**Sustainable business innovation and finance**

Prof. Giovanni Guastella

***COURSE AIMS AND INTENDED LEARNING OUTCOMES***

The course aims to introduce students to the principles and practice of business models sustainability transition with a focus on the implications for the financial sector. After introducing the concept of sustainability transition, the course looks more specifically at how sustainability principles are embedded in the financial sector. Particular attention is paid to integrated reporting, ESG metrics and measures of environmental and climate performance in relation to energy transition and decarbonisation. The central part of the course is dedicated to understanding how this information is priced into financial instruments. The last part of the course is dedicated to the most challenging aspect of sustainability, climate risk, distinguishing between physical and transition risk. The course introduces long-term scenario analysis as a tool to understand the climate change impact on firms and financial institutions.

By the end of the course, students will be able to value business models sustainability based on environmental performance, ESG scores, and climate risk metrics. Students will also be able to estimate the potential financial impacts of business model transformation for the sustainability transition.

The mix between theoretical lectures and case studies discussion will familiarise students with the basic theoretical concepts of sustainability and business model transformation while understanding the practical implications for financial markets.

***COURSE CONTENT***

Course introduction

Sustainability transition and the financial system

Internalising externalities and scenario analysis

Integrated reporting and ESG scores

ESG and sustainable finance

ESG and financial markets

ESG vs environmental and climate performance

Transition risk prising in financial markets

Climate change and credit risk

Climate stress tests

***READING LIST***

Schoenmaker, D and Schramade W, *Principles of sustainable finance*. Oxford University Press, 2018. (Only selected chapters)

Studying materials and a reader are provided by the instructor.

***TEACHING METHOD***

Theoretical lectures and laboratories

***ASSESSMENT METHOD AND CRITERIA***

The acquisition of knowledge will be assessed with an assignment and a written test. In the assignment, students will use data about the environmental, climate, and financial performance of listed companies to assess the financial impacts of environmental and climate disclosure using the approaches discussed during the theoretical lectures. In the written test, students will answer multiple short questions. These questions will cover both the theoretical part and the analysis of case studies discussed during class hours. The assignment will be graded based on the students’ ability to combine data-analysis skills with theoretical concepts acquired during class hours to get meaningful insights from financial and non-financial data. The test grade will be assigned by valuing the correctness of the test answers. The final grade is the weighted average of assignment and test grades.

***NOTES AND PREREQUISITES***

The course does not require previous knowledge of the topics.

The instructor receives students in his office.

Students are requested to send an email to schedule the meeting.