



University of
Strathclyde
Business
School

Department of Accounting and Finance

AG442 Sustainable Business: A Finance and Accounting Perspective

2024/25 Semester 1&2
20 Module Credits

Module Details

Module Description

This module will be open to any student in the honours year of accounting and/or finance programmes.

In the past two decades the entire landscape of business and how it is financed is being reshaped relative to concerns of environmental, social and governance (ESG) engagements of the corporate firms and their investors. Businesses and finance are now expected to generate innovative products and mechanisms to drive mitigation of externalities related to ESG issues. The incorporation of ESG factors in almost every dimension of investment and financing strategies is becoming pivotal for the survival and sustainability of business and investment communities. This course introduces students to the growing importance and varied dimensions of sustainable and purposeful/responsible finance. The first part of the course focuses on the key issues of ESG and sustainable Investing. The second part of the course focuses on the application of sustainable finance and disentangles the nuances surrounding sustainability and responsible business.

Teaching Hours

Lecture: Tuesday, 2-5pm.

Prerequisites

Honours entry requirements.

Contact Details

Lecturer: Professor Dimitris Andriosopoulos

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Office Hours: Tuesday 11.00-12.30

Module Learning

Module Aims

The main objective of this module is to provide students with the necessary theoretical and conceptual tools used in Sustainable Finance and the analysis of ESG Investing. Other learning objectives of the course include the review of diverse case studies within different industries to enable students to understand the subtle differences from the traditional Investing lens, and especially the challenges of quantifying ESG in the investment decision, since ESG is not a clear-cut and tangible concept that can be measured easily. An additional aim is for students to understand the importance of Sustainable finance and how it can be a force for shaping not only the markets but also society and the environment. By the end of the module, students will be able to better understand how markets and business behave within the new paradigm of sustainable finance and ESG investment.

This course will cover case studies, the latest academic and professional research, and industry engagement and will highlight the applications of sustainable finance and accounting and the key challenges and opportunities in the sustainable finance and accounting ecosystem.

Learning Objectives and Outcomes

On completing this module the student will have the ability to:

- A1 Understand the context for different approaches to Responsible Investment and specifically, consideration of Environmental, Social and Governance (ESG) factors.
- A2 Understand the underlying issues that constitute factors within each of the Environmental, Social and Governance areas.
- A3 Understand the ESG Market: relevance, size scope, key drivers and challenges, and risks and opportunities.
- A4 Analyse the environmental/social/governance factors, systemic relationships, material impacts, mega trends and conduct an ESG analysis at country, sector, and company levels.
- A5 Understand the sustainability challenges facing business and financial systems in light of the formal and informal regulations.
- A6 Understand the role of sustainability regulations and how they apply across different financial products.
- A7 Understand ESG due diligence undertaken by specific investor/bank and assessing sustainable finance frameworks.

Transferable Skills and Cognitive Abilities:

- B1 Evaluate ESG related financial problems posed both in quantitative and non-quantitative terms.
- B2 Analyse the potential contribution of sustainable finance to mitigating climate change and making a positive impact to society.
- B3 Synthesise academic theories to the practice of ESG investments and financing.
- B4 Analyse the role that regulation, policy makers, and industry (self-regulation) can play in shaping sustainable finance.
- B5 Analyse different sustainable finance products, such as bonds and loans and the different approaches that investors and finance industry participants can use to take account of sustainability-related issues in their decisions.
- B6 Evaluate how finance sector actors report on the financial and sustainability impacts of their decisions and how this reporting enhances the sustainability of the overall finance ecosystem.
- B7 Evaluate ESG management problems using a case study approach.

Module Structure

Timetable

Term 1 (teaching weeks 1-5)

Lecture	Lecture Title/Subject/Content	Case study discussion
Lecture 1	Introduction to ESG Investing and Sustainable Finance and the debate on shareholders vs stakeholders. CFA Chapter 1&2	<u>Class discussion - Pre-reading required</u> 1. The Social Responsibility of Business Is to Increase Its Profits 2. Socially Responsible Firms
Lecture 2	Environmental factors challenges, risks and opportunities CFA Chapter 3	<u>Research paper</u> 1. Do Investors Care About Carbon Risk 2. Global Pricing of Carbon-Transition Risk
Lecture 3	Societal factors challenges, risks and opportunities CFA Chapter 4	<u>Research paper</u> 1. Does the stock market fully value intangibles? Employee satisfaction and equity prices 2. Does Socially Responsible Investing Change Firm Behaviour?

