

TED UNIVERSITY
Department of Business Administration
ESG Investments Course Syllabus
Spring 2022

Class Meeting Information

Day / time: Thursday, 18:00-21:00

Room: Zoom Connection

Instructor Information

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Sustainable Finance & ESG Investments Course Syllabus**Course Description****Prerequisites - Classes or Knowledge Required for this Course**

Fundamental economics & finance.

Course Objectives

The importance of sustainable finance and ESG (Environmental, social and governance) investing are rapidly growing in recent years. Beside regulatory pressure, voluntary initiatives have also played a major role in this development. This trend now has a growing impact on finance and investment world. ESG screening has become a global industry standard for the growing number of corporations, stock markets, financial intermediaries, institutional investors, NGOs', and government agencies. Sustainable finance and ESG incorporate a large number of metrics into investment and finance analyses such as ethical investment, corporate social responsibility, and environmental investment metrics. Obviously, Covid-19 period also underlines the role and importance of these metrics in the finance world.

The main objective of this course is to provide theoretical, conceptual, and practical tools for the sustainable finance and ESG investing. This framework aims to redefine investment and finance framework based on the ESG investing metrics. At the end of the course, our participants will have a clear insight about sustainable finance and ESG investing.

Students who complete this course should be able to:

- Build a bridge between sustainable investment, green finance, and corporate financial performance,
- Analyze CO2 emission market, ESG metrics, climate risk pricing, and socially responsible investing,
- Develop a linkage between corporate social responsibility (CSR) and corporate financial performance,
- Learn mandatory & voluntary environment for ESG & sustainability accounting and reporting,
- Discuss strategies for adding ESG to institutional/physical investment and asset portfolio management.

Course Text or Online Resources Books**Required Textbooks:****Environmental Finance: A Guide to Environmental Risk Assessment and Financial Products**

Sonia Labatt and Rodney R. White, John Wiley & Sons, Inc. / Wiley Finance, 2002.

Sustainable Investing for Institutional Investors

Mirjam Staub-Bisang (Ed.), John Wiley & Sons, Inc, 2012.

Environmental Finance and Investments

Marc Chesney, Jonathan Gheysens, Luca Taschini, Springer, 2013 (DOI 10.1007/978-3-642-36623-9).

Optional Textbooks**Sustainable Finance and Banking: The Financial Sector and the Future of the Planet**

Marcel Jeucken, Earthscan Publications Ltd, 2001.

Corporate Sustainability

Taticchi, P., Carbone, P., & Albino, V. (Eds.). New York: Springer. 2013.

Handbook on international corporate governance: country analyses

Mallin, C. A. (Ed.). Edward Elgar Publishing. 2006.

Corporate Governance in Emerging Markets: Theories, Practices and Cases

Sabri Boubaker and Duc Khuong Nguyen (Eds.). Springer. 2014.

Environmental, Social, and Governance (ESG) Investing

John Hill, Academic Press, 2020.

Global Project Finance, Human Rights and Sustainable Development

Sheldon Leader and David Ong, Cambridge University Press, 2011.

Values at Work: Sustainable Investing and ESG Reporting

Daniel C. Esty and Todd Cort (Eds.), Springer Nature, 2020.

Environmental Finance for the Developing World

Michael Curley, Taylor & Francis Group, 2020.

CSR, Sustainability, Ethics & Governance

Paolo Taticchi, Paolo Carbone, and Vito Albino (Eds.), Springer, 2013.

Venture Capital and Responsible Investing

Meles, A. (2021). Venture Capital and Responsible Investing: Progress, Problems and Perspectives (in “The Evolution of Sustainable Investments and Finance: Theoretical Perspectives and New Challenges, Eds., Gangi et al., Palgrave MacMillan)

Optional Journal Articles&Book Chapters&Reports

Alessandrini, F., & Jondeau, E. (2020). ESG investing: From sin stocks to smart beta. The Journal of Portfolio Management, 46(3), 75-94.

Botsari, A., & Lang, F. (2020). ESG considerations in venture capital and business angel investment decisions: Evidence from two pan-European surveys (No. 2020/63). EIF Working Paper.

Cornell, B., & Shapiro, A. C. (2021). Corporate stakeholders, corporate valuation and ESG. European Financial Management, 27(2), 196-207.

Coskun, Y. and Unalmis, I. (2021). Role of Governments in Enhancing Green Digital Finance For Meeting SDGs (in, Green Digital Finance for Achieving Sustainable Development Goal, Eds.: Taghizadeh-Hesary, F. and Hyun, S., Springer) (forthcoming).

Inderst, G., & Stewart, F. (2018). Incorporating environmental, social and governance (ESG) factors into fixed income investment. World Bank Group publication, April.

Mishra, L., & Kaushik, V. (2021). Application of blockchain in dealing with sustainability issues and challenges of financial sector. Journal of Sustainable Finance & Investment, 1-16.

Pedersen, L. H., Fitzgibbons, S., & Pomorski, L. (2021). Responsible investing: The ESG-efficient frontier. Journal of Financial Economics, 142(2), 572-597.

Schramade, W. (2016). Integrating ESG into valuation models and investment decisions: the value-driver adjustment approach. Journal of Sustainable Finance & Investment, 6(2), 95-111.

