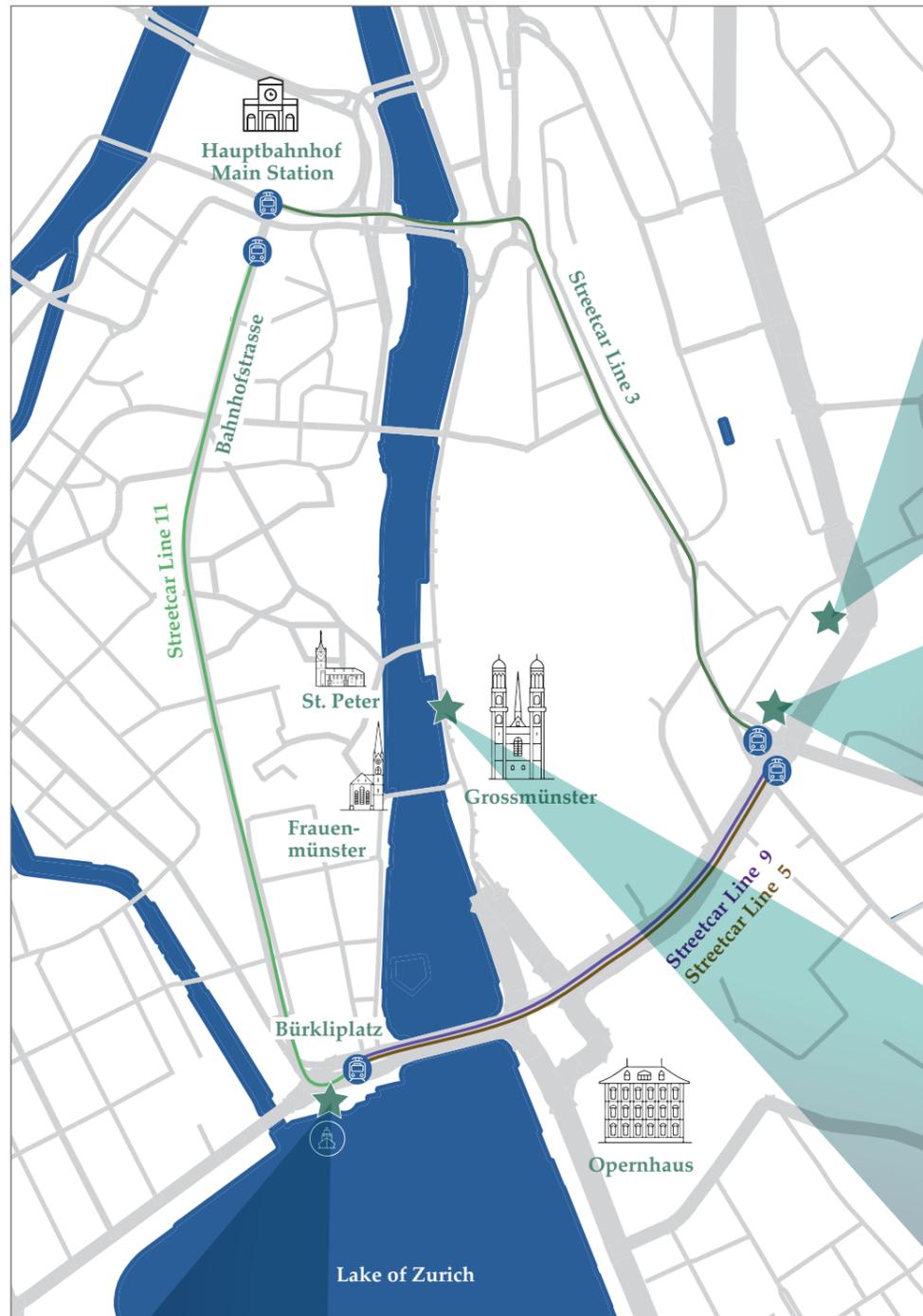
The sustainable investor for a changing world



