

**Commerce 4FX3  
Sustainable and Social Finance  
Fall 2019 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? What role do endowments play in the success of the non-profit sector? What role can socially-responsible businesses, impact investments and green bonds play in helping to improve social 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**

**TBA**

Instructor: **Mike Miller, CFA**

millem11@mcmaster.ca

Office: TBA

Office Hours: After Class

Class Location: TBA

**Student TA: TBA**

TBA@mcmaster.ca

Office Hours: TBA

---

***COURSE ELEMENTS***

---

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
A2L: Yes	Ethics: Yes	Numeracy: No	Written skills: Yes
Participation: Yes	Innovation: Yes	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? What role do endowments play in the success of the non-profit sector? What role do endowments play in the success of the non-profit sector? What role can socially-responsible businesses, impact investments and green bonds play in helping to improve social 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, Water, Fracking), Social Issues (Human Rights, 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 3 group assignments.

---

## ***LEARNING OUTCOMES***

---

Upon successful 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 UN's Sustainable Development Goals and Declaration of Human Rights can be furthered through ESG processes.
- New social finance investment vehicles like Green Bonds, B-Corps and Impact Investments.

---

**COURSE MATERIALS AND READINGS**

---

**Required:**

Course Materials Are Available on Avenue To Learn

➤ <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 group assignments. The 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**

<b>Assignment #1</b> (Groups of 3)	10%
<b>Assignment #2</b> (Groups of 3)	30%
<b>Assignment #3</b> (Groups of 3)	30%
<b>Class Participation</b>	30%
<b>Total</b>	<b>100%</b>

## **Communication and Feedback**

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 Area Administrative Assistants. Instructors are required to provide evaluation feedback for at least 10% of the final grade to students prior to Week #9 in the term. Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

## **Course Deliverables**

### ***Three Group Assignments (70% weight in total)***

There will be three assignments that will ask groups of 3 students to apply ESG concepts to actual companies and to current sustainability and social issues. The assignments will involve either researching actual non-profits (#1), case studies (#2) or current CSR reports from public companies (#3). Each assignment will ask students to apply the sustainability and social issues discussed in class. For all assignments, a hard copy (stapled) must be submitted in class indicating all group members names and student numbers. Brief 10 minute in-class presentations will be required for each of assignments #1 and #2. The assignments will be posted on Avenue.

**Assignment #1 (10% weight).** Groups will choose a non-profit entity that relies to a significant degree on its endowment. Each group will describe the entity's mission, its impact on society, the role the endowment plays and any information available on how the endowment invests.

**Assignment #2 (30% weight).** Three brief case studies will be provided. Each case study will highlight one environmental issue, one social issue and one governance issue respectively. Groups will hand in a written assessment of each case study and will sign up to present their solution on just one of the case studies. We will try to balance the presentations across all 3 cases.

**Assignment #3 (30% weight).** Due for the final class, each group will choose 2 companies in the same industry sector and compare their annual Corporate Social Responsibility reports over the past 3 years. Questions will be given that will help structure how each group evaluates the usefulness of the reports for investors and other stakeholders.

### ***Class Participation (30% 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. Marks will also be assigned for attendance and through brief, simple 5-minute quizzes. No studying will be required for these quizzes beyond reading the article assigned for the week. Attendance and quiz marks will be incorporated into your total Class Participation score.

## ***ACADEMIC INTEGRITY***

---

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](http://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
- 

## ***ONLINE COURSE COMPONENTS***

---

In this course we will be using Avenue to Learn. 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.

---

## ***REQUESTING RELIEF FOR MISSED ACADEMIC WORK***

---

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below;

<http://ug.degroot.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

---

## ***STUDENT ACCESSIBILITY SERVICES***

---

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail [sas@mcmaster.ca](mailto:sas@mcmaster.ca).

For further information, consult McMaster University's Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

---

## ***ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)***

---

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

<https://multifaith.mcmaster.ca/riso>

---

## ***POTENTIAL MODIFICATION TO THE COURSE***

---

The instructor reserves the right to modify elements of the course during the term. There may be changes to 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 enrolment in Commerce 4FX3 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**


---

**Commerce 4FX3 – Sustainable and Social Finance  
Fall 2019 Course Schedule**

<b>Class</b>	<b>Lecture</b>	<b>Assignments</b>	<b>Presentations</b>
1	(1) Role of Foundations and Endowments in Canada and the U.S. (2) Role of Large Public Pension Funds and other Asset Managers in Social Finance		
2	The Challenges in Meeting Endowment Objectives		
3	United Nations SDGs and the UN Principles of Responsible Investment		
4	(1) The Spectrum of Social Finance Approaches: From Exclusionary to ESG to SRI Funds to Impact Investing (2) Introduction to Environment, Social, Governance Evaluation for Public Companies		
5	Examination of Governance Issues and the Need for Public Company Boards to Consider Multiple Stakeholders	<b>Due:</b> Overview Report on a Major North American Endowment (10%)	Assignment 1 Presentations
6	Examination of Key Environmental Issues for Public Companies		Assignment 1 Presentations
7	Examination of Supply Chain Ethical Issues and other Key Social Issues		Assignment 1 Presentations
8	(1) Understanding GRI and SASB standards (2) Evaluating Canadian and U.S. Corporate Social Responsibility Reports		
9	How Sustainalytics, MSCI and Bloomberg measure ESG and Identify Key Controversial Issues	<b>Due:</b> 3 Brief Case Studies on ESG Issues (30%)	Assignment 2 Presentations
10	(1) How Investment Managers implement ESG in their investment process (2) The importance of investor engagement with corporations		Assignment 2 Presentations
11	Proxy Voting: ISI & Glass Lewis; Understanding the roles played by Advisors, Investors and Boards		Assignment 2 Presentations
12	'BCorps' and Social Enterprises		
13	Impact Investing, Green Bonds and other examples of Impact Investments	<b>Due:</b> Comparison of Corporate Sustainability Reports and Corporate Governance Practises (30%)	
		<b>Class Participation (30%)</b>	