Category Sustainable Finance

Title: Ethics and the Financial Sector
Supervisor: Janek Kretschmer (j.kretschmer@maastrichtuniversity.nl)
Short Text: At the very latest since the financial crisis, the morals of financial markets became a highly relevant topic in society. This event stressed the pervasive feature of market interaction to impose costs on uninvolved third parties. Producing and trading goods often creates negative externalities, such as detrimental working conditions for workers, possibly associated with reduced life expectancy, child labor, suffering of animals, or environmental damage.
Thus, the actions and investment decisions of all market participants have an ethical aspect. As decision makers are subject to various biases and cognitive dissonance their behavior largely depends on how they perceive the situation. The main focus therefore is analyzing the choice architecture that individuals in the financial sector face to explain unethical behavior and to find methods to encourage prosocial acts.
Note, this topic is very broad in terms of research view, methods and data. The student will have the opportunity to create an own survey and/or experiment subsequent to a literature review to test their hypotheses.

References

Bartling, B., Weber, R. A., & Yao, L. (2014). Do markets erode social responsibility?. *The Quarterly Journal of Economics*, *130*(1), 219-266.
Cohn, A., Fehr, E., & Maréchal, M. A. (2014). Business culture and dishonesty in the banking industry. *Nature*, *516*(7529), 86.
Falk, A., & Szech, N. (2013). Morals and markets. *Science*, *340*(6133), 707-711.
Prentice, R. A. (2007). Ethical decision making: More needed than good intentions. *Financial Analysts Journal*, *63*(6), 17-30.
Riedl, A., & Smeets, P. (2017). Why do investors hold socially responsible mutual funds?. *The Journal of Finance*, *72*(6), 2505-2550.
Zingales, L. (2015). Presidential address: Does finance benefit society?. *The Journal of Finance*, *70*(4), 1327-1363.

Title: Encouraging Effective Donations
Supervisor: Janek Kretschmer (j.kretschmer@maastrichtuniversity.nl)
Short text: Charitable giving plays a prominent role in society, with donations amounting to more than 87.5 billion euro per year in Europe alone.
While concerns about cost-effectiveness is prevalent in everyday life, such thinking seems to be far less common in the context of altruistic decisions - or more specifically, charitable giving. Nevertheless, the question of charities' cost-effectiveness is addressed by NGOs, such as "GiveWell" or "GivingWhatWeCan", conducting independent and scientific charity evaluation. These organizations have shown that some charities can offer interventions that outperform comparable charities in terms of cost-effectiveness by a factor of up to one thousand. The lack of adequate prioritization and donors' inability to evaluate cost-effectiveness information impedes donations to the most effective causes. On the other hand, a recent study suggests that donors feel happiest when they make a clear impact with their donation. New methods to overcome behavioral biases in charitable giving can direct more donations to the most effective interventions. Therefore, this research topic has the potential to help high effective charities to raise funding, increase donors' happiness and the well-being of society as a whole.
The student will have the opportunity to create an own survey and/or experiment subsequent to a literature review to test their hypotheses.

References:

Aknin, L. B., Dunn, E. W., Whillans, A. V., Grant, A. M., & Norton, M. I. (2013). Making a difference matters: Impact unlocks the emotional benefits of prosocial spending. *Journal of Economic Behavior & Organization*, *88*, 90-95.

Baron, J., & Szymanska, E. (2011). Heuristics and biases in charity. *The science of giving: Experimental approaches to the study of charity*, 215-235.

Berman, J. Z., Barasch, A., Levine, E. E., & Small, D. A. (2018). Impediments to Effective Altruism: The Role of Subjective Preferences in Charitable Giving. *Psychological science*, *29*(5), 834-844.

Caviola, L., Faulmüller, N., Everett, J. A., Savulescu, J., & Kahane, G. (2014). The evaluability bias in charitable giving: Saving administration costs or saving lives?. *Judgment and decision making*, *9*(4), 303.

Gneezy, U., Keenan, E. A., & Gneezy, A. (2014). Avoiding overhead aversion in charity. *Science*, *346*(6209), 632-635.

Karlan, D., & Wood, D. H. (2017). The effect of effectiveness: Donor response to aid effectiveness in a direct mail fundraising experiment. *Journal of behavioral and experimental economics*, *66*, 1-8.

Yörük, B. K. (2016). Charity ratings. *Journal of Economics & Management Strategy*, *25*(1), 195-219.

