

CERTIFICATE IN IMPACT INVESTING

V.1 TESTED FROM NOVEMBER 2023 (PILOT)

UNIT AIMS

By the end of this unit, learners should be able to demonstrate:

- An understanding of the key aims of impact investing, market context and different asset owner impact strategies.
- An understanding of the importance of an impact investment philosophy and strategy, key frameworks used to establish a strategy, regulatory and fiduciary considerations and approaches to building and managing impact investment products.
- An understanding of how the key drivers of impact business models and assets determine the most appropriate type of impact investment across private and public markets and key features of impact investments.
- An understanding of how to establish a selection process consistent with the intended impact strategy intent.
- An understanding of impact measurement, management and reporting in practice for both enterprises and investors.
- An understanding of investor contribution approaches, strategies and engagement and escalation.

Question allocation across the syllabus is balanced on the guidance of psychometric and industry specialists. The following question allocation for Version 1 of the Certificate in Impact Investing is provided as a broad indication of the relative ‘weighting’ of different parts of the syllabus in examinations from November 2023.

| Topic | Topic Name | Question Allocation |
|-------|---|---------------------|
| 1 | Introduction to impact investing | 4-8 |
| 2 | Impact investment philosophy, strategy and implementation | 14-18 |
| 3 | Asset classes and products in private and public markets | 8-12 |
| 4 | Impact investing, sourcing and due diligence | 4-8 |
| 5 | Impact measurement, management, monitoring and reporting | 16-20 |
| 6 | Investor contribution and stewardship | 2-6 |

OTHER INFORMATION REGARDING THIS UNIT:

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|--------------------------|---|
| Exam format: | 65 questions Online testing using standard multiple choice questions. |
| Time allowed for exam: | 1 hour and 30 minutes. |
| Grades: | Pass or Fail. |
| Study Materials: | Official Training Manual Edition 1 will be available to pilot candidates. |
| Recommended study hours: | 130 hours. |

TOPIC 1 INTRODUCTION TO IMPACT INVESTING

1.1 DEFINING IMPACT INVESTING

- 1.1.1 Explain the key aims of impact investing to achieve positive social and environmental outcomes alongside financial returns
- 1.1.2 Explain how impact investment channels capital to help address key social and environmental challenges
- 1.1.3 Apply the main uses of key terms and concepts in impact investing
- 1.1.4 Identify how impact investment is distinguishable from traditional investment, other sustainable investment strategies and philanthropy

1.2 MARKET CONTEXT

- 1.2.1 Identify key participants and major users of impact capital and drivers for investment
- 1.2.2 Explain the history, trends and market size including reasons for different estimates

1.3 IMPACT INVESTING IN PRACTICE

- 1.3.1 Assess the benefits and limitations of different asset owner impact strategies and how investors consider the interactions between impact outcomes and financial returns, and between different impact strategies

TOPIC 2 IMPACT INVESTMENT PHILOSOPHY, STRATEGY & IMPLEMENTATION

2.1 INVESTMENT PHILOSOPHY AND STRATEGY

- 2.1.1 Explain the importance of explicitly including an impact investment philosophy and thesis within a broader investment policy statement
- 2.1.2 Describe how impact philosophies, strategies and approaches are integrated in the investment lifecycle and implementation process
- 2.1.3 Explain how key frameworks are used to establish a strategy and setting objectives:
 - UN Sustainable Development Goals

- Impact Management Project
- Operating Principles for Impact Management

2.1.4 Assess key impact criteria and parameters relative to a theory of change

2.1.5 Analyse key features of investment decision-making processes to ground them in impact analysis of assets, products and portfolios

2.2 REGULATORY AND FIDUCIARY CONSIDERATIONS

2.2.1 Explain the regulatory framework around impact investment products and the suitability of the investment product for different audiences:

- EU Sustainable Finance Disclosure Regulation
- UK Financial Conduct Authority Sustainability Disclosure Requirements

