

SUSTAINABILITY REPORTING IN CAPITAL MARKETS (AC200)

Course Duration: 54 hours lecture and class time (Over three weeks)

Summer School Programme Area: Accounting

LSE Teaching Department: Department of Accounting

Lead Faculty: Dr Julia Morley (part 1) and Dr Xi Li (part 2) (Dept. of Accounting)

Pre-requisites: Any undergraduate-level course with some accounting or finance content.

Course Description:

In this transformative learning journey, you'll uncover the pivotal role of sustainability reporting in driving global sustainability goals forward. Amidst a backdrop of rising demands from regulators, investors, and other key stakeholders for comprehensive Environmental, Social, and Governance (ESG) performance data, you'll explore the explosive growth of sustainable investing and the increasing necessity for transparent disclosures in public firms.

This course isn't just about theory; it's a deep dive into the real-world challenges and opportunities of ESG reporting. You'll critically evaluate the tangible benefits and confront the obstacles, including the ever-present risk of greenwashing. We'll guide you through the maze of existing and emerging ESG regulations, introducing you to the key frameworks that shape ESG performance metrics.

The course goes beyond just understanding regulations. It delves into the market dynamics, examining how pivotal players in the financial ecosystem – from pension funds to private equity firms, banks, suppliers, and consumers – utilize ESG information for impactful decision-making. You'll learn how these entities can contribute positively to the sustainability agenda.

Our teaching approach is diverse and engaging, blending the latest academic research with real-world industry reports, regulatory filings, compelling case studies, and lively news media discussions. You'll emerge from this course with a robust understanding of:

- The foundations and intricacies of corporate ESG activities.
- The evolution and current state of global ESG regulation and reporting requirements.
- The advantages and challenges of ESG disclosure.
- How various market participants adopt and utilize ESG information in their strategies.

This module is designed for students who aspire to be at the forefront of corporate sustainability, offering a blend of theoretical knowledge and practical insights. Prepare to emerge as a well-informed, critical thinker capable of shaping the future of sustainable business practices. Perfect for students passionate about sustainability, finance, or corporate governance, this course offers invaluable insights and skills that will empower you to be an agent of change in the world of sustainable business practices. Join us in this exciting journey towards creating a more sustainable and responsible corporate world.

Last updated: December 2023





Course Aims and Learning Outcomes:

Embark on a transformative learning experience with our comprehensive module designed to equip you with an in-depth understanding and the ability to critically assess key aspects of corporate sustainability. Post-completion, you will be adept in:

- Exploring the Essence of Corporate Purpose and Sustainability: Understand what drives corporations beyond profit andhow sustainability shapes their core mission and operations.
- Mastering Core Concepts of Sustainability in the Corporate World: Gain a solid grasp of the fundamental principles that underpin sustainability in the business sector.
- Navigating ESG Regulation and Reporting: Become proficient in the complex landscape of ESG regulations and reporting requirements across major markets like the UK, EU, and US.
- Deciphering Corporate ESG Disclosures: Hone your skills in analyzing critical ESG disclosures, including:
 - The intricacies of greenhouse gas emissions reporting.
 - The nuances of diversity, human rights, and social impact statements.
 - o Board effectiveness disclosures.
- Evaluating current Research in Sustainability Practices and Disclosures: Stay ahead with the latest research insights into how businesses are adopting and evolving their sustainability practices.
- Understanding the Capital Market's Influence on ESG Practices: Discover how the demands of capital markets shape the ESG strategies of investee companies.
- **Evaluating the Usefulness of Corporate Sustainability Disclosures:** Learn to critically assess the effectiveness of current corporate sustainability disclosures, understanding their significance for stakeholders like institutional investors and banks.
- **Evaluating sustainability Assurance Practices:** Unravel the role and effectiveness of sustainability assurance practices in bolstering trust in ESG disclosures.
- Overcoming Challenges in Corporate Sustainability: Tackle the key obstacles facing effective corporate sustainability, including:
 - Standardization and mandatory sustainability disclosures.
 - o The pervasive issue of greenwashing.
 - Other unintended negative externalities of ESG reporting.

Core Texts:

Laine, Tregidga and Unerman (2022). Sustainability Accounting and Accountability. Third Edition.
 Routledge.

Last updated: December 2023

Teaching Arrangements:

Teaching arrangements consist of both lectures (36 hours in total) and classes (18 hours in total).



Assessment:

Formative Assessment

This will not count towards the students' final overall grade but will prepare students for the first summative assessment.

Format: Take-home exercise Date: Friday of Week One

Feedback due: By Tuesday of week two

Summative Assessments

Format and weighting: Two-hour mid-session examination (50%) Date: Wednesday of week two

Results due: By Monday of week three

Format and weighting: Two-hour final examination (50%) Date: Friday of week three

Results due: Within a week of the exam

The precise time and location of the exams will be circulated during the programme.

Detailed Course Outline:

Sustainability reporting (Part 1)

Day	Lecture topic	Readings
Week 1: Day 1	Business ethics and corporate purpose	 Ramanna, K. 2020. "Friedman at 50: Is It Still the Social Responsibility of Business to Increase Profits?" California Management Review, 62(3): 28–41. Laine, Tregidga and Unerman (2022). Sustainability Accounting and Accountability. Third Edition. Routledge. Chapter 2: "Background and Global Context", pages 34-52. Case Study: Marquis, C., Almandoz, J., LaRoe, K., & Replogle, J. 2014. "Can an 'Ethical' Bank Support Guns and Fracking?" Harvard Business Review, 92(4): 123–127.