Title: Income inequality

Supervisor: Robin Aarts (r.aarts@maastrichtuniversity.nl)

Short text: Reducing inequalities is a requirement for human rights and justice, and is essential for success in other global priority areas, such as environmental sustainability, conflict resolution and migration (UNESCO, 2016). Trends on inequality are not one-way; in recent years, some countries have succeeded in reducing or at least halting rising inequalities, but in some cases these trends are being reversed (Cornia and Martorano, 2012). Income inequality affects many other aspects in life, such as economic growth, nutrition and health, inequalities in voice and power, and the prevalence of conflict and political polarisation. In order to narrow down the research focus, students can choose one specific factor with which they want to link income inequality and analyse how that factor affects or is affected by income inequality. Students could first do a quantitative analysis with regression analyses for a certain geographical area, measuring the effect of income inequality on the factor of their choice or vice versa. They then can go more in depth with a qualitative design, such as a case study of one particular country, to investigate elements that might have an impact on this relation.

Title: Non-profit organisations' measurement of impact

Supervisor: Robin Aarts (r.aarts@maastrichtuniversity.nl)

Short text: Nonprofits tend to measure factors that are relatively easy to measure. Many non-profit organisations lack the capacity to conduct evaluations that produce useful information for organisational learning and mission advancement (Rey-Garcia et al., 2017). Other barriers are those of costs, difficulty in accurately measuring outcomes and impact, and the timescale over which impact needs to be measured. How can non-profit organisations optimise the measurement of their impact and by what tools and practices? Students will design an experiment or survey to address questions related to this area. You will have access to the most important Dutch funds, for which you can design a questionnaire on the measurement of effectiveness that could be sent out. Moreover, you can contribute to the development of a real programme that, if designed properly, could be executed by, for example, the Elisabeth Strouven Fonds located in Maastricht.

Title: Corporate Governance and Sustainability in Companies
Supervisor: Tereza Bauer (t.bauer@maastrichtuniversity.nl)
Short text: The importance of engaging in *sustainable* and *socially responsible* practices has been recognized by most companies, as well as their shareholders and other stakeholders who have come to expect demonstrated efforts and reporting on sustainability (often abbreviated to 'ESG' - environmental, social, governance) - particularly from large, publicly listed companies. There is however no single best-practice model for managing and embedding sustainability within a company's governance, and different companies follow different approaches.
The aim of this thesis project will be to conduct a comparative analysis of sustainability governance strategies and practices among companies in a market of the student's choice. The goal will be to identify, describe and compare practices of including sustainability within a company's purpose & culture, organizational structure, board and shareholder involvement, reporting, education and remuneration policies, etc.
Data:
(Mostly) qualitative comparative research of academic and practitioner literature on the topic of sustainability governance (company reports, sustainability reports, existing academic literature).
In addition, the student will be encouraged to also gather primary data in the forms of original interviews or surveys of company representatives (subject to the student's initiative), to gather real-life evidence of how sustainability is managed within a business. Here, the focus can also be on small and medium-sized companies, not only large ones.
Number of students: 1-2 (they should focus on different countries or segments)

Title: Determinants of climate related voluntary disclosure
Supervisor: Andrea Perić (a.peric@maastrichtuniversity.nl)
Short text: Reliable climate related financial information is necessary for pricing climate related risk (Task Force on Climate related disclosures, 2017). The aim of this topic is to expand existing research on the determinants of voluntary climate related disclosure. Examples of determinants can be found in the area of corporate governance (f.e. board composition, institutional ownership). The thesis can focus on (comparisons between) specific regions, sets of countries and/or different industries.
References:
https://www.fsb-tcfd.org/
Zhang, Y. J., & Liu, J. Y. (2020). Overview of research on carbon information disclosure. Frontiers of Engineering Management, 7(1), 47-62.
Ben-Amar, W., & McIlkenny, P. (2015). Board effectiveness and the voluntary disclosure of climate change information. Business Strategy and the Environment, 24(8), 704-719.

