



**Investing for Environmental and Social Impact**  
**FINC-GB.3348.30**

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**Office Hours: By Appointment and Before and After Class**

**Dates and Time: Wednesdays 6-9 PM - February 9<sup>th</sup> to May 4<sup>th</sup>**

**Location: Online**

**Course Description:**

All investments have impact – both positive and negative. Impact investing provides asset owners with the tools to understand and guide their investments toward positive social and environmental outcomes. We will define impact investing broadly and apply it across a wide array of approaches and asset classes—from the global public equity and debt markets to less liquid markets and more catalytic strategies. Impact investing is part of a larger historical phenomenon of integrating values into investment decisions such as early religion-based investing to the more recent role of divestment in key social and environmental movements, such as apartheid-era South Africa and fossil fuels. In this course, we will explore how investors can be engaged asset owners.

While this approach has long existed within the public sector and non-governmental organizations (NGOs), major investors, asset managers and advisors are now expanding their efforts to integrate environmental, social and governance (ESG) factors into their investment processes and products in order to successfully address challenges such as energy, water, community development, health, sustainable development and education.

This course is designed for students who want to better understand how investment mechanisms can be structured to solve critical social and environmental challenges and be well-positioned to work in the expanding impact investing industry. The class will draw from the fields of finance, microeconomics, theories of change, public policy, impact measurement and management, and investment management to evaluate specific cases and investment tools in areas such as environmental markets and climate change, public finance, microfinance, health and poverty alleviation and addressing inequality. We will also explore the proliferation of ESG data and products in the capital markets and their applications. The format will be a combination of readings, lectures, case discussions, guest speakers and team presentations. Experts will join the class to share their current

experiences in this quickly evolving field. Student teams will perform financial due diligence and present impact investing strategies in specific sectors as part of a semester long project. Foundations of Finance or an equivalent course is a prerequisite for the class.

### **Course Structure:**

The course will primarily draw on the recently published Impact Investing Handbook: [Godeke, Steven and Patrick Briaud, \*Impact Investing Handbook\*, Rockefeller Philanthropy Advisors, 2020](#). The course has been structured to follow the handbook's roadmap to answer a series of fundamental questions about impact investing.



In the “What” session, we will place impact investing at the intersection of philanthropy, investment, and policy while identifying its boundaries. “Who” describes the landscape of key market participants and stakeholders and provides the first steps for investors to understand who they are as impact investors. We then move into “Why” investors pursue impact investing to develop relevant goals and map them onto a theory of change—the central anchor for the impact investing process. These goals inform “How” investors can use the right structures and tools—for both impact and investment—in order to build an impact investing portfolio. Finally, we look at how investors can measure success in “So What,” and then share concrete organizing approaches and best practices in “Now What.”

### **Course Learning Objectives:**

- Provide students with the concepts, frameworks and models to source, analyze and fund impact investments across asset classes and impact themes and lenses.
- Introduce students to the theoretical basis for impact investing, e.g. externalities, systems analysis, market failures, shared value and blended value investing.

- Provide access to current industry-specific resources including industry experts and research.
- Introduce students to theories of change and impact measurement and management frameworks and how these can supplement traditional risk and return models.
- Analyze the effectiveness of impact investing tools and structures available to impact investors.
- Map impact investing opportunities against existing product offerings and explore the gaps.
- Understand the segmentation and distinct roles of specific impact investors: institutional (pension funds, foundations and endowments), corporations, public sector (multi-laterals, federal, state, local), high net-worth and family offices, and retail investors.
- Explore the impact capital chain to understand the role of funds, fund managers and other intermediaries and vehicles in impact investing.
- Provide student teams the opportunity to create and structure new impact investment strategies and vehicles that meet the sector and financial requirements of specific investors.
- Provide students with access to innovative practitioners and organizations and provide them with career role models in impact investing.

