

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

COURSE INFORMATION

Course Number: PPHA 36150/1

Term: Spring 2025

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

Room #: The Keller Center, 0021

Lecturer: Shivani Patel (shivanipatel@uchicago.edu)

Office Hours: Appointment by request

Teaching Assistants:

Judith Nguli (jnguli@uchicago.edu); Katherine Tu (katherinetu@uchicago.edu)

Office Hours: Appointment by request

COURSE SUMMARY

This course provides an introduction to asset management and the Sustainable Investing spectrum, with an emphasis on ESG Integration 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 integrate ESG factors in the investment process across \$12 trillion of professionally managed assets, a 38 percent increase since 2016.

Exploring ESG Integration 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 (private equity and venture capital). The first class will also discuss various types of investment vehicles available: mutual funds, exchange traded funds (ETFs), private funds, and the regulation of these funds and their managers.

The remainder of the course will focus on the principles, techniques, and debates that underpin various models of sustainable investing, with a focus on ESG Integration and Impact Investing from both the asset manager and the portfolio company perspectives. The discussion will incorporate the role of public policy in facilitating the development of the ESG Integration and Impact Investing spaces. Students will come away with a broad understanding of the ESG Integration and Impact Investing landscape across public and private markets. Each week we will cover a different asset class or key concept and consider the subject through various lenses, including the key principles and techniques, the concepts of financial and double materiality, the potential to solve for broad societal challenges such as climate change, health, and education, and the key debates and trade-offs between financial returns and societal impact. 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 28	15%
Written Assignment #2	May 12	15%
Group Project	May 19	30%
Weekly Writing Prompts	Ongoing	10%
Attendance & Participation	Ongoing	30%

Written Assignment #1: Short response paper (1250-1500 words, double spaced) on an assigned stock discussing its ESG integration strengths and weaknesses. Students may also select their own stock for analysis as an alternative to the assigned stock.

- 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

Written Assignment #2: 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. Students may also select their own fund for analysis as an alternative to the assigned fund.

- 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

Group Project: Discussion paper (3000 words double spaced report OR 15 minute presentation) evaluating an assigned global policy and its implications and trade-offs through an ESG and impact investment lens. Groups of 5 will be selected by students; groups will be submitted to the TAs and Lecturer by April 7th.

- 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 Integration 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. Please email Judith Nguli (jnguli@uchicago.edu) and Katherine Tu (katherinetu@uchicago.edu) and copy me (shivanipatel@uchicago.edu) to note 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. 24	Asset Management, Public and Private Markets, Portfolio Management	<ul style="list-style-type: none"> ● Introduction to the concepts of ESG Integration and Impact Investing ● Role of asset owners and institutional investors: sovereign wealth funds, public and corporate pensions, endowments, foundations, family 	<ul style="list-style-type: none"> ● Yale University Investment Office: 2015 (HBS) - <i>Coursepack</i> ● Note on the Asset Management Industry (HBS) - <i>Coursepack</i> ● Asset Management Company,

		<ul style="list-style-type: none"> offices • Introduction to major asset classes: public equities, fixed income, private equity, venture capital, hedge funds • Risk and return characteristics • Legal and regulatory landscapes 	<p>Corporate Finance Institute</p> <ul style="list-style-type: none"> • Modern Portfolio Theory, Corporate Finance Institute
Mar. 31	Origins, Definitions, and the Case for ESG Integration and Impact Investing	<ul style="list-style-type: none"> • History of ESG Integration and Impact Investing • Spectrum of sustainable investing strategies • Market-rate returns vs. concessionary returns • Investment philosophy 	<ul style="list-style-type: none"> • Omidyar Network: Pioneering Impact Investing (HBS) - <i>Coursepack</i> • Background Note: Introduction to Sustainable Investing (HBS) - <i>Coursepack</i> • From there to here: 50 years of thinking on the social responsibility of business (McKinsey) • Navigating the ESG Landscape (PWC)
Apr. 7	Public Policy	<ul style="list-style-type: none"> • Policymaking that incentivizes ESG & Impact Investments, including the U.S. Inflation Reduction Act (IRA) • U.S. & Global ESG disclosure regulatory landscapes • Voluntary disclosure standards • Role of Development Organizations, NGOs, and investor coalitions <p>Guest Speaker(s): Akshai Patel, Executive Vice</p>	<ul style="list-style-type: none"> • Implementing the Inflation Reduction Act: Can the Tax Code Transform American Energy? (HBS) - <i>Coursepack</i> • IFRS - S1 General Requirements for Disclosure of Sustainability Related Financial Information (IFRS ISSB) • IFRS - S2 Climate-related Disclosures (IFRS ISSB)

