

**MBA F702 – Sustainable and Social Finance
Winter 2021 Course Outline**

**Finance Area
DeGroote School of Business
McMaster University**

COURSE OBJECTIVE

Students will discuss how financial markets can play a socially-beneficial role. Can public companies play a role in creating a more sustainable world? Can the Paris climate targets and the U.N. Sustainable Development Goals be achieved without the active support of public companies? What role do endowments and pension plans play in driving sustainability? What role can impact investments and green bonds play in helping to improve societal outcomes? A major focus will be learning to evaluate public companies from an Environmental, Social and Governance (ESG) perspective. ESG has become a critical skill set in evaluating investments.

INSTRUCTOR AND CONTACT INFORMATION

**Section C01
Time: TBA
Mike Miller, CFA**
Instructor
millem11@mcmaster.ca
Office: TBA
Office Hours: After Class

Class Location:

COURSE ELEMENTS

Credit Value:	3	Leadership:	No	IT skills:	No	Global view:	Yes
Avenue:	Yes	Ethics:	Yes	Numeracy:	No	Written skills:	Yes
Participation:	Yes	Innovation:	No	Group work:	Yes	Oral skills:	Yes
Evidence-based:	Yes	Experiential:	No	Final Exam:	No	Guest speaker(s):	Yes

COURSE DESCRIPTION

Students will discuss how Financial Markets can play a socially beneficial role. Can public companies play a role in creating a more sustainable world? Can the Paris climate targets and the U.N. Sustainable Development Goals (SDGs) be achieved without the active support of public companies? What role do endowments and pension plans play in driving sustainability? What role can impact investments and green bonds play in helping to improve societal outcomes? A major focus will be learning to evaluate public companies from an Environmental, Social and Governance (ESG) perspective. Institutional Investors are now implementing the United Nations Principles for Responsible Investment (UNPRI) which is requiring them to incorporate ESG risks when assessing investments. Corporations are finding that they have to manage multiple stakeholders beyond shareholders and must do so with increasing transparency around ESG issues. Virtually all public companies now publish a detailed Corporate Social Responsibility report. Students will study and assess how well these reports address key issues surrounding the Environment (Carbon, Deforestation, Biodiversity, Plastics, Water, Fracking), Social Issues (Human Rights, Embracing Diversity and Equality, Ethical Supply Chains, Labour Standards, Conflict Zones) and Corporate Governance (Tax Avoidance, Executive Pay, Corruption, Diversity, Harassment). Evaluation will depend heavily on class participation and 2 group assignments.

LEARNING OUTCOMES

Upon completion of this course, students will gain an understanding of:

- The role that Finance can play in promoting positive social outcomes.
- The importance of Environmental, Social and Governance issues when completing a financial valuation of a company.
- The improving transparency of corporations around their Environmental, Social and Governance impacts on society.
- How metrics and standards are being developed to better evaluate ESG issues.
- The relationship between improved transparency and enhanced investor engagement in promoting improved ESG outcomes.

- How global goals like the Paris climate accord, the UN’s Sustainable Development Goals and Declaration of Human Rights can be furthered through ESG processes.
- Responsible investing approaches including ESG products and Green Bonds.

REQUIRED COURSE MATERIALS AND READINGS

Avenue registration for course content, readings and case materials

- <http://avenue.mcmaster.ca>

All readings will be provided on Avenue

EVALUATION

Learning in this course results primarily from in-class lectures and discussion and completion of three assignments. The first two assignments will be evaluated on a group basis (groups of 3) where group members will share the same grade. If the majority of the group feels that a member does not deserve an equal percentage of the mark assigned, it is the group’s responsibility to inform the instructor by email specifying the percentage of the mark in the group member’s opinion that should be assigned to each member. There will be **no Mid-Term or Final Exam**.