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CITY MAP



University of Zurich RAA
Rämistrasse 59



Kunsthaus Zürich
Heimplatz 1

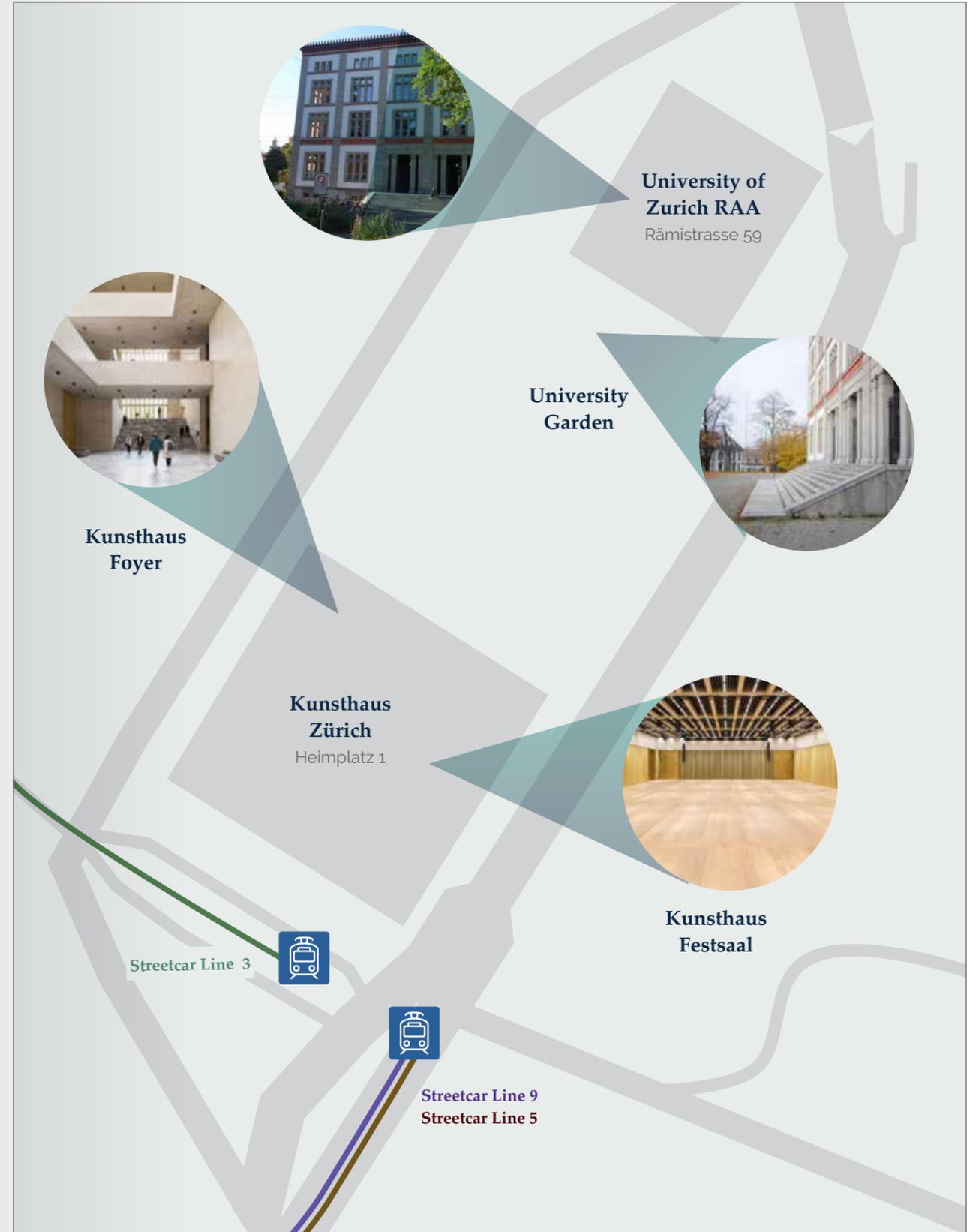


Zunfthaus Zimmerleuten Restaurant
Limmatquai 40

Departure for boat trip on Tuesday
Bürkliplatz



VENUE MAP



University of Zurich RAA
Rämistrasse 59

University Garden

Kunsthaus Foyer

Kunsthaus Zürich
Heimplatz 1

Kunsthaus Festsaal

Streetcar Line 3

Streetcar Line 9
Streetcar Line 5

DAY 1 AGENDA

PhD Workshop (Invite Only)

08:30 – 11:30 CET | Venue: RAA building of the University of Zurich

Pre-selected PhD students will be invited to present their papers or projects and faculty and senior researchers from GRASFI universities will provide feedback, as well as advice on research, publications and careers.

Leaders: **Professor Paul Smeets**, Professor of Philanthropy and Sustainable Finance at Maastricht University School of Business and Economics and **Dr Falko Paetzold**, Assistant Professor in Social Finance, EBS University, and Managing Director of the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich.

Format: Short input; moderated PhD speed-dating rounds

Welcome Address

13:15 – 13:30 CET | Venue: Kunsthaus Zürich

Dr Falko Paetzold, Assistant Professor in Social Finance, EBS University, and Managing Director of the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich.

Opening Remarks

13:30 – 13:40 CET | Venue: Kunsthaus Zürich

Fabio Pellizzari, Head of ESG Strategy and Development, Zurich Cantonal Bank (Zürcher Kantonalbank).

Opening Discussion: How can science drive real world impact?

13:40 – 14:15 CET | Venue: Kunsthaus Zürich

Deputy State Secretary **Stefan Flückiger**, State Secretary for International Finance at the Federal Department of Finance (FDF).

Marie-Claire Graf, Co-Founder & Advisor, Sustainability Week for Business

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

Thomas Vellacott, CEO, WWF Switzerland. (Moderator)

DAY 1 AGENDA

Break – Buffet with drinks and snacks

14:15-14:45 CET | Venue: Kunsthaus Zürich & RAA building of the University of Zurich

Paper Session A1

ESG-Ratings & -Data: How do we make sense of it?

14:45 – 16:15 CET | Venue: Kunsthaus Zürich

Exploring ITR score: Framing robust company-specific benchmarks and future company-level GHG emissions ranges

Authors: Ruben Haalebos and Felix Fouret

ESG Rating Revisions and Stock Returns

Authors: Rients Galema and Dirk Gerritsen

Inflated ESG ratings through socially responsible investing: An inverse relation to sustainable performance

Authors: Bram van der Kroft and Dennis Bams

Paper Session B1

ESG Funds: Lemons, Resilience, Skills

14:45 – 16:15 CET | Venue: RAA building of the University of Zurich

In Holdings We Trust: Uncovering the ESG Fund Lemons

Lachie McLean, Ivan Diaz-Rainey, Sebastian Gehricke and Renzhu Zhang

Starting a new conversation:

Activating an additional institutional logic in Shareholder Engagement.

Authors: Tanja Ohlson, Emilio Marti and Michael Smets

The investment skill of ESG aware mutual funds

Auhtors: Ellie Luu, Marco Ceccarelli, Richard Evans, Simon Glossner and Mikael Homanen

Break – Buffet with drinks and snacks

16:15-16:45 CET | Venue: Kunsthaus Zürich & RAA building of the University of Zurich

DAY 1 AGENDA

Paper Session A2

Companies and Their Stakeholders: What is happening at the intersection?

