
**FINA 5525 Z SUSTAINABLE FINANCE
2024-S1 COURSE OUTLINE**

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Course Schedule & Location Monday 11.35 am – 2.25 pm: NI 5010
Thursday: 11.35 am – 2.25 pm: NI 5010
Office Hours: **Tuesday: 3:30–5:00 pm**

Modality: In-person.

Prerequisites

The prerequisite for this course is: **FINA 5505**.

The School of Business enforces all prerequisites.

Calendar Description

Theoretical and practical application of sustainable finance principles and mechanisms to business issues. Sustainable investments and sustainable finance products. The motivations for sustainability of financial institutions, institutional investors, and their role in speeding up the transition to a sustainable economy. Experiential Learning Activity.

Course Overview

This course focuses on the theoretical and practical application of sustainable finance principles and business growth. Scarcity of resources, increased income disparity and climate change have increased awareness of sustainability globally. Efforts are underway to speed up the transition to a sustainable economy at the international level to make sustainable finance part of mainstream finance. *Governments* around the world are raising awareness among interested stakeholders and using the tools of policy and regulation to ensure continued prosperity. *Investors* are increasingly looking for ways to achieve their financial goals in a sustainable manner that supports social and environmental change. *Corporations* are looking for ways to make profits in an efficient and sustainable manner, including issuing green bonds. Sustainability is seen as a triple bottom-line concept that focuses on economic, social and environmental considerations. Sustainable Finance is the study of finance and sustainability in an integrated manner drawing on financial and investment principles and moving towards financial analysis, financing and valuation, and effective risk assessment. It also examines sustainable financial products and services, socially responsible investments and sustainability indices, and carbon finance products.

Course Objectives

This course provides students with analytical insights and the necessary theoretical and conceptual tools used in investment analysis in a sustainable manner. The main objective is to examine the current state of sustainable finance and to provide an understanding of the growing importance of sustainable finance and the linkage between environmental, social and governance (ESG) issues and key value drivers, such as the cost of capital, profitability, and debt financing. The course covers sustainable finance products, tools and services and other approaches that foster sustainable development, socially responsible investing, sustainable lending, impact investment, and the relation between sustainability performance and financial performance of corporations with regard to carbon finance. The motivations of banks and financial institutions to go green and the role and impact of these institutions on the environment will be discussed.

Learning Outcomes

Upon successful completion of this course students should be able to:

- Discuss the concept of environmental, climate-related, social and governance risks and their importance to finance professionals and the finance industry;
- Describe and discuss current developments and trends in the area of sustainable finance;
- Explain the theoretical foundations of finance and how climate and environmental aspects fit into classic financial frameworks.
- Distinguish between different types of sustainable finance products and critically evaluate their climate effectiveness
- Understand and explain the relation between sustainability performance and financial performance of corporations;
- Apply sustainable finance mechanisms to a real-life investment case study.
- Explain how climate related decisions can influence firm values.
- Discuss opportunities and challenges for scaling sustainable finance.

Course Mission

This course prepares students for the many emerging jobs where analysts and decision makers must apply their finance knowledge training together with a keen understanding and appreciation for sustainability issues and goals. Examples for these jobs include:

- Asset Management: Finance roles in asset management and private equity, where ESG/CSR and other sustainability related objectives/measures are fast becoming required knowledge.
- Equity analysis roles: Situations where understanding the ESG/CSR and sustainability risks and opportunities of firms is important – for example to analyze and value resource companies, etc.
- Pension Funds and Endowments: Advising roles for institutions facing pressures to divest from fossil fuels and other “sin” stocks in their endowments.
- Not-For Profit Institutions: Roles in large and small non-financial corporations and not-for-profit institutions where financial literacy and finance skills are required in the pursuit of goals related to sustainability.

REQUIRED TEXTBOOKS

The prescribed textbook: Principles of Sustainable Finance, by Schoenmaker and Schramade (2019) Oxford University Press

Optional Textbook:

Evolutions in Sustainable Investing: Strategies, Funds and Thought Leadership by Cary Krosinsky, Nick Robins, Stephen Viederman. John Wiley & Sons, Inc. / Wiley Finance, 2012.

The course will be taught using lectures and case studies. Each student will be part of a discussion every week made up of their group members.

ASSESSMENTS

The grade for the course will be based on the following weighting scheme:

Class Participation		20%
Quiz	Due: May 16	10%
Case Analysis	Due: May 20 (on Brightspace)	15%
Group Project	Due: May 27	20%
Final examination	Date: May 30	35%

Class Attendance and Participation:

Individual contribution in class is necessary to make this course a dynamic learning experience for all. Sustainable Finance issues are better understood and learned by hearing diverse viewpoints on current and topical issues. You are expected to bring to the classroom discussion relevant themes from ongoing sustainability and financial risk issues at time of the course. Marks will be assigned for attendance and participation in the discussions.

