

**Ph.D. Seminar in Empirical Research in Financial Accounting II**  
**Spring Semester 2026**  
**Monday and Wednesday 10AM-1PM**

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*Goals*

This course is a continuation of Christine Cuny's Empirical Research in Financial Accounting I class. The goal of this course is to further your process of becoming an empirical researcher capable of identifying interesting, cutting edge, important and researchable topics in financial accounting and finance. During each class we will ask (1) what is (are) the research questions, (2) how original are the research questions, (3) how did the authors empirically test the research questions, (4) are there any alternative explanations to their findings, and (5) how, if any, the papers could be improved.

I have chosen a variety of topics to examine. However, there is a definite bent towards corporate governance, regulatory issues, ESG, and AI. There will also be a strong emphasis on empirical methodologies, particularly the assumptions underlying each methodology.

*Course Materials*

Readings for the course will consist primarily of articles from academic journals and working papers. The articles from the academic journals should be available electronically. I will provide the links for the working papers (as there might be several versions outstanding). There will also be some primary readings, e.g., the original Sarbanes-Oxley Act of 2002.

*Course Requirements*

1. Presentation and discussions of the papers throughout the term.

Each registered student will be responsible for presenting and discussing the papers during the term. I expect these presentations to follow the following format (not necessarily in this order):

What is the research question? What, if any, previous literature does this question come from? How original, in your opinion, is the question? How tight is the research question?

Is their question a first, second, or even a third order association?

What methodology(ies) do the authors use in the paper? What are the underlying assumptions of these methodologies? Do the authors test for the underlying assumptions? How well does the data fit the underlying assumptions?

Are there endogeneity issues? If so, how well do the methodologies address the endogeneity issues?

What are the data used? Hand-collected? Original? Are the data good proxies for the underlying variables? Are the data a good setting for their research question?

What are the major results of the paper? How well do these results answer the research question?

Are there any alternative explanations for the results shown?

Bonus question: Can you think of a follow-up study to this paper?

**Everyone is responsible for reading ALL of the assigned papers. Your final grade will depend on your presentations as well as the quality and depth of the discussion that you generate throughout the semester. Put another way – I will be cold calling people each session and expect you to be well-versed in the substance of the paper.**

## 2. Discussants of Paper

I want you to pretend that you are a discussant at a major conference, for example the AAA Annual Meeting. Each session will have a 10 minute discussion following the initial paper(s). We will talk about what makes a good discussant in the first session and throughout the semester. I think this is important because one of the ways that you can showcase yourself is to act as a discussant.

## 3. New Proposal

Sometime before the end of the summer, I would like for you to hand in a 5-10 page document with a paper proposal based on one of the broad topics that we cover during the semester. The good news is that you need not go further and actually write up the paper. However, you may be surprised and find a good topic for some future research.

### *Grading*

Your final grade will be a combination of your presentation, your class participation, your interest in the class and the new proposal.

**We will begin each session with these four items:**

- (1) What is the Research Question (in 100 words or less)**
- (2) Name one thing about the paper you like.**
- (3) Name one thing about the paper you do not like.**
- (4) If published, why do you think it was published?**

### **Session 1. January 26: Overview and Introduction to the Class**

*Philosophical Discussion: What is empirical research? How should we put together an empirical paper? Libby Boxes.*

You will choose your papers and discussions during this session.  
We will talk about what makes a good discussion as well.

#### Paper for this Session

- Adams, R. B., 2017. The ABCs of Empirical Corporate (Governance) Research, working paper, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3020479](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3020479)

### **The Sarbanes-Oxley Act of 2002**

#### **Session 2. January 28: Sarbanes-Oxley I: Market Reaction to SOX & the 1934 SEC Act**

Read the Sarbanes-Oxley Act (SOX)

<http://www.sec.gov/about/laws/soa2002.pdf>

*Everyone: Briefly summarize the sections of Sarbanes-Oxley. What led up to the enactment of the 1934 SEC Act? What led up to the enactment of SOX? What are the purposes of SOX? Which types of firms would be most affected by SOX?*

#### Empirical Background

- Kim, S. and A. Klein. 2017. Did the NYSE and NASDAQ Listing Standard Changes on Audit Committee Composition, *The Accounting Review* 92(6). Read the section called “Event Study Market Return Approach” on pages 191-192 only.

