
BAEN 580C: Impact Investing: Social Finance in the 21st Century
Course Outline

COURSE INFORMATION

Division: Finance

Term/period: 7

Instructor: James Tansey, Christie Stephenson

Teaching Assistant:

Section number: 001

Class meeting times: M/W 4-6pm

Course duration: Period 7

Classroom location: HA133

Pre-requisites: None

Tutorials / labs: TBD

COURSE DESCRIPTION

Impact investing has emerged over the last decade as a new sector at the interface between philanthropy and investment. The sector currently represents \$9-12bn of investment capital. This course provides an introduction to the impact investment sector and the related responsible investing sector, describes the evolution of impact investment, the growth of new asset classes, and the opportunities and challenges faced by investors seeking meaningful impact investment vehicles.

According to the Global Impact Investing Network (GIIN), impact investing is defined as “investments made into companies, organizations and funds with the intention to generate measurable social and environmental impact alongside a financial return”. Impact investing, has emerged over the past decade as one of the most talked about strategies for tackling social and environmental problems. With the goal of creating measurable impact in addition to financial returns, impact investing selects ventures working towards positive social or environmental outcomes. The concepts of impact investing and social enterprise emerged out of a recognition that the private sector could also contribute to the development of social agendas, while gaining a financial return. Rather than focusing solely on a risk-return nexus, impact investing broadens to the “triple bottom line” to include financial, social, and environmental gains.

Through a combination of readings, discussions, guest lectures, research, a pitch competition and a portfolio allocation project, students will gain deep insight into the different perspectives brought by the impact investor who is concerned with stimulating social and environmental impact while generating financial return.

Business students will complete the course having obtained a strong understanding of the positive impacts financial tools can have economically, socially, and environmentally. Students will also acquire practical knowledge of the tools and methodologies brought to impact investment decisions and assessments.

OUTCOMES: COURSE GOALS

- Students will be introduced to impact investing and socially responsible investing.
 - Students will develop an understanding of RI strategies and environmental, social and governance (ESG) issues. Students will gain awareness of impact investment as a new form of investing that addresses social and environmental problems.
 - Students will be equipped with the tools to analyze impact ventures for investment.
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LEARNING OBJECTIVES

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

- Describe the history of impact investing, how it has grown, and its current status alongside socially responsible investing and ESG screening.
- Discuss how responsible investing fit in to the spectrum of sustainable finance opportunities.
- Describe major environmental, social, and governance (ESG) issues that responsible investors are concerned with.
- Analyze and compare different responsible investment strategies, including negative screening, corporate dialogue, proxy voting, and ESG integration. Evaluate impact investing in the Canadian context and be able to compare Canada to the UK and US in terms of legal structure, public policy, and future potential.
- Identify metrics used in evaluating social ventures, as well as where to find metrics resources and their relative strengths and weaknesses.
- Describe why measuring impact is important and understanding the challenges faced by social ventures in attempting to measure their own impact.
- Have a deep understanding of multiple sector-specific issues relevant to impact investing.
- Apply tools to analyze social venture performance at both early stage and growth stage for possible funding.
- Compare and contrast traditional portfolio management with new approaches such as Environmental, Social, and Governance criteria.
- Analyse and compare different forms of impact investing (e.g. Venture Capital/Private Equity (VC/PE), Social Impact Bonds (SIBs), and Demand Dividends).
- Create portfolio strategies specific to impact investing and be able to apply these strategies to real-life situations.
- Apply the tools and tactics learned in the course to evaluate impact investing opportunities.

ASSESSMENT SUMMARY (Subject to revision)

Impact Venture Brief:	10%
Investment Project:	60%
Investment Due Diligence Presentation:	20%
Class Participation:	10%

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COURSE MATERIALS & REQUIREMENTS

Reading Materials: Reading materials will involve a combination of books, online material from publications, websites, and databases. The two core texts are both available as e-books:

Anthony Bugg-Levine and Jed Emerson, 2011, [Impact Investing](#), Wiley.

Cathy Clark, Jed Emerson and Ben Thornley, 2014, [The Impact Investor](#): Lessons in Leadership and Strategy for Collaborative Capitalism, Wiley.

Other Learning Resources: Other learning resources include material from the Global Impact Investor Network (GIIN), IRIS, GIIRS and others will be shared through Connect during the course.

ASSESSMENT

Success at achieving the learning outcomes will be measured by a combination of written assignments and class participation. Understanding and application of the material will be assessed through the quality of the impact venture brief, classroom presentation and the investment project.

