

The book cover features a dramatic landscape with dark, silhouetted mountains against a vibrant sky transitioning from deep red at the top to bright orange near the horizon. The title 'CLIMATE FINANCE' is prominently displayed in large, bold, white capital letters with a subtle drop shadow effect.

# **CLIMATE FINANCE**

Nuno Fernandes

# **Climate Finance**

**Professor Nuno Fernandes  
IESE, BdP, EIB**

# Summary

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- Key topic: No option
- Finance and Climate is a two way street
- Investors care: its about risk/return
- Smart companies embrace: competitive advantage
- As in all change processes, there are challenges remaining

# Until 18.20

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- What is this book?
- Why Climate Finance
- Panel
- Cocktail

# CLIMATE FINANCE

Nuno Fernandes

# What

# What others say this book is all about?

“...a balanced perspective on the funding gap between investors, highlighting concrete options for actors on both the demand and supply sides.”

**Geraldine Matchett, Co-CEO and CFO, Royal DSM**

“It is timely and relevant for corporate officers, shareholders, bondholders, asset managers and owners, regulators, and bankers. He proves throughout the book just how financial decision-making and climate-change-related risks are inextricably linked.”

**Andrew Karolyi, Dean and Professor of Finance, Cornell SC Johnson College of Business**

“Its in-depth analysis of the current state of the industry and its clear explanation of the various financial instruments and mechanisms make it a must-read for anyone looking to understand and take action on the pressing issue of climate change.”

**Stephane Biguet, Chief Financial Officer, SLB**

# What others say this book is all about?

“...practical and applied concepts that are firmly grounded in reality. Professor Nuno Fernandes guides readers through the possible routes and roles of financial actors and instruments for the climate and environmental objectives. A must-read for all engaged in understanding climate finance!”

**Isabel Ucha, Managing Board, Euronext NV, CEO Euronext Lisbon**

“...ensuring an adequate financing for such transition is key. This book provides an excellent and thorough overview of the areas and the challenges confronting the financial industry to help in that process. Any person interested in how finance will evolve in the coming years should be interested in this book.”

**José Manuel Campa, Chairperson of the European Banking Authority (EBA)**

# Target Audience

“Climate change does not hit everybody at the same time, which makes the question of how to finance it over time and through economic agents hard to answer. As he has done before, Nuno develops a careful, in-depth approach to the topic. A must-read, surely, for central bankers.”

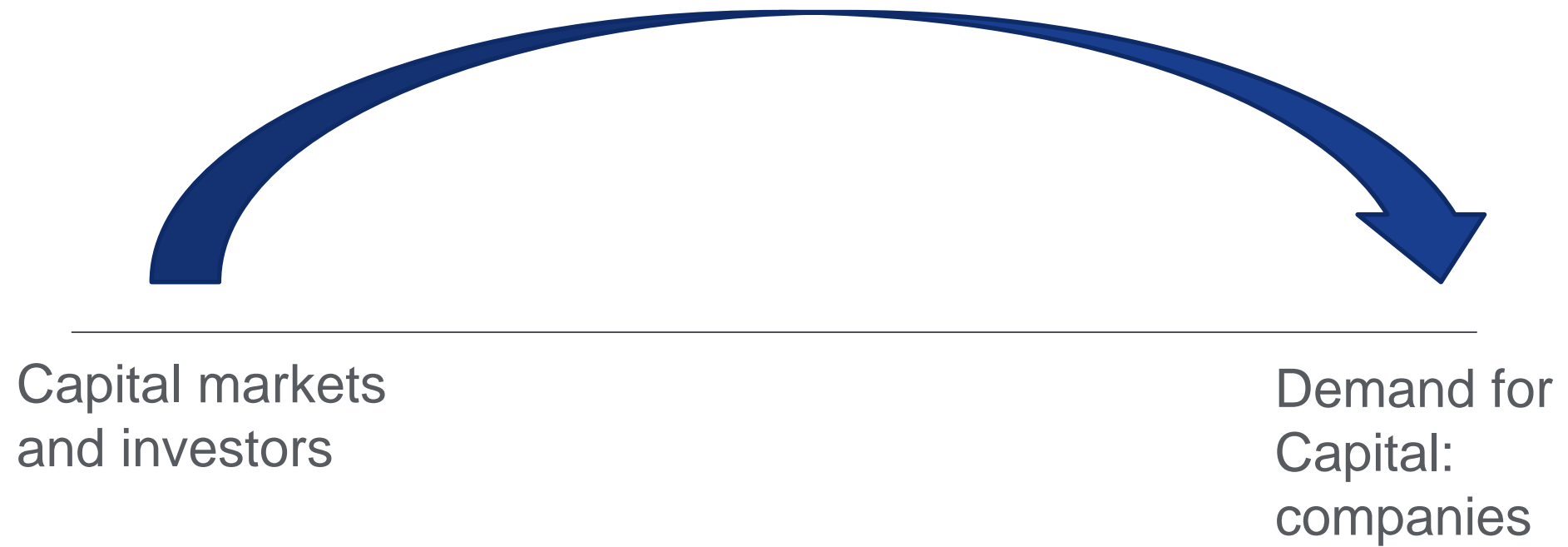
**Mário Centeno, Governor, Banco de Portugal**

“...private capital will play a lead role. Nuno Fernandes is the right person to guide us through the levers of this transformation, to show us how existing corporate structures will have to adapt and investors mobilised. This is the topic for our times and this book provides the much needed framework for decision makers. A must-read.”