Title: Relationship between voluntary disclosure of carbon risk and financial performance
Supervisor: Andrea Perić (a.peric@maastrichtuniversity.nl)
Short text: This topic allows students to expand existing research in the field of relationships between carbon performance, disclosure, governance and financial performance. The thesis can focus on determinants, (comparisons between) specific regions, sets of countries and/or different industries.
References:
Velte, P., Stawinoga, M., & Lueg, R. (2020). Carbon performance and disclosure: A

systematic review of governance-related determinants and financial consequences. Journal of Cleaner Production, 254, 120063.
Alsaifi, K., Elnahass, M., & Salama, A. (2020). Carbon disclosure and financial performance: UK environmental policy. Business Strategy and the Environment, 29(2), 711-726.
Zhang, Y. J., & Liu, J. Y. (2020). Overview of research on carbon information disclosure. Frontiers of Engineering Management, 7(1), 47-62.
Hahn, R., Reimsbach, D., & Schiemann, F. (2015). Organizations, climate change, and transparency: Reviewing the literature on carbon disclosure. Organization & Environment, 28(1), 80-102.

Title: Impact-Washing Investments
Supervisor: Jeroen Derwall (j.derwall@maastrichtuniversity.nl)
Short text: There is now growing demand for impact investments, i.e., investments with an objective to have positive social impact by financing specific projects or companies. A remarkable development has been the recent surge in impact investment beyond traditional impact funds in illiquid markets. Concerns arise as to whether such impact investments ride an 'impact hype' or whether they truly adopt an impact mandate. This topic aims to shed light on the investment styles, behaviors, and returns of such impact investments, as well as the response of investment clientele to such 'impact vehicles'.
Related literature:
Barber, Morse, Yasuda (2020), "Impact Investing", Journal of Financial Economics.
Kim & Yoon (2020), "Analyzing Active Managers' Commitment to ESG: Evidence from United Nations Principles for Responsible Investment", SSRN working paper.

Title: Finance and Corporate Sustainability among Social Purpose Companies
Supervisor: Jeroen Derwall (j.derwall@maastrichtuniversity.nl)
Short text: While classic models of corporate governance have assumed shareholder-value maximization as corporate objective, there is a growing interest in the "purpose of companies". Prominent shareholders are emphasizing that companies should demonstrate (societal) purpose. In various countries, companies are able to adopt legal forms that allow them pursue explicit social goals - and fulfill purpose - while also generating profit. Examples are for-profit social enterprises, social-purpose companies, benefit corporations, etc. On the academic front questions have been raised whether such companies are better able to achieve positive societal impact than companies with pure profit-maximization implied by their legal form. In addition, a growing body of literature suggests that purpose eventually makes companies more profitable, not less. Little is known about the governance, financial structure, social impact and financial performance of such companies in comparison to traditional exchange-listed for-profit firms.
Related literature:
Gartenberg, C., A. Prat and G. Serafeim (2019), "Corporate Purpose and Financial Performance", Organizaiton Science.
Siqueira,A. , N. Guenster, T. Vanacker and S. Crucke (2018), "A longitudinal comparison of capital structure between young for-profit social and commercial enterprises", Journal of Business Venturing.

Title: Measuring cultural regeneration in Maastricht
Supervisor: Rachel Pownall (r.pownall@maastrichtuniversity.nl)
Short text: This topic involves a local perspective of the city of Maastricht and is supported by the municipality. The city of Maastricht has provided financial stimulus to the cultural industries, which is one of the fastest growing areas of the economy. The thesis student has the possibility to conduct an economic impact study on the influence of the regeneration of the local economy on the number of cultural institutions, as well as media and software companies, which also fall under the definition of the creative industries, employees and on consumer demand.
References: www.made2measure.com

Title: How small businesses are coping financially with the current coronavirus pandemic
Supervisor: Rachel Pownall (r.pownall@maastrichtuniversity.nl)
Short text: The current pandemic is having a serious impact on small business. Which schemes are available for different areas of the economy, across different countries, and which businesses are managing to weather the storm of the corona crisis best is worthy of deeper investigation?
References:
Brady, A, Michalska, J. and R. A. J. Pownall (2020) "Galleries worldwide face 70% income crash due to coronavirus". The Art Newspaper, 27 April 2020.
Gormsen, N. and Koijen, R. (2020) "Coronavirus: Impact on Stock Prices and Growth Expectations". University of Chicago, Becker Friedman Institute for Economics Working Paper No. 2020-22
Requirements: Statistical proficiency, using R or Stata.

Title: Inequality Preferences
Supervisor: Dr. P. Smeets (mailto:pm.smeets@maastrichtuniversity.nl)
Short text: Income inequality was mentioned as one of the major challenges for the US and many other countries by Barrack Obama in his speech when he left office. It is therefore essential to understand people's preferences for inequality and redistribution. Students will work on developing an experiment or survey to measure preferences for redistribution and link these preferences to real world outcomes.

