



# Certificate in ESG Investing 2024 Curriculum Updates



## 2024 ESG Curriculum Updates

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# Chapter 1: Introduction to ESG Investing

## Key Enhancements

- ESG 2024 (v5) Chapter 1 includes 33 total practice questions, featuring 8 additional Practice questions vs. 2023 (v4).

## New Content

- Update on Blackrock's implementation of 2020 ESG commitments
- 34% of world's largest companies committed to Paris Agreement
- Added Brazilian example to water depletion case study
- Noted costs for corporate issuers and institutional investors for climate-related disclosures and reporting
- Updated growth of new PRI signatories
- Recognized launch of ISSB reporting standards for 2024

## Removed Content

- Exhibit 3 – Guide to ESG reporting that was simplistic and duplicitous
- Exhibit 5 illustrative/hypothetical example of benchmarking that was poorly constructed by MSCI
- Coca-Cola water depletion case study example from 2004
- 2014 study analyzing data from the global climate database provided by CDP
- "estimated that companies experience an average internal rate of return of 27%–80% on their low-carbon investments"
- 2014 reference to Walmart increasing their fleet efficiency by 87%
- Reduced greenwashing references as there is new content in other chapters
- Explanation of what a meta-analysis is

## LOS related

- No changes

## Chapter 2: The ESG Market

### Key Enhancements

- ESG 2024 (v5) Chapter 2 includes 32 total practice questions, featuring 7 additional Practice questions vs. 2023 (v4).

### New Content

- Updated HSBC case study with their greenhouse gas reduction targets
- Noted UK university endowment funds banning of fossil fuel investments
- Updated fund flow data in US
- Noted EU and UK examples of corporate disclosure guidelines and requirements
- Examples of Investor protection regulations account for sustainability
- Overviews of TCFD, ISSB, CSRD, SFDR, MiFID and other global regulatory initiatives
- Overview of UK's Ten Point plan and TCFD-aligned disclosures and Sustainability Disclosure Requirements (SDR)
- Common Ground Taxonomy (CGT) published by EU and People's Bank of China
- Singapore Green Finance Action Plan and Green Finance Industry Taskforce
- ASEAN Taxonomy for Sustainable Finance framework
- Australia – Council of Financial Regulators (CFR) measures
- New Zealand - Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill
- US – ERISA update approving ESG considerations by fiduciaries

### Removed Content

- Entirety of section 2, History of ESG Investing...
- 2015 Survey from PRI about investment mandate clauses
- Case Study of Insurer (Munich RE) with 2007 citations
- Shortened EU , USA case study
- Article 173 of French Energy Transition Law

### LOS related

- Removed LOS 2.1.1 Explain the history of ESG Investing

## Chapter 3: Environmental Factors

### Key Enhancements

- ESG 2024 (v5) Chapter 3 includes 32 total practice questions, featuring 7 additional Practice questions vs. 2023 (v4).
- Updated various data, statistics, graphics, and formulas.

### New Content

- LOS 3.1.1 has been substantially rewritten. Explanation on crossing of planetary boundaries with respect to climate change, GHG emissions, Climate Sensitivity, Transient Climate response, Carbon budgets, fresh content in depletion of natural resources, bio diversity.
- IPCC graphic – Human activities are responsible for global warming.
- IPCC graphic – Emissions Reductions needed to limit global warming to various temperatures.
- New case study on climate scenarios – Business as usual
- Graphic on main candidates for Tipping elements
- Graphic on scaling up climate action
- Updated graphic on projections of GHG emissions under various scenarios up to 2050 and indications of emissions gaps & global warming implications.
- Graphic on change in CO2 emissions per capita.
- Kunming-Montreal Global Biodiversity Framework
- Net-Zero Industry Act and the Green Deal Industrial Plan
- Case study -The “Just Transition” -Sustainability in Society
- TNFD: LEAP assessment framework and additional info on disclosure framework approach
- Graphic - IRA : Energy funding by theme and source.
- Graphic – Price evolution in selected ETSs
- Graphic on Scope 1,2,3 emissions
- Graphic -Temperature alignment -Key design judgements in alignment methodologies.
- Graphic- Global Investment in energy transition by sector
- TNFD: LEAP assessment framework and additional info on disclosure framework approach
- Case study – But what if your Electric Vehicle is coal powered.
- Case study enhancement – What is “Green”?
- Graphic - Emissions of selected energy technologies

### Removed Content

- Superfluous content on economic activities & eco systems from 3.1.1
- Graphic on GHG emission by economic sectors
- Case study – Race to net zero – shortened.