**João Moreira Rato, President of the Portuguese Institute for Corporate Governance**

“Climate Finance opens a new dimension of financial analysis. It should be a required textbook in business schools worldwide and used by decision-makers who can no longer ignore the short-term and long-term impacts of the constraints of life on this planet.”

**João Talone, Chairman of the Board, EDP**





# Corporate Balance Sheet

How We Use Our Money

**Chapter 2:**  
Climate Risks and  
Opportunities  
P&L and value of  
assets

A

Where The Money Comes From

D  
E

→ **Chapter 3:** GB,  
loans, SLL, SLB,  
project financing,  
ratings, etc.

→ **Chapter 4:** Private &  
publicly traded co',  
governance, boards,  
voting, M&As

Ch 5

Ch 6

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Capital markets  
and investors

Demand for  
Capital:  
companies

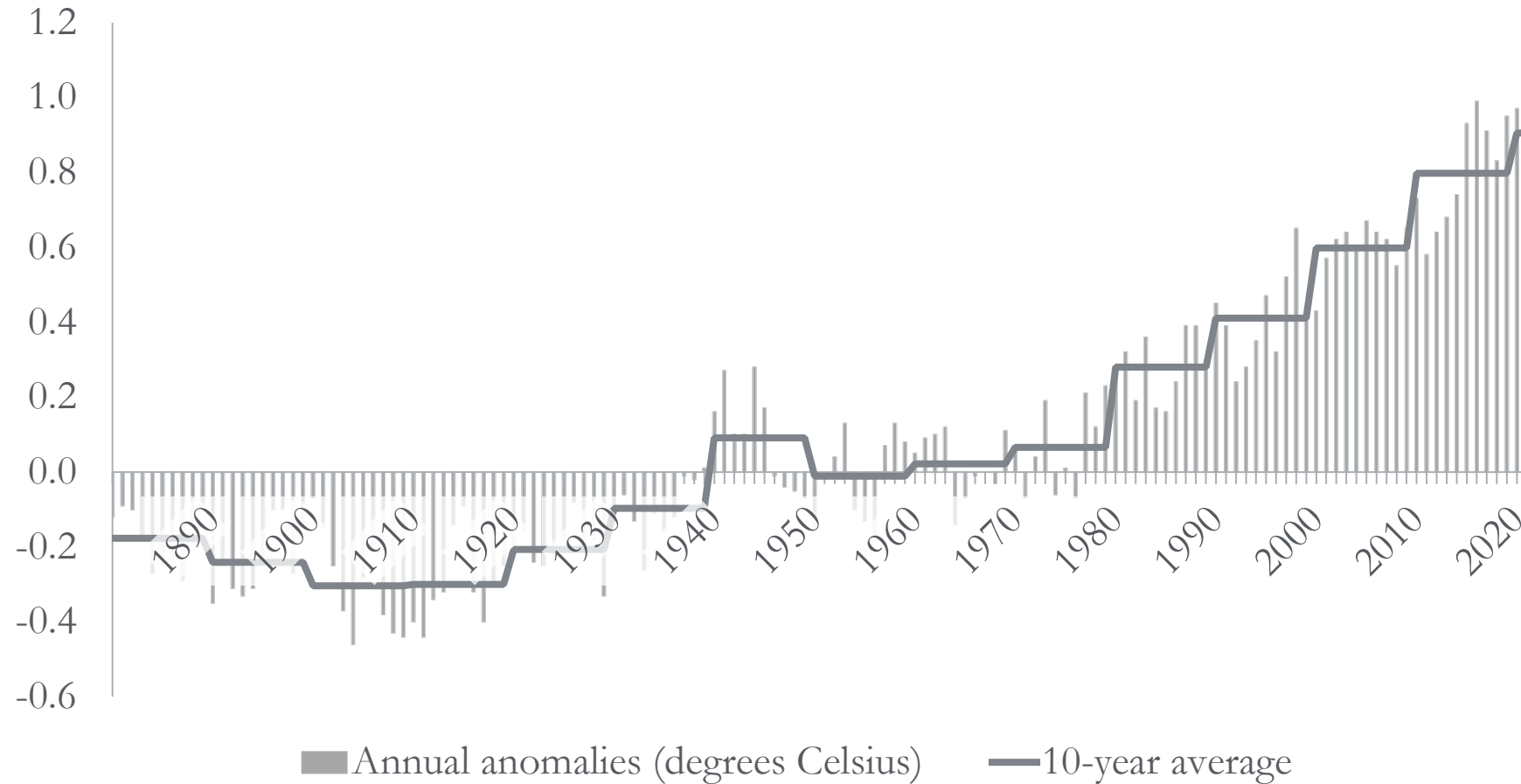
# What is this book about?