**Breakdown of Course Requirements:**

<b>Activity</b>	<b>% of Total Grade</b>
Class Participation & 2 Written Cases or Reading Analysis	50%
Investment Team Presentations and Final Report	50%
<b>Total</b>	<b>100%</b>

**Course Readings:**

All required readings are either available on the Brightspace site or part of an electronic coursepack that has been created and available through the NYU Bookstore. On the Brightspace site, the readings and videos are in folders for each week. Study questions will be provided for most of the cases the week before the case is discussed in class. The recommended readings each week are optional and include materials that can supplement your knowledge in a specific area. These may also be helpful for the Team Projects.

## **Course Deliverables:**

### **Class Attendance and Participation:**

**The course will use the case method with students coming to each class prepared to discuss the assigned case study and required readings. Students are required to attend all classes. Unexcused absences will negatively affect grades.**

Some sessions will combine guest speakers from specific sectors with related case studies. After the first session, students will be assigned specific weeks to prepare their case write-ups. These 4-page case analyses should not simply summarize the information but should present specific questions and issues and take a point of view. The case should be submitted via email prior to the class in which the material is covered.

### **Team Investment Project:**

Teams (maximum of 5 students each) will select specific impact themes such as health, education or climate change and an investor profile (e.g. pension fund, high net worth, family office or foundation). The teams will then develop an impact investing strategy based on their theory of change, investment tools and structures currently in the market, and the type of impact that the investor is targeting. The impact investing strategies should include possible policy approaches, a theory of change, return expectations, social and environmental metrics and impact measurement, and possible co-investors and partners. It may also identify gaps in the market's current product offering.

Students are encouraged to propose projects where they bring interest and/or experience. Team projects in recent years have included:

- private equity fund investing in enterprises employing formerly incarcerated people;
- racial equity;
- anti-gentrification real estate;
- immigrant empowerment;
- fossil fuel divestment strategy for NYU;
- innovative student debt approaches; and
- the circular economy.

We will form the student teams by the end of the second class; they will combine diverse experiences and backgrounds.

### **Team Project Deliverables:**

A 2 page draft outline of the project is due on Week 5. Each team will make a 10-minute plus Q&A presentation in class on Week 12 of the course. A group of impact investing practitioners will attend the final presentations and will provide comments.

In addition to the presentation, each team will submit a 15-page impact investment prospectus that outlines the team's investment strategy, the theory of change and target investments.

### Academic Integrity:

Academic integrity and honesty is central to our mission as an educational institution. The MBA Code of Conduct, which all students sign, therefore places particular emphasis on academic integrity. Notably, this includes refraining from any method or means that provides an unfair advantage in exams or papers and clearly acknowledging the work of others in your own work. As a reminder, the entire Code of Conduct is available here.

To help ensure the integrity of our learning community, prose assignments you submit to Brightspace will be submitted to Turnitin. Turnitin will compare your submission to a database of prior submissions to Turnitin, current and archived Web pages, periodicals, journals, and publications. Additionally, your document will become part of the Turnitin database.

### Student Accessibility:

New York University is committed to providing equal educational opportunity and participation for students with disabilities. Students who are interested in applying for academic accommodations are advised to reach out to the Moses Center for Student Accessibility (CSA) as early as possible in the semester. If you already receive accommodations through CSA, you are encouraged to request your accommodation letters through the Moses portal as soon as possible.

Moses Center for Student Accessibility (CSA), 212-998-4980, [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu), [www.nyu.edu/csa](http://www.nyu.edu/csa)

If you will require academic accommodation of any kind during this course, you must notify me at the beginning of the course and provide a letter from the Moses Center for Student Accessibility (212-998-4980, [mosescsa@nyu.edu](mailto:mosescsa@nyu.edu)) verifying your registration and outlining the accommodations they recommend. If you will need to take an exam at the Moses Center for Student Accessibility, you must submit a completed Exam Accommodations Form to them at least one week prior to the scheduled exam time to be guaranteed accommodation. For more information, visit the CSA website: <https://www.nyu.edu/students/communities-and-groups/student-accessibility.html>

