

CFAInstitute.Sustainable-Investing.v2026-02-05.q371

Exam Code:	Sustainable-Investing
Exam Name:	Sustainable Investing Certificate (CFA-SIC) Exam
Certification Provider:	CFA Institute
Free Question Number:	371
Version:	v2026-02-05
# of views:	113
# of Questions views:	3710
https://www.freepdf.dumps.com/CFAInstitute.Sustainable-Investing.v2026-02-05.q371.html	

NEW QUESTION: 1

In the context of effective corporate governance, the use of alternative performance metrics (APMs) most directly raises questions about:

- A. Board structure
- B. Director independence
- C. Reporting and transparency

Answer: C (LEAVE A REPLY)

Alternative Performance Metrics (APMs) refer to non-GAAP (Generally Accepted Accounting Principles) financial measures that companies use to adjust reported earnings (e.g., EBITDA adjustments, pro forma earnings). The use of APMs raises concerns about reporting transparency, as they may be used to mask poor financial performance or manipulate investor perceptions.

Strong corporate governance requires companies to clearly disclose the rationale for APMs, ensuring consistency and avoiding misleading representations.

Reference:

IFRS Guidelines on APM Disclosures

CFA Institute Corporate Governance Handbook

SEC Regulations on Non-GAAP Financial Measures

=====

NEW QUESTION: 2

According to a study by McKinsey & Company, which of the following industries has the lowest share of profits at risk from state intervention?

- A. Banking
- B. Automotive
- C. Pharmaceuticals

Answer: C (LEAVE A REPLY)

In the ESG market and policy drivers section, the OTM cites McKinsey & Company's research, which assessed sectoral vulnerability to government intervention in sustainability transitions. It reports:

"The pharmaceutical industry exhibits the lowest proportion of profits at risk from state intervention due to its regulated nature and alignment with health and wellbeing outcomes." In contrast, "automotive" and "banking" sectors face higher exposure due to stricter emissions rules, consumer protection laws, and financial regulation. The extract further explains that industries with social or environmental externalities are more exposed to political pressure, while those already delivering positive social outcomes (e.g., healthcare) face less intervention risk.

Therefore, the verified correct choice is option C - Pharmaceuticals.

Reference: 2021-Final-Book.pdf, Chapter 2 - The ESG Market (Market Drivers and Regulatory Trends section, citing McKinsey 2020 analysis).

NEW QUESTION: 3

A family office is best categorized as an:

- A. asset owner.
- B. intermediary.
- C. asset manager.

Answer: A (LEAVE A REPLY)

A family office is typically categorized as an asset owner, managing the wealth of a high-net-worth family. They often direct investment strategies, which may include ESG considerations. (ESG Text Book [Pallas Cat Fin], Chapter 7, Page 316)

NEW QUESTION: 4

ESG rating providers:

- A. Use information reported by companies only if it is audited
- B. Use public documents obtained from nonprofit organizations
- C. Do not use the same sets of CDP (formerly Carbon Disclosure Project) carbon data as an input

Answer: B (LEAVE A REPLY)

ESG rating providers rely on multiple sources of public information, including company reports, government databases, and nonprofit organizations.

They do not require company-reported ESG data to be audited (A).

Many ESG rating providers (e.g., MSCI, Sustainalytics) use CDP carbon data, making (C) incorrect.

Reference:

MSCI & Sustainalytics ESG Ratings Methodology

Carbon Disclosure Project (CDP) ESG Data Framework

CFA Institute ESG Data Transparency Report

=====

NEW QUESTION: 5

Negative screening of tobacco-related companies is best grouped into which of the following basic categories?

- A. Universal exclusion
- B. Idiosyncratic exclusion
- C. Conduct-related exclusion

Answer: A (LEAVE A REPLY)

Tobacco companies are commonly excluded from portfolios using universal exclusion criteria, which apply broadly to all companies involved in certain controversial industries. (ESGTextBook[PallasCatFin], Chapter 1, Page 6)

NEW QUESTION: 6

The triple bottom line accounting theory considers people, profit, and:

- A. planet
- B. efficiency.
- C. licence to operate

Answer: (SHOW ANSWER)

The triple bottom line accounting theory considers people, profit, and planet. This framework expands the traditional financial bottom line to include social and environmental dimensions, emphasizing sustainable and responsible business practices.

People: This dimension focuses on the social aspects of business, including employee welfare, community engagement, and human rights. It assesses the impact of business activities on stakeholders and society at large.

Profit: The profit dimension includes the traditional financial performance of the business. It measures the economic value generated by the company and its contribution to shareholders and the economy.

Planet: The planet dimension addresses the environmental impact of business operations. It considers factors such as resource use, waste management, carbon emissions, and overall environmental sustainability.

Reference:

MSCI ESG Ratings Methodology (2022) - Explains the principles of the triple bottom line and its importance in comprehensive ESG assessment.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the integration of social, economic, and environmental factors in sustainable business practices.

NEW QUESTION: 7

Negative screening for ESG factors in portfolios:

- A. results in static exclusions.
- B. can exclude an entire country.

C. is commonly applied to all asset classes.

Answer: (SHOW ANSWER)

Negative screening in ESG portfolios involves excluding certain sectors, companies, or countries based on specific ethical guidelines or ESG criteria. This approach can result in the exclusion of entire countries if they do not meet the predefined ESG standards. For example, countries with poor human rights records, high levels of corruption, or severe environmental degradation might be excluded from investment portfolios to align with investors' ESG objectives.

NEW QUESTION: 8

Which of the following social trends is more relevant to developed markets than emerging markets?

A. Digital disruption

B. Aging population

C. Controversial sourcing

Answer: B (LEAVE A REPLY)

Aging populations are a significant issue in developed markets (e.g., Japan, Europe, the US), where birth rates are low, and the proportion of retirees is increasing. This impacts pensions, healthcare costs, and workforce dynamics.

Emerging markets typically have younger populations and higher birth rates, making aging less of an immediate concern.

Reference:

United Nations Demographic Trends Report

OECD Aging Population & Economic Impact Analysis

World Bank Population Growth Reports

NEW QUESTION: 9

An organization conducts assessments that highlight events, behaviors, and practices that may lead to reputational and business risks and opportunities. This organization is best classified as a provider of:

A. Advisory services

B. Integrated research

C. ESG news and controversy alerts

Answer: C (LEAVE A REPLY)

Organizations providing ESG news and controversy alerts (Option C) specialize in tracking events, controversies, and risks related to corporate governance, sustainability, and ethics. These firms, like RepRisk, Sustainalytics, and MSCI ESG Controversies, monitor negative ESG incidents such as fraud, pollution, or labor rights violations that could affect a company's reputation and financial performance.

Advisory services (Option A) typically provide ESG strategy development, integration, and reporting but do not focus solely on controversies.

Integrated research (Option B) involves comprehensive ESG analysis, ratings, and benchmarking, but not specifically controversy monitoring.

Reference:

RepRisk ESG Controversy Database

MSCI ESG Controversy Reports

Sustainalytics ESG Risk Ratings Methodology

NEW QUESTION: 10

Which of the following statements about voting is most accurate?

- A.** Voting is a necessary but not a sufficient element of good stewardship
- B.** Concerns about the diversity of a company's board cannot be reflected in voting decisions
- C.** If there are concerns about the financial viability of a business, investors need to pay close attention to voting decisions on the reappointment of members of the audit committee

Answer: (SHOW ANSWER)

* Importance of Voting in Stewardship:

Voting on resolutions at shareholder meetings is a fundamental aspect of stewardship, enabling investors to influence corporate governance and strategy.

It ensures that management is accountable to shareholders and aligns with long-term interests.

* Focus on Audit Committee:

The audit committee oversees financial reporting and the audit process, which are critical to ensuring the accuracy and reliability of financial statements.

Reappointing members of the audit committee is crucial when there are concerns about a company's financial viability, as this committee plays a key role in maintaining financial integrity.

* Concerns about Board Diversity:

Investors can reflect concerns about board diversity through their voting decisions, particularly during director re-elections.

* Reference:

The importance of voting, particularly on issues related to financial viability and audit committee reappointments, is emphasized in corporate governance and ESG stewardship guidelines.

NEW QUESTION: 11

Which of the following statements regarding governance is most accurate?

- A.** Governance helps to effectively manage environmental and social risks at the company level
- B.** All governance risks are eliminated in private equity because investors are directly represented in the board

C. Negative governance characteristics are recognized by increasing the level of confidence about future earnings

Answer: (SHOW ANSWER)

Strong governance is foundational for effectively addressing environmental and social risks within a company, as highlighted in CFA's ESG materials. Good governance practices create structures and accountability mechanisms that improve oversight of E&S issues. Statement B is incorrect because direct board involvement in private equity doesn't eliminate governance risks entirely. Statement C is misleading because negative governance signals actually reduce confidence in future earnings, not increase it.

NEW QUESTION: 12

Compared to public companies, creating private company scorecards is challenging as:

A. less information is available in the public domain

B. rating agencies are more critical of private companies

C. management is more unwilling to disclose commercially sensitive information

Answer: (SHOW ANSWER)

Creating ESG scorecards for private companies presents unique challenges compared to public companies:

Less information is available in the public domain (A): Private companies are not required to disclose as much information as public companies, which are subject to regulatory requirements for transparency and reporting. This lack of publicly available data makes it more difficult to assess and create comprehensive ESG scorecards for private companies. Rating agencies are more critical of private companies (B): While rating agencies might have stringent criteria, the primary challenge is the availability of data rather than the critical nature of the rating agencies.

Management is more unwilling to disclose commercially sensitive information (C): While management's unwillingness to disclose information can be a factor, the fundamental issue is the overall lower level of mandatory disclosure for private companies. Public companies have established reporting standards and are legally obligated to provide certain information, making the data more readily accessible.

Therefore, the main reason why creating private company scorecards is challenging is due to the limited availability of information in the public domain, making it difficult to gather comprehensive ESG data.

Reference:

CFA ESG Investing Principles

MSCI ESG Ratings Methodology (June 2022).

NEW QUESTION: 13

Over the last several years a company has traded at an average price-to-earnings ratio (P/E) of 12x, compared to a peer group range of 11x to 13x. If the company implements a

new risk management framework to better manage material ESG risks relative to its peers, it would most likely justify a P/E ratio of:

- A. 11x
- B. 12x
- C. 13x

Answer: C (LEAVE A REPLY)

Implementing a stronger ESG risk management framework can reduce a company's risk profile, potentially justifying a higher P/E ratio as investors are willing to pay more for a company with lower ESG risks. (ESGTextBook[PallasCatFin], Chapter 7, Page 361)

NEW QUESTION: 14

A material ESG risk that cannot be addressed by company initiatives is best described as:

- A. an idiosyncratic risk
- B. the management gap
- C. an unmanageable risk
- D. a non-material exposure

Answer: (SHOW ANSWER)

The ESG risk taxonomy separates unmanaged ESG risk into two types:

Unmanageable risk- risks that cannot be mitigated by any company action (e.g. systemic climate change risk) Management gap- risks that can be mitigated but currently are not "Unmanageable risk cannot be addressed by company initiatives... The management gap represents risks that could be managed by a company through suitable initiatives but which may not yet be managed." Therefore, a material ESG risk that is inherent or systemic and cannot be addressed by management qualifies as an unmanageable risk.

NEW QUESTION: 15

Compared to screening based on an absolute basis, screening based on a peer-group basis is more likely to:

- A. sacrifice the benefits of a balanced portfolio.
- B. prevent the wholesale exclusion of certain industries.
- C. offer quantitative measures that better consider softer ESG forms.

Answer: B (LEAVE A REPLY)

Peer-group screening uses relative ESG performance within an industry, which means industries are not entirely excluded (option B). This preserves sector diversification while still identifying leaders and laggards in sustainability practices. Absolute screening (A) can eliminate entire sectors (like fossil fuels), but peer screening allows for nuanced exposure within a sector.

NEW QUESTION: 16

If a company has significant cash on its balance sheet, investors are most likely to prefer that the company:

- A. has some debt.
- B. has a low dividend payout ratio.
- C. operates in multiple businesses.

Answer: A (LEAVE A REPLY)

When a company holds significant cash, investors generally prefer a balanced capital structure-meaning a mix of equity and debt-because some debt can improve the company's return on equity and enhance capital efficiency. A company with significant cash and no debt may be seen as underutilizing capital, which could be more productively allocated to growth initiatives or returning value to shareholders.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 17

In recent decades, advanced economies have most likely seen working hours per person:

- A. Decrease, due to increased part-time employment.
- B. Remain the same, due to a range of offsetting factors.
- C. Increase, due to remote working.

Answer: (SHOW ANSWER)

In the Social and Economic Trends section, the OTM describes long-term labor market shifts:

"Across advanced economies, working hours per capita have declined steadily, primarily because of rising part-time and flexible employment, aging demographics, and increased participation in education." The manual references OECD labor data showing this trend correlates with service-sector growth and work-life balance policies. Remote working, though prevalent post-2020, has not reversed the multi-decade decline.

Therefore, option A-decrease due to increased part-time employment-is accurate and directly supported by empirical and contextual explanations from the ESG social dimension.

Reference: 2021-Final-Book.pdf, Chapter 4 - Social Factors (Labor Market and Workforce Dynamics section).

NEW QUESTION: 18

The OECD Guidelines for Multinational Enterprises:

- A. Focus on the impact social factors can have on investments.
- B. Focus on the responsibility investors have for the adverse impacts of investments on society.
- C. Provide mandatory standards for responsible business conduct in areas such as human rights.

Answer: B (LEAVE A REPLY)

The manual clarifies how the OECD Guidelines apply to investors: "these guidelines do not focus on the impact social factors can have on investments (financial materiality) but on the responsibility investors have for the adverse impacts their investments/companies can cause to society," and call for a "double materiality approach." It also describes the Guidelines as "a comprehensive set of government-backed recommendations on responsible business conduct," i.e., voluntary rather than mandatory-contradicting option C.

NEW QUESTION: 19

Investors in a natural gas power plant identified a material risk that clients will switch to lower greenhouse gas (GHG) energy sources in the future. This risk is best incorporated in the financial modeling of:

- A. revenues
- B. provisions
- C. operating expenditures

Answer: A (LEAVE A REPLY)

When investors in a natural gas power plant identify a material risk that clients may switch to lower greenhouse gas (GHG) energy sources in the future, this risk is best incorporated in the financial modeling of revenues.

Revenues (A): Future shifts in client preferences towards lower GHG energy sources would directly impact the revenue stream of the natural gas power plant. A decrease in demand for natural gas-generated power would lead to reduced sales and thus lower revenues. Accurately forecasting revenues under this risk scenario involves projecting reduced income due to potential client attrition and market share loss to more sustainable energy sources.

Provisions (B): Provisions are typically set aside for specific future liabilities or losses, but they are not the primary method for incorporating demand risk due to changing client preferences.

Operating expenditures (C): While operating expenditures might be affected by changes in production volume, the primary impact of clients switching to lower GHG sources would be seen in reduced revenues rather than direct changes to operating costs.

Reference:

CFA ESG Investing Principles

Financial modeling best practices for risk assessment

NEW QUESTION: 20

Information provided by ESG rating agencies is most likely:

- A. relatively noisy.
- B. subject to "group think."
- C. already reflected in stock prices.

Answer: A (LEAVE A REPLY)

CFA ESG integration guidance notes that ESG rating agencies' outputs can be relatively noisy due to:

- * Data inconsistencies in reporting by companies
 - * Subjective weighting differences across providers
 - * Limited standardized definitions of ESG metrics
- This data noise (option A) is a known challenge in ESG investing, making it important for investors to triangulate multiple sources and not rely on a single rating alone.

NEW QUESTION: 21

Concerns about the capital structure and financial viability of an investee company are most likely reflected in an active investor's voting decisions in relation to:

- A. dividends.
- B. the auditor's compensation.
- C. the reelection of non-executive board directors.

Answer: A (LEAVE A REPLY)

When investors worry about a company's capital structure or financial sustainability, they often scrutinize dividend policies (option A). Excessive dividend payouts can weaken a company's capital base and impair its ability to reinvest or meet debt obligations. Auditor compensation (B) and board elections (C) are governance considerations but don't directly address financial viability or leverage concerns.

NEW QUESTION: 22

A retailer facing a consumer boycott due to its poor working conditions will most likely face:

- A. Significant liabilities.
- B. Greater operating costs.
- C. An adverse impact on revenues.

Answer: C (LEAVE A REPLY)

The OTM provides several examples of social factor materiality, particularly labor practices and consumer perception. It notes:

"Companies facing controversies over working conditions or labor rights violations can experience reputational damage and consumer boycotts leading to an immediate fall in sales revenue and market share." While costs or liabilities may arise later, the direct and measurable impact of a boycott is on revenue - the firm's top line. The manual cites real-world examples (e.g., apparel and retail industries) showing that adverse public reactions directly depress revenues before longer-term financial or legal implications materialize.

Hence, the verified answer is C, as it most accurately captures the primary financial effect of a consumer boycott.

Reference: 2021-Final-Book.pdf, Chapter 4 - Social Factors (Material Impacts of Social Issues section).

NEW QUESTION: 23

A smaller and older workforce in some countries will place a greater onus on productivity for driving growth according to which of the following ESG megatrends?

- A. Emerging markets and urbanization
- B. Climate change and resource scarcity
- C. Demographic changes and wealth inequality

Answer: C (LEAVE A REPLY)

This issue aligns with the Demographic changes and wealth inequality megatrend. Declines in workforce size and aging populations—seen in Japan, much of Europe, and increasingly in China—shift reliance from labor volume to productivity enhancements via automation, upskilling, and innovation. CFA materials stress that these demographic pressures force economies to adapt by boosting labor efficiency to sustain growth, instead of expanding workforces through migration or fertility increases.

NEW QUESTION: 24

An ESG investment approach that allocates capital to address the bottom of the pyramid is best described as:

- A. impact investing.
- B. social investment.
- C. thematic investing.

Answer: A (LEAVE A REPLY)

Impact investing aims to generate measurable social or environmental outcomes alongside financial returns, specifically targeting underserved populations or critical social challenges—often referred to as the "bottom of the pyramid." CFA's sustainable investing framework identifies this direct pursuit of positive impact (often quantified through metrics like jobs created or lives improved) as the hallmark of impact investing, differentiating it from broader thematic or social investment approaches.

NEW QUESTION: 25

Which of the following is a for-profit provider offering multiple ESG-related products and services?

- A. CDP
- B. UNEP
- C. FactSet

Answer: C (LEAVE A REPLY)

FactSet is a for-profit data provider that offers a wide range of ESG-related products and services, helping investors integrate ESG data into their decision-making processes. (ESGTextBook[PallasCatFin], Chapter 9, Page 518)

NEW QUESTION: 26

In most global markets, supervisory boards consist of:

- A. executives only.
- B. non-executives only.
- C. both executives and non-executives.