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- 6 Chapters
- +80 contributors
- **Close to 400** references (curated)
- real case studies (products, companies, investors, banks, etc.)
- Real data

**What Is the Problem?**

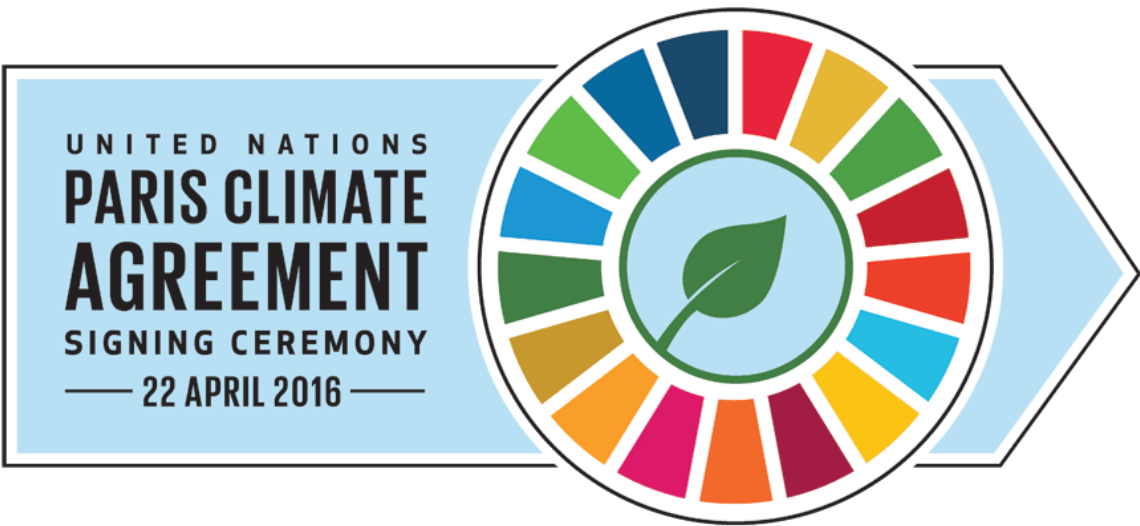
# Land-Ocean Temperature Index: temperature anomalies



# Some examples

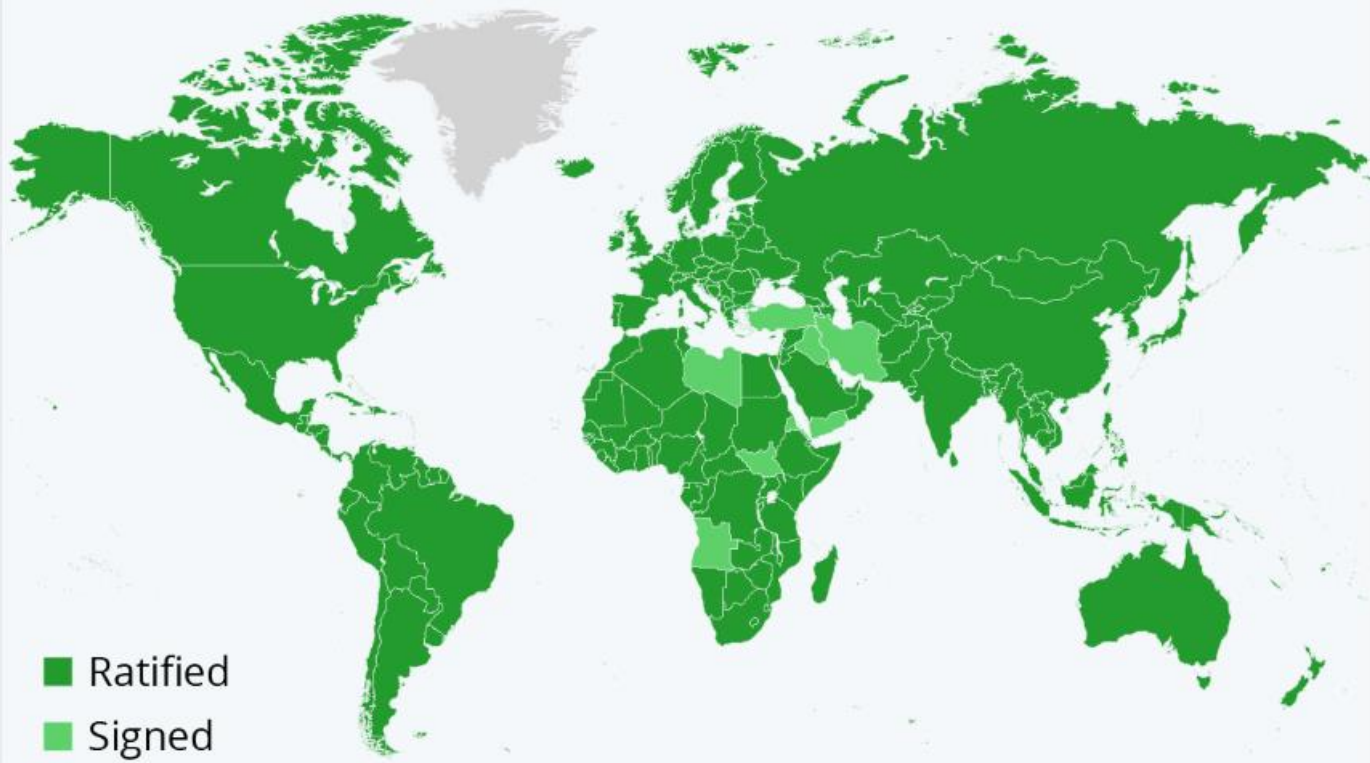
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- **Larry Fink, Blackrock** - *climate risk is reshaping finance and the way financial industry operates*
- **Christine Lagarde, ECB** - *Climate change .... threats and opportunities that will significantly affect the economy and the financial sector.*
- **Jesper Brodin, IKEA** - *The time for talk is over. We need to act now.*



