EDITORIAL: Challenging issues in risk governance and control

Dear readers!

The leitmotif of this fourth issue of the journal seems to revolve around the role of finance in the current context of climate change.

Concerns about the disastrous effects of climate change affect many areas. The rapidity of climate change requires urgent action from governments, industries and businesses to build more resilient communities and reduce the impact of disasters. The most recent example is the disaster that is affecting Australia, with fires fueled by record temperatures and entrenched drought conditions. Coordinated national action is critical for managing the impacts of this phenomenon.

Although the most immediate financial impact of catastrophic events regards the insurance sector, the whole world of finance is affected by these phenomena.

In this context, areas of growing interest for scholars at the international level are sustainable finance, corporate social responsibility and insurance.

Vittorio Boscia, Valeria Stefanelli, Benedetta Coluccia, and *Federica De Leo* examine green bonds providing the regulators' perspective about these tools. These are fixed-income financial instruments where the proceeds are exclusively utilized for financing climate change mitigation or adaptation related projects or programs. The Bank of America was one of the first corporates to have issued green bonds. Also, China represents a case of the country that has successfully utilised green bonds. In China, the largest share, in terms of use of proceeds, is renewable energy, followed by clean transportation. One of the biggest opportunities for green bonds has been represented by Asia's renewable energy sector, accurately described by Ng and Tao (2016). The authors find that the current voluntary regulatory system is still far from ensuring an adequate level of transparency to investors. However, the report published by the EU Commission, containing the proposal to introduce common criteria for the issuance of green bonds in Europe, seems to promote greater protection for the underwriters, leaving more room for the development of green investments.

Corporate social responsibility is analyzed by *Md. Jahidur Rahman* and *Yu Fang*. Historically China does not have a good reputation for corporate social responsibility (CSR) practices. Worker suicides, faulty consumer products, toxic emissions in the countryside, overworked and underpaid employees have all been major topics in the popular press. To counter these phenomena China's government and industrial organizations have attempted to change and improve better corporate practices. So, relevant changes are being adopted in the direction of assuming greater CSR. The authors investigate the relationship between corporate social responsibility and firm performance in China, using a sample of a-share listed firms from Shenzhen and Shanghai Stock Exchange for the period 2011 to 2017. They find that corporate social responsibility has a significantly positive effect on firm performance in China. Their results suggest that Chinese companies having better financial performance undertake more CSR reporting. Obviously, the authors contributed to the previous research in corporate social responsibility by Naz (2018), Cranmer (2017), Gennari (2016), Kühn, Stiglbauer, and Heel (2014), Kostyuk, Kostyuk, Mozghovyi, and Kravchenko (2013), Cuong (2011).

Enrico Maria Cervellati, Francesco Corea, and *Paolo Zanghieri* analyze the effect of behavioural biases on entrepreneurs' decisions to insure their firms against different kinds of corporate risks, environmental risks included. They use a large sample of 2,295 Italian small and medium enterprises (SMEs), finding that they under-insure themselves. They find that entrepreneurs not only underinsure their firms but also themselves, thus exposing themselves, their firms and their families to high idiosyncratic risk. The suboptimal decisions are affected by behavioural biases such as overconfidence, over-optimism, risk misperceptions, and stubbornness, even though in a not straightforward manner. The above mentioned issues refer to the previous research by Chen,

Simon, Kim, and Poploskie (2015), Chan, Pitt, and Mills (2011), Forbes (2005), Mitchell et al. (2004), Busenitz and Barney (1997).

China has been also investigated by *Guan-Chih Chen, Shuling Tsao, Ren-Her Hsieh*, and *Pan Hu*. They explore the impact of risk management on the financial performance of listed banks in China, comparing state-owned banks and non-state-owned banks, by establishing multiple linear regression analysis models. Their study provides useful suggestions for regulators and substantially contributes to the papers by Cerrone (2019), Belhaj and Mateus (2016), Giani (2008).

All studies of this fourth issue highlight the fundamental role played by national governments and public institutions. However, this role has to deal with the significant loss of confidence resulting from the financial crisis, as results from the study conducted by *Christos Kallandranis*, who added a scholarly value to the previous research by Varmaz, Fieberg, and Prokop (2015), Mihai Yiannaki (2011).

Lastly, ETFS – performance, tracking errors and their determinants have been analyzed by *George Tsalikis* and *Simeon Papadopoulos*, through the comparison between Europe and the USA.

We hope that the readers of this issue of the journal will find many interesting ideas introduced by the authors and use it in their further research as well.

Stefania Sylos Labini, Professor, Department of Economics, University of Foggia, Italy
Editor of the Journal Risk Governance and Control: Financial Markets & Institutions

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