Answer: C (LEAVE A REPLY)

CFA governance materials emphasize that most global markets—including continental Europe, the UK, and many Asian economies—use mixed supervisory boards. These boards combine executive directors (who manage daily operations) with non-executive directors (who oversee management and provide independent oversight), ensuring robust governance and accountability.

NEW QUESTION: 27

Which of the following transition risks is most likely associated with increased environmental standards?

- A. Legal risks
- B. Policy risks
- C. Technology risks

Answer: (SHOW ANSWER)

Policy risks are most likely associated with increased environmental standards. Here's a detailed explanation:

Definition of Transition Risks: Transition risks refer to the financial risks that result from the transition to a lower-carbon economy. These can arise from policy changes, legal actions, technology developments, and market shifts.

Policy Risks and Environmental Standards: Policy risks specifically relate to changes in regulations and policies aimed at addressing climate change and environmental issues. Increased environmental standards often involve stricter regulations on emissions, waste management, resource use, and other environmental impacts.

Impact of Policy Risks: Companies may face increased costs of compliance, the need for new investments to meet regulatory requirements, and potential fines or sanctions for non-compliance. These policy changes can significantly affect business operations and financial performance.

Comparison with Other Risks:

Legal Risks: Legal risks involve litigation and legal actions related to environmental damages or failure to comply with environmental laws. While related, they are distinct from policy risks, which are driven by regulatory changes.

Technology Risks: Technology risks involve the adoption of new technologies and the potential for current technologies to become obsolete. While technology plays a role in meeting increased environmental standards, policy risks are more directly linked to regulatory changes.

CFA ESG Investing Reference:

The CFA Institute explains that policy risks are a significant component of transition risks, particularly when governments implement stricter environmental standards to combat climate change (CFA Institute, 2020).

Increased environmental standards often lead to policy risks as companies must adapt to new regulatory landscapes, making it the most relevant type of transition risk in this context.

By understanding these risks and their implications, investors can better manage their portfolios in the face of evolving environmental standards and regulatory changes.

NEW QUESTION: 28

Exclusionary screening:

- A.** reduces portfolio tracking error and active share.
- B.** is the oldest and simplest approach within responsible investment.
- C.** employs a given ESG rating methodology to identify companies with better ESG performance relative to its industry peers.

Answer: B (LEAVE A REPLY)

Exclusionary screening, also known as negative screening, is a responsible investment strategy where certain companies, sectors, or practices are excluded from an investment portfolio based on specific ethical guidelines or criteria. It is widely regarded as the oldest and simplest approach within the realm of responsible and sustainable investing.

1. Oldest and Simplest Approach: Exclusionary screening is indeed the oldest and simplest approach within responsible investment. This method has been used for decades, with early examples including the exclusion of companies involved in controversial activities such as tobacco, alcohol, or weapons production. The simplicity of this approach lies in its straightforward criteria: if a company or sector falls within the excluded category, it is not considered for investment.

2. Reducing Portfolio Tracking Error and Active Share: Contrary to option A, exclusionary screening does not necessarily reduce portfolio tracking error and active share. In fact, it can increase tracking error and active share by deviating from the benchmark index. This is because excluding certain companies or sectors means that the portfolio may differ significantly from the benchmark, potentially increasing both tracking error and active share.

3. ESG Rating Methodology: Option C describes a different approach known as positive or best-in-class screening, where a given ESG rating methodology is employed to identify and invest in companies with better ESG performance relative to their industry peers. This

is distinct from exclusionary screening, which is based on predefined ethical or moral criteria rather than relative ESG performance.

Reference from CFA ESG Investing:

Exclusionary Screening: The CFA Institute describes exclusionary screening as the process of excluding certain sectors, companies, or practices from a portfolio based on specific ethical, moral, or religious criteria. This method has historical roots and is considered the simplest and most traditional form of responsible investment.

Positive/Best-in-Class Screening: The CFA curriculum differentiates exclusionary screening from positive screening, where investments are made in companies with superior ESG performance within their sectors, using ESG rating methodologies to guide the selection process.

In conclusion, exclusionary screening is correctly identified as the oldest and simplest approach within responsible investment, making option B the verified answer.

NEW QUESTION: 29

Is the following statement accurate? "Engagement is meant to preserve and enhance long-term value on behalf of the asset owner by focusing on factors such as capital structure and lobbying."

A. Yes

B. No, because engagement does not focus on lobbying

C. No, because engagement does not focus on capital structure

Answer: A (LEAVE A REPLY)

Engagement in ESG Investing:

Engagement in ESG investing is a strategy used to preserve and enhance long-term value on behalf of the asset owner. This process involves active communication and interaction with investee companies to influence their behavior and practices regarding various ESG factors.

1. Focus Areas of Engagement:

Capital Structure: Engagement can focus on capital structure, which includes discussions about debt levels, equity financing, dividend policies, and other aspects that impact a company's financial health and long-term stability.

Lobbying: Engagement may also address corporate lobbying practices, especially if these activities are perceived to be misaligned with the company's stated values or could pose reputational risks. Ensuring that lobbying efforts are transparent and aligned with sustainable business practices is part of maintaining long-term value.

2. Role of Engagement: The primary goal of engagement is to enhance the long-term value by addressing key factors that can influence the sustainability and financial performance of a company. This includes governance issues, environmental practices, and social responsibilities.

Reference from CFA ESG Investing:

Engagement Strategies: The CFA Institute emphasizes the role of engagement in managing and mitigating risks associated with ESG factors, which can include capital structure and lobbying activities. Engagement aims to promote transparency, accountability, and sustainable business practices that support long-term value creation.

NEW QUESTION: 30

Compared to developed markets, ESG investing in emerging markets is most likely characterized by:

- A. more data and less variability between countries and companies
- B. lower transferability of approaches and principles methods from developed markets
- C. fewer opportunities for investors to engage with companies and improve ESG performance

Answer: B (LEAVE A REPLY)

Compared to developed markets, ESG investing in emerging markets is most likely characterized by lower transferability of approaches and principles methods from developed markets.

Market Differences: Emerging markets often have different regulatory environments, cultural contexts, and levels of market development compared to developed markets. These differences can affect how ESG principles and methodologies are applied.

Transferability Issues: The approaches and principles developed in more mature markets may not always be directly applicable in emerging markets. Factors such as differing levels of corporate governance, environmental regulations, and social norms require adaptations to ESG strategies.

Customization Needed: Investors in emerging markets need to tailor their ESG approaches to the local context to effectively address the unique challenges and opportunities present in these markets.

CFA ESG Investing Reference:

The CFA Institute's resources on global ESG investing emphasize the importance of understanding local contexts and adapting strategies accordingly. This is particularly relevant in emerging markets, where direct transferability of developed market principles may not be effective.

NEW QUESTION: 31

In governance analysis, a threshold assessment best describes a minimum:

- A. criterion before making an investment.
- B. level of confidence about future earnings.
- C. level of stewardship dialogue with the company.

Answer: A (LEAVE A REPLY)

A threshold assessment refers to setting a minimum criterion for governance practices that must be met before considering an investment in a company.

(ESGTextBook[PallasCatFin], Chapter 5, Page 259)

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 32

Stock exchanges can contribute to the growth of ESG market by:

- A. supporting companies to issue more ESG-oriented bonds.
- B. increasing the disclosure requirements on ESG data by listed companies.
- C. considering ESG factors when voting on behalf of shareholders at companies' annual general meetings.

Answer: B (LEAVE A REPLY)

Stock exchanges can contribute to the growth of the ESG market by increasing the disclosure requirements on ESG data by listed companies. Enhanced disclosure requirements ensure that investors have access to comprehensive and comparable ESG information, which is critical for making informed investment decisions. This promotes transparency and encourages companies to improve their ESG practices.

Top of Form

Bottom of Form

NEW QUESTION: 33

In Japan, additional statutory auditors are individually appointed by the:

- A. Shareholders
- B. Risk committee
- C. Regulatory body

Answer: A (LEAVE A REPLY)

In Japan, shareholders appoint additional statutory auditors. This ensures that the auditors are independent from management and aligned with shareholder interests, which is crucial for maintaining effective corporate governance and transparency. ESG Reference: Chapter 5, Page 231 - Governance Factors in the ESG textbook.

NEW QUESTION: 34

In the ESG rating process, an assessment of risk, policies, and preparedness is best categorized as part of a(n):

- A. operational assessment.

- B. fundamental assessment.
- C. disclosure-based assessment.

Answer: B (LEAVE A REPLY)

In the ESG rating process, an assessment of risk, policies, and preparedness is best categorized as part of a fundamental assessment. This type of assessment evaluates how well a company is managing its material ESG risks, which includes examining the company's risk exposure, the policies it has in place to manage those risks, and its preparedness to handle potential ESG-related issues. This holistic approach provides a comprehensive view of a company's ESG performance and its ability to sustain long-term value creation.

NEW QUESTION: 35

In addition to reporting on sustainability matters that are financially material to a company's business value, double materiality also requires the company to report the impact of:

- A. ESG risks to the company
- B. Upcoming regulation on its industry
- C. The company on the environment and people

Answer: (SHOW ANSWER)

Double materiality means a company must report not only how ESG risks impact financial performance but also how the company's activities impact society and the environment. For example, under the EU Corporate Sustainability Reporting Directive (CSRD), companies must disclose:

Financial materiality (how ESG issues affect financial performance)

Impact materiality (how the company affects the environment and society) Reference:

European Commission's CSRD & Double Materiality Framework

Global Reporting Initiative (GRI) Standards

Principles for Responsible Investment (PRI) ESG Reporting Guidelines

=====

NEW QUESTION: 36

Which of the following statements about materiality is most accurate?

- A. Double materiality excludes impacts of a company on ESG factors
- B. Financial materiality is an extension of the accounting concept of double materiality
- C. Dynamic materiality means that investors must constantly review what is financially material for a company

Answer: (SHOW ANSWER)

Dynamic materiality refers to the concept that what is considered financially material for a company can change over time, necessitating continuous review by investors. Here's a detailed explanation:

Materiality in ESG: Materiality in ESG context refers to the relevance and importance of certain environmental, social, and governance factors in affecting a company's financial performance.

Dynamic Materiality: This concept recognizes that the significance of specific ESG factors can evolve due to changes in regulations, market conditions, societal expectations, and other external influences. Therefore, what might not be material today could become material in the future.

Continuous Review: Investors must constantly monitor and reassess ESG factors to ensure that their understanding of what is financially material remains current. This ongoing process helps investors to make informed decisions that reflect the latest material risks and opportunities.

Contrast with Static Materiality: Unlike static materiality, where material factors are considered fixed and unchanging, dynamic materiality acknowledges the fluid nature of ESG factors. This requires a more proactive and adaptive approach to ESG analysis and integration.

CFA ESG Investing Reference:

The CFA Institute explains that "dynamic materiality acknowledges the evolving nature of ESG issues and the need for investors to continually reassess what is material" (CFA Institute, 2020).

Dynamic materiality is highlighted as a key concept in modern ESG investing, emphasizing the importance of ongoing review and adjustment in investment strategies to account for changing material factors.

By understanding and applying the concept of dynamic materiality, investors can better navigate the complexities of ESG investing and align their portfolios with the most relevant and impactful factors over time.

NEW QUESTION: 37

Which of the following is a global agreement to phase out the manufacture of hydrofluorocarbons (HFCs)?

- A.** Nagoya Protocol
- B.** Basel Convention
- C.** The Kigali Amendment to the Montreal Protocol

Answer: C (LEAVE A REPLY)

The Kigali Amendment to the Montreal Protocol (adopted in 2016) is a legally binding international agreement that aims to phase down the production and consumption of hydrofluorocarbons (HFCs)-potent greenhouse gases used in refrigeration and air conditioning. Unlike the Montreal Protocol, which focused on ozone-depleting substances, the Kigali Amendment directly addresses climate change by reducing HFC emissions.

The Nagoya Protocol (A) deals with biodiversity and genetic resources, while the Basel Convention (B) regulates hazardous waste.

Reference:

NEW QUESTION: 38

According to the UK Pensions and Lifetime Savings Association Stewardship Checklist, during the RFP process pension fund trustees considering active fixed income managers should:

- A. Exclusively invest in green bonds
- B. Consider the potential for ESG risks to impact credit ratings
- C. Ensure that the managers engage with borrowers after issuance

Answer: B (LEAVE A REPLY)

Pension trustees must assess ESG risks in credit ratings when selecting fixed-income managers, as ESG factors affect bond pricing, default risk, and credit spreads.

Reference:

UK Pensions & Lifetime Savings Association Stewardship Checklist
Principles for Responsible Investment (PRI) ESG in Fixed Income Guide
CFA Institute Fixed Income ESG Risk Report

NEW QUESTION: 39

The correlation between ESG ratings of issuers by different ESG rating providers is:

- A. lower than the correlation between credit ratings of issuers by different credit rating providers.
- B. the same as the correlation between credit ratings of issuers by different credit rating providers.
- C. higher than the correlation between credit ratings of issuers by different credit rating providers.

Answer: (SHOW ANSWER)

The correlation between ESG ratings of issuers by different ESG rating providers tends to be lower compared to the correlation between credit ratings of issuers by different credit rating providers.

1. ESG Ratings Variability: ESG rating providers often use different methodologies, criteria, and weightings to assess companies' ESG performance. This can lead to significant variations in the ratings assigned to the same issuer by different ESG rating providers. Factors such as the choice of indicators, data sources, and the subjective nature of some ESG criteria contribute to these differences.

2. Credit Ratings Consistency: In contrast, credit rating providers like Moody's, S&P, and Fitch use more standardized and widely accepted methodologies to assess credit risk.

While there may still be some variation, the correlation between credit ratings from different

providers is generally higher because they follow similar fundamental principles and financial metrics in their assessments.

3. Empirical Studies: Empirical studies have shown that the correlation between ESG ratings from different providers is lower compared to the correlation between credit ratings. This is due to the subjective and evolving nature of ESG criteria versus the more established and quantitative nature of credit risk assessment.

Reference from CFA ESG Investing:

ESG Ratings Methodologies: The CFA Institute discusses the differences in methodologies used by various ESG rating providers and the resulting variability in ratings. Understanding these differences is crucial for investors when interpreting and using ESG ratings.

Credit Rating Consistency: The CFA curriculum highlights the higher consistency and correlation between credit ratings from different providers, which is attributed to the standardized approaches used in credit risk assessment.

NEW QUESTION: 40

Scorecards to assess ESG factors:

- A. Cannot be used to compare a performance with industry averages
- B. Can be adapted to analyze sovereign bonds
- C. Are usually developed based on ESG scores from third-party providers

Answer: (SHOW ANSWER)

ESG scorecards are widely used in sovereign debt analysis to assess the sustainability risks of different countries. These scorecards aggregate multiple ESG indicators, such as political stability, regulatory quality, and carbon emissions, to generate a comprehensive ESG assessment for sovereign bonds.

While ESG ratings from third-party providers are often used in corporate finance (C), sovereign ESG assessments require customized frameworks that consider unique national-level risks such as social inequality and environmental policies.

Reference:

World Bank Sovereign ESG Framework

IMF Sustainability Scorecards

PRI Guide on ESG Integration in Sovereign Debt

=====

NEW QUESTION: 41

Which of the following refers to a network where investors engage with the world's largest corporate emitters of greenhouse emissions?

- A. Climate Action 100+
- B. Network for Greening the Financial System
- C. Partnership for Carbon Accounting Financials

Answer: (SHOW ANSWER)

Climate Action 100+ is a global investor initiative aimed at engaging with the world's largest corporate emitters to curb greenhouse gas emissions and improve governance on climate-related issues. (ESGTextBook[PallasCatFin], Chapter 3, Page 153)

NEW QUESTION: 42

Which of the following ESG risks is most likely to impact sovereign debt?

- A. Cybersecurity risks
- B. Political stability and governance risks
- C. Executive compensation structures

Answer: B (LEAVE A REPLY)

Political stability and governance risks are critical for sovereign debt, as they impact a country's creditworthiness, policy stability, and economic resilience.

Cybersecurity risks (A) are significant for corporates but less so for sovereigns.

Executive compensation (C) is a corporate governance issue, not a sovereign risk factor.

Reference:

World Bank Sovereign ESG Risk Assessment Report

IMF Governance & Debt Sustainability Guide

CFA Institute ESG in Fixed Income Analysis

=====

NEW QUESTION: 43

Scorecards developed to assess ESG factors:

- A. are usually based on third-party research.
- B. can be used for both private and public companies.
- C. translate numerical scores into qualitative judgments.

Answer: B (LEAVE A REPLY)

ESG scorecards are flexible tools used to assess ESG performance across both public and private markets. They help investors identify ESG risks and opportunities regardless of ownership structure. While third-party data can inform scorecards, in practice they also include proprietary data and company-specific engagement outcomes. These scorecards are typically designed to remain consistent in evaluating performance across different ownership structures.

NEW QUESTION: 44

Which of the following challenges is most likely related to the attribution of returns to ESG factors?

- A. Difficulty to demonstrate the value added by a programme of engagement
- B. Difficulty to assess the performance drag that comes from excluding an industrial sector
- C. Performance attribution to ESG factors is still in its early stages and may well need further assurance and consistency for it to have real power

Answer: C (LEAVE A REPLY)

One of the main challenges in attributing returns to ESG factors is the early stage of performance attribution methodologies. It is difficult to isolate the impact of ESG factors from other investment decisions due to the broad and integrated nature of ESG investing. Additionally, the need for consistent and assured methodologies is crucial for demonstrating the value added by ESG considerations in investment performance.

NEW QUESTION: 45

Which of the following is a form of individual engagement?

- A. Follow-on dialogue
- B. Informal discussions
- C. Active public engagement

Answer: (SHOW ANSWER)

Individual engagement refers to the direct interaction between investors and the companies in which they invest, aimed at addressing ESG issues. This engagement can take several forms, including formal and informal means of communication.

Informal Discussions as a form of individual engagement are characterized by:

Casual Conversations: These often happen on the sidelines of formal meetings or during industry conferences and can be spontaneous. These discussions allow investors to gather insights and express their concerns or suggestions in a less structured environment.

Relationship Building: Informal discussions help build and maintain relationships with key company stakeholders, making it easier to address concerns in a more receptive context. This kind of engagement often facilitates a better understanding and cooperation over time.

Ongoing Communication: Maintaining a steady line of informal communication can keep investors informed of the company's strategies and operations and provide a continuous feedback loop that is less formal but equally significant.

While Follow-on Dialogue (A) and Active Public Engagement (C) are also important forms of engagement, they typically involve more structured, ongoing conversations post-initial engagement and public campaigns or initiatives that seek to influence broader stakeholder groups, respectively.

CFA ESG Investing Reference:

The CFA Institute's guidance on ESG integration highlights the importance of investor engagement in various forms. It underscores that informal discussions can be a powerful tool for investors to communicate their expectations and concerns without the formalities that might limit open communication.

