

Sustainable Finance Insight Journal

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Competency, Skills and Certification in Sustainable Finance

Professional perspectives from UK and
International practice



Guest Editor
Rufus Howard

The Triple Planetary Crisis of climate change, pollution and biodiversity loss is a defining concern of our time. Addressing these together with the interlinked challenges of economic and social sustainability, through frameworks including the Paris Agreement, Global Biodiversity Framework and UN Sustainable Development Goals, requires urgent collective action from policymakers, regulators, business and civil society.

Simon Thompson





Welcome to Volume 1 of the new Sustainable Finance Insight Journal, 'Competency, Skills and Certification in Sustainable Finance'. This first volume is the start of a new series that has taken inspiration from our long-running Impact Assessment Outlook Journal, now on its 19th Volume. The Sustainable Finance Insight Journal is the creation of our new Sustainable Finance Network, established in 2023. The Network is led by a 15-member Steering Group, which aims to enable the flow of information and knowledge sharing between investment and sustainability professionals in a way that helps address some of the most significant policy challenges concerning the natural environment, social inclusion and governance.

Each volume of the new Sustainable Finance Insight Journal will look at a different topic within the field of sustainable finance, with the first volume bringing together a collection of seven articles on the topic of competency, skills and certification in sustainable finance, following on from a member webinar on the same topic in October 2023.

Simon Thompson (Chief Executive, Chartered Banker Institute and Chair, Sustainable Finance Education Charter) kicks off the journal with the first article by echoing the call of Mark Carney at COP 26 to ensure that 'every professional financial decision takes account of climate change'. Simon goes on to explain the evolution of the world's first Sustainable Finance Education Charter and stresses the importance of capacity and capability-building in the finance professions to mainstream sustainability-related skills and expertise.

In our second article, David Luck (Investment Banker and Chair of the IEMA Sustainable Finance Network Steering Group) reflects on his career journey from an investment banker into a sustainable finance career. He identifies the importance of capacity building to not only upskill finance professionals in sustainability but also to upskill sustainability professionals in finance if we are to transform the financial system to be geared towards sustainable outcomes.

In 'Building Competence in Sustainable Finance: ESG and Sustainability Courses', Mark Browning (Director, Environmental Management and Sustainability) and Richard Coulthard (Sustainability Consultant) review a number of courses and certificates in sustainable finance and ESG and ask a number of questions such as, 'What courses currently exist to equip those working or planning to work in sustainable finance to be competent and informed on the topic?' and, 'Is enough being done to ensure we have the right breadth of courses available?'. Their research identifies a variety of ESG-related courses which can assist those looking to upskill in sustainable finance; however, echoing David Luck's article, there is clearly a question mark about the extent to which a short course or certificate can reach the depth of competence needed to be a sustainability professional. Therefore, while we need to encourage and support all professionals (not just in finance) to understand the importance of sustainability and their role in the transition to sustainability, we also need to recognise that there is a need for experts with deep subject matter expertise in specific aspects of sustainability, such as biodiversity, climate, social and health. We must also recognise that a short course or certificate will not make someone into a subject matter expert.

The next two articles expand on the topic of expertise and focus on the concept of 'competent experts' and the importance of using appropriately qualified professionals to advise on specific aspects of sustainability. The first of these articles is provided by Eddie Smyth (Director, Intersocial and Chair of the IEMA Social Impact Assessment Working Group) and looks at the importance of using competent experts to undertake the assessment of the social impacts of projects and programmes. This is particularly relevant to sustainable finance, as 'social' or 'people' is one of the three pillars of sustainability and represents the 'S' in ESG. Just as Simon and David set out the need to upskill financial professionals in sustainability, it is also important to understand that sustainability is a broad field, with many facets, not only separated into the three components of environment, social and economic, but within the environmental and social aspects these can be divided into subsets of issues, such as the 17 Sustainable Development Goals, or the IFC's eight Environmental and Social Performance Standards or the World Bank's ten Environmental and Social Standards. The bottom line here is that if you want to understand the social impacts of an enterprise or investment, you should use a competent expert in social assessment.

The theme of competent experts continues with the next article by a trio of professionals active in IEMA's Health Impact Assessment working group, Dr Liz Green (Consultant in Public Health, Policy and International Health, Public Health Wales), Ryn gan Pyper (Director, Health and Social Impact, RPS) and Lisa Nelson (Consultant, Health and Social Impact, RPS). The article starts with a positive, explaining that health assessment is required under international standards such as the International Finance Corporation's Environmental and Social Performance Standards and highlights their adoption by a large number of financial institutions as signatories to the Equator Principles. However, echoing Eddie Smyth's concerns regarding the competency of those leading social assessments, the authors

of this second article on competence raise similar concerns with respect to the competence and capacity of those undertaking Health Impact Assessments in support of projects and investment portfolios.

In our penultimate article Aida Khalil Gomez (Senior Environmental and Social Specialist at the International Finance Corporation (IFC)) sets out a brief case study from IFC and their interaction with sustainable finance and competent experts. The article explains that while it is well known that IFC was an early leader in sustainable finance with the introduction of the Environment and Social (E&S) Performance Standards in 2006 (updated in 2012) and their incorporation into the Equator Principles, what is less well known is the value IFC places on having access to competent experts internally. In this respect IFC is an outlier (along with the World Bank (IBRD/IDA)) in comparison to most financial institutions in that it has over 150 in-house environmental and social experts. These sustainability staff are not financial professionals with a certificate in ESG but are dedicated environmental and social experts who work within the institute to manage environmental and social risk and assist with the implementation of IFC's Sustainability Framework and Access to Information Policy.

These sustainability professionals work in partnership with investment officers and other financial and legal professionals to bring the necessary competent expertise to decision-making and review of investments and seek to ensure that environmental and social, as well as economic, factors are considered. Furthermore, IFC has, in recent years, developed an active competency-based learning and development curriculum to support both the sustainability and financial colleagues to stay up to date with key knowledge, skills and behaviours needed to implement sustainable finance.

