

**Commerce 3FL3
Sustainable and Social Finance
Winter 2025 Course Outline**

**Finance Area
DeGroot School of Business
McMaster University**

INSTRUCTOR AND CONTACT INFORMATION

Sections C01 C02 C03

Tue 11:30 – 2:20

Wed 8:30 – 11:20

Fri 8:30 – 11:20

Dr. Rui Duan

Instructor

duanr10@mcmaster.ca

Office: DSB 328

Office Hours: by appointment

Student TA

Sima Fallah-Tafti

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COURSE ELEMENTS

Credit Value: 3	Leadership: Yes	IT skills: No	Global view: Yes
A2L: Yes	Ethics: Yes	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group work: Yes	Oral skills: Yes
Evidence-based: Yes	Experiential: No	Final Exam: No	Guest speaker(s): Yes

COURSE INFORMATION

Businesses and investors today face growing challenges and opportunities related to environmental, social, and governance (ESG) issues, driven by resource scarcity, conflicts in community and labour relations, and the impacts of climate change. At the same time, an increasing number of investment managers are incorporating impact-focused products into their portfolios, as investors seek ways to align their financial objectives with social and environmental goals. Sustainable finance, which bridges traditional capitalism with a framework of shared economic and social value, is rapidly becoming central to the strategies of financial institutions and corporations.

This course provides an overview of sustainability and its growing influence on finance and business practices. It covers a range of topics, including stakeholder value maximization, ESG measurement and reporting, socially responsible investing, impact investing, and responsible stewardship. The course illustrates key principles by integrating theoretical concepts with practical applications, including case studies, real-world examples, and guest lectures.

IMPORTANT LINKS

- [Mosaic](#)
- [Avenue to Learn](#)
- [Student Accessibility Services - Accommodations](#)
- [McMaster University Library](#)

COURSE LEARNING OUTCOMES

Upon successful completion of this course, students will develop an understanding of:

- The role of finance in driving positive social and environmental outcomes.
- The development and application of metrics and standards for evaluating ESG issues.
- Responsible investing strategies and ESG products.
- The interplay among various stakeholders and the opportunities for future advancements in sustainability.
- Framing managerial and investment objectives to resonate with financial decision-makers.
- Assessing corporate sustainability risks and opportunities through a financial lens.

REQUIRED MATERIALS AND TEXTS

Required:

Course Materials Are Available on Avenue to Learn

- <http://avenue.mcmaster.ca>

All readings will be provided on Avenue.

CLASS FORMAT

This is an in-person, 3-hour course, with the exception of two weeks featuring guest lectures (see below). Each session will typically include a mix of lectures, case studies with in-depth discussions, and applied exercises, though not always in the same order.

During the weeks with guest lectures (Weeks #8 and #11), the regular lecture time will be reduced to 1.5 hours, with the remaining 1.5 hours allocated for attending the scheduled guest lectures.

Please note that there are no tutorials for this course.

COURSE EVALUATION

Your learning in this course takes form primarily through in-class lectures, discussions, two case studies, and two assignments. The case studies and assignments will be evaluated on a group basis (groups of 4 or 5). Since the same grade will be shared across the group, it is the group's responsibility to inform the instructor of any issues that might arise (e.g., unequal contribution) and cite the group charter that would have been completed in preparation for working in groups. There will be no Mid-Term or Final Exam.

Your final grade will be calculated as follows:

Components and Weights

Group Case Study #1	15%
Group Assignment #1	20%
Group Case Study #2	15%
Group Assignment #2	30%
Individual Class Participation	20%

COURSE DELIVERABLES

Individual Class Participation (20% weight)

Individual contributions in class will be needed to make this course a dynamic learning experience for all. Environmental and social issues are better understood by hearing diverse viewpoints. Attendance at all in-class lectures and two mandatory guest speaker sessions is required. Marks will be assigned for attendance, individual contributions, and completion of in-class exercises using TopHat software. Name cards are used to help give credit for your participation. You must have a name card, with your **full first and last name** as it appears on Avenue to Learn, clearly written and displayed for every class.

Group Case Studies (30% weight in total)

You will work in groups to analyze two case studies, each contributing 15% to your overall grade. For each case, you will prepare a memo-style response addressing the problems outlined. The memo should be concise and limited to three pages, with an additional appendix for supporting tables, graphs, and other relevant materials if needed. The objective of case studies is to encourage critical thinking and the practical application of course materials. The memos will be evaluated based on the thoroughness of your analysis and the soundness of your reasoning.