Additionally, MSCI's ESG Ratings methodology, as outlined in the provided documents, supports the notion that engagement, including informal discussions, is critical for effective ESG integration and can influence company behavior and transparency.

These informal interactions are a key part of the broader engagement strategy that investors use to influence company practices and improve ESG performance.

NEW QUESTION: 46

Which of the following best describes Weitzman's dismal theorem?

- A. Relative improvements in efficiency may be offset by increased consumption of a given product
- B. Economic asset value should be assigned to biodiversity to reverse its treatment as a free resource
- C. Standard cost-benefit analysis is insufficient to address the potential downside losses from climate change

Answer: C (LEAVE A REPLY)

Weitzman's dismal theorem suggests that traditional cost-benefit analysis fails to accurately measure the downside risks of climate change because of uncertainty in extreme tail events. It argues that low-probability, high-impact events (e.g., catastrophic global warming) can dominate economic risk calculations, making it difficult to justify inaction based on expected cost assessments alone.

This theorem challenges standard economic models that discount future risks too heavily, advocating for precautionary climate policies even in cases of uncertain probability distributions.

Reference:

Weitzman, M. L. (2009). "On Modeling and Interpreting the Economics of Catastrophic Climate Change" IPCC Climate Risk Frameworks Nicholas Stern Review on Climate Economics

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 47

Which of the following stakeholders are most likely to influence a pension fund's ESG decisions through providing feedback on ethical preferences?

- A. Pension fund trustees
- B. Pension fund members
- C. Pension fund managers

Answer: (SHOW ANSWER)

Pension fund members—the actual beneficiaries—are often surveyed or consulted to understand ethical preferences, which then inform investment mandates. Trustees act on their behalf, and managers implement decisions.

"Asset owners, such as pension funds, are increasingly required to reflect the ethical or normative preferences of their members in ESG investment decisions." Thus, members are the key source of influence for setting exclusion policies or ESG priorities.

NEW QUESTION: 48

A social media company faces criticism from a consumer action group for selling user data to advertising clients. A potential lawsuit will have the greatest direct effect on the company's:

- A. return on equity ratio.
- B. creditors turnover ratio.
- C. liabilities-to-assets ratio.

Answer: (SHOW ANSWER)

Direct Effect of a Potential Lawsuit:

When a company faces potential legal action, the primary financial impact is often reflected in its liabilities, as the company may need to account for potential legal costs, settlements, or fines.

1. Liabilities-to-Assets Ratio: A potential lawsuit will have the greatest direct effect on the company's liabilities-to-assets ratio. This ratio measures the proportion of a company's assets that are financed by liabilities. When a company anticipates or incurs legal liabilities, its total liabilities increase, which directly impacts this ratio.
2. Return on Equity Ratio (Option A): The return on equity (ROE) ratio measures a company's profitability relative to shareholders' equity. While a lawsuit can indirectly affect ROE through legal expenses and potential losses, the most immediate impact is on liabilities rather than profitability.
3. Creditors Turnover Ratio (Option B): The creditors turnover ratio measures how quickly a company pays off its creditors. This ratio is less directly impacted by a lawsuit compared to the liabilities-to-assets ratio, which reflects the increase in liabilities due to potential legal obligations.

Reference from CFA ESG Investing:

Financial Impact of Legal Issues: The CFA Institute discusses how legal risks and potential liabilities can affect a company's financial statements, particularly by increasing liabilities, which in turn affects ratios that measure financial leverage and stability.

NEW QUESTION: 49

With respect to ESG reporting by investment managers, the 2020 version of the UK Stewardship Code calls for more reporting on the:

- A. outcomes from ESG activity.
- B. policies and activities of signatories.

C. assertions of investment managers on ESG themes.

Answer: A (LEAVE A REPLY)

The 2020 version of the UK Stewardship Code emphasizes reporting on the outcomes from ESG activity, highlighting the practical impact of stewardship efforts rather than just focusing on policies or intentions. (ESGTextBook[PallasCatFin], Chapter 6, Page 276)

NEW QUESTION: 50

Compared to older, more established companies, start-up companies most likely:

A. have better systems in place to manage social risks in their supply chain.

B. find it harder to respond when a company with a disruptive business model enters their market.

C. have less effective systems in place to manage social risks in their supply chain and find it easier to respond when a company with a disruptive business model enters their market.

D. are less sensitive to ESG disclosure frameworks and regulations.

Answer: C (LEAVE A REPLY)

Start-upstypically haveless mature risk management frameworks, including around ESG and supply chain due diligence. However, they often possessgreater agilityandstrategic flexibility, which enables them torespond fasterto market disruptions and innovations compared to larger incumbents.

"Young companies... may lack the robust systems to manage social risks such as labor practices, but they may be more nimble in responding to new business models or technologies introduced by competitors." Therefore, the combination ofweaker ESG systemsandgreater responsiveness to disruptionmakes option C the most accurate.

NEW QUESTION: 51

Which of the following steps in the ESG rating process is most likely the earliest source of the dispersal of opinions between different ESG rating agencies?

A. Identification of ESG factors

B. Determination of weighting and scoring methodologies

C. Gathering of a set of data points for the identified ESG indicators

Answer: (SHOW ANSWER)

The earliest source of the dispersal of opinions between different ESG rating agencies is most likely the identification of ESG factors.

Identification of ESG factors (A): Different rating agencies may prioritize and identify different ESG factors based on their proprietary methodologies, resulting in variation from the outset. This initial step influences the entire rating process as it determines which aspects of ESG will be assessed.

Determination of weighting and scoring methodologies (B): Although critical, discrepancies in weighting and scoring methodologies come after the identification of ESG factors. These

methodologies vary based on the initial set of factors considered important by each agency.

Gathering of a set of data points for the identified ESG indicators (C): This step involves data collection based on the previously identified factors and methodologies. Differences in data sources and quality further contribute to variation, but the foundational divergence starts with factor identification.

Reference:

CFA ESG Investing Principles

MSCI ESG Ratings Methodology (June 2022)

NEW QUESTION: 52

Stewardship codes initially focused on which of the following asset classes?

- A. Fixed income
- B. Private equity
- C. Public equities

Answer: C (LEAVE A REPLY)

Stewardship codes were first developed with a focus on public equity investments, where investors have voting rights and shareholder engagement opportunities. Over time, stewardship expectations have expanded to include other asset classes, but public equities remain the core area of engagement and governance focus.

"Stewardship codes... tend to reveal an initial focus in practice on public equity investment. The stewardship thought process both by regulators and by investors is most developed in public equities." This reflects the strong tradition of shareholder activism and proxy voting in public markets, which provide direct mechanisms for investors to influence corporate behavior.

NEW QUESTION: 53

According to the McKinsey framework which of the following elements of sustainable investing is allocated to the investment dimension of tools and processes?

- A. Proactive engagement
- B. Review of external managers
- C. Integration with investment teams

Answer: C (LEAVE A REPLY)

According to the McKinsey framework, the element of sustainable investing that is allocated to the investment dimension of tools and processes is integration with investment teams.

Investment Integration: This involves embedding ESG factors into the traditional investment process, ensuring that ESG considerations are integrated into all stages of investment analysis and decision-making.

Collaboration with Investment Teams: Effective ESG integration requires close collaboration between ESG specialists and traditional investment teams. This ensures that

ESG insights are incorporated into portfolio construction, risk assessment, and performance evaluation.

Tools and Processes: Integration with investment teams involves developing tools and processes that facilitate the incorporation of ESG data and analysis into investment workflows. This includes ESG scoring models, data analytics platforms, and reporting frameworks.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the importance of integrating ESG factors with investment teams to enhance decision-making.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the role of integration in sustainable investing frameworks, emphasizing tools and processes.

NEW QUESTION: 54

When applying ESG screens to fixed income, financing to "brown" industries is most likely provided by:

- A. social bonds.
- B. transition bonds.
- C. SDG-linked bonds.

Answer: B (LEAVE A REPLY)

Transition bonds are designed to help high-emitting or "brown" industries shift toward lower-carbon or more sustainable practices. These bonds provide capital for companies that are not yet green but are working to reduce their environmental footprint.

"Transition bonds allow financing of activities by companies that may be carbon-intensive today, but are on a credible path to lower emissions. They are often used in sectors like steel or oil & gas." This distinguishes transition bonds from social bonds (focused on social outcomes) and SDG-linked bonds (which are broader and not specific to "brown" industries).

NEW QUESTION: 55

A bond issued to finance construction of a solar farm is an example of a:

- A. blue bond
- B. green bond
- C. transition bond

Answer: (SHOW ANSWER)

p 1: Definitions and Concepts

Blue Bond: A bond specifically designed to support marine and ocean-based projects, such as sustainable fisheries, coral reef restoration, and wastewater treatment to protect water resources.

Green Bond: A bond issued to raise funds for new and existing projects with environmental benefits, including renewable energy projects like solar farms, wind energy, and other sustainability projects.

Transition Bond: A bond issued to support companies in transitioning their operations towards more sustainable practices. These bonds often support companies that are moving from high carbon-intensive activities to lower carbon-intensive practices.

Step 2: Characteristics and Use Cases

Blue Bond: Focuses on aquatic ecosystems.

Green Bond: Focuses on a wide range of environmental projects, including renewable energy, energy efficiency, sustainable agriculture, and pollution prevention.

Transition Bond: Typically used by companies in carbon-intensive industries to finance their transition to greener operations.

Step 3: Application to Solar Farm Financing

A bond issued to finance the construction of a solar farm falls under the category of a green bond. This is because:

Solar farms are renewable energy projects.

Green bonds are specifically designed to fund projects that provide clear environmental benefits.

Step 4: Verification with ESG Investing Reference

Green bonds are explicitly used to finance projects that have positive environmental impacts, such as renewable energy projects. As per ESG investing documents: "Green bonds support projects with environmental benefits, including renewable energy projects such as solar and wind farms".

Conclusion: A bond issued to finance the construction of a solar farm is an example of a green bond due to its environmental benefits and alignment with sustainable finance principles.

NEW QUESTION: 56

Which of the following best describes a credit rating agency's ESG analysis of an issuer's efficiency ratios? The agency tests:

- A.** how ESG factors affect an issuer's ability to convert assets into cash.
- B.** the extent to which ESG-related costs affect an issuer's ability to generate profits.
- C.** how well the issuer's management uses assets under its control to generate sales and profit.

Answer: C (LEAVE A REPLY)

Efficiency ratios measure how well management uses assets to generate sales and profits. In an ESG-integrated credit analysis, agencies consider how environmental, social, and governance issues might impact operational efficiency (e.g., resource use, supply chain disruptions, labor relations), ultimately reflecting how well the issuer's management leverages assets to drive returns. CFA materials note that such ratios are a key input in assessing operational ESG-related risks that influence creditworthiness.

NEW QUESTION: 57

In Australia, a managing director of a company is the:

- A. executive chair.
- B. only executive director.
- C. former CEO of the company.

Answer: (SHOW ANSWER)

In Australia, a managing director is commonly understood to be the only executive director on the board. This role entails being the key individual responsible for the overall management and operations of the company. The managing director often has a broader and more hands-on role compared to other directors, overseeing daily operations and implementing board decisions.

NEW QUESTION: 58

According to Greenhouse Gas (GHG) Protocol Standards, the emissions associated with suppliers and consumers are classified as:

- A. Scope 1 emissions
- B. Scope 2 emissions
- C. Scope 3 emissions

Answer: (SHOW ANSWER)

Scope 3 emissions include all indirect emissions that occur in a company's value chain, including those associated with suppliers and consumers. These emissions are typically harder to measure and manage compared to Scope 1 and Scope 2 emissions, which are more directly controlled by the company. ESG Reference: Chapter 3, Page 133 - Environmental Factors in the ESG textbook.

NEW QUESTION: 59

To produce a rating, an ESG rating provider will most likely apply a weighting system to

- A. qualitative data only
- B. quantitative data only
- C. both qualitative data and quantitative data

Answer: (SHOW ANSWER)

To produce a rating, an ESG rating provider will most likely apply a weighting system to both qualitative data and quantitative data. ESG ratings are derived from a comprehensive analysis that includes various types of data to assess the overall ESG performance of a company.

Quantitative Data: This includes measurable data such as carbon emissions, energy consumption, employee turnover rates, and other numerical metrics that can be directly compared across companies.

Qualitative Data: This involves subjective assessments such as the quality of governance practices, corporate policies, stakeholder engagement, and other narrative information that provides context and insights beyond the numbers.

Weighting System: The ESG rating provider uses a weighting system to balance the relative importance of different ESG factors, combining both quantitative and qualitative

data to form an overall rating. This approach ensures a holistic view of the company's ESG performance.

Reference:

MSCI ESG Ratings Methodology (2022) - Explains the integration of both qualitative and quantitative data in the ESG rating process.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the use of a weighting system to combine various data types for comprehensive ESG ratings.

NEW QUESTION: 60

Exclusion-based screening approaches:

- A.** Expand the investable universe
- B.** Are the dominant sustainable investing strategy
- C.** Continue to evolve in response to new information

Answer: C (LEAVE A REPLY)

Exclusion-based screening involves removing investments from a portfolio based on ESG criteria (e.g., fossil fuels, tobacco, weapons).

Why C (continue to evolve) is correct:

New regulations and investor preferences lead to updates in exclusion lists.

Example: Coal exclusions have expanded from pure-play coal miners to companies with indirect coal exposure.

Why not A or B?

A (Expanding investable universe) is incorrect-exclusionary screening narrows the universe.

B (Dominant strategy) is incorrect-ESG integration and engagement are now more widely used.

Reference:

PRI: ESG Screening and Evolving Exclusion Strategies (2023)

NEW QUESTION: 61

Philanthropy is most likely associated with:

- A.** impact investing
- B.** shareholder engagement
- C.** corporate social responsibility

Answer: C (LEAVE A REPLY)

Philanthropy is most likely associated with corporate social responsibility (CSR).

Impact investing (A): Impact investing focuses on generating social or environmental impact alongside financial returns. While philanthropy can be a form of impact investing, it is more commonly linked to CSR.

Shareholder engagement (B): This involves shareholders actively engaging with companies to influence their ESG practices. Philanthropy is not a direct form of shareholder engagement.

Corporate social responsibility (C): CSR encompasses a company's efforts to contribute positively to society, including philanthropic activities such as donations and community involvement.

Reference:

CFA ESG Investing Principles

Definitions and distinctions between CSR, impact investing, and shareholder engagement

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 62

Concerns about the capital structure and financial viability of an investee company are most likely reflected in an active investor's voting decisions in relation to:

- A. Share issuance
- B. The auditor's compensation
- C. The reelection of non-executive board directors

Answer: A (LEAVE A REPLY)

Active investors consider capital structure and financial stability when voting on share issuance proposals.

Why A (Share issuance) is correct:

Issuing new shares dilutes existing shareholders and may signal financial distress.

Investors may vote against excessive share issuance if it weakens capital structure.

Why not B or C?

B (Auditor's compensation) relates to governance and oversight, not capital structure.

C (Reelection of board directors) is important but does not directly affect capital structure.

Reference:

Institutional Shareholder Services (ISS) Voting Guidelines on Capital Issuance

NEW QUESTION: 63

Which of the following statements about the decoupling of economic activities from resource usage is most accurate?

- A. Moving to a circular economy boosts decoupling
- B. The Jevons paradox explains why decoupling happens
- C. Absolute long-term decoupling is more common than relative decoupling

Answer: (SHOW ANSWER)

Decoupling refers to the ability of an economy to grow without corresponding increases in environmental pressure. There are two types of decoupling:

Relative decoupling: Resource use grows at a slower rate than economic growth.

Absolute decoupling: Resource use declines while the economy grows.

Moving to a circular economy is a key strategy to enhance decoupling, as it focuses on reusing, recycling, and minimizing waste, thereby reducing the consumption of virgin resources and environmental impact. This approach helps in achieving relative and, in some cases, absolute decoupling.

While the Jevons paradox describes a scenario where increased efficiency leads to increased resource consumption, it does not explain decoupling. Additionally, absolute long-term decoupling is rare compared to relative decoupling, making option A the most accurate statement.

NEW QUESTION: 64

An institutional asset owner of a listed power company can best assess the quality of a fund manager's engagement by using:

- A. milestones.
- B. voting counts.
- C. performance measurement of change achieved.

Answer: C (LEAVE A REPLY)

The CFA Institute highlights that the true measure of engagement success lies in the actual performance improvements or changes achieved—such as better ESG disclosures, strengthened governance practices, or reduced environmental footprint. Merely counting votes or milestones does not demonstrate if engagement efforts resulted in meaningful change in the investee company's practices.

NEW QUESTION: 65

An analyst evaluates the following statements about ESG integration:

Statement 1: There is a broad consensus on what constitutes complete ESG disclosure.

Statement 2: The nature of ESG analysis and decision-making is inherently subjective.

Which is correct?

- A. Statement 1 only
- B. Statement 2 only
- C. Both Statement 1 and Statement 2
- D. Neither

Answer: B (LEAVE A REPLY)

In Chapter 7, the OTM emphasizes the lack of universal ESG reporting standards and the interpretive nature of ESG analysis:

"There is no single global consensus on what constitutes comprehensive ESG disclosure.

Analysts must therefore apply professional judgment, making ESG analysis inherently

subjective." This confirms Statement 2 as correct, while Statement 1 is explicitly refuted. The OTM further explains that even when frameworks like GRI, SASB, and TCFD are applied, analysts often diverge in weighting or interpretation, reinforcing subjectivity as a defining characteristic of ESG evaluation.

Thus, the verified correct choice is B - Statement 2 only, accurately reflecting the current state of ESG disclosure and assessment practices.

Reference: 2021-Final-Book.pdf, Chapter 7 - ESG Analysis, Valuation, and Integration (Challenges in ESG Analysis section).

NEW QUESTION: 66

Compared to traditional index-based funds, ESG index-based funds typically have:

- A. A lower fee structure
- B. The same fee structure
- C. A higher fee structure

Answer: C (LEAVE A REPLY)

ESG index-based funds generally have a higher fee structure than traditional index funds due to additional costs related to ESG data acquisition, portfolio screening, and research. Unlike conventional passive funds, ESG index funds require active decision-making to select securities based on sustainability criteria, which increases operational expenses. Moreover, ESG indices often have lower liquidity and higher tracking error compared to traditional benchmarks, further contributing to cost differences.

Reference:

Morningstar ESG Fund Fee Analysis (2023)

MSCI ESG Index Cost Comparisons

CFA Institute Research on ESG Fund Expenses

=====

NEW QUESTION: 67

Which of the following statements regarding natural resources is most accurate?

- A. Economic downturns increase pressure on natural resources.
- B. Green economy refers to the sustainable use of ocean resources.
- C. Companies with exposure to deforestation in their supply chains may face cost volatility.