2.2.2 Explain the requirements of fiduciary duty in the context of impact investment

2.2.3 Explain key principles relating to working with clients to identify impact and sustainability preferences, including the use of principles-based frameworks

2.3 APPROACHES TO BUILDING AND MANAGING IMPACT INVESTMENT PRODUCTS

2.3.1 Explain the process for constructing an impact investment portfolio, taking account of financial and impact risks and returns

2.3.2 Describe approaches to incorporate impact alongside ESG factors in constructing client portfolios

TOPIC 3 ASSET CLASSES AND PRODUCTS IN PRIVATE AND PUBLIC MARKETS

3.1 FEATURES OF IMPACT INVESTMENTS

3.1.1 Explain how the key drivers of impact business models and assets determine the most appropriate type of impact investment across private and public markets

3.1.2 Assess key features of debt impact investments in private and public markets

- 3.1.3 Assess key features of equity impact investments in private and public markets
- 3.1.4 Assess key features of hybrid impact investment models, including quasi equity, revenue share, variable payment obligations
- 3.1.5 Assess key features of different forms of funds and pooled vehicles for impact investment
- 3.1.6 Assess key features of specialist impact investment products and strategies, including blended finance and outcomes contracts

TOPIC 4 IMPACT INVESTING, SOURCING AND DUE DILIGENCE

4.1 THE IMPORTANCE OF SELECTION FOR IMPACT

- 4.1.1 Explain the importance of establishing a selection process consistent with the intended impact strategy intent, and how to effectively communicate the selection process to clients and their advisers

4.2 ESTABLISHING A SELECTION PROCESS

- 4.2.1 Explain the core elements of an impact investment sourcing and due diligence process
- 4.2.2 Analyse the suitability of an impact investment in line with an investors' impact investment strategy
- 4.2.3 Analyse the key risks of an impact investment with reference to achieving financial return and positive impact outcomes

TOPIC 5 IMPACT MEASUREMENT, MANAGEMENT AND REPORTING

5.1 IMPACT MANAGEMENT IN PRACTICE

- 5.1.1 Analyse common opportunities and challenges in relation to impact management, measurement and reporting
- 5.1.2 Explain the benefits and limitations of widely used impact management approaches and frameworks available to enterprises and investors

5.1.3 Assess the elements and application of a theory of change:

- inputs
- outputs
- outcomes
- impacts

5.2 IMPACT MANAGEMENT FOR ENTERPRISES

5.2.1 Identify material and significant enterprise impacts

5.2.2 Compare the benefits and limitations of different approaches to establishing KPIs to measure how the theory of change has been implemented

5.2.3 Analyse an enterprise impact with reference to the five dimensions of impact (what, who, how much, contribution and risk)

5.2.4 Assess and interpret enterprise impact data, including identifying the limitations of different assessment and valuation approaches

5.2.5 Describe approaches and limitations to impact data assurance and reporting

5.3 IMPACT MANAGEMENT FOR INVESTORS

5.3.1 Compare and contrast how impact management varies by investor type and asset class

5.3.2 Compare and contrast how impact management varies between primary and secondary markets

5.3.3 Assess approaches to setting and assessing progress towards impact goals at the investment and portfolio level

5.3.4 Analyse approaches to measuring and managing impact performance at the investment and portfolio level

5.3.5 Assess impact risk at the investment and portfolio level, including the interaction with financial risk and the potential for unintended negative impact of investments

5.3.6 Assess good practice in investment and portfolio level impact reporting and disclosure

TOPIC 6 INVESTOR CONTRIBUTION AND STEWARDSHIP

6.1 Investor contribution approaches and strategies

6.1.1 Describe investors' approaches and strategies to contribute impact in private market investments

6.1.2 Describe investors' approaches and strategies to contribute impact in public market investments

6.2 Engagement and escalation

6.2.1 Describe types of engagement strategies and escalation approaches