



UNSW Business School

FINS3644 Sustainable and Responsible Investing (UG)¹

2021 Term 1

School of Banking & Finance

Delivery Mode: On-campus or Fully online

Course Summary

This course broadens the scope of investment analysis by incorporating environmental, social, and governance considerations (non-financial information) as decision input and objectives. It aims to

- Educate students on sustainable investing issues, opportunities, and challenges.
- Engage students to discuss and design investment processes, products, and practices that encourage positive changes in the world while also delivering investment returns.

Relationship to Other Courses

This course builds on ethics components in existing capital market and investments courses by incorporating environmental, social, and governance (ESG) considerations and methods into investment processes, products, and practices. These non-financial variables complement the financial and quantitative investment analysis courses such as FINS2624 and FINS3641.

¹ This is an amended course outline with some institutional administrative texts removed for clarity. The course is first offered in 2020 Term 1 (Feb-May), together with its graduate equivalent course FINS5544 Socially Responsible Investing.

Staff Contact Details²

Position	Title	Name	Location	Phone	ConsultationTimes
Lecturer-in-charge	AProf	Kingsley Fong	Room 344B, UNSW Business School Building	+61 9385 4932	Wed 3-4 pm
Lecturer	Mr	William Wu	—	—	By appointment

Student Learning Outcomes

The Course Learning Outcomes (CLOs) are what you should be able to demonstrate by the end of this course, if you participate fully in learning activities and successfully complete the assessment items. CLOs also contribute to your achievement of the Program Learning Outcomes (PLOs), which are developed across the duration of a program for all coursework students in the Business School. More information on PLOs is available under Policies and Support. PLOs are, in turn, directly linked to UNSW graduate capabilities and the aspiration to develop "globally focused graduates who are rigorous scholars, capable of leadership and professional practice in an international community". The following table shows how the CLOs for this course relate to the overall PLOs and indicates where each CLO and PLO is assessed:

Course Learning Outcomes	Program Learning Outcomes	Course Assessment Item
Articulate the roles and impact of finance and investment professionals in directing economic activities.	PLO 1: Business knowledge	Blog Class Contributions
Apply ethical decision-making frameworks to investment processes.	PLO 1: Business knowledge PLO 5: Responsible business practice	Quizzes Blog Class Contributions
Identify and assess environmental, social, and corporate governance issues and risks in investment decision making.	PLO 1: Business knowledge PLO 5: Responsible business practice PLO 6: Global and cultural competence	Quizzes Blog Class Contributions
Assess that state and practices in the socially responsible investing sector.	PLO 5: Responsible business practice	Quizzes Blog
Analyse ESG data to propose and assess the impact of a socially responsible investment product and strategy.	PLO 1: Business knowledge PLO 5: Responsible business practice	Research Project Quizzes Blog Class Contributions

² Associate Professor Kingsley Fong identified sustainable and responsible investing as the missing piece in the mindset and toolkit of finance professionals to go beyond financial data and returns to address pressing environmental and social issues. He proposed the course in 2019 and researched the field (leading researchers, educators, local and international market development, professional associations). He invited William Wu, a portfolio manager at a responsible fund, to co-teach the course. William brought Australian market expertise to illustrate the applications of ESG analysis and industry links to promote responsible investing careers for students.

Learning and Teaching Activities

Approach to Learning and Teaching in the Course

This course features an active learning approach with extensive interactive teaching and learning activities.

Learning Activities and Teaching Strategies

As an evolving field and a course that extends the boundary of the dominant economic paradigm of finance logic, learning activities and assessments are designed to encourage individual and community reflective learning.

- Lecturers introduce new concepts and frameworks.
- Student active participation in personal blog, in-class discussions, forum posting, and the group project deepen and apply new insights and integrate with prior knowledge.
- Industry guest speakers will share their inspirations and experience in implementing responsible investment ideas.
- Financial market technology will be introduced to support information gathering and analysis.

Course Resources

Prescribed textbook

D. Schoemaker & W. Schramade (2019). Principles of Sustainable Finance. Oxford: Oxford University Press. [SS]

Recommended reading

Edmans, A., 2020. Grow the Pie: How Great Companies Deliver Both Purpose and Profit. Cambridge University Press.