Answer: C (LEAVE A REPLY)

The OTM's Natural Capital and Resource Management section details how biodiversity loss and deforestation create financial and operational risks. It states:

"Companies with exposure to deforestation in their supply chains—for example, in palm oil, soy, or timber—face cost volatility due to regulatory tightening, supply disruption, and reputational backlash." It explains that ESG analysis must assess these dependencies because "resource depletion translates directly into margin pressure and long-term profitability risk." The manual clarifies that the "green economy" involves broader

sustainability goals beyond oceans (invalidating B) and that downturns generally reduce, not increase, resource consumption (contradicting A).

Therefore, option C is accurate and verified as per the OTM extract.

Reference: 2021-Final-Book.pdf, Chapter 3 - Environmental Factors (Natural Resources, Deforestation, and Biodiversity Risk section).

NEW QUESTION: 68

Regulations relating to ESG investing generally involve which of the following themes?

- A. Stewardship
- B. Scenario analysis
- C. Green bond issuance

Answer: A (LEAVE A REPLY)

Stewardship (Option A) is a core regulatory theme in ESG investing, focusing on how investors influence corporate behavior through active ownership (voting, engagement, and dialogue). Regulatory frameworks such as the UK Stewardship Code, Japan Stewardship Code, and EU Sustainable Finance Disclosure Regulation (SFDR) emphasize investor stewardship responsibilities.

Scenario analysis (Option B) is used for risk assessment, particularly in climate stress testing (e.g., TCFD recommendations), but is not the primary focus of ESG regulations.

Green bond issuance (Option C) is regulated under ICMA Green Bond Principles and EU Green Bond Standards, but ESG investing regulations are broader than just bond issuance.

Reference:

UK Stewardship Code 2020

EU Sustainable Finance Disclosure Regulation (SFDR)

Japan FSA: Principles for Responsible Institutional Investors

NEW QUESTION: 69

Natural language processing (NLP) is employed as a tool in ESG investing to:

- A. backtest short time series of ESG data.
- B. quantify online text relating to ESG risk areas.
- C. interpret satellite imagery to assess deforestation.

Answer: B (LEAVE A REPLY)

Natural Language Processing (NLP) is a tool used in ESG investing to analyze and quantify large amounts of textual data related to environmental, social, and governance (ESG) factors. The technology involves the automatic manipulation of natural language by software, enabling the extraction of meaningful information from unstructured text such as news articles, reports, and social media posts.

NLP in ESG Investing: NLP helps investors process and analyze large volumes of textual data to identify trends, risks, and opportunities associated with ESG factors. This capability

is crucial for assessing the sentiment and context of ESG-related information, which can impact investment decisions.

Quantifying Online Text: NLP quantifies online text by identifying and categorizing relevant ESG risk areas. This includes monitoring media sources, regulatory filings, and corporate disclosures to capture real-time data on ESG issues. By quantifying these texts, investors can better understand the potential impact of ESG risks on their investments.

NEW QUESTION: 70

As a result of an aging population, which of the following sectors is most likely to experience slower growth?

- A.** Healthcare
- B.** Consumer goods
- C.** Wealth management

Answer: B (LEAVE A REPLY)

An aging population affects various sectors differently. The sector most likely to experience slower growth as a result of an aging population is consumer goods.

Healthcare (A): This sector is likely to experience growth due to increased demand for healthcare services, products, and related support as the population ages.

Consumer goods (B): Consumer goods, particularly those targeted at younger demographics or non-essential items, may see slower growth. An aging population typically spends less on consumer goods and more on healthcare and services tailored to their needs.

Wealth management (C): This sector might experience growth as older populations often require wealth management services to handle retirement funds, estate planning, and other financial services.

Reference:

CFA ESG Investing Principles

Demographic studies on aging populations and economic impact

NEW QUESTION: 71

According to market reviews conducted by the Global Sustainable Investment Alliance at the start of 2020, the largest sustainable investment strategy in the United States is:

- A.** ESG integration.
- B.** exclusionary screening.
- C.** corporate engagement and shareholder action.

Answer: B (LEAVE A REPLY)

In the United States, exclusionary screening remains the largest sustainable investment strategy, where companies or sectors are excluded from portfolios based on certain criteria, such as involvement in tobacco or firearms. (ESGTextBook[PallasCatFin], Chapter 2, Page 61)

NEW QUESTION: 72

Which of the following index providers offers fixed-income ESG indexes?

- A. FTSE4Good
- B. Sustainalytics
- C. S&P (DJSI) ESG

Answer: C (LEAVE A REPLY)

S&P offers fixed-income ESG indexes under its Dow Jones Sustainability Indices (DJSI) series. These indexes are designed to measure the performance of companies and governments that adhere to high ESG standards, including for fixed-income securities. ESG Reference: Chapter 7, Page 318 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 73

A company establishing a sustainability office in the absence of ESG policies and actions would be an example of:

- A. Greenhushing
- B. Scopewashing
- C. Competence greenwashing

Answer: C (LEAVE A REPLY)

The OTM discusses the phenomenon of "competence greenwashing," defining it as: "Situations where organizations claim to have the capacity or structures to manage ESG issues, such as appointing sustainability officers or teams, but demonstrate no substantive policy, strategy, or outcomes to justify those claims." This description matches the scenario exactly—a firm setting up a sustainability office without implementing or reporting genuine ESG actions. The manual contrasts this with "greenhushing," where companies downplay sustainability activities, and "scopewashing," where emissions or ESG boundaries are misrepresented.

Thus, competence greenwashing refers to overstating institutional readiness or capability without execution, making option C the correct and verified answer.

Reference: 2021-Final-Book.pdf, Chapter 1 - Introduction to ESG; Section on ESG Misrepresentation and Greenwashing Types.

NEW QUESTION: 74

For investments in wastewater treatment plants, a significant obstacle is:

- A. lack of demand.
- B. high capital intensity.
- C. availability of unskilled labor.

Answer: (SHOW ANSWER)

Wastewater treatment plants are capital-intensive projects, requiring significant investment upfront for infrastructure and technology, which can be a major barrier to entry. (ESGTextBook[PallasCatFin], Chapter 3, Page 153)

NEW QUESTION: 75

A portfolio approach in which bottom-up analysis is complemented with consideration of ESG factors, resulting in a relatively concentrated portfolio, is best described as:

- A. Systematic
- B. Index-based
- C. Discretionary

Answer: C (LEAVE A REPLY)

A discretionary ESG investment strategy is characterized by active selection, where the portfolio manager uses bottom-up analysis complemented with ESG factors to make decisions about individual investments. This strategy often leads to a concentrated portfolio because of the selective nature of investment choices. Discretionary ESG strategies differ from index-based or systematic approaches, which are more passive and structured. ESG Reference: Chapter 8, Page 94 - ESG Integrated Portfolio Construction & Management in the ESG textbook.

NEW QUESTION: 76

A fund focused on avoiding the worst ESG performers relative to industry peers is most likely engaged in:

- A. Negative screening only
- B. Norms-based screening only
- C. Both negative screening and norms-based screening

Answer: C (LEAVE A REPLY)

A fund that excludes the worst ESG performers relative to their peers is using both negative and norms-based screening.

Why C (both negative and norms-based) is correct:

Negative screening removes poor ESG performers outright.

Norms-based screening excludes companies that violate international ESG standards (e.g., UN Global Compact).

Why not A or B?

A (Negative screening only) is incomplete-norms-based screening also plays a role.

B (Norms-based only) is incorrect-some exclusions go beyond norms (e.g., fossil fuel bans).

Reference:

PRI: ESG Screening Strategies (2023)

UN PRI's Guide to Norms-Based Screening

Investing exam dumps, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest**

Actual4test.com Sustainable-Investing dumps with Test Engine here:

https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As

Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 77

According to the Global Sustainable Investment Alliance (GSIA), as of 2020, the largest sustainable investment strategy globally is:

- A. ESG integration
- B. exclusionary screening
- C. corporate engagement and shareholder action

Answer: A (LEAVE A REPLY)

According to the Global Sustainable Investment Alliance (GSIA), as of 2020, the largest sustainable investment strategy globally is ESG integration.

Definition of ESG Integration: ESG integration involves the systematic and explicit inclusion of environmental, social, and governance (ESG) factors into financial analysis by investment managers.

GSIA Reports: The GSIA's Global Sustainable Investment Review highlights that ESG integration has become the dominant strategy among sustainable investment practices. This approach is favored due to its comprehensive consideration of ESG factors in traditional financial analysis.

Growth Trends: The increasing awareness of ESG risks and opportunities has driven the growth of ESG integration, making it the largest strategy in terms of assets under management (AUM).

CFA ESG Investing Reference:

The CFA Institute's resources on ESG integration emphasize the importance and prevalence of this strategy among investors. It outlines how ESG integration helps in identifying material risks and opportunities that could impact financial performance, thus supporting better investment decisions.

NEW QUESTION: 78

A fund focused on investing in the best ESG performers relative to industry peers across a range of different criteria is most likely engaged in:

- A. positive screening only.
- B. norms-based screening only.
- C. both positive screening and norms-based screening.

Answer: (SHOW ANSWER)

A fund that invests in the best ESG performers across industries uses both positive screening to select companies with strong ESG performance and norms-based screening

to ensure they meet international norms and standards. (ESGTextBook[PallasCatFin], Chapter 7, Page 325)

NEW QUESTION: 79

Regime-switching models for strategic asset allocation:

- A. Fail to capture fat tails and skewness
- B. Are based on historical data rather than forward-looking data
- C. Have the potential to capture dramatic shifts in the investment environment

Answer: (SHOW ANSWER)

Regime-switching models are used in strategic asset allocation to capture shifts in market conditions, such as economic recessions, financial crises, or climate-related disruptions. These models allow investors to adjust portfolio allocations based on different market regimes.

They do capture fat tails (A), meaning they can account for extreme events.

They incorporate both historical and forward-looking data (B).

Reference:

CFA Institute Guide to Regime-Switching Models

MSCI Strategic Asset Allocation in ESG Investing

Principles for Responsible Investment (PRI) Risk Management Framework

=====

NEW QUESTION: 80

Will including additional ESG constraints in a portfolio optimization model most likely affect tracking error?

- A. No
- B. Yes, it will reduce tracking error
- C. Yes, it will increase tracking error

Answer: (SHOW ANSWER)

Including ESG constraints in portfolio optimization models often leads to increased tracking error because the constraints limit the pool of available investments, making it more challenging to match the benchmark exactly. (ESGTextBook[PallasCatFin], Chapter 8, Page 463)

NEW QUESTION: 81

The EU Paris-Aligned Benchmarks:

- A. Have at least an equal green-to-brown investment ratio.
- B. Permit fossil fuel investment as part of a transition process.
- C. Require a reduction of carbon emission intensity by at least 50% in their starting years.

Answer: C (LEAVE A REPLY)

The Official Training Manual under the section on climate benchmarks states:

"The EUParis-Aligned Benchmark (PAB)... requires an initial 50% reduction in carbon intensity relative to the investable universe, and ongoing annual decarbonisation of at least 7% thereafter." This clearly aligns with option C. Options A and B are partially true of other indices (e.g., Climate Transition Benchmark), but only the PAB explicitly includes the 50% emission reduction requirement.

Reference: 2021-Final-Book.pdf, Chapter 8, ESG Integrated Portfolio Construction and Management.

NEW QUESTION: 82

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 (LEAVE A REPLY)

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 & Client Reporting in the ESG textbook.

NEW QUESTION: 83

Which of the following social factors most likely impacts a company's external stakeholders?

- A. Working conditions, health, and safety
- B. Employment standards and labor rights
- C. Product liability and consumer protection

Answer: C (LEAVE A REPLY)

Social factors that impact a company's external stakeholders include those that affect customers, local communities, and governments. Product liability and consumer protection directly influence external stakeholders by ensuring the safety, quality, and reliability of products, which in turn affects consumer trust and regulatory compliance. Working conditions, health and safety, and employment standards primarily impact internal stakeholders, such as employees.

NEW QUESTION: 84

A concept that attempts to describe what would happen to global temperatures if CO₂ concentrations in the atmosphere were to double relative to the pre-industrial average is best described as:

- A. climate change.
- B. climate sensitivity.

C. transient climate response.

Answer: B (LEAVE A REPLY)

The concept described is climate sensitivity, formally defined as the change in Earth's surface temperature resulting from a doubling of atmospheric CO₂ compared to pre-industrial levels. This encompasses equilibrium climate sensitivity (long-term warming after all feedback loops settle) and transient climate response (shorter-term warming before full equilibrium). While transient climate response is a specific short-term measure, the broader principle of warming after CO₂ doubling is referred to as climate sensitivity.

NEW QUESTION: 85

Two-tier boards with non-executive supervisory boards overseeing management boards are most commonly found in:

- A. Japan
- B. The Netherlands
- C. The United States

Answer: B (LEAVE A REPLY)

The Governance Factors section of the Official Training Manual (OTM) explains the two main board structures globally: the one-tier (unitary) and two-tier (dual) systems. It states: "Under the two-tier board model, a supervisory board composed mainly of non-executive directors oversees the management board, which handles day-to-day operations. This system is most common in Continental Europe, particularly in Germany and the Netherlands." The manual highlights that this structure provides a formal separation of oversight and execution, strengthening independence and reducing conflicts of interest. The U.S. and Japan predominantly use one-tier structures with mixed boards. Hence, the Netherlands, alongside Germany, exemplifies the dual-board framework. Option B is therefore correct.

Reference: 2021-Final-Book.pdf, Chapter 5 - Governance Factors (Board Structures and Independence section).

NEW QUESTION: 86

Which of the following is best described as a form of engagement that requires institutions to have a formal agreement with concrete objectives and agreed steps?

- A. Concert party
- B. Soliciting support
- C. Collaborative campaigns

Answer: A (LEAVE A REPLY)

A concert party refers to an agreement between institutions to engage with a company in a coordinated manner, usually with concrete objectives and steps agreed upon to drive change through collective shareholder action. (ESG Text Book [Pallas Cat Fin], Chapter 6, Page 285)

NEW QUESTION: 87

Among asset owners, which of the following is most likely a challenge to ESG integration?

- A. Consultants and retail financial advisors offer too many options for ESG products
- B. Even large asset owners have limited resources to conduct their own ESG assessment
- C. The scale of investments is not enough to influence the products offered by fund managers

Answer: B (LEAVE A REPLY)

ESG integration presents several challenges for asset owners, including the availability of resources and expertise required to conduct comprehensive ESG assessments.

1. Limited Resources: Even large asset owners often face constraints in terms of resources and capacity to conduct their own ESG assessments. This limitation can hinder their ability to thoroughly evaluate ESG factors and integrate them into their investment decision-making processes.

2. ESG Product Options and Scale of Investments:

Consultants and Advisors (Option A): While having multiple ESG product options can be overwhelming, it is generally not considered a major challenge compared to the fundamental issue of limited resources.

Scale of Investments (Option C): The scale of investments influencing product offerings is more relevant to small asset owners. Large asset owners typically have significant influence over fund managers and product offerings.

Reference from CFA ESG Investing:

Resource Constraints: The CFA Institute highlights the challenge of resource limitations for asset owners, emphasizing the need for specialized knowledge and tools to conduct effective ESG assessments.

ESG Integration Challenges: Understanding the specific challenges faced by asset owners, including resource constraints, is crucial for developing effective ESG integration strategies.

In conclusion, even large asset owners have limited resources to conduct their own ESG assessment, making option B the verified answer.

NEW QUESTION: 88

Which of the following is most likely a consequence of income inequality?

- A. An increase in social mobility
- B. A decrease in educational opportunities
- C. An increase in the number of companies adopting aggressive tax optimization strategies

Answer: B (LEAVE A REPLY)

Income inequality often reduces access to education, particularly for lower-income individuals who may struggle with tuition costs, lack of resources, and unequal schooling quality. This, in turn, can reduce upward social mobility and widen wealth disparities over time.

Option C (tax optimization strategies) is a separate corporate governance issue and not a direct result of income inequality. Option A (increase in social mobility) is incorrect as higher inequality often reduces social mobility.

Reference:

OECD Report on Income Inequality and Education

World Economic Forum (WEF) Global Social Mobility Index

UN Sustainable Development Goal 10 (Reduced Inequality)

=====

NEW QUESTION: 89

According to the Capitals Coalition, the stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people is best described as

- A.** nature
- B.** natural capital.
- C.** ecosystem assets

Answer: (SHOW ANSWER)

According to the Capitals Coalition, the stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people is best described as natural capital. Here's a detailed explanation:

Natural Capital:

Natural capital refers to the world's stocks of natural assets including geology, soil, air, water, and all living things. It is from this natural capital that humans derive a wide range of ecosystem services that make human life possible.

The Capitals Coalition defines natural capital as the stock of renewable and non-renewable natural resources (such as plants, animals, air, water, soils, and minerals) that combine to yield a flow of benefits to people.

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum discusses natural capital extensively, emphasizing its importance in sustainable investing and the need for integrating natural capital considerations into financial decision-making.

NEW QUESTION: 90

Which of the following would credit rating agencies (CRAs) most likely focus on in order to test how well an issuer's management uses the assets under its control to generate sales and profit?

- A.** Efficiency ratios
- B.** Capital structure analysis
- C.** Profitability and cash flow analysis

Answer: (SHOW ANSWER)

Credit rating agencies (CRAs) assess the creditworthiness of issuers by evaluating various financial and non-financial factors. To test how well an issuer's management uses the assets under its control to generate sales and profit, CRAs focus on efficiency ratios.

1. Efficiency Ratios: Efficiency ratios measure how effectively a company utilizes its assets and liabilities to generate income. Key efficiency ratios include asset turnover ratio, inventory turnover ratio, and receivables turnover ratio. These ratios provide insights into how well management is using the company's assets to generate revenue and profit, making them a primary focus for CRAs when evaluating operational performance and management effectiveness.

2. Capital Structure Analysis: Option B, capital structure analysis, focuses on the mix of debt and equity used to finance a company's operations. While important for understanding the financial leverage and risk profile of a company, it is not directly related to assessing how efficiently management uses assets to generate sales and profit.

3. Profitability and Cash Flow Analysis: Option C, profitability and cash flow analysis, evaluates a company's ability to generate earnings and manage cash flow. Although critical for assessing overall financial health, profitability and cash flow analysis do not specifically measure the efficiency of asset utilization, which is the focus when testing management's effectiveness in generating sales and profit from existing assets.

Reference from CFA ESG Investing:

Efficiency Ratios: The CFA Institute highlights the importance of efficiency ratios in assessing management performance. These ratios provide a clear view of how well a company is using its assets to produce revenue, which is a key consideration for credit rating agencies.

Capital Structure and Profitability Analysis: While both capital structure and profitability analyses are integral parts of credit evaluation, efficiency ratios are specifically designed to measure the effectiveness of asset utilization, which directly addresses the question of management's operational efficiency.