16:45 – 18:15 CET | Venue: Kunsthaus Zürich

An Inside View of Corporate ESG Practices

Author: Hoa Briscoe-Tran

Investors pushing for sustainability: How firms assess the urgency of stakeholder requests

Authors: Anne Kellers, Julian Kölbel and Falko Paetzold

ESG and firm value effects of shareholder proposals

Authors: Timo Busch, Lisa Scheitza, Tobias Bauckloh and Christian Klein

Paper Session B2

Markets & Trends: Allocations, Competition, Optimal Design

16:45 – 18:15 CET | Venue: RAA building of the University of Zurich

Responsible Investing and Stock Allocation

Authors: Marie Brière and Stefano Ramelli

Competition Depresses Corporate ESG Performance: Evidence from Product Market Treats

Authors: Hanwen Sun and Yue Xiang

The Optimal Design of Green Securities

Authors: Adelina Barbalau and Federica Zeni

Reception and Dinner

18:30 – 21:00 CET | Venue: Zunfthaus Zimmerleuten, Limmatquai 40, 8001 Zürich

Keynote speaker: **Professor Michael Schaepman**, President, University of Zurich



DAY 2 AGENDA

Paper Session A3

Firm Sustainability:

How do investors drive it ahead, if at all?

08:45 – 10:15 CET | Venue: Kunsthaus Zürich

Cheap Talk in Corporate Climate Commitments: The Effectiveness of Climate Initiatives

Authors: Julia Anna Bingler, Mathias Kraus, Markus Leippold and Nicolas Webersinke

Which institutional investors drive corporate sustainability?

Authors: Daniel Schmidt, Marco Ceccarelli, Mikael Homanen and Simon Glossner

Do Firms Cater to Investor Demand for Environmental Investment?

Authors: Stuart Gillan, Naciye Sekerci and Laura Starks

Paper Session B3

Europe: Key Topics in Taxonomy, Carbon and Transition

08:45 – 10:15 CET | Venue: RAA building of the University of Zurich

Financing the low-carbon transition in Europe

Authors: Olimpia Carradori, Katia Vozian, Margherita Giuzio, Dilyara Salakhova and Sujit Kapadia

Revenue Alignment to the EU-Taxonomy Regulation

Authors: Othar Kordsachia, Alexander Bassen, Weiqiang Tan and Kerstin Lopatta

Carbon home bias of European investors

Authors: Rients Galema and Martijn Boermans

Break – Buffet with drinks and snacks

10:15-10:50 CET | Venue: Kunsthaus Zürich & RAA building of the University of Zurich

DAY 2 AGENDA

Paper Session A4

Climate Policy: What is its effect, if any?

10:50 – 12:20 CET | Venue: Kunsthaus Zürich

Believe me when I say green! Heterogeneous expectations and climate policy uncertainty

Authors: Emanuele Campiglio, Francesco Lamperti and Roberta Terranova

Climate Laws and Cross-border Mergers and Acquisitions

Authors: Tong Li, Dragon Yongjun Tang and Fei Xie

Over with carbon? Investors' reaction to the Paris Agreement and the US withdrawal

Authors: Lucia Alessi, Stefano Battiston and Virmanta Kvedaras

Paper Session B4

Measures, Metrics & AI

10:50 – 12:20 CET | Venue: RAA building of the University of Zurich

Scope 3 Emissions: Data Quality and Machine Learning Prediction Accuracy

Authors: Quyen Nguyen, Ivan Diaz-Rainey, Adam Kitto, Ben McNeil, Nic Pittman and Renzhu Zhang

Green Investor Clientele Effects

Author: Antti Yang

Net Zero Carbon Metrics

Authors: Thierry Roncalli, Théo Le Guenedal, Takaya Sekine and François Lombard

Break – Lunch Buffet

12:20-14:00 CET | Venue if sunny: Garden of the RAA building of the University of Zurich
Venue if rainy: Kunsthaus Zürich

DAY 2 AGENDA

Paper Session A5

Individual Investors: What are their preferences & behaviours?

14:00 – 15:30 CET | Venue: Kunsthaus Zürich

Sustainable Finance Literacy and the Determinants of Sustainable Investing

Authors: Massimo Filippini, Markus Leippold and Tobias Wekhof

The power of information nudges for individual sustainable investment: Empirical evidence from a framed field experiment

Authors: Sophia Möller, Daniel Engler, Gunnar Gutsche and Andreas Ziegler

Why Do Investors Pay Higher Fees for Sustainable Investments? An Experiment in Five European Countries

Authors: Gunnar Gutsche, Daniel Engler and Paul Smeets

Paper Session B5

Pricing Climate Change (I): Key Developments & Frameworks

14:00 – 15:30 CET | Venue: RAA building of the University of Zurich

Carbon Beta: A Market-Based Measure of Climate Risk

Authors: Joop Huij, Dries Laurs, Philip Stork and Remco Zwinkels

Internal Carbon Markets and Corporate Carbon Emissions Behavior in the EU ETS

Author: Santanu Kundu

Asset-level climate physical risk assessment and cascading financial losses

Authors: Giacomo Bressan, Anja Duranovic, Irene Monasterolo and Stefano Battiston

Break – Buffet with drinks and snacks

15:30-16:10 CET | Venue: Kunsthaus Zürich & RAA building of the University of Zurich

DAY 2 AGENDA

Paper Session A6

Climate Change: Where do we already see effects, and regulation?