### Student Wellness:

Classes can get stressful. I encourage you to reach out if you need help. The NYU Wellness Exchange offers mental health support. You can reach them 24/7 at 212 443 9999, or via the “NYU Wellness Exchange” app. There are also drop in hours and appointments. Find out more at <http://www.nyu.edu/students/health-and-wellness/counseling-services.html>

## Course Schedule and Sessions:

Session	
<b>Session 1</b> Feb. 9 <sup>th</sup>	<p><b>What - Defining and Locating Impact Investing</b> <b>Introduction to Course and Key Concepts</b></p> <p><b>Required Readings:</b> Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (Introduction and Chapters 1), PDF on Brightspace.</p> <p>Cole, Shawn, Vikram Gandhi and Caitlin Reimer Brumme, "Background Note: Introduction to Investing for Impact," 2018, HBS Case 9-218-072, Course Pack.</p> <p><b>Recommended impact investing readings for throughout the semester:</b></p> <p>Global Impact Investing Network, Core Characteristics of Impact Investing, 2019, PDF on Brightspace.</p> <p>International Finance Corporation (IFC), The Promise of Impact Investing, April 2019, PDF on Brightspace.</p> <p>Trelstad, Brian, "Impact Investing: A Brief History," Capitalism and Society: Vol. 11: Issue. 2, Article 4, 2016, PDF on Brightspace.</p> <p>Recent Textbooks: Bose, Satyajit, Guo Dong and Anne Simpson, The Financial Ecosystem, Palgrave Macmillan, 2019.</p> <p>Cohen, Sir Ronald, Impact, Reshaping Capitalism to Drive Real Change, Penguin, 2020. (Available on Kindle)</p> <p>Schoenmaker, Dirk and Willem Schramade, Principles of Sustainable Finance, Oxford University Press, 2019.</p> <p>Some Suggested Websites:</p> <ol style="list-style-type: none"><li>1) <a href="http://www.thegiin.org">www.thegiin.org</a></li><li>2) <a href="http://www.impactalpha.com">www.impactalpha.com</a></li><li>3) <a href="http://www.impactmanagementproject.com">www.impactmanagementproject.com</a></li><li>4) <a href="http://www.acumen.org">www.acumen.org</a></li><li>5) <a href="http://www.rockefellerfoundation.org/our-work/initiatives/innovative-finance/">www.rockefellerfoundation.org/our-work/initiatives/innovative-finance/</a></li><li>6) <a href="http://ssir.org/articles/category/impact_investing">ssir.org/articles/category/impact_investing</a></li><li>7) <a href="http://www.socialimpactinvestment.org">www.socialimpactinvestment.org</a></li><li>8) <a href="http://www.toniic.com">www.toniic.com</a></li></ol>

<p><b>Session 2</b> <b>Feb. 16<sup>th</sup></b></p>	<p><b>Who - Players Involved</b> <b>Market Participants and Stakeholders Across the Impact Capital Chain</b></p> <p><b>Required Readings:</b> Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (Chapter 2), PDF on Brightspace.</p> <p><b>Team Projects – Issue Selection and Team Formation</b></p>
<p><b>Session 3</b> <b>Feb. 23<sup>rd</sup></b></p>	<p><b>Why - Impact Goals / Investment Goals</b> <b>Defining Impact, Theories of Change</b></p> <p><b>Required Readings:</b> Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (Chapter 3), PDF on Brightspace.</p> <p>Cole, Shawn, V. Kasturi Rangan, Alnoor Ebrahim, and Caitlin Reimer Brumme, “Acumen: Managing Towards Impact 2018,” HBS Case 9-218-086, Course Pack.</p> <p>Guest Speaker: TBC</p> <p><b>Recommended Readings:</b> Brest, Paul, and Kelly Born, “When Can Impact Investing Create Real Impact?” Stanford Social Innovation Review, Fall 2013, <a href="https://ssir.org/articles/entry/impact_investing">https://ssir.org/articles/entry/impact_investing</a></p> <p>Grantcraft, The Ford Foundation, “Mapping Change: Using a Theory of Change to Guide Planning and Evaluation,” PDF on Brightspace.</p> <p>Video: Bridgespan, “Intended Impact and Theory of Change,” YouTube, October 15, 2012: <a href="https://www.youtube.com/watch?v=_NSiINWfFAkc">https://www.youtube.com/watch?v=_NSiINWfFAkc</a></p> <p>Video: "Formulating an Investment Thesis": <a href="https://www.youtube.com/watch?v=ZQIdfmvl4wg">https://www.youtube.com/watch?v=ZQIdfmvl4wg</a></p>
<p><b>Session 4:</b> <b>March 2<sup>nd</sup></b></p>	<p><b>How - Impact Tools</b> <b>Bridging Theory of Change and Portfolio Construction</b> <b>Impact Theme: Environmental Finance, Ecosystem Services</b></p> <p>Guest Speaker: Marc Diaz, TerViva BioEnergy and formerly NaturVest, TBC</p> <p><b>Required Readings:</b> Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (pg. 86-105), PDF on Brightspace.</p>