#### Papers for this Session

- Zhang, I. X. 2007, Economic consequences of the Sarbanes-Oxley Act of 2002, *Journal of Accounting and Economics* 44 74-115.
- Li, H., M. Pincus, and S.O. Rego, 2008, Market reaction to surrounding the Sarbanes-Oxley Act of 2002 and Earnings Management, *Journal of Law and Economics*.

- Binz, O. and J. R. Graham, 2022, The information content of corporate earnings: Evidence from the Securities Exchange Act of 1934. *Journal of Accounting Research*. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/1475-679X.12425>

*Thought Questions: Can you reconcile the differences in conclusions between the first two papers? How do the three papers deal with the econometric issue of finding appropriate treatment and control firms?*

## **Boards of Directors and Audit Committees**

### **Session 3. February 2: Independent Directors on the Board (and the Audit Committee)**

#### Papers for this Session

- Duchin, R., J.G. Matsusaka, O. Ozbas. 2010. When are outside directors effective? *Journal of Financial Economics* 96, 195-214.
- Armstrong, C. S., Core, J. E., and Guay, W.R. 2014. Do independent directors cause improvements in firm transparency? *Journal of Financial Economics* 113(3), 383-403.

*Thought Questions: Does the Duchin et al. paper control for endogeneity? What assumptions of DID do they test for? Do they not test for? Same questions for the Armstrong paper. How do these papers relate to SOX?*

#### **Other Papers of Interest (not covered in class)**

- Masulis, R. W., and E. J. Zhang. 2019. How valuable are independent directors? Evidence from external distractions. *Journal of Financial Economics* 132(3), 226-256.
- Hoitash, U., and A. Mkrtchyan. 2022. Internal governance and outside directors' connections to non-director executives. *Journal of Accounting and Economics* 73(1).
- Barrios, J. M., P. A. Bianchi, H. Isadro, and D. Nanda. 2022. Boards of a feather: Homophily in foreign director appointments around the world. *Journal of Accounting Research* 60(4) 2022. 1293-1335.
- Klein, A. Audit Committee, Board of Director Characteristics and Earnings Management. 2002. *The Journal of Accounting & Economics* 33(3), 375-400.
- Klein, A. 2002. Economic Determinants of Audit Committee Independence," *The Accounting Review* 77(2), 435-452.
- Kim, S. and A. Klein. 2017. Did the 1999 NYSE and NASDAQ Listing Standard Changes on Audit Committee Composition Benefit Investors? *The Accounting Review* 92(6), 187-212.

## **Session 4. February 4: Director Diversity: Women in the Board Room**

### Background Papers

- Fama, E. F. and K. R. French. 2014. A five-factor asset pricing model. *Journal of Financial Economics* 116, 1-22.
- Fama, E.F. and K. R. French. 2018. Choosing factors. *Journal of Financial Economics* 128, 234-252.
- Kim, D. and L. T. Starks. 2016. Gender diversity on corporate boards: Do women contribute unique skills? *American Economic Review: papers & Proceedings* 106(5), 267-271.

### Papers for this Session

- Adams, R. B., and D. Ferreira. 2009. Women in the boardroom and their impact on governance and performance. *Journal of Financial Economics* 94(2): 291-309.
- Billings, M., Klein, A. Shi, Y. 2022. Investors' response to the #MeToo Movement: Does corporate culture matter? *Review of Accounting Studies* 27, 897-937.

*Thought Questions: How do the methodological approaches for Adams and Ferreira differ from Billings et al?*

### **Other Papers of Interest (not covered in class)**

- Ahern, K., and A. Dittmar. 2012. The changing of the boards: The impact of firm valuation of mandated female board representation. *The Quarterly Journal of Economics* 127(1), 137-197.

## **Session 5. February 9: Director Diversity: Is it a Good or Bad Thing?**

### Papers for this Session

- Bernile, G., V. Bhagwat, and S. Yonder. 2018. Board diversity, firm risk, and corporate policies. *Journal of Financial Economics* 127, 588-612.
- Van Peteghem, M., L. Bruynseels, and A. Gaeremynck. 2018. Beyond diversity: A tale of faultlines and frictions in the board of directors. *The Accounting Review* 93(2), 339-367.