If I have been too positive in my summary of Aida's and IFC's work then I should admit that in addition to my IEMA role, I have also been supporting IFC for the past three and a half years in the design and development of their E&S learning and certification programme, and so I am hardly unbiased. Nevertheless, I do believe that the model being pursued by IFC, which is to upskill the finance professionals (in line with David's and Simon's recommendations) whilst also recognising the need to have competent dedicated sustainability experts (as per Eddie, Ryngan, Liz and Lisa's advice), for example by employing specialists in health, social, biodiversity, grievance response and E&S risk management to work in teams with the investment officers, allows the expertise of both finance and sustainability professionals to be combined. This is, in my mind, the right way forward, and as with most effective solutions, it's a case of and/and rather than and/or.

Finally, we have a dose of hard truth from Professor Kim Schumacher (Associate Professor in Sustainable Finance and ESG, Kyushu University), in an excerpt from a recent interview. The originator of the phrase, 'competency greenwashing', Kim outlines its implications and discusses the need for the captains of industry to face up to the realities of a transition to sustainability.

That completes my introduction to our seven guest articles. I hope you enjoy reading them as much as I have. I look forward to seeing more volumes of this new Sustainable Finance Insight Journal being published over the coming years, bringing insights from practitioners to IEMA's members and other professionals interested in the development of policy and practice in sustainable finance.



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Ensuring that ‘...every professional financial decision takes account of climate change’

The Triple Planetary Crisis of climate change, pollution and biodiversity loss is a defining concern of our time. Addressing these together with the interlinked challenges of economic and social sustainability, through frameworks including the Paris Agreement, Global Biodiversity Framework and UN Sustainable Development Goals, requires urgent collective action from policymakers, regulators, business and civil society.

The finance sector plays a key role in leading and supporting a successful transition, and there has been significant growth in sustainable finance since the Paris Agreement in 2015. The reality is, however, that even in the broadest definition, less than 5% of global finance can be described as ‘green’. Despite many financial institutions’ Net Zero commitments and the growth of collective bodies such as the Glasgow Financial Alliance for Net Zero (GFANZ), funding of fossil fuels still greatly outweighs financing for the transition.

We require a fundamental realignment of the finance sector so that, in UN Special Envoy Mark Carney’s words to COP 26, ‘...every professional financial decision takes climate change into account.’ We might extend this to encompass wider aspects of environmental and social sustainability too. This requires the strategic and operational alignment of financial institutions with sustainability goals, but this in itself is necessary but not sufficient.

If ‘every professional financial decision’ is to incorporate sustainability then this requires every finance professional to develop and be able to apply a knowledge and understanding of sustainability and sustainable finance to the extent appropriate for their role, function and organisation.

If 'every professional financial decision' is to incorporate sustainability then this requires every finance professional to develop and be able to apply a knowledge and understanding of sustainability and sustainable finance to the extent appropriate for their role, function and organisation.

Professional bodies like my own, the Chartered Banker Institute, play key roles in shaping and defining this knowledge and understanding, as well as the standards, norms, values, and practices in their respective professions. Recognising this, in 2020 the Green Finance Education Charter¹ was established; relaunched with a broader scope as the Sustainable Finance Education Charter¹ in 2023 in the UK Government's second Green Finance Strategy. The Charter is a world first, has attracted interest internationally, and is the UK Government's main policy mechanism to improve sustainability-related skills and expertise to support green and sustainable finance policy delivery.

The Charter—which I am proud to chair—is a partnership between the Department for Net Zero and Energy Security, 14 leading, global professional bodies with more than one million members between us, and the UK's Green Finance Institute. We are committed to incorporating sustainability and sustainable finance into our professional education and training for finance professionals worldwide, building the capacity and capabilities of financial institutions and financial

centres, and promoting a culture of sustainability awareness within finance professions. Developing and embedding the new professional norms needed to ensure that '... every professional financial decision takes account of climate change' so that the professional knowledge and skills of accountants, actuaries, bankers, investors, insurers, treasurers and many other professionals are harnessed to create shared, sustainable prosperity for current and future generations.

Substantial progress has been made by Sustainable Finance Education Charter members to date, as evidenced in our Progress Reports², collectively and by the activities of Charter members individually. We have successfully engaged our members and followers worldwide on climate change and sustainability issues, have upskilled hundreds of thousands of professionals worldwide, and have mainstreamed sustainability and sustainable finance into our curricula, qualifications and CPD.

We want to do more, in the UK and internationally, by inviting other UK-based professional bodies—including IEMA—to join the Charter and share their expertise and good practice. And, using the Sustainable Finance Education Charter as a model, we aim to encourage other jurisdictions to use our pioneering work as a template for capacity, and capacity-building, worldwide to support our shared, global ambition to achieve Net Zero and other sustainability goals.

¹ <https://www.greenfinanceinstitute.com/green-finance-education-charter>

² www.charteredbanker.com/centre-for-responsible-banking/green-finance-education-charter/gfec-publications.html

David Luck

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Sustainability
and Finance
Limited



UK Financial Services and Sustainability Nexus: Bridging the Gap

In the last quarter-century, global financial markets have undergone a profound transformation marked by exponential growth, technological leaps and heightened interconnectedness. Yet, amidst this evolution, pivotal events have marred this trajectory, forcing contemplation on the core purpose of the financial system. Instances of market turbulence, speculative bubbles and seismic crises—such as the dot-com bubble burst of the early 2000s, the 2008 global financial meltdown and government stimulus responsive to the COVID-19 pandemic—have unveiled vulnerabilities inherent in financial markets.



London Stock Exchange (LSE) July 2013: IPO of Bluefield Solar Income Fund. David Luck is fourth from the left.

These occurrences have sparked debates questioning whether the financial system truly serves the collective welfare or merely caters to the interests of a select few. Nevertheless, among these concerns, instances exist where the financial system has showcased its potential to be a harbinger of positive change.

In 2013, I was part of a team that orchestrated the launch of an inaugural pure-play solar fund on a global stock exchange, a pioneering feat.

This ground-breaking initiative integrated renewable energy projects into the investment landscape, setting a precedent for sustainable investment vehicles. It heralded the dawn of a sustainable finance journey within the investment companies' sector on the London Stock Exchange.

Today, numerous green investment companies exist on the exchange and the LSE recognises many with the Green Economy Mark (those meeting specific criteria). These encompass investments spanning solar, wind and battery storage to a forestry fund for the purposes of carbon sequestration.

However, amidst the burgeoning landscape of sustainability-linked investments and the amplified utilisation of an ESG (Environmental, Social and Governance) lens, has the competency in sustainability within financial services kept pace?

