

Module Outline

Module Title:	Green Finance and Sustainability
QF Level:	Reference is being taken and pitched to HKQF Level 5
QF Credit:	30 credits for Professional Diploma of Certified Banker (15 contact hours and 3 examination hours)
Teaching/Training & Learning Activities:	Training Class
Pre-requisite:	N/A

Module Objective:

This module aims to develop candidates' comprehensive knowledge, skills and understanding relating to green finance and sustainability and the relationship between green and sustainable finance and ESG. With the study of internationally-recognised as well as local banking principles and practice in the full spectrum of green finance and sustainability, together with guidelines from local regulator and case studies, learners will be able to understand how to help bank deliver its strategy, perform well at work, serve customers, communities and the wider environment to manage climate-related risk, and support the transition to a low-carbon and sustainable world with the provision of green and sustainable finance.

Module Intended Learning Outcome (MILO) & Unit of Competencies (UoCs)

Upon completion of the module, learners should be able to:

MILO1:	Assess the latest development, governance factors, good practices and market trends in Green Finance and Sustainability to meet the transformation and changing needs in the banks and financial institutions;	107465L5 109252L5 109268L5 109269L5 109415L5 109443L5
MILO2:	Analyse the major green debt financing instruments;	
MILO3:	Evaluate different factors relevant in ESG investing, the application of ESG valuation in equity and bonds, and the ESG consideration in the investment process; and	
MILO4:	Apply the major green finance certifications and ESG ratings being used in the market to different development and operational processes.	

Assessment Activity

Type of Assessment Activity	MILOs	Weighting (%)
Examination	MILO 1-4	100

Examination Format and Duration

Time allowed: 3 hours

The examination consists of 50-60 multiple choice questions and 2 out of 3 essay questions

Passing mark for this subject is 60%

Syllabus

Chapter 1: Overview of Green Finance and ESG	
1	Introduction to ESG <ul style="list-style-type: none">1.1 - What is ESG1.2 - ESG Strategies1.3 - ESG Equity and Debt Investment1.4 - Relationship among ESG, Green Finance, and Sustainability1.5 - Influence and Impact of Climate Risk on the Banking Industry1.6 - ESG Regulatory Development
2	Climate Transition Finance <ul style="list-style-type: none">2.1 - Company's Climate Transition Strategy2.2 - Company's Business Model Environmental Materiality2.3 - Company's Implementation Transparency
3	Introduction Green Loans and Green Bonds <ul style="list-style-type: none">3.1 - Green Loan Principles3.2 - Green Bond Principles3.3 - Social Bond Principles3.4 - Sustainability Bonds Guidelines3.5 - Green Regulatory Development3.6 - Emergence of Blue Finance
Chapter 2: Green Finance Instruments	
1	Green Debt <ul style="list-style-type: none">1.1 - Green Loans vs. Green Bonds1.2 - Identification of Eligible Green Projects1.3 - Bond Issuer Green Framework1.4 - Green Washing Risks
2	Green Securitisation <ul style="list-style-type: none">2.1 - Defining Green Securitisation2.2 - Green Securitisation vs. Green Bonds2.3 - Green Auto ABS2.4 - Solar ABS2.5 - Green RMBS
Chapter 3: ESG Investing Consideration	
1	ESG Analysis <ul style="list-style-type: none">1.1 - ESG Value Drivers

1.2	- Analysis of Environmental Factors
1.3	- Analysis of Social Factors
1.4	- Analysis of Governance Factor
1.5	- Identifying ESG Risks from Banks' perspective
1.6	- Identifying ESG Opportunities from Bank's perspective
2	ESG Valuation
2.1	- ESG and Valuation Models
2.2	- ESG in Equity Valuation
2.3	- ESG in Fixed Income Valuation
3	ESG Investment Decision Process
3.1	- ESG Investment Guidelines
3.2	- ESG Asset Allocation
3.3	- ESG Company Analysis
3.4	- Socially Responsible Investing (SRI)
Chapter 4: Green Finance Certification and ESG Rating	
1	Overview of Green Finance Certification and ESG Rating Global Practice
1.1	- Green Certification: Market Development, Major Players (Sustainalytics, HKQAA, S&P)
1.2	- ESG Ratings: Market Development, Major Players (MSCI, Sustainalytics)
2	HKQAA Green Finance Certification
2.1	- Green Finance Design: Core Reference and Qualitative Approach
2.2	- Green Finance Scheme Setting: Pre-Issuance and Post-Issuance Stages
2.3	- Green Certification Process
3	MSCI ESG Rating
3.1	- MSCI ESG Rating Scale
3.2	- MSCI ESG Rating Methodology Three Pillars
3.3	- MSCI ESG Key Issue Hierarchy
3.4	- MSCI ESG Rating Process

