



NYU

**ROBERT F. WAGNER GRADUATE
SCHOOL OF PUBLIC SERVICE**

PADM-GP.4320

Environmental, Social, Governance (ESG) Investing

Fall 2022

Instructor Information

- Andrew Siwo
- Email: as14803@nyu.edu
- Office Hours: After class through 9 pm ET or Thursday morning from 7-8 am ET by appointment

Course Information

- Class Meeting Times: Wednesday's (6:45 pm to 8:25 pm ET)
- Class Session: 9/7, 9/14, 9/21, 9/28, 10/5, 10/12, 10/19
- Class Location: NYU Wagner Graduate School of Public Service Building: Bobst, Room LL147. Loc: Washington Square
- Textbook: None. There is no assigned textbook for the course; however, students will be required to read certain scholarly papers, articles, and case studies ahead of class meetings for in-class discussion. Students will be expected to purchase a small number of case studies directly at <http://hbsp.harvard.edu/home>.

Course Prerequisites

- CORE-GP.1021 Financial Management for Public, Nonprofit and Health Organizations;
PADM-GP.2311 Social Impact Investment suggested, but not required

Course Description

The most common Mission-Related Investment (MRI) approaches include socially responsible investing (SRI), **and** environmental, social, and governance (ESG). While private investments generally account for 20% of an institutional investment portfolio, public investments can represent more than 75%. Unlike impact investments, which primarily target **private investments** that intend to generate positive social/environmental benefits alongside a financial return through mostly illiquid investment vehicles, this

course explores how endowments, foundations, pension firms, and other organizations can invest in **public investments** using environmental, social, ESG factors. ESG has captured the attention of asset owners (investors), asset managers (fund managers), and service providers (consultants) globally and is one of the fastest-growing capital market tools.

This course will broadly cover the relationships among the common MRI approaches and isolate the emergence and growth of ESG. The application of ESG factors to investment selection and its awareness among the leadership of publicly traded companies is no longer in its infancy. ESG has increasingly become a distinct career specialization for finance professionals requiring both traditional investment acumen and awareness of complexities and nuances necessary to effectively engage stakeholders—such as executives, policymakers, millennials, and the generations to come—that will shape the future.

Course and Learning Objectives

- 1) To familiarize participants with the origins of MRIs and evolution to the present, and explore the role of ESG and issues facing its application in companies and investment funds.
- 2) To enable participants to identify ESG attributes of investment funds across asset classes.
- 3) To expose participants to the manager selection process. To familiarize participants with key ESG ecosystem issues and challenges that investors face.
- 4) To prepare participants in being conversant with various ESG approaches, the motivations of ESG managers, and how investors evaluate them.

No late work will be accepted. Please be aware of deadlines for each assignment

Graded Assignment	Course Objective Covered
Weekly ESG News Article Assignments	#1
Company Analysis Assignment	#2
Mid-term Examination	#3
Team Investment Fund Pitch	#4
Term Paper	#5

Assessment Assignments and Evaluation

No late work will be accepted. Please be aware of deadlines for each assignment

The grade will be based on the following requirements:

- Personal Bio (5%)
- Weekly ESG News Article Discussion Assignments (5%)

- Class Participation/Attendance (5%)
- Company Analysis Assignment (15%)
- Mid-term Examination (20%)
- Team Investment Pitch Assignment (20%)
- Term Paper (30%)

Students will submit a *personal bio* (up to 500 words, double spaced, Times New Roman, 12 point font, 1-inch margins), which should include reasons for taking the course and general learning expectations). This assignment is due by the first day of class.

Weekly ESG News Articles are due each Monday (9/12, 9/19, 9/26, 10/3, 10/17). The Weekly News Article Discussion Assignment should be (half page minimum / 1 page maximum, single spaced, Times New Roman font, 12 point font, 1-inch margins) essay reaction to an ESG news article related to the class topic. Sources for the articles are to be from leading publications and organizations, such as *The Economist, Wall Street Journal, Financial Times, Pensions and Investments, Chief Investment Officer, Barron's, InvestmentNews*. The reaction should contain three items: (1) the title, source, and date, and author of the article, (2) a summary of the main points of the article, (3) an assessment of the strengths/weaknesses of the author's viewpoints, and (4) personal recommendations (the "so what") addressing key issues in the article. Students should be expected to discuss their weekly articles.