Your final grade will be calculated as follows:

Components and Weights

Assignment #1 (Groups of 3)	30%
Assignment #2 (Groups of 3)	30%
Class Participation	40%
Total	100%

Grade Conversion

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	75-79	9
B	70-74	8
B-	60-69	7
F	00-59	0

Course Deliverables

Two Group Assignments (60% weight in total)

There will be two assignments that will ask students to apply ESG concepts to actual companies and to current sustainability and social issues. The assignments will involve (#1) researching climate change and then assessing the carbon impact of a public company that you chose and (#2) evaluating a current corporate social responsibility report and a Sustainalytics ESG research report for a public company chosen by each group (usually the same company for both assignments). Each assignment will ask students to apply the sustainability and social issues discussed in class. For all assignments, a PDF must be submitted by email with a front cover page indicating all student names and student numbers. Two brief in-class presentations will be required for each of Assignment #1 and Assignment #2. The detailed requirements for each assignment will be posted on Avenue.

Assignment #1 (30% weight). Groups of 3 will choose a publicly-traded company. Each group will (1) research how the topic of Climate Change (and potential mitigation or adaptation strategies) affect the industry that their chosen public company operates in and (2) evaluate the company's carbon strategy and disclosure. In addition to the written report, your group will need to prepare a very brief PowerPoint presentation of 5-10 slides. These presentations will begin during class 8 and continue into Class 9. Groups will consolidate their written work on all assignment questions and submit it for Class 9.

Assignment #2 (30% weight). Due for the final class, each group of 3 will choose a public company (it is best to choose the same company from Assignment 1) and submit a detailed written report that evaluates the company's Corporate Social Responsibility reports, compares its reporting to a competitor, assesses a Sustainalytics ESG Research Report on the company and appraises the company's Environmental, Social and Governance exposures and strategies. Questions will be provided that will help structure how you evaluate the usefulness of the reports for investors and other stakeholders. You will also present a very brief PowerPoint presentation during the final two classes providing the highlights of your analysis.

Class Participation (40% weight)

Individual contribution in class will be needed to make this course a dynamic learning experience for all. Environmental and social issues are better understood by hearing diverse viewpoints. Attendance at all synchronous lectures is required. Marks will be assigned for attendance and through brief, simple 5-minute quizzes using PollEverywhere software. No studying will be required for these quizzes beyond reading the articles (or watching the video / listening to the podcast) assigned for the week. Attendance and quiz marks will be incorporated together into your total Class Participation score.

Communication and Feedback

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:

<http://mbastudent.degroote.mcmaster.ca/contact/anonymous/>

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

ACADEMIC DISHONESTY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, located at:

www.mcmaster.ca/academicintegrity

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

Language for Use in Courses with an On-Line Element

In this course we will be using e-mail, A2L, and web pages. Students should be aware that when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used.

Continuation in this course will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Where students miss a regularly scheduled mid-term or class participation for legitimate reasons as determined by the Student Experience – Academic (MBA) office, the weight for that test/participation will be distributed across other evaluative components of the course at the discretion of the instructor. Documentation explaining such an absence must be provided to the Student Experience – Academic (MBA) office within five (5) working days upon returning to school.

To document absences for health related reasons, please provide to Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and the McMaster University Student Health Certificate which can be found on the DeGroote website at <http://mbastudent.degroote.mcmaster.ca/forms-and-applications/>. Please do not use the online McMaster Student Absence Form as this is for Undergraduate students only. University policy states that a student may submit a maximum of three (3) medical certificates per year after which the student must meet with the Director of the program.

To document absences for reasons other than health related, please provide Student Experience – Academic (MBA) office the Petition for Relief for MBA Missed Term Work and documentation supporting the reason for the absence.

Students unable to write a mid-term at the posted exam time due to the following reasons: religious; work-related (for part-time students only); representing university at an academic or varsity athletic event; conflicts between two overlapping scheduled mid-term exams; or other extenuating circumstances, have the option of applying for special exam arrangements. Such requests must be made to the Student Experience – Academic (MBA) office at least ten (10) working days before the scheduled exam along with acceptable documentation. Instructors cannot themselves allow students

to unofficially write make-up exams/tests. Adjudication of the request must be handled by Student Experience – Academic (MBA).

