

# Chartered Banker



Designed as SCQF Level 8 / SCQF Credit Points – 13

## GREEN FINANCE CERTIFICATE

Principles and Practice of Green Finance

## Module Version 2019

### AIM:

The module aims to provide a comprehensive insight into the underpinning climate science, and the principles and practice of the global green finance sector.

The module also considers risk, regulation and market standards in green and sustainable finance, the role of key institutions, the evolution of green finance products and services, ethical dimensions and the future development of green finance internationally.

### ACCESS STATEMENT:

There are no entry requirements for the module and it may be accessed by anyone interested in professional development, either by developing their existing understanding of green and sustainable finance or those wishing to gain fresh insight.

Learners would benefit from a basic understanding of the role of banks and similar institutions in the economy.

It should be noted that the supporting learning material and the assessment will be delivered in English.

### PROGRAMME OF STUDY TO WHICH UNIT CONTRIBUTES:

- Professional Banker Diploma
- The Green Finance Certificate™ may be studied on a standalone basis and can also act as a contributory module to the three modules required for Professional Banker Diploma.

### LEARNING OUTCOMES:

#### Knowledge, Understanding and Skills

On successful completion of this module, students will be able to:

1. Explain the science underpinning climate change, and the development of green finance to fund the necessary transition to a low carbon world.
2. Apply common green and sustainable finance principles and practice in banking, investment and insurance.
3. Understand risk, regulation and international market frameworks and standards, and the role of a range of financial institutions and markets in the green finance sector.

4. Explain the range of green finance products and services in banking, investment and insurance, including the role played by technological innovation.
5. Consider the ethical dimensions of green and sustainable finance, reflect on their professional practice, and understand how they, as green finance professionals, may promote market integrity and the mainstreaming of green finance.

### METHOD OF LEARNING:

Blended learning based upon “Principles and Practice of Green Finance” core text, with supporting e-learning.

### ASSESSMENT:

- One 1-hour online examination consisting of 50 objectively assessed questions

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## FOUNDATIONS OF GREEN FINANCE

Learning outcomes	Assessment criteria	Indicative content
<p><b>The learner will be able to:</b></p>	<p><b>The learner can:</b></p>	
<p><b>1:</b> Explain the science underpinning climate change, and the development of green finance to fund the necessary transition to a low carbon world.</p>	<p><b>1.1</b> Understand the evolution of green and sustainable finance.</p> <p><b>1.2</b> Outline the climate science behind the necessary transition to a low carbon, more sustainable world.</p> <p><b>1.3</b> Understand the impacts of climate change on people and the planet.</p> <p><b>1.4</b> Explain the impacts of climate change on the finance sector, how green finance may mitigate this, and the opportunities for the finance sector arising from climate change mitigation and adaptation.</p>	<ul style="list-style-type: none"> <li>• Definitions of green finance and related terms (e.g. responsible banking, sustainable finance)</li> <li>• Brief history and overview of green and sustainable finance</li> <li>• Development of taxonomies for green and sustainable finance and why these are important</li> <li>• Climate science underpinning the need for green finance:             <ul style="list-style-type: none"> <li>- Global warming and its current and predicted future impacts (Stern Review, IPCC reports)</li> <li>- Planetary boundaries</li> <li>- Carbon bubble and stranded assets</li> <li>- Paris Climate Agreement</li> <li>- 2018 IPCC Report</li> </ul> </li> <li>• Climate change mitigation and adaptation</li> <li>• Green, sustainable and circular economies</li> <li>• Key environmental and financial risks facing society and the finance sector</li> <li>• Impact of the finance sector on the natural environment</li> <li>• Challenges and opportunities of the transition to a low carbon world</li> <li>• The role of the finance sector and the finance professional in supporting the transition</li> <li>• The benefits of green finance to customers, communities, businesses, financial institutions and the planet</li> </ul>

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### GREEN FINANCE PRINCIPLES

