



**Seminar Title: Best Practices in ESG [BP-ESG]**

**Batch: PGDM 2022-23**

**Term: VI**

**Credits: Three**

**Faculty: Dr Stephen Aro-Gordon (Adjunct)**

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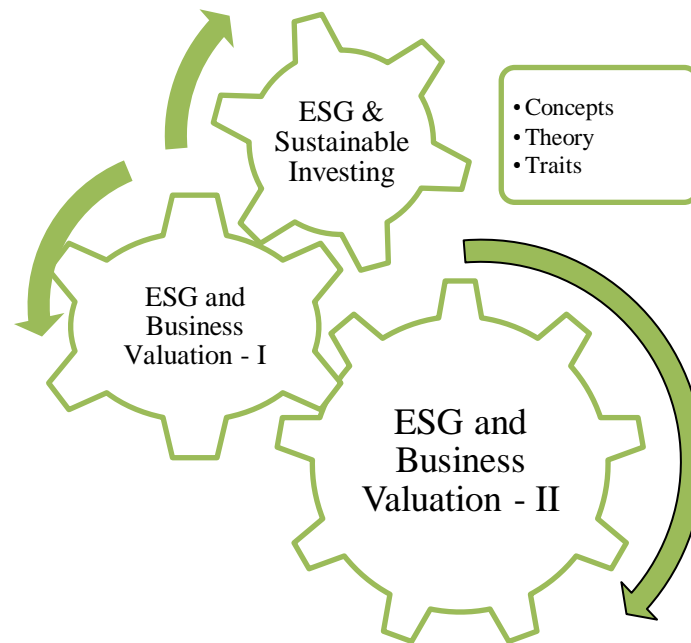
### **About the ESG Seminar**

#### **Introduction:**

Global equities are vital for meeting longer-term growth and diversification objectives. This ESG (environmental, social, and governance) seminar is not just a learning opportunity, but a stepping stone towards your future careers as investment/research analysts, consultants, stockbrokers, bankers, or accountants. It provides valuable insights into how international firms deal with challenges bothering sustainable capital investment decisions, given the firm's main goal to maximise shareholder value over the longer term. The widespread adoption of ESG ratings has been attributed to the rising number of asset managers signing the United Nations Principles for Responsible Investment (UNPRI). In 2021, PRI investor signatories increased by 26%, from 2701 to 3404, over 2020. The collective AUM (asset under management) represented by all 3826 PRI signatories (3404 investors and 422 service providers) increased by 17% over the period, from US\$103.4 trillion to just over US\$121 trillion as of 31 March 2021(UNPRI, 2021). Highlighting the growing impact of ESG (environment, social, and governance considerations) in investing across the world's financial markets, the seminar sessions provide opportunities for students to critically evaluate and make a professional presentation on a pair of listed companies based on the company's financial statements, ESG ratings, and other publicly available information to elicit valuable insights for investors and society. Aspects of inflation and investments in unequal lives will also be explored. The course assessment will adopt an integrated knowledge approach involving MS Excel-based computational and discursive components and case studies with outputs of a standard commensurate with a high professional level. The seminar will benefit students interested in pursuing international careers as investment/research analysts, consultants, stockbrokers, bankers, or accountants.

## Seminar Objectives:

- i. *ESG and Sustainable investing*: COVID-19 and the COP26 global climate action have heightened scholarly and industry discussion on ESG/sustainability investing. This seminar will explore the debates and evidence on whether or not being socially responsible can help or hurt tangible value creation for companies and investors. Additionally, the seminar will allow the participants to practically explore the applicability of ESG rating providers such as CSRHub, MSCI, Sustainalytics and Bloomberg.
- ii. *ESG and Business Valuation - I*: A case-based approach will discuss how ESG topics could impact a firm's capital structure, dividend policy and cost of capital. The role of ESG considerations in corporate cash and credit management decisions will also be explored. Overall, the seminar will also discuss how best practices in ESG can both protect and create value for the long term.
- iii. *ESG and Business Valuation - II*. Additionally, the seminar expected to enhance further the participants' transferable skills, e.g., Communication skills: delivering coherent arguments and verbal communication; self/time management: meeting deadlines and working under pressure; interpersonal skills: listening, reading and teamwork; as well as academic skills: researching and critically assessing information/data, analytical and logical reasoning, decision making, interpreting qualitative and quantitative information, condensing information, and working systematically. Thus, this seminar will provide the participants with the necessary information. The seminar will allow the participants to rethink, evaluate and critically reflect upon the implications for society, investors, staff, government, and other stakeholders of firms' environmental, social and governance (ESG) characteristics.



### **SDMIMD Mission Objectives:**

The SDMIMD aims to provide quality management education based on a firm foundation of Indian values and ethics. The specific mission objectives are outlined below:

Business leadership: helping firms move into leadership positions in their chosen sectors.

Organisational excellence: - achieving institutional excellence in an environment of rapid changes and uncertainty.