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Week 1: Day 2	Voluntary ESG disclosures and ESG ratings	 Laine, Tregidga and Unerman (2022). Sustainability Accounting and Accountability. Chapter 3: "Accountability, stakeholders, materiality and externalities", pages 34-52. ESG disclosures for discussion: Excerpts from M&S, Exxon Mobil, and HSBC sustainability reports.
Week 1: Day 3	Mandated ESG disclosures	 Laine, Tregidga and Unerman (2022). Sustainability Accounting and Accountability. Chapter 5 'Sustainability Reporting: History, frameworks and regulation", pages 83-102. Greenstone, Leuz and Breuer (2023). Mandatory disclosure would reveal corporate carbon damages. Science Vol 381 Issue 6600 pages 837-840 https://www.science.org/doi/pdf/10.1126/science.add6 815 ESG disclosures for discussion: Excerpts from M&S, Exxon Mobil, and HSBC sustainability reports.
Week 1: Day 4	Greenwashing	 Bailey, Glaeser, Omartian and Raghunandan. "Misreporting of Mandatory ESG Disclosures: Evidence from Gender Pay Gap Information" (August 17, 2022). Available at SSRN: https://ssrn.com/abstract=4192257 or https://dx.doi.org/10.2139/ssrn.4192257 Apple's 'carbon neutral' claims come under scrutiny". FT 24 October 2023. https://www.ft.com/content/90392004-97e0-4444-a5cd-82220fe52510 "Tesco rebuked over greenwashing in adverts for plant-based food" FT.com 8 June 2022. https://www.ft.com/content/262012c0-9781-4d02-82af-bf575d9a8c6d
Week 1: Day 5	Standards for reporting ESG and ESG assurance	 Unerman, Bebbington & O'dwyer (2018). "Corporate reporting and accounting for externalities", Accounting and Business Research, 48:5, 497-522, DOI: 10.1080/00014788.2018.1470155 "More than 50,000 companies to report climate impact in EU after pushback fails". FT article 18 October 2023. https://www.ft.com/content/a3216188-8e50-4a62-a8d9-e89172b3ddc7





		•	"Greenwashing warnings accelerate drive for business sustainability standards". FT article https://www.ft.com/content/95b45edf-fd9a-45e2-96f8-9803787ef860 . 28 Feb 2022.
Day	Lecture topic		Readings
Week 2 : Day 1	Social impact measurement and reporting	•	Ronald Cohen (2020). Embedding impact in business. Chapter 4. In "Impact: Reshaping Capitalism to Drive Real Change". Ebury Press. How to measure your organization's social impact Kellogg Insights June 2022 https://insight.kellogg.northwestern.edu/article/measure-your-organizations-social-impact "Capturing the Corporate Social Footprint A Beginner's Guide to Social Impact Reporting." Sustainalytics (2021). Social impact reports for discussion

Sustainability and markets (Part 2)

Day	Lecture Topic	Indicative Readings
Week 2: Day 2	ESG and capital markets – the role of shareholders	 Case: BlackRock: Linking Purpose to Profit Global Sustainable Investment Alliance. "Global Sustainable Investment Review 2020." European Union, REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on Sustainability-related disclosures in the financial services sector. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN
Week 2: Day 3	Mid-term exam	
Week 2: Day 4	ESG and capital markets – active ownership	 Elroy Dimson, Oğuzhan Karakaş, Xi Li. 2015. "Active Ownership". Review of Financial Studies 28 (12), 3225- 3268. https://doi.org/10.1093/rfs/hhv044



Week 2: Day 5 Week 3: Day 1	The G of ESG – the role of board and top management ESG and capital markets – the role of lenders	https://www.corporateservices.euronext.com/blog/investor-relations/srd-ii. Lucian Bebchuk and Roberto Tallarita. 2022. "The Perils and Questionable Promise of ESG-Based Compensation". Harvard Law School Forum on Corporate Governance. Flammer, C, Hong, B, Minor, D. 2019. "Corporate governance and the rise of integrating corporate social responsibility criteria in executive compensation: Effectiveness and implications for firm outcomes. Strategic Management Journal 40: 1097—1122. https://doi.org/10.1002/smj.3018 "ESG in executive pay — The evolving landscape" PWC Caroline Flammer. 2021. "Corporate green bonds". Journal of Financial Economics. Volume 142, Issue 2, Pages 499-516. https://doi.org/10.1016/j.jfineco.2021.01.010 Brad M. Barber, Adair Morse, Ayako Yasuda. 2021. "Impact investing" Journal of Financial Economics, Volume 139, Issue 1, Pages 162-185, https://doi.org/10.1016/j.jfineco.2020.07.008.
Week 3: Day 2	Sustainability in labor and product markets – the role of employees and consumers	 Rui Dai, Hao Liang, Lilian Ng, 2021. "Socially responsible corporate customers", Journal of Financial Economics, Volume 142, Issue 2, Pages 598-626, https://doi.org/10.1016/j.jfineco.2020.01.003.
Week 3: Day 3	ESG ratings and measurements	 Berg, F., Kölbel, J. F., & Rigobon, R. 2022. Aggregate Confusion: The Divergence of ESG Ratings. Review of Finance, 26(6): 1315–1344. "The signal and the noise: Measurement of ESG data needs a big overhaul" The Economist. 22 July 2022.
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Week 3: Day 4	Exam preparation	



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Credit Transfer: If you are hoping to earn credit by taking this course, it is advisable that you confirm it is eligible for credit transfer well in advance of the start date. <u>Please discuss this directly with your home institution or Study Abroad Advisor.</u>

As a guide, our LSE Summer School courses are typically eligible for three or four credits within the US system and 7.5 ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to summer.school@lse.ac.uk