The *company analysis assignment* involves an evaluation of a company. Each student will produce a memo of five to seven pages (double spaced, Times New Roman font, 1inch margins, 12 point font) that identify ESG related issues that a company is facing. Students are expected to thoroughly research the ESG related issues and provide comprehensive solutions that could be actionable by company management and/or board of directors. This assignment accounts for 15% of overall class grade.

The paper should include the following sections:

1. Company Description- describe the company, when it was founded, its customers, how the company generates profits, the make up of its leadership and board. Please also list the company's competitors and where it ranks among its competition.
2. Sustainability Approach- how does the company approach sustainability and ESG? What are the key ESG factors that the company reports and how have they performed on the issues over the years?
3. ESG analysis and recommendation- provide a recommendation to the company's senior leadership and board that includes advice to improve the firm's the environmental, social, and governance standing. **This assignment is due on 9/22.**

A minimum of five sources is required, which need to be footnoted and cited. The company options are **Tesla, Robinhood, or ExxonMobil**. Additional background on the firms can be found by visiting their websites and reviewing their annual reports.

The *midterm exam* will consist of providing an essay reaction to the [2021 SEC Risk alert](#) titled “The Division of Examinations Review of [ESG Investing](#)” published on April 2, 2021. Additional information will be provided in class in advance of the midterm exam date. This assignment accounts for 20% of the overall class grade.

The *team investment fund pitch* involves verbally pitching an investment fund to the class. Each team will produce a PowerPoint presentation of up to 15 minutes investment presentation. Participants will be tasked with playing the role of an asset manager and presenting an investment idea to asset owners (audience of investors). **This assignment is due on 10/17 and will be presented in class on 10/19.**

For the *final assignment*, participants will be required to create a presentation that advances a sustainability issue. Additional information will be provided in advance of the deadline.

For *participation*, students must attend class sessions, complete the assigned readings ahead of class, and demonstrate a critical understanding of the topics through participation in class discussions, regularly asking relevant questions, and raising important issues; this will be especially true during the in-class discussion of case studies. Active student participation is a key component of the course. **Attendance will be taken during each class session.**

Letter Grades

Letter grades for the entire course will be assigned as follows:

Letter Grade	Points
A	4.0 points
A-	3.7 points
B+	3.3 points
B	3.0 points
B-	2.7 points
C+	2.3 points
C	2.0 points
C-	1.7 points
F	0.0 points

Student grades will be assigned according to the following criteria:

- (A) Excellent: Exceptional work for a graduate student. Work at this level is unusually thorough, well-reasoned, creative, methodologically sophisticated, and well written. Work is of exceptional, professional quality.
- (A-) Very good: Very strong work for a graduate student. Work at this level shows signs of creativity, is thorough and well-reasoned, indicates strong understanding of appropriate methodological or analytical approaches, and meets professional standards.
- (B+) Good: Sound work for a graduate student; well-reasoned and thorough, methodologically sound. This is the graduate student grade that indicates the student has fully accomplished the basic objectives of the course.
- (B) Adequate: Competent work for a graduate student even though some weaknesses are evident. Demonstrates competency in the key course objectives but shows some indication that understanding of some important issues is less than complete. Methodological or analytical approaches used are adequate, but student has not been thorough or has shown other weaknesses or limitations.
- (B-) Borderline: Weak work for a graduate student; meets the minimal expectations for a graduate student in the course. Understanding of salient issues is somewhat incomplete. Methodological or analytical work performed in the course is minimally adequate. Overall performance, if consistent in graduate courses, would not suffice to sustain graduate status in “good standing.”
- (C/-/+) Deficient: Inadequate work for a graduate student; does not meet the minimal expectations for a graduate student in the course. Work is inadequately developed or flawed by numerous errors and misunderstanding of important issues. Methodological or analytical work performed is weak and fails to demonstrate knowledge or technical competence expected of graduate students.
- (F) Fail: Work fails to meet even minimal expectations for course credit for a graduate student. Performance has been consistently weak in methodology and understanding, with serious limits in many areas. Weaknesses or limits are pervasive.

