SUSTAINABLE FINANCE in Spring 2021 (BA5004)

Course Code	BA5004	**Professor(s)**	Suzanne Bodevin
Prerequisites	None	**Office Number**	G-3A03
Class Schedule	R: 15:20-18:15 in G-002	**Office Hours**	N/A
Credits	2	**Email**	sbodevin@aup.edu
Semester	Spring 2021	**Office Tel. Ext.**	598

Course Description

COURSE DESCRIPTION:

The historical roots of Socially Responsible Investing (SRI), traced back to the time of the Quakers will be explored before discussing the more recent development of SRI as a distinct investment class. During the 1960-80's, a variety of political and environmental issues such as the Vietnam War, the Love Canal environmental disaster, South African Apartheid, and Bhopal spurred investors to more closely scrutinize the firms in which they invest.

Throughout this module students will explore, critique and utilize various methods of sustainable investment including socially responsible investing and shareholder activism, green bonds, micro finance, and impact investing.

During the first sessions, we will underline linkages between two highly interdependent concepts: Corporate Social Responsibility (CSR) and SRI. The reporting and ranking of a firm's CSR initiatives will influence individuals and funds to invest capital where the greatest ESG (Environmental, Social and Governance) impact is generated. We will also investigate the linkages between CSR and corporate financial returns.

Following an analysis of Global Reporting Initiative (GRI) criteria for sustainability reporting in addition to the ESG ratings process, students will also rely on portfolio theory to create "Sustainable Portfolios". A two-tier screening process, based on ESG ratings and financial returns will be the basis of the portfolio creation group exercise.

A series of case studies focusing on micro-finance and impact investing will bring out the positive and negative impacts of these two sustainable investment vehicles.

Given knowledge acquired throughout the module, students will then analyse the various vehicles of sustainable investment and write short papers on topics such as: By which means (government policies, modification of investment funds' fiduciary duty, more appropriate and homogeneous ESG reporting, global dissemination of ESG ratings) will the SRI continue to expand? Will impact investing insure optimal economic/social/political development for a nation or region? Will green bonds be the major catalyst of the transformation leading us to a decarbonized economy?

Course Assessments:

- Group preparation of case studies, class discussions, and submission of written analyses
- Group presentations of scholarly literature (3-4 articles)
- Creation of Sustainable Portfolios (group work)
- Spontaneous quizzes

Course Learning Outcomes

General Education

[PLEASE REMOVE THIS SECTION IF THE COURSE DOES NOT FULFILL ANY GLACC REQUIREMENT]

GLACC

The Global Liberal Arts Core Curriculum (GLACC) degree requirements include the following categories of courses:

- Integrative Inquiry (coded CCI)
- Experiential learning (coded CCX)
- Research, Interpretation, and Writing (coded CCE)
- Digital Literacy and Communication (coded CCD)
- Disciplinary Research Methods and Writing (coded CCR)
- Quantitative Reasoning (coded CCM)
- Experimental Reasoning Course with Lab (coded CCS)

- Expression Française (coded FR)
- AUP Capstone (coded CCC)

This course can be used to fulfill the [INDICATE THE REQUIREMENT(S) FULFILLED BY THE COURSE] requirement and as such has the following learning outcomes:

[INDICATE THE GENERAL EDUCATION LEARNING OUTCOMES]

Course Outline

CLASS SESSIONS:

January 21st:

- Historical Origins of Socially Responsible Investing (SRI)
- Linkage between Corp. Social Responsibility and SRI
- Linkage between the awareness (Civil Society) of negative Social/Environmental events, and the development of ESG investment.
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- Norms and standards for evaluating corporations
- ESG Ratings and Ratings Agencies

January 28th:

- Nestlé's Creating Shared Value – Case Study Discussion
- Vigeo – The Rating Agency
- ESG Investing and Legal Implications
- The B Corp
- Intro to the ESG Portfolio
- Assignment for next class: Slides/Video - Financial Basics; Research Presentations (Group Work)