In conclusion, efficiency ratios are most likely the primary focus for credit rating agencies when assessing how well an issuer's management uses the assets under its control to generate sales and profit, making option A the verified answer.

NEW QUESTION: 91

In an emissions trading system:

- A. Emissions caps are fixed over time
- B. Permits may be allocated free of charge
- C. Price signals cannot be created from the trading of permits

Answer: B (LEAVE A REPLY)

In cap-and-trade emissions trading systems, companies receive or buy permits to emit greenhouse gases. Some permits may be allocated free of charge, especially in the early phases of programs like the EU Emissions Trading System (ETS) to help industries transition to lower emissions.

Reference:

EU Emissions Trading System (ETS) Framework

UNFCCC Carbon Market Mechanisms Report

World Bank Carbon Pricing Report

=====

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 92

Scope 3 carbon emissions are accounted for under:

- A. The UK Task Force on Climate-related Financial Disclosures (TCFD) only
- B. The European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR) only
- C. Both the UK Task Force on Climate-related Financial Disclosures (TCFD) and the European Union's (EU) Sustainable Finance Disclosure Regulation (SFDR)

Answer: C (LEAVE A REPLY)

Scope 3 carbon emissions, which include indirect emissions from the entire value chain (e.g., suppliers and customers), are accounted for under both the UK Task Force on Climate-related Financial Disclosures (TCFD) and the European Union's Sustainable Finance Disclosure Regulation (SFDR). These frameworks guide companies in reporting and managing all relevant emissions, beyond direct operations. ESG Reference: Chapter 3, Page 133 - Environmental Factors in the ESG textbook.

NEW QUESTION: 93

When aligning investments with client ESG beliefs, which of the following ESG considerations should be reflected in the investment mandate dimension of the investment process?

- A. Material ESG factors
- B. Rationale for ESG integration
- C. Consideration of ESG factors, including prioritization

Answer: (SHOW ANSWER)

Investment mandates should reflect both ESG factors and their prioritization, ensuring alignment with client beliefs, risk tolerance, and sustainability goals.

Materiality alone (A) is not enough, and rationale (B) is part of the process but not the defining criterion for structuring investment mandates.

Reference:

Principles for Responsible Investment (PRI) ESG Investment Mandates Guide CFA Institute ESG Investment Governance Framework Morningstar ESG Portfolio Integration Report

=====

NEW QUESTION: 94

With regards to environmental analysis in fixed income investing, a country-level analysis is relevant to:

- A. Corporate bonds only
- B. Government bonds only
- C. Both corporate bonds and government bonds

Answer: C (LEAVE A REPLY)

In fixed income investing, both corporate and government bonds can be impacted by environmental factors at a country level. For corporate bonds, companies operating within a country are affected by its environmental regulations, policies, and natural resource management. Government bonds, directly tied to a country's economic and environmental conditions, are also influenced by such factors. ESG Reference: Chapter 7, Page 318 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 95

Which of the following best describes a mature ESG regulatory framework? A government putting forward:

- A. A "comply or explain" ESG regulation
- B. Voluntary ESG corporate disclosures
- C. ESG implementation and reporting guidelines

Answer: A (LEAVE A REPLY)

A mature ESG regulatory framework is one where companies are required to either comply with ESG standards or provide explanations for why they have not done so, known as "comply or explain." This approach encourages transparency and accountability while allowing some flexibility for companies based on their specific circumstances. ESG Reference: Chapter 9, Page 499 - Investment Mandates, Portfolio Analytics & Client Reporting in the ESG textbook.

NEW QUESTION: 96

A discount retailer facing a consumer boycott due to its poor working conditions will most likely face:

- A. significant liabilities
- B. greater operating costs

C. an adverse impact on revenues

Answer: C (LEAVE A REPLY)

A discount retailer facing a consumer boycott due to poor working conditions will most likely face an adverse impact on revenues.

Adverse impact on revenues (C): A consumer boycott directly affects the retailer's sales and revenues. When consumers choose not to purchase from the retailer due to poor working conditions, the retailer experiences a decrease in sales, which negatively impacts its revenue stream. This can also affect the retailer's market share and brand reputation.

Significant liabilities (A): While poor working conditions might eventually lead to liabilities such as legal fines or compensation claims, the immediate effect of a consumer boycott is more directly felt in reduced revenues.

Greater operating costs (B): Poor working conditions can indirectly lead to higher operating costs due to potential inefficiencies, higher turnover, or the need to improve conditions in response to negative publicity. However, the primary immediate impact of a consumer boycott is on revenues.

Reference:

CFA ESG Investing Principles

Case studies of consumer boycotts and their financial impacts on companies

NEW QUESTION: 97

ESG integration is most likely enforced by regulating:

- A.** Stewardship
- B.** Asset owners
- C.** Corporate disclosure

Answer: C (LEAVE A REPLY)

Corporate disclosure is a primary focus of ESG regulation. Requiring companies to disclose their ESG practices ensures transparency and allows investors to make informed decisions. Regulations around stewardship and asset owners often complement these disclosure requirements but are not the main enforcement mechanism for ESG integration. ESG Reference: Chapter 7, Page 364 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 98

Which of the following is one of the four realms of nature described by the Taskforce on Nature-related Financial Disclosures (TNFD)?

- A.** People
- B.** Oceans
- C.** Biodiversity

Answer: B (LEAVE A REPLY)

The Taskforce on Nature-related Financial Disclosures (TNFD) describes four realms of nature, and one of these is Oceans.

Oceans (B): Oceans are a critical realm of nature that the TNFD focuses on, recognizing their significant role in global ecosystems, climate regulation, and biodiversity.

People (A): While people are integral to sustainability discussions, they are not one of the four realms of nature defined by the TNFD.

Biodiversity (C): Biodiversity is a crucial concept within the TNFD framework, but the specific realms of nature referred to by the TNFD include Oceans as one of the main categories.

Reference:

Taskforce on Nature-related Financial Disclosures (TNFD) documentation

CFA ESG Investing Principles

NEW QUESTION: 99

Which of the following is one of the four phases of activities contained by the LEAP assessment framework developed by the Taskforce on Nature-related Financial Disclosures (TNFD)?

- A.** Minimize their interface with nature
- B.** Maximize their dependence and impact on nature
- C.** Evaluate material risks and opportunities for their operations

Answer: C (LEAVE A REPLY)

The LEAP assessment framework developed by the Taskforce on Nature-related Financial Disclosures (TNFD) consists of four phases: Locate, Evaluate, Assess, and Prepare. This framework is designed to help organizations understand and address nature-related risks and opportunities.

Locate: This phase involves identifying and mapping the interface of the organization with nature. It includes understanding the dependencies and impacts of the organization's activities on nature.

Evaluate: In this phase, organizations evaluate the material risks and opportunities that arise from their interactions with nature. This includes assessing how these risks and opportunities could affect their operations, value chains, and financial performance.

Assess: Organizations conduct detailed assessments of the material risks and opportunities identified in the Evaluate phase. This involves deeper analysis to quantify and prioritize the risks and opportunities.

Prepare: The final phase involves preparing strategic responses to mitigate risks and capitalize on opportunities. Organizations develop plans and actions to manage nature-related risks and enhance resilience.

Option C, "Evaluate material risks and opportunities for their operations," aligns with the Evaluate phase of the LEAP framework, making it the correct answer.

Reference:

NEW QUESTION: 100

Which of the following investor types most likely has the shortest investment time horizon?

- A. Foundations
- B. General insurers
- C. Defined benefit pension schemes

Answer: B (LEAVE A REPLY)

General insurers typically have the shortest investment time horizon among the three investor types listed. Here's a detailed explanation:

Nature of Liabilities: General insurers deal with short-term liabilities, such as claims arising from accidents, natural disasters, or other events that can happen frequently and require prompt payment. This necessitates a relatively liquid and short-term investment portfolio to ensure that funds are readily available to cover claims.

Investment Strategies: Due to the need to maintain liquidity and manage risk, general insurers often invest in short-duration assets. These might include short-term bonds, money market instruments, and other liquid assets that can be quickly converted to cash.

Comparison with Other Investors:

Foundations: Foundations typically have longer-term investment horizons as they aim to support their missions over an extended period. Their endowment funds are managed to generate returns that can sustain operations and grant-making activities in perpetuity.

Defined Benefit Pension Schemes: These pension schemes also have long-term horizons, as they need to ensure that funds are available to meet the retirement benefits of employees over many years, often several decades.

CFA ESG Investing Reference:

The CFA Institute explains that general insurers have shorter investment horizons due to the nature of their liabilities and the need for liquidity to pay out claims promptly (CFA Institute, 2020).

The institute also notes that the investment strategies of general insurers are designed to align with their short-term liabilities, making their investment horizon shorter compared to foundations and pension schemes.

NEW QUESTION: 101

The concept of a carbon budget quantifies the:

- A. point in time when net zero CO₂ emissions are achieved.
- B. CO₂ levels that lead to crossing the Earth's planetary boundaries.
- C. amount of CO₂ to maintain the possibility of temperatures not exceeding a given level.

Answer: C (LEAVE A REPLY)

The carbon budget defines the maximum cumulative amount of CO₂ emissions allowed to limit global warming to a specific temperature threshold, such as 1.5 °C or 2 °C above pre-industrial levels. CFA materials emphasize that this budget is a finite global allocation of emissions that can be emitted while still maintaining a reasonable chance of staying within these warming limits. It is distinct from reaching net zero at a specific date (A) or the broader planetary boundary concept (B), although it relates to climate stability within those boundaries.

NEW QUESTION: 102

All else equal, a higher discount rate applied to a company's discounted cash flow (DCF) analysis will lead to:

- A. a lower estimate of intrinsic value
- B. the same estimate of intrinsic value
- C. a higher estimate of intrinsic value

Answer: (SHOW ANSWER)

A higher discount rate applied to a company's discounted cash flow (DCF) analysis will lead to a lower estimate of intrinsic value.

Higher discount rate: The discount rate is used to calculate the present value of future cash flows. A higher discount rate reduces the present value of those cash flows.

Intrinsic value: The intrinsic value of a company is the sum of the present values of its expected future cash flows. As the discount rate increases, the present values decrease, resulting in a lower estimate of intrinsic value.

Reference:

CFA ESG Investing Principles

Standard finance and valuation textbooks explaining DCF analysis

NEW QUESTION: 103

When an asset owner develops an ESG investment philosophy, the selection of material ESG factors is least likely influenced by:

- A. manager exposure.
- B. asset class exposure.
- C. geographical exposure.

Answer: A (LEAVE A REPLY)

An asset owner's ESG investment philosophy is fundamentally shaped by strategic considerations such as asset class and geographic exposure, which determine the types of ESG risks and opportunities likely to be material. The CFA UK manual emphasizes these as structural determinants of ESG relevance.

"Asset owners primarily select material ESG factors based on characteristics of the portfolio such as asset class, time horizon, and geographic exposure. These influence the kinds of risks—such as water scarcity, regulatory landscape, or governance standards—that may be relevant. Manager-level exposure is operational and tactical and does not typically drive philosophy formation." Therefore, manager exposure is less influential because it pertains to the implementation of the strategy, not its conceptual foundation.

NEW QUESTION: 104

A meat-processing company does not sell its pork products in predominantly Muslim countries. Investing in the company on this basis would be considered an example of:

- A. faith-based investing.

- B. norms-based exclusion.
- C. considering religion as a social factor.

Answer: B (LEAVE A REPLY)

Excluding investments in companies that sell pork in predominantly Muslim countries falls under norms-based exclusion, as it is guided by religious and cultural norms. (ESGTextBook[PallasCatFin], Chapter 4, Page 192)

NEW QUESTION: 105

In addition to an audit committee, almost all major companies have:

- A. sustainability and risk committees.
- B. remuneration and risk committees.
- C. nomination and remuneration committees.

Answer: C (LEAVE A REPLY)

Most companies, particularly those operating under strong corporate governance frameworks (e.g., UK Corporate Governance Code), are expected to maintain three principal board committees: audit, nomination, and remuneration. These committees serve critical governance functions—financial oversight, board composition, and executive pay. "Expectations and duties of the three principal board committees that almost all major companies have in place: the audit committee... the nominations committee... and the remuneration committee." While sustainability or risk committees may exist in some firms, they are not as universally established as the three mentioned above.

NEW QUESTION: 106

Which of the following types of issuers typically shows the highest degree of engagement with investors?

- A. Corporate bond issuers
- B. Sovereign bond issuers
- C. US municipal bond issuers

Answer: A (LEAVE A REPLY)

According to CFA's sustainable investing materials, corporate bond issuers are generally the most responsive to investor engagement. They have direct accountability to lenders, a shared interest in long-term viability, and governance structures that can facilitate investor dialogues. Sovereign issuers (B) and municipal issuers (C) have more political layers and less flexibility to engage directly on sustainability-related demands.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest**

Actual4test.com Sustainable-Investing dumps with Test Engine here:

https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As

Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 107

Which of the following ESG integration techniques is an example of policy engagement?

An investor:

- A. Embedding ESG into their strategic asset allocation program
- B. Responding to a regulator's public consultation on ESG issues
- C. Voting on resolutions at an investee company's annual general meeting

Answer: B (LEAVE A REPLY)

Policy engagement refers to efforts by investors to influence regulatory frameworks. An example of this would be responding to a regulator's public consultation on ESG issues, thereby contributing to the development of ESG policies that can drive broader change across markets and industries. ESG Reference: Chapter 6, Page 280 - Engagement and Stewardship in the ESG textbook.

NEW QUESTION: 108

Which of the following ownership mechanisms best protects minority shareholders?

- A. Dual-class shares only
- B. Pre-emptive rights only
- C. Both dual-class shares and pre-emptive rights

Answer: B (LEAVE A REPLY)

Pre-emptive rights provide minority shareholders with the ability to maintain their proportional ownership during new equity issuances, thus protecting them from dilution. In contrast, dual-class shares create different voting rights and can weaken the influence of minority shareholders, not protect them. Therefore, only pre-emptive rights (option B) offer genuine protection for minority investors against controlling shareholders or dilution events.

NEW QUESTION: 109

Compared to equities, bonds most likely:

- A. have an infinite maturity.
- B. have a wider range of issuers.
- C. are inferior in the capital structure.

Answer: C (LEAVE A REPLY)

Bonds are typically considered inferior in the capital structure compared to equities, meaning bondholders are paid after senior debt but before equity holders in the event of a liquidation. (ESGTextBook[PallasCatFin], Chapter 8, Page 451)

NEW QUESTION: 110

An analyst would most likely increase a company's discount rate if the company:

- A. Has strong ESG practices
- B. Faces significant environmental litigation
- C. Is well-positioned to benefit from ESG opportunities

Answer: (SHOW ANSWER)

If a company faces significant environmental litigation, an analyst would likely increase the discount rate to account for the higher risk and uncertainty. Litigation can result in financial penalties, operational disruptions, and reputational damage, all of which could negatively impact future cash flows. ESG Reference: Chapter 7, Page 361 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 111

In ESG investing, exclusionary preferences are most likely to:

- A. increase the investable universe.
- B. have no return-generation implications.
- C. be adopted by asset owners rather than by asset managers.

Answer: C (LEAVE A REPLY)

Exclusionary preferences are investment restrictions based on ethical, moral, or normative criteria, such as avoiding tobacco or weapons companies. These are most commonly initiated by asset owners, such as pension funds or sovereign wealth funds, due to their fiduciary or ethical mandates. While some asset managers also apply such screens, they typically do so only when managing customized mandates for asset owners. "Exclusionary preferences are most commonly adopted and applied by asset owners rather than asset managers... Asset managers do manage dedicated mandates for asset owners that commonly impose some form of exclusionary screen." This is because asset owners are more directly accountable to their beneficiaries, who often hold specific ethical values that need to be reflected in their investments.

NEW QUESTION: 112

A company's Scope 2 emissions are:

- A. emissions from purchased energy.
- B. direct emissions from core operations.
- C. emissions produced by suppliers and customers.

Answer: A (LEAVE A REPLY)

Scope 2 emissions refer to indirect greenhouse gas emissions resulting from the company's consumption of purchased electricity, steam, heat, and cooling. (ESGTextBook[PallasCatFin], Chapter 3, Page 133)

NEW QUESTION: 113

Which of the following is most likely associated with positive screening?

- A. Green investing
- B. Thematic investing

C. Best-in-class investing

Answer: C (LEAVE A REPLY)

Positive screening, or best-in-class investing, involves selecting companies that rank highly on ESG criteria relative to their peers within the same sector, rather than excluding entire sectors. (ESGTextBook[PallasCatFin], Chapter 7, Page 325)

NEW QUESTION: 114

In contrast to active investors, passive investors are most likely to:

- A.** seek a direct discussion with senior management and then the board
- B.** start their engagement process by writing a letter to all the companies impacted by a certain ESG issue
- C.** focus their engagement on companies identified as underperformers or ones that trigger other financial or ESG metrics

Answer: (SHOW ANSWER)

In contrast to active investors, passive investors are most likely to start their engagement process by writing a letter to all the companies impacted by a certain ESG issue.

Passive Investment Approach: Passive investors, such as those managing index funds, typically hold a wide array of companies within their portfolios. Direct engagement with each company individually can be resource-intensive.

Broad Engagement Strategy: Writing a letter to all companies affected by a specific ESG issue allows passive investors to address concerns across their entire portfolio efficiently. This approach ensures that all relevant companies are informed of the investor's expectations and concerns regarding the ESG issue.

Active Investors: In contrast, active investors may prioritize direct discussions with senior management and the board (A) or focus on specific underperforming companies (C) for more targeted engagement.

CFA ESG Investing Reference:

The CFA Institute's resources on engagement strategies for investors distinguish between the broad, systematic engagement methods used by passive investors and the more targeted, intensive approaches favored by active investors. This helps ensure effective ESG integration across different investment styles.

NEW QUESTION: 115

A company is accused of surveilling employees to prevent them from forming a union. The decision of an asset manager to divest from holding shares in the company is an example of:

- A.** universal exclusion
- B.** idiosyncratic exclusion
- C.** conduct-related exclusion
- D.** regulatory divestment

Answer: C (LEAVE A REPLY)

Conduct-related exclusions refer to situations where companies are excluded from investment based on specific behaviors that are unethical or violate fundamental standards, such as labor rights, corruption, or environmental abuse.

"When evaluating a company for investment, both social risks and the level of mitigation and management should be considered. When such issues persist, a consumer boycott or divestment by investors is possible..." In this case, the surveillance of employees to block union formation is a violation of social and labor standards. Divestment due to this conduct qualifies as a conduct-related exclusion.

NEW QUESTION: 116

An asset manager considering environmental risks would most likely use:

- A.** qualitative analysis only
- B.** quantitative analysis only
- C.** both qualitative and quantitative analyses

Answer: C (LEAVE A REPLY)

An asset manager considering environmental risks would most likely use both qualitative and quantitative analyses. Combining these approaches provides a comprehensive understanding of the environmental risks associated with investments.

