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 and 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 people 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 that encompass most business functional areas, including human resources (workers’ injuries, sweatshops), marketing (product 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 Jim Swanke, CPCU, ALCM, ARM, who has more than 30 years of experience in risk consulting, concentrating on financial and strategic planning issues, including risk financing design and evaluation, captive insurance company design, enterprise risk management, vendor selection/evaluation, risk management organizational design, integrated disability management, facultative reinsurance placements and regulatory compliance. From 1981-1988, Jim served as Practice Director for Watson Wyatt’s global risk management consulting operations and as President and Chief Executive Officer of The David Corporation, a claims management software company. From 1998-2009, Jim served as Managing Principal of Towers Perrin’s risk management practice. Currently, Jim is a director and risk management consultant at the merged organization, Towers Watson.

Jim has a BBA degree in risk management and insurance, personnel management and marketing and an MBA degree in finance and risk management from the University of Wisconsin — Madison. He is certified as a Chartered Property and Casualty Underwriter (CPCU), an Associate in Risk Management (ARM) and an Associate in Loss Control Management (ALCM). He authored and edited Mergers & Acquisitions: A Workbook of Management Issues, published by Watson Wyatt; he co-authored Public Officials Liability Insurance: Understanding the Market, a report published by the International City Management Association (ICMA); and he also co-authored Port Risk Management Guidebook, published by the U.S. Maritime Administration. Jim is a frequent speaker at industry meetings and is the author of numerous articles.

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 this class. This course complements other sustainability-related courses being taught in the School of Business.

James A. Swanke, Jr., CPCU, ALCM, ARM
jim.swanke@towerswatson.com
952-842-6728
The following text will be used in this course: Dan R. Anderson, *Corporate Survival: The Critical Importance of Sustainability Risk Management*

<table>
<thead>
<tr>
<th>Week/Day</th>
<th>SUBJECT, SPEAKERS, READINGS</th>
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<tbody>
<tr>
<td>1 M, 9/14</td>
<td><strong>Period 1</strong> Subject: Introduction to Sustainability Risk Management</td>
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<td><strong>Period 2</strong> Subject: Sustainability Risk Identification and Assessment</td>
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<td>2 M, 9/21</td>
<td><strong>Period 1</strong> Subject: Toxicity of Chemicals</td>
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<td></td>
<td>Speaker: Warren Paul Porter, Professor of Zoology</td>
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<td></td>
<td><strong>Period 2</strong> Subject: Sustainability Risks in Products and at Work: Asbestos Liabilities</td>
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<tr>
<td></td>
<td>Readings: Dan R. Anderson, <em>Corporate Survival: The Critical Importance of Sustainability Risk Management</em>, Chapter 6 (pp. 166-172; 189-207)</td>
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<tr>
<td>3 M, 9/28</td>
<td><strong>Period 1</strong> Subject: Superfund Liabilities</td>
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<td><strong>Period 2</strong> Subject: Risk Assessment, Toxicology and Epidemiology in Environmental Health</td>
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<td>Speaker: Marty Kanarek, Professor of Medical Sciences, Population Health Science and Environmental Studies</td>
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<td>4 M, 10/5</td>
<td><strong>Period 1</strong> Subject: Increasing Environmental and Social Liability Exposures</td>
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<td><strong>Period 2</strong> Subject: Environmental Law</td>
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<td>Speaker: Brian H. Potts, Partner, Foley &amp; Lardner LLP</td>
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<tr>
<td>5 M, 10/12</td>
<td><strong>Period 1</strong> Subject: BP Handling of Gulf Spill: Point Counterpoint</td>
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<td><strong>Period 2</strong> Subject: Nuclear Risk Exposures and the Price-Anderson Act</td>
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<tr>
<td>6 M, 10/19</td>
<td><strong>Period 1</strong> Subject: Global Warming/Climate Change: Implications for the Risk Management and Insurance Industry</td>
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<tr>
<td>Week/Day</td>
<td>SUBJECT, SPEAKERS, READINGS</td>
</tr>
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| 7 M, 10/26 | **Period 2**  
Subject: Major Findings of Intergovernmental Panel on Climate Change  
Speaker: Galen A. McKinley, Associate Professor, Department of Atmospheric and Oceanic Sciences  
**Period 1**  
Subject: Continuation of Global Warming/Climate Change  
**Period 2**  
Subject: Air Quality and Emissions  
Speaker: Tracey Holloway, Center for Sustainability and The Global Environment (SAGE) |
| 8 M, 11/2 | **Period 1**  
Subject: Increasing Boycott/Reputation Risks  
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapters 3, 4, 5  
**Period 2**  
Subject: A PBS Film on Extreme Oil: The Wilderness |
| 9 M, 11/9 | **Period 1**  
Subject: Reducing Environmental Risks through Design for the Environment (DFE) Products  
Speaker: Patrick Eagan, Professor of Engineering Professional Development  
**Period 2**  
Subject: Sustainability Risk Management Techniques  
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapters 9, 11 |
| 10 M, 11/16 | **Period 1**  
Subject: Catastrophe Risk Finance and Insurance  
Reading Packet: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapter 10  
**Period 2**  
Subject: Environmental Risk Management and Insurance  
Speaker: David Dybdahl, Founder and President, American Risk Management Resources Network, LLC. |
| 11 M, 11/23 | **Period 1**  
Subject: Risk Management of Genetically Modified Foods and Crops  
Readings: Dan R. Anderson, Corporate Survival: The Critical Importance of Sustainability Risk Management, Chapter 8  
Period 2  
Test |
| 12 M, 11/30 | **Period 1**  
Hand back and discuss test  
**Period 2**  
Student Presentations |
| 13 M, 12/7 | **Period 1**  
Student Presentations  
**Period 2**  
Student Presentations |
| 14 M, 12/14 | **Period 1**  
Student Presentations  
**Period 2**  
Will be devoted to a Course Evaluation (formal plus informal discussion), and a summary of the student presentations. Attendance Mandatory. |

