Course Summary

Sustainability, Environmental and Social Risk Management
RMI 650
School of Business
Spring Semester 2010
Instructor: Dan Anderson

Sustainability, Environmental and Social Risk Management has grown in importance as individuals, businesses, governments and societies have become increasingly concerned about the state of our environment and how best to manage and relate to our environment. Some environmental risk areas, like Superfund, asbestos, natural disasters, have produced substantial losses. Other developing areas like global warming/climate change, genetically modified crops, exposure to chemicals, and the spread of infectious diseases will impact the future. As we put more pressure on our natural capital systems (air, water, natural resources, oceans, forests, croplands), liabilities for damages to these systems can be expected. More recently, social responsibility risks, which deal with the unfair and inequitable treatment of workers, communities and peoples of other countries, have arisen.

While not yet universal, major segments of the world’s business communities are developing and encouraging more environmentally friendly and socially sustainable systems. These systems help to manage risks which encompass most business functional areas including human resources (workers’ injuries, sweatshops), marketing (products liability, customer boycotts), finance (socially responsible investing), accounting (sustainability auditing and disclosure requirements) real estate (brownfield developments) manufacturing (waste disposal, energy efficiency), operations (supply chain) and corporate governance (reputational risks, directors and officers liability). Risk managers, insurers, brokers and consultants need to interact with these various functional areas to help manage, control and finance environmental and social responsibility risks.

RMI 650, Sustainability, Environmental and Social Risk Management, will examine existing and emerging environmental and social responsibility risks and the developing systems to manage these risks. The instructor is Dan Anderson, the Emeritus Leslie P. Schultz Professor of Risk Management and Insurance, who has taught at the UW-Madison since 1970. He is a member of the faculties of the Wisconsin School of Business and the Gaylord Nelson Institute for Environmental Studies. His major area of research is sustainability risk management; he has authored a book on the subject, Corporate Survival: The Critical Importance of Sustainability Risk Management; he has taught executive seminars; and he has made numerous presentations in this area. Several guest speakers from the considerable and diverse pool of knowledge and talent on the UW-Madison campus have generously offered to share their ideas with the class. This course complements other sustainability related courses being taught in the School of Business.

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The following text and materials will be used in this course:

- Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*
- Course Packet
- Readings Packet

**Week/Day** | **Subject, Speakers, Readings**
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1 W, 1/20 | Introduction to Sustainability Risk Management
**Readings:** Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*, Introduction
**Course Packet:** (pp. 1-27)

2 M, 1/25 | Sustainability Risk Identification and Assessment
**Readings:** Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*, Chapter 1
**Readings Packet:** (pp. 1-25)
**Course Packet:** (pp. 28-30, 49-54)

W, 1/27 | Sustainability Risks in Products and at Work: Asbestos Liabilities
**Readings:** Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*, Chapter 6 (pp. 166-172; 189-207)
**Course Packet:** (pp. 55-64)

3 M, 2/1 | Conventional Wisdom and Sustainability – Developing Business Models based on Sustainability Principles
**Speaker:** Tom Eggert, Director of Sustainability Programs
Wisconsin School of Business

W, 2/3 | Risk Assessment, Toxicology and Epidemiology in Environmental Health
**Speaker:** Marty Kanarek, Professor of Medical Sciences, Population Health Science and Environmental Studies
**Readings Packet:** (pp. 26-31)

4 M, 2/8 | Superfund Liabilities
**Readings:** Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*, Chapter 6 (pp. 173-207)
**Course Packet:** (pp. 65-76)
W 2/10 Subject: Toxicity of Chemicals  
Speaker: Warren Paul Porter, Professor of Zoology  
Readings Packet: (pp. 32-43) 
Warren Porter, 2002 “Pesticide Info,” Warrenporter.com

5 M, 2/15 Subject: Nuclear Risk Exposures and the Price-Anderson Act  
Readings Packet: (pp. 44-63)  

W, 2/17 Subject: Increasing Environmental and Social Liability Exposures  
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapter 2  
Course Packet: (pp. 77-105)

6 M, 2/22 Subject: Environmental Law  
Speaker: S. Richard Heymann, UW Law School and Environmental Studies  
Course Packet: (pp. 111-137)

W, 2/24 Subject: Global Warming/Climate Change: Implications for the Risk Management and Insurance Industry  
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapter 7  
Course Packet: (pp. 34-39, 138-144)

7 M, 3/1 Subject: Green Building and Climate Change  
Speaker: Sue Loomans, Executive Director, Wisconsin Green Building Alliance

W, 3/3 Subject: Continuation of Global Warming/Climate Change

8 M, 3/8 Subject: Global Sustainability Science  
Speaker: Tracey Holloway, Director, Center for Sustainability and the Global Environment (SAGE)

W, 3/10 Subject: A PBS Film on Extreme Oil: The Wilderness  
Course Packet: (pp. 145-154)

9 M, 3/15 Subject: Reducing Environmental Risks through Design for the Environment (DFE) Products  
Speaker: Patrick Eagan, Professor of Engineering Professional Development  
Readings Packet: (pp. 64-92)  
W, 3/17 Subject: Increasing Boycott/Reputation Risks
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapters 3, 4, 5
Course Packet: (pp. 30-31, 155-178)

10 M, 3/22 Subject: Sustainability Risk Management Techniques
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapters 9, 11
Course Packet: (pp. 39-48, 179-182)

W, 3/24 Subject: Catastrophe Risk Finance and Insurance
Readings Packet: (pp. 93-106)
Course Packet: (pp. 183-185)

SPRING BREAK

11 M, 4/5 Subject: Environmental Risk Management and Insurance
Speaker: David Dybdahl, Former leading broker of environmental insurance in the world. Currently Founder of Environmental Risk Resources Association
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapter 10

W, 4/7 Subject: Risk Management of Genetically Modified Foods and Crops
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapter 8
Course Packet: (pp. 186-189)

12 M, 4/12 Test

W, 4/14 Hand back and discuss test

13 M, 4/19 Student Presentations

W, 4/21 Student Presentations

14 M, 4/26 Student Presentations

W, 4/28 Student Presentations

15 M, 5/3 Student Presentations

W, 5/5 Will be devoted to a Course Evaluation (formal plus informal discussion), and a summary of the student presentations. Attendance Mandatory, unless excused.