Learning outcomes	Assessment criteria	Indicative content
<p><b>The learner will be able to:</b></p>	<p><b>The learner can:</b></p>	
<p><b>2:</b> Apply green and sustainable finance principles and practice in banking, investment and insurance.</p>	<p><b>2.1</b> Identify key green and sustainable finance principles, and how these can be implemented in the finance sector</p> <p><b>2.2</b> Explain how the impact and performance of green finance can be measured.</p> <p><b>2.3</b> Understand the UN Sustainable Development Goals (SDGs), and how these may be supported by the finance sector</p>	<ul style="list-style-type: none"> <li>• Moving from green finance vision, values and principles to implementation and embedding in organizations' strategy, culture, policies, practice, products and service</li> <li>• 'Deep' green versus 'light' green strategies</li> <li>• Identifying and avoiding 'greenwashing'</li> <li>• Performance and impact measurement:               <ul style="list-style-type: none"> <li>- data and disclosure</li> <li>- independent assessment</li> <li>- verification and assurance</li> </ul> </li> <li>• Assessing and verifying the green credentials of projects supported by green finance activities</li> <li>• Impact and process monitoring</li> <li>• Advances in monitoring and data analysis technologies (e.g. drone, satellite, smartphone, 'Big Data')</li> <li>• Green finance reporting</li> <li>• Divestment and portfolio decarbonisation</li> <li>• UN Principles for Responsible Investment, Principles for Sustainable Insurance, Principles for Responsible Banking</li> <li>• UN Sustainable Development Goals (SDGs)</li> <li>• EU Sustainable Finance Action Plan</li> <li>• Examples of green finance principles, practice and initiatives from around the world, e.g. China, EU, UK.</li> </ul>

## Module Version 2019

### RISK, REGULATION AND STANDARDS IN GREEN FINANCE

Learning outcomes	Assessment criteria	Indicative content
<p><b>The learner will be able to:</b></p>	<p><b>The learner can:</b></p>	
<p><b>3:</b> Understand risk, regulation and international market frameworks and standards, and the role of a range of financial institutions and markets in the green finance sector.</p>	<p><b>3.1</b> Explain key climate-related risks and opportunities facing financial institutions, and how these may be identified, disclosed and managed</p> <p><b>3.2</b> Describe the role and some of the key activities of global and international financial development and regulatory institutions in the green finance sector</p> <p><b>3.3</b> Explain the role of financial institutions and markets in the green finance sector</p> <p><b>3.4</b> Describe key regulatory and market standards, frameworks and guidelines in the green finance sector, and why these are important to promote market integrity in green finance</p>	<ul style="list-style-type: none"> <li>• Stranded assets/asset impairment as key climate-related risks to financial stability</li> <li>• Climate-related risks facing financial institutions:               <ul style="list-style-type: none"> <li>- Physical risks (acute and chronic)</li> <li>- Transition risks, including political and regulatory, technology, reputational, changing behaviour and social norms</li> <li>- Liability risks</li> <li>- Planetary boundaries</li> <li>- Carbon bubble and stranded assets</li> </ul> </li> <li>• Risk management in green finance, including scenario analysis, use and sources of data, pricing risk in green finance</li> <li>• Carbon Pricing</li> <li>• Relationship between environmental and credit performance</li> <li>• Key global green finance institutions, e.g. UN, World Bank, Multilateral Development Banks (MDBs), the EU and the Financial Stability Board (FSB)</li> <li>• Financial institutions and markets in the green finance sector, e.g. central banks, development banks, regulators, retail and corporate (wholesale) banks, investment and other types of funds, insurers, debt and equity markets</li> <li>• Recommendations of the TaskForce on Climate-related Financial Disclosures (TCFD)</li> <li>• Equator Principles, IFC Performance Standards</li> </ul>

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### RISK, REGULATION AND STANDARDS IN GREEN FINANCE (CONT'D)

