

Course Code: ACCT5901

Course Title: Environmental, Social and Governance (ESG) in China

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Course Credit: 2-credit

Course Grading: Letter Grade

COURSE OVERVIEW

A series of global crises such as COVID-19, climate change, and biodiversity loss have exposed the fragility of the global economic system and highlighted stark social inequalities that exist both between and within countries. In response, governments and societies have increased their regulations and expectations surrounding environmental, social, and governance (ESG) practices in the business, in order to accelerate the shift from being part of the problem to becoming part of the solution. This transformation underscores the interdependence between sustainability, ESG risk management, and long-term value creation for companies.

This course is designed to prepare the next generation of business leaders with the knowledge and skills needed to navigate the rapidly evolving ESG landscape in China. The aim is to effectively assess and manage ESG risks and opportunities while taking into account the needs of all stakeholders and society at large. While ESG originated in Western corporate practice, it is rapidly taking root in countries like China. The course, therefore, has a unique focus on the nascent development of ESG in China, with lectures highlighting uptake and trends within the country, and both oral presentations and written case reports of group projects required to focus on China-originated companies.

Case-based teaching is at the core of the course, with a focus on experiential learning. All teaching cases will center on ESG practices in greater China, with each student expected to spend around 3 hours preparing for each of the seven cases taught in the course.

COURSE OBJECTIVES / LEARNING OUTCOMES

Upon completion of the course, the students will be able to:

- Understand and apply fundamental concepts and analytical tools related to ESG and corporate sustainability;
- Analyze and evaluate the strategies and practices of leading companies in sustainable supply chain management, ESG ratings and investing, ESG disclosure, and sustainability reporting;
- Understand the science and public policy underlining climate change and apply the corporate strategies for mitigating and adapting to climate change;
- Identify and assess the driving forces behind ESG adoption and expansion at the levels of individual firms, specific industries, and an industrializing country as a whole;
- Evaluate and rate the ESG practices and reporting of a China-based listed company, while offering innovative and practical solutions for improvement.

COURSE OUTLINE

Session 1 Origin, Trends of ESG and Corporate Sustainability Worldwide and in China (2 November 2024)

- Shareholder Capitalism vs. Stakeholder Capitalism
- Origin, Drivers, and Trends of ESG globally and in China
- Evolution of sustainable development globally and in China

Case: Gurumurthi, Suri, and Ronald Lau. “Esquel Group: Value Innovation Through Sustainable Supply Chains.” The Hong Kong University of Science and Technology Business School, Feb. 2019

Case discussion questions

- 1) How could Esquel achieve its ambitious sustainability-, people-, and community-oriented objectives in a highly competitive industry when most of its competitors were using a low-cost production strategy?
- 2) How should Esquel prepare itself for the risks of this Integral project? What kind of hurdles could it face as it engages more deeply in this venture and effort?
- 3) Would the Integral project yield financial returns? Discuss the potential scenarios both in the short run through tangible and the intangible benefits of this sustainable development project, as well as long-run tangible and/or intangible benefits.
- 4) How should Esquel plan for the changing labor force and cost pressures in China? What are the alternatives in this regard, and what opportunities does the Integral project present to Esquel as it reacts to and manages these labor trends in China? In particular, how could it use the Integral project as an experiment to explore the future opportunities and challenges of operating out of China?
- 5) How could it involve customers, partners, governments, and business leaders in the Integral project?
- 6) What role does the company structure, for example, public vs. private, outsourced vs. integrated, play in major investment decisions such as in sustainable operations?

Session 2 Integrating ESG into Corporate Strategy (2 November 2024)

- Corporate purpose, vision and missions
- Stakeholder assessment and engagement
- ESG materiality assessment
- ESG risk management
- KPIs and goal-setting
- Integration of ESG into Chinese companies

Case: Price, Lydia J., and Haitao Yu. “Dow Greater China: Localizing the Corporate Sustainability Strategy.” China Europe International Business School, Oct. 2018.

Related reference: Price, Lydia J., and Haitao Yu. “7P Sustainability Alignment: Background Note to Dow Greater China.” China Europe International Business School, Oct. 2018.