# The State of the Paris Agreement

Countries by their participation in the Paris Agreement  
(as of April 21, 2021)



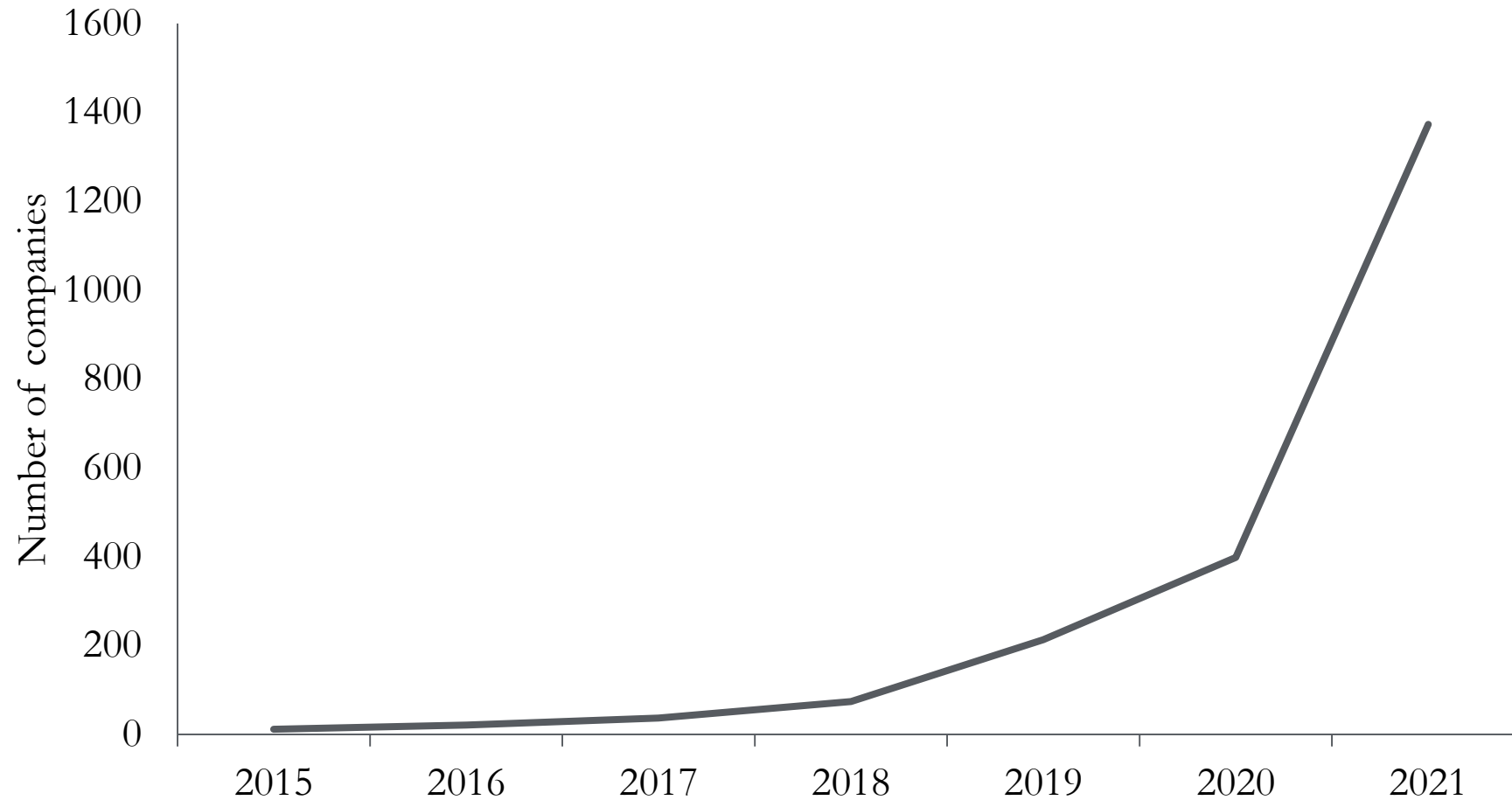
# Topic is more relevant than ever

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- Investments needed are huge
- Public investment alone will not take us far
- Need for private capital
- Risk and return binomial
- Cascade / transmission mechanisms throughout the economy



# Companies joining the SBTi per year



Source: SBTi official website (<https://sciencebasedtargets.org>).