QUIZ (10%)

To encourage students to keep up with the course material and to measure students' understanding of the material, I will administer one in-class quiz. The quiz will be 25-30 minutes in duration and will be multiple choice questions. At the end of the lecture preceding the week of the quiz, you will be informed of the topics that will be tested in the quiz.

GROUP WORK:

As noted below this course involves group case analyses. During the first class, you should form your group of 4 students. After the first class, each group should email the professor the names and student numbers of the group members.

Case Analysis (15%)

Each group will be responsible for preparing a detailed analysis of a Harvard Business School Case on Sustainable Finance titled '**Divesting Harvard's Endowment (HBS case 9-221-009)**'. The assignment will be professionally written with a maximum length of 7-15 pages (excluding appendices). The first page of your report will consist of an executive summary of the group's analysis and recommendations. The subsequent pages will document the

analysis and reasoning. Guidelines for the assignment will be posted on Brightspace. NB: The case together with Norway Sells Wal-Mart (HBS 9-308-019) (to be discussed during Lecture 4) may be purchased from Harvard Business School or obtained through the Library.

Group project and presentation (20%)

This is a collaborative group project that will involve analysis of a selected firm's sustainability issues and its transition preparedness. Details of the project and expectations on graded deliverables are posted on Brightspace.

GUEST LECTURES

Guest Lecturers are experts in their field; the lectures provide an opportunity to hear from high-profile individuals in the professional and business world. The experts will share with us practical cases on sustainability initiatives undertaken by their firms. The guest lecture(s) will enlighten us on what's going on in the sustainable finance space and will enhance your practical learning process.

FINAL EXAM (35%)

The final exam will be comprehensive, covering material from the entire course, including concepts, readings, guest speaker talks, presentations and cases. The exam format will be explained during the last week of class. It is important that you are available for the exam.

Accommodation will not be made for conflicting travel plans.

Note: If you obtain less than 50% on the final exam, you will receive an "F" grade regardless of your total marks in the course. Also, students who do not demonstrate a minimum level of performance during the term will not be allowed to defer the final exam. The requirement for satisfactory in-term performance is an overall mark of 50% or better on the assignments and quiz. Students with unsatisfactory in-term performance who miss the final exam will be awarded a grade of F for the course.

DEFERRED FINAL EXAMINATION:

Students unable to write a final examination because of illness or other circumstances beyond their control must contact the instructor and the MFin office in writing to request a deferred exam. Permission may be granted when the absence is supported by a medical certificate and or appropriate document/s to support the reason for the deferral. Deferred exams are not granted for students who have made travel arrangements that conflict with examination schedule.

COURSE SCHEDULE (tentative and subject to change)

Lecture	Topic	Chapter	Additional Readings to be discussed
1	Principles of Sustainable Finance	Chp 1:	1. European Commission (2018), Final Report of the High-Level Expert Group on Sustainable Finance, January, https://ec.europa.eu 2. Youtube Video on What is Sustainable Finance? https://www.youtube.com/watch?v=RpwKkMuCEXQ
2	Externalities	Chp 2:	1. The true price of Jeans: Impact Institute and ABN AMRO https://www.impactinstitute.com/news-energy-transition/the-true-price-of-jeans/ 2. Chava, S (2014) Environmental externalities and cost of capital, Management Science, 60 (9) 2223-47
3	Governance and Behaviour	Chp 3:	1. Case: Norway Sells Wal-Mart (HBS 9-308-019) 2. Board Gender Diversity case: Gender Lens Investing Initiative case: https://thegiin.org/glenmede/

4	Investing for Long Term Value Creation	Chp 7:	<p>1. Amel-Zadeh, A., Serafeim G., (2017), “Why and how investors use ESG Information: Evidence from a global survey”, Financial Analyst Journal, 74 (3): 1-17.</p> <p>2. Friede et al (2015): ESG and financial performance: aggregated evidence from more than 2000 empirical studies. Journal of Sustainable Finance & Investments (5), 4, 210-233.</p> <p>3. Youtube Video: How ESG Metrics Work And Why All Investors Should Care. https://www.youtube.com/watch?v=4LPRQaG83Ls</p> <p>4. Youtube Video: Global Impact Investing Network: ESG ratings are not what they seem: https://www.youtube.com/watch?v=f_rrS-giP8</p>
5	Sustainable Finance Products: Equity. Guest Speaker: Dr Tessa Hebb, Ceres.	Chp 8:	<p>1. Making Impact Investing Markets: IFC</p> <p>2. Youtube Videos: Greenwashing: When Companies Aren’t as Sustainable as They Claim: https://www.youtube.com/watch?v=2NsBcVrPQok</p>
6	Sustainable Banking (Climate finance)	Chp 10	<p>1. Haas, Ralph, D. (2023) Sustainable Banking, European Bank for Reconstruction and Development working paper No 282.</p> <p>2. Youtube Video. Insights from Larry Fink on the future of sustainable investing; https://www.youtube.com/watch?v=SZwjG2E0bjU</p>
7	Final Exam		

