Learning Outcomes

Course in finance are intended to provide financial analysts, corporate finance professionals, controllers, market operators and CFO’s with strong fundamentals in the knowledge of asset management, portfolio management, valuation and corporate finance.

But Competence and Skills alone are not enough. Every investment professional is defined by two main features: first, professional qualification, and second, professional integrity. Skills and ethics are the two dimensions by which every investment professional should be measured. History teaches us that the painful lessons of the past in financial markets tend to fade away, and they are possibly entirely forgotten by a new generation of investment professionals.

It is the task of professional bodies, such as EFFAS and its member societies, to ensure that this does not happen: they have to provide guidelines to investment professionals for their daily work, and an adequate training of it. The “EFFAS Principles of Ethical Conduct” have been developed following past experiences such as the EFFAS benchmarking grid, the ACIIA Principles of Ethical Conduct, the recommendations of the EU Forum Group, as well as the MiFID and the Market Abuse Directive. They represent a bridge between international principles/best practices and those expressed at the local level. They aim at stimulating further development of local standards towards a European best practice.

ESG (environmental, social and governance) is used by investors to evaluate corporate behaviour and to determine the future financial performance of companies. ESG factors are a subset of non financial performance indicators that includes sustainable, ethical and corporate governance issues such as managing the company’s carbon footprint and ensuring there are systems in place to ensure accountability.
The European Federation of Financial Analysts Societies (EFFAS) has defined topical areas for the reporting of ESG issues, and developed Key Performance Indicators (KPIs) for use in financial analysis of corporate performance. EFFAS has identified nine topical areas that apply to all sectors and industries:

- Energy efficiency;
- Greenhouse gas (GHG) emissions;
- Staff turnover;
- Training & qualification;
- Maturity of Workforce;
- Absenteeism rate;
- Litigation risks;
- Corruption;
- Revenues from new products.

ESG has quickly become part of investment jargon to describe the performance of investment and fund portfolios on environmental, social and governance criteria and the quality of their performance against measurable ESG factors that are reported to shareholders. ESG analysis can provide insight into the long-term prospects of companies which allows mispricing opportunities to be identified. Investors can find new market opportunities with companies that place the management of ESG factors at the core of the business.

Company-specific ESG factors offer a benchmark for investors to judge the overall quality of the board’s governance and risk management processes and their positioning within an industry sector. The UN-backed Principles for Responsible Investment (PRI) provides a voluntary ESG framework for companies and funds, from which investors can make informed investment decisions that relate to sustainability and governance practices.

After this course, you will be able to:

- Understand the necessity of an ethical code that is used globally within the financial industry
- Identify, describe and understand the complete ESG trend as it is played in the current financial markets.
- Understand and master the implementation and limitations of ESG both from a general and company specific point of view.
Audience

This course is intended to professionals with a strong desire to make themselves familiar with financial markets, trading platforms, corporate finance, asset management. But it does not limit itself to the pure corporate finance professional, such as the investment banker or the financial analyst. Credit analysts, controllers, treasurers, accountants often get confronted with ESG or (un)ethical behavior. The knowledge of these principles as well as of their practical application has become a must in our rapidly changing environment.

Lecturer: Hans Buysse

Hans Buysse is partner at Clairfield International (www.clairfield.com), as well as Adjunct Professor in Finance at the Vlerick Leuven Gent Management School and at the Vrije Universiteit Amsterdam. Hans presides the Belgian Association of Financial Analysts and is Board Member and treasurer of the European Federation of Financial Analyst Societies (www.effas.com). Hans is member of the Belgian accounting commission (commission des normes comptables) and is member of the ESMA Consultative Working Group on Corporate Reporting Standing Committee (www.esma.org).

Reference

Main
- ACIIA, Principles of Ethical Conduct
- CFA institute, Code of Ethics and Standards of Professional Conduct
- ACI dealing code

Other very pedagogical references:
Day 1: Ethics
• The financial professional and information
• The reasons for a code of ethics
• The purposes of an ethical code?
• Insider trading within the current financial markets
• Implementation of ethical rules

Presentation of Cases on ethics
• Insider trading today
• Comparison between different codes

Case(s): • Goldman Sachs
• Beakert

Reading(s) • Different ethical codes that will be supplied with the course material
Day 2: Environmental Social and Governance

- When disaster strikes: what can we learn from the BP case? Do we need a more rigorous approach to assessing risk? What do we have to learn about potential disasters and what are do’s and don’ts for investors?
- Supply Chain: currently, there is a change of paradigm at work. It seems that certification of supply chains is increasingly becoming ineffective and other instruments are being called for. How do companies control ESG compliance of their supply chain in an effective manner?
- Remuneration is considered key to safeguarding management performance through linking compensation directly to reporting. ESG adds another dimension to senior management compensation: how to link ESG performance to boni and what are the role-models for ESG-integration into incentives schemes?
- Smart Electricity: one of the few realistic options to meet the challenge of limiting global temperature increase to 2° and to reduce GHG emissions by 80% until 2050 to achieve this is the idea of a large-scale production of renewable energy. What are the economics of SuperGrids and what will be opportunities and risks for companies and investors?

Integrated Reporting - the International Integrated Reporting Committee (IIRC) has been created to respond to the need for a concise, clear, consistent and comparable integrated reporting framework.

Presentation of an ESG case

- Analysing the facts and figures
- Preparing the ESG Solution