

BA 4842 – Sustainable Finance

Course Schedule (Tuesday / Thursday, 08:40- 10:15)

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Office Hours:	
Course Web Page:	
<b>Course Description:</b>	
<p>This course introduces students to the fundamental principles, tools, and practices of Sustainable Financing and sponsors &amp; lenders approaches to sustainability issues in Corporate and Project Finance. There is a growing awareness in global financial system with regard to green and sustainable financing, taking into account also inclusive development, gender issues and climate risk concerns. It is getting more and more difficult to raise available funds for corporate needs or project finance deals unless parties commit sustainability targets. Students will explore, in this course, financing mechanisms promoting Sustainable Development Goals (SDGs), green/sustainable/blue bonds, capital mobilization, ESG (Environment, Social and Governance) frameworks, and blended finance. Main trends in financial world with regard to sustainability, climate and environmental risks, inclusiveness, gender issues, risk mitigation tools will be covered under real banking practices. Course will start with general banking framework (how important banks are in financial system, how banks are managed and so on) and go into details of ESG components of financing, monitoring and measuring targets, relevance of ESG targets with cost of finance and reflection of these global trends in Turkish Banking industry with real cases. General approaches and applications of major banks and Banking Authority (BRSA) together with regulatory initiatives in Turkish banking system will be discussed. An important part of the course dives into the structure, risk management, risk mitigators of corporate and project finance in a general perspective, with case studies on working capital, infrastructure, energy, and development finance. Main focus will be bankability of the financial demands, whether for corporate or project finance deals with regard to sustainability concerns of the banks. The course encourages analytical, ethical, and strategic thinking around sustainability targets of Turkish banks, to whom Turkish financial system dependence is extremely high, which may really have a considerable impact on triple transformation (green, social and technological / digital) of Türkiye. Within the course, a special attention will be given to renewable energy sector which has been one of the most important investment area in Türkiye in last 20 years. Large infrastructure investments in last 25 years (motorways, bridges, airports, healthcare facilities) will also be analyzed to understand how banks are concerned with sustainability issues while financing such big deals. Typical banking practices will be explained around sustainability concepts.</p> <p>In essence, this is a Banking course and students having a financial background are expected to capture core of banking business and understand how banks approach to a challenging financial system by completing the course.</p>	
<b>Course Student Learning Objectives: (CSLOs)</b>	
<p>Upon successful completion of this course, students should be able to:</p> <p><b>Course Specific Skills:</b></p> <ol style="list-style-type: none"> <li>1. General overview of Turkish financial system, role of banks and impact of lending activities in triple transformation (green, social and technological / digital). How banks are managed will also be discussed.</li> <li>2. Understand core concepts and instruments in sustainability financing, including ESG criterion, inclusive financing, green / sustainable/blue/transition bonds and climate finance.</li> </ol>	

3. Analyze corporate and project finance structures, differences, risk allocation, risk sharing and risk mitigators, sponsors versus lenders approaches to sustainability targets. ESG parameters in bank lending policies. Incorporation of ESG targets to credit decision making mechanism.
4. Evaluate financing strategies for working capital, infrastructure and sustainable development projects using real-world case studies. Renewable energy and infrastructure sectors as case studies: Importance and impact of sustainability approaches of investors and banks in a sector attracting huge investments in last 20 years.
5. ESG targets of banks and companies, reporting financial and non-financial results together (“integrated reporting”).
6. Green washing examples, importance of sustainability measures on credibility (of banks, companies).
7. Analysis and comparison of major Turkish banks’ integrated reports.

#### **Discipline Specific Skills:**

8. Integrate sustainability considerations into financial analysis and investment decision-making.
9. Develop and interpret basic financial models for project finance in general (DCF, NPV, IRR, sensitivity analysis).
10. Apply international standards and regulatory frameworks in corporate finance and project finance contexts. Analyze financial and non-financial risks in projects and methods / tools to mitigate.
11. Different approaches between commercial and development banks in sustainability approaches, both from funding and lending perspectives.
12. Focusing on “green washing” concept. Real cases.
13. Role of Banks in triple transformation. Changing approaches, new organizational structures, new skills.
14. Importance of private capital in transformation. How to mobilize private capital for sustainable financing?
15. Role of DFIs (Development Finance Institutions) in transforming economies. Turkish case.
16. Main trends in banking industry.

#### **Personal and Key Skills:**

17. Communicate complex financial and sustainability issues clearly and effectively in written and oral forms.
18. Collaborate in diverse teams to analyze financial problems and propose responsible investment strategies.
19. Demonstrate ethical reasoning and awareness of environmental, social, and governance issues in financial decisions.

