

THE EDUCATION UNIVERSITY OF HONG KONG

Course Outline

Part I

Programme Title	: Bachelor of Arts (Honours) in Personal Finance and Bachelor of Education (Honours) (Business, Accounting and Financial Studies); all undergraduate programmes
Programme QF Level	: 5
Course Title	: Sustainable Finance and ESG Investment
Course Code	: BUS3057
Department/Unit	: Department of Social Sciences and Policy Studies
Credit Points	: 3
Contact Hours	: 39
Pre-requisite(s)	: Nil
Medium of Instruction	: English
Course Level	: 3

Part II

The University's Graduate Attributes and seven Generic Intended Learning Outcomes (GILOs) represent the attributes of ideal EdUHK graduates and their expected qualities respectively. Learning outcomes work coherently at the University (GILOs), programme (Programme Intended Learning Outcomes) and course (Course Intended Learning Outcomes) levels to achieve the goal of nurturing students with important graduate attributes.

In gist, the Graduate Attributes for Sub-degree, Undergraduate, Taught Postgraduate, Professional Doctorate and Research Postgraduate students consist of the following three domains (i.e. in short "PEER & I"):

- Professional Excellence;
- Ethical Responsibility; &
- Innovation.

The descriptors under these three domains are different for the three groups of students in order to reflect the respective level of Graduate Attributes.

The seven GILOs are:

1. Problem Solving Skills
2. Critical Thinking Skills
3. Creative Thinking Skills
- 4a. Oral Communication Skills
- 4b. Written Communication Skills
5. Social Interaction Skills
6. Ethical Decision Making
7. Global Perspectives

1. Course Synopsis

This course will introduce the principles, practices, and frameworks related to sustainable finance and environmental, social, and governance (ESG) investment. The course explores how financial institutions and investors can integrate sustainability considerations into their decision-making processes, aligning financial goals with positive environmental and social outcomes. The participants will study the emerging landscape of sustainable financial products and services and develop various sustainable investing strategies, including impact investing, thematic investing, and exclusionary and inclusionary screening approaches. The course will cover the measurement and reporting of the environmental and social impact of investments, and the evolving policy and regulatory landscape in sustainable finance.

2. Course Intended Learning Outcomes (CILOs)

Upon completion of this course, students will be able to:

- CILO₁ Understand the principles, practices, and frameworks of sustainable finance and environmental, social, and governance (ESG) investment;
- CILO₂ Develop the ability to integrate sustainability considerations into financial decision-making processes, aligning financial goals with positive environmental and social outcomes;
- CILO₃ Understand the fundamentals of sustainable finance and risk inherent in ESG investment portfolios, and integrate sustainability-related risks and opportunities into the frameworks and tools used to assess and manage sustainability risk;
- CILO₄ Explore and analyze the emerging landscape of sustainable financial products and services, and be able to apply various sustainable investing strategies, such as impact investing, thematic investing, and exclusionary and inclusionary screening approaches;
- CILO₅ Analyse and project the trends in sustainable finance and ESG investment developments, as well as the evolving policy and regulatory landscape in sustainable finance.

3. Content, CILOs and Teaching & Learning Activities

Course Content	CILOs	Suggested Teaching & Learning Activities
<ul style="list-style-type: none">– Introduction to sustainable finance:<ul style="list-style-type: none">a) Definitions and key concepts of sustainable finance;b) Environmental, social, and governance (ESG) factors;c) Describe the most common types of sustainable finance and ESG investments;d) Understand the principles and frameworks of sustainable finance;e) Explain key trends in sustainable finance.	<i>CILO_{1,2,4,5}</i>	Lecture, group discussion, case studies, guest lecture, guided research, online search for current information

<ul style="list-style-type: none"> – Assess the impact that green and ESG factors have on investor behaviors: <ul style="list-style-type: none"> a) Contrast negative and positive screening and describe the roles that they have on investors' investment selection; b) Describe approaches for integrating green and ESG into the portfolio management process; c) Understand the impact of ESG on active and passive management. 	<i>CILO_{1,2,4}</i>	Lecture, group discussion, case studies, hands-on practice, online search for current information, guest lecture
<ul style="list-style-type: none"> – Integration of sustainability in financial decision-making: <ul style="list-style-type: none"> a) Aligning financial goals with positive environmental and social outcomes; b) Approaches to incorporating ESG considerations; c) Assess the risks of firms posed by ESG rating disagreement. 	<i>CILO_{2,3,4}</i>	Lecture, group discussion, case studies, online search for current information, guest lecture
<ul style="list-style-type: none"> – Sustainable financial products and services: <ul style="list-style-type: none"> a) Overview of the emerging landscape; b) Impact investing, thematic investing, and screening approaches; c) Analysis the application of big data analytics techniques for sustainable financial products and services. 	<i>CILO_{2,3,4}</i>	
<ul style="list-style-type: none"> – Integrating sustainable factors into the frameworks and tools of risk management and social impact assessment: <ul style="list-style-type: none"> a) Methodologies and frameworks for impact assessment b) Sustainability reporting standards and regulations c) Understand the approaches of ESG rating methodologies and their limitations; 	<i>CILO_{1,2,3,4}</i>	Lecture, group discussion, case studies, hands-on practice, online search for current information, guest lecture
<ul style="list-style-type: none"> – Threats or Opportunities: The recent and trend of sustainable 	<i>CILO_{1,2,3,4,5}</i>	Lecture, group discussion, reflection, case studies, online

finance developments and their impacts on the sustainable finance markets and instruments: a) Evolving policies and regulations b) Implications for financial institutions and investors c) Green-washing, ESG rating disagreement, stranded assets and sustainability risk stress testing		search for current information, guest lecture
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4. Assessment

