



FINA2385 ESG in Business and Finance

GENERAL INFORMATION

Instructor: Mr. Frederick Long
Email: dlong@hku.hk

Tutor: Antony Cheung
Email: antonyc@hku.hk

Course website:
Other important details:

COURSE DESCRIPTION

This course is designed to introduce environmental, social and governance (ESG) topics to students of business, finance and policy.

Students will consider the relationship of corporates to societal objectives such as environmental protection and equitable working opportunities, which may not be within their direct operational mandates. Students will be introduced to key environmental and social challenges, such as climate change, pollution, and social inequality, and evaluate the “value” that preserving nature brings to society and to corporates.

We will review the key elements of an ESG system at the corporate level. What is required, at a minimum, and what kinds of advanced investments (beyond compliance) would serve both societal and corporate objectives? Students will apply these lessons to analyze specific company ESG programs via case studies, assessing strengths and suggesting areas of improvement.

We will apply the principles of successful ESG management to the field of investment. Is a strategy that employs advanced ESG metrics likely to outperform traditional investment benchmarks? What are the pitfalls of employing a sustainability-focused public market or private market investment plan?

ESG experts from Corporates and Investments will be invited to talk to our students as guest speakers. They should be helping the students to understand the current trends/practice in ESG.

Pre-requisite(s): FINA1310 Corporate Finance
Co-requisite(s): Nil
Mutually exclusive: Nil

COURSE OBJECTIVES

The course aims to provide students with a practical understanding of how to design suitable ESG strategies for corporations in light of public, worker, and regulatory expectations and to implement ESG systems that serve those strategies. Students will also have an understanding of what is impact investing relating to ESG.

It can be valuable to students wishing to enter corporations or policy roles in government or NGOs, or in a financial institution managing investment portfolios.

The further aim is to bring a level of sophistication to the question of how far corporations should go in pursuit of activities that achieve societal goals (such as reduced social inequality), and whether such beyond compliance approaches can in fact become a source of sustainable competitive advantage.

FACULTY LEARNING GOALS (FLGs)

FLG1: Acquisition and internalization of knowledge of the programme discipline
FLG2: Application and integration of knowledge

FLG3: Inculcating professionalism FLG4: Developing global outlook FLG5: Mastering communication skills FLG6: Cultivating leadership			
COURSE LEARNING OUTCOMES (CLOs)			
Course Learning Outcomes		Aligned Faculty Learning Goals (FLGs)	
Upon successful completion of the course, students should be able to:			
CLO1: Define ESG components and explain their relevance to corporations. Identify relevant stakeholders for a corporation.		FLG 1-4, 6	
CLO2: Develop tools for valuing natural resources, such as air quality, water quality, and ocean health.		FLG 1-4	
CLO3: Evaluate various systems by which corporations measure their carbon emissions, and the tools regulators use to regulate and restrict those emissions.		FLG 1-4, 6	
CLO4: Outline the key elements of an effective corporate ESG architecture, and assess the resources required to implement this architecture. Assess reporting requirements for major public stock exchanges such as HKSE.		FLG 1-4, 6	
CLO5: Develop critical thinking about the balance between performance and accountability; one key area is to successfully identify “greenwashing” risks.		FLG 3, 4	
CLO6: Become a successful ESG driven investor and/or portfolio manager, and consider the relationship between ESG performance, corporate financial performance, and public market valuations.		FLG 3-6	
CLO7: Consider and develop entrepreneurial ideas for addressing elements of the UN Sustainable Development Goals (SDGs)		FLG 3, 4, 6	
COURSE TEACHING AND LEARNING ACTIVITIES			
Course Teaching and Learning Activities		Expected Study Hours	Study Load (% of study)
T&L1: Lectures and Guest Speakers		33	26%
T&L2: Reading and preparation		33	26%
T&L3: Case Study preparation (Group, in class exercise)		20	16%
T&L4: Mid Term Written Exam preparation		20	16%
T&L5: Final Project		20	16%
Total		126	
Assessment Methods			
Assessment Methods	Brief Description (Optional)	Weight	Aligned Course Learning Outcomes
A1: Classroom Participation		10%	CLO 1-7
A2: Case Study Presentation		25%	CLO 1-7
A3: Mid Term Written Exam		30%	CLO 1-7
A4: Final Project		35%	CLO 1-7
Total		100%	

