

Curriculum Errata Notice

2024 Certificate in ESG Investing

UPDATED 5 JUNE 2024

This document outlines the errors submitted to CFA Institute that have been corrected.

Due to the nature of our publishing process, we may not be able to correct errors submitted after 1 June 2023 in time for the publication of the following year's print materials. However, we update all errors in the Learning Ecosystem (LES) and in this document at the end of each month.

We recommend checking either the LES or this document regularly for the most current information. Depending on when you purchase the print materials, they may or may not have the errors corrected.



All errors can be submitted via <http://cfa.is/Errata>

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Introduction to ESG Investing

Macro-Level Debate on ESG Incorporation

Lesson	Location	PDF Pg	Revised	Correction
Macro-Level Debate on Integrating ESG Considerations	Economic Perspective	26	29 January 2024	<p>Replace: In fact, the Stockholm Resilience Centre (2015) has identified nine “planetary boundaries” (see Exhibit 6) within which humanity can continue to develop and thrive for generations to come and found that four of them—climate change, loss of biosphere integrity, land-system change, and altered biogeochemical cycles (phosphorus and nitrogen)—have been crossed.</p> <p>With: In fact, the Stockholm Resilience Centre identified nine “planetary boundaries” (see Exhibit 8) within which humanity can continue to develop and thrive for generations to come.¹⁶ In 2022, it found that six of them—climate change, loss of biosphere integrity, land-system change, freshwater change, novel entities, and altered biogeochemical cycles (phosphorus and nitrogen)—have been crossed. Two of these—climate change and biosphere integrity—are deemed “core boundaries,” for which significant alteration would “drive the Earth System into a new state.”</p>

Financial Materiality of ESG Integration

Lesson	Location	PDF Pg	Revised	Correction
Efficiency and Productivity	Case Studies – Aeon Group	31	29 January 2024	<p>Replace: Between 2015 and 2018, the Japanese retail group Aeon achieved a decrease of 9.7% in food waste emissions, which was equal to approximately 32 kg per US\$9,100 in net sales.</p> <p>With: Between 2015 and 2018, the Japanese retail group Aeon achieved a decrease of 9.7% in food waste emissions, which was equal to 32.14 kg per ¥1 million (£6,826) in net sales—approximately 13 million kg.</p>

Key Initiatives

Lesson	Location	PDF Pg	Revised	Correction
United Nations Initiatives	United Nations Framework Convention on Climate Change	48	29 January 2024	Replace: The United Nations Framework Convention on Climate Change (UNFCCC), launched at the Rio de Janeiro Earth Summit in 1992, aims to stabilize GHG emissions to limit man-made climate change. With: The United Nations Framework Convention on Climate Change (UNFCCC), launched at the Rio de Janeiro Earth Summit in 1992, aims to stabilize GHG concentrations to limit man-made climate change.

Practice Problems

Lesson	Location	PDF Pg	Revised	Correction
_____	Question 11 answer choice	61	2 April 2024	Replace: 11. Which of the following requires investors to act with a more long-term focus? a. Stockholm Resilience Centre b. Financial Stability Board (FSB) c. UN Shareholder Rights Directive (SRD) With: 11. Which of the following requires investors to act with a more long-term focus? a. Stockholm Resilience Centre b. Financial Stability Board (FSB) c. EU Shareholder Rights Directive (SRD)
_____	Question 29	63	5 June 2024	Replace: 29. The efficiency of shareholder engagement depends on: With: 29. The efficacy of shareholder engagement depends on:

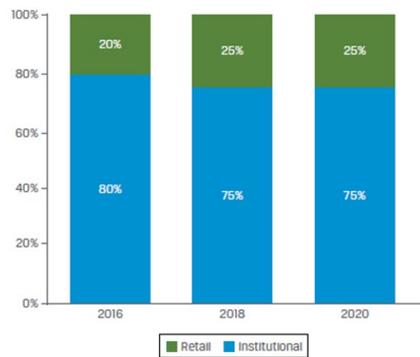
Solutions

Lesson	Location	PDF Pg	Revised	Correction
_____	Answer 29	66	2 April 2024	Replace: Its efficiency depends on such factors as ownership levels and the threat of divestment, not the amount of security in free float. With: Its efficacy depends on such factors as ownership levels and the threat of divestment, not the amount of security in free float.