*Thought Questions: How do these papers define diversity?*

### **Other Papers of Interest (not covered in class)**

- Adams, R.B., A. C. Akyol, and P. Verwijmeren. 2018. Director skill sets. *Journal of Financial Economics* 130, 641-662.

## **Institutional Ownership as a Corporate Governance Mechanism**

### **Session 6. February 11: Institutional Ownership and Corporate Governance**

#### **Background Paper**

- Bebchuk, L.A. and S. Hirst. 2019. Index funds and the future of corporate governance: Theory, evidence and policy. *Columbia Law Review* 119.

#### **Papers for this Session**

- McCahery, J.A., Z. Sautner, Z., and L. Starks. 2016. Behind the scenes: The corporate governance preferences of institutional investors. *Journal of Finance* 71(6), 2905-2932.
- Appel, I.R., T. A. Gormley, and D. B. Keim. 2016. Passive investors, not passive owners. *Journal of Financial Economics* 121(1), 111-141.
- Heath, D., D. Macciocchi, R. Michaely, and C. Ringgenberg. 2022. Do index funds monitor? *Review of Financial Studies* 35(1), 91-133.

*Thought Questions: How does the McCahery et al. survey paper address issues of institutional ownership and governance in ways that using “archival” data doesn’t? What are the advantages and disadvantages of using a survey? Do you think that passive investors can be effective monitors? How do Appel et al. and Heath et al. come to different conclusions?*

## **Economic Consequences of Disclosure**

### **Session 7. February 18: Do firms change their behavior in response to mandatory or voluntary disclosures?**

#### **Papers for this Session**

- Christensen, H.B., E. Floyd, L. Y. Liu, and M. Maffett. 2017. The real effects of mandated information on social responsibility in financial reports: Evidence from mine-safety records. *Journal of Accounting and Economics* 64(2-3), 284-304.
- Glaeser, S. and W. R. Guay. 2017. Identification and generalizability in accounting research: A discussion of Christensen, Floyd, Liu and Maffett (2017). *Journal of Accounting and Economics* 64(2-3), 305-312.
- Tomar, S. 2023. Greenhouse gas disclosure and emissions benchmarking. *Journal of Accounting Research* 61(2). 451-492.

*Thought Questions: What qualities of the disclosures are critical for these stories to hold? Can you think of other settings in which disclosures might have real economic consequences? In what ways do the Glaeser and Guay discussion paper advance our knowledge of accounting research?*

### **Other Papers of Interest (not covered in class)**

- Kim, J. and K. Valentine. 2021. The innovation consequences of mandatory patent disclosures. *Journal of Accounting and Economics* 71(2-3).
- Downar, B., J. Ernstberger, S. Reichelstein, S. Schwenen, and A. Zaklan. 2021. The impact of carbon disclosure mandates on emissions and financial operating performance. *Review of Accounting Studies* 26, 1137-1175.
- Bonetti, P. and G. Ormazabal. 2023. Boosting foreign investment: The role of certification of corporate governance. *Journal of Accounting Research* 61(1), 95-140.
- Chang, W., M. Dambra, B. Schonberger, and I. Suk. 2023. Does sensationalism affect executive compensation? Evidence from pay ratio disclosure reform. *Journal of Accounting Research* 61(1), 187-242.
- Fiechter, P., J-M Hitz, and N. Lehmann. 2022. Real effects of a widespread CSR reporting mandate: Evidence from the European Union's CSR directive. *Journal of Accounting Research* 60(4), 1499-1545.

### **Session 8. February 23: Do institutional shareholders' firms change their behavior in response to mandatory or voluntary disclosures?**

#### Background Reading

Read the EU Sustainable Finance Disclosure Regulation (SFDR)

#### Paper for this Session

- Kim, S., and A. Yoon. 2023. Analyzing active fund managers' commitment to ESG: Evidence from the United Nations principles for Responsible Investment. *Management Science* 69(9), 723-1322.
- Dai, J., G. Ormazabal, F. Penalva, and R. Raney. 2025. Mandatory investor disclosure, sustainability commitments, and portfolio decarbonization. *Journal of Accounting and Economics* (forthcoming).