Lecture 4	Governance factors, engagement and stewardship CFA Chapters 5&6	<u>Research paper</u> 1. Do ESG funds make stakeholder-friendly investments? 2. The Perils and Questionable Promise of ESG-Based Compensation
Lecture 5	ESG data, metrics, and analytics. Quantitative vs qualitative ESG analysis. ESG investment strategies, valuation, and Integration. CFA Chapters 7&8	
Lecture 6	Revision and Q&A on class test	

Term 2 (teaching weeks 1-5)

Lecture	Lecture Title/Subject/Content	Case study discussion
Lecture 1	Applying ESG metrics and data in investing decisions	<u>Class discussion - Pre-reading required</u> Research paper: 1. Aggregate Confusion: The Divergence of ESG Ratings 2. Executive Compensation Tied to ESG Performance: International Evidence
Lecture 2	How effective is divesting?	Case study: Cambridge
Lecture 3	Societal factors challenges, risks and opportunities	Case study: Patagonia
Lecture 4	Guest lecture	Guest lecturer: TBC
Lecture 5	Guest lecture	Guest lecturer: TBC

Assessment and Feedback Details

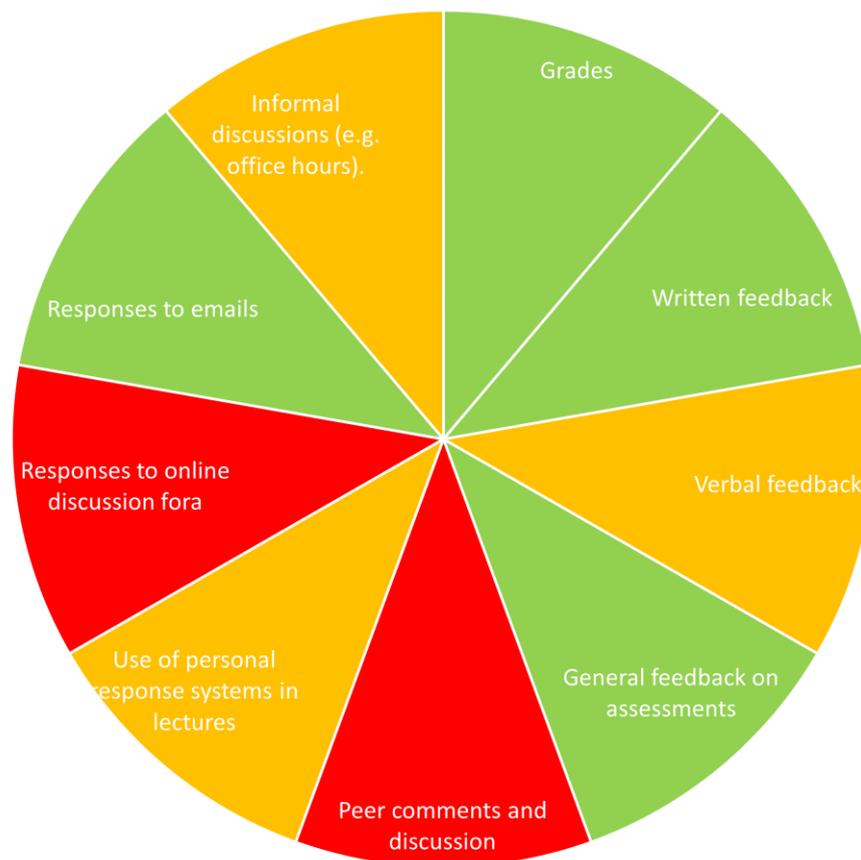
- 1. Project case study worth 50%.** Due: Thursday 27th February 4pm. Marks/Feedback will be released on or before Thursday 20th of March 2025.

2. **Class test worth 50%.** Date: Week 8 of Semester 1. Tuesday 12th November 2pm.
Marks/Feedback will be released on or before Tuesday 3rd of December 2024.

An overall weighted average mark of 40% is required to pass the module.

It is a requirement for course completion to submit all assessed coursework. Non-submission of any part will result in an overall mark of zero being awarded for the module.

The following forms of feedback will assist you in this module:



Artificial Intelligence

You are not permitted to use Gen-AI tools for this module unless you are a student with an adjustment report on Pegasus where this is explicitly specified as a 'reasonable adjustment'. Any student suspected of using such tools will be subject to investigation outlined in the [Student Discipline Procedure - Academic Misconduct.pdf \(strath.ac.uk\)](#) process.

Reading List

The main (core) textbook to be used for this module is:

"Certificate in ESG investing curriculum" Simonek, Clarisse, **Any edition from 2023 onward**, CFA Institute

In addition, given the complexity and wider aspect of this topic and the fact that this is a fast-evolving topic especially regarding policy and regulatory initiatives, the module will rely on multiple other sources such as the United Nations (UNDP, UNEP FI), the IPCC, the TCFD, the PRI, Climate Action 100+, CDP, ISSB, and peer-reviewed research papers. All required readings will be provided in advance to students.

- Research papers as handed out in the “reading list” section on MyPlace.
- Financial Times.
- The Economist.
- Relevant news and web-based readings available in MyPlace.

Other ***alternative*** books are:

“The ESG Investing Handbook” Becky O’Connor Harriman House, 2022, ISBN: 9780857199522

“Principles of Sustainable Finance”, by Dirk Schoenmaker and Willem Schramade, Oxford University Press, ISBN: 9780198826606.

“Environmental, Social, and Governance (ESG) Investing. A Balanced Analysis of the Theory and Practice of a Sustainable Portfolio” John Hill Academic Press, ISBN: 9780128186923

UG Module Manual (Honours)

Please refer to the accounting and finance UG manual module for the following ([Honours Module Manual.docx](#)):

- Tutorial Attendance
- Useful Contacts
- Penalties for Late Submission
- Feedback
- Compensation Scheme
- Resit Policy – no resits in honours year
- Universal Marking Guide
- Useful Links