Group Assignment #1 (20% weight)

In groups of 4-5, you will construct an investment portfolio composed of U.S. stocks that align with your principles of responsible investing. The objective of this assignment is to evaluate the portfolio in terms of its alignment with your values, its societal impact, and its financial performance. In a written report, you will describe the portfolio's ESG characteristics, explain how it achieves social responsibility, assess its risk/return profile, and analyze any financial overperformance or underperformance. Based on your findings, you will determine whether the portfolio is suitable for investors with financial motives, social motives, or both, and provide clear, well-supported recommendations. The report should be concise, limited to three pages, with an additional appendix if needed.

Group Assignment #2 (30% weight)

In groups of 4-5, you will complete a project analyzing the sustainability policies of a publicly traded company. This project consists of two components: a 10-minute presentation worth 10% of your grade and a written report worth 20%. The written report should be limited to five pages, with an additional appendix if needed. Your task will be to select a publicly traded company, evaluate its current sustainability policies, and assess their appropriateness. Based on your findings, you will propose policy changes designed to ultimately enhance the company’s shareholder value. These recommendations should incorporate course materials and address the roles of industries, investors, customers, and other relevant stakeholders. You should also include suggestions for how to integrate these policies with your corporate strategy (e.g., create incentives for the management).

The due dates for all group deliverables are outlined below:

Deliverables	Due Dates	Corresponding Week
Group Case Study #1	February 7, 2025	Week #5
Group Assignment #1	March 7, 2025	Week #8
Group Case Study #2	March 21, 2025	Week #10
Group Assignment #2	Presentations – last class Report – April 4, 2025	Week #12

LATE ASSIGNMENTS

In-class work cannot be submitted after the class is over. Make sure you upload your answers on TopHat before you leave the classroom.

At the discretion of the instructor, late group assignments will be subject to a penalty of 5% per full or partial day, including weekends and holidays, up to maximum of five days. Note that an assignment submitted after the 5th day will be assigned a grade of zero.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student.

All students must receive feedback accounting for at least 10% of their final grade prior to March 14, 2025, which is the final date to cancel the course without failure by default.

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Students who have concerns about the course content, evaluation methods, or delivery should first reach out to the course instructor. If your concern remains unresolved after speaking with the instructor, you may then reach out to the relevant Area Chair for further consideration.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar [“Requests for Relief for Missed Academic Term Work”](#) and the link below*;

<http://ug.degroot.mcmaster.ca/forms-and-resources/missed-course-work-policy/>

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

COURSE MODIFICATION

From time to time there may be a need to remove/add topics or to change the schedule or the delivery format. If these are necessary, you will be given as much advance notice as possible.

GENERATIVE AI

Students may use generative AI for brainstorming, editing, and revising their work throughout the course so long as the use of generative AI is referenced and cited following citation instructions given in the syllabus. Use of generative AI outside the stated use of brainstorming, editing, and revising without citation will constitute academic dishonesty. It is the student’s responsibility to be clear on the limitations for use and to be clear on the expectations for citation and reference and to do so appropriately.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity. **It is your responsibility to understand what constitutes academic dishonesty.**

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university. For information on the various types of academic dishonesty please refer to the [Academic Integrity Policy](#).

The following illustrates only three forms of academic dishonesty:

- plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
- improper collaboration in group work.
- copying or using unauthorized aids in tests and examinations.

AUTHENTICITY/PLAGIARISM DETECTION

This course uses a web-based service (Turnitin.com) to reveal authenticity and ownership of student submitted work. Students will be required to submit their work electronically on Avenue to Learn for verification against plagiarism through Turnitin.com.

Students who do not wish their work to be submitted through Turnitin must inform the Instructor before the assignment is due. No penalty will be assigned to a student who does not submit work to the plagiarism detection software. **All submitted work is subject to normal verification that standards of academic integrity have been upheld** (e.g., on-line search, other software, etc.). For more details about McMaster’s use of Turnitin.com please go to www.mcmaster.ca/academicintegrity.