Case discussion questions

- 1) What are the evolving sustainability business opportunities driven by China’s change in its economic growth model?

- 2) What is the experience gained from Dow's global sustainability journey? You should apply the 7P Sustainability Alignment framework to distill key success factors and barriers in Dow's 3-decade sustainability journey.
- 3) How can Dow effectively apply its global sustainability experience to the benefit of Dow's business operation in China?
- 4) What decision would you recommend Mr. Wong, CEO of Dow Chemical Greater China, to make as to whether to continue support for commercializing a total dust containment solution?

Session 3 Addressing Climate Change and Transitioning towards Net Zero (16 November 2024)

- Climate Change and Paris Agreement
- China 2030-2060 Climate Pledge
- Organizational and product carbon footprints
- Corporate transition to net-zero

Case: Liang, Hao, Hannah H. Chang, Ryan Merrill, Lan Yang, and Adina Wong. "Growing a Global Forest: Ant Financial, Alipay, and the Ant Forest." Singapore Management University, May 2019

Case discussion questions

- 1) What were Ant Financial's objectives in starting Ant Forest?
- 2) How might Ant Forest, as a CSR initiative, increase the popularity of the Alipay app? How does that contribute to the performance of Ant Financial?
- 3) Is Ant Forest well-placed for its market leadership to endure? How will its competitors react to the Ant Forest app?
- 4) How does Ant Forest contribute to helping Ant Financial /Alipay create a competitive advantage by attracting users? Is any competitive advantage that Ant Financial has created through Ant Forest sustainable?
- 5) How does Ant Forest use innovation as an enabler of long-term growth?
- 6) What should be Ant Forest's strategy for growth and expansion of its user base going forward? Should it involve going overseas? What would it have to do to achieve this?

Session 4 Sustainable Supply Chain (16 November 2024)

- Rise of the green supply chain in China
- Five main types of green supply chain management activities adopted in China
- Leverage the green supply chain for small and medium-sized enterprises in China

Gurumurthi, Suri, and Ronald Lau. "Esquel Group: Value Innovation Through Sustainable Supply Chains." The Hong Kong University of Science and Technology Business School, Feb. 2019

Case discussion questions

- 7) How could Esquel achieve its ambitious sustainability-, people-, and community-oriented objectives in a highly competitive industry when most of its competitors were using a low-cost production strategy?
- 8) How should Esquel prepare itself for the risks of this Integral project? What kind of hurdles could it face as it engages more deeply in this venture and effort?
- 9) Would the Integral project yield financial returns? Discuss the potential scenarios both in the short run through tangible and the intangible benefits of this sustainable development project, as well as long-run tangible and/or intangible benefits.
- 10) How should Esquel plan for the changing labor force and cost pressures in China? What are the alternatives in this regard, and what opportunities does the Integral project present to Esquel as it reacts to and manages

these labor trends in China? In particular, how could it use the Integral project as an experiment to explore the future opportunities and challenges of operating out of China?

- 11) How could it involve customers, partners, governments, and business leaders in the Integral project?
- 12) What role does the company structure, for example, public vs. private, outsourced vs. integrated, play in major investment decisions such as in sustainable operations?

Session 5 ESG Rating and Investing (30 November 2024)

- ESG metrics
- Leading ESG rating schemes (MSCI, Sustainalytics, S&P)
- ESG Investing in China

Case: Benz, Entela, and Ellen Orr. “CLP Group: Environmental, Social and Governance Factors and Their Effects on Valuation (A) and (B).” The Hong Kong University of Science and Technology Business School, May 2018.

Case discussion questions

- 1) What are the possible ways to project ESG KPIs into financial drivers?
- 2) Are ESG factors reflected in the base case valuation?
- 3) How should analysts integrate ESG into share valuation models?
- 4) What would be your recommendation on CLP's shares if you were an equity analyst?
- 5) What are the shortfalls of ESG valuation?