Overview of the Semester

- Week 1
 - Date: 9/7/2022
 - Topic: The Origins of Mission-Related Investments ○ Discuss Syllabus
 - Discuss CNBC clip: <https://www.cnbc.com/2020/06/25/what-is-esg-and-sociallyresponsible-investing.html>
 - Deliverable: Weekly ESG News Article and Bio
- Week 2
 - Date: 9/14/2022 ○ Topic: Introduction to ESG

- Provide a reaction to [Blackrock CEO](#) and [Ford Foundation CEO](#) video clips ○ Deliverable: Weekly ESG News Article
- Week 3 ○ Date: 9/21/2022 ○ Topic: Application of ESG ○ Deliverable: Weekly ESG News Article
 - Discuss ESG scores clip: <https://www.greenbiz.com/video/greenfin-22-what-esg-score-rich-mattison-andrew-siwo-heather-clancy-and-will-atcheson>
 - Deliverable: Weekly ESG News Article and Bio ○ **Company Analysis Due on 9/23 at 8 pm ET**
- Week 4 ○ Date: 9/28/2022 ○ Topic: The Return Debate ○ Deliverable: Weekly ESG News Article ○ **Mid-term Exam Due on 10/05 at 6:45 PM ET**
- Week 5 ○ Date: 10/5/2022 ○ Topic: The Manager Selection Process
 - Deliverable: Weekly ESG News Article
- Week 6 ○ Date: 10/12/2022
 - Topic: Fund Formation, Capital Raising, and Deployment
- Week 7
 - Date: 10/19/2022 ○ Topic: Activist Investing
 - Deliverable: Investment Pitch Presentations
 - **Final Exam (due 10/28)**

Detailed Course Overview

WEEK 1: The Origins of Mission-Related Investments

This session will expose participants to the history of Mission-Related Investments, including their origins and evolution. This session will also provide an overview of the main MRI investment approaches (SRI, ESG, Impact).

Readings Due (found on Brightspace)

1. Commonfund Institute. "From SRI to ESG: The Changing World of Responsible Investing." <https://files.eric.ed.gov/fulltext/ED559300.pdf>
2. Financial Times. "The ESG investing industry is dangerous." <https://www.ft.com/content/ec02fd5d-e8bd-45bd-b015-a5799ae820cf>
3. The Secret Diary of a 'Sustainable Investor' – Part 1, 2, and 3 [https://www.dropbox.com/s/bvskswxw41rh/The Secret Diary of a Sustainable Investor - Tariq Fancy.pdf?dl=0](https://www.dropbox.com/s/bvskswxw41rh/The%20Secret%20Diary%20of%20a%20Sustainable%20Investor%20-%20Tariq%20Fancy.pdf?dl=0)
4. The Anti-ESG Crusader Who Wants to Pick a Fight With BlackRock <https://www.bloomberg.com/news/articles/2022-09-01/woke-inc-author-s-firm-targets-blackrock-esg-investing>

WEEK 2: Introduction to ESG

This session will explore and analyze ESG approaches (active engagement, best in class, integration, thematic), and expose participants to ESG application across asset classes.

Readings Due (found on NYU Classes)

1. F. Hoque, "Moving Forward with Sustainable Investing: A Roadmap for Asset Owners." US Sustainable Investor Forum. https://mikenowak.net/wp-content/uploads/2019/08/USSIF-AssetOwner_Roadmap.pdf
2. CFA Institute. Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals. <https://www.cfainstitute.org/-/media/documents/article/position-paper/esg-issues-in-investing-a-guide-for-investmentprofessionals.ashx>

WEEK 3: Application of ESG

This session will introduce [ESG scores](#) their pros and cons, and other related topics. This session will also explore the efficacy of ESG factors. <https://www.youtube.com/watch?v=79rZm7FCkOU>

Readings Due (found on NYU Brightspace)

1. MSCI. "MSCI ESG Ratings: More Data. More Context. More Informed Decisions." <https://www.msci.com/documents/1296102/15233886/MSCI-ESG-Ratings-Brochurecbren.pdf/7fb1ae78-6825-63cd-5b84-f4a411171d34?t=1572865945980>
2. T. Doyle. American Council for Capital Formation. "Ratings that Don't Rate." https://accfcorgov.org/wp-content/uploads/2018/07/ACCF_RatingsESGReport.pdf
3. Exposure Draft of the ESG Disclosure Standard for Investment Products. <https://www.cfainstitute.org/-/media/documents/support/ethics/exposure-draft-cfainstitute-esg-disclosure-standards-for-investment-products.ashx>

WEEK 4: The Return Debate

This session will cover the performance of ESG-focused funds relative to conventional funds, as well as general performance metrics and how to interpret them.