COURSES WITH AN ON-LINE ELEMENT

This course uses Avenue to Learn. Students should be aware that, when they access the electronic components of this course, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course. The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the [Code of Student Rights & Responsibilities](#) (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online.**

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of Avenue 2 Learn, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

ACADEMIC ACCOMMODATION OF STUDENTS WITH DISABILITIES

Students with disabilities who require academic accommodation must contact [Student Accessibility Services](#) (SAS) at 905-525-9140 ext. 28652 or sas@mcmaster.ca to make arrangements with a Program Coordinator. For further information, consult McMaster University’s [Academic Accommodation of Students with Disabilities](#) policy.

ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the [RISO](#) policy. Students should submit their request to their Faculty Office ***normally within 10 working days*** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

COPYRIGHT

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors. Case study materials are provided exclusively for instructional use and are protected by copyright. Redistribution of these materials in any form is strictly prohibited.

EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, Avenue to Learn and/or McMaster email.

ACKNOWLEDGEMENT OF COURSE POLICIES

Your enrolment in Commerce 3FL3 will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. **It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.**

Lack of awareness of the course policies **cannot be invoked** at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

COURSE SCHEDULE

**Commerce 3FL3 – Sustainable and Social Finance
Winter 2024 Course Schedule**

	Class	Lecture Theme	Concept Coverage	Case Application
1	Jan 6-10	Introduction to sustainability and sustainable finance	<ul style="list-style-type: none"> • Sustainability challenges • Role and limitations of stakeholders • Recent trends 	<ul style="list-style-type: none"> • Novo Nordisk: A Commitment to Sustainability
2	Jan 13-17	Corporate perspective to sustainability I	<ul style="list-style-type: none"> • What is CSR and ESG? • Corporate purpose and dilemma surrounding CSR 	<ul style="list-style-type: none"> • Nike: Sustainability and Labor Practices
3	Jan 20-24	Corporate perspective to sustainability II	<ul style="list-style-type: none"> • Long-term value creation • Sustainability in practice • Incentives for CSR 	<ul style="list-style-type: none"> • Growing a global forest: Ant Financial, Alipay, and the Ant Forest
4	Jan 27-31	ESG disclosures and measurements	<ul style="list-style-type: none"> • Issuers and users • ESG ratings and associated challenges • ESG reporting, standards, and mandates • ESG measurements to impact measurements 	<ul style="list-style-type: none"> • Impaakt: Crowdsourcing better ESG ratings
5	Feb 3-7	The emergence of E and S pillars in ESG	<ul style="list-style-type: none"> • Climate change and biodiversity degradation • Global efforts and outsourcing • Green finance • Trade-off between E and S performance 	<ul style="list-style-type: none"> • REI's solar energy program
6	Feb 10-14	Responsible investing I	<ul style="list-style-type: none"> • What is SRI? • Portfolio optimization with ESG • SRI strategies and evolution • ESG integration into equity investing 	<ul style="list-style-type: none"> • Towards a 1.5°C world: How sustainable finance decarbonized portfolios
7	Feb 24-28	Responsible investing II	<ul style="list-style-type: none"> • SRI incentives • The rise and resistance of SRI • SRI vs. conventional investment performance • Explaining ESG and stock price 	<ul style="list-style-type: none"> • BlackRock's ESG investment dilemma: Managing stakeholder differences

8	Mar 3-7	Responsible stewardship (1.5 hours) Guest speaker: Charlene Fang March 5, 5:30 PM - 7:30 PM	<ul style="list-style-type: none"> Investor activism in ESG Institutional commitment to stewardship Voice vs exit in ESG 	<ul style="list-style-type: none"> Divesting Harvard's Endowment Aviva Investors
9	Mar 10-14	Financial inclusion	<ul style="list-style-type: none"> What is financial inclusion? Microfinance Technology development and financial inclusion 	<ul style="list-style-type: none"> Ant Financial: The Road to Financial Inclusion in China through QR Codes and Technology-as-a-Service
10	Mar 17-21	Impact investing	<ul style="list-style-type: none"> Key features of impact investment Performance criteria and expectations Financial returns and social impact Challenges to impact investing 	<ul style="list-style-type: none"> China Environment Fund: Doing Well by Doing Good
11	Mar 24-28	Responsible lending (1.5 hours) Guest speaker: Dana Krechowics March 26, 5:30 PM - 7:30 PM	<ul style="list-style-type: none"> Why does ESG matter to bonds? ESG integration into bonds Green, social, and sustainability bonds Incentives associated with green bonds Bond pricing 	
12	Mar 31-Apr 4	Class Presentation		