		President, Public Finance Education Practice, HJ Sims	
Apr. 14	Climate Risk & Climate Investing	<ul style="list-style-type: none"> • Transition vs. physical climate risks • The Paris Accord and Net Zero by 2050 • Company climate transition plans • Corporate strategy and capital expenditures • The role of energy, industrials, materials, and transportation companies in the climate transition <p>Guest Speaker(s):</p> <p>TBC</p>	<ul style="list-style-type: none"> • Driving Decarbonization at BMW (HBS) - <i>Coursepack</i>
Apr. 21	Public Equity Strategies	<ul style="list-style-type: none"> • ESG Toolkit: ESG integration; financial vs. double materiality; best-in-class vs. improver companies • Investment stewardship (proxy voting and engagement), corporate governance, and Chief Sustainability Officers • Sustainable Investing, Positive and Negative Screening, and Thematic Equity Funds <p>Guest Speaker(s):</p> <p>Laura Coy, Partner, Head of Philanthropy Strategy & ESG Integration, William Blair</p>	<ul style="list-style-type: none"> • Generation Investment Management (HBS) - See Coursepack • Engine No.1: An Impact Investing Firm Engages with ExxonMobil (A) (B) (HBS) - <i>Coursepack</i> • Exxon Mobil 2021 Proxy Statement • Engine No.1 Letter to the Exxon Board of Directors
Apr. 28	Public Debt	<ul style="list-style-type: none"> • ESG Toolkit: ESG 	<ul style="list-style-type: none"> • Nuveen and the

	Strategies	<p>Integration and Impact Investing strategies in public fixed income</p> <ul style="list-style-type: none"> • Labeled Bonds • Sustainable Investing and Thematic Debt Funds • Place-based investing <p>Guest Speaker(s):</p> <p>Brian Svendahl, Senior Portfolio Manager, BlueBay Asset Management</p>	<p>Seychelles Blue Bond: Analyzing a Public Fixed Income Impact Investment (HBS) - <i>Coursepack</i></p> <ul style="list-style-type: none"> • Introductory Guides to Responsible Investment: Fixed Income (UNPRI) • Sustainability-Linked Bond Principles (The International Capital Markets Association (ICMA)) • Green Bond Principles (The International Capital Markets Association) (ICMA))
May 5	Emerging Trends in Impact Investing	<ul style="list-style-type: none"> • Impact measurement • UN Sustainable Development Goals • Place-based investment • B Corps <p>Guest Speaker(s):</p> <p>Carolina Kwok, Associate Director, Global Health Innovation, Grand Challenges Canada</p>	<ul style="list-style-type: none"> • The Rise Fund: TPG Bets Big on Impact (HBS) - <i>Coursepack</i> • Background Note: Managing and Measuring Impact (HBS) - <i>Coursepack</i>
May 12	Private Market Strategies	<ul style="list-style-type: none"> • ESG Toolkit: ESG and Impact Investing strategies in private equity and venture capital • Introduction to Private Impact Investing funds <p>Guest Speaker(s):</p> <p>TBC</p>	<ul style="list-style-type: none"> • DBL Partners: Double Bottom Line Venture Capital (HBS) - <i>Coursepack</i> • Great Expectations: Mission Preservation and Financial

			<p>Performance in Impact Investing (Wharton)</p> <ul style="list-style-type: none"> • EDCI Year In Review: What a Year's Worth of Data Tells Us about Private Equity and ESG (ESG Data Convergence Initiative (EDCI))
May 19	Final Presentations & Early Careers in Impact Investing (Live Q&A)	<ul style="list-style-type: none"> • Students will present as groups on their assigned policy <p>Guest Speaker(s): TBC</p>	N/A