The Final Exam Period: Friday, December 18, 2015, 5:05 p.m. – 7:05 p.m. Papers returned to teams – each group schedules one 20-minute slot in Final Exam Period – Attendance Mandatory.
Course Information

Course Requirements and Grading Summary

<table>
<thead>
<tr>
<th>Group Project:</th>
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<tbody>
<tr>
<td>• Paper</td>
<td>40%</td>
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<tr>
<td>• Presentation</td>
<td>10%</td>
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<tr>
<td>Test</td>
<td>40%</td>
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<tr>
<td>Class Participation/Point-Counterpoint Discussion</td>
<td>10%</td>
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<td>100%</td>
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Course Text – Required

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

Readings – Recommended

- Reading materials may be distributed by me or the guest speakers.

Lecture Slides

- Copies of lecture slides will be provided before each lecture to facilitate note taking.

Test

There will be one test that 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. The test will be held the 11th week in class, just prior to the group project presentations.

Point-Counterpoint Discussion

BP was considered the greenest oil company on Earth. BP conducted a 10-year green advertising campaign. Dow Jones Sustainability World Index identified it as one of the top firms in sustainability development globally. During Week 5 of class, we will hold a point-counterpoint discussion.

Class will be split into two groups in Week 1. Group One will argue that BP’s dedication to sustainable development and advanced preparation helped mitigate the disaster in the Gulf of Mexico. Group Two will argue that BP’s positive image on sustainability development was an illusion by virtue of an elaborate publicity campaign and BP was not prepared to either prevent or mitigate the Gulf of Mexico disaster. Groups are encouraged to organize and collect information to support their arguments. Each group will have 30 minutes to present their argument with the last 15 minutes of class time dedicated to class discussion.
Group Project

Overview

- The last weeks of class will be reserved for group project presentations on Sustainability/Environmental/Corporate Social Responsibility (S/E/CSR) Programs, and how they can support strong risk management programs. Each group will be assigned a class period to make its presentation and respond to questions from the class. A 25- to 30-page group paper will be due when the group presentation is made. An electronic copy of PowerPoint slides should be sent to me before the presentation date. A hard copy of the group paper and the PowerPoint slides should be brought to class when the 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 – short outline and sources of information (one page is fine) – from each student team emailed to me before October 30, 2015. At the risk of pointing out the obvious, this is not a project that can be left to the last minute.

Groups, Teams and Company Draft

- Each group will consist of two 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.

- Each two-student team will select a company and examine its 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, 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.

Company Selection Criteria

- 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 qualify a company for a group project. Other information on the company would include newspaper and magazine articles, books, and NGO websites, etc.

- Dow Jones Sustainability Indexes and Socially Responsible Investment (SRI) Funds can provide lists of companies 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.

- Positive effects on risk management costs/programs can include: objective data, such as 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, such as a company removes toxic substances from its products so it does not have to worry about future liability suits, increased energy efficiencies, reduced greenhouse gas emissions.
Group Reports

- Group paper consisting of 25 to 30 pages (8 to 10 pages per student team, plus a discussion of common characteristics of the two companies as discussed below). A general concept of this report is that a strong S/E/CSR program supports a strong risk management program. A company that 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. Included in each report will be:

  - Brief description of the company's business, including basic financial data like sales, number of employees, importance in its industry, etc.
  - A description of the company's S/E/CSR program, with documentation as to why it has a good program. List any awards, rankings, or other recognition of its program. Did the program lead to new business opportunities? Why was the S/E/CSR program adopted? Did the company have problems in the past, like boycott?
  - If available, how is the S/E/CSR program organized in the company – sustainability officer, committee, department, or other forms. Is there evidence that the company's risk manager is involved?
  - A group statement of some common characteristics, themes, strategies, etc., across the various companies. Include any general statements of conclusions you observed as a group.
  - A set of sources at the end of each company section with the appropriate referencing within the text.
  - Please number the pages of the group report, or the individual company sections.