Assessment Tasks	Weighting (%)	CILO
(a) Case Study Analysis Report Students are required to form groups, and each group will conduct an in-depth study of a real case related to ESG investment and provide integrated investment strategy with sustainability considerations. (2,000-2,500 words)	50%	<i>CILO_{1,2,3,4,5}</i>
(b) Individual Assignment Each student is required to submit an individual report during the course to examine their understanding of concepts and principles of portfolio analysis integrating the measurement and reporting of ESG impact and the policy and regulatory landscape. (1,500-2,000 words)	50%	<i>CILO_{1,2,3,4,5}</i>

5. Use of Generative AI in Course Assessments

Please select one option only that applies to this course:

- ☐ **Not Permitted:** In this course, the use of generative AI tools is not allowed for any assessment tasks.
- ☒ **Permitted:** In this course, generative AI tools may be used in some or all assessment tasks. Instructors will provide specific instructions, including any restrictions or additional requirements (e.g., proper acknowledgment, reflective reports), during the first lesson and in relevant assessment briefs.

6. Required Text(s)

Nil

7. Recommended Readings

Barber B M, Morse A, Yasuda A. (2021). Impact investing. *Journal of Financial Economics*, 139(1): 162-185.

- Berg F, Koelbel J F, Rigobon R. (2022). Aggregate confusion: The divergence of ESG ratings. *Review of Finance*, 26(6): 1315-1344.
- Calvet L, Gianfrate G, Uppal R. (2022). The finance of climate change. *Journal of Corporate Finance*, 73: 102162.
- Cerqueti R, Ciciretti R, Dalò A, et al. (2021). ESG investing: A chance to reduce systemic risk. *Journal of Financial Stability*, 54: 100887.
- Crifo P, Forget V D, Teyssier S. (2015). The price of environmental, social and governance practice disclosure: An experiment with professional private equity investors. *Journal of Corporate Finance*, 30: 168-194.
- Edmans A, Kacperczyk M. (2022). Sustainable finance. *Review of Finance*, 26(6): 1309-1313.
- Edmans A. (2023). The end of ESG. *Financial Management*, 52(1): 3-17.
- Fatica S, Panzica R, Rancan M. (2021). The pricing of green bonds: are financial institutions special?. *Journal of Financial Stability*, 54: 100873.
- Flammer C. (2021). Corporate green bonds. *Journal of Financial Economics*, 142(2): 499-516.
- Giese G, Lee L E, Melas D, et al. (2019). Foundations of ESG investing: How ESG affects equity valuation, risk, and performance. *The Journal of Portfolio Management*, 45(5): 69-83.
- Hartzmark S M, Sussman A B. (2019). Do investors value sustainability? A natural experiment examining ranking and fund flows. *The Journal of Finance*, 74(6): 2789-2837.
- Heeb F, Kölbel J F, Paetzold F, et al. (2023). Do investors care about impact?. *The Review of Financial Studies*, 36(5): 1737-1787.
- Heinkel R, Kraus A, Zechner J. (2001). The effect of green investment on corporate behavior. *Journal of Financial and Quantitative Analysis*, 36(4): 431-449.
- Henriksson R, Livnat J, Pfeifer P, et al. (2019). Integrating ESG in portfolio construction. *The Journal of Portfolio Management*, 45(4): 67-81.
- Larcker D F, Watts E M. (2020). Where's the greenium?. *Journal of Accounting and Economics*, 69(2-3): 101312.
- Lo A W, Zhang R. (2023). Quantifying the impact of impact investing. *Management Science*.
- Mielke J, Steudle G A. (2018). Green investment and coordination failure: an investors' perspective. *Ecological Economics*, 150: 88-95.
- Pástor L, Stambaugh R F, Taylor L A. (2021). Sustainable investing in equilibrium. *Journal of Financial Economics*, 142(2): 550-571.
- Pedersen L H, Fitzgibbons S, Pomorski L. (2021). Responsible investing: The ESG-efficient frontier. *Journal of Financial Economics*, 142(2): 572-597.
- Renneboog L, Ter Horst J, Zhang C. (2008). Socially responsible investments: Institutional aspects, performance, and investor behavior. *Journal of Banking & finance*, 32(9): 1723-1742.

8. Related Web Resources

Coursera	https://www.coursera.org/
edX	https://www.edx.org/
CFA Institute	https://www.cfainstitute.org/
SAS	https://www.sas.com/en_us/home.html
MSCI ESG Research	https://www.msci.com/our-solutions/esg-investing/sustainability-reporting-services
S&P Global	https://www.spglobal.com/esg/

9. Related Journals

Journal of Finance

Journal of Financial Economics

Management Science

Journal of Financial and Quantitative Analysis

Review of Finance

10. Academic Honesty

The University upholds the principles of honesty in all areas of academic work. We expect our students to carry out all academic activities honestly and in good faith. Please refer to the *Policy on Academic Honesty, Responsibility and Integrity* (<https://www.eduhk.hk/re/uploads/docs/000000000016336798924548BbN5>). Students should familiarize themselves with the Policy.

11. Others

Nil

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