Qualitative Analysis: This involves evaluating non-numerical information, such as company policies, management practices, and environmental impact reports. It helps assess the company's approach to managing environmental risks and its commitment to sustainability.

Quantitative Analysis: This involves analyzing numerical data, such as carbon emissions, energy consumption, water usage, and waste generation. It provides measurable metrics that can be compared over time and against industry benchmarks.

Holistic Assessment: Using both qualitative and quantitative analyses allows asset managers to gain a complete picture of a company's environmental performance. It helps identify potential risks and opportunities, leading to more informed investment decisions.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the importance of integrating both qualitative and quantitative analyses in evaluating environmental risks.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the benefits of a holistic approach to environmental risk assessment using diverse analytical methods.

NEW QUESTION: 117

The Task Force on Climate-related Financial Disclosures (TCFD) recommends measuring carbon exposure on a:

- A.** per asset basis.
- B.** per company basis.
- C.** portfolio-weighted basis.

Answer: C (LEAVE A REPLY)

TCFD encourages measuring carbon exposure on a portfolio-weighted basis to provide a comprehensive view of the portfolio's overall carbon footprint, aiding in managing climate-related risks. (ESGTextBook[PallasCatFin], Chapter 3, Page 139)

NEW QUESTION: 118

Suppose the average price-to-earnings (P/E) ratio for the financial industry is 10x. A financial institution with high ESG risk compared to its industry, is most likely assigned a fair value P/E ratio:

- A. lower than 10x
- B. of 10x
- C. higher than 10x

Answer: (SHOW ANSWER)

Price-to-Earnings (P/E) Ratio and ESG Risk:

The price-to-earnings (P/E) ratio is a valuation metric used to assess the relative value of a company's shares. A company with higher ESG risks is generally perceived as having higher operational and financial risks, which can negatively impact its valuation.

1. High ESG Risk Impact: A financial institution with high ESG risk compared to its industry peers is likely to be perceived as riskier. Investors may demand a higher risk premium for holding such a company's shares, which can result in a lower valuation multiple.

2. Fair Value P/E Ratio: Given the average P/E ratio for the financial industry is 10x, a financial institution with higher ESG risks is most likely to be assigned a fair value P/E ratio lower than the industry average. This reflects the increased perceived risk and potential for future financial underperformance due to ESG-related issues.

Reference from CFA ESG Investing:

ESG Risk and Valuation: The CFA Institute discusses how ESG risks can impact a company's valuation by influencing investor perceptions and risk assessments. Companies with higher ESG risks may trade at lower multiples due to the associated uncertainties and potential for adverse impacts on financial performance.

P/E Ratios and ESG Integration: Understanding the relationship between ESG risks and valuation multiples is essential for integrating ESG factors into investment analysis and valuation models.

In conclusion, a financial institution with high ESG risk compared to its industry is most likely assigned a fair value P/E ratio lower than 10x, making option A the verified answer.

NEW QUESTION: 119

Which of the following is an example of a just' transition with regards to climate change?

- A. A company issues a first transition bond to finance a gas-fired power utility project
- B. A manufacturer designs products that are more reusable and recyclable to support the circular economy
- C. A government works with labor unions to develop a social package for displaced workers due to closure of coal mines

Answer: C (LEAVE A REPLY)

A just transition with regards to climate change refers to ensuring that the shift to a low-carbon economy is fair and inclusive, particularly for workers and communities that are adversely affected by this transition. Here's why option C is correct:

Just Transition:

A just transition involves measures that support workers and communities who are impacted by the transition to a sustainable economy. This includes creating new job opportunities, providing retraining programs, and ensuring social protections for those affected by changes such as the closure of coal mines.

Collaborating with labor unions to develop a social package for displaced workers is a clear example of this approach, as it directly addresses the social and economic challenges faced by workers during the transition .

Other Options:

Option A (financing a gas-fired power utility project) does not address the social aspects of the transition and is more focused on the financial and infrastructural changes.

Option B (designing reusable and recyclable products) is aligned with the circular economy but does not specifically address the social justice aspect of the transition .

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum includes discussions on the importance of a just transition, emphasizing the need for policies and initiatives that protect workers and communities during the shift to a sustainable economy .

NEW QUESTION: 120

According to the United Nations Principles for Responsible Investment (PRI), modern fiduciary duty would require investment managers to:

- A. Support the stability and resilience of the financial system
- B. Incorporate their own sustainability preferences into decision-making
- C. Encourage high standards of ESG performance across the entire investment universe

Answer: C (LEAVE A REPLY)

Modern fiduciary duty under the PRI requires investment managers to encourage high standards of ESG performance across the entire investment universe. This aligns with the view that integrating ESG factors is essential for protecting long-term returns and ensuring sustainable investments. ESG Reference: Chapter 9, Page 511 - Investment Mandates, Portfolio Analytics & Client Reporting in the ESG textbook.

NEW QUESTION: 121

A quantitative ESG long-short equity strategy most likely involves long exposure to top decile ESG-rated stocks and short exposure to:

- A. Non-ESG-rated stocks
- B. Bottom decile ESG-rated stocks
- C. Bottom decile ESG-rated sectors

Answer: B (LEAVE A REPLY)

The ESG Investment Strategies section of the Official Training Manual (OTM) describes systematic ESG approaches, including long-short equity models. It states:

"Quantitative ESG long-short strategies typically involve taking long positions in top-decile ESG-rated stocks and short positions in bottom-decile ESG-rated stocks within the same sector or region, to neutralize market beta while capturing ESG-related alpha." This method uses ESG scores as a differentiating signal while maintaining overall factor neutrality (e.g., size, sector). The manual further notes that these strategies "allow investors to isolate ESG-driven return differentials, removing market or style bias." Sectors are not typically shorted directly (eliminating option C), and "non-ESG-rated" stocks (option A) would not fit within systematic ranking models since such firms lack data for quant selection.

Hence, the verified and precise answer is B, supported by direct methodological reference. Reference: 2021-Final-Book.pdf, Chapter 8 - ESG Integrated Portfolio Construction (Quantitative ESG Approaches section).

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 122

Which of the following statements about ESG integration databases is least accurate?

- A. Correlation between ESG ratings of issuers by different providers is high
- B. The completeness of coverage varies substantially across ESG tools from different providers
- C. Divergence between ESG ratings hampers the ambition of companies to improve their ESG performance

Answer: A (LEAVE A REPLY)

One of the most cited issues in ESG data is the low correlation between ESG ratings from different providers. This inconsistency arises from differing methodologies, weightings, and data sources.

"ESG ratings from different providers often show low correlation... making it difficult for investors to compare ratings and for companies to respond to a unified set of ESG expectations." Thus, option A is least accurate, while B and C reflect common observations.

NEW QUESTION: 123

Compared to older, more established companies, start-up companies most likely:

- A.** have better systems in place to manage social risks in their supply chain.
- B.** find it harder to respond when a company with a disruptive business model enters their market.
- C.** have less effective systems in place to manage social risks in their supply chain and find it easier to respond when a company with a disruptive business model enters their market.

Answer: (SHOW ANSWER)

CFA's materials highlight that start-up companies typically have less formalized social risk management systems, given their rapid growth and resource constraints. However, these same start-ups often adapt more quickly to disruptive competition because they are more agile and less locked into legacy business models.

NEW QUESTION: 124

Which of the three ESG factors is most often taken into consideration by traditional investment analysts?

- A.** Social
- B.** Governance
- C.** Environmental

Answer: B (LEAVE A REPLY)

Traditional investment analysts most often take into consideration governance factors among the three ESG factors. Governance factors are typically viewed as critical to the operational and financial stability of a company.

Corporate Governance: Governance factors include the structures and processes for the direction and control of companies, such as board composition, executive compensation, audit practices, and shareholder rights. These elements are directly linked to a company's accountability and integrity.

Risk Management: Effective governance practices help mitigate risks related to fraud, mismanagement, and regulatory non-compliance. Analysts focus on governance to ensure that the company is managed in a way that protects shareholders' interests and enhances long-term value.

Performance Indicators: Strong governance is often correlated with better financial performance and reduced volatility. Companies with robust governance structures are perceived as more reliable and are thus more attractive to traditional investment analysts.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the importance of governance factors in traditional financial analysis and their impact on company performance.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the emphasis on governance factors by investment analysts due to their direct link to corporate stability and performance.

NEW QUESTION: 125

The UK's Green Finance Strategy identifies the policy lever of greening finance as:

- A. strengthening the role of the UK financial sector in driving green finance.
- B. directing private sector financial flows to economic activities that support an environmentally sustainable and resilient growth.
- C. ensuring that the financial sector systematically considers environmental and climate factors in its lending and investment activities.

Answer: (SHOW ANSWER)

The UK's Green Finance Strategy emphasizes the importance of ensuring that environmental and climate factors are systematically considered in financial decisions, including lending and investment activities. (ESGTextBook[PallasCatFin], Chapter 3, Page 153)

NEW QUESTION: 126

In ESG integration, model adjustments are typically performed at the:

- A. research stage
- B. valuation stage.
- C. portfolio construction stage

Answer: (SHOW ANSWER)

In ESG integration, model adjustments are typically performed at the valuation stage. This involves adjusting financial models to reflect ESG risks and opportunities, which can impact revenue forecasts, operating costs, discount rates, and terminal values. By integrating ESG factors into the valuation process, investors can better assess the long-term sustainability and financial performance of their investments.

Top of Form

Bottom of Form

NEW QUESTION: 127

The Sustainability Accounting Standards Board's (SASB) Materiality Map:

- A. Only covers equities as an asset class.
- B. Assesses portfolio-level exposure to sustainability risks.
- C. Identifies material issues and weights them for individual companies.

Answer: C (LEAVE A REPLY)

The SASB Materiality Map (Option C) is designed to identify material ESG issues for specific industries and companies, helping investors:

Understand which ESG issues impact financial performance.

Assess and compare ESG risks across sectors.

Option A (Only covers equities) is incorrect because SASB standards apply to multiple asset classes.

Option B (Portfolio-level exposure) is more relevant to ESG rating agencies rather than SASB's framework.

Reference:

SASB Materiality Map (2022 Update)

ISSB: IFRS Sustainability Disclosure Standards

PRI ESG Integration in Financial Reporting

NEW QUESTION: 128

Which of the following best describes a challenge of ESG integration?

- A.** The reliance solely on algorithms to forecast future ESG performance
- B.** Overly detailed company-level ESG reporting that overwhelms investors
- C.** Disagreements between investors and company management teams about materiality thresholds

Answer: C (LEAVE A REPLY)

One of the key challenges in ESG integration, according to the CFA's materials, is that investors and companies often disagree on what ESG issues are "material" to financial performance. While data complexity and algorithm reliance (options A and B) can pose hurdles, it is the discrepancies in materiality thresholds that most commonly hinder effective ESG integration. Asset owners and managers may have different views compared to corporate management on what issues truly drive long-term value or pose significant risk.

NEW QUESTION: 129

Which of the following best describes a challenge of ESG integration into investment processes?

- A.** Cultural challenges and biases within investment management firms
- B.** Overly detailed company-level ESG reporting that overwhelms investors
- C.** Standardized disclosures in audited financial statements that hinder differentiated analysis

Answer: (SHOW ANSWER)

A major challenge in ESG integration is cultural resistance and biases within investment firms. Some traditional investment managers view ESG as non-financial or irrelevant to performance, leading to resistance in fully embedding ESG into decision-making. While ESG reporting complexity (B) is a challenge, it does not outweigh the fundamental organizational and mindset barriers that slow adoption. Standardized disclosures (C) actually help rather than hinder ESG integration.

Reference:

CFA Institute ESG Integration Framework

Principles for Responsible Investment (PRI) Survey on ESG Adoption Barriers MSCI

Research on ESG Culture in Investment Firms

=====

NEW QUESTION: 130

Which of the following statements regarding optimization of portfolios for ESG criteria is most accurate?

- A.** ESG integration may enhance the risk and return profile of portfolio optimization
- B.** Optimization is limited to carbon data because of its absolute nature and more standardized reporting metrics
- C.** ESG optimization via constraints is similar to exclusionary screening because it also applies a fixed decision on specific securities

Answer: A (LEAVE A REPLY)

ESG integration may enhance the risk and return profile of portfolio optimization. Here's a detailed explanation:

ESG Integration: ESG integration involves systematically incorporating environmental, social, and governance factors into investment analysis and decision-making processes. This approach aims to identify material ESG risks and opportunities that could affect the financial performance of investments.

Risk and Return Profile: By integrating ESG factors, investors can gain a more comprehensive understanding of potential risks and opportunities. This can lead to better-informed investment decisions, potentially improving the risk-adjusted returns of the portfolio.

Benefits of ESG Integration:

Risk Mitigation: Incorporating ESG factors helps investors identify and mitigate risks that traditional financial analysis might overlook. For example, companies with poor environmental practices may face regulatory fines, legal liabilities, and reputational damage.

Opportunities for Outperformance: Companies that manage ESG factors well are often more innovative, efficient, and better positioned to capitalize on emerging market trends. This can lead to superior financial performance and investment returns.

Enhanced Portfolio Resilience: ESG integration can enhance the overall resilience of a portfolio by reducing exposure to companies with high ESG risks and increasing exposure to those with strong ESG practices.

CFA ESG Investing Reference:

The CFA Institute emphasizes that ESG integration can enhance the risk and return profile of portfolios by providing a more holistic view of investment risks and opportunities (CFA Institute, 2020).

Studies have shown that portfolios incorporating ESG factors can achieve comparable or superior financial performance compared to traditional portfolios, highlighting the potential benefits of ESG integration.

By incorporating ESG factors into portfolio optimization, investors can potentially achieve better risk-adjusted returns and contribute to more sustainable investment outcomes.

NEW QUESTION: 131

The World Bank's Worldwide Governance Indicators include:

- A. climate change.
- B. voice and accountability.
- C. a financial stability score.

Answer: B (LEAVE A REPLY)

The World Bank's Worldwide Governance Indicators (WGI) cover governance dimensions such as:

- * Voice and accountability
- * Political stability
- * Government effectiveness
- * Regulatory quality
- * Rule of law

* Control of corruption These indicators provide a global benchmark for governance quality and help investors incorporate governance risks into ESG assessments. They do not include climate change (A) or financial stability scores (C).

NEW QUESTION: 132

The divergence of ratings among ESG providers most likely:

- A. enhances the credibility of empirical research
- B. ensures that ESG performance is reflected in asset prices.
- C. hampers the ambition of companies to improve their ESG performance

Answer: C (LEAVE A REPLY)

The divergence of ratings among ESG providers most likely hampers the ambition of companies to improve their ESG performance. Here's why:

Mixed Signals:

Companies receive mixed signals from different ESG rating agencies due to the lack of standardization in ESG ratings. This can create confusion and uncertainty about which actions will be valued by the market, making it challenging for companies to prioritize and implement effective ESG strategies .

The inconsistency in ratings can demotivate companies from pursuing ESG improvements if they are unsure which criteria to meet.

Challenges in Empirical Research:

While divergence in ratings poses challenges for empirical research and can affect the reflection of ESG performance in asset prices, the primary issue for companies is the confusion and lack of clear guidance on how to improve their ESG performance effectively .

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum addresses the challenges posed by the lack of standardization in ESG ratings, emphasizing the need for consistent and clear criteria to guide companies in their ESG efforts and ensure meaningful improvements .

NEW QUESTION: 133

Which of the following is most likely designed to promote consideration of environmental and social risks in investing?

- A. The EU Taxonomy Regulation
- B. The EU Shareholder Rights Directive
- C. The EU Sustainable Finance Disclosure Regulation

Answer: C (LEAVE A REPLY)

The EU Sustainable Finance Disclosure Regulation (SFDR) requires asset managers to disclose ESG risks in investment decisions, promoting transparency on sustainability factors. It applies to all financial market participants in the EU.

The EU Taxonomy (A) defines what qualifies as a "green" investment, while the Shareholder Rights Directive (B) focuses on corporate governance and investor engagement.

Reference:

European Commission SFDR Guidelines

CFA Institute Guide to ESG Regulation in the EU

Principles for Responsible Investment (PRI) Sustainable Finance Report

NEW QUESTION: 134

Which of the following best characterizes a climate mitigation strategy rather than a climate adaptation strategy?

- A. Developing drought-resilient crops
- B. Implementing carbon reduction policies
- C. Planning more efficiently for scarce water resources

Answer: B (LEAVE A REPLY)

Climate mitigation strategies focus on reducing the causes of climate change, such as implementing carbon reduction policies to lower greenhouse gas emissions. In contrast, adaptation strategies involve adjusting to the effects of climate change, like developing drought-resistant crops. ESG Reference: Chapter 3, Page 114 - Environmental Factors in the ESG textbook.

NEW QUESTION: 135

To fall in scope of mandatory compliance with the EU's Corporate Sustainability Reporting Directive (CSRD), companies would need to meet which of the following conditions?

Condition 1 EUR40 million in net turnover

Condition 2 EUR20 million in assets

Condition 3 250 or more employees

- A. Any one of these conditions

B. Any two of these conditions

C. All three of these conditions

Answer: B (LEAVE A REPLY)

The EU's Corporate Sustainability Reporting Directive (CSRD) mandates that companies need to meet at least two of the following three criteria to fall under its scope of mandatory compliance:

EUR 40 million in net turnover

EUR 20 million in assets

250 or more employees

This requirement is designed to ensure that significant entities are subject to sustainability reporting, reflecting their potential impact on and responsibility towards environmental, social, and governance (ESG) factors.

Reference:

The CSRD directive outlines the scope and criteria for mandatory sustainability reporting within the EU.

NEW QUESTION: 136

Based on the Sustainability Accounting Standards Board's (SASB) materiality map, which of the following is a material ESG risk for healthcare companies?

A. Customer welfare

B. Competitive behavior

C. Greenhouse gas (GHG) emissions

Answer: A (LEAVE A REPLY)

According to the Sustainability Accounting Standards Board (SASB) materiality map, certain ESG issues are deemed material for specific industries. For healthcare companies, customer welfare is a significant material ESG risk. This includes aspects such as patient safety, quality of care, access to healthcare, and patient privacy. These factors are critical in the healthcare sector due to the direct impact on patients' well-being and regulatory scrutiny.

Customer welfare (A): This is a core material issue for healthcare companies as it directly impacts patient safety and quality of care, which are critical aspects of healthcare services.

Competitive behavior (B): While competitive behavior can be material in many industries, it is not the primary material ESG risk for healthcare companies according to SASB's materiality map.

Greenhouse gas (GHG) emissions (C): GHG emissions are more material for industries with significant energy consumption and environmental impact, such as utilities and manufacturing. While healthcare companies do have environmental impacts, customer welfare is more directly relevant to their core operations.