#### **Learning and Teaching Methods:**

This course is going to make use of lectures and interactive discussions, case study analysis (e.g., corporate lending, renewable energy, infrastructure projects), group presentations, guest speakers from the financial industry (loan underwriters, risk managers, environment and sustainability leaders, investment bankers), and independent reading and research assignments. ***Attendance to class is highly recommended.***

#### **Required Reading:**

1. Yescombe, E.R. (2013). *Principles of Project Finance*. 2nd ed. Academic Press.

#### **Suggested Readings:**

1. Gatti, S. (2018). *Project Finance in Theory and Practice*. 3rd ed. Elsevier.
2. World Bank & IMF Reports on Sustainable Development Financing
3. UN PRI, ICMA Green Bond Principles, EU Taxonomy Regulation
4. Academic articles and practitioner reports (provided via ODTUClass)
5. Disclosed integrated reports of major Turkish banks.
6. To be provided during the Course.

#### **Assessment and Grading:**

Form of Assessment	% Contribution	Size of the assessment	CSLOs covered by the assessment	Feedback Method
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Midterm Examination	25	90-minute essay-type examinations	1-8 and 12	Written
Final Examination	50	120-minute essay-type examination	1-16	Written
Case Study	15	Self-study hours (2+ hours)	2, 3, 4, 5,9	Written and oral (in class)
Participation in discussions	10	Class participation during regular lectures	2,3, 4	Written

**Note:** There may be off-class sessions to be announced beforehand. In these sessions, current developments in Turkish economy and specifically in banking sector will be discussed interactively. Attendance to these sessions is voluntary-based and students of the course will **not** be responsible from assessment/grading point of view for issues discussed in these voluntary sessions

#### Course Policies:

**STUDENT DISABILITIES:** Any student, who, because of a disabling condition, may require special arrangements in order to meet course requirements, should contact the instructor as soon as possible. Students should present the appropriate documentation from the university's Disability Support Office (Engelsiz ODTÜ Birimi, ODTÜ Kütüphanesi, Solmaz İzdemir Salonu, Tel: 210.7196; [engelsiz@metu.edu.tr](mailto:engelsiz@metu.edu.tr)) verifying their disability, and outlining the special arrangements required. Please note that no accommodations will be provided to the disabled students prior to the completion of this approved University process.

**ACADEMIC DISHONESTY:** The Department of Business Administration has no tolerance for acts of academic dishonesty. Such acts damage the reputation of METU, the department and the BA/MBA/MS degree and demean the honest efforts of the majority of the students. The minimum penalty for an act of academic dishonesty will be a zero for that assignment or exam.

**CHEATING:** All university, faculty/institute, and department principles on academic honesty will be strictly enforced. The usual consequence for academic dishonesty is failure of the course and referral of the case to the Dean of the Faculty/Institute for additional disciplinary action. Examinations are individual and are to be completed without outside assistance of any sort. Persons observed cheating during examinations will receive a failing grade in the course. Homework assignments are individual, unless otherwise specified by the instructor, and are to be completed without outside assistance of any sort, as well. Persons observed cheating in their homework assignments will receive a score of zero for the portion of the semester grade that is allocated to such assignments.

**PLAGIARISM:** The instructor assumes that students will do their own work. By placing their names on assignments (individual or team), students are affirming that the contents are their original work. Any previous work available from files or past students, as well as materials available on the internet may be used only as a suggestive model. Violation of this provision will be considered as unethical behavior, subject to disciplinary action. If you have any doubt about the use of a specific material, see the instructor ahead of time. Any material used from outside sources should be referenced appropriately.

Please read the following documents carefully:

Turkish: [ODTÜ Akademik Dürüstlük Kılavuzu](#)

English: [METU Academic Integrity Guide](#)

Turkish: [ODTÜ Sınav Kuralları Kılavuzu](#)

English: [METU Examination Rules Guide](#)

## METU HONOR CODE

Every member of METU community adopts the following honor code as one of the core principles of academic life and strives to develop an academic environment where continuous adherence to this code is promoted.

"The members of the METU community are reliable, responsible and honorable people who embrace only the success and recognition they deserve, and act with integrity in their use, evaluation and presentation of facts, data and documents."

### KNOW YOUR RIGHTS AND RESPONSIBILITIES!

<http://oidb.metu.edu.tr/en/academic-rules-and-regulations>

NOTE THE IMPORTANT DATES ON THE ACADEMIC CALENDAR! <http://oidb.metu.edu.tr/en/academic-calendar>

The instructor assumes that students who attend the next class have understood and accepted to agree with all the requirements and rules of this course.

