

**Commerce 3FL3
Sustainable and Social Finance
Winter 2024 Course Outline
Finance Area
DeGroot School of Business**

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 investments 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

Sections C01 C02 C03

Mon 2:30–5:20

Tues 11:30–2:20

Wed 11:30–2:20

Mike Miller, CFA

Instructor

millem11@mcmaster.ca

Office Hours: AfterClass

Student TA

Sima Fallah Tafti

Fallahts@mcmaster.ca

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? 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 investments 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 upon attendance, brief PollEverywhere quizzes 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 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.

COURSE MATERIALS AND READINGS

Required:

Course Materials Are Available on Avenue To Learn

➤ <http://avenue.mcmaster.ca>

All readings and videos 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 4 or 5) 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

Group Assignment #1	15%
Group Assignment #2	15%
Group Assignment #3	20%
Class Participation	20%
Weekly Quizzes	30%
Total	100%

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 (50% weight in total)

There will be three assignments that will ask students to apply ESG concepts when investing and when evaluating publicly-traded companies. The main lens will be current sustainability and social issues. The assignments will involve (#1) considering the ESG impact of investing in ETFs in a tax-sheltered investment account, (#2) researching the climate change impacts of the industry your chosen company operates in and then assessing the carbon strategy and carbon disclosure of that company and (#3) evaluating both the current corporate social responsibility report and Sustainalytics ESG research report for your chosen company and then comparing your company's ESG strategy and disclosure to a competitor's. 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. The assignments will be posted on Avenue.

Group Assignment #1 (15% weight). Groups will create a portfolio of publicly-traded North American ETFs to be held in a tax-sheltered investment account (like a TSFA or RSP). The goal will be to earn attractive long-term returns (to be well-prepared for retirement) while also considering the impact of the investment portfolio with respect to your values and its impact on society. You are asked to describe each ETF's strategy and its ESG characteristics. Provide what percentage of your portfolio you would put in each ETF. Describe the overall risk/return profile of your portfolio. The written report which is due for Class 6.

Group Assignment #2 (15% weight). Choose a North American publicly-traded company. Groups will (1) research the topic of climate change for the industry that your chosen company operates in and describe the potential mitigation or adaptation strategies for that industry, (2) evaluate your chosen company's carbon strategy and approach to carbon disclosure and (3) compare your company to a key competitor. Your written report is due for Class 9.

Group Assignment #3 (20% weight). Due for Class 12 (final class), each group will further examine the publicly-traded companies discussed for Assignment #2. You will evaluate its Corporate Social Responsibility and Annual Financial reports as well as the company's proxy statements. The focus will be on appraising the company's ESG exposures, the breadth and clarity of its disclosures and its ESG target setting and strategies. You will also compare its ESG strategy and disclosure levels to a key competitor. Finally, you will appraise the extent to which ESG considerations would be an important investment consideration for your company.

Individual Class Participation and Weekly Quizzes (50% 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 in-class or synchronous lectures is required. Marks will be assigned for attendance and through brief, simple 5-minute quizzes using PollEverywhere software. Each quiz will have 3 or 4 multiple choice questions. 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 (20% of total grade) and quiz marks (30% of total grade) will comprise the balance of your total grade.

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

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 DeGroote website at the link below;

<http://ug.degroote.mcmaster.ca/forms-and-resources/missed-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.

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 3FL3 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.

Commerce 3FL3 – Sustainable and Social Finance Winter 2023 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	Group Assignment 1 (Due for Class 6) Topic: Create a portfolio of North American ETFs for long-term personal investment purposes in a tax-sheltered investment account. Does the portfolio reflect your values and/or contribute positively to society's SDG goals? Submit your Assignment 1 project essay (Entire assignment 15% of grade)
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	
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	Group Assignment 2 (Due for Class 9) Topic: Discuss carbon issues for the Industry that your company competes in and discuss your company's carbon strategy and disclosure. Submit your Assignment 2 project essay (Entire assignment 15% 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?	
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	Group Assignment 3 (Due for Class 12) Topic: Evaluation of a public company's CSR report & compare to a competitor Submit your Assignment 3 project essay (Entire assignment 20% of grade)
	Class Participation Grade (1) Attendance at Class (or on Synchronous Calls) - 20% (2) PollEverywhere Quiz Results (3 to 4 multiple choice questions per class) - 30%	(Class participation/quizzes total 50% of grade)