If a mid-term exam is missed without a valid reason, students will receive a grade of zero (0) for that component.

Any student who is unable to write a final examination because of illness is required to submit the Application for Deferred MBA Final Examination and a statement from a doctor certifying illness on the date of the examination. The Application for Deferred MBA Final Examination and the McMaster University Student Health Certificate can be found on the DeGroote website at

STUDENT ACCESSIBILITY SERVICES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students are required to inform SAS of accommodation needs for course work at the outset of term. Students must forward a copy of such SAS accommodation to the instructor normally, within the first three (3) weeks of classes by setting up an appointment with the instructor. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

<http://sas.mcmaster.ca>

POTENTIAL MODIFICATION TO THE COURSE

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of MBA F650 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your**

responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

**MBA F702 – Sustainable and Social Finance
Winter 2022 Course Schedule**

Class	Lecture	Assignments
1	How do we solve the world's most pressing environmental and social issues? (1) Role of Government (2) Role of Non-Profits (3) Foundations and Endowments (4) Large Public Pension Funds (5) Role of Business	
2	How do foundations solve society's problems? How can companies help? (1) The Gates Foundation (2) The Heron Foundation (3) Capitalism for the Long Term (4) Unilever's Approach to Sustainable Finance	
3	What are the world's most pressing challenges? How can investors help? (1) United Nations SDGs (2) The UN Principles for Responsible Investment	
4	How is ESG analysis used in investing? What does responsible investment mean? (1) Brief Introduction to ESG: Environment, Social, Governance Evaluation (2) Spectrum of Social Finance Approaches: Exclusionary / ESG / SRI / Impact Investing	
5	How do investment managers actually incorporate sustainability? (1) How Investment Managers Implement ESG in their Investment Process (2) The Importance of Investor Engagement with Corporations and Proxy Voting (3) Example Investment Manager: BMO Asset Management	
6	How do companies balance profits, purpose and public expectations? (1) Corporate Governance in a Multi-Stakeholder World (2) Blackrock's expectations of today's corporation	
7	How do companies report on carbon impact and decarbonization strategies? (1) Climate in the Boardroom (2) Task-force on Climate Related Disclosures (3) CDP (formerly the Carbon Disclosure Project)	
8	Why is climate change the #1 ESG issue and what should investors do? (1) Climate Change and IPCC Report (2) Approaches to Investing for a Lower Carbon Future	Assignment 1 - (Groups of 3) Present a 5-10 slide presentation (10 min. max) Topic: Discuss carbon issues for the Industry that your company competes in and discuss your company's carbon strategy and disclosure
9	Who are the organizations advancing sustainable investing and why do they matter? (1) SASB / GRI (2) Sustainalytics / MSCI (3) ISI / Glass Lewis (4) TCFD / CDP (5) UNPRI / UN Global Compact / WEF / Business Roundtable (6) NGOs / Foundations / Industry Associations	Presentations will continue during Class 9 Submit your Assignment 1 project essay (Entire assignment 30% of grade)
10	Why are public companies critical to solving problems like plastics? (1) Plastic's Impact on Climate and the Environment (2) Failure of Government to Deal with Plastics (3) Can ESG and CSR help solve the Plastic Problem?	
11	How can public companies tackle important social issues? (1) Can companies help foster social justice? Or are they the problem? (2) What do ESG solutions to social challenges look like?	Assignment 2 (Groups of 3) Present a 5-slide presentation (10 min. max) Topic: Evaluation of a Public Company's CSR Report & Sustainalytics Research
12	How can corporate transparency and collaborative efforts help? (1) How corporations report on their sustainability efforts needs to improve (2) Collaborative efforts are essential to foster sustainable solutions and positive change	Presentations will continue during Class 12 Submit your Assignment 2 project essay (Entire assignment 30% of grade)
	Class Participation - Attendance at Class (or on Synchronous Calls) and PollEverywhere Quiz Results	(Class participation 40% of grade)