Coursework / Examination Ratio: <u>100</u> % / <u>0</u> %	
STANDARDS FOR ASSESSMENT	
Course Grade Descriptors	
A+, A, A-	Demonstrate superior ability to fulfill learning outcomes and make strong contributions in class and group activities
B+, B, B-	Demonstrate strong ability to fulfill learning outcomes, apply the knowledge effectively and make solid contributions in class and group activities
C+, C, C-	Make adequate contributions in class and group activities, and demonstrate mastery of the subject, but show gaps in understanding, or inconsistent application of the learning outcomes to practical examples
D+, D	Demonstrate evidence of familiarity with ESG topics, and effort to contribute in class or group activities
F	Demonstrate limited evidence of basic familiarity with the subject and limited effort to contribute in class or group activities
Assessment Rubrics for Each Assessment (Please provide us the details in a separate file if the space here is not enough)	
<p>Written exams are intended to cover key elements of ESG systems, both for corporations and investors, and to test students' abilities to understand key issues and apply that understanding to practical real world examples.</p> <p>Projects will be assigned to develop students' ability to undertake research and interpret and holistically evaluate information for decision making, even when facing numerous uncertainties.</p>	
COURSE CONTENT AND TENTATIVE TEACHING SCHEDULE	
<p>(I) INTRODUCTION</p> <p><i>1 Defining Environment, Social and Governance Issues</i></p> <p>Key elements of E Key aspects of S What is governance and why is it important?</p> <p>(II) ROLE OF THE CORPORATION IN SOCIETY</p> <p><i>2 Milton Friedman (1970) and Mark Carney (2020)</i></p> <p>"The Purpose of the Corporate is to Maximize Profits" What is a "stakeholder"? Introduction to "Values" (book by Mark Carney, Former Bank of England Governor) When and why should a company consider its impact on stakeholders? What responsibility does a corporation have to its employees? To the community in which it operates? How about its responsibilities to the supply chain from which it sources its raw materials, components?</p> <p>(III) VALUING NATURAL RESOURCES</p> <p><i>3 "Tragedy of the Commons"</i> Article By Garrett Hardin What are the global commons and how much do we depend on them for our daily well being? (atmosphere, acid rain, oceans, freshwater)</p> <p><i>4 How To Measure Carbon Emissions</i></p> <p>The science of Carbon Dioxide and Methane Emissions</p>	

GHG Emissions metrics and how companies report them
The Kyoto Protocol and the development of "Emissions trading programs" in EU
China's new Carbon trading market

(IV) CORPORATE APPROACHES TO ESG MANAGEMENT

5 Compliance

What does it mean and is it enough?
"Best Available Technology" (BAT) versus Market Mechanisms
Asia's evolving ESG regulations

6 Components of a Corporate ESG System

- Policy
- Oversight
- Personnel
- What to Measure
- Data assurance and validation

7 ESG Reporting

Comparison of Hong Kong Stock Exchange and US Stock Exchange Reporting Requirements
A Review of Selected ESG Reports
What is "greenwashing"?

8 Risk Management/ The Business Case for ESG

Example: Crop Insurance (or Flood Insurance)
-What is it?
-Should insurance companies offer it?
-Should farmers buy it?

9 "Beyond ESG Compliance" Case Studies

Student Groups to present on different companies' ESG strategies identifying the rationale, pros and cons and discussions on the success of such strategies. Selected companies might include:

BYD
Shell
Standard Chartered Bank
Du Pont
IKEA
Patagonia
Samsung

(V) INVESTORS AND ESG METRICS

10 How Investors Evaluate ESG Performance

- Exclusions
- ESG Ratings systems (Moody's, MSI)
- "Greenwashing" assessments
- The role of NGOs and watchdogs
- Does ESG performance lead to superior financial performance?

11 Emerging Industries for Investment: Positive or Negative ESG metrics (societal Impacts)?

What are the UN Sustainable Development Goals?
What does this imply about the future of corporations and their roles in societies in which they operate?
What are the "impacts" from:
-Alibaba and Taobao

- fintech startups
- home food delivery (Uber Eats)
- alternative proteins (beyond beef)

(VI) WRAP UP: ESG AS IT EVOLVES TOWARDS SUSTAINABILITY

REQUIRED/RECOMMENDED READINGS & ONLINE MATERIALS (e.g. journals, textbooks, website addresses etc.)

Package of Articles including “Purpose of the Corporation”, “Tragedy of the Commons”, “Valuation of an Amazonian Rainforest”, and HKSE ESG Reporting Guidelines

‘Environmental Social Governance.’ Spitz et al. (Paperback)

Bill Gates, “How to Avoid a Climate Disaster.”

MEANS/PROCESSES FOR STUDENT FEEDBACK ON COURSE

- conducting mid-term survey in additional to SETL around the end of the semester
- Online response via Moodle site
- Others: _____ (please specify)

COURSE POLICY (e.g. plagiarism, academic honesty, attendance, etc.)

As per university standard policies.

Class Conduct: Respect for different opinions is an essential element of this course.

ADDITIONAL COURSE INFORMATION (e.g. e-learning platforms & materials, penalty for late assignments, etc.)