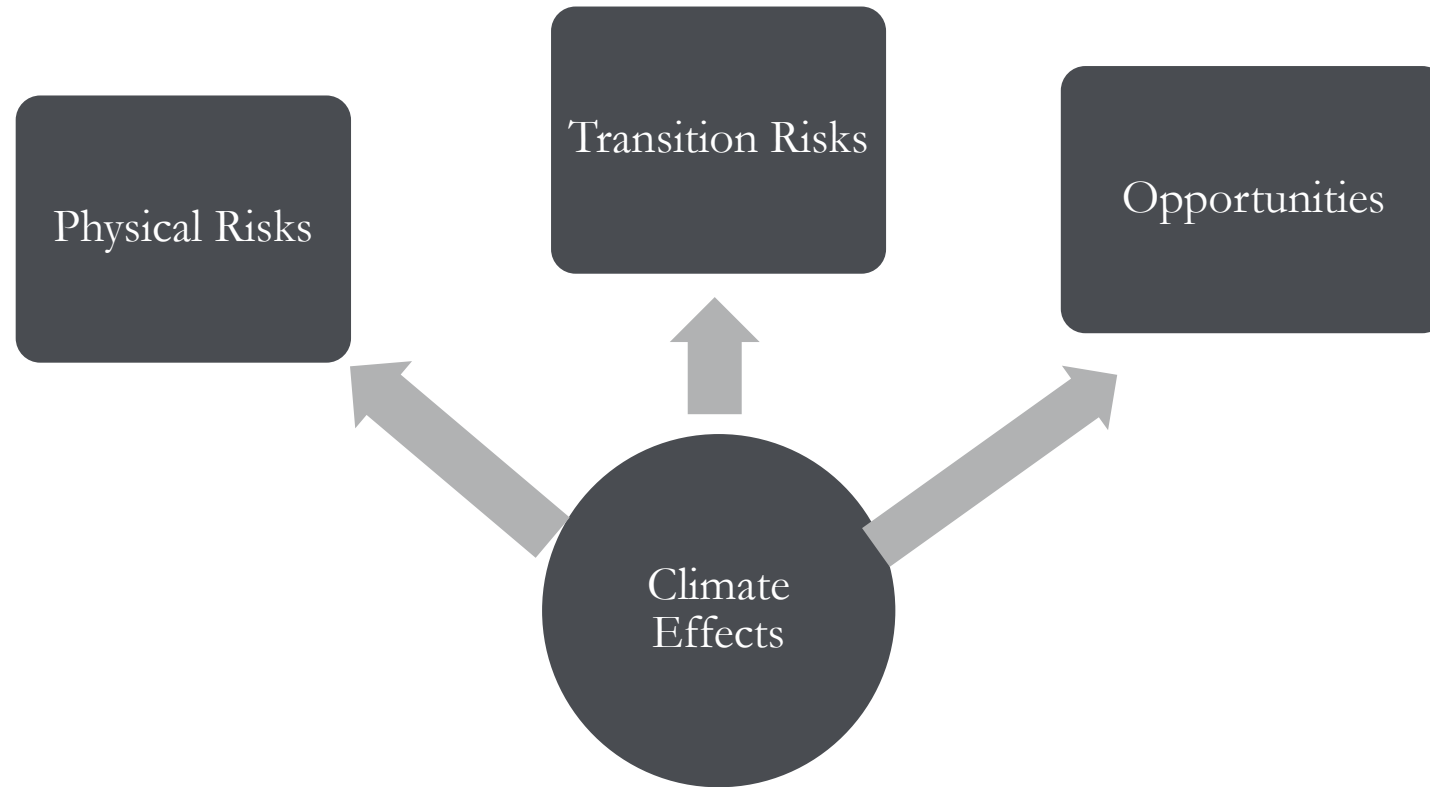
# Measuring and Valuing Climate Effects

## 2. Measuring and Valuing Climate Effects

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- Economic Consequences of Climate Change
- Climate Risks at the Corporate Level
- Physical Risk
- Transition Risk
- Stranded Assets
- Opportunities
- Asset Valuation and Climate Effects

# The different climate effects



# For Companies Climate Risks Impact:

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- Supply and Cost of Funds
- Cash flows
- Suppliers and Consumers
- Risk
- Value and Shareholders

