**SDG 8: Decent Work and Economic Growth - Sustainable Investing**

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| Sustainability and social responsibility in finance have traditionally been viewed as a cause for reduced profits or loss of return in finance. Today, the sentiment has changed, and sustainability has become a significant area in corporate finance. This lesson aims to provide an overview of the areas of sustainable investing, including ESG, SRI, and impact investing. | • Define the different areas of sustainable investing – ESG, SRI, and impact investing.  
• Describe the history of socially responsible and sustainable investing.  
• Analyze how the future of investing may change to combat the climate crisis.  
• Describe the impact of COVID-19 on sustainable investing. |

**Resource Summary**


Summary: This article provides an extensive history of sustainable investing, from SRI to ESG. Townsend discusses the influence of the faith and anti-war movements on exclusionary investing, the 2008 financial crisis influence on the increase of corporate governance, and finally the climate crisis impact on the global economy.


Summary: The GIIN provides a brief overview of impact investing.


Summary: Chris McKnett makes a case for large institutional investors (private sector) to be the catalysts of environmental progress by sustainable investing. He argues that investors need to look at a company’s ESG structures just as much as financial data.


Summary: This article discusses six implications of the COVID-19 pandemic on sustainable investing. Topics include the impact on the bond market, the role sustainable investing will have on reshaping the economy, the integration of sustainability into valuation and risk/return models, an increased role of active engagement by fixed income investors, improved holistic risk assessment and disclosure practices, and greater preparedness and resilience for long-term risks.
## Discussion and Exam Questions

1. Identify events in recent history that may have pushed society to more sustainable and responsible investing practices – i.e. the 2008 financial crisis changed requirements around corporate governance.
2. Discuss how sustainable finance can be utilized to build resilience during the pandemic.
3. Compare and contrast impact investing and ESG investing.
4. What are the effects of COVID-19 on sustainable investing?
5. What kind of role will sustainable investing have in the recovery and/or reshaping of the economy post COVID-19?

### Additional Resources

- **Financial Performance with Sustainable Investing, USSIF**
- **A Short Guide to Impact Investing, The Case Foundation**
- **Calculating the Value of Impact Investing, Harvard Business Review**

Industry Examples:
- **BCI: Founding signatory of principles for responsible investment**
- **Sustainability Accounting Standards Board: Materiality Map**
- **Task Force on Climate-related Financial Disclosures**
- **Root Capital**
- **Global Impact Investing Network (GIIN)**
- **Raven Indigenous Capital Partners**

### Related Business Topics

- Corporate finance
- ESG, SRI, or Impact investing
- Risk assessment and management
- COVID-19 and the global economy

### Related Sustainable Development Goal Targets

**SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

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<th>Suggested In-Class Activities</th>
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| For homework, ask students to research a public company that has strong ESG principles. In class break students into groups and have them compare their companies, note their stock value and historic stock values, and compare the stock value to the major indices. Debrief with students about their findings:
| • Which firms increased the most in value?
| • What message does ESG performance send to shareholders?
| • Can you build a well-balanced portfolio out of ESG conscious firms? |
| Alternatively, have students work in groups to determine criteria by which they would include a stock in an ESG portfolio. Specifically, they should consider a company’s waste, emissions, water usage, community connections, worker health and safety, board conflicts of interest etc. Have students choose two companies in the same industry, one that fits ESG principles and one that does not. Have them compare the stock price and valuation of the firm over time. |