

# CERTIFICATE IN EGS INVESTING

## SUMMARY OF CURRICULUM CHANGES (2022 TO 2023)

### CHAPTER 1 INTRODUCTION TO ESG INVESTING

#### **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 1)
- Updated various data and charts
- Concept of “Long-termism & ESG” moved from Chapter 2 to chapter 1 to get it up front to candidates.

#### **New Content**

- Additional definitional content on "Thematic investing" to match content in CFA Program
- Additional definitional content on "Impact investing" to match content in CFA Program
- Added content on "the evolution of materiality: from static to dynamic" and added examples of "double materiality"
- Added results of a NYU study on the link between ESG and financial performance.
- New content on: Glasgow Financial Alliance for Net Zero (GFANZ)
- New content on: *International Business Council ESG Disclosure Framework, International Sustainability Standards Board (ISSB), and Corporate Sustainability Reporting Directive (CSRD)*
- Added an introduction to: *CFA Institute Global ESG Disclosure Standards for Investment Products*

#### **Removed Content**

- Removed mini-case on Unilever
- Removed reference to top 100 sustainable global companies

#### **LOS related**

- Streamlined LOS

## CHAPTER 2 THE ESG MARKET

### **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 2)
- Updated various data and charts
- Added that “Asset owners seek to maximize returns at a given level of risk” (V3 stated that asset owners seek to maximize returns or minimize risk....in reality, the focus is on risk-adjusted return)

### **New Content**

- Added reference to COVID-19 pandemic and the increased geopolitical tensions leading to the war in Ukraine as examples of the interdependence between societies, economies, and financial markets
- As of 2020, the largest sustainable investment strategy globally was ESG integration, previously (in V3) it was "exclusionary/negative screening"
- Added a new Case Study on ABP (Dutch) Pension Plan: In September 2021, Dutch pension fund for educational workers and civil servants ABP announced that it will divest its entire EUR 15 billion worth of investments in fossil fuel producers by 2023. ABP is the 5<sup>th</sup> largest pension fund in the world and stated that ‘radical change’ is needed as global temperatures are projected to rise beyond 1.5 degrees in the next seven years.
- New content added on various regulations and disclosures such as:
  - Global- Task Force on Climate-related Financial Disclosures (TCFD),
  - Europe--EU Taxonomy Regulation, and Sustainable Finance Disclosure Regulation (SFDR),
  - China- guidelines for green financial system, green asset taxonomy, and PBoC 2021-2025 strategy, and
  - North America-- 2022 SEC proposal

### **Removed Content**

- Concept of “Long-termism & ESG” moved from Chapter 2 to Chapter 1

### **LOS related**

- Streamlined LOS

## CHAPTER 3 ENVIRONMENTAL FACTORS

### **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 3)
- Additional background content to help candidates better understand climate science with clearer explanations of the "greenhouse effect" etc
- Significant data updates. Significant updates of charts.
- Edits throughout for clarification and readability
- Correction to the section on Scope 1, 2, and 3 emissions to the following:
  - Scope 1 emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization (e.g. emissions associated with fuel combustion in furnaces or company vehicles).
  - Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity etc.
  - Scope 3 emissions cover all indirect emissions arising from the activities of an organisation.
- V3 had language that the "Paris agreement is not legally binding under international law". This was edited to be more correct. Technically the Paris Agreement is "legally binding" in that signatories have the obligation to regularly set national targets and submit them. However, there is no legally binding target. Plus, there is no enforcement mechanism. So, many interpret this to being that the Paris Agreement is not really "legally binding" as it has "no teeth". I think the statement in V3 is too weak; however, the statement on the European Commission website is too strong. Therefore, for V4, it is edited as follows: *Although the Paris Agreement does not set any legally binding targets under international law, it serves as a significant landmark in tackling climate change on a global scale.*

### **New Content**

- Updated content added from the 2021 Intergovernmental Panel on Climate Change (IPCC) report
- Additional content on biofuels, and proforestation.
- updated the fact that now 6 of the 9 planetary boundaries have been breached (as opposed to 4 boundaries) with the addition of freshwater (green water boundary); and novel entities (including plastic pollution); and
- New content on the "green recovery" in the aftermath of Covid19

