FINA 4703 – ESG Investing

School:	**School of Business and Management**
Subject Area:	**Finance**
Course Credit:	**3**
Instructor:	**CHOI Darwin**
Pre-requisite/co-requisite:	**Details Here**

Notes:

- The syllabi provided here is for reference only and may be subject to changes and adjustments as determined by the course instructors.

Hong Kong University of Science and Technology

School of Business and Management

FINA 4703: ESG Investing
Summer 2025

1. GENERAL INFORMATION	
Course Instructor	
Name:	Prof. Darwin Choi
Department:	Department of Finance
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Office Location:	LSK 5080
Office hours:	By appointment
Teaching Assistant	
Name:	TBA
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Course Details	
Class Dates:	TBA
Class Venue:	
Course Prerequisite(s):	None
Course Exclusion(s):	None

2. COURSE DESCRIPTION
There is a wide spectrum of investment strategies, ranging from fiduciary investors to philanthropists, with one end of the spectrum focusing on financial returns and the other end chasing social returns. In recent years, many asset managers around the world are willing to sacrifice some financial returns for social returns. The Principles for Responsible Investment (PRI), a United Nations-supported initiative, has over 3,800 signatories (with collective assets under management of US$121 trillion) as of 2021. Firm managers can deliver these social returns by doing better in ESG (Environmental, Social, and Governance). This course provides students with knowledge of the current trend in impact investing and philanthropy, how it influences firms and the society, and the challenges faced by firms and the financial industry.

3. COURSE OBJECTIVES
The course is designed for students who want to better understand ESG (Environmental, Social, and Governance). They should recognize the tradeoff between financial and social returns, and describe current trends in the asset management industry and impact investing. They should also be able to identify the channels through which impact investing enhances sustainability and explain how ESG, impact investing, and firm performance are interconnected.

4. COURSE INTENDED LEARNING OUTCOMES
At the end of the course, students are expected to:

1. Understand the definition and importance of ESG (Environmental, Social, and Governance)
2. Understand the tradeoff between financial and social returns
3. Describe the trends in the asset management industry and impact investing
4. Identify the channels through which impact investing improves sustainability
5. Explain the relationship between ESG, impact investing, and firms' performance

5. COURSE TEACHING AND LEARNING ACTIVITIES		
Course Activities	Expected hours	Study Load (% of study)

Lectures	40	33%
Group Cases	20	17%
Group Presentation	30	25%
Self-study and Review	30	25%
Total	120	100%

6. Assessment Methods

Assessment Methods	Corresponding CILO	Weight (% of total)
Class Participation	1, 2, 3, 4, 5	10%
Cases	1, 2, 3, 4, 5	25%
Presentation	1, 2, 3, 4, 5	25%
Peer Evaluation	1, 2, 3, 4, 5	15%
Final Exam	1, 2, 3, 4, 5	25%

7. STANDARDS FOR ASSESSMENT

Course Grade Descriptors

A+, A, A-	Outstanding performance on all learning outcomes.
B+, B, B-	Substantial performance on all learning outcomes, OR high performance on some learning outcomes which compensates for less satisfactory performance on others, resulting in overall substantial performance.
C+, C, C-	Satisfactory performance on the majority of learning outcomes, possibly with a few weaknesses.
D	Barely satisfactory performance on a number of learning outcomes.
F	Unsatisfactory performance on a number of learning outcomes, OR failure to meet specified assessment requirements.

8. COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE

Lectures 1 and 2 –
 • The importance of ESG (Environmental, Social, and Governance) and the role of financial markets

Lecture 3 –
 • The tradeoff between financial and social returns

Lectures 4 and 5 –
 • The asset management industry

Lecture 6 –
 • The growth of impact investing

Lectures 7 and 8 –
 • The impact of impact investing on firms and the society

Lectures 9 and 10 –
 • The relationship between ESG, impact investing, and firms' performance: past, present, and future

Lectures 11 and 12 –
 • Project presentations and final exam

9. TEACHING MATERIALS

Reference Materials
1. Pedro Matos, ESG and responsible institutional investing around the world, a critical review, CFA Institute Research Foundation, 2022 (https://www.cfainstitute.org/-/media/documents/book/rf-lit-review/2020/rflr-esg-and-responsible-institutional-investing.pdf)
2. Guillaume Coqueret, Perspectives in sustainable equity investing, Taylor & Francis Group, 2022 (http://www.esgperspectives.com/index.html)

Cases
1. Gandhi, Vikram and Mehta, Sara (2020), Generation Investment Management, Harvard Business School Case.
2. Rangan, V. Kasturi and Appleby, Sarah (2013), Bridges Ventures, Harvard Business School Case.
3. Ho, Mary Ching-ching and Fernandez, Joseph Santana (2018), SOGO Department Store, Hong Kong: Integrating Environmental Sustainability into a Retail Store's Operations, Harvard Business School Case.
4. Matos, Pedro and Zaldokas, Alminas (2024), K-Pop Showdown: Align Partners' Activism at SM Entertainment, Darden School of Business and HKUST Business School Case.

Journal Articles (for reference only)
1. Choi, Gao, and Jiang, 2020, Attention to global warming, *Review of Financial Studies*
2. Pastor, Stambaugh, and Taylor, 2021, Sustainable investing in equilibrium, *Journal of Financial Economics*
3. Pastor, Stambaugh, and Taylor, 2022, Dissecting green returns, *Journal of Financial Economics*
4. Bolton and Kacperczyk, 2023, Global Pricing of Carbon-Transition Risk, *Journal of Finance*
5. Choi, Gao, Jiang, and Zhang, 2024, Carbon Firm Devaluation and Green Actions, Working paper

10. COURSE POLICY

Participation

Active participation is important for your learning experience and is highly encouraged. It also keeps you involved and motivated rather than removed and disinterested. It is therefore important for you to prepare for class (make sure you understand the previous lectures), attend class (go to class on time and pay attention), and participate in class (make constructive contributions to discussions).

Cases, Presentation, and Peer Evaluation

The cases and presentation are to be done on a team basis. I will ask you to form your own teams after the add/drop period. If you cannot find enough teammates, our Teaching Assistant (TA) will make the assignment.

If you feel that some team members do not contribute their fair share, you can give them a poor peer review at the end of the semester, or you can talk to our TA or me. We will treat any complaints confidentially. Your team will stay together until the end of the term. All team members receive the same grade for their cases and presentation. The peer evaluation at the end of the semester gives you a chance to rate your teammates' contributions to the team.

Final Exam

There will be a closed-book, closed-notes final exam, which normally consist of true/false and short questions. A formula sheet will be provided. Details will be provided near the end of the semester.

Absence from the exam will not be excused except under circumstances described in the University Regulations. These cases must be substantiated by the appropriate documentation. Cheating will not be tolerated. Any student caught cheating during the exams will receive zero credit and may face further disciplinary action.

Students participating in the course activities should follow these policies:

Punctuality
Students are expected to be on time for the lectures. Late arrival or early leave will be treated as incomplete.

Professionalism
Students should perform their duties and responsibilities in a professional and ethical manner.

Communication
You are welcome to send emails to me or the TA if you have questions regarding this course.

Policy on Generative Artificial Intelligence
No restrictions on use of generative AI for an assessment task.