February 4th:

- Research Presentations (Slide Presentations in class) – Group Work

- Review of Financial Basics; First Assignment on Key Finance Concepts
- Quiz on material presented in the first two sessions (January 21st and 28th)
- Assignment for next class: First Finance Assignment; Read Risk-Return, Portfolio Theory

February 11th:

- Portfolio Theory
- Precisions on the ESG Portfolio Project (due at the end of the module)
- Impact Investing Lecture
- Assignment for next class: Preparation of the Acumen Case Study – Impact Investing (Group Work)

February 18th:

- Acumen Case Study – In class discussion
- Micro Finance and the Grameen Bank (Lecture)
- Assignment for next class: Complete ***Banker to the Poor*** by Muhammad YUNUS, and

Prepare the Compartamos Case Study (Group Work)

February 25th – Spring Break

March 4th:

- Continue Micro Finance – Compartamos Case Study
- Discussion of ***Banker to the Poor***
- Carbon Policy and Trading, and the European Trading Scheme – Guest Lecture by Dr. Maria Carvalho of South Pole

March 11th:

Virtual Study Trip (14:00 – 18:15)

- 14:00 Sierre Energy Lab (Renewable Energy) - Emile Simon
- 15:00 Symbiotics - Yvan Renaud. Main topics: Green/Social Bonds, Moving from Micro Finance to Impact
- 16:00 Blue Orchard - N. Mizis (Chief Credit Officer) and S. Juhen (Manager MF Fund)
- 17:00 IMD Center for Social Innovation - Dr. Vanina Farber

March 18th:

- Group Presentations of the ESG Portfolio Results, and benchmarking against sustainable investment indices
- Course Wrap-Up: linkages between Micro Finance and Impact Investing; Carbon Policy

Bibliography (Required Readings in Green):

Section 1:

Introduction to Socially Responsible Investment (SRI)

Reading: Sustainable Development by Dr. Jeffrey Sachs,

Select 2 chapters from: Chapters 4, 7 or 10.

(see Course Material/READINGS)

- Historical Origins of Social Investing

- Social and Religious origins

Reading: Sparkes Chapters 1-5 (see Course materials/Section One)

- Linkages between Corporate Social Responsibility and SRI

1. CSR Initiatives
2. Creating Shared Value

A) *Prepare: HBS article by M. Porter, Nestlé's Creating Shared Value Strategy

B) *Video – Former Nestlé CEO Peter Brabeck and Harvard Professor Michael Porter (see Course Materials, Section One)

ADD CARBON strategy – does it fit Shared Value trad – why or why not?

C) Other Videos – Nestlé in Emerging Markets (see Course Materials, Section One)

D) Additional Case Study: Shared Value (optional, in the HBS case study packet)

- Capturing and Measuring ESG (Environmental, Social and Governance)

- Sustainability Reporting

1. The Basis: International Organizations, Summits, Treaties
2. Sustainability Reporting

- Comparison of Initiatives (CDP, GRI, IIRC, SASB)
- Materiality Comparison of various initiatives
- Global Reporting Initiative (GRI) specifications, and comparison firms' reporting within one industry

GRI Reporting Comparison (Nestlé – Unilever), see Course Materials section 1

GRI Standards:
https://www2.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf

The KPMG Survey of Corporate Responsibility Reporting 2015 (download of full report is available). https://home.kpmg/be/en/home/insights/2017/10/the-kpmg-survey-of-corporate-responsibility-reporting-2017.html

- ESG Ratings

1. What are ESG components?

2. Who uses ESG ratings?

The major players; reading: “Vigeo and CSR”

Vigeo Case Study (HBS Packet)

1. ethodologies,

of various ratings agencies, to create final ESG firm ratings: InRate, Colvalence, Rep Risk, RobecoSAM

1. Sustainability Reports – based on materiality; a need for more specific data to compare firms on a sectoral basis
2. ESG reporting: country/regional reporting requirements)
3. Corporate ESG Ratings – a comparison (SMB Nestlé/Unilever) – see Course Materials, Section One

