

SYLLABUS

CR407E_0101_26

Ethics and CSR in Finance

ACADEMIC AREA :	FINANCE AND GEOPOLITICS
PROGRAMME :	MASTER IF / PGE / UGTC LEVEL 4 PGE
PERIOD :	SPRING
COORDINATOR :	Dr. Dieter VANWALLEGHEM
INSTRUCTOR(S) :	Ms. Lalitha Shankari BALACHANDAR
CONTACT HOURS :	24.0 hours
STUDY TIME :	null hours (Class preparation, homework and assessments)
CREDITS :	4.0 ECTS
AOL :	NO

PRE-REQUISITE MODULES :

Basic understanding of business, accounting and finance.

MODULE DESCRIPTION :

Welcome to your course Ethics and Corporate Social Responsibility in Finance.

This course addresses two quite distinct sets of questions, united by their common focus on the intersection of ethical and political values on the one hand, and finance on the other. One set of questions concerns ethics and ethical expression and the other concerns ESG investing.

Ethics concerns you as a new entrant into the world of work in finance. You have spent decades investing in becoming the person that you recognize whenever you catch sight of yourself in the mirror, the person whose values are recognized by your family and your friends. So, the key questions are: when you enter the workplace must you leave your values outside the door, or can you retain a coherent sense of who you are and what you stand for? If the latter, then how? And how do you manage situations when your values and those of a colleague appear to conflict?

In working life you will often find that the 'ethical' thing to do is quite clear; what challenges people is acting on that insight in the face of various pressures. For this course it is assumed that you begin with fully-formed and creditable value systems, and that what you need is help in learning how to transition those values into the workplace. So, we touch only lightly on ethical theory in favour of accessing key insights from behavioural ethics on what helps and hinders ethical expression. You will develop the habit and skill of ethical expression by rehearsing repeatedly the practical methods proposed in the Giving Voice to Values (GVV) curriculum.

ESG investing concerns you as investors. There is substantial research evidencing a positive relationship between a firm's environmental, social, and governance (ESG) performance and its financial performance. Why should this be so? What are the transmission mechanisms from values to value? What values are material to financial performance?

Our exploration of ESG investing will focus mainly on identifying ESG risks to your portfolio. We begin with stakeholder analysis - a key analytical tool for freeing us from the blinkers of organizational life and helping us to investigate the ethical, social, environmental and economic impacts of business. Those impacts require us to focus on corporate power and the evolving political obligations – most prominently respect for human rights, and sustainability - to which such power gives rise, and on the corporate governance structures that enable a firm to meet its ethical and political obligations organization-wide. We will integrate these insights through a focus on climate change. Shareholders play a critical role in governance, and we will examine the tools available to a shareholder determined to manage actively their

ESG risks.

While addressing these questions helps you to make better investment decisions, it also illuminates the obligation of your own financial institution to manage the downstream social and environmental impacts of its financing activities.

For those of you aiming to take the CFA exams, this course will help you in your preparation since many key components of the CFA Ethics section are covered in this course.

CONTRIBUTION TO PROGRAMME LEARNING OBJECTIVES :

- Combine professional expertise with resilience, critical thinking & personal influence to Change mindsets #ChangeMindsets
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MODULE INTENDED LEARNING OUTCOMES (ILOs) :

Ethics :

1. Ethical Issue Identification :

Students will be able to identify and clearly articulate ethical issues in financial decision-making situations

2. Applications of Ethical Frameworks:

Students will be able to apply and compare major ethical frameworks (e.g. consequences, duties/rights, character/virtues) to analyze ethical dilemmas in finance

3. Use of professional standards and fiduciary duties:

Students will be able to analyze ethical situations in finance using professional standards (e.g. CFA Code of Ethics), agency relationships, fiduciary duties, and conflicts of interest.

4. Understanding the Giving Voice to Values (GVV) framework:

Students will be able to explain the core assumptions, concepts, and analytical components of the Giving Voice to Values (GVV) framework.

5. Applying the Giving Voice to Values (GVV) framework:

Students will be able to apply the Giving Voice to Values (GVV) framework to analyze values conflicts in professional finance settings

ESG:

1. Conceptual clarity on ESG:

Students will be able to distinguish between ESG investing and related concepts (e.g. ethical investing, SRI, sustainable investing)

2. Stakeholder analysis:

Students will be able to conduct a stakeholder analysis of a firm or project

3. ESG-Financial performance transmission mechanisms:

Students will be able to explain and analyze the transmission mechanisms linking ESG performance to financial performance including the role of trust, legitimacy and organizational culture

4. Corporate governance and shareholder influence:

Students will be able to explain and evaluate how corporate governance structures and shareholder rights enable or constrain the management of ESG risks

5. Climate risk, transition and sustainable finance:

Students will be able to identify climate risk and understand the workings of transition and sustainable finance instruments

TOPICS COVERED :

1. Ethical decision making
2. Ethics theory
3. Giving voice to values
4. Environmental, social and governance (ESG) risk analysis and ESG investment strategies
5. Stakeholder management
6. Corporate governance
7. Human rights
8. Climate change

RESEARCH-LED TEACHING :

References to research findings in the relevant area are made throughout the course. Academic papers form background reading for students to further develop their insights and understanding of the course material.