The ESG Market

ESG Investing in Numbers

Lesson	Location	PDF Pg	Revised	Correction
_____	First paragraph	68	29 January 2024	Replace: This most recent report showed sustainable investing assets in the five major markets stood at USD35.3 trillion at the start of 2020, a 15% increase in two years.
				With: This most recent report showed sustainable investing assets in the five major markets stood at USD35.3 trillion (£27.81 trillion) at the start of 2020, a 15% increase in two years.
_____	Bulleted list under Exhibit 2	69	2 April 2024	Replace: <ul style="list-style-type: none"> • Norms-based and negative/exclusionary screening is the largest strategy in Europe. • Sustainability thematic investing, impact/community investing, positive/best-in-class investing, and ESG integration command most assets in the United States. • ESG integration along with corporate engagement and shareholder action constitutes the predominant strategy in Japan.
				With: <ul style="list-style-type: none"> • Norms-based and negative/exclusionary screening and corporate engagement and shareholder action are the largest strategies in Europe. • Sustainability thematic investing, impact/community investing, positive/ best-in-class investing, and ESG integration and negative/exclusionary screening command most assets in the United States. • ESG integration along with corporate engagement and shareholder action constitutes the predominant strategy in Japan.

Lesson	Location	PDF Pg	Revised	Correction
_____	Exhibit 5	71	2 April 2024	<p>Swap the bar chart color keys for Retail and Institutional, as shown below.</p> <p>Retail should be green and Institution should be blue.</p>  <p><i>Note:</i> This data was not collected in Australasia or Europe for 2020. <i>Source:</i> GSIA (2021).</p>

Social Factors

Solutions

Lesson	Location	PDF Pg	Revised	Correction
_____	Solution to 8	279	2 April 2024	<p>Replace:</p> <p>B is correct. Company 2 best fulfills the requirements to substantially contribute to one objective (climate change adaptation at +3 points) while doing no significant harm to the others.</p> <p>With:</p> <p>B is correct. Company 2 best fulfills the requirements to substantially contribute to one objective (climate change adaptation at +7 points) while doing no significant harm to the others.</p>

Governance Factors

Learning Outcomes

Lesson	Location	PDF Pg	Revised	Correction
_____	LOS 5.1.1.	283	2 April 2024	Remove duplicate 5.1.1. in Learning Outcomes.

Governance Factors

Structural Corporate Governance Differences in Several Major World Markets

Lesson	Location	PDF Pg	Revised	Correction
Examples from Developed Markets	Corporate Governance in Italy	318	2 April 2024	<p>Replace: Both the boards and the statutory auditors are elected for multi-year periods, usually five years, and are not eligible for re-election in the following period.</p> <p>With: Both the boards and the statutory auditors are elected for multi-year periods, usually three years, and boards are not eligible for re-election in the following period, however in some companies, statutory auditors may be reelected for a second term.</p>

Practice Problems

Lesson	Location	PDF Pg	Revised	Correction
_____	Problem 16	344	5 June 2024	<p>Replace: 16. One difference between the corporate governance practices in Japan and those in Sweden relates to the:</p> <p>With: 16. One difference between the corporate governance practices in Japan and those in Germany relates to the:</p>

Solutions

Lesson	Location	PDF Pg	Revised	Correction
_____	Solution 16	349	5 June 2024	Replace: In Sweden, a Scandinavian country, most board structures are two-tier, whereby supervisory and management boards are separate and responsible for different functions.
				With: In Germany , most board structures are two-tier, whereby supervisory and management boards are separate and responsible for different functions.

Engagement and Stewardship

Stewardship and Engagement: What's Involved and Why It's Important

Lesson	Location	PDF Pg	Revised	Correction
What Is Stewardship? What Is Engagement?	Bottom of page	357-358	2 April 2024	Replace: Financial success in terms of business performance or share price performance may consequently occur but will always be subsidiary to the first measurement of success.
				With: Financial success in terms of business performance or share price performance may consequently occur but will always be subordinate to the first measurement of success.

Practice Problems

Lesson	Location	PDF Pg	Revised	Correction
_____	Question 2 answer choice	395	2 April 2024	Replace: 2. Successful investor engagement tends to have the most positive impact: a. on abnormal financial returns.
				With: 2. Successful investor engagement tends to have the most positive impact: a. on restructuring and financial policies.

Lesson	Location	PDF Pg	Revised	Correction
				b. on changes to remuneration policies. c. within six months of the initial engagement contact.
				b. on changes to remuneration policies. c. within six months of the initial engagement contact.
_____	Question 27	398	5 June 2024	Replace: 27. Which of the following is not among the identified key mechanisms for the escalation of engagement?
				With: 27. Which of the following is least likely among the identified key mechanisms for the escalation of engagement?

Solutions

Lesson	Location	PDF Pg	Revised	Correction
_____	Solution to 27	401	2 April 2024	Replace: A is correct. Submitting a shareholder resolution is an escalation mechanism, whereas the others represent forms of dialogue with the investee.
				With: C is correct. Holding additional meetings with management is part of a standard set of tools in normal dialogues with companies.