*Thought Questions: What do these two papers say about voluntary vs. mandatory disclosure regimes? How does the Dai et al. paper deal with first order vs. second order effects of the mandatory disclosure?*

## Session 9. February 25: Cybersecurity Disclosures

### Papers for this Session

- Kamiya, S., J-K Kang, J. Kim, A. Milidonis, R. Stulz. 2021. Risk management, firm reputation, and the impact of successful cyberattacks on target firms. *Journal of Financial Economics*.
- Klein, A., R. Manini, and Y. C. Shi. 2022. Across the pond: How US firms' boards of directors adapted to the passage of the General Data Protection Regulation. *Contemporary Accounting Research* 29(1), 199-233.

*Thought Questions: What is cyber risk? How difficult is it to measure it?*

### **Other Papers of Interest (not covered in class)**

- Florackis, C., C. Louca, R. Michaely, and M. Weber. 2023. Cybersecurity risk. *Review of Financial Studies* 36(1), 351-407.
- Ashraf, M. and J. Sunder. 2023. Can shareholders benefit from consumer protection disclosure mandates? Evidence from data breach disclosure laws. *Accounting Review* 98(4), 1-32.

## **Artificial Intelligence (AI):**

### **Session 10. March 2: Using AI in research**

#### Papers for this session

- Cao, Y., L. Chen, J.W. Tucker, C. Wan. 2025. Can generative AI help identify peer firms? *Review of Financial Studies*.
- Kim, A. V. V. Nikolaev. 2024. Context-based interpretation of financial information. *Journal of Accounting Research*.

*Thought questions: How fast is AI evolving? Does the use of AI in these papers advance the field?*

### **Session 11. March 4: AI and the firm's information environment**

- Bertomeu, J., Y. Lin, Z. Ni. 2025. Evidence from the ban of ChatGPT in Italy. *Journal of Accounting and Economics*.
- Jia, N., N. Li, G. Ma, D. Xu. 2025. Corporate responses to generative AI: Early evidence from conference calls. *Review of Accounting Studies*.

*Thought Questions: How do these two papers differ from the papers in the last session? Can you think of other research questions along the lines of these two papers?*

## 5. Environmental, Social, and Governance (ESG)

### Background Papers

- Christensen, H.G., L. Hail, and C. Leuz. 2021. Mandatory CSR and sustainability reporting: economic analysis and literature review. *Journal of Accounting Studies* 26, 1176-1248.
- Grewal, J. and G. Serafeim, 2020, Research on corporate sustainability: Review and directions for future research. Working paper.  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3687330](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3687330)
- Starks, L. T. 2023. Presidential address: Sustainable finance and ESG issues- *Value vs, values*. *Journal of Finance* 88(4), 1837-1872.

## Session 12. March 9: Institutional Investors and ESG

Look at the PRI website. What other institutional groups are there are advocating for ESG?

### Background Papers

- Bebchuk, I.A. and R. Tallarita. 2020. The illusory promise of stakeholder governance. *Cornell Law Review* 106:91.

### Papers for this Session

- Dyck, A., K. V. Lins, L. Roth, and H. F. Wagner. 2019. Do institutional investors drive corporate social responsibility? International Evidence. *Journal of Financial Economics* 131, 693-714.
- Azar, J., M. Duro, I. Kadach, and G. Ormazabal. 2020. The Big Three and corporate carbon emissions around the world. *Journal of Financial Economics*  
[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3553258](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3553258)

*Thought Questions: What incentives do institutional investors have to advocate for ESG? How compelling are the Bebchuck and Tallarita arguments against firms putting ESG as an objective? Under what circumstances would their arguments be true? How does the Azar et al. paper fit into the literature on institutional holdings and ESG?*

### **Other Papers of Interest (not covered in class)**

- Ilhan, E., P. Krueger, Z. Sautner, and L. T. Starks. 2023. Climate risk disclosure and institutional investors. *Review of Financial Studies* 36(7), 2617-2650.