Course Schedule

Week	Topic and Readings	Assessment/ Other
Week 1: 19 February KF	<p>Towards a Sustainable World</p> <p>Key concepts: Planetary boundaries; urgency of climate action; social foundations; 17 UN SDG; system approach; the role of financial system; externalities; sustainable finance; financial, social, and environmental returns; lobbying and policy uncertainty; investor actions; ESG analysis; PRI investment profile; SDG as impact framework.</p> <p>Readings:</p> <ul style="list-style-type: none"> • SS Chap 1 Sustainability and the Transition Challenge • SS Chap 2 Externalities internalization • BlackRock Larry Fink's 2021 Letter to CEOs • Australian Sustainable Finance Roadmap <p>Guest speaker: Simon O'Connor, CEO at Responsible Investment Association Australasia (RIAA), spoke on how performance, compliance, and consumer demand are making responsible investing is becoming a mainstream investment process, and the Australian Sustainable Finance Roadmap.</p>	Blog Class contribution
Week 2: 26 February KF	<p>Purpose of Markets and Corporations Responsible Investment Methodologies</p> <p>Key concepts: Linear consumption and production; time horizon of financial and non-financial returns; shareholder and stakeholder model; US Business Roundtable statement on purpose of corporations; pieconomics principles for purposeful business; institutional investors; universal owners; PRI and other coalitions of sustainable finance; CFA-PRI ESG integration framework; ESG risks; global risks horizon.</p> <p>Readings:</p> <ul style="list-style-type: none"> • SS Chap 3 Governance and Behaviour • SS Chap 4 Coalitions for Sustainable Finance • Edmans Chap 1 The Pie-Growing Mentality • CFA PRI Guidance and Case Studies for ESG Integration: Equities and Fixed Income <p>Guest speaker: Alex Edmans, London Business School, examined the evidence on responsible investment and explains the three principles that companies can "Grow the Pie" with purpose and profit by considering.</p>	Blog Class contribution Introduction to FactSet and Bloomberg Project Group formation

<p>Week 3: 5 March</p> <p>KF</p>	<p>Environment 1 Climate</p> <p>Key concepts: ESG integration analysis; ESG rating; SASB Materiality map; IPCC; climate change; climate change denial; the worldview backfire effect; Paris Agreement; scope 1, 2, 3 GHG emission; stranded assets; physical risks; transition risks; regulatory risks; technological risks; tail risk; climate disclosure; TCFD; GRI; SASB; CDP; sustainability report; climate mitigation vs adaptation; greenwashing; investor impact vs corporate impact; EU Taxonomy.</p> <p>Readings:</p> <ul style="list-style-type: none"> • World Economic Forum Global Risks Report 2020 • IPCC Global Warming SR15 Headline-statements • Ilhan, E., Sautner, Z., & Vilkov, G. (2019). Carbon tail risk. The Review of Financial Studies. • Krueger, P., Sautner, Z., & Starks, L. T. (2020). The importance of climate risks for institutional investors. The Review of Financial Studies, 33(3), 1067-1111. • EU Technical Expert Group on Sustainable Finance (2019) Using the Taxonomy. <p>Guest speaker: Phil Vernon, former CEO at Australian Ethical Investment and Director at Beyond Zero Emissions and other organisations, shared his extensive experience and insight into the responsible investment industry and the normative role of the finance sector.</p>	<p>Blog Class contribution</p>
<p>Week 4: 12 March</p> <p>WW</p>	<p>Environment 2 Water and Waste</p> <p>Key concepts: Global vs local issues and media attention; environmental issues of water; water and SDG 6 & 14; feedback loops; water risks; water opportunities; water reliance; water reporting; water policy; environmental issues of waste; waste and SDG 12; waste streams; recycling rate; plastics pollution; lack of coordinated waste policy; overseas recycling market closure; circular business models; circular economy rebound; scenario analysis of companies with material water and waste issues.</p> <p>Readings:</p> <ul style="list-style-type: none"> • McKinsey & Company. Charting our water future. • Victoria State Government (2019). A circular economy for Victoria. 	<p>Blog Class contribution Quiz 1</p>