Session 6 ESG Disclosure and Sustainability Reporting (30 November 2024)

- Mainstream ESG Disclosure Frameworks (GRI, SASB, CDP, TCFD, ISSB)
- Company environmental information disclosure in China
- Development and evaluation of Sustainability Reporting for Chinese companies

Case: Ho, Mary Ching-ching, and Joseph Santana Fernandez. “SOGO Department Store, Hong Kong: Integrating Environmental Sustainability into a Retail Store's Operations.” The Hong Kong University of Science and Technology Business School, October 2018.

Case discussion questions

- 1) What roles did HKEx play at the beginning of SOGO's ESG journey?
- 2) What are the strengths and weaknesses of Lifestyle International's ESG report as found in their 2020 Annual ESG Report? What changes do you detect among the last three ESG reports of Lifestyle International?
- 3) What are some of the factors that determine to what extent a retailer can impose sustainability standards on a brand-name vendor?
- 4) What influence do consumers have on sustainability standards in the retail sector?
- 5) How can stakeholder theory be applied to explain the shift and development of managing corporate sustainability?

Session 7 Sustainability-driven Business Model Innovation (14 December 2024)

- Six capitals of value creation for sustainability
- Circular economy and business model innovation
- Net-Zero transition and business model innovation

Case: LAFON-VINAIS, Veronique and Minyi HUANG. “Impact Kommons: New World Development’s Accelerator Program to Achieve Sustainable Development Goals.” The Hong Kong University of Science and Technology Business School, September 2022

Session 8 Group Project Presentation and Course Wrap-up (14 December 2024)

No new case will be taught. The course will be wrapped up after the group project presentations. The PPT file for the group presentation should be submitted via Canvas by 5:00 pm on 13 December 2024.

GRADING / ASSESSMENT

The assessment is made up of four components:

1. Individual Case Write-Ups (2 x 10%)

Each student is required to complete and submit two case write-ups, each approximately 1,000 words in length. The write-ups should summarize and critically analyze the key discussion questions related to the cases. Students can select any two cases from the seven that will be covered between Session 1 and Session 7. While the write-ups should address the relevant case discussion questions, students are encouraged to explore additional insights and perspectives beyond the prompts provided.

The case write-ups must be submitted at least 24 hours before the respective case discussions. Late submissions will not be graded or counted toward your final grade. Students have the option to submit more than two case write-ups, in which case the highest two grades will be considered for the final assessment.

2. Class Contribution (30%)

Active preparation and participation are crucial for effective learning, especially in a case-based teaching environment. Class contribution will be evaluated based on the following five qualitative criteria:

- **Participation:** The level of involvement in class discussions.
- **Relevance:** The ability to provide pertinent insights related to the topic at hand.
- **Advancement:** Contributions that move the discussion forward or deepen the analysis.
- **Evidence-Based:** Providing data, examples, or references to support your arguments.
- **Logical:** Demonstrating clear, coherent, and structured reasoning in your contributions.

Class exercises will be conducted during Sessions 1 through 7, focusing on various aspects of corporate sustainability. These exercises will cover topics such as SDG integration, ESG strategy and management systems, climate mitigation and resilience strategies, green supply chain management, ESG ratings, ESG reporting, and sustainable business model innovation.

3. Group Oral Presentations on Company Case Studies (20%)

Four or five students will form a group and choose a company from the following potential choices: Lenovo Group, Tianqi Lithium, Ping An Group, Tongwei Group, JA Solar, Swire Property, Towngas, etc. Throughout the course, students will assess the different aspects of corporate sustainability including SDG integration, ESG strategy and management system, climate mitigation and resilience strategy, green supply chain management, ESG rating, ESG reporting and sustainable business model innovation. In the last session of the course, the students will make group presentations focusing on overall assessment of the strengths and weaknesses of corporate sustainability of their selected companies and come up with recommendations for their improvement. In sense, the students will act like external consultants to provide advice on how to improve the performance of their selected companies.