16:10 – 17:40 CET | Venue: Kunsthaus Zürich

Surging Sovereign Spreads: The Impact of Coastal Flooding on Sovereign Risk

Author: Atreya Dey

Nailing Down Volatile Temperatures: Examining their Effects on Asset Prices

Authors: Leonardo Bortolan, Atreya Dey and Luca Taschini

Environmental regulatory risks, firm pollution, and mutual funds' portfolio choices

Author: Simon Xu

Paper Session B6

Pricing Climate Change (II): Key Developments & Frameworks

16:10 – 17:40 CET | Venue: RAA building of the University of Zurich

Pricing Physical Climate Risk in the Cross-Section of Returns

Author: Glen Gostlow

Shocks to transition risk

Authors: Christoph Meinerding, Yves Schueler and Philipp Zhang

Floods and firms: vulnerabilities and resilience to natural disasters in Europe

Authors: Gabor Katay, Serena Fatica and Michela Rancan

Reception

17:40-19:30 CET | Venue if sunny: Garden of the RAA building of the University of Zurich
Venue if rainy: Kunsthaus Zürich

Dinner

19.45-22.30 CET | Venue: Zürisee Schiff Panta Rhei boat

Meeting point and drop-off at Bürkliplatz. Keynote speaker: **Ariane Dehn**, BNP Paribas Asset Management and **Anja Hochberg**, ZKB Asset Management

DAY 3 AGENDA

Paper Session A7

Bond Markets: Key Trends and Insights

08:30 – 10:00 CET | Venue: Kunsthaus Zürich

Who Pays for Sustainability? An Analysis of Sustainability-Linked Bonds

Authors: Adrien-Paul Lambillon and Julian Kölbl

Nature as a Defense from Disasters: Natural Capital and Municipal Bond Yields

Author: Claudio Rizzi

Information on Hot Stuff: Do Lenders Pay Attention?

Authors: Mandeep Singh and Emdad Islam

Paper Session B7

Key Themes on Banks, ETFs, Private Markets

08:30 – 10:00 CET | Venue: RAA building of the University of Zurich

Bank Presence and Health

Author: Kim Fe Cramer

Navigating Climate Uncertainty: Clean Tech vs Fossil Fuel ETFs

Authors: Minh Nhat Nguyen and Ruipeng Liu

The Pace of Change: Socially Responsible Investing in Private Markets

Authors: Jan Starmans, Deeksha Gupta and Alexandr Kopytov

Break – Buffet with drinks and snacks

10:00-10:40 CET | Venue: Kunsthaus Zürich & RAA building of the University of Zurich

DAY 3 AGENDA

Science Meets Practice - Biodiversity

10:40 – 12:10 CET | Venue: Kunsthaus Zürich

Biodiversity is a key sustainability issue, yet it is largely untackled and a new frontier in finance. This session will be a deep dive into the role of finance and research, key questions and ways forward.

With **Robert-Alexandre Poujade**, Senior ESG Analyst, Biodiversity Lead BNP Paribas AM and **Professor Rob Bauer**, Professor of Finance (Chair: Institutional Investors) at Maastricht University School of Business and Economics, **Jessica Smith**, Nature Lead, UNEP Finance Initiative and **Amadine Favier**, Head of Sustainable Finance, WWF Switzerland.

Science Meets Practice - Unleashing Private Wealth

10:40 – 12:10 CET | Venue: RAA building of the University of Zurich

Following intense wealth concentration, about 50% of global wealth is controlled by < 1% of the population – so-called high net worth and ultra high net worth individuals (i.e., private millionaires, billionaires). We will show a rich set of impact-portfolio data, options for surveys and interviews, with the impact-focused (U)HNW members of the Toniic community. See example research projects based on that data and discuss future avenues and ideas for research projects.

With **Kristin Siegel**, Head of EMEA and Director of the 100% Network, Toniic; **Dr. Charly Kleissner**, Self-made UHNW Impact Investor and Co-founder of Toniic, and **Dr Falko Paetzold**, Assistant Professor in Social Finance, EBS University, and Managing Director of the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich.

Break – Lunch Buffet

12:10-13:30 CET | Venue if sunny: Garden of the RAA building of the University of Zurich
Venue if rainy: Kunsthaus Zürich

Science Meets Practice - Measuring Impact

13:30 – 14:30 CET | Venue: RAA building of the University of Zurich

Diving into key questions about investor impact, measuring impact, deep impact and systems change, and shaping a research agenda.

With **Dr. Jonathan Harris**, Founder, Total Portfolio Project; **Dr. Julian Kölbl**, Assistant Professor in Sustainable Finance, University of St. Gallen; **Dr. Falko Paetzold**, Assistant Professor in Social Finance, EBS Universität, and Managing Director of the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich; and **Harald Walkate**, Advisor on ESG and former Head of ESG at Natixis Investment Managers.

DAY 3 AGENDA

Break – Buffet with drinks and snacks

14:30-15:00 CET | Venue: Kunsthaus Zürich

Science Meets Practice - Banks & Climate

13:30 – 14:30 CET | Venue: Kunsthaus Zürich

Bank Credit to Fossil Fuel, Diesel Cars ... Brown Abroad but Green at Home. Four 8-minute presentations by **Professor Steven Ongena**, Professor of Banking, University of Zurich, and his colleagues **Winta Beyene**, **Emanuela Benincasa**, and **Emilia Garcia**, as well as **Chiara Colesanti Senni**, Council on Economic Policies, followed by discussion and shaping a future research agenda on the theme of banks and banking in the context of climate change.