- Dasgupta, S., T. D. Huynh, and Y. Xia. 2023. Joining forces: the spillover effects of EPA enforcement actions and the role of socially responsible investors. *Review of Financial Studies* 36(9), 3781-3824.
- Cohen, S., I. Kadach, and G. Ormazabal. 2023. Institutional investors, climate disclosure, and carbon emissions. *Journal of Accounting and Economics* 76(2-3).
- Hales, J. 2023. (Discussion of above paper at JAE Conference): <https://www.sciencedirect.com/journal/journal-of-accounting-and-economics/vol/76/issue/2>

### **Session 13. March 11: The “S” in ESG: Labor Markets and Diversity**

#### Papers for this Session

- Choi, J. Ho, J. Pacelli, K. M. Rennekamp, and S. Tomar. 2023. Do jobseekers value diversity information? Evidence from a field experiment and human capital disclosures. *Journal of Accounting Research* 61(3), 695-735.
- Bennedsen, M., E. Simintzi, M. Tsoutsoura, and D. Wolfenzon. 2022. Do firms respond to gender pay transparency? *Journal of Finance* 77(4), 2051-2091.

*Thought Question: How does the field experiment allow the authors to answer their question?*

#### **Other Papers of Interest (not covered in class)**

- Flam, R. W., J. Green, J. A. Lee, and N. Y. Sharp. 2023. Ethnic minority analysts’ participation in public earnings conference calls. *Journal of Accounting Research* 61(3), 1591-163.
- Bennedsen, M., E. Simintzi, M. Tsoutsoura, and D. Wolfenzon. 2022. Do firms respond to gender pay transparency? *Journal of Finance* 77(4), 2051-2091.
- Pan, Y., E. S. Pikulina, S. Siegel, and T. Y. Wang. 2022. Do equity markets care about income inequality? Evidence from pay ratio disclosure. *Journal of Finance* 77(2), 1371-1411.
- Sherman M. G. and H. E. Tookes. 2022. Female representation in the academic finance profession. *Journal of Finance* 77(1), 317-365.
- Balakrishnan, K., Copat, D. De La Parra, and K. Ramesh. 2023. Racial diversity exposure and firm responses following the murder of George Floyd. *Journal of Accounting Research* 61(3), 737-804

## Topics covered in previous years

### **How do we measure ESG? George Serafeim....**

- Kostantonis, S and G. Serafeim. 2019. Four things no one will tell you about ESG Data *Journal of Applied Corporate Finance* 31(2), 50-58. (This is a short but very nice article about the problems with ESG Data).
- Serafeim, G., and A. Yoon, 2022. A. Stock price reactions to ESG news: The role of ESG ratings and disagreement. *Review of Accounting Studies* Forthcoming.
- Christensen, D.M. G. Serafeim, and A. S. Sikochi. 2022. Why is corporate virtue in the eye of the beholder? The case of ESG Ratings. *Accounting Review* 97(1), 147-175.
- Khan, M., H. Serafeim, and A. Yoo. 2016. Corporate sustainability: First evidence on materiality. *The Accounting Review* 91(6), 1697-1724.

*Thought Questions: What is the overall story that the Serafeim papers are telling us? How does this affect how we can test the relation between inputs and the outcomes of ESG?*

### **Hedge Fund Activism: Different Stakeholders**

- Klein, A., and E. Zur, 2009, Entrepreneurial shareholder activism: Hedge funds and other private investors, *Journal of Finance*. 64, 187-229.
- Brav, A., W. Jiang, F. Partnoy, and R. Thomas, 2008, Hedge Fund Activism, Corporate Governance, and Firm Performance, *Journal of Finance* 63, 1729–1775.
- Klein, A., and E. Zur, 2011, The impact of hedge fund activism on the target firm’s existing bondholders, *Review of Financial Studies* 24, 1735-1771.
- Sunder, J., S. V. Sunder, and W. Wongsunwal. 2014. Debtholder responses to shareholder activism: Evidence from hedge fund interventions, *Review of Financial Studies* 27, 3318-3342.
- Honigsberg, C. 2019. Hedge fund regulations and fund governance: Evidence on the effects of mandatory disclosure rules, *Journal of Accounting Research* 57(4), 845-887.