The group project will culminate in a group oral presentation during Session 8, scheduled for 14 December 2024. Each group will prepare a PowerPoint presentation consisting of 15-20 slides on average, and address the following key questions:

1. **Company Overview:** What are the company's history, business model, and corporate culture? How do these elements influence the company's sustainability strategy and management systems?
2. **Sustainability Practices:** What are the company's current practices in corporate sustainability governance, strategy, risk and opportunity management, and metrics and targets?
3. **Strengths and Weaknesses:** How do the company's corporate sustainability practices compare to those of its peers? What are its strengths and areas for improvement?
4. **Recommendations:** What specific recommendations can you make to enhance the company's ESG management practices?

Each group will deliver a 15-minute oral presentation, followed by a 5-minute Q&A session to encourage feedback and promote mutual learning. The final PowerPoint slides must be submitted after the presentation.

4. Group Company Case Reports (30%)

Building on the feedback from the Group Oral Presentations, each team will submit a comprehensive written case report on their selected company. The report should critically assess the company's corporate sustainability management practices, highlight strengths and weaknesses, and propose future improvements. The written report should be at least 4,000 words in length and include charts, graphs, and other relevant exhibits to support the analysis.

Your group case reports must be submitted via Canvas by 11:59 PM on 12 December 2024. Late submissions will not be accepted or graded.

COMMON GRADING RUBRICS

The following common grading rubrics will be adopted to assess all the submitted assignments for the course.

RUBRIC	WEIGHT
The logic of identifying critical questions	15%
The logic between critical questions and the analysis	25%
The logic between the analysis and data required	15%
Scope and rationale of data collection	5%
Logic and rationale of the perspective	15%
Innovation of the perspective	15%
Overall style	10%
GRADE	100%

COURSE MATERIALS

(A) REQUIRED READING

Session 1 Origin, Trends, and Theoretical Foundations of ESG

Friedman M. (1970). The Social Responsibility of Business Is to Increase Its Profits. In: Zimmerli W.C., Holzinger M., Richter K. (eds) 2007. [Corporate Ethics and Corporate Governance](#). Springer, Berlin, Heidelberg.

Stout, L.A. (2012). [The Problem of Corporate Purpose](#). Issues in Governance Studies, 48, 1-14.

Porter, Michael E., and Mark R. Kramer. "[Creating shared value: Redefining capitalism and the role of the corporation in society](#)." Harvard Business Review 89.1/2 (2011): 62-77.

Adams, Carol A. [The Sustainable Development Goals, Integrated Thinking, and the Integrated Report \(Summary Report\)](#), 2017.

Session 2 Integrating ESG into Corporate Strategy

Freiberg, David, Jean Rogers, and George Serafeim. "[How ESG issues become financially material to corporations and their investors](#)." Harvard Business School Accounting & Management Unit Working Paper 20-056 (2020).

KPMG China, CLP Holdings Limited, and the Hong Kong Institute of Chartered Secretariat. [Integrating ESG into your business](#), January 2020.

Porter, Michael E., George Serafeim, and Mark Kramer. "[Where ESG Fails](#)." Institutional Investor, October 2019.

Farri, Elisa, Paolo Cervini, and Gabriele Rosani. The 8 Responsibilities of Chief Sustainability Officers. Harvard Business Review, March 2023.

Session 3 Addressing Climate Change and Transitioning towards Net Zero

Lowitt, Eric. "How to Survive Climate Change and Still Run a Thriving Business." Harvard business review 92.4 (2014): 86-92.

Toffel, Michael W., and Stephanie van Sice. "Carbon Footprints: Methods and Calculations." Harvard Business School Background Note 611-075, June 2011. (Revised December 2013.)

Glynn, Simon, and Cooper, Simon. "To Transition to Net Zero, Model the Alternative." MIT Sloan Management Review; Cambridge Vol. 63, Iss. 2, (Winter 2022): 1-3.

Session 4 Sustainable Supply Chain

Villena, Veronica H., and Dennis A. Gioia. "A More Sustainable Supply Chain". Harvard Business Review, March 2020.

Plambeck, Erica L. "Reducing greenhouse gas emissions through operations and supply chain management." Energy Economics, 34 (2012): S64-S74.