Readings Due (found on NYU Brightspace)

1. WHEB Asset Management Quarterly Report. <http://www.whebgroup.com/media/2019/10/20190930-WHEB-Q3-2019-ReviewFINAL.pdf>
2. Cornerstone. "Investing for Impact and Performance." <https://cornerstonecapinc.com/wpcontent/uploads/Investing-for-Impact-and-Performance-April-2018.pdf>
3. Cornerstone. "The Myth of Underperformance." cornerstonecap.wpengine.com/wpcontent/uploads/2015/09/The-Myth-of-Underperformance.pdf
4. The S&P 500 ESG Index Defining the Sustainable Core https://www.spglobal.com/spdji/en/documents/education/education-sp-500-esg-indexdefining-the-sustainable-core.pdf?force_download=true

WEEK 5: The Manager Selection Process

This session will cover how asset owners (such as investment consultants, foundations, endowments, and public pensions) evaluate asset managers, particularly those that claim to integrate ESG factors.

Readings Due (found on NYU Brightspace)

1. UNPRI. “Investment Consultants and ESG: An Asset Owner Guide”
<https://www.unpri.org/download?ac=6721>
2. Siwo, "A Primer for Evaluating Impact Investment Managers.”
<https://www.pionline.com/industry-voices/commentary-primer-evaluating-impactinvestment-managers>
3. UNPRI “Asset Owner Selection Guide.” <https://www.unpri.org/download?ac=4677>

WEEK 6: Fund Formation, Capital Raising, and Deployment

This session will introduce participants to the process of launching an investment fund and the challenges investment managers face when raising and deploying capital.

Readings Due (found on NYU Brightspace)

1. BCG. “Making ESG Your DNA.”
<https://webassets.bcg.com/10/57/8e4b93cd4be79cb3f200f53c0344/making-esg-your-dnaseptember2020.pdf>
2. Naked Capitalism Vista Equity Partners Limited Partnership Agreement-
https://nakedcapitalism.net/LPAs/verified-as-LPAs/vistaPA_searchable.pdf
3. Refugee ETF <https://www.morganstanley.com/ideas/kellogg-morgan-stanley-sustainable-investingchallenge-2020-winner>

WEEK 7: Activist Investing (Diversity, Equity, Inclusion & Climate Change)

This session will introduce the fundamentals of activist investing, its role in the capital markets, and the mechanics involved in its execution.

Readings Due (found on NYU Brightspace)

1. Harvard Law School Forum on Corporate Governance. [The Activist Investing Annual Review 2020](#)
2. New York State Common Retirement Fund. [“Civil Rights, Equity, Diversity and Inclusion Audit.”](#)
3. McKinsey and Company. [How private equity can catalyze diversity, equity, and inclusion in the workplace](#)
4. Climate Change and Institutional Investors. Savvy investor.

NYU Brightspace

All announcements, resources, and assignments will be delivered through the NYU Brightspace site. I may modify assignments, due dates, and other aspects of the course as we go through the term with advance notice provided as soon as possible through the course website.

Academic Integrity

Academic integrity is a vital component of Wagner and NYU. All students enrolled in this class are required to read and abide by [Wagner's Academic Code](#). All Wagner students have already read and signed the [Wagner Academic Oath](#). Plagiarism of any form will not be tolerated, and students in this class are expected to report violations to me. If any student in this class is unsure about what is expected of you and how to abide by the academic code, you should consult with me.

Henry and Lucy Moses Center for Students w/ Disabilities

Academic accommodations are available for students with disabilities. Please visit the [Moses Center for Students with Disabilities \(CSD\) website](#) and click the "Get Started" button. You can also call or email CSD (212-998-4980 or mosescsd@nyu.edu) for information. Students who are requesting academic accommodations are strongly advised to reach out to the Moses Center as early as possible in the semester for assistance.

NYU's Calendar Policy on Religious Holidays

[NYU's Calendar Policy on Religious Holidays](#) states that members of any religious group may, without penalty, absent themselves from classes when required in compliance with their religious obligations. Please notify me in advance of religious holidays that might coincide with exams to schedule mutually acceptable alternatives.

Chinese and Hong Kong Residents

China has imposed new restrictions on speech. NYU cannot protect students who are abroad and cannot guarantee the security of the Internet networks. Should a student face difficulties related to academic speech, NYU will try to help, but has limited ability to intervene in legal systems outside the U.S.