Best Paper Presentations & Awards

15:00 – 16:00 CET | Venue: Kunsthaus Zürich

GRASFI Best Paper Award (by BNP Paribas)

GRASFI Best Paper Award for Transparency for Stakeholders (by Swiss Sustainable Finance)

GRASFI Best Paper Award for Climate Finance Research (by Imperial College)

GRASFI Best Paper Award for Impactful Research (by Impact Foundation)

GRASFI Best PhD Paper Award

Closing Remarks

16:00 – 16:30 CET | Venue: Kunsthaus Zürich

Roger Miners, Head of Distribution, Europe & CEO BNP Paribas Asset Management UK.

Announcement GRASFI 2023: **Dr Ben Caldecott**, Co-Chair, GRASFI; Director, Oxford Sustainable Finance Group and the Lombard Odier Associate Professor of Sustainable Finance, University of Oxford.

Impact Community Dinner in Zurich

19:00 – 22:00 CET | Venue: Tibits Bistro, Falkenstrasse 12, 8008 Zurich

Enjoy an informal dinner with like-minded people from the sustainable finance and impact investing space, organised by the Coalition for Impact (C4i) and the Impact Foundation.

Separate registration required: Inquire with michelle.vanwaveren@bf.uzh.ch

SPEAKERS



Anneliese Alig Anderhalden

CEO, UZH Foundation



Rob Bauer

Professor of Finance
(Chair: Institutional Investors) at
Maastricht University School of
Business and Economics



Emanuela Benincasa

PhD Candidate, UZH



Winta Beyene

PhD Candidate, UZH



Ben Caldecott

Director, Oxford Sustainable
Finance Group, and Lombard
Odier Associate Professor,
University of Oxford



Chiara Colesanti Senni

Fellow, Council on
Economic Policies



Dalia Daou

Centre Manager, Centre for
Climate Finance & Investment,
Imperial College London



Sabine Döbeli

CEO, Swiss Sustainable
Finance



Amadine Favier

Head of Sustainable Finance,
WWF Switzerland

SPEAKERS



Stefan Flückiger

Deputy State Secretary for International Finance at the Federal Department of Finance (FDF)



Emilia Garcia-Apendini

Senior Academic Associate, UZH



Marie-Claire Graf

Co-Founder & Advisor, Sustainability Week for Business



Jonathan Harris

Founder, Total Portfolio Project



Charly Kleissner

Self-made UHNW Impact Investor and Co-founder of Toniic



Julian Kölbel

Assistant Professor in Sustainable Finance, University of St. Gallen



Roger Miners

Head of Distribution, Europe & CEO, BNP Paribas Asset Management UK



Steven Ongena

Professor of Banking, University of Zurich



Falko Paetzold

Assistant Professor in Social Finance, EBS University, and Managing Director of the Center for Sustainable Finance and Private Wealth (CSP) at the University of Zurich

SPEAKERS



Fabio Pellizzari

Head of ESG Strategy and Development, Zurich Cantonal Bank (Zürcher Kantonalbank)



Heidi Raubenheimer

Executive Director, GRASFI



Kristin Siegel

Head of EMEA and Director of the 100% Network, Toniic



Jessica Smith

Nature Lead, UNEP Finance Initiative



Paul Smeets

Professor of Philanthropy and Sustainable Finance at Maastricht University School of Business and Economics



Thomas Vellacott

CEO, WWF Switzerland, CSP Steering Committee Member



Harald Walkate

Advisor on ESG and former Head of ESG at Natixis Investment Managers; Collaborator with CSP

SESSION DETAILS

Paper Session A1

ESG-Ratings & -Data: How do we make sense of it?

14:45 – 16:15 CET | Venue: Kunsthaus Zürich

Session Chair: Bérénice Lasfargues, BNP Paribas AM , and Prof. Timo Busch, University of Hamburg

Exploring ITR score: Framing robust company-specific benchmarks and future company-level GHG emissions ranges

As Investors are looking to align their portfolios with the goals of the Paris Agreement, portfolio metrics like Implied Temperature Rise (ITR) are becoming increasingly popular. We describe a Task Force on Climate-Related Financial Disclosures-aligned ITR methodology and benchmark the results.

Authors: Ruben Haalebos and Felix Fouret

ESG Rating Revisions and Stock Returns

We study the six-month impact of ESG rating revisions on U.S. stocks. Decreases are followed by annualized negative returns of 3%, which are not driven by ESG-specific news; partly driven by sustainable index changes; and in line with long-term investors decreasing holdings after a rating decrease.

Authors: Rients Galema and Dirk Gerritsen

Divestment, information asymmetries, and inflated ESG ratings

We causally show that ESG ratings are inversely related to sustainable performance because firms face cost of capital incentives to inflate ratings given socially responsible investing under information asymmetries. Consequently, their promises of future sustainable performance do not realize, even up to 15 years in the future.

Authors: Bram van der Kroft and Dennis Bams

Paper Session B1

ESG Funds: Lemons, Resilience, Skills

14:45 – 16:15 CET | Venue: RAA building of the University of Zurich

Session Chair: Prof. Alexander Wagner, University of Zurich

In Holdings We Trust: Uncovering the ESG Fund Lemons

Investment funds available to New Zealand retail investors are motivated by value rather than values. We show evidence of greenwashing by funds, i.e. funds stating decarbonization do not have lower portfolio carbon footprints.

Authors: Lachie McLean, Ivan Diaz-Rainey, Sebastian Gehricke and Renzhu Zhang

SESSION DETAILS

Starting a new conversation:

Activating an additional institutional logic in Shareholder Engagement.