Reflecting on my journey during this transformative era, I discerned a growing need within my investment bank to cater to the escalating demand for knowledge and data. This impelled me to help establish the role of Head of Sustainability within the bank. Simultaneously, as the bank faced amplified pressure from shareholders for increased disclosure of non-financial metrics, I became a pivotal member of the ESG executive committee. Steering the ESG Taskforce through materiality assessments, I delved deeper into understanding climate risks and opportunities.

Before embracing the sustainability role, I spearheaded a highly regarded sustainable finance webinar series for several years. This virtual platform provided an opportunity for diverse stakeholders—ranging from pension fund managers to ESG desk heads—to engage with Europe's foremost experts in ESG, sustainability and climate science. Engaging with prominent fund managers was a significant career move, but it was the juxtaposition of climate scientists and sustainability experts that truly stirred contemplation within me. As I deepened my understanding of the climate emergency and biodiversity crisis, I yearned for a more profound comprehension of sustainability theory and practice, a passion that consumed me.

Addressing escalating climate risks and propelling investment in emission reduction while fostering new financial products necessitates adept sustainability practitioners bridging the gap to financial institutions.

The existential inquiries raised by these guest speakers resonated profoundly, yet my consciousness lacked a cohesive framework and depth of knowledge to properly assimilate them. My educational and career background, rooted in business school and financial theory devoid of sustainability content, compelled me to seek a deeper foundation. While I perused IPCC synthesis reports, watched BBC's Planet Earth series, and acquired certificates in ESG, I realised that passion alone does not translate into credibility.

Now, three years into a sustainability master's programme at Harvard Extension School and my third year of IEMA membership, I comprehend that passion alone does not equate to a profound understanding of sustainability. Conversely, possessing an in-depth understanding of the environment and sustainability doesn't automatically unlock solutions to climate change and environmental harm. Comprehending the intricacies of finance—its history, drivers, nuances and complexities—requires a considerable commitment. Sustainability professionals need to cultivate a comprehensive understanding of finance to challenge the status quo effectively.

Addressing escalating climate risks and propelling investment in emission reduction while fostering new financial products necessitates adept sustainability practitioners bridging the gap to financial institutions. This demands an understanding of financial institutions and the ability to sell sustainability solutions.

Simultaneously, financiers must transcend superficial comprehension of sustainability. Though a deeply rooted sustainability and financial expert may grace some executive tables in the City, it remains an exception rather than the norm.

Positive environmental outcomes must also align with positive financial outcomes to garner investor attention. Government interventions can help here and need not wait for crises; subsidies have historically precipitated transformative changes, exemplified by the UK renewables sector's initial success over the last decade. It's pivotal to remember that financial institutions wield considerable operational and financial leverage too. Even minor perturbations in one facet of the system can ripple, causing disproportionate consequences elsewhere—a butterfly effect fostering broader positive social and environmental change. Nonetheless, a gap persists between sustainability and finance.



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Building Competence in Sustainable Finance: ESG and Sustainability Courses

What courses currently exist to equip those working or planning to work in sustainable finance to be competent and informed on the topic? And is enough being done to ensure we have the right breadth of courses available? Are the courses tailored to need and promoting consistency on the topic across the industry? To consider these questions we undertook a high-level review of courses covering ESG (or sustainability) and sustainable finance. The increasing emphasis on ESG analysis within financial reporting has led to the generation of numerous ESG-related courses and certifications. A total of 14 courses were identified and reviewed (see Table 1).

A wide range of courses exist, catering to different audiences and levels of expertise. The cost of the courses differs widely; for example, the ESG Diploma Course provides free content for those wanting to develop an understanding of ESG and equip themselves with the basics. This is no bad thing where individuals or organisations want to rapidly gain a broad understanding

of ESG issues, especially across different business functions. Most costs range between £500 to £1000 with one exceeding £3000. Paid courses appear to have put more thought into course structure, are more modular in nature and longer in duration. Some are obviously aimed at certain areas of the financial world, such as asset management, but many are more generic in nature.

The length of course differs too with the Chartered SRI Counsellor (CSRIC) Designation expecting students to spend approximately 135 hours in course-related activities. Conversely, the duration of the PRI Responsible Investment for Trustees course is significantly shorter, taking between 90 and 120 minutes.

Key topics covered in most courses are ESG and 'Integration', 'Analysis', 'ESG and 'Decision-Making' and 'ESG Performance'. Less seem to consider and explain potential tools which may be used to evaluate or price ESG issues albeit some courses state that they do. These tools or approaches purport to explain how to apply traditional pricing methods to ESG and finance, but access to course content made it difficult to confirm the exact nature of the content. Integration is a natural approach to such a topic, but do these 'as is' methods risk not bringing about the change we may require at pace to realise material change across financial systems?

How far we want finance professionals to be technically competent on ESG topics is open to debate and there is an outstanding question about whether these courses are making a difference and go far enough to bring about alternative thinking and approaches to sustainable finance in the sector.

Although all those courses reviewed cover a wide range of ESG topics there are several patterns and similarities, which are highlighted in Table 2. The courses include a common emphasis on the growing demand for ESG expertise, reflecting the increasing significance of sustainability and responsible investment. Most courses appear to explain, even at a basic level, what ESG issues

are as risks or opportunities, but fewer seem to take a 'deep dive' into the impacts associated with ESG topics. In addition, few seem to explain how some ESG topics may overlap or interface with each other or how single approaches to solutions may in themselves lead to other environmental or social impacts being overlooked. Most courses cover carbon emissions, reductions and climate risk, but the depth of consideration varies. Topics related to biodiversity and ecological issues are generally considered less compared to carbon and climate risk, and areas related to other natural assets and resources, including resource scarcity, are considered even less. Fewer courses appear to provide any in-depth training on corporate governance and areas related to assessing 'materiality', reporting and external disclosures, potentially because these are seen as a specialised topic in themselves. A notable issue with the courses is their accessibility—the courses outlined within our review report can sometimes be costly and can take a significant amount of time to complete.

Nearly all the courses will support students meeting Continued Professional Development requirements. Some type of certification is generally awarded at the end of each course, whether these courses are a matter of hours or months in length; the majority of courses considered have some type of examination albeit we could not review if these exams in themselves strengthen or help to reinforce competence.