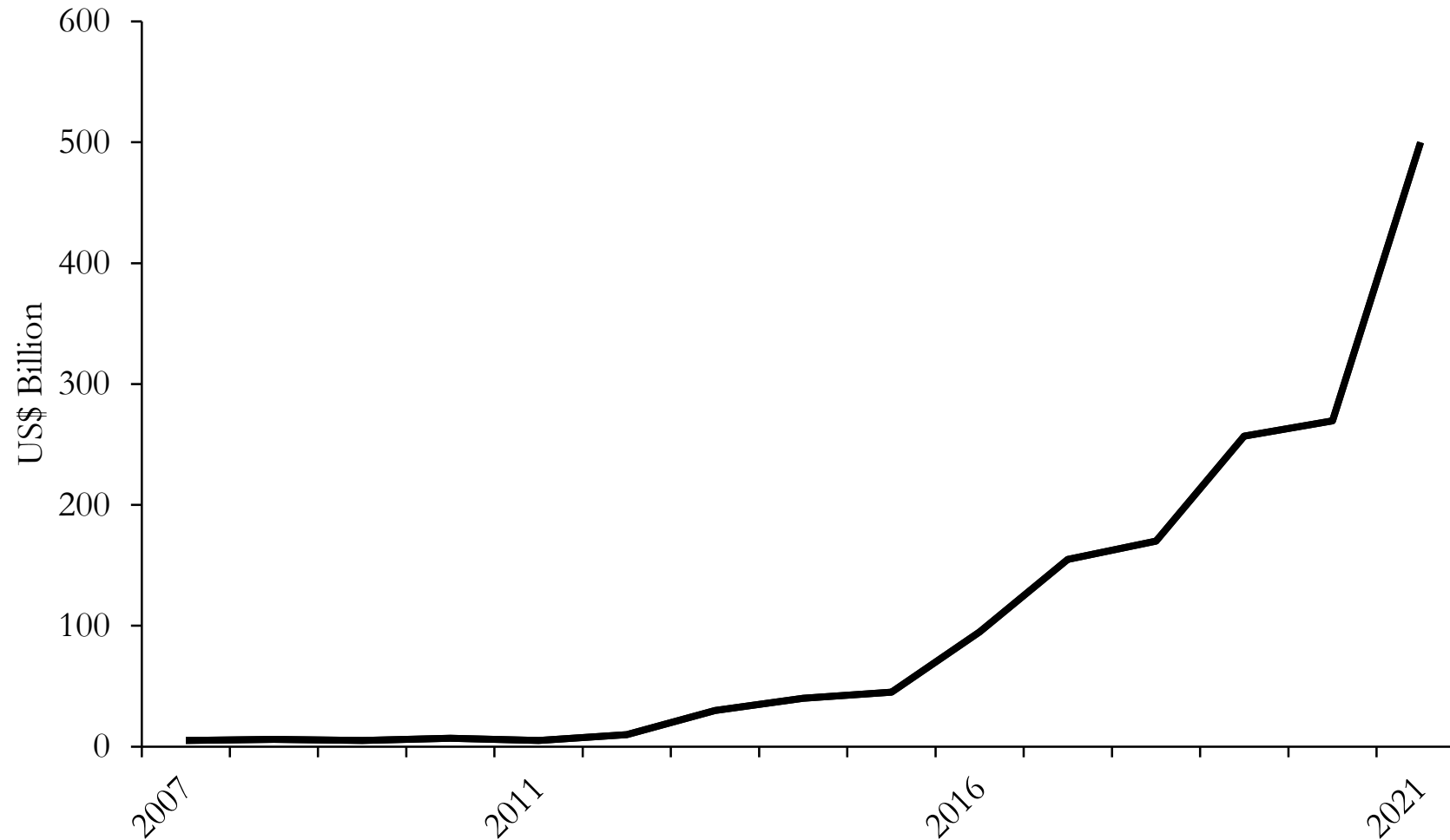
# Green Corporate Financing Debt

### 3. Green Corporate Financing Debt

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- Green Bonds
- Sustainability-Linked Bonds and Transition Bonds
- Green Loans and Sustainability-Linked Loans
- Credit Rating Agencies
- Project Finance
- Supply Chain Financing