	<p>Towards a Blue Revolution, Encourage Capital and The Nature Conservancy, 2019, PDF on Brightspace.</p> <p><u>Forest Resilience Bonds:</u>  <a href="https://ssir.org/articles/entry/investing_in_forest_health">https://ssir.org/articles/entry/investing_in_forest_health</a></p> <p>Helbling, T., <a href="#">What are externalities? Finance &amp; Development (December 2010)</a></p> <p>Video:  <a href="http://myimpact-academy.com/course/introduction-did-you-know-green-bonds-in-2-minutes">http://myimpact-academy.com/course/introduction-did-you-know-green-bonds-in-2-minutes</a></p> <p>Selected Websites:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.ecosystemmarketplace.com">www.ecosystemmarketplace.com</a></li> <li>• <a href="http://www.conservationfinance.ch/resources/">www.conservationfinance.ch/resources/</a></li> <li>• <a href="http://www.conservationfinancenetwork.org">www.conservationfinancenetwork.org</a></li> </ul>
<p><b>Session 5:</b>  <b>March 9<sup>th</sup></b></p>	<p><b>How - Impact Structures</b>  <b>Impact Theme: Development Finance and Access to Financial Services</b></p> <p>Guest Speaker: Courtney Thompson, Director, Morgan Stanley Sustainability Team, TBC</p> <p><b>Required Readings:</b>  Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (pg. 106-120), PDF on Brightspace.</p> <p>Cole, Shawn and Caitlin Reimer Brumme, “Root Capital and the Efficient Frontier, 2018, HBS Case 9-218-084, Course Pack.</p> <p>De Soto, Hernando, “The Mystery of Capital, Finance and Development,” IMF, March 2001,  <a href="https://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm">https://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm</a></p> <p><b>[Add Sonen’s Impact for Inclusive Capital Webinar]</b></p> <p><a href="https://www.sonencapital.com/thought-leadership-posts/investing-financial-inclusion-webinar/">https://www.sonencapital.com/thought-leadership-posts/investing-financial-inclusion-webinar/</a></p>
<p><b>Session 6:</b>  <b>March 16<sup>th</sup></b></p>	<p><b>How - Product Selection and Portfolio Construction</b>  <b>Impact Theme: Climate Risk / Fossil Fuel Divestment</b></p> <p>Guest Speaker: Brad Harrison, Managing Director, Tiedemann Advisors, TBC</p> <p><b>Required Readings:</b></p>