- Graphic on The green recovery
- Graphic on the circular economy in detail
- Graphic on clean energy technology's level of readiness & applicability in various sectors
- Graphic on EV adjustment for physical climate risk by industry
- Graphic on systemic relationship between a company's value chain and impact on its financial performance caused by change in weather conditions.
- Graphic on investor framework for climate related scenario analysis.

## LOS related

- New LOS (3.1.7): Describe and explain key methodologies that apply to biodiversity and its valuation, risk management, and interconnectedness with environmental factors and nature-related risks

## Chapter 4: Social Factors

### Key Enhancements

- ESG 2024 (v5) Chapter 4 includes 37 total practice questions, featuring 15 additional Practice questions vs. 2023 (v4).
- Updated various data and statistics.

### New Content

- Added a section on Diversity, Equity, and Inclusion (DEI) and reference to the CFA Institute DEI Code.
- Added reference to the importance of DEI strategies as part of human capital management strategies.

### Removed Content

- No changes

### LOS related

- No changes



## Chapter 5: Governance Factors

### Key Enhancements

- ESG 2024 (v5) Chapter 5 includes 39 total practice questions, featuring 14 additional Practice questions vs. 2023 (v4).
- Converted the section on “Scandals in Brief” to an improved section on “Major Corporate Scandals: Governance Failures and Lessons Learned”
- Added content in a section on governance in emerging markets by adding India, South Africa, and Brazil.

### New Content

- Added reference to companies issuing “sustainability reports” as a review of their ESG related performance.
- Each of the 9 legacy (“scandals in brief”) case studies now have two new sections to enrich the coverage and enhance candidates’ understanding of the issues. This is accomplished by not only providing an overview of the event, but also details on:
  - 1) where the board of directors failed, and
  - 2) mitigations against corporate governance failure (lessons learned)
- Added new content on Corporate Governance for various Emerging Market countries (Brazil, India, and South Africa) to provide some perspective on Emerging Markets and make the chapter less Europe centric.

### Removed Content

- Removed the HHH case study with 9 (more in-depth) case studies remaining in the chapter (down from 10 in 2023 (v4) and 15 basic ones in 2022 (v3))
- Removed section on “Corporate Governance in Germany” as parts of it are covered elsewhere in the chapter and to allow for new countries (Brazil, India, and South Africa)

### LOS related

- No changes



## Chapter 6: Engagement and Stewardship

### Key Enhancements

- ESG 2024 (v5) Chapter 6 includes 30 total practice questions, featuring 5 additional Practice questions vs. 2023 (v4).
- Re-arrangement of some paragraphs for readability

### New Content

- Introduction section added
- Shell, plc proxy voting case regarding energy transition strategy and stakeholder engagement
- Hermes UK Focus Fund – additional examples of successful engagement strategies
- Discussion of varying quality of investment manager stewardship reports from top managers
- Discussion of AXA's engagement success that are few in number but high in quality
- Mention of stewardship codes in Hong Kong SAR, India, South Africa and ICGN network
- Additional details of UK Stewardship code and recognizing systemic issues and risks
- Enhanced discussion of engagement; goal-setting and resources
- Noted software providers that track engagement activity and outcomes
- Enhanced Climate Action 100+ pollution discussion
- Debt engagement strategies for conditions and disclosures
- Exhibit showing overlapping interests of debt and equity holders
- Consideration of concerns for property developers and operators to stranded asset risk

### Removed Content

- Related to activism that overly associated it with hedge funds and short-term value creation
- Non-testable paragraphs of prose relating to history of stewardship
- "disinvestment" as it was not defined or contrasted against any difference vs. "divestment"
- 10 key features of Investor Forum (which had too much detail and too UK centric)
- 2016 FRC Assessment of UK Code signatories
- Behavioral challenges in formulation coalitions among investors to solve engagement issues