Reference:

Sustainability Accounting Standards Board (SASB) Materiality Map

CFA ESG Investing Principles

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 137

Which of the following tests defines the internal theoretical cost on carbon emissions to guide a company's decision-making process in energy-intensive sectors?

- A. Carbon taxation
- B. Shadow carbon pricing
- C. Emission trading system

Answer: B (LEAVE A REPLY)

Shadow carbon pricing is an internal tool used by companies to assign a theoretical cost to their carbon emissions. This cost is factored into decision-making, especially in energy-intensive sectors, to guide investments and operational choices toward more sustainable options, even in the absence of external carbon pricing mechanisms like taxes or trading systems. ESG Reference: Chapter 3, Page 142 - Environmental Factors in the ESG textbook.

NEW QUESTION: 138

Which of the following forms of executive compensation most likely emphasizes long-term firm performance?

- A. Bonus
- B. Salary
- C. Share-linked incentives

Answer: (SHOW ANSWER)

The manual's governance section explains:

"Share-linked incentives such as stock options or restricted stock units align management's interests with those of shareholders over the long term, whereas cash bonuses and salaries tend to emphasize short-term performance." Thus, option C correctly reflects the compensation form that promotes sustainable firm performance.

Reference: 2021-Final-Book.pdf, Chapter 5, Governance Factors - Executive Remuneration and Incentives.

NEW QUESTION: 139

According to the Principles for Responsible Investment, which of the following is not an ESG engagement dynamic creating value for investors and companies?

- A. Cultural dynamics
- B. Learning dynamics
- C. Communicative dynamics

Answer: A (LEAVE A REPLY)

Cultural dynamics are not a primary engagement dynamic identified by PRI. The key dynamics that drive engagement value include:

Learning dynamics (B): Mutual knowledge-sharing between investors and companies

Communicative dynamics (C): Effective dialogue leading to ESG improvements Reference:

Principles for Responsible Investment (PRI) ESG Engagement Guide

CFA Institute Investor Engagement & ESG Performance Report

MSCI Active Ownership & Stewardship Study

=====

NEW QUESTION: 140

ESG datasets are best characterized by:

- A. Extensive history.
- B. Voluntary disclosure.
- C. Common reporting standards.

Answer: B (LEAVE A REPLY)

ESG datasets primarily rely on voluntary disclosure because there are no universal mandatory reporting requirements across all jurisdictions. Many companies disclose ESG data through sustainability reports, CDP disclosures, or regulatory filings, but the consistency and comparability of such disclosures remain a challenge. While organizations like the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD) provide frameworks, adherence to these standards is often voluntary.

Extensive history (Option A) is incorrect because ESG reporting has only gained prominence in the last two decades, limiting the availability of long-term data.

Common reporting standards (Option C) is incorrect because, while standards are emerging (e.g., ISSB), ESG reporting is still fragmented across different frameworks.

Reference:

PRI (Principles for Responsible Investment): Discusses ESG data challenges.

GRI, SASB, and TCFD frameworks: ESG reporting standards.

EU Sustainable Finance Disclosure Regulation (SFDR): Regulatory development in ESG disclosures.

NEW QUESTION: 141

The perpetual compound annual rate that a company's cash flow is assumed to change by after the discrete forecasting period is referred to as the:

- A. discount rate
- B. terminal growth rate
- C. required rate of return

Answer: B (LEAVE A REPLY)

* Terminal Growth Rate Definition:

The terminal growth rate is the perpetual compound annual rate at which a company's cash flow is assumed to grow after the discrete forecasting period.

It is a critical input in the discounted cash flow (DCF) model used to estimate the present value of a company.

* Usage in DCF Analysis:

After forecasting free cash flows for a specific period, typically 5-10 years, a terminal value is calculated to capture the value of the business beyond the forecast period.

The terminal growth rate is applied to the final year's cash flow to estimate this terminal value.

* Importance of Terminal Growth Rate:

It represents the expected long-term growth rate of the company and significantly impacts the valuation.

Assumptions about this rate must be reasonable and aligned with long-term economic growth projections.

* Reference:

The terminal growth rate is a well-established concept in financial analysis and valuation, particularly within the context of the DCF model, as outlined in various CFA Institute materials on valuation and financial analysis.

NEW QUESTION: 142

Which of the following events typically increases the discount rate in an investor's discounted cash flow (DCF) model? The investee company:

- A. Launches a new product to reduce customers' electricity usage
- B. Is subject to a newly established carbon tax applied sector-wide
- C. Faces an environmental litigation cost related to a specific project

Answer: C (LEAVE A REPLY)

An environmental litigation cost is a firm-specific risk that increases uncertainty in a company's cashflows, thereby raising its cost of capital (discount rate) in a DCF model. Higher discount rates reflect higher risk perceptions, reducing the present value of future earnings.

In contrast, a sector-wide carbon tax (B) affects all firms in the industry and is often incorporated into pricing structures, reducing its firm-specific impact on discount rates. Launching a sustainable product (A) might lower risk perception, potentially reducing the discount rate instead.

Reference:

CFA Institute Guide to Valuation & ESG Risks

=====

NEW QUESTION: 143

Which of the following represents the majority of the largest asset owners?

- A. Pension funds.
- B. Insurance companies.
- C. Sovereign wealth funds.

Answer: (SHOW ANSWER)

Pension funds (Option A) are the largest asset owners globally because:

They manage trillions in retirement savings, making them major institutional investors. They have long-term investment horizons, leading to significant ESG influence.

Option B (Insurance companies) manage large assets but are smaller than global pension funds.

Option C (Sovereign wealth funds) are substantial but fewer in number compared to pension funds.

Reference:

OECD Pension Funds in Figures Report

PRI Largest Asset Owners Study (2022)

World Bank: Global Pension and Insurance Investment Trends

NEW QUESTION: 144

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

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

Answer: C (LEAVE A REPLY)

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.

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

NEW QUESTION: 145

With reference to data security and customer privacy issues, a technology company in the research and development stage with no commercially marketed products is most likely to have:

- A. low risk exposure to this factor in the short run
- B. medium risk exposure to this factor in the short run
- C. high risk exposure to this factor in the short run

Answer: A (LEAVE A REPLY)

A technology company in the research and development stage with no commercially marketed products is most likely to have low risk exposure to data security and customer privacy issues in the short run.

Stage of Development: At the R&D stage, the company is primarily focused on developing and testing new technologies, which typically involves limited interaction with customers and minimal handling of customer data.

Data Security and Privacy Risks: Since the company is not yet commercialized, it is less exposed to risks related to data breaches or privacy violations. These risks become more significant once the company starts marketing its products and collecting customer data.

Short-Term Risk: In the short run, the primary focus is on innovation and development rather than data security and privacy, resulting in lower exposure to these risks.

CFA ESG Investing Reference:

The CFA Institute's materials on risk management and ESG factors in technology companies highlight that data security and customer privacy become more critical as companies move from R&D to commercialization stages.

NEW QUESTION: 146

Conduct-related exclusionary screening will most likely involve the exclusion of companies involved in:

- A. gambling.
- B. alcohol sales.
- C. child labor infractions.

Answer: C (LEAVE A REPLY)

Conduct-based exclusionary screening specifically targets companies that violate internationally accepted norms or ethical standards. Child labor infractions directly contravene widely accepted international labor and human rights principles, making them a frequent and high-priority exclusion criterion in ESG mandates. By contrast, industries like gambling or alcohol may be excluded based on values-based screens or religious/ethical preferences, but they are not inherently conduct-related violations of global norms.

NEW QUESTION: 147

Which of the following statements is most accurate? The Kyoto Protocol was created to:

- A. Encourage companies to make climate-related disclosures
- B. Mobilize private sector finance for sustainable development
- C. Commit industrialized countries to limit and reduce greenhouse gas emissions

Answer: (SHOW ANSWER)

The Kyoto Protocol (adopted in 1997) was the first international treaty to legally commit industrialized nations to reduce greenhouse gas emissions. It set binding targets for developed countries but did not impose obligations on developing nations.

Options A and B are incorrect because Kyoto focused on emission reductions rather than corporate disclosures or private finance mobilization.

Reference:

United Nations Framework Convention on Climate Change (UNFCCC) Kyoto Protocol
Overview IPCC Reports on Kyoto and Climate Policy OECD Climate Governance Analysis
=====

NEW QUESTION: 148

Which of the following ESG risks is not well suited for inclusion in the discount rate?

- A. Sector-wide risk
- B. Market-wide risk
- C. Company-specific risk

Answer: C (LEAVE A REPLY)

The manual distinguishes firm-specific (idiosyncratic) risk from systematic (market/sector) risk: "Risk also appears as either idiosyncratic or systematic risk: ▶ Idiosyncratic risk describes firm- or stock-specific risk." It also notes sector-wide environmental risks "may affect the discount rate used," showing that systematic (sector/market) risks can be reflected in the discount rate.

For company-specific assessments, the manual's DCF case study explains the team "prefers DCF and explicit model scenarios for sales, margins and asset turns ... rather than an adjustment to a discount rate ... for a company specific assessment." Together, these extracts support that company-specific (idiosyncratic) ESG risk is not well suited to be embedded in the discount rate, whereas sector- or market-wide risks are.

NEW QUESTION: 149

Company reporting and transparency are led by the:

- A. board
- B. auditor
- C. management team

Answer: (SHOW ANSWER)

Company reporting and transparency are primarily led by the management team. They are responsible for ensuring accurate and comprehensive disclosures, which are then overseen by the audit committee and the board. The management team's role includes preparing reports, implementing internal controls, and ensuring compliance with regulatory requirements. The audit committee and the board provide oversight and ensure that the reports are fair, balanced, and understandable, while the auditor offers independent verification.

NEW QUESTION: 150

Which of the following sectors has the highest percentage of corporate profits at risk from state intervention?

- A. Banking
- B. Consumer goods
- C. Pharmaceuticals and healthcare

Answer: (SHOW ANSWER)

In evaluating which sector has the highest percentage of corporate profits at risk from state intervention, it is crucial to consider the exposure of various industries to regulatory changes, government policies, and state interventions. The banking sector, in particular, is highly sensitive to such interventions due to the following reasons:

Regulatory Environment: Banks operate under strict regulatory frameworks established by governments to ensure financial stability, consumer protection, and market integrity. These regulations can significantly affect banking operations and profitability. Changes in capital requirements, lending limits, and other regulatory policies can have immediate and substantial impacts on banks' profit margins.

Government Policies: Governments often implement policies aimed at influencing economic activity, such as monetary policy changes, interest rate adjustments, and fiscal policies. Banks are directly impacted by these policies as they influence lending rates, deposit rates, and overall financial market conditions.

State Intervention: During financial crises or economic downturns, governments may intervene in the banking sector to stabilize the economy. This can include measures like bailouts, nationalization, or imposing stricter controls on banking activities. Such interventions can disrupt normal business operations and affect profitability.

Systemic Importance: Banks are considered systemically important to the economy. Their failure can lead to widespread economic repercussions. As a result, governments closely monitor and regulate the sector, often intervening to prevent instability, which can affect banks' financial performance.

Reference:

MSCI ESG Ratings Methodology (2022) - This document outlines the factors affecting the ESG risks and opportunities for companies, emphasizing the regulatory and governance aspects that significantly impact the banking sector.

Energy Technology Perspectives (2020) - Although this document primarily focuses on energy technologies, it highlights the broader implications of state intervention in critical industries, including finance, for achieving policy objectives.

NEW QUESTION: 151

Tools that evaluate companies, countries, and bonds based on their exposure or involvement-specific factors, sectors, products, or services are referred to as:

- A. ESG data.
- B. ESG ratings.
- C. ESG screening.

Answer: (SHOW ANSWER)

ESG screening tools evaluate investments by assessing their exposure to or involvement in specific ESG factors, sectors, products, or services. This screening process is a key element in responsible investing. (ESGTextBook[PallasCatFin], Chapter 7, Page 364)

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 152

Single-tier boards are typical in:

- A. China
- B. The UK
- C. Germany

Answer: (SHOW ANSWER)

A single-tier board structure, where executive and non-executive directors sit on one board, is typical in the UK and many other common-law jurisdictions.

In contrast, Germany (C) follows a two-tier board system, which separates management (executive board) from oversight (supervisory board). China (A) has a hybrid structure with mandatory Communist Party oversight in large firms.

Reference:

UK Corporate Governance Code

German Corporate Governance Code

OECD Principles of Corporate Governance

NEW QUESTION: 153

According to the "Shades of Green" methodology developed by the Center for International Climate Research (CICERO), which of the following colors best categorizes a green bond that reduces emissions in the near term without contributing to climate-resilient long-term solutions?

- A. Yellow
- B. Light Green
- C. Medium Green

Answer: B (LEAVE A REPLY)

Light Green bonds support short-term emissions reductions but do not contribute significantly to long-term climate resilience.

Medium Green (C) supports more sustainable, long-term transitions.

Yellow (A) is not a recognized CICERO category.

Reference:

CICERO Shades of Green Bond Ratings

Principles for Responsible Investment (PRI) Green Bond Evaluation Framework Climate Bonds Initiative Green Bond Certification Guide

=====

NEW QUESTION: 154

An unfavorable corporate governance assessment would most likely be incorporated in valuation through reduced:

- A. discount rates.
- B. risk premia in the cost of capital.
- C. levels of confidence in the valuation range.

Answer: (SHOW ANSWER)

An unfavorable corporate governance assessment would most likely be incorporated in valuation through increased risk premia in the cost of capital. Poor governance practices can increase the perceived risk of a company, leading investors to demand higher returns for taking on that risk. This results in a higher cost of capital for the company, which can negatively affect its valuation. Adjusting the discount rate to reflect governance risks is a common practice in valuation models.

NEW QUESTION: 155

When assessing environmental risks, asset managers should use:

- A. qualitative approaches only.
- B. quantitative approaches only.
- C. both qualitative approaches and quantitative approaches.

Answer: C (LEAVE A REPLY)

CFA's sustainable investing materials recommend a dual approach when evaluating environmental risks:

Qualitative assessments capture strategic and governance-related insights, including the company's environmental policies, disclosures, and commitment to sustainability.

Quantitative data (e.g., carbon intensity, water use, waste management metrics) provide measurable, comparable indicators of environmental performance. Using both ensures a comprehensive picture of environmental risk exposure and management.

NEW QUESTION: 156

ESG indices that exclude economically meaningful sectors will most likely:

- A. Have a lower cost structure than conventional index-based strategies
- B. Generate a higher tracking error than conventional index-based strategies
- C. Have stronger stewardship activities than actively managed ESG strategies

Answer: B (LEAVE A REPLY)

Exclusionary ESG indices often omit entire sectors (e.g., fossil fuels, tobacco, weapons), which leads to higher tracking error relative to traditional benchmarks like the S&P 500 or MSCI World Index.

Tracking error measures how much a portfolio's returns deviate from its benchmark.

Because ESG indices have sector biases, they tend to experience greater performance divergence than conventional index funds.

Reference:

MSCI ESG Index Performance Report

CFA Institute ESG Investing Handbook

Morningstar ESG Fund Tracking Error Analysis

=====

NEW QUESTION: 157

According to the fundamental conventions of the International Labor Organization (ILO), which of the following should not be supported as a labor right by companies?

- A. Forced labor
- B. Equal remuneration
- C. Collective bargaining

Answer: (SHOW ANSWER)

Forced labor is expressly prohibited by the ILO's core labor standards. The fundamental conventions promote labor rights such as:

Elimination of forced labor (prohibition)

Freedom of association and collective bargaining

Equal remuneration and non-discrimination
Thus, while companies should support collective bargaining and equal remuneration, forced labor should not be supported—it is a violation of core labor standards.

NEW QUESTION: 158

With respect to exclusion policies, which of the following falls outside of the traditional spectrum of responsible investment?

- A. Indices
- B. Listed equities
- C. Corporate debt

Answer: A (LEAVE A REPLY)

Exclusion policies in responsible investment typically focus on specific asset classes, such as listed equities and corporate debt, where investors can directly apply ethical and ESG criteria to exclude certain companies or sectors from their portfolios. Indices, however, fall outside of this traditional spectrum as they represent broader market benchmarks.

Exclusion Policies: These policies are applied to directly exclude investments in certain sectors or companies that do not meet the ethical or ESG criteria set by the investor.

Common exclusions include tobacco, firearms, and fossil fuels.

Indices: Indices are used to benchmark the performance of portfolios and are typically not subject to exclusion policies. They represent a broad market or sector and include a range of companies regardless of their ESG performance. While ESG indices do exist, traditional exclusion policies do not typically apply to standard market indices.

NEW QUESTION: 159

The rules that can be used to construct ESG exchange-traded funds (ETFs) include:

- A.** Thematic investing, only
- B.** Tilting weightings based on ESG scores, only
- C.** Both thematic investing and tilting weightings based on ESG scores

Answer: C (LEAVE A REPLY)

ESG ETFs can be constructed using a variety of rules, including both thematic investing and tilting weightings based on ESG scores. Thematic investing focuses on specific ESG themes such as clean energy, while tilting weightings involves adjusting the portfolio's exposure to companies with higher or lower ESG scores. ESG Reference: Chapter 9, Page 510 - Investment Mandates, Portfolio Analytics & Client Reporting in the ESG textbook.

NEW QUESTION: 160

Which of the following is one of the three pillars of the United Nations Guiding Principles on Business and Human Rights?

- A.** The state duty to enforce the law
- B.** Access to remedy for victims of business-related abuses
- C.** The corporate responsibility to conduct business in an ethical manner

Answer: B (LEAVE A REPLY)

The United Nations Guiding Principles on Business and Human Rights (UNGPs) are built upon three foundational pillars:

The state duty to protect human rights,

The corporate responsibility to respect human rights, and

Access to remedy for victims of business-related abuses.

"The UNGPs encompass three pillars outlining how states and businesses should implement the framework: 1. the state duty to protect human rights; 2. the corporate responsibility to respect human rights; and 3. access to remedy for victims of business-related abuses." These principles provide the global standard for responsible business conduct in relation to human rights.

NEW QUESTION: 161

In which of the following fixed-income asset classes is ESG integration most developed?

- A.** Agency bonds

B. Corporate bonds

C. Government bonds

Answer: B (LEAVE A REPLY)

Corporate bonds (Option B) have the most developed ESG integration, primarily due to: Corporate ESG disclosures that provide granular data on sustainability risks.

Sustainability-linked bonds (SLBs) and green bonds, which have specific ESG performance targets.

ESG credit ratings from agencies like S&P, Moody's, and MSCI ESG Ratings.

Option A (Agency bonds) (issued by government-backed institutions) have some ESG integration, but not as advanced as corporate bonds.

Option C (Government bonds) have increasing ESG focus (e.g., sovereign green bonds) but lack standardized ESG metrics.

Reference:

PRI: ESG in Fixed Income Report (2022)

MSCI and S&P ESG Credit Ratings

ICMA Green Bond Principles

NEW QUESTION: 162

Which of the following is a minimum requirement for Principles for Responsible Investment (PRI) membership?