The Final Exam Period – Thursday, May 13, 5:05 – 7:05 pm
Papers returned to teams – each group schedule one 20 minute slot in Final Exam Period – Attendance Mandatory, unless excused. Groups may select another time in Final Exam period, if time can be arranged for all team members of a group and Professor Anderson.
Course Requirements, Grading, Readings, Course Packet, Test, Group Projects and Presentations

Course Requirements and Grading Summary

<table>
<thead>
<tr>
<th>Group Project:</th>
<th>40%</th>
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<tbody>
<tr>
<td>Paper: 25–30 pages for group (8-10 pages per student team)</td>
<td>10%</td>
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<tr>
<td>Presentation</td>
<td>40%</td>
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<tr>
<td>Test</td>
<td>10%</td>
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<tr>
<td>Class Participation</td>
<td>100%</td>
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Course Text - required

Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*

Readings Packet - recommended

- A set of readings are available online and/or can be purchased at the School of Business copy center (room 1220).
- Additional readings may be distributed by myself or the guest speakers.

Course Packet - recommended

- A course packet of subject outlines, charts and short articles, which will be presented in class, are available online and/or can be purchased at the School of Business copy center (room 1220).
- Additional handouts of subject outlines, charts and short articles may also be distributed by myself or the guest speakers.
- It is recommended that you bring the course packet, or at least those materials that correspond to the subject, to the class in which that subject will be presented by myself or the guest speakers.

Test

In an ideal world where I could assume that everyone would voluntarily do the reading, no test would be required. My previous experiments have indicated that such an idyllic system rarely exists. Therefore there will be a test, which will cover the presentations made by myself and the guest speakers’ as well as the required readings. Anyone who completes the readings and attends class regularly should not find the test overly difficult. This test will come in the 12th week in class, just before the group project presentations.

Group Projects: Papers and Presentations

- The last weeks of class will be reserved for group project presentations. Each group will be assigned a class period to make their presentation and handle questions from the class. The 25–30 page group paper will be due when the group presentation is made. An electronic copy of power points should be sent to me before the presentation date. A hard copy of group paper and power points should be brought to class when presentation is made. Once groups are assigned, I will consider requests from the groups for their preferred dates for making their presentations.
- I am happy to serve as a reference to the best of my abilities for the group projects. I will expect a progress report – a short outline and sources of information (one page is fine) – from each student team emailed to me before Spring break. At the risk of pointing out the obvious, this is not a project that can be left to the last minute.
- Each group will consist of several teams. Each team will consist of two students.
- Since each individual team will work on a separate company within the group, the necessity of group meetings and scheduling will be greatly reduced.
GROUP PROJECTS

Each two student team will select a company and examine its Sustainability/Environmental/Corporate Social Responsibility (S/E/CSR) Program, and how this can support a strong risk management program. To eliminate overlaps among selected companies, there will be a draft in the class where the student teams will select their companies. Once a company has been selected then that company is out of the draft. Therefore you will need to come to the draft with more than one company. If you run out of choices, at the end of the draft you can select any company that has not been drafted. A pre-selection examination will be important to judge whether the company will be a good choice, i.e., has a strong S/E/CSR program, and will provide ample information for a study. Included in each report will be:

1. Brief description of the company’s business, including basic financial data like sales, number of employees, importance in its industry, etc.

2. A description of the company’s S/E/CSR program, with documentation as to why they have a good program. List any awards, or rankings, or other recognition of its program. Did the program lead to new business opportunities? Also why was the S/E/CSR program adopted? Did the company have problems in the past, like a boycott?

3. If available, how the S/E/CSR program is organized in the company – sustainability officer, committee, department, or other forms. Is there evidence that the company’s risk manager is involved?

4. An S/E/CSR report on the company’s website will need to be in place, or a significant section of the annual report devoted to the S/E/CSR program, to quality a company for a group project. Other information on the company would include newspaper and magazine articles, books, and NGO websites, etc.

5. Dow Jones Sustainability Indexes and Socially Responsible Investment (SRI) Funds can provide lists of company with good records. The World Economic Forum each year selects the 100 most sustainable companies in the world. ISO 14000 or SA (Social Accountability) 8000 certifications, participation in CERES, or the use of The Natural Step strategy techniques are other screening vehicles.

6. Positive effects on risk management costs/programs can include: objective data-workers’ injuries went down, liability (e.g., environmental, worker discrimination) suits went down, insurance (e.g., liability, D&O, EPL) premiums were decreased, a boycott was called off, or can include: anticipated positive effects – a company removes toxic substances from their products so do not have to worry about future liability suits, increased energy efficiencies reduced green house gas emissions.

7. A general concept of this report is that a strong S/E/CSR program supports a strong risk management program. A company which incorporates S/E/CSR strategies in its corporate planning will help to reduce S/E/CSR risks. Sustainability strategies implemented by a company to enhance its overall business opportunities and reputation will act to reduce/mitigate sustainability risks.

8. A group statement of some common characteristics, themes, strategies, etc., across the various companies. Include any general statements or conclusions you were able to observe as a group.

9. A set of sources at the end of each company section with appropriate referencing inside the text.

10. Please number the pages of the group report, or the individual company sections.