<p>Week 5: 19 March</p> <p>WW</p>	<p>Social 1 Diversity, Reconciliation, Modern Slavery and Employee Safety</p> <p>Key concepts: Gender, racial and other measures of diversity; diversity and culture; diversity and performance; evaluation of diversity programs; diversity targets; types of reconciliation action plans; Modern Slavery; risk mitigation; reporting and director responsibility; measures of employee safety; financial implication of poor employee safety; SDG 1, 2, 3, 4, 10;</p> <p>Readings:</p> <ul style="list-style-type: none"> • McKinsey & Company (2015). Diversity Matters. • Westpac Group Reconciliation Action Plan 2018–2020. • The Commonwealth Modern Slavery Act 2018 (Act). • Baptist World Aid Australia (2019). The Ethical Fashion Report. <p>Guest speaker: Jodie Tapscott, Director of Strategy Responsible Investing at AllianceBernstein, presented the firm’s investment process to incorporate sustainability, such as modern slavery.</p>	<p>Blog Class contribution</p>
<p>Week 6: 26 March</p> <p>WW</p>	<p>Social 2 Misconducts of banks and insurance companies and Issues in Franchise Businesses (Optional for UG students)</p> <p>Key concepts: Misconducts of banks and insurance companies; values; culture; governance; short term incentives; long term incentives; customer satisfaction; business purpose; business complexity; compliance; technology spending; conflicted remuneration; reputation risk; Competition and Consumer (Industry Codes – Franchising) Regulation 2014; conflict of interests between franchisor and franchisee; wage underpayment; power imbalance.</p> <p>Readings:</p> <ul style="list-style-type: none"> • Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. • The Parliamentary Inquiry into the Franchising Code of Conduct. <p>Guest speaker: Emilie O'Neill from Perennial Value Management brought current stock level examples of how they integrate sustainability and investing.</p>	<p>Blog Class contribution</p>

<p>Week 7: 31 March</p> <p>WW</p>	<p>Governance 1 Materiality, Integrated Reporting and Remuneration</p> <p>Key concepts: Materiality map; stakeholder impact map; different methods of integrated reporting; IIRC; SASB; GRI; SDG impact alignment; components of remuneration reports; short-term and long-term incentives; total shareholder returns; non-financial remuneration metrics; using integrated and remuneration reports to identify ESG risks and opportunities in banks and miners.</p> <p>Readings:</p> <ul style="list-style-type: none"> • SS Chap 5 Strategy and Intangibles • SS Chap 6 Integrated Reporting • Sustainability reports of Westpac, Commonwealth, BHP, and Rio Tinto <p>Guest speaker: Robyn Parkin and Nathan Parkin of Ethical Partners Funds Management illustrates their process with advocacy examples to make a positive societal difference and financial return for their clients.</p>	<p>Blog Class contribution</p>
<p>Week 8: 9 April</p> <p>WW</p>	<p>Governance 2 Board Structure and Equity Investing</p> <p>Key concepts: Board of directors; board size; agency theory; stewardship theory; non-executive vs executive directors; independent directors; board composition and skills mix; related party transactions; overboarding; long-term value creation; engagement; intentionality; impact investing.</p> <p>Readings:</p> <ul style="list-style-type: none"> • SS Chap 7 Investing for long-term value creation • SS Chap 8 Equity • Australian Institute of Company Directors (2021). Board Composition and Skills Matrix. • ASX Corporate Governance Council (2019). Corporate Governance Principles and Recommendations. • Khan, Mozaffar and Serafeim, George and Yoon, Aaron (2016). Corporate Sustainability: First Evidence on Materiality. <i>The Accounting Review</i>, 91(6), pp. 1697-1724. <p>Guest speaker: Pablo Berrutti from Stewart Investors and Altioirem shared inhouse research illustrating a global fund manager's stewardship approach to sustainable investing, and the work of Altioirem to grow the responsible investment community.</p>	<p>Blog Class contribution</p>

