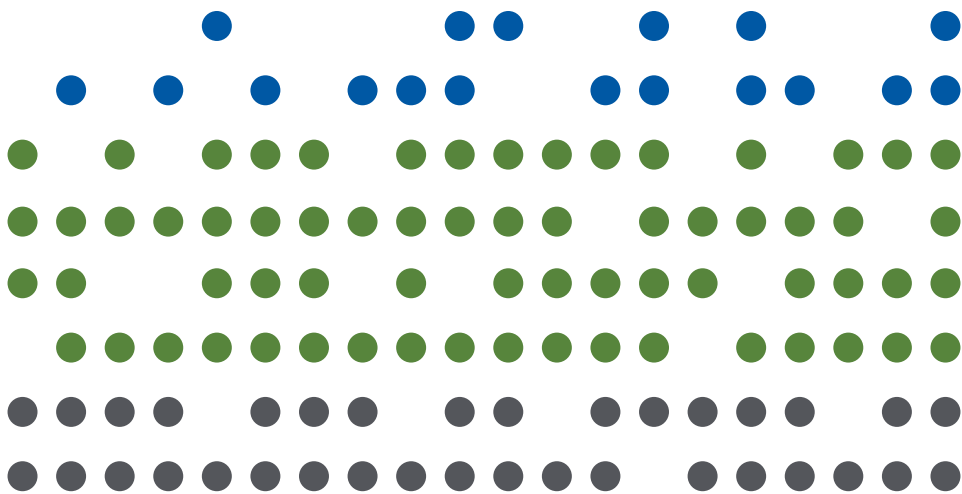


CERTIFICATE IN ESG INVESTING CURRICULUM 2023 SYLLABUS



CERTIFICATE IN ESG INVESTING 2023

Unit Aims

By the end of this unit, learners should be able to demonstrate:

- ▶ An understanding of the context for different approaches to responsible investment and specifically, consideration of environmental, social and governance (ESG) factors.
- ▶ An understanding of the underlying issues that constitute factors within each of the environmental, social and governance areas.
- ▶ An understanding of the broader sustainability context and global initiatives.
- ▶ An understanding of the ESG market: relevance, size, scope, key drivers and challenges, and risks and opportunities.
- ▶ An understanding of environmental factors, systemic relationships, material impacts, megatrends and approaches to environmental analysis at country, sector and company levels.
- ▶ An understanding of social factors, systemic relationships, material impacts and approaches to social analysis at country, sector and company levels.
- ▶ An understanding of governance factors, key characteristics, main models and material impacts.
- ▶ An understanding of engagement and stewardship.
- ▶ An understanding of ESG analysis, valuation and integration.
- ▶ An ability to analyse how ESG factors may affect industry and company performance, and security valuation across a range of asset classes.
- ▶ An understanding of ESG integrated portfolio construction and management.
- ▶ An ability to apply a range of approaches to ESG analysis and integration across a range of asset classes.
- ▶ An understanding of investment mandates, portfolio analytics and client reporting.

CHAPTER

1

Introduction to ESG Investing

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	1.1.1 define ESG investment and different approaches to ESG investing: responsible investment, socially responsible investment, sustainable investment, best-in-class investment, ethical/values-driven investment, thematic investment, green investment, social investment, shareholder engagement
<input type="checkbox"/>	1.1.2 define the following sustainability-based concepts in terms of their strengths and limitations: corporate social responsibility and triple bottom line (TBL) accounting
<input type="checkbox"/>	1.1.3 describe the benefits and challenges of incorporating ESG in decision making, and the linkages between responsible investment and financial system stability
<input type="checkbox"/>	1.1.4 explain the concepts of the financial materiality of ESG integration, double materiality, and dynamic materiality and how they relate to ESG analysis, practices, and reporting
<input type="checkbox"/>	1.1.5 explain different ESG megatrends, their systemic nature, and their potential impact on companies and company practices
<input type="checkbox"/>	1.1.6 explain the three ways in which investors typically reflect ESG considerations in their investment process
<input type="checkbox"/>	1.1.7 explain the aims of key supranational ESG initiatives and organizations and the progress achieved to date

CHAPTER

2

The ESG Market

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	2.1.1 explain the history of ESG investing
<input type="checkbox"/>	2.1.2 explain the size and scope of ESG investing in relation to geography, strategy, investor type, and asset class
<input type="checkbox"/>	2.1.3 explain key market drivers of ESG integration: investor demand/intergenerational wealth transfer, regulation and policy, public awareness, and data sourcing and processing improvements
<input type="checkbox"/>	2.1.4 explain the key drivers and challenges for ESG integration among key stakeholders: asset owners, asset managers, fund promoters, financial services, policymakers and regulators, investees, government, civil society, and academia