All these courses are welcomed and participation in them should be encouraged to raise the profile of the topic as well as deepen competence in the finance industry. That said, we probably need more courses and existing courses likely need to be strengthened in terms of depth and length. How far we want finance professionals to be technically competent on ESG topics is open to debate and there is an outstanding question about whether these courses are making a difference and go far enough to bring about alternative thinking and approaches to sustainable finance in the sector. This probably needs further monitoring and consideration by professional bodies.

Table 1. Courses reviewed and background details

ESG Certification	Certification	Exam required	Course length
Global Reporting Initiative (GRI) Professional Certification Programme Route A	GRI Certified Sustainability Professional status, valid for 2 years	Yes	16 hours
Principles for Responsible Investment (PRI) Understanding ESG	Certificate of completion and a digital badge	No	10 hours
PRI Applied Responsible Investment	Certificate of completion and a digital badge	No	10 hours
PRI Advanced Responsible Investment Analysis	Certificate of completion and a digital badge	No	10 hours
PRI Responsible Investment for Trustees	Certificate of completion and a digital badge	No	90 –120 minutes
PRI ESG in Alternative Investments	Certificate of completion and a digital badge	No	3 hours
Chartered Financial Analysts (CFA) Institute Certificate in ESG Investing	Certificate in ESG Investing	Yes	100 hours (study time)
European Federation of Financial Analysts Society (EEFAS) Certified ESG Analyst	EFFAS Certified ESG Analyst Holder	Yes	19 hours
ESG Diploma Course by CFI	Certificate of Environmental, Social & Governance	Yes	28.5 hours
International Association for Sustainable Economy ISF Level I ISB Level I	ESG Professional Certificate	ISF Level I – Yes ISB Level I – Yes	ISF Level I 30 hours ISB Level I 30 hours
Chartered SRI Counsellor Designation	ESG Certificate	Yes	135 hours (study time)
Sustainability and Climate Risk Certification	SCR Certificate	Yes	
FSA Credential SASB Fundamentals of Sustainability Accounting	FSA Certificate	Level I exam – Yes Level II exam – Yes	Level I exam – 30–50 hours Level II exam – 30–50 hours
Diploma in Environmental, Social and Governance (the Corporate Governance Institute)	ESG Qualification	Yes	50 contact hours, 6 months

Table 2. Overview of topics covered by the courses considered

Courses	Sustainability Reporting & Standards	ESG Fundamentals & Integration	Corporate Governance & Responsible Investment	ESG in Investment Decision-Making
Global Reporting Initiative	✓	✓		
PRI Understanding ESGA3:A11		✓		✓
PRI Applied Responsible Investment		✓	✓	✓
PRI Advanced Responsible Investment Analysis		✓		✓
PRI Responsible Investment for Trustees				✓
PRI ESG in Alternative Investments				✓
CFA Institute Certificate in ESG Investing	✓	✓		✓
EFFAS Certified ESG Analyst		✓		✓
ESG Diploma Course by CFI	✓	✓	✓	✓
International Association for Sustainable Economy		✓		
Chartered SRI Counsellor		✓	✓	✓
Sustainability and Climate Risk				
FSA Credential SASB	✓	✓		✓
Diploma in Environmental, Social and Governance	✓	✓	✓	✓

Table 2. Overview of topics covered by the courses considered (cont.)

Courses	Climate Change Risk & Sustainability Impact	ESG and Financial Performance	ESG Integration & Valuation	Engagement, Stewardship & Reporting
Global Reporting Initiative				✓
PRI Understanding ESGA3:A11				
PRI Applied Responsible Investment		✓	✓	
PRI Advanced Responsible Investment Analysis	✓	✓	✓	
PRI Responsible Investment for Trustees				✓
PRI ESG in Alternative Investments			✓	
CFA Institute Certificate in ESG Investing	✓	✓	✓	✓
EFFAS Certified ESG Analyst	✓	✓	✓	
ESG Diploma Course by CFI	✓	✓	✓	✓
International Association for Sustainable Economy			✓	
Chartered SRI Counsellor		✓	✓	✓
Sustainability and Climate Risk	✓		✓	✓
FSA Credential SASB	✓	✓	✓	✓
Diploma in Environmental, Social and Governance	✓	✓	✓	✓

Unless you have the skills and training to underpin the green revolution we all want to see happen, the transition to a sustainable global economy is not going to happen at the speed we want.

Sarah Mukherjee MBE, IEMA CEO





Assessing Social Impacts in Sustainable Finance: Role of Competent Experts

In an IEMA thought piece on Social Impact Assessment (SIA) last year (Impact Assessment Outlook Journal, Volume 13: April 2022) the consensus from the contributors was that the assessment of social impacts is an emerging area, but current practice is piecemeal and needs to improve. In the UK Janet Clark explained that as the planning system is based on land-use, little time is spent conducting social assessments to understand what the people need and how to shape communities. Some of the reasons for these omissions included the inadequate skills or experience of practitioners and proponents exerting undue influence on limiting scope and what is reported.

So, who qualifies as a competent social expert?

Social Impact Assessment (SIA) practice was developed in the US following the adoption of the 1969 National Environmental Policy Act (NEPA)³ which required Environmental Impact Statements to analyse 'reasonable and foreseeable' impacts to not only environmental concerns, but also to social and economic attributes. The Bureau of Land Management (BLM) increased the requirements of social science in a 2006 instructional memo sent to BLM staff that stated, '[i]n preparing social assessments contractors shall utilize staff having at minimum a master's

degree in a non-economic social science (sociology, anthropology, or geography) and contractors' staff shall have at least two years' relevant experience'⁴.

My own experience of working internationally, beginning with the mining sector in Africa in 2006, was that industry initially took social assessments seriously and engaged anthropologists, sociologists and community development experts to engage in dialogue with communities, co-assess impacts and co-design management plans. However, following the global financial crisis (2008–2009), most companies scaled back on social experts given there generally wasn't a strong regulatory requirement to assess social impacts.

³ Vanclay, F. (2003). *International principles for social impact assessment, impact assessment and project appraisal*. *Journal of the International Association for Impact Assessment*, 21(1), 5–12.

⁴ Dyer, T. H. 2006. Instruction Memorandum No. 2006-112. Washington, D. C.: Bureau of Land Management, p.1.

