

### **COURSE INFORMATION**

**Division:** Finance

**Term/period:** 6

**Instructor:** James Tansey, Christie Stephenson

**Teaching Assistant:**

**Section number:** 001

**Class meeting times:** M/W 8-10am

**Course duration:** Period

**Classroom location:** HA 254

**Pre-requisites:** None

**Tutorials / labs:** TBD

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### **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.

### **COURSE FORMAT**

Subject to COVID restrictions, the course will be taught face to face in a mix of lectures and breakout sessions. Students are expected to complete the readings before the class and the readings are designed to extend the class materials.

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### **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.
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- 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.

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## ASSESSMENTS

Impact Venture Brief:	10%
Responsible Investing Review	10%
Investment Project:	50%
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. Readings related to Responsible Investing will be provided in advance through Canvas.

## 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

### **Disclosure Review Report: Indigenous Rights and Reconciliation**

Students will prepare a written brief comparing how **two** publicly traded companies (from a selected list) disclose information on their relationships with Indigenous peoples, both in Canada and globally. The brief should characterize the approach taken by each company and provide a comparative assessment of the content and quality of each companies' disclosure.

Report submitted should be maximum **1400** words (maximum 4 pages), 1" margins, 11 point font, 1.5 line spacing, and are due at 11:59pm PT

#### **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.

Course-specific Policies and resources

*Missed or late assignments, and regrading of assessments*

Late submissions will not be accepted and will receive a grade of zero.

#### *Academic Concessions*

If extenuating circumstances arise, please contact the RHL Graduate School program office as early as reasonably possible, and submit an [Academic Concession Request & Declaration Form](#). If an academic concession is granted during the course, the student will be provided options by RHL, or by the instructor in consultation with RHL, per [UBC's policy on Academic Concession](#).

Policies applicable to Courses in the Robert H. Lee Graduate School

#### *Attendance*

Excepting extenuating circumstances, students are expected to attend 100% of their scheduled class hours. Absent students limit their own academic potential, and that of their classmates, and cause unnecessary disruption to the learning environment. Students missing more than 20% of the total scheduled class hours for a course (including classes held during the add/drop period) without having received an academic concession will be withdrawn from that course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on the transcript.

#### *COVID-19 Policies for Attendance & Academic Concessions:*

If a student feels unwell, they should stay home and send a courtesy email to each impacted instructor and cc their program manager. The student should also submit an [Academic Concession Request & Declaration Form](#).

If a student suspects possible COVID-19 infection, they should use the BC Ministry of Health's [self-assessment tool](#), to help determine whether further assessment or testing for COVID-19 is recommended.

If a student is required to self-isolate (e.g., while waiting for test results), they should follow the steps above (stay home, email instructor(s) and program manager, submit an [Academic Concession Request & Declaration Form](#), and follow BC Health Guidance.

Students who are required to quarantine, should get in touch with their Program Manager to discuss the possibility of academic concessions for each impacted course. The Program Manager will work closely with your instructors to explore options for you to make up the missed learning.

*Covid-19 Safety in the Classroom:*

**Masks:** Masks are **required** for all indoor classes, as per the BC Public Health Officer orders. For our in-person meetings in this class, it is important that all of us feel as comfortable as possible engaging in class activities while sharing an indoor space. For the purposes of this order, the term “masks” refers to medical and non-medical masks that cover our noses and mouths. Masks are a primary tool to make it harder for COVID-19 to find a new host. You will need to wear a medical or non-medical mask for the duration of our class meetings, for your own protection, and the safety and comfort of everyone else in the class. You may be asked to remove your mask briefly for an ID check for an exam, but otherwise, your mask should cover your nose and mouth. Please do not eat in class. If you need to drink water/coffee/tea/etc, please keep your mask on between sips. Students who need special accommodation are asked to discuss this with the program office.

**Seating in class:** To reduce the risk of COVID-19 transmission, please sit in a consistent area of the classroom each day. This will minimize your contacts and will still allow for the pedagogical methods planned for this class to help your learning.

Visit the following website for the most recent updates regarding COVID-19 protocol on campus:  
<https://students.ubc.ca/campus-life/returning-to-campus>

*Punctuality*

Students are expected to arrive for classes and activities on time and fully prepared to engage. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving later than halfway through a scheduled class will be treated as absent for that class.

*Electronic Devices*

Devices such as laptops, tablets, and cell phones are not permitted to be used in class unless directed by the instructor for in-class activities. Students who do not follow the School's policy in this regard may be required to leave the room for the remainder of the class, so that they do not distract others. Research shows that students' use of laptops in class has negative implications for the learning environment, including reducing their own grades and the grades of those sitting around them.

*Citation Style*

Please use the American Psychological Association (APA) reference style to cite your sources.

Details of the above policies and other RHL Policies are available at:

<http://www.calendar.ubc.ca/vancouver/index.cfm?tree=12,199,506,1625>

University Policies and resources [do not modify this paragraph]

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including

those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions. Details of the policies and how to access support are available on the UBC Senate website at <https://senate.ubc.ca/policies-resources-support-student-success>.

#### *Respect for Equity, Diversity, and Inclusion*

The UBC Sauder School of Business strives to promote an intellectual community that is enhanced by diversity along various dimensions including status as a First Nation, Metis, Inuit, or Indigenous person, race, ethnicity, gender identity, sexual orientation, religion, political beliefs, social class, and/or disability. It is critical that students from diverse backgrounds and perspectives be valued in and well-served by their courses. Furthermore, the diversity that students bring to the classroom should be viewed as a resource, benefit, and source of strength for your learning experience. It is expected that all students and members of our community conduct themselves with empathy and respect for others.