III. SRI in Further Depth

- Growth in SRI as an investment class

Reading: Profile of responsible investors in Europe, Novethic, http://www .novethic.com/fileadmin/user_upload/tx_ausynovethicetudes/pdf_complets/S urvey_Profile_Of_Responsible_Investors_in_Europe.pdf

- Fueling Development, SDG’s
- Promoting Growth SRI Sector (an introduction, including student research presentations)

1. Legal Implications

1. A legal framework for the integration of environmental, social and ...

http://www.unepfi.org/fileadmin/documents/freshfields_legal_resp_20051123.pdf

1. Fiduciary Duty in the 21st Century - UNEP FI,

http://www.unepfi.org/fileadmin/documents/fiduciary_duty_21st_century.pdf

1. Interview of Steve Waygood, Chief Responsible Investment Officer at Aviva Investors (UK): https://www.responsible-investor.com/articles/steve-waygood-why-eu-legislation-could-herald-a-boom-in-esg-investing

1. The B Corp:

Why Companies are Becoming B Corporations. https://hbr.org/2016/06/why-companies-are-becoming-b-corporations

https://bcorporation.net/certification

Section 2

- Presentation of Corporate Finance Theory, Portfolio Theory (CAPM, Efficient Portfolio Frontier)

Readings: Corporate Finance/Portfolio Theory – Brigham Chapters

(see BB: Course Materials/Section 2). Problem sets

Section 3

Group Academic Research Presentations (ESG and the returns of sustainable portfolios) – see BB Assignments Section

Detailed Explanation of ESG Portfolio Strategies:

- Negative Screens
- Positive Screens
- Best in Class
- Thematic Strategy
- ESG Integration

Readings:

- Global Sustainable Investment Alliance, Global Sustainable Investment Review 2014

http://www .gsi-alliance.org/wpcontent/uploads/2015/02/GSIA_Review_download.pdf

- Eurosif SRI Study 2016
- Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals http://www.cfapubs.org/doi/pdf/10.2469/ccb.v2015.n11.1

Impact Investing

VIDEO – Blue Orchard – Peter Fanconi

https://www.blueorchard.com/tedxzurich-small-money-big-impact-peter-fanconi/

Case Study: *Acumen Fund, Measurement in Impact Investing*. Ebrahim, Alnoor and Kasturi Rangan. Harvard Business School, May 09, 2011.

Addy, C, Chorengel, M., Collins, M. Etzel, M. (January 2019). Calculating the Value of Impact Investing. *The Harvard Business Review*. Retrieved from https://hbr.org/2019/01/calculating-the-value-of-impact-investing.

Aditya Sanghvi, G. (2019, February). *How impact investing can reach the mainstreamonathan.* Retrieved, from https://www.mckinsey.com/business-functions/sustainability/our-insights/how-impact-investing-can-reach-the-mainstream#

Bradford, H. (2019, April 29). *New impact investing principles bode well for growth.* Retrieved from https://www.pionline.com/article/20190429/PRINT/190429877/new-impact-investing-principles-bode-well-for-growth.

Bugg-Levine, A. & Emerson, J. (2011). *Impact Investing: Transforming how we make money while making a difference*. San Francisco: Jossey-Bass.

Clark, C., & Kirkpatrick, A. (2018, April). *Impact Investing Under the Uniform Prudent Investor*. Retrieved from https://www.glenmede.com/our-ideas/impact-investing-under-uniform-prudent-investor-act

Fine, D. (November 2018). *Catalyzing the growth of the impact economy*. Retrieved from https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/catalyzing-the-growth-of-the-impact-economy.

GIIN 2016: *Achieving the Sustainable Development Goals: the role of impact investing*. https://thegiin.org/assets/GIIN_Impact%20InvestingSDGs_Finalprofiles_webfile.pdf.