Contribution to Program Learning Goals ([MFin](#)):

MFIN Learning Goal	Not Covered	Introduced	Taught but Not Assessed	Taught and Assessed
MF1 Ethical and Professional Conduct <i>Graduates will conduct themselves in alignment with the CFA Code of Ethics and Standards of Professional Conduct.</i>			✓	
MF2 Financial Markets, Institutions, and Instruments <i>Graduates will demonstrate an understanding of financial markets, instruments, and institutions.</i>				✓
MF3 Portfolio Management <i>Graduates will understand the motivations of investors and manage an investment portfolio that achieves those objectives.</i>		✓		
MF4 Data Analysis <i>Graduates will be proficient in data management, analytics, and modeling.</i>		✓		
MF5 Communication <i>Graduates will be effective communicators.</i>				✓

ADDITIONAL INFORMATION

Course Sharing Websites:

Materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

Recommended Calculator for Examinations:

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

Group Work:

The Sprott School of Business encourages group assignments. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also an effective way to learn integrative skills for putting together a complex task. Your professor may assign one or more group tasks, assignments, or projects in this course. Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Peer Evaluation for Group Work

To deter social loafing and ensure fairness in grading, you will be asked to assess the contribution of your fellow group members. This information will be used when assigning the grade for the final project. The procedure is as follows: Each student should take 100 points and allocate those points to the various members of the group (including him or herself) to reflect the contributions made by each member. For instance, if there are four members in a group and everyone contributed equally, each individual would receive 25 points. Conversely, if an individual contributed relatively little, the remaining group members might allocate few points to that member. To ensure that these peer evaluation scores are reasonable and free from personal bias, you will be asked to provide a detailed written explanation for your point allocation. You don't have to provide the peer evaluation if each group member contributed equally to the project.

Letter Grades:

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59	F = Below 50
A = 85-89	B = 73-76	C = 63-66	D = 53-56	
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52	

Grades entered by Registrar:

WDN = Withdrawn from the course
DEF = Deferred

Cellular Phones:

The use of cellular phones IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry a phone to class, please make sure it is turned off. If an emergency situation requires you to keep your cell phone turned on you may wish to keep the silent mode on. Please discuss this with the instructor prior to the class starting.

Academic Regulations:

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

Requests for Academic Accommodation:

You may need special arrangements to meet your academic obligations during the term. For an accommodation request, the processes are as follows:

- **Pregnancy**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Religious Obligations**

Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. For more details, visit the Equity Services website: <https://carleton.ca/equity/wp-content/uploads/Student-Guide-to-Academic-Accommodation.pdf>

- **Students with Disabilities**

If you have a documented disability requiring academic accommodations in this course, please contact the Paul Menton Centre for Students with Disabilities (PMC) at 613-520-6608 or pmc@carleton.ca for a formal evaluation or contact your PMC coordinator to send your instructor your Letter of Accommodation at the beginning of the term. You must also contact the PMC no later than two weeks before the first in-class scheduled test or exam requiring accommodation (if applicable). After requesting accommodation from PMC, meet with your instructor as soon as possible to ensure accommodation arrangements are made. <https://carleton.ca/pmc/>

- **Survivors of Sexual Violence**

As a community, Carleton University is committed to maintaining a positive learning, working and living environment where sexual violence will not be tolerated, and its survivors are supported through academic accommodations as per Carleton's Sexual Violence Policy. For more information about the services available at the university and to obtain information about sexual violence and/or support, visit: <https://carleton.ca/sexual-violence-support/>

- **Student Activities**

Carleton University recognizes the substantial benefits, to both the individual student and the university, that result from participating in activities beyond the classroom experience. Reasonable accommodation will be provided to students who compete or perform at the national or international level. Please contact your instructor with any requests for academic accommodation during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist. <https://carleton.ca/senate/wp-content/uploads/Accommodation-for-Student-Activities-1.pdf>

For more information on academic accommodation, please contact the departmental administrator or visit: <https://students.carleton.ca/course-outline/>

Academic Integrity:

Violations of academic integrity—presenting another’s ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized co-operation or collaboration or completing work for another student—are a serious academic offence, weaken the quality of the degree, and will not be tolerated. Penalties may include; a grade of Failure on the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at: <https://carleton.ca/registrar/academic-integrity/>

Centre for Student Academic Support:

The Centre for Student Academic Support (CSAS) is a centralized collection of learning support services designed to help students achieve their goals and improve their learning both inside and outside the classroom. CSAS offers academic assistance with course content, academic writing and skills development. Visit CSAS on the 4th floor of MacOdrum Library or online at: <https://carleton.ca/csas/>

Other Important Information:

- Students must always retain a hard copy of all work that is submitted.
- All final grades are subject to the Dean’s approval.
- For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, in order to respond to your inquiries, please send all email from your Carleton cmail account. If you do not have or have yet to activate this account, you can do so by visiting <https://carleton.ca/its/get-started/new-students-2/>