- Added content from the Summary for Policy Makers for the 2022 IPCC Report on Impact, Vulnerability and Adaptation--showing a strong connection between biodiversity, ecosystems, development and climate change.
- New content on Fisheries Management
- New "Case study" on 'Scope 3 in the spotlight': For companies in certain industries, the highest contribution to their overall carbon footprint comes from outside 'the factory gates'. In the case of the fossil fuel industry, for example, most emissions do not come from the extraction and processing of coal, oil, and gas, but from the use of such products by consumers in vehicles, power plants and steel mills around the world.
- New section on: UN Framework Convention on Climate Change (1992) as background to the Kyoto Protocol and the Paris Agreement
- New section on : *Glasgow Climate Pact (2021)* which captures key outcomes of the COP26 Conference in Glasgow in 2021.
- A new section SDFR categorisation of ESG integration (Article 6, 8, and 9) plus discussion on the proposed Corporate Sustainability Reporting Directive (CSRD) (which would replace and strengthen the existing EU requirements around non-financial reporting)
- Additional content on "Network for Greening the Financial System" (NGFS) and "Carbon Taxation"
- A new section on "Carbon Offsets" was added.
- New content on the 'ESG upside' for large, listed companies
- A new case study on "the carbon risk premium"
- New content Introducing the "Partnership for Carbon Accounting Financials" (PCAF)
- Added a new figure showing the falling costs and growing adoption of various clean energy technologies.
- A new section on Hydrogen: "hope or hype"
- Additional content on efforts in UK, USA, China, India, Japan, and Australia with a few key points:
  - UK Government unveiled 'Greening Finance: A Roadmap to Sustainable Investment'
  - USA: 1) Federal Reserve has launched a Financial Stability Climate Committee and a Supervision Climate Committee and 2) SEC proposals
  - China published its roadmap to net zero carbon by 2060
  - Japan: multiple policy workstreams, including a new clean energy strategy, the development of a 'Sustainability Standards Board of and the introduction of climate 'stress-testing' in the banking sector

## **Removed Content**

- The following quote was removed: *"Clean energy technologies generally require more minerals than fossil fuel-based counterparts. An electric car uses five times as much minerals as a conventional car and an onshore wind plant requires eight times as much minerals as a gas-fired plant of the same capacity."* The quote was removed because it oversimplifies a complex issue. In order to do this concept justice, we would need multiple pages of explanation as well as counter-arguments. This is something that might be considered for V5.

## **LOS related**

- Streamlined LOS

## Chapter 4 Social Factors

### **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 12 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 4)
- Updated various data and charts
- In the section on human rights, previously we had listed 7 human rights:
  - 1. race; 2. sex; 3. nationality; 4. ethnicity; 5. language; 6. religion; or 7. any other status:  
In V4 we provide the following examples of "any other status" as: (e.g. age, ability, socioeconomic status, or gender identity)

### **New Content**

- Investor initiatives: equitable circulation of Covid-19 vaccinations
- New content added on "Double Materiality Reporting" and that the assessment of material negative impact, the following can be used:
  - the OECD Due Diligence Guidance for Responsible Business Conduct and
  - UN Guiding Principles on business and human rights
- Added content on "double materiality" to the legacy cases on: Amazon, Apple/Foxconn, and Thai Union

### **LOS related**

- Streamlined LOS

# CHAPTER 5 GOVERNANCE FACTORS

## **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 5)
- Updated various data and charts

## **New Content**

- Expanded 10 of the legacy mini-case studies with additional information/data on the following: Enron, Tyco, HIH, Worldcom, Ahold, Parmalat, Satyam, Olympus, Volkswagen, and Wildcard. (Also, added the name of the country of each company--many candidates might not know this)
- Additional content added on board structures and governance
- New content added on International Sustainability Standards Board (ISSB)
- New content on "Corporate governance in the UK"
- New content on ESG Audits (methods and examples of issues)

## **Removed Content**

- Removed 4 of the legacy mini-case studies: Polly Peck, Maxwell, and BCCI

## **LOS related**

- Streamlined LOS

## Chapter 6 Engagement and Stewardship

### **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 12 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 6)
- Updated various data and charts

### **LOS related**

- Streamlined LOS

## CHAPTER 7 ESG ANALYSIS, VALUATION AND INTEGRATION

### **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 7)
- Updated various data and charts
- Moved the appendix on “Sustainalytics” and “MSCI” to the end of the chapter, after the questions and before the “further reading”

### **LOS related**

- Streamlined LOS



# CHAPTER 8 ESG Integrated Portfolio Construction and Management

## Key Enhancements

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained the 15 legacy Self-Assessment questions from chapter 8)
- Updated various data and charts

## New Content

- Update to sovereign debt section describing US sanctions on Russia following its 2014 annexation of Crimea extended to Russian sovereign debt by adding the following: *Similarly, the Russian invasion of Ukraine in 2022, led to global sanctions that effectively restricted trading in Russian sovereigns.*<sup>61</sup>
- A summary chart on SFDR classification is provided
- New content on: The principle of DNSH (Do No Significant Harm): which was introduced in the Technical Expert Group Final Report of the *EU Sustainable Finance Taxonomy*.
- Additional content on standards on ESG Investing including from CFA Institute (Global ESG Disclosure Standards for Investment Products.) and IOSCO
  - At COP 26, in collaboration with IOSCO, the International Financial Reporting Standards (IFRS) Foundation established a new International Sustainability Standards Board (ISSB) to develop globally adopted sustainability disclosure standards, incorporating the Value Reporting Foundation and the Climate Disclosure Standards Board within its structure.

## LOS related

- Streamlined LOS

# CHAPTER 9 Investment Mandates, Portfolio Analytics and Client Reporting

## **Key Enhancements**

- Self-Practice and Self-Assessment Questions: added 10 new Self-Practice questions, including an explanation of the correct answer. (Retained 13 of the legacy Self-Assessment questions from chapter 9)
- Updated various data and charts

## **New Content**

- A new appendix on “SFDR disclosures” and “CAI ESG Disclosure standards” added to the chapter.

## **LOS related**

- Streamlined LOS