Assessment activities

Impact Venture Brief

Students will choose an impact venture and will develop a briefing sector-specific issue in the field of social innovation/social impact and will then complete a research paper on their chosen area of interest (e.g., clean energy, poverty, micro grids, sustainable agriculture, etc.). If you need help choosing a venture, a list will be provided. The research brief will include:

- Description of the sector that the venture operates in.
- Nature of the issue the venture seeks to address
- Description of the structure and performance of the venture
- Identify and describe how the venture has been funded to date
- Detailed analysis of the venture and recommendations about the strategic direction

Investment Committee Project

Students will form groups of 4-5 individuals and will work to complete due diligence on an impact investment opportunity over the five weeks of the course. Due diligence will follow a template that will be provided in week 1 of the course. Students will have the option to choose a sector, company and product and will complete a comprehensive due diligence report culminating in an investment recommendation.

Investment Committee Presentation

During exam period, each of the teams will present on the findings of their investment memorandum.

SCHEDULE

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<p>WEEK 1 29th Oct</p>	<p>Introduction to Impact Investing</p>	<ul style="list-style-type: none"> a. What is impact investing? How is it different from traditional investing? b. Overview of the spectrum of investment opportunities from traditional to philanthropy c. Emergence and driving forces of impact investing d. Case studies of impact ventures e. Shared value approaches to impact f. Current state of the impact investing industry g. Impact-first vs financial-first h. Shared value and double/ triple bottom lines 	<p>Readings in Connect: Demystifying Impact Investing and Bugg-Levine and Emerson Chpt 1</p>
<p>WEEK 2 5th Nov</p>	<p>Origins of Impact Investing and introduction to the sectors</p>	<ul style="list-style-type: none"> a. Microfinance and development related investment b. Pros and cons of using business approaches (impact investing) to tackle these world issues vs government intervention c. Large scale impact investing programmes: Deutsche Eye Bank etc d. Comparisons between Canada, the US, and the UK e. Legal structures and public policy in each jurisdiction and its effect on impact investing growth f. Philanthropic activity in each jurisdiction and large scale initiatives supported by regulations. 	<p>Bugg-Levine and Emerson, Chpts 2 and 3.</p>
<p>WEEK 3 12th Nov</p>	<p>Introduction to social ventures and social innovations</p>	<ul style="list-style-type: none"> a. Definition and typology of social ventures b. Overview of the social venture sector in Canada and BC c. Governance and new corporate models: CIC, L3Cs, B-Corporation etc d. Case Studies: Prisoner recidivism: Psychological/sociological impacts of short-term prison sentences (Rikers Island in NY & Peterborough in UK) → Social Impact Bonds <p>Responsible Investing Class with Christie Stephenson (Wednesday):</p> <ul style="list-style-type: none"> e. History f. RI industry overview: Discretionary vs fiduciary investors, RI in institutional and retail markets, RI across asset classes, etc g. Overview of RI strategies 	<p>Bugg-Levine and Emerson, Chpts 4, 5 and 6.</p> <p>Sustainable Signals: New Data From The Individual Investor (Morgan Stanley, 2017) ESG Issues in Investing (CFA Institute, p 1-16)</p>
<p>WEEK 4 19th</p>	<p>Impact Investing Capital Sources and approaches</p>	<p>Responsible Investing Class with Christie Stephenson (Monday)</p> <ul style="list-style-type: none"> a. Required reporting: legislative and regulatory b. ESG data aggregators, analysis providers and ratings: Sustainalytics, MSCI, Bloomberg, etc c. Global Reporting Initiative (GRI) d. Sustainability Accountability Standards Board (SASB) e. Carbon Disclosure Project (CDP) f. UN Sustainable Development Goals (SDGs) g. Task Force on Climate-Related Financial Disclosures (TCFD) h. VC/PE 	<p>Market Reaction to Mandatory Nonfinancial Disclosure (Grewal, Riedl, and Serafeim 2017), p 1-13</p> <p>Market Reaction to Mandatory Nonfinancial Disclosure (Grewal, Riedl,</p>

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		<p>Impact Investing (Wednesday)</p> <ul style="list-style-type: none"> i. Overview of how they operate in the impact investing industry/what they look for (touch base on for-finance vs for-impact again) j. Challenges and opportunities of raising capital for impact ventures k. Different stages of venture funding (seed funding, growth stage funding etc) l. Impact alignment between VC and social ventures m. Industry experience in North American and emerging markets (guest speaker) 	and Serafeim, 2017), p 13-27
WEEK 5 26th	Impact Investing Funds	<ul style="list-style-type: none"> a. Can we address the performance and potential of impact investing as a new sector or asset class? b. What is the body of evidence regarding performance, outputs and outcomes c. What have we learned about the role of private capital and public investments? d. What are the success factors associated with each of the types of fund identified by Clark et al? e. What impact do each of the different fund types have on outcomes? f. What experience can we draw on from experienced investment professionals (Guest speaker) 	<p>Clark et al, Chapt 2 and 3</p> <p>Clark et al, Chapt 4 and 5</p>

TEACHING & LEARNING ACTIVITIES

Students will discuss case studies presented, write a brief on a specific social sector related to impact investing, evaluate and present on the impact investing opportunities (both financial and impact metrics, as shown by GIIN tools) and allocate a simulated portfolio and give the rationale behind decisions.