The following table gives the tentative schedule for the semester. The lectures will stress the most important and/or most difficult material. Appendices are required only if they are assigned. The students are required to read the chapters and appendices before they are covered in class.

Tentative Course Schedule				
Month	Day	Topic	Reading/ Assignment	CSLO
September	30	Turkish Financial System, Role of Banks	To be provided	1
October	2	Turkish Financial System, Role of Banks	To be provided	1
	7	Banks and Companies approaches to sustainable finance. Corporate & Project Finance.	To be provided	2,3
	9	Banks and Companies approaches to sustainable finance. Corporate & Project Finance.	To be provided	2,3
	14	Main concepts: Sustainability, inclusiveness, climate finance, ESG and SDG targets, sustainable fund raising	To be provided	3,4,5
	16	Main concepts: Sustainability, inclusiveness, climate finance, ESG and SDG targets, sustainable fund raising.	To be provided	3,4,5
	21	Main concepts: Sustainability, inclusiveness, climate finance, ESG and SDG targets, sustainable fund raising.	To be provided	3,4,5
	23	Case studies: Corporate and Project Finance. Sustainability issues. Awareness and conflicts.	To be provided	3,4,5,8
	28	Case studies: Corporate and Project Finance. Sustainability issues. Awareness and conflicts.	To be provided	3,4,5,8
	30	ESG&SDG targets, reporting matters, auditing responsibilities.	To be provided	5,7
November	4	ESG&SDG targets, reporting matters, auditing responsibilities.	To be provided	5,7
	6	ESG&SDG targets, reporting matters, auditing responsibilities.	To be provided	5,7
	11	Integrated reporting. Evolving regulations. Comparing and analyzing disclosed reports of major Turkish Banks.	To be provided	5,7
	13	Green Washing. Importance of monitoring and auditing in sustainable finance. Execution. Real life examples.	To be provided	6,12
	18	<b>Mid-term Exam</b> Importance of sustainability issues in investment decision making: How to raise available funds in banking system and capital markets (IPOs, bond issuing, etc.).	To be provided	8
	20	Importance of sustainability issues in investment decision making: How to raise available funds in banking system and capital markets (IPOs, bond issuing, etc.).	To be provided	8
	25	Modelling and analyzing Project Finance in line with sustainability targets (explanation of DCF, NPV, IRR and sensitivity terminologies from banking perspective, basically). How to incorporate Sustainability issues to Project Finance to secure available financing? Relevance of sustainability to bankability of projects?	To be provided	9,10
	27	Modelling and analyzing Project Finance in line with sustainability targets (explanation of DCF, NPV, IRR and sensitivity terminologies from banking perspective, basically). How to incorporate Sustainability issues to Project Finance to secure available financing? Relevance of sustainability to bankability of projects?	To be provided	9,10
December	2	Modelling and analyzing Project Finance in line with sustainability targets (explanation of DCF, NPV, IRR and sensitivity terminologies from banking perspective, basically). How to incorporate Sustainability issues to Project Finance to secure available financing? Relevance of sustainability to bankability of projects?	To be provided	9,10
	4	Modelling and analyzing Project Finance in line with sustainability targets (explanation of DCF, NPV, IRR and	To be provided	9,10

		sensitivity terminologies from banking perspective, basically). How to incorporate Sustainability issues to Project Finance to secure available financing? Relevance of sustainability to bankability of projects?		
	9	Modelling and analyzing Project Finance in line with sustainability targets (explanation of DCF, NPV, IRR and sensitivity terminologies from banking perspective, basically). How to incorporate Sustainability issues to Project Finance to secure available financing? Relevance of sustainability to bankability of projects?	To be provided	9,10
	11	Modelling and analyzing Project Finance in line with sustainability targets (explanation of DCF, NPV, IRR and sensitivity terminologies from banking perspective, basically). How to incorporate Sustainability issues to Project Finance to secure available financing? Relevance of sustainability to bankability of projects?	To be provided	9,10
	16	Evolving banking system in line with sustainability targets. New structures, new skills.	To be provided	1-16
	18	Evolving banking system in line with sustainability targets. New structures, new skills.	To be provided	1-16
	23	Importance of private capital for sustainability. How to mobilize private capital in Türkiye?	To be provided	14
	25	Role of DFIs in transformation. Türkiye case. How do these national and multi-national giants work.	To be provided	11
	30	Main trends in banking industry. Comprehending remarks.	To be provided	1-16
January		Final Examination		1-16