Godsall, E. (2011). The development of an impact-driven portfolio. In Vecchi, L., Balbo, M., Brusconi (Eds.), *Principles and Practice of Impact Investing: A Catalytic Revolution.*

Höchstädter, A., Schenk, B. (2015). What's in a Name: An Analysis of Impact Investing Understandings by Academics and Practitioners. *The Journal of Business Ethics*. 132:449-473. Retrieved from https://www.jstor.org/stable/24703550?seq=1.

Mudaliar, A., & Dithrich, H. (2019). *https://thegiin.org/assets/Sizing%20the%20Impact%20Investing%20Market_webfile.pdf*.

Reisman, J., Olazabal, V., Hoffman, S. (2018, July 13). *Putting the "Impact" in Impact Investing: The Rising Demand for Data and Evidence of Social Outcomes*. Retrieved from https://journals.sagepub.com/doi/abs/10.1177/1098214018779141?journalCode=ajec.

Micro Finance

Aremendariz, Beatriz and Jonathan Morduch. *The Economics of Microfinance*, 2nd edition. The MIT Press, 2010. (selected chapters) Yunnus, Mohammad. The Banker to the Poor. (also available in audio book form)

Banerjee, Abhijit, Esther Duflo et al. *The Miracle of Micro Finance? Evidence from a Randomized Evaluation*. American Economic Journal: Applied Economics, Vol. 7, No. 1, January 2015. MIT, the 2014 version: https://economics.mit.edu/files/5993

Carrick, Anne-Marie and Filipe Santos. *Social vs. Commercial Enterprise: The Compartamos Debate and the Battle for the Soul of Microfinance*. Harvard Business School. September 30, 2009.

Duflo, Ester (Nobel Laureate lecture): https://www.youtube.com/watch?v=KFRnY-5K5OU

Khander, Shahidur and Mark Pitt. *The Impact of Group-based Credit Programs in Poor Households in Bangladesh: Does the Gender of Participants Matter?*

https://www.brown.edu/research/projects/pitt/sites/brown.edu.research.projects.pitt/files/uploads/pitt-khandker-jpe_0.pdf

Khander, Shahidur et al. *Beyond Ending Poverty: The Dynamics of Micro Finance in Bangladesh*. The World Bank.

https://openknowledge.worldbank.org/bitstream/handle/10986/24669/9781464808944.pdf?sequence=2&isAllowed=y

Yunnus, Muhammad, *Banker to the Poor,* Public Affairs (2003)

Textbooks

This course doesn't have any textbook.

Attendance Policy

AUP ATTENDANCE POLICY:

Students studying at The American University of Paris are expected to attend ALL scheduled classes.

A maximum of four (4) *excused* absences per semester may be requested for all 4-credit courses. Two (2) *excused* absences per semester per 1-credit course may be requested.

The French Department has its own attendance policy. Students are responsible for compliance.

Attendance at all exams is mandatory.

Student Affairs will *recommend* that a professor excuse an absence for the following reason only: Involuntary absences due to illness or personal emergencies, upon presentation of documentary proof of illness or emergency.

Religious and National Holidays:

Due to the large number of nationalities and faiths represented at the University, religious and national holidays (other than those on the academic schedule) will not be excused by Student

Affairs.

Academic Affairs will excuse an absence for students' participation in study trips related to their courses.

Lateness to course meetings:

If a student arrives at course meetings more than 10 minutes late without documentation for one of the above scenarios, it will be considered an *unexcused* absence. All documentation must be submitted to the Office of Student Affairs within ONE WEEK following the first day of the absence.

ENGLISH LANGUAGE PROFICIENCY STATEMENT:

As an Anglophone university, The American University of Paris is strongly committed to effective English language mastery at the undergraduate level. Most courses require scholarly research and formal written and oral presentations in English, and AUP students are expected to strive to achieve excellence in these domains as part of their course work. To that end, professors include English proficiency among the criteria in student evaluation, often referring students to the university Writing Lab where they may obtain help on specific academic assignments. Proficiency in English is monitored at various points throughout the student's academic career, most notably during the admissions and advising processes, while the student is completing general education requirements, and during the accomplishment of degree program courses and senior theses.