A key question around shareholder engagements is whether influence on corporate sustainability requires departing from traditional conversations with companies. We show that traditional behaviour opens the door for engagement, while departing from traditional behaviour enables shareholder influence.

Authors: Tanja Ohlson, Emilio Marti and Michael Smets

The investment skill of ESG aware mutual funds

We document a positive financial return to ESG integration by mutual funds. Funds with the highest level of ESG integration that are exposed to firms where having superior information about ESG is most valuable (high uncertainty, negative incidents, rating change) have higher monthly return.

Auhtors: Ellie Luu, Marco Ceccarelli, Richard Evans, Simon Glossner and Mikael Homanen

Paper Session A2

Companies and Their Stakeholders: What is happening at the intersection?

16:45 – 18:15 CET | Venue: Kunsthaus Zürich

Session Chair: Prof. Thorsten Hens, University of Zurich

An Inside View of Corporate ESG Practices

I analyze 10.4 million anonymous employee reviews to build an inside view of corporate ESG practices. The inside view predicts a firm's future misconduct, governance issues, downside risk, growth, and valuation. The inside view also appears more robust to greenwashing than existing ESG indices.

Author: Hoa Briscoe-Tran

Investors pushing for sustainability:

How firms assess the urgency of stakeholder requests

We study how firms evaluate the urgency of investors' ESG requests and how their assessment affects their responses. The study contributes to the literature on the impact of sustainable investing by showing that investors need to put their key resources (i.e., money) behind their ESG requests, to convince firms to do the same.

Authors: Anne Kellers, Julian Kölbel and Falko Paetzold

ESG and firm value effects of shareholder proposals

We investigate ESG and firm value effects of more than 7,000 shareholder proposals. Our results suggest that shareholder proposals can have a positive but limited effect on firms' ESG and carbon performance. Moreover, we find positive, albeit small abnormal market reactions when information on ESG- or carbon-related proposals becomes available.

Authors: Timo Busch, Lisa Scheitza, Tobias Bauckloh and Christian Klein

SESSION DETAILS

Paper Session B2 Markets & Trends: Allocations, Competition, Optimal Design

16:45 – 18:15 CET | Venue: RAA building of the University of Zurich

Session Chair: Prof. Alexander Wagner, University of Zurich

Responsible Investing and Stock Allocation

Responsible investing can have unexpected effects on risk-taking behavior. By analyzing the portfolio choices of around 900,000 participants in employee saving plans in France over the 2015-2020 period, we show that the possibility to invest in a responsible equity fund is associated with a significant increase in equity allocation.

Authors: Marie Brière and Stefano Ramelli

Competition Depresses Corporate ESG Performance: Evidence from Product Market Treats

Contrary to the view that firms adopt ESG differentiation strategies to deal with product market threats (PMTs), we show that PMTs depresses firms from dedicating to ESG activities. The deteriorating ESG performance can be attributed to the reduction in costly ESG practices, such as environmental expenditure and CSR report auditing etc.

Authors: Hanwen Sun and Yue Xiang

The Optimal Design of Green Securities

Firms can finance green projects using project-based securities that specify the projects financed with the proceeds but make no commitment to outcomes, or outcome-based securities that do not restrict the use of proceeds but incentivize commitment to outcomes. We rationalize the optimality, evolution and co-existence of these security designs.

Authors: Adelina Barbalau and Federica Zeni

Paper Session A3 Firm Sustainability: How do investors drive it ahead, if at all?

08:45 – 10:15 CET | Venue: Kunsthaus Zürich

Session Chair: Prof. Emilio Marti, Rotterdam School of Management

Cheap Talk in Corporate Climate Commitments: The Effectiveness of Climate Initiatives

We extract climate cheap talk from 14,584 annual reports from 2010 to 2020 by fine-tuning the ClimateBert algorithm. We show that supporting the TCFD is associated with more climate cheap talk, being part of the

SESSION DETAILS

CA100+ target companies with less. Setting a SBTi is negatively associated with cheap talk when considered lagged.

Authors: Julia Anna Bingler, Mathias Kraus, Markus Leippold and Nicolas Webersinke

Which institutional investors drive corporate sustainability?

We show that only a small group of institutional investors, characterized by a strong commitment to engagement, drives the positive relationship between institutional ownership and firms' environmental and social performance.

Authors: Daniel Schmidt, Marco Ceccarelli, Mikael Homanen and Simon Glossner

Do Firms Cater to Investor Demand for Environmental Investment?

We find evidence that firms cater to investor demand for environmental investments. Furthermore, we document that catering is related to ownership structure. Specifically, we find stronger evidence of catering in firms with family ownership, with dual class share structures, when the largest shareholder is particularly powerful, when the firm in question comprises a larger weight in the largest shareholder's portfolio, and when firm ownership is more concentrated.

Authors: Stuart Gillan, Naciye Sekerci and Laura Starks

Paper Session B3 Europe: Key Topics in Taxonomy, Carbon and Transition

08:45 – 10:15 CET | Venue: RAA building of the University of Zurich

Session Chair: Prof. Steven Ongena, University of Zurich

Financing the low-carbon transition in Europe

Using data on firms subject to the EU ETS and responsible for 26% of EU's emissions, we find a convex relationship between leverage and emissions. We shed light on a group of firms that are too indebted for the low-carbon transition.