Essential Readings:

For the whole module:

- HKIB: Study Guide – Green Finance and Sustainability (2022)

Supplementary Readings:

Chapter 1

- LSTA – Green Loan Principles (2021)
<https://www.lsta.org/content/green-loan-principles/>
- ICMA – Green Bond Principles (2021)
<https://www.icmagroup.org/News/news-in-brief/green-and-social-bond-principles-2021-edition-issued/>
- ICMA – Climate Transition Finance Handbook (2020)
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Climate-Transition-Finance-Handbook-December-2020-091220.pdf>
- MSCI – Introducing ESG Rating (2018)
<https://www.msci.com/documents/1296102/7943776/ESG+Investing+brochure.pdf/bcac11cb-872b-fe75-34b3-2eaca4526237>

Chapter 2

- FSDC – Hong Kong as a Regional Green Finance Hub (2016)
<https://www.fsd.org.hk/media/1eontef/press-release-green-finance-english.pdf>
- HKSAR – Hong Kong Green Bond Report (2021)
https://www.hkgb.gov.hk/en/others/documents/Green_Bond_Report_2021.pdf
- Fitch – Green Securitisation: Developments and Challenges (2021)
<https://www.fitchratings.com/research/structured-finance/green-securitisation-developments-challenges-15-04-2021>

Chapter 3

- FSDC – Developing into the Global ESG Investment Hub of Asia (2022)
<https://www.fsd.org.hk/en/insights/hong-kong-developing-into-the-global-esg-investment-hub-of-asia>

- IOSCO – ESG Ratings and Data Products Providers (2021)
<https://www.hkgreenfinance.org/iosco-consults-on-esg-ratings-and-data-providers/>
- OECD – ESG Investing Practices, Progress and Challenges
<https://www.oecd.org/finance/ESG-Investing-Practices-Progress-Challenges.pdf>

Chapter 4

- HKQAA – Green Finance Certification Scheme Handbook
http://www.hkqaa.org/cmsimg/Green%20Finance/GFCS_green_fund_handbook_hyperh.pdf
- HKQAA – Green and Sustainable Finance related Certification List of Certification (2021)
http://www.hkqaa.org/cmsimg/GreenFinance/20211008_HKQAA_GSFCS_list.pdf
- MSCI – ESG Ratings Methodology Executive Summary (2020)
<https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>
- MSCI – ESG Metrics Calculation Metrics Calculation Methodology (2020)
https://www.msci.com/documents/10199/1283513/MSCI_ESG_Metrics_Calc_Methodology_Dec2020.pdf/92a299cb-0dbc-63ba-debb-e821bd2e2b08

Other Further Readings:

Chapter 1

- S&P - Global Sustainable Bond Issuance To Surpass \$1.5 Trillion In 2022 (2022)
<https://www.spglobal.com/ratings/en/research/articles/220207-global-sustainable-bond-issuance-to-surpass-1-5-trillion-in-2022-12262243>
- SCMP - JPMorgan expects ESG bond issuance in Asia to nearly double in 2022 amid investor demand and climate change efforts (2022)
<https://www.scmp.com/business/banking-finance/article/3154220/jpmorgan-expects-esg-bond-issuance-asia-nearly-double-2022>

Chapter 2

- HKEX – The Burgeoning Mainland Green ABS Market and the Potential Support from the Hong Kong Market (2021)
https://www.hkex.com.hk/-/media/HKEX-Market/News/Research-Reports/HKEx-Research-Papers/2021/CCEO_GreenABS_202105_e.pdf?la=en

- SCMP - 'Greenwashing' concerns raised as Hong Kong airport floats green bond (2022)
<https://www.scmp.com/business/article/3162333/sustainable-finance-greenwashing-concerns-raised-hong-kong-airport-floats>

Chapter 3

- AsianInvestor - Client demand the driving force behind ESG investment in APAC: survey (2021)
<https://www.asianinvestor.net/article/client-demand-the-driving-force-behind-esg-investment-in-apac-survey/473578>
- SCMP - Can Hong Kong help cut through the alphabet soup of global ESG rules? (2022)
<https://www.scmp.com/business/article/3164217/green-finance-global-standard-may-cut-through-alphabet-soup-global-esg>

Chapter 4

- Bloomberg – the ESG Mirage (2021)
<https://www.bloomberg.com/news/audio/2021-12-10/the-esg-mirage-podcast>
- MSCI – 2022 ESG Trends to Watch (2022)
<https://www.msci.com/research-and-insights/2022-esg-trends-to-watch>

For more details, please refer to further reading session at end of each chapter