

## **ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) AND IMPACT INVESTING**

### **COURSE INFORMATION**

**Course Number:**

**Term:** Spring 2024

**Class Day & Time:** Mondays, 4:30-7:20pm

**Room #: To be confirmed (TBC)**

**Lecturer:** Shivani Patel

**Office Hours:** Appointment by request

**Teaching Assistant:** TBC

### **COURSE SUMMARY**

This course provides an introduction to asset management and the Sustainable Investing spectrum, with an emphasis on ESG and Impact Investing. Impact investing is a strategy to generate positive, measurable social or environmental impact alongside a financial return. According to one estimate, investors now consider ESG factors across \$12 trillion of professionally managed assets, a 38 percent increase since 2016.

Exploring ESG and Impact Investing requires a basic understanding of asset management. Asset Management requires investors, whether acting as principals (investing in their own funds) or as agents (investing on behalf of others) to maximize their return on investments in most cases. The first class will lay out the investment management landscape, principally from a US perspective. Students will learn the difference between publicly held and privately held investments and various asset classes, such as equities (stocks), fixed income (debt) bonds, and alternative investments. Second, discussion of the various types of investment vehicles available: mutual funds, exchange traded funds, private funds (limited partnerships), and the regulation of these funds and their managers.

The remainder of the course will focus on the principles and techniques that underpin various models of sustainable investing, with a focus on ESG and impact investing from both the investor and the corporate perspective. The discussion will incorporate the role of public policy in facilitating sustainable investments. Students will come away with a broad understanding of the ESG and Impact Investing landscape across different asset classes such as public market investing, private equity, venture capital, and fixed income. Each week we will cover a different asset class and consider a range of topics, such as whether trade offs exist between returns and impact, the concepts of single and double materiality, the potential to solve for broad societal challenges such as climate change, health, and education, active shareholder engagement, data-driven approaches to impact measurement, and an introduction to careers in impact investing. The focus for the course will be practical, building on the instructor's experience in the ESG investing and corporate strategy fields. Classes will include guest speakers and case studies to illuminate key topics and highlight career paths.

### **COURSE REQUIREMENTS**

Written Assignment #1	April 1	15%
Written Assignment #2	April 15	15%
Group Project	May 13	30%
Weekly Writing Prompts	Ongoing	10%
Attendance & Participation	Ongoing	30%

**Written Assignment #1:** Short response paper (1250-1500 words, double spaced) on an assigned venture capital or private equity fund discussing alignment and tradeoffs with impact investing objectives.

- General Evaluation Criteria:
  - Demonstrates an understanding of the fund evaluated, including the intended financial and impact returns
  - Demonstrates an understanding of the trade-offs of the fund's impact approach

**Written Assignment #2:** Short response paper (1250-1500 words, double spaced) on an assigned stock discussing its ESG strengths and weaknesses.

- General Evaluation Criteria:
  - Demonstrates an understanding of the company evaluated, including the ESG strategy and its link to materiality
  - Demonstrates an understanding of the trade-offs of the company's ESG strategy

**Group Project:** Discussion paper (3000-3500 words, double spaced) evaluating an assigned global policy and its implications and trade-offs through an ESG and impact investment lens.

- General Evaluation Criteria:
  - Demonstrates an understanding of the policy and the intended purpose of the policy by the policymaker
  - Demonstrates an understanding of the intended and unintended consequences of the policy on the key stakeholders for whom the policy was designed
  - Demonstrates an understanding of how the policy will facilitate or deter ESG and/or Impact Investing practices or capital-raising for the relevant asset-classes to which the policy applies

**Weekly Writing Prompts:** Before each class, respond to a prompt to reflect on the week's reading, including the case. Weekly writing prompts are due by 5:00pm CST the Sunday evening before class on Canvas, beginning from the second class of the quarter (no writing due for the first class). Cite facts from the reading to support your commentary and limit the length of your response to 250-500 words, double spaced. Your lowest scored response will be dropped.

- General Evaluation Criteria:
  - Quality of writing prompt responses demonstrates that the student has understood the relevance of the subject matter (eg. references readings, draws

on concepts from prior lectures, articulates relevant questions, contributes based on prior work experience)

**Attendance & Participation:** This course is a discussion-based class with your preparedness and participation being the most important factor for success. We have a few classroom expectations that will contribute to your Attendance & Participation grade:

- Attendance is mandatory with the exception of pre-approved absences. The class will not be recorded.
- Computers are discouraged during the class discussion and lecture. If instructors notice that computers are being used for reasons other than referencing the case or taking notes, you will be asked to put it away.
- Computers are prohibited during our discussions with guest speakers.
- Name tents are required to receive attendance credit.
- General Evaluation Criteria:
  - In-person attendance. Attendance will be recorded at each class.
  - Quality of participation comments demonstrates that the student has understood the relevance of the subject matter (eg. references readings, draws on concepts from prior lectures, articulates relevant questions, contributes based on prior work experience)
  - Quality of participation comments will be weighted more than quantity of participation comments. However, quantity will also be noted and considered in evaluation.