ESG Analysis, Valuation, and Integration

The Different Approaches to ESG Integration

Lesson	Location	PDF Pg	Revised	Correction
Quantitative ESG Analysis	Artificial Intelligence and Algorithms	405	2 April 2024	Replace: Artificial intelligence (AI) and machine learning algorithms can help investors utilize more data efficiently in in QESG analysis and decision making.
				With: Artificial intelligence (AI) and machine learning algorithms can help investors utilize more data efficiently in in QESG analysis and decision making.

Solutions

Lesson	Location	PDF Pg	Revised	Correction
_____	Solution to 14	455	2 April 2024	Replace: A is correct. ESG factor identification is up to the rating provider, and thus the dispersal of opinion starts at the first step, even before consideration of different weighting and scoring methodologies.
				With: C is correct. ESG factor identification is up to the rating provider, and thus the dispersal of opinion starts at the first step, even before consideration of different weighting and scoring methodologies.

Integrated Portfolio Construction and Management Learning Outcomes

Lesson	Location	PDF Pg	Revised	Correction
_____	LOS 8.1.6.	459	2 April 2024	Remove duplicate 8.1.6. in Learning Outcomes.

Approaches to ESG Integration: Role of Analysts, Portfolio Managers, and Internal and External Research

Lesson	Location	PDF Pg	Revised	Correction
_____	Second bullet point	473	5 June 2024	Replace: producing a picture of the portfolio's environmental and carbon exposure on an absolute value basis (for instance, expressed as weighted-average carbon intensity), and
				With: producing a picture of the portfolio's environmental and carbon exposure on a relative basis (for instance, expressed as weighted-average carbon intensity).

The Evolution of ESG Integration: Exclusionary Preferences and Their Application

Lesson	Location	PDF Pg	Revised	Correction
_____	Second paragraph	476	29 January 2024	Replace: According to statistics maintained by the Global Sustainable Investment Alliance (GSIA 2018), exclusion-based approaches remain the largest portion of dedicated ESG-screened assets under management (AUM).
				With: According to statistics maintained by the Global Sustainable Investment Alliance (GSIA 2018), exclusions-based approaches remain the second largest portion of dedicated, ESG-screened assets under management (AUM).

Integrated Portfolio Construction and Management ESG Screening Within Portfolios and Across Asset Classes: Green Securitization and Sovereign Debt

Lesson	Location	PDF Pg	Revised	Correction
_____	Learning Module title	484	2 April 2024	Replace: ESG Screening Within Portfolios and Across Asset Classes: Green Securitization and Sovereign Debt Green Securitization
				With: ESG Screening Within Portfolios and Across Asset Classes: Green Securitization and Sovereign Debt Green Securitization

Integrating ESG Screens in Portfolios to Manage Risk and Generate Returns

Lesson	Location	PDF Pg	Revised	Correction
ESG Integration to Manage Portfolio Risk	Third paragraph	495	2 April 2024	Replace: While some firms have developed proprietary approaches to this problem, the ability to measure ESG performance attribution does not commercially exist.
				With: While firms may have certainly developed proprietary approaches to this problem, the ability to measure ESG performance attribution is still in early stages of development. Source data and methodologies vary widely across providers.

Full ESG Integration, Exclusionary Screening, and Positive Alignment

Lesson	Location	PDF Pg	Revised	Correction
_____	Exclusionary Screening	507	2 April 2024	Replace: Exclusion-based approaches continue to represent the large portion of dedicated AUM.
				With: Exclusions-based approaches continue to represent a significant portion of dedicated AUM, only behind ESG integration.

Practice Problems

Lesson	Location	PDF Pg	Revised	Correction
_____	Question 4	526	5 June 2024	Replace: A. Marine bond
				With: A. Blue Bond

Solutions

Lesson	Location	PDF Pg	Revised	Correction
_____	Solution 4	531	5 June 2024	<p>Replace:</p> <p>4. C is correct. New forms of credit issuance have emerged, designed to raise funding to meet social and environmental objectives alongside a financial return. Sustainability-linked bonds can be used by an issuer to fund projects that contribute to meeting marine and ocean-based sustainability measures, such as sustainable fishing projects.</p> <p>With:</p> <p>4. A is correct. New forms of credit issuance have emerged, designed to raise funding to meet social and environmental objectives alongside a financial return. Blue bonds can be used by an issuer to fund projects that contribute to meeting marine and ocean-based sustainability measures, such as sustainable fishing projects.</p>

Glossary

Lesson	Location	PDF Pg	Revised	Correction
_____	Strategic asset allocation (SAA) term	599	2 April 2024	<p>Replace:</p> <p>Strategic asset allocation is an investment strategy premised on long-term asset allocation. This strategy rebalances its portfolio only when the asset mix represents significant deviation from the</p> <p>With:</p> <p>Strategic asset allocation is an investment strategy premised on long-term asset allocation. This strategy rebalances its portfolio only when the asset mix represents significant deviation from the original or targeted allocation mix</p>