Authors: Olimpia Carradori, Katia Vozian, Margherita Giuzio, Dilyara Salakhova and Sujit Kapadia

Revenue Alignment to the EU-Taxonomy Regulation

This article examines how the passage of the EU Taxonomy Regulation (TR) has affected realized returns of TR-aligned companies. We find a positive association between TR-alignment and returns, which is positively moderated by investor attention to the new regulation. Traditional ESG Ratings do not explain these findings.

Authors: Othar Kordsachia, Alexander Bassen, Weiqiang Tan and Kerstin Lopatta

Carbon home bias of European investors

We analyze the carbon exposure and home bias of EU stock portfolios. Using unique stock-level holdings data, we find that Euro-area investors tend to overweight domestic carbon-intensive stocks, which is associated with positive excess stock returns.

Authors: Rients Galema and Martijn Boermans

SESSION DETAILS

Paper Session A4

Climate Policy: What is its effect, if any?

10:50 – 12:20 CET | Venue: Kunsthaus Zürich

Session Chair: Prof. Timo Busch, Hamburg University & Fabio Pinna, BNP Paribas AM

Believe me when I say green! Heterogeneous expectations and climate policy uncertainty

A vicious cycle between policy choices and high-carbon investment can emerge if climate objectives are ambitious but not sufficiently credible, forcing the economy into a high-carbon trap.

Authors: Emanuele Campiglio, Francesco Lamperti and Roberta Terranova

Climate Laws and Cross-border Mergers and Acquisitions

Firms are less likely to acquire targets in foreign countries that adopt climate laws. This effect intensifies with targets' exposure to climate regulations, the strength of legal enforcement, and the awareness of climate policies. Climate laws are selectively enforced. Post-law-adoption deals feature smaller synergies, lower premiums, and higher withdrawal probability.

Authors: Tong Li, Dragon Yongjun Tang and Fei Xie

Over with carbon? Investors' reaction to the Paris Agreement and the US withdrawal

European financial investors reduced their holdings in high-carbon equities in response to the Paris Agreement and reverted their positions after the US withdrawal. We document these effects with a multi-period diff-in-diff on ECB confidential data. In the process, some transition risk was transferred to unregulated sectors in emerging countries.

Authors: Lucia Alessi, Stefano Battiston and Virmanta Kvedaras

Paper Session B4

Measures, Metrics & AI

10:50 – 12:20 CET | Venue: RAA building of the University of Zurich

Session Chairs: Prof. Markus Leippold, University of Zurich & Raul Leote de Carvahlo, BNP Paribas AM

Scope 3 Emissions: Data Quality and Machine Learning Prediction Accuracy

This paper explores the quality of Scope 3 emission data in terms of divergence and composition, and the performance of machine-learning models in predicting Scope 3 emissions

Authors: Quyen Nguyen, Ivan Diaz-Rainey, Adam Kitto, Ben McNeil, Nic Pittman and Renzhu Zhang

SESSION DETAILS

Green Investor Clientele Effects

Green investors alleviate search frictions in over-the-counter markets. This paper shows that green bonds are more liquid and more resilient to liquidity shocks than conventional bonds of the same issuer.

Author: Antti Yang

Net Zero Carbon Metrics

The purpose of this paper is to define net zero carbon metrics, which are necessary to enhance the disclosure and the debate on corporates' emissions. We measure the participation, ambition and credibility of issuers' NZE policies.

Authors: Thierry Roncalli, Théo Le Guenedal, Takaya Sekine and François Lombard

Paper Session A5

Individual Investors:

What are their preferences & behaviours?

14:00 – 15:30 CET | Venue: Kunsthaus Zürich

Session Chair: Prof. Marie Lambert, HEC Liège

Sustainable Finance Literacy and the Determinants of Sustainable Investing

This paper introduces the concept of sustainable finance literacy. We survey a sample of Swiss households using multiple-choice questions and a new approach with written, open-ended responses. We find a generally low level of sustainable finance literacy. Further, open-ended responses do not show the gender gap observed in multiple-choice answers.

Authors: Massimo Filippini, Markus Leippold and Tobias Wekhof

Paper Session B5

Pricing Climate Change (I):

Key Developments & Frameworks

14:00 – 15:30 CET | Venue: RAA building of the University of Zurich

Session Chair: Raul Leote de Carvahlo, BNP Paribas AM

Carbon Beta: A Market-Based Measure of Climate Risk

We propose a market-based measure of climate risk exposure: carbon beta. Our measure has desirable properties regarding availability, coverage, and informativeness. Stocks with high carbon beta have lower returns in months with uncertainty around climate policy and in months with extreme weather.

Authors: Joop Huij, Dries Laurs, Philip Stork and Remco Zwinkels

SESSION DETAILS

Internal Carbon Markets and Corporate Carbon Emissions Behavior in the EU ETS

Firms with internal carbon markets in the EU ETS increase their carbon intensity by 6% during Phase III to reduce the relocation of free allowances to other divisions of the internal carbon market.

Author: Santanu Kundu

Asset-level climate physical risk assessment and cascading financial losses

We provide an asset-level methodology to compute how climate physical risks translate into financial risks for investors. We show that using asset-level data can lead to over 60% increase in estimated portfolio losses, while the combination of acute impacts from hurricanes with chronic impacts can lead up to 20% increase in estimated portfolio losses.

Authors: Giacomo Bressan, Anja Duranovic, Irene Monasterolo and Stefano Battiston

Paper Session A6

Climate Change: Where do we already see effects, and regulation?