Value creation: - attaining a higher level of value creation for all the stakeholders in the socio-economic system.

Change management – A truism states that change is the only thing permanent. Helping organisations operate sustainably, adapt as necessary, and remain relevant in today’s fast-paced and increasingly unpredictable business environment is one mission the SDMIMD remains passionate about.

Business  
Leadership

Organisational  
Excellence

Value-creation

Dealing with  
change

**SDMIMD PGDM Programme Educational Objectives, Inspired by the Institutional Mission**

SDMIMD aims to provide quality management education based on a firm foundation of Indian values and ethics. The specific mission objectives are outlined below:

PEO 1 Business leadership: - helping firms to move into a leadership position in their chosen sectors.

PEO 2 Organizational excellence: - achieving institutional excellence in an environment of rapid changes and uncertainty.

PEO 3 Value creation: - attaining a higher level of value creation for all the stakeholders in the socio-economic system.

PEO 4 Dealing with change - helping organisations operate sustainably, adapt as necessary, and remain relevant in today's fast-paced and increasingly unpredictable business environment.

**PEO1, PEO2, PEO3 & PEO4 are all chosen mission objectives of the SFM Seminar 2021.**

**The course learning objectives (CLO) are to:**

- i. To describe and enhance the participants' understanding of socially responsible investing and develop their expertise to assume future careers as research analysts and portfolio managers.
- ii. To provide further insights into the impact of ESG on a firm's working capital, cost of capital, dividend policy and credit management
- iii. To describe and explain some emerging approaches to handling ESG to protect and create a firm's value.

### **Connection with Mission Statement Objectives**

#### Business leadership:

This seminar describes and explains the emerging ESG characteristics in capital allocation policy. Strategic financial health and corporate performance evaluation are needed for informed decision-making in a competitive environment. Evaluating the long-term implications of ESG developments in the business environment can help firms move into a leadership position in their chosen sectors.

#### Organisational excellence:

While dealing with financial analytics, this seminar discusses how organisations and investors can be guided to ensure value-added decision-making in critical dimensions of sustainable capital investment and growth policy choices. It describes how inflation affects all economic decisions, impacting prices (=cash inflow) and costs (=cash outflows) and how it may impact capital budgeting. Continuously and systemically evaluating the business fundamentals of a firm's cash flows leads to institutional excellence in an environment of heightened changes and uncertainty.

#### Value creation:

The ESG workshop provides further insight into the art and science of valuation through the time value of money concept but also reflects on why the popular NPV approach should not be taken hook, line and sinker. This is expected to add value to all the stakeholders through continuous optimal wealth generation by learning and applying emerging tools and techniques that significantly impact the evolving financial services industry. A higher utility level automatically leads to higher value creation for all the stakeholders in the system.

### Dealing with change:

The ESG workshop applies the mathematics of change to make informed investment decisions. It thus exposes students to emerging issues, tools, techniques, and frameworks for measuring profitability performance effectively and efficiently, among other metrics. The global impact of the COVID-19 global pandemic on CEOs/CFOs and the emerging influence of contemporary ESG/green investment issues will be explored. Thus, participants will have the opportunity to gain further insights into how they can help their organisations to operate sustainably, adapt as necessary, and remain relevant in today's fast-paced, increasingly unpredictable business environment.

### **Pedagogy:**

<b>Pedagogy</b>	<b>Activity</b>	<b>Hours</b>
	Interactive lectures	4
	Interactions/workshops	4
	<b>TOTAL</b>	<b><u>8</u></b>

- The learning materials for this seminar are delivered using the flipped classroom approach. This is because the ESG workshop is an integrated, practice-oriented module combining knowledge and skills learnt from previous classes and wants to develop them through real-world applications.
- The flipped classroom approach requires seminar participants to fully prepare before the contact sessions to realise the value added to self-studies fully.
- Students taking this seminar should access financial databases, e.g., S&P Capital IQ. Participants could get familiar with selected practice companies for the workshop segments: Mahindra & Mahindra Limited, Gail (India) Limited, and Larsen & Toubro Limited.
- Students must take written notes from live, unrecorded discussion seminars and meetings that are sufficiently clear to enable them to keep detailed records that facilitate follow-up clarification and reflection as would typically happen in the workplace during the corporate presentation/analyst meetings and board and shareholders' meetings.
- Participants may have to work in groups and make in-person presentations.