#### *Academic Integrity*

The academic enterprise is founded on honesty, civility, and integrity. As members of this enterprise, all students are expected to know, understand, and follow the codes of conduct regarding academic integrity. At the most basic level, this means submitting only original work done by you and acknowledging all sources of information or ideas and attributing them to others as required. This also means you should not cheat, copy, or mislead others about what is your work. Violations of academic integrity (i.e., misconduct) lead to the breakdown of the academic enterprise, and therefore serious consequences arise and harsh sanctions are imposed. For example, incidences of plagiarism or cheating may result in a mark of zero on the assignment or exam and more serious consequences may apply if the matter is referred to the President's Advisory Committee on Student Discipline. Careful records are kept in order to monitor and prevent recurrences.

#### *copyright*

All materials of this course (course handouts, lecture slides, assessments, course readings, etc.) are the intellectual property of the instructor or licensed to be used in this course by the copyright owner. Redistribution of these materials by any means without permission of the copyright holder(s) constitutes a breach of copyright and may lead to academic discipline and could be subject to legal action. Any lecture recordings are for the sole use of the instructor and students enrolled in the class. In no case may the lecture recording or part of the recording be used by students for any other purpose, either personal or commercial. Further, audio or video recording of classes are not permitted without the prior consent of the instructor. Students may not share class Zoom links or invite others who are not registered to view sessions.

#### *acknowledgement*

UBC's Point Grey Campus is located on the traditional, ancestral, and unceded territory of the x<sup>w</sup>məθk<sup>w</sup>əy̓ əm (Musqueam) people, who for millennia have passed on their culture, history, and traditions from one generation to the next on this site.

## **SCHEDULE**

<p><b>WEEK 1</b> 5<sup>th</sup> Jan</p>	<p><b>Introduction to Impact Investing</b></p>	<ul style="list-style-type: none"> <li>a. What is impact investing? How is it different from traditional investing?</li> <li>b. Overview of the spectrum of investment opportunities from traditional to philanthropy</li> <li>c. Emergence and driving forces of impact investing</li> <li>d. Case studies of impact ventures</li> <li>e. Shared value approaches to impact</li> <li>f. Current state of the impact investing industry</li> <li>g. Impact-first vs financial-first</li> <li>h. Shared value and double/ triple bottom lines</li> </ul>	<p>Readings in Connect: Demystifying Impact Investing and BuggLevine and Emerson Chpt 1</p> <p>Bugg-Levine and Emerson, Chpts 2 and 3.</p>
<p><b>WEEK 2</b> 10<sup>th</sup> Jan</p>	<p><b>Introduction to Responsible Investing</b></p>	<ul style="list-style-type: none"> <li>a. Terminology &amp; definitions</li> <li>b. History</li> <li>c. RI industry overview: Discretionary vs fiduciary investors, RI in institutional and retail markets, RI across asset classes, etc</li> <li>d. Overview of RI strategies</li> <li>e. Global Reporting Initiative (GRI)</li> <li>f. Sustainability Accountability Standards Board (SASB)</li> </ul>	<p>Market Reaction to Mandatory Nonfinancial Disclosure (Grewal, Riedl, and Serafeim 2017), p 1-27</p>
		<ul style="list-style-type: none"> <li>g. Integrated Reporting (IR)</li> <li>h. Carbon Disclosure Project (CDP)</li> <li>i. UN Sustainable Development Goals (SDGs)Task Force on Climate-Related Financial Disclosures (TCFD)</li> </ul>	<p><a href="#">2020 Canadian Responsible Investment Trends Report</a> (Responsible Investment Association, 2020)</p>

<b>WEEK 3</b> 17 <sup>th</sup> Jan	<b>Responsible Investment Issues</b>	<ul style="list-style-type: none"> <li>a. Review of major environmental, social and governance issues that responsible investors in the public markets context consider and how they address them</li> <li>b. Evaluations approaches: Negative screening (single and multi-issue) and divestment, positive screening / thematic investing, integration approaches</li> <li>c. Portfolio eligibility methods: Best-of-Sector vs. baseline approaches</li> <li>d. Evaluations process: Initial inclusion approval, performance monitoring, divestment, threshold</li> <li>e. Engagement: Types, stages and objectives</li> <li>f. Investor rights (filing resolutions for instance) and jurisdictional differences</li> </ul>	<p><a href="#">The Directors' E&amp;S Guidebook</a> (Canadian Coalition for Good Governance, 2018)</p> <p><a href="#">BlackRock Investment Stewardship Annual Report 2020</a> (p. 1-25)</p> <p>"<a href="#">BlackRock tallies 974 engagements with 812 companies in Q2</a>" (Pensions and Investments, Aug 2020)</p>
<b>WEEK 4</b> 24 <sup>th</sup>	<b>Impact Investing Capital Sources and approaches</b>	<ul style="list-style-type: none"> <li>a. Microfinance and development related investment Pros and cons of using business approaches (impact investing) to tackle these world issues vs government intervention</li> <li>b. Large scale impact investing programmes: Deutsche Eye Bank etc</li> <li>c. Comparisons between Canada, the US, and the UK Legal structures and public policy in each jurisdiction and its effect on impact investing growth</li> <li>d. Philanthropic activity in each jurisdiction and large scale initiatives supported by regulations Definition and typology of social ventures</li> <li>e. Overview of the social venture sector in Canada and BC</li> <li>f. Governance and new corporate models: CIC, L3Cs, BCorporation etc Case Studies:</li> <li>g. Prisoner recidivism: Psychological/sociological impacts of</li> </ul>	<p>Bugg-Levine and Emerson, Chpts 4, 5 and 6.</p>



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

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**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.

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