Schuchard, Ryan, and Daniel Gross, BSR. [Five Lessons From Walmart's Supply Chain Work in China](#), April 2010

Session 5 ESG Rating and Investing

Ferraro, Fabrizio, and Richa Pathak. "The Responsible Investing Landscape: From SRI through ESG to IMPACT." Harvard Business School Background Note IES841, March 2021.

MacMahon, Simon. "The Challenge of Rating ESG Performance." Harvard Business School Spotlight Article, September 2020.

Kotsantonis, Sakis, Chris Pinney, and George Serafeim. "ESG integration in investment management: Myths and realities." Journal of Applied Corporate Finance 28.2 (2016): 10-16.

Session 6 ESG Disclosure and Sustainability Reporting

Barker, Richard, Robert G. Eccles, and George Serafeim. "The future of ESG is... accounting." Harvard Business Review (2020).

Serafeim, George, and Jody Grewal. "ESG Metrics: Reshaping Capitalism?" Harvard Business School Background Note 116-037, March 2016.

Hong Kong Exchange. HOW TO PREPARE AN ESG REPORT - A Step-by-Step Guide to ESG Reporting. March 2020.

World Economic Forum and PwC China. [A Leapfrog Moment for China in ESG Reporting](#). March 2021.

Session 7 Sustainability-driven Business Model Innovation

Raventos, Mireia Torello, and Mike Rosenberg. "Business and Sustainable Development Goals." Harvard Business School Background Note, IES 637, April 2017.

Chakravorti B. What businesses need to know about sustainable development goals. Harvard Business Review. Available at: <https://hbr.org/2015/11/what-businesses-need-to-know-about-sustainable-development-goals>, 2015.

Frishammar, Johan, and Parida, Vinit. "The Four Fatal Mistakes Holding Back Circular Business Models." MIT Sloan Management Review; Cambridge Vol. 62, Iss. 3, (Spring 2021): 68-72.

(B) OPTIONAL READING

Rasche, A., Morsing, M., Moon, J. and Kourula, A. eds., 2023. *Corporate sustainability: Managing responsible business in a globalised world*. Cambridge University Press.

Schwab, Klaus. *Stakeholder Capitalism: A Global Economy That Works for Progress, People and Planet*. John Wiley & Sons, 2021. (pp. 147-252)

Rezaee, Zabihollah, et al. *Business Sustainability in Asia: Compliance, Performance, and Integrated Reporting and Assurance*. John Wiley & Sons, 2019. (pp. 1-48, 75-97, 111-113, 127-134, 353-388)

Lacy, Peter, Jessica Long, and Wesley Spindler. *The Circular Economy Handbook: Realizing the Circular Advantage*. Palgrave Macmillan UK, 2020. (pp. 1-71, 205-330)

Business and Sustainable Development Commission. “[Better Business, Better World](#).” January 2017

INSTRUCTOR’S BIO

Dr. Han Shi possesses over three decades of experience in planning and implementing sustainable development in China, beginning shortly after the Earth Summit in Rio de Janeiro in 1992. His research primarily focuses on promoting greener industrial development through initiatives such as circular economy, eco-industrial parks, green supply chains, low carbon development, and ESG. To date, Dr. Shi has conducted field studies on corporate sustainability and ESG practices in over 1,000 companies. Since 2014, he has spearheaded three natural capital accounting projects in Sanya City (Hainan Province), Beilun District (Zhejiang Province), and Xuzhou City (Jiangsu Province).

Dr. Shi has also taught sustainability-related courses at esteemed institutions such as Sichuan University, Yale University, City University of Hong Kong, Arizona State University, and the University of Hong Kong.

Throughout his career, Dr. Shi has provided consultancy services to numerous international organizations and multinational corporations, including the United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO), United Nations Environment Programme (UNEP), United Nations Centre for Human Settlement (UNCHS), the Asian Development Bank, the World Bank, the European Commission, Global Environment Facility (GEF), AusAID, and German BMBF.

Dr. Shi earned his MPhil and Ph.D. degrees in industrial ecology from Yale University, and his Bachelor's and Master's degrees in environmental system engineering from Tsinghua University, China.