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Call for Papers

ESG in the Era of Geopolitical and Economic Instability

Special Issue Conference Sponsored by

The University of Birmingham- Sustainable Financial Innovation Research Centre-SFIC; College of Business, Florida Atlantic University; European Financial Management Association and European Financial Management



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EUROPEAN FINANCIAL MANAGEMENT



ASSOCIATION



Tentative Dates: November 25-26, 2023
Dubai, United Arab Emirates

Two Best Paper Prizes:
£ 500 Best Paper Prize
£300 Best PhD Student Paper

Keynote Speaker:

- To be determined

Organizers and Guest Editors:

- Douglas Cumming, Florida Atlantic University
- Hisham Farag, University of Birmingham
- Sofia Johan, Florida Atlantic University



Rationale

The world is currently experiencing significant economic and geopolitical instability, due to a combination of factors including high inflation, the ongoing impact of the Covid-19 pandemic, the climate crisis, and the Russian invasion of Ukraine. The current global macro configuration is unprecedented, as inflation rates remain high contrary to initial predictions by the [Federal Reserve that they would be transitory](#). In January 2022 (before Russia's invasion to Ukraine), inflation rate was above 7% in the US and yet the Fed was still injecting liquidity into the economy. The crisis was exacerbated by the delayed recognition of the extent of high inflation by central banks. Recently, the Head of the International Monetary Fund (IMF), Kristalina Georgieva, has warned that [a third of the global economy will be in recession in 2023](#). The World Bank also revised its outlook to the global economic growth at 1.7% - the lowest growth rate in the last three decades expect for 2009 (global financial crisis) and 2020 (Covid - 19 pandemic).

On the other hand, the ongoing geopolitical and economic instability disrupt capital markets with respect to risk-return preferences, risk mitigation mechanisms and the distribution and allocation of portfolios towards socially responsible investments (SRI). Since the introduction of the United Nations Principles for Responsible Investment (PRI) in 2006, the number of signatories has increased dramatically, from 734 in 2010 to 3038 in 2020, and the total assets under management has grown from \$21 trillion in 2010 to \$103 trillion in 2020¹. Many large corporations are appointing Chief Sustainability Officers, making strategic decisions based on their ESG impact, and linking executive pay to ESG metrics². Moreover, with increasing concerns about climate change, [BlackRock CEO Larry Fink recently stated in an annual letter](#) that climate change will lead to a major shift in business and investment strategies, resulting in a "*fundamental reshaping of finance*" and "*significant reallocation of capital*."

As ESG objectives become a key focus in asset management, the reallocation of capital has significant implications for portfolio selection and asset pricing. However, ESG investors often face significant uncertainty about a company's true ESG performance e.g. the significant variation in ESG ratings across rating agencies. Without reliable measures, quantifying ESG performance requires dealing with incomplete and opaque data and unstructured methodologies³.

In the wake of the geopolitical and economic instability, [analysts' reports](#) show that in 2022, investors withdrew more money from sustainable funds than they invested for the first time in over a decade and that ESG funds, will underperform non-ESG funds for the first time in five years. This is due to the significant rise in the fossil fuel shares as the consequences of the Ukraine war, declining financial markets, and growing of negative sentiment towards ESG investing by some [politicians and fund managers](#). [In 2022](#), the total net assets managed in ESG funds have decreased by 29%, compared to a 21% decrease in non-ESG fund assets.

^{1,3} Avramov, D., Cheng, S., Lioui, A., & Tarelli, A. (2022). Sustainable investing with ESG rating uncertainty. *Journal of Financial Economics*, 145(2), 642-664.

² Edmans, Alex, *The End of ESG* (January 4, 2023). *Financial Management*, forthcoming.



The literature on ESG is evolving; prior studies found that although ESG investing may have positive societal impacts, it does not necessarily lead to higher returns for investors⁴. This call for papers encourages research to study companies' commitment to ESG principles e.g., voluntary disclosure during crisis period and whether companies may prioritize financial performance over ESG considerations (value vs values) during times of economic instability.

Research Questions:

Some research questions that contributors to the conference might address are:

- How does economic instability impact investments in environmentally, socially and governance (ESG) focused funds?
- To what extent does economic instability affect investors' risk-return preferences and decisions to allocate funds towards ESG investments?
- How does economic instability impact the performance of ESG funds compared to non-ESG funds?
- How do investors' tendency to preserve capital during uncertain economic times affect the growth of ESG investments?
- Is there a correlation/causation between economic instability and the decline in investments in sustainable funds and corporate fundraising through sustainable bonds?
- How does the trend of sustainable investing change during the time of economic instability?
- What is the impact of the current economic and geopolitical instability on socially responsible investments?
- What effect has the climate crisis had on business and investment strategies, and how are corporations and regulators responding to it?
- How do sustainability issues affect different forms of finance for publicly traded firms versus privately held firms (including venture backed, crowdfunded, etc.)?
- What is the role of shareholders activism in the time of economic instability?

Related research questions on both publicly traded and privately held institutions are welcome.

Paper Submission Procedure:

Papers are to be submitted to: Sustainable Financial Innovation Research Centre-SFIC
Email: sficefmconference@contacts.bham.ac.uk

With the subject heading: "Dubai Conference on "ESG in the Era of Geopolitical and Economic Instability" In your submissions, please indicate whether you want your paper to be considered for the European Financial Management (EFM).

⁴ Cornell, B. (2021). ESG preferences, risk and return. *European Financial Management*, 27(1), 12-19.



Registration fees:

- Early bird registration by 30th July 2023: £400
- Regular registration fee: £450

PhD students

- Early bird registration by 30th July 2023: £250
- Regular registration fee: £350

Special issue of European Financial Management (EFM)

A special issue of the EFM will be published on “ESG in the Era of Geopolitical and Economic Instability”. Guest Editors are Douglas Cumming (Florida Atlantic University, USA), Hisham Farag (University of Birmingham, UK); Sofia Johan (Florida Atlantic University, USA). The Special Issue will consist of select and extended papers presented at the conference. Authors are invited to submit research papers electronically via the EFMA website indicating if your paper should be considered for the EFM Special Issue on ESG in the Era of Geopolitical and Economic Instability. Papers will be reviewed following normal EFM standards.

Key Dates:

To aid in the development of papers, a two-day conference will be held at Birmingham Business School, University of Birmingham, Dubai, United Arab Emirates on November 25-26, 2023. The conference will feature an evening reception on 25 November. Conference paper presentations will be on November 25 and 26 at the newly constructed Birmingham Dubai campus. **Deadline for submission to the conference is June 30th, 2023.** Authors will be notified about acceptance to conference by July 15th, 2023. Acceptance to the conference does not guarantee acceptance into the European Financial Management.