<p>Week 9: 16 April</p> <p>KF</p>	<p>Debts, Banking, and Insurance</p> <p>Key concepts: Sovereign vs corporate bonds; correlation between ESG score and credit rating; green bond and green bond principles; greenium; signaling; ESG value creation by banks; values-based banking; sustainability improvement loans; microcredit; rising catastrophe insurance premium due to climate change.</p> <p>Readings:</p> <ul style="list-style-type: none"> • SS Chap 9 Bonds • SS Chap 10 Banks • SS Chap 11 Insurance • Flammer, C. (2021). Corporate green bonds. <i>Journal of Financial Economics</i>. <p>Guest speaker: Ilya Serov, Associate Managing Director in Structured Finance Group at Moody's Corporation, talked about the green bond market and its governance and how material ESG factors affect credit rating.</p>	<p>Blog Class contribution Quiz 2</p>
<p>Week 10: 23 April</p> <p>KF</p>	<p>Selected Project Showcase and Discussion</p>	<p>Project Video Peer Review Project Report</p>

Assessment

Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50 out of 100.
- meet any additional requirements described in the Assessment Summary section.

You are expected to attempt all assessment requirements in the course.

Assessment Structure

Assessment Task	Weighting	Length	Due Date
Class Contributions	10%	Oral, online chat, Moodle discussion forum	Weekly
Blog	20%	Min 200 words	Weekly
Quizzes	40%	45 min each	Week 4 20% Week 9 20%
Research Project	30%	Presentation video Report Peer Review	Week 10

Assessment Summary

As a student at UNSW you are expected to display academic integrity in your work and interactions. Where a student breaches the UNSW Student Code with respect to academic integrity, the University may take disciplinary action under the Student Misconduct Procedure. To assure academic integrity, you may be required to demonstrate reasoning, research and the process of constructing work submitted for assessment.

To assist you in understanding what academic integrity means, and how to ensure that you do comply with the UNSW Student Code, it is strongly recommended that you complete the Working with Academic Integrity module before submitting your first assessment task. It is a free, online self-paced Moodle module that should take about one hour to complete.

Class Contributions (10%)

Students attending live classes on-campus or via Zoom are expected to contribute to class discussion and online chat.

Students studying asynchronously are expected to use Moodle discussion forum as the main channel to contribute to the learning community. Posting questions and observations as well as responding to postings are expected.

Blog (20%)

The blog is a weekly journal to be completed after class. Its purpose is to cultivate life-long reflective learning, purposeful professional, and to encourage follow up research driven by individual interests.

Quizzes (40%)

Two 45 minutes online written responses question quizzes cover key concepts presented in lectures.

Research Project (30%)

Purpose and Learning Outcomes

- Learn Through Experience
 - The differences that conducting an ESG integration and impact assessment make to the understanding of a company and portfolio investment decisions.
 - Considerations in creating a sustainable investment product.
 - If ESG is important, when can we rely on indexing and when should we manage actively?
- Clear, accurate, effective communication of the application of responsible investment concepts.
- Collaborative learning

Structure

- Form a Teams of 4-6 members that share a common interest in a sector/industry of one of the Betashares Sustainable Leader ETFs.
- Each member selects 1 stock to study.
- Select an invest objective and produce a financial, **ESG and Impact assessment** report of the firms using a coherent framework of your group and conclude with reasoning on the followings:
 - Should the ETF weighting in specific stocks be augmented? On a scale of 1-5, 3=ETF weight, 5=strongly overweight?
 - What ESG issues you may raise with the managers if you where an active fund manager?
- Produce a short team video presentation.
- Documentation of teamwork and access of lecturer's on-going support via MS Teams.

Web Resources and Examples of Real Funds

- Top Funds
 - <https://www.canstar.com.au/investor-hub/10-top-ethical-investment-funds/>
- Rhetoric
 - <https://www.blackrock.com/institutions/en-au/investment-capabilities-and-solutions/sustainable-investing>
 - <https://www.blackrock.com/institutions/en-au/investment-capabilities-and-solutions/ishares-etfs/sustainable-investing#>
- Investment Process
 - <https://www.australianethical.com.au/ethical-excellence/>
- ETF benchmarks
 - <https://www.betashares.com.au/fund/global-sustainability-leaders-etf/>
 - <https://www.betashares.com.au/fund/australian-sustainability-leaders-etf/#holdings>
- Impact Assessments
 - <https://sfg.stewartinvestors.com/interactive-map>
 - <https://www.ethicalpartners.com.au/>

If you would like to discuss teaching sustainable finance, please reach out at k.fong@unsw.edu.au. Happy to assist whether you are considering a course level or a special topic introductory level implementation.