BEST 10 LIST SUSTAINABLE FINANCE

2022
High on everyone’s list should be last year’s Moscovitz Prize winner. In their paper entitled “Corporate ESG Profiles and Investor Horizons”, Laura Starks, Parth Venkat and Qifei Zhu successfully connect the work on long-horizon investors with the financing success of ESG-focused firms.

“The Impact from Impact Investing” that results is exactly the topic of last year’s paper by Jonathan Berk and Jules van Binsbergen. The authors do a remarkable job in connecting impact investing to the resulting cost of capital in an elegant piece that pushes the frontier, both theoretically and empirically.

The impact on the cost of capital may not be limited to its consequences for shareholders. “Is Carbon Risk Priced in the Cross-Section of Corporate Bond Returns?” ask Tinghua Duan and co-authors as a result.

Pushing in a very different, but definitely not less relevant way is Lakshmi Naaraayanan, who in a Financial Times piece entitled “Activist shareholders must push for environmental change” makes a great case for why and how activist shareholders can – and should have impact.

Assessing the broader impact of socially responsible investing are David Heath and co-authors, who ask “Does Socially Responsible Investing Change Firm Behavior?” The paper is a sobering account of the inability - so far! - of many SRI funds to affect firm behavior and serves as a challenge both for investors and policy makers.

One of the ways forward may very well be pushing for more and - especially - better disclosure standards. Two papers break ground for improved disclosure. In their GRASFI award winning paper entitled “The Effects of Mandatory ESG Disclosure around the World,” Philipp Krueger and co-authors make a great case for mandatory disclosure, and in the process manage to intrigue the reader with their findings on the effects of financial stability as well. Related, Richard Dotzlaw quite literally gives us his view of what a blueprint for those standards would look like in his thoughtful piece entitled “New Sustainability Standards Board: ISSB to address demand for global sustainability disclosure standards.”

The push for better standards may receive a lot of support from especially consumers: in a paper appropriately entitled “Get Real! Individuals Prefer More Sustainable Investments”, Rob Bauer and co-authors demonstrate that pension fund contributors are indeed willing to put their money where their mouth is when it comes to pushing for a more responsible investment policy.

Learning about fiduciary duty as well as learning about sustainable finance in general remains of utmost important. Nowhere is this more important than when we are “Addressing Capital’s Effects on Racial Justice,” as Andrea Armeni does.
To learn, we need teachers. Sustainable Finance requires thoughtful and thought-provoking teachers like Bhakti Mirchandani, who shares her reflections in a series of posts entitled “What I Wish I Had Learned About Investing at Harvard Business School.”

Rationale from the Curators:
The remarkable thing about last year’s work on sustainable finance is not just the depth of many analyses, but especially the range covered. In our top 10, young people eager to get educated about sustainable finance can have their pick, but seasoned investment executives and ambitious policy makers also find inspiration. The result is a top 10 that is eclectic in terms of authorship and outlet, but remarkably consistent and complete in terms of addressing many of the most important issues that should be high on anyone’s sustainable finance agenda.