CERTIFICATE IN ESG INVESTING CURRICULUM 2024 SYLLABUS

CFA Institute®
Certificate in ESG Investing

CHAPTER

1

Introduction to ESG Investing

LEARNING OUTCOMES

Mastery	The candidate should be able to:
☐	**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
☐	**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
☐	**1.1.3** describe the benefits and challenges of incorporating ESG in decision making, and the linkages between responsible investment and financial system stability
☐	**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
☐	**1.1.5** explain different ESG megatrends, their systemic nature, and their potential impact on companies and company practices
☐	**1.1.6** explain the three ways in which investors typically reflect ESG considerations in their investment process
☐	**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

Mastery	The candidate should be able to:
☐	**2.1.1** explain the size and scope of ESG investing in relation to geography, strategy, investor type, and asset class
☐	**2.1.2** explain key market drivers of ESG integration: investor demand/intergenerational wealth transfer, regulation and policy, public awareness, and data sourcing and processing improvements
☐	**2.1.3** 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

Mastery	The candidate should be able to:
☐	**3.1.1** explain key concepts relating to climate change, including climate change mitigation, climate change adaptation, and resilience measures
☐	**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
☐	**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
☐	**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; and carbon pricing
☐	**3.1.5** assess material impacts of environmental issues on potential investment opportunities, corporate and project finance, public finance initiatives, and asset management
☐	**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
☐	**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
☐	**3.1.8** apply material environmental factors to financial modeling, ratio analysis, and risk assessment
☐	**3.1.9** 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

Mastery	The candidate should be able to:
☐	**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
☐	**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
☐	**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
☐	**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
☐	**4.1.5** identify approaches to social analysis at country, sector, and company levels
☐	**4.1.6** apply material social factors to: risk assessment; quality of management; ratio analysis; and financial modeling

CHAPTER
5

Governance Factors

LEARNING OUTCOMES

Mastery	The candidate should be able to:
☐	**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
☐	**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
☐	**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
☐	**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
☐	**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
☐	**5.1.6** apply material corporate governance factors to: financial modeling; risk assessment; quality of management

CHAPTER

6

Engagement and Stewardship

LEARNING OUTCOMES

Mastery	The candidate should be able to:
☐	**6.1.1** explain the purpose of investor engagement and stewardship
☐	**6.1.2** explain why engagement is considered beneficial and some of the key criticisms of engagement
☐	**6.1.3** explain the main principles and requirements of stewardship codes as they apply to institutional asset management firms
☐	**6.1.4** explain how engagement is achieved in practice, including key differences in objectives, style, and tone
☐	**6.1.5** apply strategies and tactics in a goal-based engagement approach using various forms
☐	**6.1.6** explain particular forms of engagement and major escalation techniques, including: proxy voting; collective engagement; ESG investment forums
☐	**6.1.7** describe approaches of engagement across a range of asset classes

CHAPTER

7

ESG Analysis, Valuation, and Integration

LEARNING OUTCOMES

Mastery	The candidate should be able to:
☐	**7.1.1** describe qualitative and quantitative approaches to integrating ESG analysis into the investment process
☐	**7.1.2** describe the challenges of integrating ESG analysis into a firm's investment process
☐	**7.1.3** describe the challenges of identifying and assessing material ESG issues
☐	**7.1.4** describe how scorecards and other tools may be developed and constructed to assess ESG factors
☐	**7.1.5** interpret a company's disclosure on selected ESG topics
☐	**7.1.6** explain how ESG analysis complements traditional financial analysis
☐	**7.1.7** analyze how ESG factors may affect industry and company performance
☐	**7.1.8** analyze how ESG factors may affect security valuation across a range of asset classes
☐	**7.1.9** apply the approaches to ESG analysis and integration across a range of asset classes
☐	**7.1.10** explain how credit rating agencies approach ESG credit scoring
☐	**7.1.11** explain the approaches taken across a range of ESG integration databases and software available, and the nature of the information provided
☐	**7.1.12** identify the main providers of screening services or tools, similarities and differences in their methodologies, and the aims, benefits and limitations of using them
☐	**7.1.13** describe the limitations and constraints of information provided by ESG integration databases
☐	**7.1.14** describe primary and secondary sources of ESG data and information

CHAPTER

8

Integrated Portfolio Construction and Management

LEARNING OUTCOMES

Mastery	The candidate should be able to:
☐	**8.1.1** explain the impact of ESG factors on strategic asset allocation
☐	**8.1.2** describe approaches for ESG integration into the portfolio management process
☐	**8.1.3** explain approaches for how internal and external ESG research and analysis are used by portfolio managers to make investment decisions
☐	**8.1.4** explain the different approaches to screening and the benefits and limitations of the main approaches
☐	**8.1.5** explain the main indexes and benchmarking approaches applicable to sustainable and ESG investing, noting potential limitations
☐	**8.1.6** apply ESG screens to the main asset classes and their sub-sectors: fixed income; equities; and alternative investments
☐	**8.1.7** distinguish between ESG screening of individual companies and collective investment funds: on an absolute basis and relative to sector/peer group data
☐	**8.1.8** explain how ESG integration impacts the risk–return dynamic of portfolio optimization
☐	**8.1.9** evaluate the different types of ESG analysis/SRI 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
☐	**8.1.10** describe approaches to managing index-based ESG portfolios

CHAPTER

9

Investment Mandates, Portfolio Analytics, and Client Reporting

LEARNING OUTCOMES

Mastery	The candidate should be able to:
☐	**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
☐	**9.1.2** explain how ESG screens can be embedded within investment mandates/portfolio guidelines to generate investment returns and manage portfolio risk
☐	**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
☐	**9.1.4** explain examples of greenwashing by financial market participants and the regulatory and reputational consequences of making misrepresentations
☐	**9.1.5** explain the different client types and their objectives which influence the type of ESG investing strategy selected
☐	**9.1.6** explain the key mechanisms for reporting on and monitoring performance and mandate alignment with client objectives
☐	**9.1.7** 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