Industry then combined the supervision of environmental and social (E&S) impacts under an E&S manager, who was more likely to be an environmental expert given there are generally regulatory requirements for environmental management. Industry adopted an 'in-reach' approach⁵, and an emphasis on speaking the language of industry, which has resulted in companies allocating community relations roles to site staff.

A competent social expert, therefore, needs to have both a qualification in the social sciences (anthropology, sociology, political economy, social development, etc.) and field experience of working in community development.

These can be geologists, environmental scientists, engineers, human resources, or public relations staff who interface with local people and demonstrate a capacity for good communications. These E&S or social managers later left direct industry roles and became industry consultants, which led to the emergence of a social performance industry. Social performance consultants are focused on improving the social practices of industry, but standards for social assessment are generally weak focusing on transactional 'consultations' processes, which fail to understand the depth of social impacts on communities. With the emergence of Environmental, Social and Governance (ESG) since the 2015 Paris COP 21 conference, E&S consultants are now rebranding as ESG experts and further diluting the emphasis on social assessment.

Internationally, the top two requirements of the World Bank advertising for senior social development specialists working mainly on government projects in 2023 were a master's-level qualification in social sciences (anthropology, sociology, political economy, social development, etc.) and at least eight years of demonstrated experience in social development and community development. However, with international E&S experts working with industry, the requirements of International Finance Corporation are quite broad with job adverts seeking qualifications in environment management, engineering, climate change, social development or other disciplines relevant to environmental and social management, and professional experience working on E&S management with a strong preference for experience in the private sector.

The conclusion from the IEMA thought piece on Social Impact Assessment (SIA) was that SIAs still commonly omit impacts such as social cohesion, sense of place, culture, public health, livelihoods, decision-making systems and distributive equity. This is directly linked to the competence of the experts undertaking the assessment but also the industry manager developing the scope and managing the process. In my experience, there is a clear business case for hiring competent social experts to develop a deep understanding of social impacts in partnership with the affected communities. This generates more trust and less opposition to projects, and can lead to projects being designed which work for both industry and local communities. A competent social expert, therefore, needs to have both a qualification in the social sciences (anthropology, sociology, political economy, social development, etc.) and field experience of working in community development.

⁵ Harvey, B. (2017). *The methodological trap: In reply to Kemp and Owen. The Extractive Industries and Society* 4(1), 1-5.

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Assessing Health in Sustainable Finance: Role of Competent Experts

1. Sustainable finance

The World Bank estimates that, globally, \$1.5 trillion per year of infrastructure investment is needed in order to provide: 675 million people with electricity; 2.3 billion with drinking water; 3.6 billion with safe sanitation; 1 billion with access to roads; and 450 million with broadband signal⁶. Taking just the International Finance Corporation (IFC)⁷ as an example of a sustainable finance lending bank, \$43.7 billion was committed in 2023 for developing-world projects⁸.

These are staggering numbers, which are intended to unlock benefits for economically disadvantaged and vulnerable communities through the building of infrastructure such as new roads, clean water supplies, sanitation projects and other major reshaping of local environments.

By their nature, infrastructure projects can be some of the most influential ones in societies, bringing with them the potential for major population health benefits as well as major population health harms.

⁶ World Bank Group (2023). Sustainable Infrastructure Finance. www.worldbank.org/en/topic/sustainableinfrastructurefinance.

⁷ Other banking groups include the Asian Development Bank, the African Development Bank and the European Bank of Reconstruction and Development, the list continues.

⁸ International Finance Corporation (2023). IFC Annual Report. www.ifc.org/en/insights-reports/annual-report.

The impact on human health is often one of these influential issues, alongside ecological, climate, cultural, social and economic considerations. Those financing infrastructure projects have a direct role in promoting sustainable development at the local or national level. A key mechanism for considering this and the potential impacts plus providing transparency, accountability and direction are impact assessments, including Health Impact Assessments (HIA).

In this article we reflect on the positive message, that there are often strong requirements to consider community population health and wellbeing outcomes in infrastructure projects. We also raise concerns that the competency, skills and knowledge needed for actually delivering the Health Impact Assessment component of an impact assessment is often poorly defined. How confident can we be in the findings of such assessments?

2. Health assessment in sustainable finance

Continuing with the IFC as an example, the IFC Performance Standards on Environmental and Social Sustainability⁹ include the requirement to consider Community Health, Safety and Security (Performance Standard 4). Guidance on delivering this requirement in the form of a HIA is provided in a separate handbook¹⁰.

Many health issues can be resolved with the application of well-established, simple, and cost-effective public health interventions...¹¹.

The IFC guidance aligns with important principles of HIA, including assessing determinants of health and considering potential inequalities for vulnerable groups and promotes a consideration of health in the direct financing of projects; principles echoed in IEMA's own recent publications¹². The IFC guidance notes that external expertise may be needed to carry out a HIA and lists several competency areas. The guidance is, however, silent as to the competence of those leading the HIA.

This is particularly important in the context of HIAs that are integrated within wider environmental and social assessments. In such cases, there is a greater likelihood that the health requirement may be addressed by either generalists (e.g., covering many environmental and social issues with a broad brush) or other topic specialists (e.g., covering health only in the narrow context of meeting noise and air quality standards).

In both cases those fulfilling the health assessment requirement may lack specific understanding of public health principles and how to apply them within the context of an impact assessment.

Such specialist skills are necessary and important to accurately predict effects on topics including vector-related diseases, zoonotic issues, sexually transmitted infections, water- and sanitation-related diseases, food and nutrition issues, cultural health practices, social determinants of health, healthcare capacities and non-communicable diseases. These are all issues listed in the IFC HIA guidance¹³.

⁹ 2012). Performance Standards on Environmental and Social Sustainability. www.ifc.org/en/insights-reports/2012/ifc-performance-standards.

¹⁰ IFC, 2009. Introduction to Health Impact Assessment. www.ifc.org/en/insights-reports/2000/publications-handbook-healthimpactassessment--wci--1319578475704.

¹¹ *Ibid*.

¹² Pyper, R., Lamming, M., Beard, C., Buroni, A., Douglas, M., Turton, P., Hardy, K., Netherton, A., McClenaghan, R., Barratt, T., Bhatt, A., Cave, B., Gibson, G. (2022a). *IEMA Guide: Effective Scoping of Human Health in Environmental Impact Assessment*. Institute of Environmental Management and Assessment; Pyper, R., Waples, H., Barratt, T., Hardy, K., Turton, P., Netherton, A., McDonald, J., Buroni, A., Bhatt, A. (2022b). *IEMA Guide: Determining Significance for Human Health in Environmental Impact Assessment*. Institute of Environmental Management and Assessment.

