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CFA ESG Certificate | 2023 Edition (Version 4) Syllabus and Chapters Overview

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CFA Institute ESG-Investing Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"> Understanding Governance Factors: This section includes governance elements for ESG Investment Consultants, including core characteristics, governance models, and material impacts. It discusses how governance factors influence investment choices.
Topic 2	<ul style="list-style-type: none"> Social Factors: This section focuses on analyzing social factors, including their systemic effects and material impacts. This section also provides methodologies for assessing social risks and opportunities at country, sector, and organizational levels.
Topic 3	<ul style="list-style-type: none"> ESG Integrated Portfolio: This section discusses the application of ESG analysis across multiple asset classes, exploring strategies for incorporating ESG criteria into portfolio management.

Topic 4	<ul style="list-style-type: none"> • Engagement and Stewardship: This section explores the foundations of investor engagement and stewardship, emphasizing their importance and practical application.
Topic 5	<ul style="list-style-type: none"> • Environmental Factors: This section examines environmental elements, covering systemic links, material impacts, and major trends for ESG Consultants. This section also reviews techniques for evaluating environmental impacts at the national, sectoral, and organizational levels.
Topic 6	<ul style="list-style-type: none"> • Investment Mandates and Portfolio Analytics: This domain explains to ESG Analysts the importance of constructing mandates to support effective ESG investment results. This section highlights key aspects, such as transparency and accountability, which are essential for asset owners and intermediaries to align portfolios with ESG priorities.
Topic 7	<ul style="list-style-type: none"> • ESG Analysis, Valuation, and Integration: Targetted for ESG Consultants, this domain covers methods for embedding ESG factors into the investment process, the obstacles that may arise, and the impact of ESG considerations on valuations across various asset classes.

CFA Institute Certificate in ESG Investing Sample Questions (Q486-Q491):

NEW QUESTION # 486

Commodity price volatility resulting in profits vulnerability for companies is most likely an example of financial risk transmission by:

- A. micro-channel
- B. macro-channel
- C. company actions

Answer: B

Explanation:

Commodity price volatility resulting in profits vulnerability for companies is most likely an example of financial risk transmission by the macro-channel. This is because macro-channels refer to broader economic and market forces that impact financial performance across multiple companies and sectors.

* Macro-economic Factors: Commodity prices are influenced by a range of macro-economic factors including supply and demand dynamics, geopolitical events, exchange rates, and global economic conditions. These factors create price volatility that can affect the entire industry or market, not just individual companies.

* Market-wide Impact: When commodity prices fluctuate, it can have a significant impact on the profitability of companies that rely on those commodities. For example, a rise in oil prices can increase costs for transportation companies, while a drop in metal prices can affect mining companies.

* Financial Performance: These broad, systemic changes in commodity prices affect financial performance across entire industries, indicating a macro-channel of risk transmission. Companies have limited control over these macro-economic factors, making their profits vulnerable to these external volatilities.

CFA ESG Investing References:

According to the CFA Institute, understanding the sources of financial risk, including those transmitted through macro-channels, is critical for effective ESG integration. The impact of commodity price volatility on company profits is a classic example of how macroeconomic trends can influence financial outcomes and highlight the importance of considering broader economic forces in investment decisions.

NEW QUESTION # 487

Which of the following statements regarding ESG tools is most accurate?

- A. ESG rating providers evolve their rating processes on an ongoing basis
- B. Most ESG tools are free to the general public
- C. The completeness of coverage is similar across ESG tools

Answer: A

Explanation:

ESG rating providers continually update and evolve their methodologies to reflect the latest developments in ESG integration,

regulations, and data availability. This ensures that their ratings remain relevant and accurately capture the ESG performance of companies.

ESG Reference: Chapter 7, Page 368 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION # 488

For engagement strategies to deliver meaningful results in a cost-effective and time-effective manner, investors must:

- A. identify which company in their portfolio is most in need of engagement
- B. raise all possible concerns with the company which has the most risk in their portfolios
- C. frame the engagement topic into a broader discussion around strategy and avoid discussing long-term financial performance with a company's board

Answer: A

Explanation:

* Effective Engagement Strategies:

For engagement to be meaningful and cost-effective, investors need to prioritize and identify which companies in their portfolio require the most attention.

* Targeted Engagement:

By focusing on the companies most in need of engagement, investors can allocate their resources more efficiently.

This targeted approach helps in addressing significant ESG risks and opportunities that can materially impact the company's performance.

* Broader Discussion:

While it is important to frame the engagement topic within the company's broader strategy, discussing long-term financial performance and risks is crucial for holistic engagement.

* Reference:

Identifying the company most in need of engagement is a recommended strategy in the 2021 ESG investing documentation.

NEW QUESTION # 489

The key objective of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises is:

- A. Requiring investors to take responsibility for the adverse impacts their investments have on society
- B. Minimizing the impact of social factors on investments
- C. Remedying business-related human rights abuses

Answer: C

Explanation:

The OECD Guidelines for Multinational Enterprises aim to provide voluntary principles and standards for responsible business conduct, including remedying business-related human rights abuses. These guidelines encourage companies to address and prevent violations, especially in areas such as labor rights and environmental protection. ESG Reference: Chapter 4, Page 211 - Social Factors in the ESG textbook.

NEW QUESTION # 490

Alignment of an investment manager's performance against a long-term ESG investor's objectives is best achieved by which of the following?

- A. Benchmarking against the market
- B. Engaging in a monitoring dialogue frequently
- C. Early reporting of deviations from the expected investment process or style

Answer: C

Explanation:

Alignment of an investment manager's performance with long-term ESG objectives is best achieved through early reporting of deviations from the expected investment process or style. This allows the investor to address any discrepancies quickly and ensure the portfolio remains aligned with their ESG goals. ESG Reference: Chapter 9, Page 510 - Investment Mandates, Portfolio Analytics