CHAPTER

3

Environmental Factors

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	3.1.1 explain key concepts relating to climate change, including climate change mitigation, climate change adaptation, and resilience measures
<input type="checkbox"/>	3.1.2 explain key concepts related to other environmental issues, including pressures on natural resources, including depletion of natural resources; water; biodiversity loss; land use and marine resources; pollution; waste; and a circular economy
<input type="checkbox"/>	3.1.3 explain the systemic relationships between business activities and environmental issues, including systemic impact of climate risks on the financial system; climate-related physical and transition risks; the relationship between natural resources and business; supply, operational, and resource management issues; and supply chain transparency and traceability
<input type="checkbox"/>	3.1.4 assess how megatrends influence environmental factors; environmental and climate policies; international climate and environmental agreements and conventions; international, regional, and country-level policy and initiatives; carbon pricing
<input type="checkbox"/>	3.1.5 assess material impacts of environmental issues on potential investment opportunities, corporate and project finance, public finance initiatives, and asset management
<input type="checkbox"/>	3.1.6 identify approaches to environmental analysis, including company-, project-, sector-, country-, and market-level analysis; environmental risks, including carbon footprinting and other carbon metrics; the natural capital approach; and climate scenario analysis
<input type="checkbox"/>	3.1.7 apply material environmental factors to financial modeling, ratio analysis, and risk assessment
<input type="checkbox"/>	3.1.8 explain how companies and the investment industry can benefit from opportunities relating to climate change and environmental issues: the circular economy, clean and technological innovation, green and ESG-related products, and the blue economy

CHAPTER

4

Social Factors

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	4.1.1 explain the systemic relationships and activities between business activities and social issues, including: globalization; automation and artificial intelligence (AI); inequality and wealth creation; digital disruption, social media, and access to electronic devices; changes to work, leisure time, and education; changes to individual rights and responsibilities and family structures; changing demographics; urbanization; and religion
<input type="checkbox"/>	4.1.2 assess key megatrends influencing social change in terms of potential impact on companies and their social practices: climate change; transition risk; water scarcity; pollution; mass migration; and loss and/or degradation of natural resources and ecosystem services
<input type="checkbox"/>	4.1.3 explain key social concepts, including: human capital: development, employment standards, and health and safety; product liability/consumer protection: safety, quality, health and demographic risks, and data privacy and security; stakeholder opposition/controversial sourcing; social opportunities: access to communications, finance, and health and nutrition; social and news media; animal welfare and microbial resistance
<input type="checkbox"/>	4.1.4 assess material impacts of social issues on potential investment opportunities and the dangers of overlooking them, including: changing demographics; digitization; individual rights and responsibilities; family structures and roles; education and work; faith-based ESG investing and exercise of religion; inequality; and globalization
<input type="checkbox"/>	4.1.5 identify approaches to social analysis at country, sector, and company levels
<input type="checkbox"/>	4.1.6 apply material social factors to: risk assessment; quality of management; ratio analysis; and financial modeling

CHAPTER

5

Governance Factors

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	5.1.1 explain the evolution of corporate governance frameworks: development of corporate governance; roles and responsibilities; systems and processes; shareholder engagement; minority shareholder alignment
<input type="checkbox"/>	5.1.2 assess key characteristics of effective corporate governance, and the main reasons why they may not be implemented or upheld: board structure, diversity, effectiveness, and independence; executive remuneration, performance metrics, and key performance indicators (KPIs); reporting and transparency; financial integrity and capital allocation; business ethics
<input type="checkbox"/>	5.1.3 assess and contrast the main models of corporate governance in major markets and the main variables influencing best practice: extent of variation of best practice; differences in legislation, culture, and interpretation
<input type="checkbox"/>	5.1.4 explain the role of auditors in relation to corporate governance and the challenges in effective delivery of the audit: independence of audit firms and conflicts of interest; auditor rotation; sampling of audit work and technological disruption; auditor reports; auditor liability; internal audit
<input type="checkbox"/>	5.1.5 assess material impacts of governance issues on potential investment opportunities, including the dangers of overlooking them: public finance initiatives; companies; infrastructure/private finance vehicles; societal impact
<input type="checkbox"/>	5.1.6 apply material corporate governance factors to: financial modeling; risk assessment; quality of management

CHAPTER

6

Engagement and Stewardship

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	6.1.1 explain the purpose of investor engagement and stewardship
<input type="checkbox"/>	6.1.2 explain why engagement is considered beneficial and some of the key criticisms of engagement
<input type="checkbox"/>	6.1.3 explain the main principles and requirements of stewardship codes as they apply to institutional asset management firms: UK Walker Review (2009) and Stewardship Code (2020); US Employee Retirement Income Security Act (ERISA) guidelines; EU European Fund and Asset Management Association (EFAMA) Stewardship Code
<input type="checkbox"/>	6.1.4 explain how engagement is achieved in practice, including key differences in objectives, style, and tone
<input type="checkbox"/>	6.1.5 apply appropriate methods to establish an engagement approach: strategy and tactics-goal-setting; identifying who to talk with; formalities-hosting/agenda/managing expectations; communication-approach/tone/managing tensions; working towards agreement; escalation techniques, including collective engagement; ESG investment forums; proxy voting
<input type="checkbox"/>	6.1.6 describe approaches of engagement across a range of asset classes

