George Mason University School of Business

FINANCE 444

Sustainable, Responsible and ESG Investment

Spring 2020

Instructor: Dr. Derek Horstmeyer and Ms. Lisa Hodges

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Course Website: Blackboard

Office Hours: TTh 3:00 – 4:00 and by appointment

**Class Meeting**

Tuesday: 4:30 - 7:10, Enterprise Hall 173

**Course Objectives**

The course is an introductory resource for students who aim to be investment advisors, financial planners or other financial professionals who want to learn the basics of sustainable, responsible and impact investment. The course covers the implementation of environmental, social, and governance (ESG) data into security analysis, discusses the latest trends and research, and explains how to communicate your expertise in sustainable and impact investment.

**Learning Goals**

Upon successful completion of this course students will be able to (1) identify and explain sustainable and ESG investment opportunities; (2) understand how to address sustainable and ethical issues in finance; (3) understand the theory and evidence of risk/returns in ESG; (4) and how to incorporate impact positions into investment portfolios and client conversations.

**Prerequisites**

Students are expected to be familiar with basic economics and statistics. Thus, you are required to have successfully completed FNAN 301/303, ECON 103, ACCT 201/203, and OM 210/BUS 210. No exceptions to the SOM rules of admittance. Taking any of the aforementioned classes concurrently with this course is not possible. If you do not know whether you meet the requirement, you should notify the instructor and also consult Student Services.

**Course Textbook and Resources**

Required: Sherwood and Pollard, “Responsible Investing” (2019). All weekly assignments, case studies, and tests will follow from the above textbook. An electronic version of the book may be found at the following website:

https://www.amazon.com/Responsible-Investing-Introduction-Environmental-Investments/dp/1138560065

**Grades**

Since this is an advanced course, it inevitably covers more difficult topics than those in FNAN 301/303. I expect this course to be intellectually challenging. My intention is to grade generously, but fair. I will, however, not hesitate to give low grades to those who clearly did not put in a sufficient amount of effort.

Your final grade will be based on:

Class Participation/Attendance 30%

Quizzes (6 out of 8 will be kept) 30%

Mini Group Presentation 10%

Final Group Presentation 30%

Grade distribution is based on a standard 10-point scale: 92-100 = A; 90-92 = A-; 88-90 = B+; 82-88 = B; 80-82 = B-, etc. All grades are calculated straight from the raw points allotted from each assignment.

Note: There will be extra credit projects available and detailed in class. All extra credit work will be solitary work and capped at 4% of the final grade.

**Case Studies/Quizzes**

Case studies from the textbook will be assigned and discussed in class. In addition, there will be eight total quizzes given throughout the class. The two lowest quiz scores will be dropped – this entails that six out of the eight quizzes will count for the final grade.

**Important Rules**

To ensure all group work is done on an equal footing, an individually filled out survey will be submitted by each group member at the end of the term detailing the work allocated by each group member.

Please write professional emails when corresponding. Any non-professional emails received will not be responded to on my part.

**Appeal of Grading**

If you wish your answer to a question to be regarded, first submit a copy of your answer to the question and a written explanation of why you believe that the grading is incorrect. You must turn in this material within one week after the graded work is returned. In general, the entire exam will be checked for grading errors, and correcting these could either raise or lower the overall score.

**University Office of Disability Services**

If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center at (703) 993-2474. All academic accommodations must be arranged through the DRC.

**Academic Misconduct**

Academic misconduct causes failing the course and triggers quite unpleasant university-mandated procedures which result in further sanctions. Faculty Rule 2.11.5 (Faculty Responsibility under the Honor Code) requires alleged misconduct to be reported to the department and the Honor Committee. So follow the GMU honor code at all times and don’t even think about cheating!