Title: Effective Altruism
Supervisor: Dr. P. Smeets (mailto:pm.smeets@maastrichtuniversity.nl)
Short text: Providing malaria nets, deworming pills and simply giving poor people cash are the three most effective ways of saving lives, according to large scale academic research. Yet, most people are unaware of the most effective ways for helping the poor. Effective altruism strives to have maximum impact with donation money. Students will develop an experiment or survey to investigate how to convince people to be more effective in their altruism.

Title: Sustainable Governance
Supervisor: Colin Tissen (c.tissen@maastrichtuniversity.nl)
Short text: Companies have to respond to increasing pressure from institutional investors to take action on sustainability. The board of directors has a fiduciary duty to investors that requires them to be informed on material issues that are relevant for decision-

making. However, even though large companies have started to integrate sustainability into their board governance systems, they lack a focus on these material issues. Ceres (2018) reports that 25% of large companies in the Forbes Global 2000 have a CSR committee, but most of these companies lack directors with demonstrated expertise in sustainability. The report concludes that companies should educate the entire board on material sustainability issues in order to create a board that can thoughtfully consider ESG factors in their decision-making.

The EU commissioned a study on directors' duties and sustainable corporate governance in collaboration with EY (2020). The study provides several avenues for improving sustainable governance, from non-legislative options (e.g., awareness-raising activities and green papers) to legislative options (e.g., minimum common rules to enhance the creation of long-term value). However, the report was met with much criticism for its lack of academic rigour.

Students can take several directions within this topic. Although we encourage you to come up with your own research question, here are two examples:

- Can corporate directors learn from investors? Students can study shareholder proposals (e.g., requests for GHG emission disclosure or targets, gender diversity, human rights) filed by investors as a means to draw directors’ attention to ESG issues.
- Does regulation truly improve sustainable governance or does it lead to a compliance exercise? For example, students can study spill over effects of changes in director’s long-term incentives to connected firms through overlapping directorships (Flammer and Bansal, 2017).

References
Bauer, R., Derwall, J. & Tissen, C. (2021). Corporate directors learn from environmental engagements: Causal evidence from withdrawn shareholder proposals. Available upon request.
Ceres. (2018). Systems Rule: How board governance can drive sustainability performance. Retrieved from www.ceres.org.
EY and European Commission. (2020). Study on directors’ duties and sustainable corporate governance. Retrieved from https://op.europa.eu/s/oL27.
Flammer, C., & Bansal, P. (2017). Does a long-term orientation create value? Evidence from a regression discontinuity. Strategic Management Journal. https://doi.org/10.1002/smj

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Title: Real Effects of Institutional Ownership on CSR
Supervisor: Colin Tissen (c.tissen@maastrichtuniversity.nl)
Short text: Academic evidence shows that institutional ownership has a positive effect on the consequent CSR performance of portfolio firms. Dyck, Lins, Roth, and Wagner (2019) find that institutional investors drive CSR, as measured by Thomson Reuters ASSET4 ESG scores. Chen, Dong, and Lin (2020) use quasi-natural experiments to confirm this positive relationship with an alternative ESG data source: MSCI KLD. There are concerns that these scores are subject to “greenwashing”: actions that improve environmental scores but have little real impact on environmental firm performance. Students can study the real effects of institutional ownership on CSR by, for example, using data on GHG emissions (Azar, Duro, Kadach, & Ormazabal, 2020).
References:
Azar, J., Duro, M., Kadach, I., & Ormazabal, G. (2020). The Big Three and Corporate

Carbon Emissions Around the World. Available at SSRN:
https://ssrn.com/abstract=3553258
Chen, T., Dong, H., & Lin, C. (2020). Institutional shareholders and corporate social responsibility. Journal of Financial Economics, 135(2), 483–504. https://doi.org/10.1016/j.jfineco.2019.06.007
Dyck, A., Lins, K. V., Roth, L., & Wagner, H. F. (2018). Do institutional investors drive corporate social responsibility? International evidence. Journal of Financial Economics. https://doi.org/10.1016/j.jfineco.2018.08.013