¹³ IFC, 2009. Introduction to Health Impact Assessment. www.ifc.org/en/insights-reports/2000/publications-handbook-healthimpactassessment--wci--1319578475704.

Community health and safety management is more than a technical issue. It also requires a sound understanding of the social and cultural processes through which communities experience, perceive, and respond to risks and impacts¹⁴.

If those leading the HIA are not competent to assess the effects of a project on communities in public health and equity terms, the conclusions of the HIA may miss important health risks or opportunities for intervention to improve health and wellbeing and reduce inequalities. This includes missing the need to draw in particular specialists at the right stage of the project or engage with communities effectively on particular issues. Compliance with the sustainable finance lending terms may be at stake, as well as critically, the health of the affected population.

The public health implications, both positive and negative, of physical structures are often overlooked¹⁵.

3. Competency in HIA

At a broader global level, the Equator Principles provide a framework for identifying, assessing and managing environmental and social risks when financing projects¹⁶. An environmental and social assessment is produced, which, aligned with the IFC requirement, covers protection of community health, safety and security, i.e., includes HIA. Equator Principles guidance requires that those conducting the assessment must have the required expertise, qualifications and experience¹⁷. Such competency is however not defined and typically left to compliance with national standards for the project location, which frequently do not specify competency requirements for HIA. The gap provides uncertainty for all stakeholders, including those conducting the assessment and is concerning considering the financial amounts involved and the population sizes affected.

¹⁴ IFC (2012). International Finance Corporation's Guidance Notes: Performance Standards on Environmental and Social Sustainability. www.ifc.org/en/insights-reports/2012/publications-policy-gn-2012_

¹⁵ *Ibid.*

¹⁶ The Equator Principles Association (2020). The Equator Principles EP4. https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf.

¹⁷ Equator Principles (2022). Guidance Note to Support Effective Consistent Application of the Equator Principles. https://equator-principles.com/app/uploads/PUBLIC-Guidance_Application-of-EP.pdf.

The Consultant must be able to demonstrate expertise in evaluating the types of environmental and social risks and impacts relevant to the project¹⁸.

However, some Competency Frameworks for HIA practitioners do exist for sustainable finance projects, for example, The HIA Source Book by the Asian Development Bank, Table 11. The framework includes the need for the HIA Lead to have a master's level degree in public health or equivalent, as well as multiple years of HIA experience¹⁹. Other initiatives to define competence are underway, with the International Association for Impact Assessment developing a HIA Handbook that includes a chapter on competency and IEMA's Health Working Group has a sub-group dedicated to the issue, which is expected to report in 2024.

4. Conclusion

Sustainable finance as a sector recognises that high quality HIAs are needed. This includes where the HIA is integrated with wider environmental and social impact assessments.

However, the lack of clarity on the competency requirements for the HIA Lead or project team raises questions as to whether the lending requirements are actually being delivered on and the affected population effectively safeguarded.

Defining HIA competency more clearly and more consistently across the sustainable finance sector will both increase the quality of, and confidence in, the HIAs being undertaken and ensure that public health impacts are being effectively considered alongside other important agendas such as biodiversity and climate change.

Health and the environment are intrinsically linked. Delivering on public health under sustainable finance requirements is fundamental to delivering sustainable development globally and ensuring that health, wellbeing and equity are adequately and competently considered.

¹⁸ Equator Principles (2020). Guidance for Consultants on the Contents of a Report for an Independent Environmental and Social Due Diligence Review. https://equator-principles.com/app/uploads/Independent_ESDD_Review_Oct2020.pdf.

¹⁹ Asian Development Bank (2018). Health Impact Assessment: A good Practice Sourcebook. www.adb.org/documents/health-impact-assessment-sourcebook.

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IFC Case Study: Role of E&S Specialists and the Importance of Competency-Based Learning

Introduction to IFC

The International Finance Corporation (IFC) — a member of the World Bank Group — is the largest global development institution focused on the private sector in emerging markets. Established in 1956, IFC aims to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.

IFC provides investment, advisory services, and asset management in more than 100 countries to encourage private sector development in regions where it's needed most. It supports various industries, including finance, infrastructure, healthcare, education, and renewable energy, among others.

IFC offers financial products such as loans, equity investments, and guarantees to businesses, helping them to grow sustainably, create jobs, and contribute to economic development. Additionally, it provides guidance and expertise to enhance the capabilities of businesses and financial institutions, promoting environmentally and socially responsible practices.

IFC's Sustainability Framework

For nearly three decades IFC has upheld core principles on sustainability and led the way for others in the industry to follow. IFC adopted its Sustainability Framework in 2006 and updated it in 2012. The Sustainability Framework consists of three core elements: the Policy on Environmental and Social Sustainability (Sustainability Policy), the Performance Standards (PSs) on Environmental and Social Sustainability and the Access to Information Policy (AIP). The Sustainability Framework also defines clients' responsibility in respect of the PSs and the World Bank Group Environmental, Health and Safety (EHS) Guidelines. The new policy for the Compliance Advisor Ombudsman (CAO), the independent accountability mechanism for IFC and the Multilateral Investment Guarantee Agency (MIGA), outlines the CAO's mandate and functions, as well as IFC management's role in CAO cases.

E&S risk management within IFC is managed by two departments: the E&S Policy and Risk Department, with an oversight role (second line of defence), and the Environmental, Social and Governance (ESG) Sustainability

Advice and Solutions Department, working directly with operations. These two departments are designed to work closely with IFC Investment Operations to support the implementation of the Sustainability Framework across IFC's investments and advisory services.

The E&S Policy and Risk Department acts as the custodian of the Sustainability Framework and oversees E&S risk management and verifies that systems, procedures and capacity are in place to implement the Sustainability Framework. The department also manages IFC's response to E&S-related grievances from project-affected stakeholders and serves as arbiter in the interpretation of E&S policy and procedures. The department has an oversight and clearance function for high-risk E&S projects throughout the project cycle.