CHAPTER

7

ESG Analysis, Valuation, and Integration

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	7.1.1 explain the aims and objectives of integrating ESG into the investment process
<input type="checkbox"/>	7.1.2 describe different approaches of integrating ESG analysis into the investment process
<input type="checkbox"/>	7.1.3 describe qualitative approaches to ESG analysis across a range of asset classes
<input type="checkbox"/>	7.1.4 describe quantitative approaches to ESG analysis across a range of asset classes
<input type="checkbox"/>	7.1.5 identify tangible and intangible material ESG-related factors through both qualitative and quantitative approaches
<input type="checkbox"/>	7.1.6 describe how scorecards may be developed and constructed to assess ESG factors
<input type="checkbox"/>	7.1.7 assess ESG issues using risk mapping methodologies
<input type="checkbox"/>	7.1.8 explain how ESG complements traditional financial analysis
<input type="checkbox"/>	7.1.9 analyze how ESG factors may affect industry and company performance
<input type="checkbox"/>	7.1.10 analyze how ESG factors may affect security valuation across a range of asset classes
<input type="checkbox"/>	7.1.11 interpret a company's disclosure on selected ESG topics
<input type="checkbox"/>	7.1.12 apply the range of approaches to ESG analysis and integration across a range of asset classes
<input type="checkbox"/>	7.1.13 describe the challenges of undertaking ESG analysis across different geographic regions and cultures
<input type="checkbox"/>	7.1.14 describe the challenges of identifying and assessing material ESG issues
<input type="checkbox"/>	7.1.15 describe the challenges of integrating ESG analysis into a firm's investment process
<input type="checkbox"/>	7.1.16 explain the approaches taken across a range of ESG integration databases and software available, and the nature of the information provided

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	7.1.17 identify the main providers of screening services or tools, similarities and differences in their methodologies, and the aims, benefits and limitations of using them
<input type="checkbox"/>	7.1.18 describe the limitations and constraints of information provided by ESG integration databases
<input type="checkbox"/>	7.1.19 describe primary and secondary sources of ESG data and information
<input type="checkbox"/>	7.1.20 describe other uses of ESG and sustainability systems data
<input type="checkbox"/>	7.1.21 explain how Credit Rating Agencies (CRAs) approach ESG Credit Scoring

CHAPTER

8

Integrated Portfolio Construction and Management

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	8.1.1 explain the impact of ESG factors on strategic asset allocation
<input type="checkbox"/>	8.1.2 describe approaches for integrating ESG into the portfolio management process
<input type="checkbox"/>	8.1.3 explain approaches for how internal and external ESG research and analysis is used by portfolio managers to make investment decisions
<input type="checkbox"/>	8.1.4 explain the different approaches to screening and the benefits and limitations of the main approaches
<input type="checkbox"/>	8.1.5 explain the main indexes and benchmarking approaches applicable to sustainable and ESG investing, noting potential limitations
<input type="checkbox"/>	8.1.6 apply ESG screens to the main asset classes and their sub-sectors: fixed income; equities; and alternative investments
<input type="checkbox"/>	8.1.7 distinguish between ESG screening of individual companies and collective investment funds: on an absolute basis; relative to sector/peer group data
<input type="checkbox"/>	8.1.8 explain how ESG integration impacts the risk–return dynamic of portfolio optimization
<input type="checkbox"/>	8.1.9 evaluate the different types of ESG analysis/SRI investment in terms of key objectives, investment considerations, and risks: full ESG integration; exclusionary screening; positive alignment/best-in-class; active ownership; thematic investing; impact investing; other
<input type="checkbox"/>	8.1.10 describe approaches to managing passive ESG portfolios

CHAPTER

9

Investment Mandates, Portfolio Analytics, and Client Reporting

LEARNING OUTCOMES

<i>Mastery</i>	<i>The candidate should be able to:</i>
<input type="checkbox"/>	9.1.1 explain why mandate construction is of particular relevance and importance to the effective delivery of ESG investing; linking sustainable investing to the mandate; defining the sustainable investment strategy
<input type="checkbox"/>	9.1.2 explain how ESG screens can be embedded within investment mandates/portfolio guidelines to generate investment returns and manage portfolio risk
<input type="checkbox"/>	9.1.3 explain the most common features of ESG investing that asset owners and intermediaries, including pension consultants and fund selectors, are seeking to identify through request for proposal (RFP) and selection processes: voting, engagement, examples of decision making, and screening process
<input type="checkbox"/>	9.1.4 explain the different client types and their objectives which influence the type of ESG investing strategy selected
<input type="checkbox"/>	9.1.5 explain the key mechanisms for reporting on and monitoring performance and mandate alignment with client objectives
<input type="checkbox"/>	9.1.6 explain the key challenges in measuring and reporting ESG-related investment performance: active, passive, and smart beta approaches; performance attribution; sensitivity analysis; risk measurement; engagement activity/impact; and integrated reporting and investment review