# World annual green bond issuances in US\$ billion





# Across the Whole Supply Chain – Scope 1, 2, 3



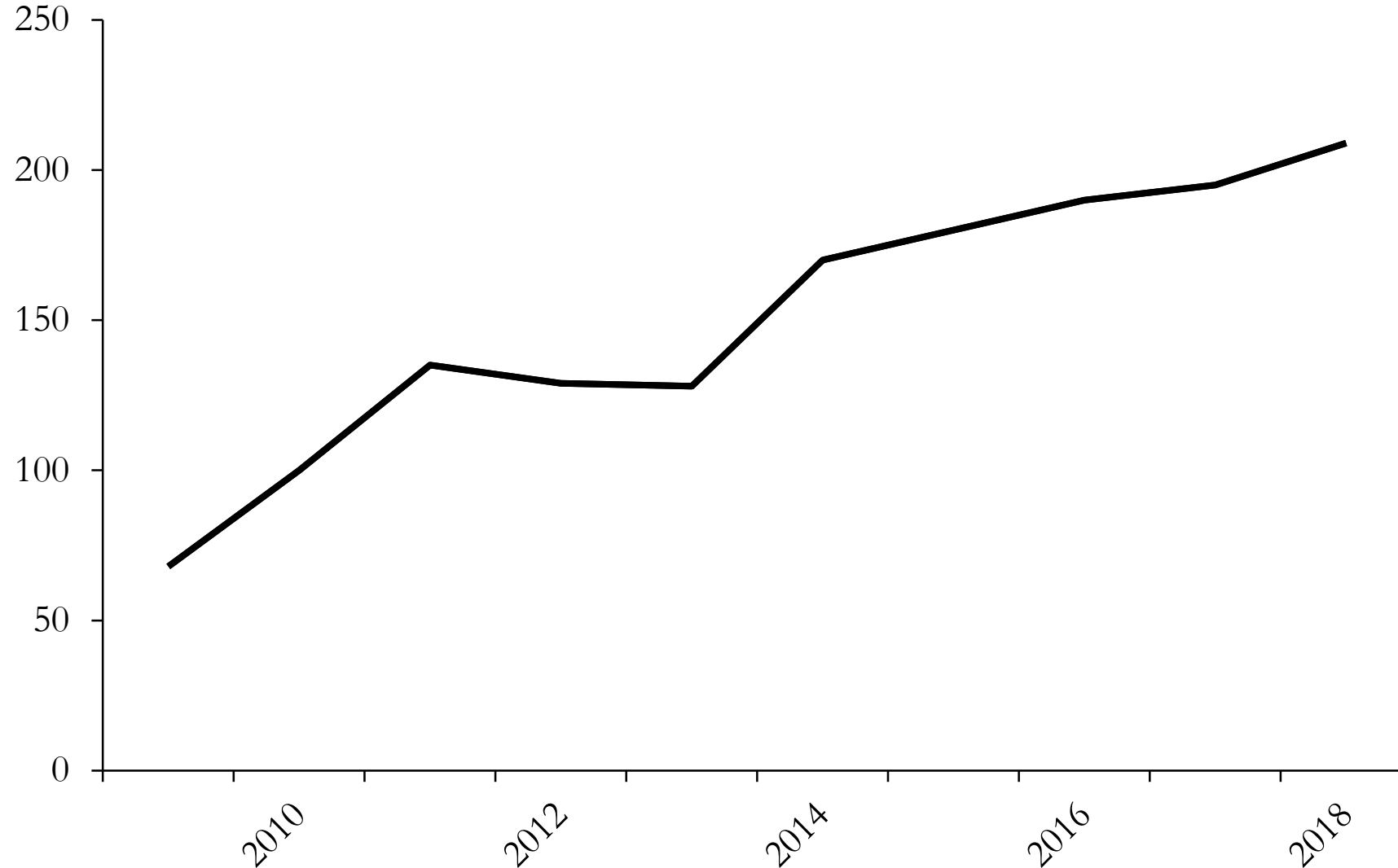
# Investors Driving Change

## 4. Green Corporate Financing – Equity

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- Private Equity
- Family Firms
- Raising Capital: IPOs and SEOs
- Mergers and Acquisitions
- Shareholder Activism and Engagement
- Corporate Governance

# Climate-Related Shareholder Resolutions in the U.S.



# Investors Can Drive Positive Change

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- Lots of options to act
- Exit **IS NOT** the best way to drive change
- Corporate engagement & shareholder action
- Voting and proposals at AGMs

## 5. Capital Markets – Green Investing

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- The Growing Importance of ESG Ratings
- ESG Stock Market Indices
- Performance of “Green” Products and Strategies
- The Importance of Climate Risks For Institutional Investors
- Evidence from Different Types of Investors

# Investors do care and act

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- Passive and Active Funds and Asset Managers
- Pension funds
- SWFs
- Insurance companies
- Endowments and Family Offices

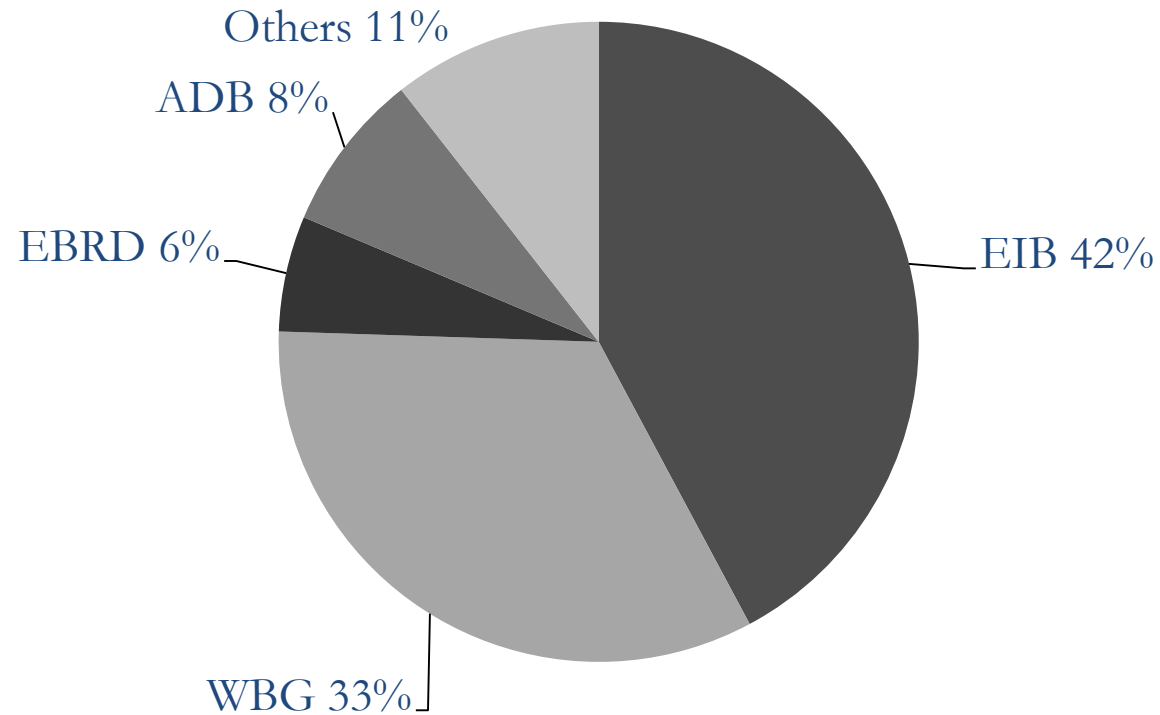
# Corporate Governance: some issues

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- Voting
- Role of Proxy Advisors
- Active and Passive investors
- Role of the board
- Structure of the board
- Executive compensation