**Tentative Course Outline**

Each class period includes required readings from Responsible Investing. Except for the dates of the final presentation, the dates in the course schedule are approximate and could be subject to change. All lecture materials can be found at the website below or on Blackboard:

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| CLASS 1 – JAN 21  Introduction to course  **What is sustainable investing – definitions**  **Introduction to sustainable investing**  Introduce final group project ideas  *Homework reading:*  *WSJ article – lightly critical of sustainable investing (PDF)*  [*Listen to Impact Alpha podcast on climate change investing*](https://soundcloud.com/returns-oninvestment/the-decapitalization-of-the-fossil-fuel-industry)  *Extra credit: Write 2-3 page summary of Blackrock CEO Larry Fink’s letter to CEO’s. What are his main points, and why is it significant?* | CLASS 2 – JAN 28  **History of sustainable investing**  **Thematic investing – Deep dive on climate change investing**  Sign up for projects | CLASS 3 – FEB 4  QUIZ 1  Asset class refresher  **Sustainable investing across asset classes** |
| CLASS 4 – FEB 11  QUIZ 2  **How is ESG implemented in portfolios**  Negative/Positive/Best-in-Class screening methods  Look through funds for examples of different approaches | CLASS 5 – Feb 18  QUIZ 3  **ESG Performance – literature review**  Look at ESG indexes  Incorporating impact into fiduciary duty | CLASS 6 – Feb 25  QUIZ 4  **In-class debate: Lyft & Facebook – should they be included in ESG portfolio?**  Discuss US Government treasuries article  **The dangers of “greenwashing”** |
| CLASS 7 – MAR 3  QUIZ 5  **ESG data and measurement**  Evaluating quality of data sources  *Mini-presentation: Opportunity Zones* | SPRING BREAK – NO CLASS | CLASS 8 – MAR 17  QUIZ 6  **Impact investing deep dive**  What goes into due diligence  Look at impact fund examples  *Mini-presentation: Impact investment fund spotlight* |
| CLASS 9 – MAR 24  QUIZ 7  **Shareholder Advocacy**  *Mini-project presentation: Shareholder Advocacy case study*  *Mini-presentation: Index investing & ESG* | CLASS 10 – MAR 31  WORK ON PROJECTS | CLASS 11 – APR 7  QUIZ 8 – last quiz!  **ESG and risk assessment**  *Mini-presentation: Materiality in ESG* |
| CLASS 12 – APR 14  Careers in sustainable investing  Looking ahead – upcoming trends and new opportunities  Data on better investor outcomes when ESG investing  *Mini-presentation: Robo-investing impact platforms*  *Mini-presentation: Crowdfunding/Jobs Act* | CLASS 13 – APR 21  Final project presentations | CLASS 14 – APR 28, LAST CLASS  Final project presentations |

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| **School of Business Recommendations for Honor Code Violations**  ***Approved May 2016*** | | |
| **UG-Non Freshman Students (including transfer students)** | | | |
| **Type of Violation** | **First Offense** | **Second Offense** | |
| Plagiarism   1. Failure to cite/attribute sources 2. Representing someone else’s work as the student’s own (e.g., copying and pasting) | An F in the class; referral to Writing Center; and Academic Integrity Seminar completion | An F in the class; referral to the Writing Center; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion | |
| Cheating   1. On a minor assignment (e.g., homework, quizzes) 2. Cheating on a major assignment or exam, submitting course work from another course as original work | An F in the class; and Academic Integrity Seminar completion  An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension | An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion | |
| Lying (e.g., providing fraudulent excuse documents, falsifying data) | An F in the class; and Academic Integrity Seminar completion, and at least one semester suspension | An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and at least one semester suspension or expulsion | |
| Egregious Violation (e.g., stealing an exam; submitting coursework from another class as original work across multiple courses; lying to an employer about academic performance, false identification or posing as another, in person or online) | An F in the class, Academic Integrity Seminar completion; termination from the School of Business; and at least one year suspension | An F in the class; Academic Integrity Seminar completion; termination from the School of Business; and expulsion | |