### LOS related

- 6.1.3 re-written and streamlined
- 6.1.5 re-written and split into two parts

## Chapter 7: ESG Analysis, Valuation, and Integration

### Key Enhancements

- ESG 2024 (v5) Chapter 7 includes 30 total practice questions, featuring 5 additional Practice questions vs. 2023 (v4).
- New content on ESG investing in emerging markets, alternative investments, sustainability-linked bonds, ISSB standards, and fundamental case study with a DCF model
- Extensive streamlining. Word count (excluding practice questions) reduced by ~33% vs the prior version (v4). Reorganized lesson order for more straightforward reading.

### New Content

- Restructured/rewrote lessons 2-5 , now follows the process laid out in the investment process diagram
- Discussion of discount and terminal growth rates in a DCF model and changes to them based on ESG risk factors. Demonstrated with a case study of oil & gas company, with a quantitative model with changes in inputs based on ESG risk factors.
- Added mentions of World Bank Sovereign Data Portal, ISSB (including the two new sustainability standards IFRS S1 and S2) which will over time replace the SASB standards, AI and natural language processing (NLP) with three uses cases
- Emerging markets, alternative investments, and sustainability-linked bonds examples

### Removed Content

- Content that was redundant with earlier chapters
  - Lesson 1, which introduces ESG integration, was redundant with Chapter 1
  - Intro to credit ratings
- Content that was not in scope of the LOS
  - Differences between "quantitative analysis and securities analysis"
  - Discussion on intangible vs. tangible assets
  - Investment firm culture challenges

### LOS related

- Removed "explain the aims and objectives of integrating ESG into the investment process." (Redundant with chapter 1).
- Removed "describe other uses of ESG and sustainability data." (Out of scope of ESG investing).

## Chapter 8: ESG Integrated Portfolio Construction and Management

### Key Enhancements

- ESG 2024 (v5) Chapter 8 includes 31 total practice questions, featuring 6 additional Practice questions vs. 2023 (v4).
- Streamlining. Word count (excluding practice questions) reduced by ~10% vs the prior version (v4).

### New Content

- No changes

### Removed Content

- Content that was redundant with earlier chapters
  - Physical vs. transition risks (covered in many chapters)
  - Discussion of ESG vs. Credit ratings (covered extensively in chapter 7)
- Content that that was not in scope of the LOS
  - Black Litterman model
  - Portfolio risk/return commentary
  - Discussion of EU sustainable finance strategy regulations

### LOS related

- No changes

## Chapter 9: Investment Mandates, Portfolio Analytics, and Client Reporting

### Key Enhancements

- ESG 2024 (v5) Chapter 9 includes 35 total practice questions, featuring 10 additional Practice questions vs. 2023 (v4).
- More sub-headers to aid readability.
- Re-arranged content to aid readability.

### New Content

- How resources are assigned to stewardship in the context of engagement and voting
- New section on greenwashing; definitions, misrepresentations, consequences, using data to combat, ability to assess indirect and direct impacts, "greenhushing", "scopewashing", competency greenwashing, misleading statements, ESA commentary, regulations, EU GCD, EU Ecolabel, UK Green Claims Code, FCA, IOSCO, ESG ratings, French, US and Japan treatment
- Greenwashing case studies; HSBC, DWC, Nestle, Coca-cola, Exxon-Mobile, Walmart, Volkswagen
- Danish FSA treatment of greenwashing

### Removed Content

- Dated case study of (example #4) that noted that ESG application to commodities and money market fund is "in its infancy"
- Overview of ESG Investment approaches (exhibit 2) that was similar to Chapter 1 coverage
- Sections on outsourcing and collective action in regard to alternatives to building stewardship resources internally
- Outsourcing of proxy voting coverage and direct engagement similar to Ch. 6 coverage
- Section that may have conflated ESG scoring and performance and risk attribution

### LOS related

- New LOS added as follows: "Explain examples of greenwashing by financial market participants and the regulatory and reputational consequences of making misrepresentations"