*Thought Questions: How does the Klein and Zur (2011) and Sunder et al. paper use the Klein and Zur (2009), and the Brav et al. papers as springboards? What other lines of research does this paper use? Honigsberg is a professor at the Stanford Law School. She has a law degree and a PhD in accounting from Columbia. How does her paper combine both disciplines?*

## **Sarbanes-Oxley: Sections 302 and 404 – Internal Controls**

- Read SOX: Sections 302 and 404
- Iliev, P., 2010, The Effect of SOX Section 404: Costs, earnings quality, and stock prices, *Journal of Finance*, Vol. 65(3), 1163-1196.
- Ge, W., A. Koester. and S. McVay. 2017. Benefits and costs of Sarbanes-Oxley section 404(b) exemption: Evidence from small firms' internal control disclosures. *Journal of Accounting and Economics* 63, 358-384.
- Goh, B. W., and D. Li. 2011. Internal controls and conditional conservatism. *Accounting Review* 86(3).
- Feng, M., C. Li, and S. E. McVay. 2009. Internal control and management guidance. *Journal of Accounting & Economics* 48(2-3), 190-209.

## **Sarbanes-Oxley II: The PCAOB**

Read: SOX: Title 1

- Background Paper: DeFond, M., and J. Zhang. 2014. A review of archival auditing research. *Journal of Accounting and Economics* 58 (2/3), 275-326.
- Gipper, B., C. Leuz, and M. G. Maffett. 2020. Public Oversight and Reporting Credibility” Evidence from the PCAOB Audit Inspection Regime. *Review of Financial Studies* 33(10): 4532-4579.
- Doxey, M., J. Lawson, T. J. Lopez, Q. T. and Swanquist. 2021. Do investors care who did the audit? Evidence from Form AP. *Journal of Accounting Research* 59(5).
- Kim, Y., L. N. Su, G. Zhou, X. and K. Zhu. 2020. PCAOB international inspections and merger and acquisitions outcomes. *Journal of Accounting & Economics* 70(1). [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3562051](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3562051)
- Reid, L. C., and J. V. Carcello. 2017. Investor reaction to the prospect of mandatory audit firm rotation. *The Accounting Review* 92(1), 183-211.
- Burke, J., R. Hoitash, U. Hoitash, S. and X. Xiao. 2023. The disclosure and consequences of U.S. Critical Audit Matters. *The Accounting Review* 98(2), 59-95. <https://doi.org/10.2308/TAR-2021-0013>.
- Gipper, B., L. Hail, and C. Leuz. 2021. On the economics of mandatory audit partner rotation and tenure: Evidence from PCAOB data. *Accounting Review* 96(2): 303-331.

- Christensen, B. E., N. G. Lundstrom, and N. J. Newton. 2021. Does the disclosure of PCAOB inspection findings increase audit firms' litigation exposure? *The Accounting Review* 96(3), 191-219. <https://doi.org/10.2308/TAR-2018-0151>.
- Hanlon, M. and N. Shroff. 2022. Insights into auditor public oversight boards: Whether, how and why they “work.” *Journal of Accounting and Economics* 74(1).

### **Market Effects of ESG Concerns**

- Bolton, P., and M. Kacperczyk. 2021. Do investors care about carbon risk? *Journal of Financial Economics* 142(2), 517-549.
- Heeb, F., J. F. Kolbel, F. Paetzold, and S. Zeisberger. 2023. Do investors care about Impact? *Review of Financial Studies* 36(5), 1737-1787.
- Hoepner, A.G.F., I. Oikonomou, Z. Sautner L. T. Starks, and X. Y. Zhou. 2022. ESG shareholder engagement and downside risk. Working Paper. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2874252](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2874252)
- Goldsmith-Pinkham, P., M. T. Gustafson, R. C. Lewis, and M. Schwert. 2023. Sea-level rise exposure and municipal bond yields. *Review of Financial Studies* 36(11), 4588-4635.
- Cohen, S., I. Kadach, G. Ormazabal, and S. Reichelstein. 2023. Executive compensation tied to ESG performance: International Evidence. *Journal of Accounting Research* 61(3), 805-853.
- Bolton, P., and M. Kacperczyk. 2023. Global pricing of carbon-transition risk. *Journal of Finance* 78(6), 3677-3754.
- Hsu, P-O and C-Y Tsou. 2023. The pollution premium. *Journal of Finance* 78(3), 1343-1392.

*Thought Questions: What is the first order effect of poor ESG? What is the second order effect? How do these affect how we can test the relation between ESG and market factors? Do investors care about ESG? Should they?*