Learning outcomes	Assessment criteria	Indicative content (Cont'd)
The learner will be able to:	The learner can:	
		<ul style="list-style-type: none"><li>• Green Bond and Green Loan Principles, Climate Bonds Standard</li><li>• Central bank and regulatory tools – macro-prudential and micro-prudential regulation</li><li>• National (e.g. Bank of England, People's Bank of China) regulatory approaches to green and sustainable finance</li></ul>

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## GREEN FINANCE PRODUCTS AND SERVICES

Learning outcomes	Assessment criteria	Indicative content
<p><b>The learner will be able to:</b></p>	<p><b>The learner can:</b></p>	
<p><b>4:</b> Explain the range of green finance products and services in banking, investment and insurance, including the role played by technological innovation.</p>	<p><b>4.1</b> Explain the key features of a range of green financial products covering banking, investment and insurance.</p> <p><b>4.2</b> Describe the growth and development of the green bond market, and the key characteristics of green bonds</p> <p><b>4.3</b> Describe the role of equity markets in supporting green finance</p> <p><b>4.4</b> Describe how insurance can be used to manage climate-related risks</p>	<ul style="list-style-type: none"> <li>• Retail banking products including green transactional accounts, savings products, mortgages, loans and cards</li> <li>• Corporate and commercial banking products and services, including different types of loans, project finance, trade finance, IPOs, research and advice</li> <li>• Green bonds, and other emerging types of bonds such as blue and sustainability bonds, green sukuk</li> <li>• Development bank products and services, including concessionary loans, guarantees, first loss provisions, grants, equity investments and capacity building</li> <li>• Green asset-backed securities</li> <li>• Green/ESG equities</li> <li>• Private equity, venture capital and angel investing</li> <li>• Green/ESG funds and collective investment schemes (e.g. index funds, investment funds, hedge funds, carbon funds, ETFs)</li> <li>• Personal insurance, including green home insurance and green motor insurance</li> <li>• Commercial and corporate insurance, including commercial property, renewable energy, energy efficiency and carbon credit insurance</li> <li>• Climate risk insurance, including sovereign catastrophe risk pooling and index insurance</li> <li>• Green FinTech</li> <li>• Examples of green finance products and services from around the world</li> </ul>

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### ETHICS AND PROFESSIONALISM IN GREEN FINANCE.

Learning outcomes	Assessment criteria	Indicative content
<p><b>The learner will be able to:</b></p>	<p><b>The learner can:</b></p>	
<p>5: Consider the ethical dimensions of green and sustainable finance, reflect on professional practice, and understand how Green Finance Professionals™, may promote market integrity and the mainstreaming of green finance.</p>	<p>5.1 Describe ethical considerations for the finance sector from a green and sustainable finance perspective</p> <p>5.2 Understand how individuals as Green Finance Professionals™ can play a personal role in the growth of green finance.</p> <p>5.3 Explain how the finance sector can embed and mainstream green and sustainable finance.</p>	<ul style="list-style-type: none"> <li>• Funding the transition to a low carbon world – a social purpose for banking and finance</li> <li>• Ethical issues and dilemmas for the finance sector, e.g. ethical issues arising from climate risk insurance for vulnerable communities</li> <li>• Embedding green finance principles and practice in organizations and supply chains</li> <li>• Mainstreaming green finance and assessing progress towards the mainstream</li> <li>• Examples of mainstreaming from around the world</li> <li>• Role of the individual Green Finance Professional™</li> <li>• Chartered Banker Code of Conduct for Green Finance Professionals™</li> <li>• Reflecting on professional practice and developing an action plan to improve this</li> </ul>

### **Edinburgh**

Drumsheugh House  
38b Drumsheugh Gardens  
Edinburgh  
EH3 7SW

**Telephone:** 0131 473 7777

**Email:** [info@charteredbanker.com](mailto:info@charteredbanker.com)

**Web:** [www.charteredbanker.com](http://www.charteredbanker.com)

### **London**

2nd Floor, Bengal Wing  
9A Devonshire Square  
London  
EC2M 4YN