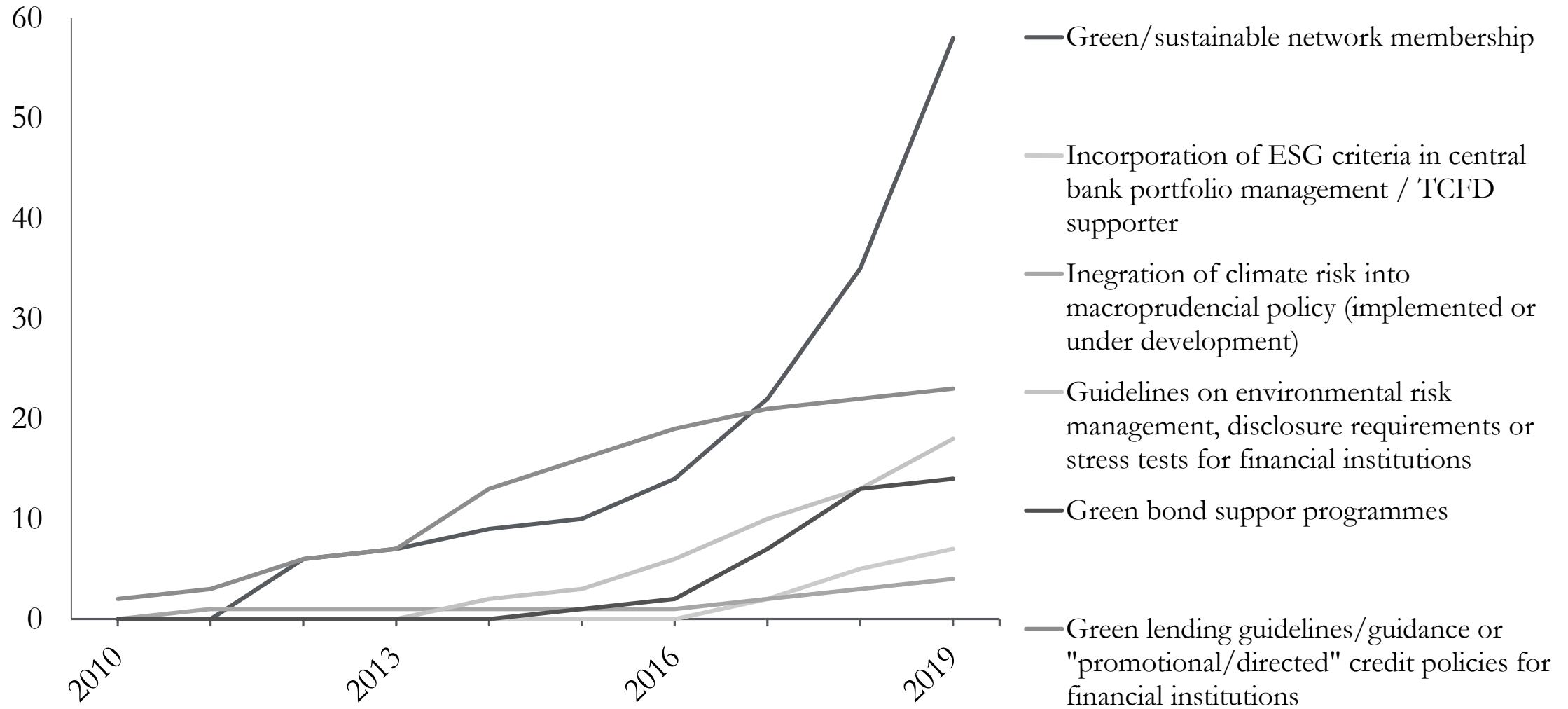
# Multilateral development banks' climate finance commitments by bank



Asian Development Bank, EBRD = European Bank for Reconstruction and Development, EIB = European Investment Bank, WBG = World Bank Group.

Source: 2020 Joint Report on Multilateral Development Banks' Climate Finance.

# Number of Central Banks that Have Adopted “Green” Activities, by Type





# But climate finance has its challenges



SUSTAINABILITY / COMMENT

## Banks need to get to grips with sustainability-linked loans

Nuno Fernandes | 13/10/2021 5:09 pm



What impact did the global pandemic have on banks?



SUSTAINABILITY / COMMENT

## Solving the puzzle of climate risk reporting

Nuno Fernandes | 17/06/2021 5:19 pm

Sustain  
toward



Understanding a company's metrics is a daunting task, but it will be central to doing business in the future.



The Banker  
The Banker  
Database

Find out which bank  
takes the top spot  
in your region ►►

Sustainable business practices have risen to the forefront of global concerns. But while a consensus has formed around the need for action, it is a relatively new frontier — and a disorderly one when it comes to measuring a company's climate finance risks and opportunities.

## BOARD AGENDA

GOVERNANCE | STRATEGY | RISK | ETHICS

## How climate change alters the financial landscape



by NUNO FERNANDES

To achieve sustainability, companies and boards will need to look not only to their operations, but also to their finances.



## Forbes

## Companies Going Green Should Add Finance To Sustainability Strategies



By Nuno Fernandes (IESE Business School)

May 4, 2023, 03:42am EDT



# Finance has an important role to play

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- Challenges remain
- Data
- Geopolitical & Level playing field
- Avoid greenwashing
- Transitions and trade-offs

# Sustainable Investing



# 50 Shades of Green



# Greenwashing

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- Say vs Do
- False claims
  - Companies
  - Fund Managers
  - Asset Owners and Managers

**Closing words**



# Climate and Finance: a two way street

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- Smart companies: source of competitive advantage
- Finance has an important role to play
- Investors care about long term
- Governance implications
- Transitions and change always bring trade-offs, and managerial challenges

# CLIMATE FINANCE

Nuno Fernandes

# Thank you!

Nuno Fernandes

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[www.FinanceForExecutives.net/Climate-Finance-Book](http://www.FinanceForExecutives.net/Climate-Finance-Book)