	<p>NYU Report of the Fossil Fuel Divestment Working Group, 2015, PDF on Brightspace.</p> <p><b>Draft of Team Project Outline Due</b></p> <p><b>Recommended Readings:</b>  Divest Invest, How To Guide for Institutional Investors, 2018, PDF on Brightspace.</p> <p>Mercer, Investing in a Time of Climate Change, 2019, PDF on Brightspace.</p> <p>Rockefeller Brothers Fund, Divestment Statement and Investment Policy Statement, 2016, PDF on Brightspace.</p>
<b>March 23<sup>th</sup></b>	<b>Spring Break - No Class</b>
<b>Session 7: March 30<sup>th</sup></b>	<p><b>How – Impact Tools Integrating ESG into the Investment Process, Standards and Reporting</b></p> <p>Guest Speaker: Bloomberg - Shaheen Contractor, TBC</p> <p><b>Required Readings:</b>  Sandra J. Sucher, Matthew Preble, “Generation Investment Management,” HBS Case 9-613-002, Course Pack.</p> <p>Mozaffar Khan, George Serafeim, and Aaron Yoon, “Corporate Sustainability: First Evidence on Materiality,” Working Paper, PDF on Brightspace.</p> <p>Amir Amel-Zadeh and George Serafeim, “Why and How Investors Use ESG Information: Evidence from a Global Survey,” Financial Analysts Journal, vol. 75, no. 3, 2018. PDF on Brightspace.</p>
<b>Session 8: April 6<sup>th</sup></b>	<p><b>So What - Impact Measurement and Management</b></p> <p><b>Guest Speaker:</b> Karim Harji, Evalysis and Oxford University, TBC</p> <p><b>Required Readings:</b>  Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (Chapter 5), PDF on Brightspace.</p> <p>Gandhi, Vikram, Caitlin Reimer Brumme and James Barnett, Financial Inclusion at Omidyar Network, 2018, HBS Case 9-318-004, Course Pack.</p>

<p><b>Session 9</b> <b>April 13th</b></p>	<p><b>So What - Structuring Impact Investments</b> <b>Innovative Tools and Structures to Drive Impact</b></p> <p><b>Required Readings:</b> Goldberg, Steven, Early Childhood Education and Child Abuse Prevention Social Impact Bond Case Studies, 2013, PDF on Brightspace.</p> <p>Godeke, Steven and Lyel Resner, "Building a Healthy and Sustainable Social Impact Bond Market: The Investor Landscape," Rockefeller Foundation, 2012, PDF on Brightspace.</p> <p>Video: Social Impact Bonds - <a href="http://myimpact-academy.com/course/lecture-paul-brest-impact-investing-and-social-impact-bonds/">http://myimpact-academy.com/course/lecture-paul-brest-impact-investing-and-social-impact-bonds/</a></p> <p><b>Working Session for Team Projects</b></p>
<p><b>Session 10</b> <b>April 20st</b></p>	<p><b>Now What - Due Diligence Process and Impact Investment Advisor Selection</b></p> <p><b>Required Readings:</b> Godeke, Steven and Patrick Briaud, Impact Investing Handbook: A Guide for Practitioners, Rockefeller Philanthropy Advisors, 2020. (Chapter 6), PDF on Brightspace.</p> <p>Morgan Stanley Institute for Sustainable Investing and Bloomberg, "Sustainable Signals: The Asset Manager Perspective," February 2019 Report, PDF on Brightspace.</p> <p>Godeke Consulting, ESG and ERISA Report and OCIO Paper</p> <p>Jessie Smith Noyes Foundation, Building Power Across the Impact Investing Field, PDF on Brightspace.</p> <p><b>Guest Speaker:</b> Bob Bancroft, Vice President, Finance, Nathan Cummings Foundation, TBC</p>
<p><b>Session 11</b> <b>April 27th</b></p>	<p><b>Innovations in Impact Investing</b></p> <p><b>Required Readings:</b> Cole, Shawn, Boris Vallee and Nicole Tempest Keller, "OpenInvest," HBS Case 9-218-064, Course Pack.</p> <p>Impact Capital Managers and Tideline, "The Alpha in Impact Report," 2018, Brightspace</p> <p>Impact Fund Speed Pitches</p>

<b>Session 12</b> <b>May 4th</b>	<b>Team Project Pitches to Impact Investors</b> <b>Presentations and Written Reports Due</b>  <b>Guests: TBC</b>