CSR AND SUSTAINABLE DEVELOPMENT GOALS :

This course is entirely dedicated to developing the skills and ability to act in ones profession with the highest ethical standards, to manage effectively stakeholder relationships and to analyze, manage and integrate environmental, social and governance risk factors in the finance and accounting profession.

CSR NB HOURS :

24

SUSTAINABLE DEVELOPMENT GOALS COVERED :

- 04 - Quality education
- 12 - Responsible consumption and production
- 13 - Climate action
- 17 - Partnership for the goals

TEACHING METHODS :

- Knowledge sharing through general lectures
- In class exercises and activities focussed on ethical decision making and giving voice to values
- Case study type exercises focussing on ethical decision making and ESG factors in finance and accounting

METHODS OF ASSESSMENT :

Continuous/Final	Group/Individual	Assessment	Weight	Duration	ILOs assessed
Continuous	Individual	Quiz	20%	30 Minutes	ILO 9
Continuous	Individual	Participation or task completion	20%		ALL ILOs
Final	Individual	Final written exam	60%	3 Heures	ALL ILOs

Assessment 1 details:

1. This is a test of your comprehension of the GVV Ways of Thinking about Our Values in the Workplace paper contained in the Readings Pack.
2. The test will take place in class at the beginning of the third session
3. You will have 15 minutes in which to complete the test. There will be 10 questions, each carrying 2 points, totaling 20 points in all.
4. The questions will be in multiple-choice format.
5. The questions are designed to check that you have read and properly understood the reading. The questions will address particular points made in the document. All the answers to the questions are to be found within the text.
6. It is an open book test.
7. If you have not read the document before the test, you will not be able to pass it.

Assessment 2 details:

Throughout the course you will engage in several in-class activities and discussions.

This is an essential part of your learning in this class since the capacity to reason through ethical dilemmas is obtained through personal reflection, discussion and debate.

The instructor of your course will evaluate you for your participation in two randomly chosen activities during the course.

You will not be informed when you are being evaluated since active In-class participation is expected at all times during the course.

A detailed grading rubric for in class participation can be found on Moodle and below

Assessment 3 details:

The final written exam will test students' understanding of applied ethics topics and ESG in finance.

The questions will be qualitative in nature and will include:

- Providing definitions, descriptions, etc. of key concepts seen in class
- Juxtaposing ethical frameworks
- Applying ethical frameworks to concrete cases and recommending appropriate courses of action
- Linking firm level ESG and financial performance

ACADEMIC INTEGRITY :

Academic misconduct encompasses various behaviors or actions that violate the principles of academic integrity, fairness, and honesty, thereby undermining the credibility of academic work, assessments, or research. Examples of academic misconduct include:

- Cheating
- Plagiarism
- Fabrication
- Gaining an unfair advantage
- Assisting others in committing academic misconduct, such as by utilizing generative AI
- Falsification of records or official documents
- Unauthorized access to restricted information or data
- Unauthorized or unethical use of generative AIS

Academic misconduct is a serious offense and can result in consequences such as module failure, research project failure, or even expulsion from the school. To prevent unintentional academic misconduct, it is essential to consult with your instructor to understand the specific rules and instructions pertaining to the use of AI in learning and assessment.

For more comprehensive information on academic integrity rules, principles, and disciplinary procedures, please refer to the Academic Integrity section of the Student Handbook.

BIBLIOGRAPHY :

Boatright, J. 2014. Ethics in Finance (3rd ed.). Chichester, UK: Wiley-Blackwell. [eBook <https://bit.ly/3GtIRqF>]

Tricker, RI. (2019). Corporate Governance: Values, Ethics and Leadership. Crc Press. [eBook <https://bit.ly/3Z15IVk>]

Additional Reading

MODULE PLAN SESSIONS :

Plan Session 01 :

Session 1: Introduction

- Defining ethics and values
- Moral dilemmas
- Distinguishing between empirical/normative and instrumental claims

Plan Session 02 :

Session 2: Ethical decision making and voicing values

- CFA ethical decision making framework
- Utilitarianism, Deontologic and Virtue ethics
- Giving voice to values: the seven pillars of the GVV curriculum

Plan Session 03 :

Session 3: Professional and legal obligations and scripting and coaching for GVV

- Professional and legal ethical obligations
- CFA code of ethics and professional standards
- GVV scripting and coaching

Plan Session 04 :

Session 4: ESG investing & stakeholder analysis

- Defining ESG investing
- Motives for ESG investing
- Stakeholder analysis and management

Plan Session 05 :

Session 5: Transmission channel, ESG and firm value

- Transmission of ESG performance to financial performance
- Corporate reputation and culture analysis

Plan Session 06 :

Session 6: Corporate governance and shareholder activism

- Corporate governance mechanisms
- Corporate governance and stakeholder management
- Shareholder rights and active ownership

Plan Session 07 :

Session 7: Human rights

- Political norms as a guide for ethical corporate behavior
- Human rights as legitimate guide for corporate ethics

Plan Session 08 :

Session 8: Financing transition and environmental standards

- Financial markets and climate risk
- Finance as a transition tool