16:10 – 17:40 CET | Venue: Kunsthaus Zürich

Session Chair: Dr. Ben Caldecott, Oxford University

Surging Sovereign Spreads: The Impact of Coastal Flooding on Sovereign Risk

Coastal flooding, exacerbated by sea level rise, is a considerable economic threat. I show that during periods of heightened attention toward climate risks, investors purchase sovereign insurance against countries currently exposed to floods but do not account for projections of future sea levels.

Author: Atreya Dey

Nailing Down Volatile Temperatures: Examining their Effects on Asset Prices

We present a new statistic to test the consequences of extremes in the distribution of temperature anomalies (TD-VAR). TD-VAR is a significant factor in the cross-section of equity returns in unsuspected industries. A spatial hedging strategy illustrate market reaction to temperature extremes. Our results survive different attention adjustments.

Authors: Leonardo Bortolan, Atreya Dey, and Luca Taschini

The effect of environmental regulation on mutual funds' capital allocation

Using ozone nonattainment designations as a source of exogenous variation in local environmental regulation, we find that mutual funds underweight heavy ozone-polluting stocks exposed to such shocks. Our results imply funds hedge against environmental regulatory risks, based on expected changes in firm fundamentals due to regulatory costs.

Author: Simon Xu

SESSION DETAILS

Paper Session B6

Pricing Climate Change (II): Key Developments & Frameworks

16:10 – 17:40 CET | Venue: RAA building of the University of Zurich

Session Chair: Prof. Rob Bauer, Maastricht University

Pricing Physical Climate Risk in the Cross-Section of Returns

We test for the existence of physical climate risk premia. Hurricane risk commands a positive premium whilst heat stress commands a negative premium. The unpriced portions of physical climate risk co-vary with fundamental risks in the economy, suggestive of mispricing.

Author: Glen Gostlow

Shocks to transition risk

We propose and implement a method to identify shocks to transition risk, addressing key challenges regarding its definition and measurement. These shocks have important aggregate effects, also inducing financial instability.

Authors: Christoph Meinerding, Yves Schueler and Philipp Zhang

Floods and firms: vulnerabilities and resilience to natural disasters in Europe

The paper investigates the dynamic impacts of flood events on European manufacturing companies during 2007-2018. Water damages have a significant and persistent adverse effect on firm-level outcomes. An average flood deteriorates firms' assets by about 2% in 1y and up to 5% in 7y. We document a significant composition effect in flooded regions.

Authors: Gabor Katay, Serena Fatica and Michela Rancan

Paper Session A7

Bond Markets: Key Trends and Insights

08:30 – 10:00 CET | Venue: Kunsthaus Zürich

Session Chair: Prof. Rob Bauer, Maastricht University

Who Pays for Sustainability? An Analysis of Sustainability-Linked Bonds

We examine the presence of a sustainability premium of sustainability-linked bonds (SLBs). Our results show that in most cases SLB issuers benefit from a premium, and in some cases even from a 'free lunch'. However, our findings also suggest that some companies do not benefit from a premium and seem to issue SLBs for signaling purposes.

Authors: Adrien-Paul Lambillon and Julian Kölbl

SESSION DETAILS

Nature as a Defense from Disasters: Natural Capital and Municipal Bond Yields

Using extreme weather and natural capital loss shocks, I find that financial markets, specifically municipal bond markets, price climate change risk adaptation strategies following extreme weather.

Author: Claudio Rizzi

Information on Hot Stuff: Do Lenders Pay Attention?

This study shows a robust negative correlation between banks' willingness to lend to small farms and local abnormal hot temperature occurrences in the recent past, suggesting that banks factor market-level information, such as worsening local climatic conditions, into their lending decisions.

Authors: Mandeep Singh and Emdad Islam

Paper Session B7

Key Themes on Banks, ETFs, Private Markets

08:30 – 10:00 CET | Venue: RAA building of the University of Zurich

Session Chair: Prof. Per Östberg, University of Zurich

Bank Presence and Health

Using a policy in India, I compare districts where banks are incentivized to enter to districts where banks are not incentivized to enter. Six years after the policy, households in treatment districts are a third less likely to be affected by an illness in a month. I show that banks offer health insurance to households and credit to health care providers.

Author: Kim Fe Cramer

Navigating Climate Uncertainty: Clean Tech vs Fossil Fuel ETFs

Using nonparametric estimates with imposing inequality restrictions, we find that "green" ETFs outperform "brown" ETFs in states related to high CSR Google search, high temperature and high Climate Policy Uncertainty. Also, the findings indicate that "brown" ETFs are riskier than "green" ETFs in these states.

Authors: Minh Nhat Nguyen and Ruipeng Liu

The Pace of Change: Socially Responsible Investing in Private Markets

We study the pace at which investors can generate impact. Investors who care about firm externalities independent of their ownership in the firm value acquiring firms with high negative externalities because they can reform these firms, which can cause a delay in reform. Investment mandates can incentivize reform in a timely manner

Authors: Jan Starmans, Deeksha Gupta and Alexandr Kopytov

EVENING VENUES

Monday

Reception & Dinner

18:30 – 22:00 CET | Venue: Zunfthaus Zimmerleuten, Limmatquai 40, 8001 Zürich



Keynote Speaker:

Professor Michael Schaepman
President, University of Zurich

Tuesday

Cruise & Dinner

19:45 – 22:45 CET | Venue: Lake of Zurich, Panta Rhei boat

Meeting point and drop-off at Bürkliplatz



Keynote Speaker:

Ariane Dehn
Country Head
Switzerland Wholesale
Institutional Clients at
BNP Paribas Asset
Management



Keynote Speaker:

Anja Hochberg
Multi-Asset Solutions
(IAM) Lead at ZKB Asset
Management

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Zurich, Switzerland