Title: The Materiality of Environmental and Social Shareholder Proposals
Supervisor: Colin Tissen (c.tissen@maastrichtuniversity.nl)
Short text: This topic focuses on investors' motives for supporting environmental and social shareholder (E&S) proposals. Investors can be value-seeking (the support for responsible business behaviour is a result of the investor's belief that investments in CSR create financial value) or values-driven (the support for responsible business behaviour is a result of the investor's social preferences). Students can study investors' motives for supporting E&S proposals using an experimental approach. Are investors more likely to support E&S proposals that are financially material?
References:
Grewal, J., Serafeim, G., & Yoon, A. (2016). Shareholder Activism on Sustainability Issues. Working Paper. Available at SSRN: https://ssrn.com/abstract=2805512
Riedl, A., & Smeets, P. (2017). Why Do Investors Hold Socially Responsible Mutual Funds? Journal of Finance, 72(6), 2505–2550. https://doi.org/10.1111/jofi.12547
Schopohl, L. (2017). The Materiality of Environmental and Social Shareholder Activism–Who cares?!. Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2991544.

Title: Carbon Credit Finance Markets: What is the Future or Futures?
Supervisor: Joost Pennings (joost.pennings@maastrichtuniversity.nl)
Short text: "The future of carbon finance; Looking ahead, carbon finance is set to drive two main streams of innovation: 1) the decarbonization of financial assets relating to the transition of carbon-intensive economic activities to low-carbon alternatives, in line with climate scenarios well below a 2°C temperature rise; and 2) the design and functioning of a sustainable financial system where economic growth is compatible with the socioeconomic changes necessary to mitigate climate emergencies and enable a balanced cycle of production and consumption of natural resources." *PineBrigde investments* 2020.
"The financial sector is increasingly confident that you can put a market price on carbon emissions. The segment edged closer to the financial mainstream last week with the New York Stock Exchange debut of the KFA Global Carbon ETF, an exchange-traded fund that aims to track the performance of the world's three most liquid markets for carbon credits." *Financial Times* August 3, 2020.
In this thesis three questions will be answered: 1) how can one price carbon credits? 2) How is this related to the various carbon credit markets (market-micro structure) and the relationships between stakeholders in these markets? 3) can carbon credit markets be viable and an attractive (alternative) investment class? The student is expected to use the finance literature on market microstructure and asset pricing to gain a general understanding of pricing "credits" (work in this area is extensive) and subsequently apply and extent these frameworks to carbon credit markets. In addition the student is expected to engage with stakeholders in these markets.

References:
Robert Stavins 2020, "The Future of U.S. Carbon-Pricing Policy WORKING PAPER 25912 DOI 10.3386/w25912 ISSUE DATE May 2019, https://www.nber.org/papers/w25912
EU Regulation 2019/631. (Effective 1 January 2020). CO2 emission performance standards for new passenger cars and for new light commercial vehicles. Retrieved from: https://ec.europa.eu/clima/policies/transport/vehicles/cars_en
EU Commission. (26 October 2018). Report From The Commission To The European Parliament And The Council. EU and the Paris Climate Agreement: Taking stock of progress at Katowice COP. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018DC0716
ICAP. (2019). Emissions Trading Worldwide: Status Report 2019. Berlin: ICAP
FOEN. (n.d). Linking the Swiss and EU emissions trading schemes. Retrieved from: www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate-policy/emissions-trading/linking-the-swiss-and-eu-emissions-trading- schemes.html
Zhang, Y., Harris, J., Li, J. (April 2018). China's Carbon Market: Accelerating a Green Economy in China and Reducing Global Emissions. GDAE Working Paper No. 18–01, Tufts University.
Quemin, S., Trotignon, R. (Jan. 2019). Intertemporal emissions trading and market design: an application to the EU ETS, Grantham Research Institute on Climate Change and the Environment Working Paper No. 316 ISSN 2515-5717 (Online).
World Bank Group. (2020). State and Trends of Carbon Pricing 2020. Washington, DC: World Bank.

Thesis Topic: Immoral Dividends
Supervisor: Marten Laudi (m.laudi@maastrichtuniversity.nl)
Short text: Among a sample of German retail investors, we have found an interesting pattern: Dividends are spent differently when they come from scandalous companies that have been covered negatively in the news. The question is: Why is this the case? Students come up with a mechanism that they then test using primary or secondary data.
References:
Barkan, R., Ayal, S., & Ariely, D. (2015). Ethical dissonance, justifications, and moral behavior. Current Opinion in Psychology, 6(DEC), 157-161.
Bräuer, K., Hackethal, A., & Hanspal, T. (2020). Consuming dividends. Working Paper.