University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

Seminars at the Department of Finance

Basic information

- To participate in the seminar, please register via the online-form on our website: https://www.bwi.uni-stuttgart.de/en/dept3/teaching/lectures/seminars/Kontaktformular/
- Registration must be completed no later than the **registration deadline of April 15, 2024**. Please be sure to meet this deadline - registrations received after the deadline will not be considered.
- The **kick-off event** will take place on **April 16, 2024 at 14:00 in room 7.011.** Additionally, there will be an introduction into the Bloomberg Terminal on **May 15, 2024 in room 7.034**, the appointment will be arranged individually. Participation in both events is mandatory.
- A major in finance is strongly recommended. Depending on your studies, an attended module in the fields of competence offered by our chair may be required. Please take note of your exam regulations.
- Please note that once you have confirmed your place in the seminar, you must **also register for the seminar on C@MPUS within the exam registration period (May 14, 2024 to June 4, 2024).**

Submission of written thesis:	Tuesday, June 25, 2024, until 11:30 a.m.
Presentations as block seminar:	Thu./Fri., July 4/5, 2024 (depending on the number of participants), location: to be announced. Presentations must be submitted by email as PDF or PowerPoint file by the presentation date.

The submission of the written thesis has to be sent as **PDF** to **alexander.goetz@bwi.uni-stuttgart.de.**

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General information about the seminar thesis

- The topics to be assigned for the seminar can be found starting on **page 3**. Please note that different topics will be assigned depending on the degree (Bachelor and Master). Topics will be assigned on the day of the kick-off event.
- The given topics can be assigned to several students at the same time. Each student is supposed to (independently) write a thesis that should be approximately 12 pages (font size 12, line spacing 1.5). Each thesis must be accompanied by a signed statement declaring that the thesis has been written independently and that no aids or literature sources other than those listed have been used. The use of sources that are not listed will be considered an attempt at deception and will result in immediate exclusion from the seminar and a seminar performance graded as "deficient".
- The BWI citation guidelines are to be followed.
- The presentation will be given as a group work consisting of several students working on the same topic. Groups will also be assigned on the day of the kick-off event.
- Although the same topics will be assigned to multiple students, we cannot guarantee that you will receive your preferred topic.
- Attendance at the kick-off event and the full block seminar is mandatory. Any absence must be justified in written form (medical certificate or similar).
- Your examination performance consists of a written thesis (60% of the total grade) and a presentation of the topic (40% of the total grade).
- The seminar paper can be written in German or English.

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Lehrstuhl für Finanzwirtschaft

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Seminar topic:
Sustainability and Finance - Influencing Factors and Implications

This semester's seminar will focus intensively on the dynamic field of sustainable finance. This field has gained considerably in importance in recent years and offers a wide range of interesting research topics. The role of ESG (Environmental, Social, Governance) criteria and their impact on the financial markets are the focus of our investigations. We will look at how sustainable investment decisions influence financial markets and what impact this has on security prices.

Students will have the opportunity to work with real financial data and conduct their own empirical research. We will base the course on current academic publications and discuss them in the context of current research.

Topics for Bachelor Students

<u>Topic 1: Do sustainable investments perform better in the long term?</u>

Investments in "green" securities have recently gained considerably in importance, often motivated by the prospect of higher risk-adjusted returns. An unexpected rise in environmental awareness and a resulting increase in demand for green investments has led to an increase in the value and higher realized returns of these securities. Nevertheless, Pástor, Stambaugh and Taylor (2022) argue that green preferences and increased climate-related risks nevertheless lead to excess returns for "brown" securities.
The seminar paper should first summarize the previous literature on the performance difference between green and brown securities and present the key findings of Pástor, Stambaugh and Taylor (2022). Subsequently, the topic should be examined in more detail in an own empirical study analogous to the introductory literature. A possible subject of investigation could be, for example, the difference in yields between the green government bonds issued by the Federal Republic of Germany since 2020 and their non-green counterparts.

Basic literature:

- Pástor, L., Stambaugh, R., & Taylor, L. (2022). Dissecting Green Returns. Journal of Financial Economics, 146 (2), 403-424.

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Topics for Master Students

<u>Topic 2:</u> Does the ownership structure have an influence on the sustainability of companies?

Recently, the topics of sustainability and corporate social responsibility have become increasingly important both in public perception and in capital market research. Both institutional and private investors are paying more attention to ESG criteria when making investment decisions. Institutional investors play a particularly important role here, as they own the majority of the world's share capital (and therefore also the majority of voting rights) and can therefore exert the most influence on companies' decisions. In this context, Dyck et al. (2019) analyze whether the ownership structure has an impact on the environmental and social performance of companies. Dyck et al. find a positive, causal relationship between the proportion of shares held by institutional investors and a company's environmental and social performance.

As a first step, the seminar paper should present the results of the work by Dyck et al. (2019) and place them in the context of the existing literature. Subsequently, the topic should be examined in an own empirical analysis.

Basic literature:

- Dyck, A., Lins, K. V., Roth, L., & Wagner, H. F. (2019). Do institutional investors drive corporate social responsibility? International evidence. Journal of Financial Economics, 131(3), 693-714.

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Topic 3: Does the level of industrial pollution affect stock returns?

The production of goods incurs negative external effects in addition to the direct costs carried directly by the manufacturing companies. These arise in particular from the environmental pollution caused by industrial plants. Emissions that originate as a by-product of production generate costs for third parties. In the short term, companies have an incentive to invest as little as possible in environmental protection. In the long term, however, these externalities can have a negative impact on the company's success and image. If investors expect negative effects and rising costs due to environmental pollution, the share prices of highly polluting companies could decline in the long term. Hsu, Li and Tsou (2023) investigated this hypothesis and analyzed the relationship between expected return and corporate pollution. Their results indicate that companies with high emissions of toxic chemicals have to compensate for this disadvantage with higher expected returns. This indicates a risk premium demanded by investors for holding shares in polluting companies.

In the seminar, the central findings of the paper by Hsu, Li and Tsou (2023) should be discussed and positioned in the context of the existing literature. This should be followed by an own empirical analysis based on the first part of the paper.

Basic literature:

- Hsu, P-H., Li, K., & Tsou, C-Y. (2023). The Pollution Premium. Journal of Finance, 78(3), 1343-1392.