The ESG Sustainability Advice and Solutions Department is entrusted with operational implementation of E&S risk management in line with the Sustainability Framework. The department is embedded within IFC's Operations where it integrates the responsibility and accountability of implementation of the Sustainability Policy commitments with Investment and Advisory management, working closely with the Operations and Investment teams.

The Role of Competent Experts

While compliance with the Sustainability Framework is all staff's responsibility within IFC, it is also recognised that environmental and social risk management is a complex area of policy and practice. It requires competent experts to successfully implement the environmental and social risk procedures and to advise both IFC's financial operations and clients on compliance with the Sustainability Framework.

Within IFC, it is recognised that there are range of different skills sets and knowledge needed to successfully perform the role of an E&S specialist.

Some competencies are universal, for example key soft skills including communications, project management, analysis, and stakeholder relationship management. Likewise, a clear knowledge and understanding of the Sustainability Framework, including IFC's PSs, E&S risk procedures, E&S due diligence techniques, and environmental management systems is necessary for all E&S staff. However, beyond these shared competencies there is another layer of technical knowledge and domain-specific specialities that require further knowledge, skills and behaviors.

IFC recognises that we need both depth (in dedicated E&S professionals) and breadth (awareness across the whole organisation) of sustainability knowledge if we are to achieve the goals and objectives set out within the Sustainability Framework.

For example, IFC's E&S Sector Leads are experienced sustainability professionals with deep experience in the management of E&S risk within a particular industry sector, such as agribusiness. Another example is IFC's Social Specialists, who are highly trained in specific social issues such as resettlement, livelihood restoration and indigenous peoples. Further specializations include, biodiversity, fire and life safety, cultural heritage, gender, water, chemicals, climate, and stakeholder grievance response expertise, aligned with the key areas identified in the Performance Standards.

Competency-Based Learning

For all projects, under appraisal or in supervision, a screening exercise will determine the risk profile of the project. All projects identified as having potential for E&S risks will be assigned a Lead Environmental and Social Specialist (LESS). The LESSs are part of the project team and serve as the E&S 'project manager,' they liaise with the investment team, client, external stakeholders, and bring in more specific sustainability expertise from across IFC, as needed.

In total, IFC has around 100 Lead Environmental and Social Specialists (LESS), and to support them, two dedicated E&S Knowledge and Learning teams create, curate and commission a range of learning resources, including guidance documents, tip sheets, training courses and applied scenario-based learning courses. These learning assets are updated, and new content is created regularly. These materials are mapped against a competency-curriculum specifically designed for the role of the LESS at IFC.

Upskilling non-E&S professionals, and upskilling E&S professionals in Finance

In addition to dedicated learning for E&S professionals, it has been recognized that the finance professionals within IFC cannot solely rely on the E&S professionals to consider sustainability risks. The Sustainability Framework is the responsibility of all staff across the institution; therefore, sustainability learning is being mainstreamed across the organization and all job roles. It is important for finance professional to understand and be conversant on E&S risk management and policy requirements. Similarly, the LE&S Specialists need to understand the nature of the financial products that are being assessed, and therefore knowledge of financial products is also a key competency of the LESS. In essence, IFC recognises that we need both depth (in dedicated E&S professionals) and breadth (awareness across the whole organisation) of sustainability knowledge if we are to achieve the goals and objectives set out within the Sustainability Framework.



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Competency Greenwashing

The following is adapted from an interview given by Dr Schumacher to Hitomi Thompson of Kyushu University in March 2023. You can find the full interview here: www.kyushu-u.ac.jp/en/topics/view/513.

You coined the term ‘competence greenwashing’, could you please explain what it means?

If I inflate or misrepresent what my skills can do regarding a certain sustainability or ESG issue, then I am competence greenwashing, which is the greenwashing of skills or expertise. Unfortunately, awareness and passion do not equal subject matter expertise. It's not because someone is passionate about climate change that they can be considered a climate expert. It's not

that my passion for nature automatically translates into becoming a biodiversity expert. It doesn't work that way. If we go with the '10,000 hours concept' of Malcolm Gladwell to acquire world-class expertise in any area, even though that number can be disputed, completing a 100-hour online course does not equal subject matter expertise. translates into becoming a biodiversity expert. -class expertise in any area, even though that number can be disputed, completing a 100-hour online course does not equal subject matter expertise.

Unfortunately, awareness and passion do not equal subject matter expertise. It's not because someone is passionate about climate change that they can be considered a climate expert. It's not that my passion for nature automatically translates into becoming a biodiversity expert. It doesn't work that way.

One must look at what kind of skills were acquired, not just what kind of online degrees a person has. In practice, most HR people and recruiters currently have no alternative ways of properly evaluating sustainability or ESG skills. Therefore, HR personnel should ideally complete robust introductory sustainability courses

themselves to know how to evaluate those skills contextually. That is why we need a government accreditation system that verifies basic sustainability skills. In the past, society decided that some jobs require an extreme level of trust in someone's skills and integrity, justifying government-mandated professional certification.

These mandatory government certifications are required for lawyers, doctors, accountants, and engineers, among others. These are professions that require extremely high skill levels, but also equally high levels of trust in said skills are required.

That is where we need to look at what kind of degree or certification someone obtained and if we have trust in that person's skills to do the job diligently and professionally. Or we need to look at whether some company CEOs are just trying to protect their own backs by pointing to all their presumed ESG experts they recently recruited with little attention to whether their skills are really material to what they are actually trying to do and what is relevant to their respective companies or businesses.

How can investors lead the way for sustainable investing?

By starting to integrate proper sustainability impact assessment and MRV structures inside their organisations. Unfortunately, for many ESG or sustainability-related financial products or services, positive impacts are only on paper due to exaggerated ESG/sustainability claims, severe lack in terms of data collection and lack of genuine sustainability or environmental subject matter expertise across their governance and management structures. Because of increasing greenwashing and competence greenwashing, it is hard to know how much of sustainable investing is actually sustainable. So, sustainable investing needs to become more credible instead of just engaging in sustainability-related marketing; more transparency is one way to do this.

If capitalists and businesses want to demonstrate their belief in capitalism, they should acknowledge that businesses that are not sustainable should logically disappear over time. Society should not reward bad business practices or bad business decisions. In properly functioning markets, businesses would be held

accountable by customers/clients and incur losses. There should be no business that becomes too big to fail. Suppose a business is not performing well in terms of meeting sustainability-related KPIs. We must think about whether it is worth saving certain unsustainable industries at the cost of collective sustainability degradation. We should focus more on the new jobs that will appear when transitioning to a genuinely sustainable society.