## CLASS OUTLINE

Date	Topic	Key Concepts	Required Readings
Mar. 18	Asset Management, Public and Private Markets, Portfolio Management	<ul style="list-style-type: none"> <li>● Introduction to major asset classes: public equities, fixed income, private equity, venture capital, hedge funds; Risk and return characteristics</li> <li>● Legal and regulatory landscape</li> <li>● Public markets and private markets investment vehicles</li> <li>● Role of institutional investors: sovereign wealth funds, public and corporate pensions, endowments, foundations, family offices</li> </ul>	<ul style="list-style-type: none"> <li>● Yale University Investment Office: 2015 (HBS)</li> <li>● Note on the Asset Management Industry (HBS)</li> <li>● <a href="#">Asset Management Company</a>, Corporate Finance Institute</li> <li>● <a href="#">Modern Portfolio Theory</a>, Corporate Finance Institute</li> </ul>

<p>Mar. 25</p>	<p>Origins, Definitions, and the Case for ESG and Impact Investing</p>	<ul style="list-style-type: none"> <li>● History of impact investing</li> <li>● Spectrum of Sustainable Investing strategies</li> <li>● Market return vs. concessionary returns across the asset class continuum</li> </ul>	<ul style="list-style-type: none"> <li>● Omidyar Network: Pioneering Impact Investing (HBS)</li> <li>● The Promise of Impact Investing (HBS)</li> <li>● <a href="#">From there to here: 50 years of thinking on the social responsibility of business</a> (McKinsey)</li> </ul>
<p>Apr. 1</p>	<p>Private Market Strategies</p>	<ul style="list-style-type: none"> <li>● ESG Toolkit: ESG and Impact Investing strategies in private equity and venture capital</li> <li>● Intro to Impact Investing funds</li> </ul>	<ul style="list-style-type: none"> <li>● DBL Partners: Double Bottom Line Venture Capital (HBS)</li> <li>● <a href="#">Great Expectations: Mission Preservation and Financial Performance in Impact Investing</a> (Wharton)</li> <li>● <a href="#">EDCI Year In Review: What a Year's Worth of Data Tells Us about Private Equity and ESG</a> (ESG Data Convergence Initiative (EDCI))</li> </ul>
<p>Apr. 8</p>	<p>Public Debt Strategies</p>	<ul style="list-style-type: none"> <li>● ESG Toolkit: ESG and Impact Investing strategies in public vs. private debt</li> <li>● Municipal financing</li> <li>● Sustainability-linked financing</li> <li>● Green bonds</li> <li>● Sustainable Investing and Thematic Debt</li> </ul>	<ul style="list-style-type: none"> <li>● Nuveen and the Seychelles Blue Bond: Analyzing a Public Fixed Income Impact Investment (HBS)</li> <li>● <a href="#">Introductory Guides to Responsible</a></li> </ul>

		<p>Funds</p> <p><b>Guest Speaker(s):</b> Brian Svendahl, Senior Portfolio Manager, BlueBay Asset Management</p>	<p><a href="#">Investment: Fixed Income</a> (UNPRI)</p> <ul style="list-style-type: none"> <li>• <a href="#">Sustainability-Linked Bond Principles</a> (The International Capital Markets Association (ICMA))</li> </ul>
Apr. 15	Public Equity Strategies	<ul style="list-style-type: none"> <li>• ESG Toolkit: ESG and Impact Investing strategies in private equity and venture capital</li> <li>• Intro to Impact Investing funds</li> <li>• ESG toolkit: negative/positive screening, ESG integration, thematic investing, single vs. double materiality, engagement, proxy voting</li> <li>• Sustainable Investing and Thematic Equity Funds</li> </ul> <p><b>Guest Speaker(s):</b> David Fording, Partner, Portfolio Manager, William Blair Investment Management</p>	<ul style="list-style-type: none"> <li>• Generation Investment Management (HBS)</li> <li>• ESG Metrics: Reshaping Capitalism? (HBS)</li> <li>• <a href="#">IFRS - S1 General Requirements for Disclosure of Sustainability Related Financial Information</a> (IFRS ISSB)</li> </ul>
Apr. 22	Public Policy	<ul style="list-style-type: none"> <li>• U.S. &amp; Global Policy implications for ESG &amp; Impact Investing</li> <li>• U.S. &amp; Global ESG Regulatory landscapes</li> <li>• Voluntary disclosure standards</li> <li>• Role of NGOs and investor coalitions</li> </ul> <p><b>Guest Speaker(s):</b> Akshai Patel, Director, Municipal Finance (Education), RBC Capital Markets</p>	<ul style="list-style-type: none"> <li>• TBC</li> </ul>

Apr. 29	Investment Stewardship, Corporate Governance & Corporate Responsibility	<ul style="list-style-type: none"> <li>• Investor Engagement</li> <li>• Proxy Voting</li> <li>• Corporate Governance</li> <li>• Chief Sustainability Officers</li> <li>• ESG and Impact oversight in privately and publicly held companies</li> </ul> <p><b>Guest Speaker(s):</b> Laura Coy, Partner, Head of Philanthropy Strategy &amp; ESG Integration, William Blair</p>	<ul style="list-style-type: none"> <li>• Engine No.1: An Impact Investing Firm Engages with ExxonMobil (A) (B) (HBS)</li> </ul>
May 6	Emerging Trends in Impact Investing	<ul style="list-style-type: none"> <li>• Impact measurement</li> <li>• Place-based investment</li> <li>• B Corps</li> </ul>	<ul style="list-style-type: none"> <li>• The Rise Fund: TPG Bets Big on Impact (HBS)</li> </ul>
May 13	Climate Risk & Climate investing	<ul style="list-style-type: none"> <li>• Net zero targets</li> <li>• Transition plans</li> <li>• Corporate strategy and capital expenditures</li> </ul> <p><b>Guest Speaker(s):</b> TBC</p>	<ul style="list-style-type: none"> <li>• Driving Decarbonization at BMW (HBS)</li> </ul>