Evaluation and Grading: (to be determined according to the class size and profile)

Mid-term exam: 10% (week 5)

Final Exam: 20 % (week 14)

Term Paper: 50 % (paper delivery and presentation) (week 13)

Class Participation, Active Involvement in Class and Case Study Discussions: 20 %

Total 100%

Course Outline Sustainable Finance & ESG Investments (projected for 14 week)

Lecture 1-3	<u>Selected Discussions:</u> What is environmental finance? Value maximization, risk management and sustainability: players and organization structure for sustainable finance in banking, insurance, and investment. Lecture 1-3: Introduction to Environmental Finance and Sustainability
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	• Linear-Circular Economy; Sustainable Development Goals (SDGs); Ethical-Impact Investment • Sustainable Development, Green Economy & Green Finance (CH 1; Taticchi et al., 2013) • Environmental Finance: Concept and Tools (CH 2&3; Labatt & White, 2002) • Climate Change and Financial Vulnerabilities (CH 7; Labatt & White, 2002) • CO2 Emission Market; Mngmt&Climate Risk Pricing (CH 3-6; Chesney, 2013; CH 3-Taticchi et al., 2013) • Sustainability & Challenges for Companies (CH 3-Jeucken, 2001; CH 4&6 ; Labatt & White, 2002) • Strategies for Managing Environmental Change (Chapter 9; Labatt & White, 2002) • Organization & Communication of Sustainability (CH 8-Jeucken, 2001; CH-8, Taticchi et al., 2013) • Sustainability in Financial Services (CH 6; Jeucken, 2001; CH 3-Labatt & White, 2002) • Sustainability in Banking & Stock Market Investing (CH 10-Jeucken; 2001) • Sustainability in Project Finance (CH 2&4- Leader and Ong, 2011) Case Studies: (i) Covid 19, Business Continuity Management & Sustainability, (ii) Integrating Sustainability in Capital Budgeting Decisions (CH 5-Taticchi et al., 2013)
Lecture 4-6	Selected Discussions: What are the importance of corporate governance and socially responsible investing (SRI) rules in corporate management? Does sustainability impose a financing risk to the firms? What are the impacts of going green in banking, insurance and investment industries? What are the specific roles of institutional investors in sustainable financial investments? Lecture 4-6: Sustainability and Investments • Corporate Governance, Sustainability and SRI (Part 1, Boubaker and Nguyen, 2014) • Blockchain Applications and Sustainability (Mishra and Kaushik, 2021) • Green Digital Finance and Sustainable Development Goals (Coşkun and Ünalımsız, 2021) • Impact for Banking: Environmental Products (CH 4&5-Labatt&White, 2002; CH 4-Jeucken, 2001) • Impact for Insurance: Environmental Risks and Management (CH 5- Labatt & White, 2002) • Impact for Investment: ESG Investment Perspectives (CH 6; Labatt & White, 2002; Inderst and Stewart, 2018) • Sustainable Investment Strategies of Institutional Investors (Chapter 7/15/16/17-Bisang, 2012) Case Study: Financing the Transition to Green Infrastructure (Chapter 8-Esty& Cort, 2020). Mid-term exam (week 5)
Lecture 7-9	Selected Discussions: What is corporate governance and ethical investment? What are the costs & benefits of sustainable investments? What is ESG investing? Does <i>eco-advantage</i> is a valid argument? Does ESG investing is profitable? How we can measure the costs & benefits of ESG investing? How emerging markets adopt ESG investing? How can we measure and present ESG performance? Lecture 7-9: Sustainable Investments and ESG Investing • Theories of Sustainable & ESG Investing (Inderst and Stewart, 2018; CH 6-Esty; Cort, 2020; Pedersen et al., 2021) • Data Sources in Global ESG Metrics and ESG Financial Products (CH 8/9/10-Esty& Cort, 2020) • Defining and Measuring ESG Performance (Chapter 9/10/11/12-Hill, 2020; Alessandrini et al., 2020) • Risks and Rewards of ESG& Sustainable Investments (CH 5; Bisang, 2012; CH 2&14; Hill, 2020) • Integrating ESG into Business Valuation (Schramade, 2016; Cornell and Shapiro, 2021) • Strategies for adding ESG to Portfolio: Sustainable Investment Strategies Across Asset Classes: • <i>Real Assets, Fixed Income, Equities, Real Estate, Private Equity, Commodities</i> (CH 8/9/10/11/12/13-Bisang, 2012; CH 6/7-Hill, 2020; CH 9-Esty& Cort, 2020) • Corporate Governance and ESG practices in Emerging Markets and Turkey (CH 11, Mallin 2006; Part 3, Boubaker and Nguyen, 2014; CH 15 Hill, 2020) • Case Studies: ESG Investments in Venture Capital and in Other Initiatives (CH 11-15, Hill, 2020; Botsari, and Lang, 2020; Meles, 2021) Case Studies: (i) ESG Data Shortcomings (Chapter 4-Esty& Cort, 2020), (ii) ESG Investing in Advanced Market REITs
Lecture 10-14	Selected Discussions: What are the metrics of environmental accounting, verification, and reporting? What is climate risk disclosure? What are the main principles in environmental accounting and reporting? How ESG regulation disclosure works? Lecture 10-14: Environmental Accounting and Reporting • SDGs and ESG Regulations in the World • Environmental Reporting and Verification (CH 8; Labatt & White, 2002) • Asset-Level Physical Climate Risk Disclosure (CH 3/5-Esty& Cort, 2020). • Environmental Accounting & Reporting (CH 8; Labatt & White, 2002; CH 2-Esty& Cort, 2020). • ESG Regulations and ESG Reporting in US (CH 11/12/14-Esty& Cort, 2020) Final exam (week 14)