A pension system has the same responsibility to a beneficiary who is 65 years old as it does to a 30-year-old. Young people also want eventually to retire into a world that is still liveable. What is the value of a pension if I am living in a world that I cannot enjoy anymore? I should be able to expect that institutional investors, including pension fund managers and associated asset managers, are looking for companies that are making actual progress, and not just trying to protect their own return-linked bonuses in the short term. Most capital returns, unfortunately, are still generated from companies with unsustainable business models. To avoid greenwashing and create stakeholder value, capital needs to flow into companies that are credibly sustainable. This includes financing disruptors because when you create a business, there is no guarantee for success. There is a societal obligation to save unsustainable businesses at all costs. Why should there be a guarantee of survival if the managers of a business value their own interests to a disproportionate degree against those of society?

In a world in which reaching sustainability is a global challenge, why should the rights of directors, executives, and shareholders be valued higher than those of other stakeholders, including younger generations that will still live on the planet when those have been able to consume resources at unsustainable rates will already be gone? Even if companies have enjoyed good reputations in the past, long histories—often tied to the economic development of countries, investors and politicians—should not shield them from having to transition to sustainable business models.

In a world in which reaching sustainability is a global challenge, why should the rights of directors, executives, and shareholders be valued higher than those of other stakeholders, including younger generations that will still live on the planet when those who have been able to consume resources at unsustainable rates will already be gone?

Kim Schumacher



Summary

In this first volume of the Insight Journal, we sought to build on our earlier webinar looking at skills, certification, competency and competency greenwashing in sustainable finance. What has emerged from reading the seven guest articles is a recognition that we have a number of related challenges and opportunities in this area. Firstly, as set out by Simon, there is greater consensus than ever that we need more sustainability knowledge and skills across all professionals working across finance, especially given finance's critical role to leverage a transition to a sustainable economy.

As highlighted by Mark and Richard, there are a number of available courses both in-house and external that are available to assist with this upskilling. However, what we must recognise is the limitations of these courses: they are by their very nature introductory and we must not confuse awareness with competence, nor in David's and Kim's words, conflate passion with competence. Just as we wouldn't put an ecologist in charge of an investment strategy after a two-week introductory course on investment strategies, so we should be wary of appointing professionals as ESG experts, based on completing a short course or gaining an online certificate.

There is no short-cut to professional competence, and sustainability is as complex as any other area of professional practice, be that in finance, medicine, engineering or law. Don't just take it from me, when I worked with experts in job analysis at a leading US university, after working with me to review the role of Lead Environmental and Social Specialist (LESS) at IFC, they informed me it was the most complex and demanding set of competencies they had seen in any profession, and they had been reviewing different professional occupations for over 30 years.

In the articles by Eddie, Liz, Ryngan and Lisa, we see the problems in practice arising when there are insufficient experts, or insufficient competence, to enact the policies and standards we have developed to safeguard issues such as health and social impacts in project finance and investment. The answer to the challenge of competent experts is not complex, although its implementation is problematic. We need investment in capacity and competency building, starting with education, but including training, upskilling, Continuing Professional Development, and supporting career changers and later entrants. Secondly, we need to mandate the use of competent experts in our hiring and procurement practices; we should call out competency-greenwashing and challenge the use of non-experts where expertise is a clear requirement. I would point to Aida's article from IFC here as a good example of an organisation that recognises the need to use competent experts and has significant strength and depth of environmental and social experts on its own staff, as well as requiring its clients to also use competent experts to demonstrate their compliance with IFC's E&S Performance Standards.

If certification is going to be used to act as an indicator or badge of competence, then scrutiny needs to be applied to the quality and integrity of the certification organisation and standards, we should not be conflating, for example, a Chartered Environmentalist (CEnv) certified by IEMA with a Chartered ESG professional offered by an online commercial provider following a 30-minute multiple-choice test; these are not comparable credentials. A key tip here: has the so-called expert studied the relevant subject (social, health, biodiversity) at an undergraduate degree or master's level at a reputable university, and do they have a demonstrable track record of applying this in practice for a period of at least five years at a relevant organisation? Do they have any professional credentials from a reputable professional institute? If the answer to any of these questions is no, then you may need to question if this person is really a competent expert or not.

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Competency, Skills and Certification in Sustainable Finance

This first volume of the Sustainable Finance Insight Journal provides a series of thought pieces on competency, skills and certification in sustainable finance. In this volume, the Guest Editor, Rufus Howard, has selected seven articles produced by IEMA professionals and sustainable finance experts. The result is a valuable yet quick read across some of the different aspects of UK and international practice exploring competency in sustainable finance.

About the Guest Editor: Rufus Howard,

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Dr Rufus Howard is a leading Impact Assessment professional, focusing on managing environmental and social risk, with over 20 years in the field. Rufus is also a Registered Auditor and Registered Principal EIA Practitioner. Academically, Rufus holds a BSc in Biodiversity Conservation and Management, an LLM in Environmental Law and Policy, and a PhD in Management. A trusted advisor, Rufus has led consultancy projects for public, private and NGO clients including the World Bank, the International Finance Corporation (IFC), the Institute of Environmental Management and Assessment (IEMA), The Crown Estate, the European Bank of Reconstruction and Development (EBRD), Equinor, Orsted, National Grid, UK Export Credit Dept., the Office for Environmental Protection, DEFRA and the UK Environment Agency.

In addition to his role as Sustainable Finance and Impact Assessment Policy Lead at IEMA, Rufus also holds positions as an Environmental and Social Advisor at the International Finance Corporation (IFC), Managing Director and Founder of Greenfriars Sustainability Consultants, and Member of the Office of Environmental Protection College of Experts.

About IEMA

We are the global professional body for over 20,000 individuals and 300 organisations working, studying or interested in the environment and sustainability.

We are the professional organisation at the centre of the sustainability agenda, connecting businesses and individuals across industries, sectors and borders.

We also help and support public and private sector organisations, governments and regulators to do the right thing when it comes to environment and sustainability-related initiatives, challenges and opportunities. We work to influence public policy on environment and sustainability matters. We do this by drawing on the insights and experience of our members to ensure that what happens in practice influences the development of government policy, legislation, regulations and standards.

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