IN ALL CASES OF MISSED COURSE MEETINGS, THE RESPONSIBILITY FOR COMMUNICATION WITH THE PROFESSOR AND FOR ARRANGING TO MAKE UP MISSED WORK RESTS SOLELY WITH THE STUDENT.

Whether an absence (excused or unexcused) is accepted or not is ALWAYS up to the discretion of the professor or the department. Unexcused absences can result in a low or failing participation grade. In the case of excessive excused and unexcused absences, it is up to the professor or the department to decide if the student will receive an "F" for the course. An instructor may recommend the withdrawal of a student whose absences from any course, ***excused or not***, have made it impossible to continue in the course at a satisfactory level. The professor may consult with Student Affairs for additional information.

Students must be mindful of this policy when making their travel arrangements, and **especially during the Drop/Add and Exam Periods**.

Grading Policy

GRADING:

15% Class Participation, Attendance, Quizzes

35% Sustainable Portfolio

50% Case Study Submissions (65%), Literature Presentations (35%)

Class Participation

Based on attendance and participation with (group) presentations, discussions and in-class projects, as well as group peer evaluations.

- Attendance: this is not simply a matter of being present, but also involves arriving on time and being prepared for each course session.
- Course Discussions: Various activities, full class and small group discussions are an essential part of the learning experience in this course. Students are expected to actively participate by providing input and feedback to other students and by listening when other students are speaking.

Peer Evaluations: Student group members may be expected to evaluate one another for the depth and effectiveness of their contribution to in-class activities and the final presentation. Evaluations will be cross-referenced for consistency and fairness.

Grading Scale

Excellent	Good	Satisfactory	Unsatisfactory
100-95 A (4.0)	89-87 B+ (3.4)	79-77 C+ (2.4)	69-67 D+ (1.3)
90-94 A- (3.7)	86-84 B (3.0)	76-74 C (2.0)	66-64 D (1.0)
	83-80 B- (2.7)	73-70 C- (1.7)	60-63 D- (0.7)
			Under 60 F (0)

Excellent: Reserved for students that display superior quality and outstanding performance throughout the course, including the extensive use resources other than the textbook and assigned readings to complete assignments and presentations. It also means that the student participates fully in course discussions and group activities, maintains excellent attendance, and performs extremely well on course exams and assignments. An ‘A’ student is highly motivated to learn the material and completes the course readings in advance of the lecture, showing strong skills in critical thinking, global learning, and exceptional informational literacy on all the assignments, projects and exams. The student also takes a proactive role in group projects and consistently responds to the presentations of other student groups. My goal is to see every student perform this well.

Good: The student provides work that is above average in quality. Maintains good performance on exams and in class discussions, including the effective use of assigned readings and above average course participation. Assignments are turned in on time and to a good level of quality. There is some evidence of additional research and critical thinking on core topics. Attendance, while not perfect, is still good. The student shows evidence of critical thinking, global learning and information literacy through their engagement in the course.

Satisfactory: Adequate and acceptable work in meeting course requirements and average performance in assignments, exams and projects. There is little use of external resources beyond the required texts. The student shows some engagement with the course, but participates at a minimal level. Meets the minimum attendance requirements. Displays some critical thinking, global learning and/or information literacy in assignments and group projects.

Unsatisfactory: Failed to meet basic course requirements, below average performance and attendance. The typical profile for such students: they often show up late to class, are often unprepared for class, and/or are frequently absent. The student is rarely prepared for group presentations or discussions. Assignments are missing, late, or copied or paraphrased directly from general sources that can be found on the internet. The student probably spends an inordinate amount of time in class on their smartphone. Such students are encouraged to withdraw and try again when they have improved their academic skills or they decide to put more effort into their studies.

Other