**Matrix of Seminar Learning Objectives (SLOs) as influenced by the PGDM Program Educational Objectives (PEO)**

(SLOs)	PEO -1	PEO – 2	PEO- 3	PEO- 4
<b>SLO-1: ESG and Sustainable Investing</b>	√			√
<b>SLO-2: ESG and Business Valuation I</b>		√	√	√
<b>CLO-3: ESG and Business Valuation (Student-led cases)</b>		√	√	
<b>*Overall intended Outcome of the BP-ESG Seminar 2023</b>	√	√	√	√

**Seminar Evaluation:**

Component	% marks
Seminar participation	5
Peer assessment	15
Quizzes via Kahoot.it	20
Group ESG project presentation (10 minutes per group presentation, Q&A inclusive)	60
<b>Total</b>	<b>100</b>

**Session Plan**

Sessions	Timings (IST)
<b>Session 1</b>	<b>5.00 pm - 6.15 pm</b>
<b>Session 2</b>	<b>6.30 pm - 7.45 pm</b>
<b>Session 3</b>	<b>2.00 pm - 3.15 pm</b>
<b>Session 4</b>	<b>3.30 pm - 4.45 pm</b>
<b>Session 5</b>	<b>2.00 pm - 3.15 pm</b>
<b>Session 6</b>	<b>3.30 pm - 4.45 pm</b>

**Rubrics:**

BP-ESG seminar presentation assessment will be based on the following criteria:

<b>BP-ESG Seminar -2023 Presentation Assessment Criteria</b>	<b>0-29%</b>	<b>30-39%</b>	<b>40-49%</b>	<b>50-59%</b>	<b>60-69%</b>	<b>70-79%</b>	<b>80-100%</b>
<b>CONTENT AND APPLICABILITY –</b> Able to communicate key points clearly and succinctly, with logical structure and flow. Able to show topic knowledge and apply critical theories and ideas in the ESG field and your assigned industry/market.							
<b>ANSWERING THE QUESTION -</b> Clarity and well-structured argument communicated a critical understanding of different ESG issues and quoted companies. Demonstrates understanding of the question with the ability to answer the question briefly, with a discussion that presents a business perspective, e.g., precision, pragmatism, rigour, and credibility of recommendations.							
<b>PRESENTATION and PROFESSIONALISM—</b> Clarity and structure of presentation/report, with good spelling, grammar, punctuation, and referencing. Good organisation of the document (e.g., headings, and executive summary), well presented using good-quality industry and academic supporting materials.							



## References/Selected Readings:

1. Aro-Gordon, S., Kurup, A., Namitha, T. R. & Surya, L. (2016 January). To what extent can organisations successfully pursue 'financial' and 'ESG' goals simultaneously? Preliminary evidence. Paper ID 70M-4, *International Conference on Operations Management and Research (ICOMAR 2016)*: "Towards Operational Excellence", SDMIMD, Mysore, India, January 21-22, 2016, pp. 1-15. ISBN: 978-93-83302-11-6.  
[https://www.sdmimd.ac.in/pdfs/To\\_What\\_Extent\\_ICOMAR16.pdf](https://www.sdmimd.ac.in/pdfs/To_What_Extent_ICOMAR16.pdf)
2. Bradford Cornell and Aswath Damadoran (2020) '[Valuing ESG: Doing Good or Sounding Good?](#)', *Journal of Impact and ESG Investing*, Fall 2020, Vol. 1, (1), pp. 76 – 93.
3. CFA Institute (2021). *The future of work in investment management: The context of careers*. CFA Institute
4. Cornell, B., and A. Damodaran (2020, Fall). Valuing ESG: Doing good or sounding good? *The Journal of Impact and ESG Investing*1(1) 76-93; DOI: <https://doi.org/10.3905/jesg.2020.1.1.076>. <https://jesg.pm-research.com/content/1/1/76.short>
5. Hillier, D., Ross, S. A., Westerfield, R. W., Jaffe, J., and Jordan, B. D. 2021, *Corporate Finance*, Fourth European Edition, McGraw-Hill – **Chapter 2**
6. Labonte, M., & Weinstock, L. R. (2021). "Inflation in the wake of Covid-19". *Congressional Research Service*, USA. <https://sgp.fas.org/crs/misc/R46890.pdf> [18 December 2021]
7. United Nations Principles for Responsible Investment [UNPRI] (2021). *Annual Report 2021*. <https://www.unpri.org/annual-report-2021/how-we-work/building-our-effectiveness/enhance-our-global-footprint> [18 December 2021].
8. Martin Wolf (2020) '[Milton Friedman Was Wrong on the Corporation](#)', *Financial Times*, 8<sup>th</sup> Dec. 2020.
9. Milton Friedman (1970) '[The Friedman Doctrine – The Social Responsibility of Business is to increase its profits](#)' *New York Times*, 13<sup>th</sup> Sept. 1970.
10. Merryn Somerset Webb (2022) '[Reclaim Shareholder Power and Reshape Companies](#)', *Financial Times*, 13<sup>th</sup> January. 2022.
11. Palepu, Healy, and Peek: *Business Analysis & Valuation* IFRS Edition, Boston, USA: Cengage Learning, 5th edition (2019). This text covers most of the material in sufficient detail to enable students to complete the equity valuation aspect of the course.
12. Thanyaorn Yordudom & Muttanacchai Suttipun (2020). The influence of ESG disclosures on firm value in Thailand. *GATR Journal of Finance and Banking Review*, 5(3),108-114.