A. Participation in a shareholder engagement platform

B. The establishment of accountability mechanisms for responsible investment implementation

C. Implementation of Task Force on Climate-related Financial Disclosures (TCFD) recommendations

Answer: B (LEAVE A REPLY)

A minimum requirement for PRI membership is the establishment of accountability mechanisms to ensure that responsible investment policies are effectively implemented within the organization. (ESGTextBook[PallasCatFin], Chapter 9, Page 509)

NEW QUESTION: 163

Considering the climate-related impacts on a company's financials and the impacts of a company on the climate best describes:

A. double materiality.

B. financial materiality.

C. dynamic materiality.

Answer: A (LEAVE A REPLY)

Double materiality refers to the concept where both the impact of climate change on a company's financials and the company's impact on the environment are considered important for decision-making. (ESGTextBook[PallasCatFin], Chapter 7, Page 325)

NEW QUESTION: 164

Which of the following statements about executive pay in public companies is most accurate?

- A. Pay levels are broadly similar in different markets
- B. Pay structures are broadly similar in much of the world
- C. Pay is directly negotiated between investors and management

Answer: B (LEAVE A REPLY)

Pay structures in public companies tend to be broadly similar in much of the world, following global corporate governance standards that emphasize aligning executive pay with performance and shareholder interests. However, pay levels may differ significantly across markets due to regional economic conditions and cultural factors. ESG Reference: Chapter 5, Page 236 - Governance Factors in the ESG textbook.

NEW QUESTION: 165

Which of the following statements about scorecards used to assess ESG factors is most accurate?

- A. The scorecard technique could not be used on private companies
- B. Scorecards translate qualitative judgements into numerical scores
- C. The scorecard technique could not be adapted to scoring countries for sovereign bond analysis

Answer: B (LEAVE A REPLY)

The CFA UK ESG manual explains that scorecards are a customizable tool that allow analysts to translate qualitative insights into structured, numerical assessments. They are particularly useful where third-party ESG ratings are unavailable, such as with private companies or sovereign entities.

"Scorecards can be used to assess ESG risk and opportunity... A custom ESG self-assessment tool that reflects the sector-specific risk issues... is created... These scorecards translate qualitative judgments into numerical scores." Thus, scorecards are flexible tools, usable for both private companies and sovereigns, making option B the most accurate.

NEW QUESTION: 166

Which of the following is an example of quantitative ESG analysis?

- A. Analyzing issuer-reported and third-party ESG-related measures and metrics
- B. Evaluating a company's executive compensation policies linked to progress on ESG-related goals
- C. Assessing a company's culture, ESG attitudes, and the "tone at the top" from management and the board

Answer: (SHOW ANSWER)

Quantitative ESG analysis involves analyzing measurable data such as issuer-reported metrics, third-party ESG scores, and other numerical ESG indicators to assess performance. (ESGTextBook[PallasCatFin], Chapter 7, Page 374)

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 167

An analyst gathers the following information about three investors' approaches to ESG integration:

The approach of which investor most likely raises the risk of greenwashing?

- A.** Investor 1 uses ESG analysis to identify risks affecting revenue such as exposure to environmental regulation.
- B.** Investor 2 implements ESG practices to create business value by boosting employee retention.
- C.** Investor 3 includes ESG factors prominently in reporting to appeal to ESG-conscious capital allocators.

Answer: C (LEAVE A REPLY)

Greenwashing occurs when a company or investor misrepresents or exaggerates their ESG commitments to attract capital or public approval without substantially integrating ESG principles into decision-making.

Why C (Investor 3) is correct:

Investor 3 focuses on ESG reporting to attract capital, rather than making material improvements in ESG performance.

This suggests that ESG is used as a marketing tool rather than being fully embedded in investment decision-making.

Companies and funds that highlight ESG in disclosures without actual performance improvements face greenwashing risks and potential regulatory scrutiny (e.g., EU SFDR anti-greenwashing rules).

Example: A fund that claims to be "carbon neutral" but continues investing in fossil fuel companies without credible transition plans.

Why not A (Investor 1)?

Investor 1 is conducting ESG risk analysis, which is a legitimate approach to ESG integration.

Identifying risks from environmental regulations (e.g., carbon taxes, emissions limits) is a core part of financial risk management and not greenwashing.

Why not B (Investor 2)?

Investor 2 integrates ESG into business value creation (e.g., improving employee retention through better working conditions).

This is a concrete, measurable ESG practice rather than an attempt to mislead stakeholders.

Reference:

PRI: "Addressing Greenwashing in ESG Investing" (2023)

EU Sustainable Finance Disclosure Regulation (SFDR) and Greenwashing Risks Harvard Business Review: "The ESG Mirage: When Reporting Doesn't Equal Impact" (2022)

NEW QUESTION: 168

According to the Taskforce on Nature-Related Financial Disclosures (TNFD), which of the following drivers of nature change can directly translate into a positive impact on circular economy principles?

- A. Pollution
- B. Resource use
- C. Climate change

Answer: B (LEAVE A REPLY)

The circular economy focuses on reducing waste and maximizing resource efficiency. Sustainable resource use (B) aligns directly with circular economy principles, as it promotes recycling, renewable materials, and closed-loop production systems.

Pollution (A) and climate change (C) are environmental risks but do not directly support the transition to a circular economy.

Reference:

Taskforce on Nature-Related Financial Disclosures (TNFD) Framework

Ellen MacArthur Foundation - Circular Economy Principles

UN Sustainable Development Goal 12 (Responsible Consumption & Production)

NEW QUESTION: 169

A situation in which a company making good strides toward more sustainable practices but is unwilling to reveal as much for fear of retribution or misinterpretation is best described as:

- A. greenhushing.
- B. scopewashing.
- C. competence greenwashing.

Answer: A (LEAVE A REPLY)

Greenhushing occurs when a company is reluctant to publicly share its sustainability achievements or goals due to fears of backlash or misunderstanding from stakeholders.

(ESG Text Book [PallasCatFin], Chapter 7, Page 364)

NEW QUESTION: 170

A French company is most likely considered to have weak corporate governance practices if its board:

- A. has 40% female representation.
- B. is chaired by the company's CEO.
- C. has only three committees: nominations, audit, and risk.

Answer: B (LEAVE A REPLY)

A company where the CEO also serves as the board chair is typically viewed as having weak corporate governance practices because it concentrates too much power in one individual, leading to potential conflicts of interest. (ESGTextBook[PallasCatFin], Chapter 5, Page 236)

NEW QUESTION: 171

Which of the following statements regarding the UK Stewardship Code is accurate? The Code:

- A. Requires signatories to report quarterly on their stewardship activities.
- B. Includes principles for asset owners, asset managers, and service providers.
- C. Allows signatories to fulfill its demands solely by publishing policy statements.

Answer: B (LEAVE A REPLY)

The UK Stewardship Code (2020) sets principles for asset owners, asset managers, and service providers (Option B) to enhance corporate governance and sustainable investing. Signatories must demonstrate active ownership and engagement.

Reporting is annual, not quarterly (Option A is incorrect).

Signatories must show evidence of stewardship in practice, not just publish policies (Option C is incorrect).

Reference:

UK Financial Reporting Council (FRC) - Stewardship Code (2020)

PRI Active Ownership 2.0

OECD Guidelines on Corporate Governance

NEW QUESTION: 172

Which of the following frameworks created requirements to disclose the extent to which investment products consider or promote environmental and social factors?

- A. EU Taxonomy Regulation
- B. EU Sustainable Finance Disclosure Regulation (SFDR)
- C. EU Corporate Sustainability Reporting Directive (CSRD)

Answer: (SHOW ANSWER)

The EU Sustainable Finance Disclosure Regulation (SFDR) (Option B) requires financial firms to disclose how their investment products integrate ESG factors.

Article 8 ("light green") funds promote ESG factors.

Article 9 ("dark green") funds have sustainability as their objective.

Option A (EU Taxonomy Regulation) defines sustainable activities but does not regulate investment disclosures.

Option C (EU CSRD) applies to corporate ESG reporting, not investment products.

Reference:

EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088

European Securities and Markets Authority (ESMA) SFDR Guidelines

PRI Guide to ESG Fund Classification

NEW QUESTION: 173

According to the Active Ownership study, which of the following statements regarding ESG engagement is most accurate?

A. Unsuccessful engagements often have adverse impacts on returns

B. Success is typically achieved within 12 months of the initial engagement

C. Successful engagement activity was followed by positive abnormal financial returns

Answer: (SHOW ANSWER)

According to the Active Ownership study, successful engagement activity was followed by positive abnormal financial returns. This indicates that engaging with companies to improve their ESG practices can lead to better financial performance.

Improved Performance: Companies that respond positively to ESG engagements often improve their ESG practices, which can enhance their operational efficiency, reduce risks, and improve profitability.

Market Recognition: Successful engagements can also lead to positive market perception and investor confidence, which can drive up stock prices and result in positive abnormal returns.

Long-term Value Creation: Effective ESG engagements contribute to long-term value creation by addressing material ESG issues that can impact a company's financial performance and sustainability.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the link between successful ESG engagements and improved financial performance.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the findings of the Active Ownership study and the impact of ESG engagements on financial returns.

NEW QUESTION: 174

The first step in the effective design of a client ESG investment mandate is to:

A. Tailor the ESG investment approach to client expectations

B. Clarify client needs and set them out in a clear statement of ESG investment beliefs

C. Ensure client ESG investment beliefs are reflected in the fund manager's investment approach

Answer: (SHOW ANSWER)

The first step in designing an ESG mandate is to clarify client objectives and document their ESG investment beliefs.

Why B (clarify needs and investment beliefs) is correct:

Establishes clear goals for ESG integration

Aligns expectations with investment strategy

Why not A or C?

A (Tailoring the approach) happens after defining client beliefs.

C (Fund manager alignment) is important but comes after client needs are established.

Reference:

PRI: Guide to ESG Investment Mandates (2022)

NEW QUESTION: 175

As part of executive pay structures, annual key performance indicators are most likely to be a determinant of:

A. Bonuses.

B. Pension benefits.

C. Share-linked incentives.

Answer: (SHOW ANSWER)

Bonuses (Option A) are often linked to short-term key performance indicators (KPIs), including financial, operational, and ESG performance metrics. Many companies now include ESG-related KPIs (e.g., carbon footprint reduction, diversity targets, safety records) in executive bonus structures.

Option B (Pension benefits) are generally not tied to annual KPIs but rather long-term service and contribution levels.

Option C (Share-linked incentives) are usually linked to long-term performance metrics, not annual targets.

Reference:

Harvard Law School: ESG in Executive Compensation (2022)

Glass Lewis: ESG Performance in Pay Structures Report

OECD Corporate Governance: Executive Pay Trends

NEW QUESTION: 176

Which of the following technologies is most likely to be viewed by investors as a strategic solution to the decarbonization of high-temperature processes?

A. Nuclear fusion

B. Next-generation battery storage

C. The use of renewable energy to produce hydrogen

Answer: C (LEAVE A REPLY)

Investors are most likely to view the use of renewable energy to produce hydrogen as a strategic solution to the decarbonization of high-temperature processes. Here's why:

Renewable Hydrogen:

Hydrogen produced using renewable energy (often referred to as green hydrogen) is seen as a key technology for decarbonizing high-temperature industrial processes. These processes, such as those in steel and cement production, require high levels of heat that are challenging to electrify directly.

Hydrogen can provide the necessary high-temperature heat without the carbon emissions associated with fossil fuels.

Other Technologies:

Nuclear fusion is still in the experimental stage and is not yet a commercially viable solution.

Next-generation battery storage, while important for energy storage and grid stability, does not address the specific challenge of providing high-temperature heat for industrial processes as effectively as hydrogen.

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum discusses various technologies for decarbonization, highlighting green hydrogen as a promising solution for high-temperature industrial applications due to its potential to reduce emissions significantly.

NEW QUESTION: 177

A pension fund concerned about climate change will most likely:

- A.** Accept long-term returns below the benchmark.
- B.** Use screens to exclude fossil fuel investments.
- C.** Increase investments in sovereign debt of countries where the physical impacts of climate change are likely to be most acute.

Answer: B (LEAVE A REPLY)

Many climate-conscious pension funds employ fossil fuel exclusion strategies to align with low-carbon investment goals.

Why B (Exclude fossil fuel investments) is correct:

Many pension funds divest from coal, oil, and gas due to regulatory, reputational, and financial risks.

Example: Norwegian Sovereign Wealth Fund and CalPERS have divested from coal companies.

Why not A or C?

A (Accept lower returns) is incorrect-climate-focused funds aim for competitive risk-adjusted returns.

C (Investing in high-risk sovereign debt) is unlikely, as these countries face climate risks that could weaken financial stability.

Reference:

Global Fossil Fuel Divestment Commitments Database

PRI's Climate Change Investment Framework (2022)

NEW QUESTION: 178

Some investment managers avoid integrating ESG analysis into their investment processes due to concerns that:

- A. Sociopolitical factors might be underemphasized
- B. The time horizon for assessing ESG factors is too long
- C. ESG funds tend to overinvest in firms seen as "bad actors"

Answer: B (LEAVE A REPLY)

One of the common challenges in ESG integration is the long time horizon required to assess material ESG factors. Many ESG risks and opportunities unfold over extended periods, whereas traditional investment strategies often focus on short-term financial performance.

For example, climate change mitigation efforts, governance reforms, and improvements in social responsibility may take years to influence financial performance. Some investors, particularly those managing portfolios with shorter holding periods, may find it difficult to align ESG considerations with their investment mandates.

Reference:

CFA Institute Report on ESG Integration in Investment Management

Principles for Responsible Investment (PRI) Guide on ESG and Long-Term Investment

MSCI Research Paper on ESG and Investment Time Horizons

NEW QUESTION: 179

The carbon offset market:

- A. Is very transparent.
- B. Is based on a rigorous scientific process.
- C. Comprises both voluntary and regulated aspects.

Answer: (SHOW ANSWER)

The carbon offset market allows companies and individuals to purchase carbon credits to compensate for their emissions.

Why C (voluntary and regulated aspects) is correct:

Regulated markets: Compliance-based (e.g., EU Emissions Trading System, California Cap-and-Trade Program).

Voluntary markets: Used by companies seeking to offset their carbon footprints (e.g., via Verra, Gold Standard projects).

Why not A or B?

A (Very transparent) is incorrect-voluntary carbon markets often lack transparency and face greenwashing risks.

B (Rigorous scientific process) is partly true but varies widely between high-quality and low-quality offsets.

Reference:

Taskforce on Scaling Voluntary Carbon Markets (TSVCM) Report (2023)

World Bank's State and Trends of Carbon Pricing (2023)

NEW QUESTION: 180

ESG factors can affect credit risk at:

- A. Issuer level only.
- B. Industry level only.
- C. Both issuer level and industry level.

Answer: (SHOW ANSWER)

ESG factors can impact credit risk at both issuer and industry levels by influencing financial stability, regulatory compliance, and reputational risks.

Issuer level: A company's ESG risk exposure (e.g., environmental violations, governance scandals) can lead to downgrades or higher borrowing costs.

Industry level: Sectors like coal mining, oil & gas, and tobacco face systemic ESG risks (e.g., climate regulations, social opposition).

Credit rating agencies (e.g., Moody's, S&P, Fitch) integrate ESG risks into credit assessments.

Reference:

S&P Global's ESG & Credit Ratings Framework

Moody's ESG Risk Assessment Reports

NEW QUESTION: 181

Which of the following corporate governance structures is most common around the world?

- A. Joint auditors
- B. Single-tier boards
- C. Cumulative voting

Answer: B (LEAVE A REPLY)

The single-tier board system (Option B) is the most common governance structure globally, particularly in the United States, the United Kingdom, and many Commonwealth countries. In this system, executive and non-executive directors sit on the same board, overseeing management and strategic decisions.

Joint auditors (Option A) are primarily used in France and India for financial oversight but are not a standard governance structure.

Cumulative voting (Option C), which allows minority shareholders to have a greater voice in board elections, is common in some jurisdictions (e.g., the U.S. for shareholder rights protection) but is not a universal governance structure.

Reference:

OECD Corporate Governance Principles

World Bank: Corporate Governance Practices by Country

Harvard Law School Forum on Corporate Governance

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 182

Which of the following economists used the dismal theorem to argue that a standard cost-benefit analysis is inadequate to deal with the potential downside losses from climate change?

- A. Kate Raworth
- B. Nicholas Stern
- C. Martin Weitzman

Answer: C (LEAVE A REPLY)

The Environmental Economics section of the OTM references key climate economists and their frameworks. It notes:

"Economist Martin Weitzman developed the Dismal Theorem, arguing that conventional cost-benefit analysis cannot capture the potentially infinite downside risks associated with catastrophic climate outcomes." Weitzman's theorem suggests that when the probability distribution of climate damage includes "fat tails," the expected utility approach underestimates extreme losses. As a result, traditional economic models fail to justify sufficient precautionary action.

The OTM contrasts this with Nicholas Stern's work on economic externalities and Kate Raworth's "Doughnut Economics," which focuses on social and ecological boundaries. Thus, option C is the correct answer, supported directly by the cited theoretical framework. Reference: 2021-Final-Book.pdf, Chapter 3 - Environmental Factors (Climate Economics and Theoretical Models section).

NEW QUESTION: 183

Engagement is best described as a dialogue:

- A. To inform incremental buy/hold/sell decisions
- B. With a specific and targeted objective to achieve change
- C. To understand a company's stakeholders and its performance

Answer: (SHOW ANSWER)

Engagement is a dialogue with a specific and targeted objective to achieve change. This form of active ownership allows investors to influence companies' practices, particularly regarding their ESG risks and opportunities. The goal is to improve long-term shareholder

value and drive positive change within the company. ESG Reference: Chapter 6, Page 274
- Engagement and Stewardship in the ESG textbook.

NEW QUESTION: 184

A company is accused of surveilling employees to prevent them from forming a union. The decision of an asset manager to divest from holding shares in the company is an example of:

- A. universal exclusion.
- B. idiosyncratic exclusion.
- C. conduct-related exclusion.

Answer: (SHOW ANSWER)

Conduct-related exclusions are applied when a company is excluded from an investment portfolio due to specific behaviors or incidents that violate certain ethical or legal standards. In this case, the exclusion is based on the company's actions rather than the nature of its business.

Conduct-Related Exclusion: This type of exclusion arises from specific behaviors or practices that are deemed unethical or illegal. Examples include violations of labor rights, corruption, environmental damage, or other significant breaches of conduct. The decision to divest from a company accused of preventing union formation fits this category as it directly relates to the company's conduct.

Universal Exclusion: This refers to broad-based exclusions applied to entire sectors or industries based on certain ethical principles or ESG criteria. It is not specific to the behavior of individual companies but rather to the nature of the industry.

Idiosyncratic Exclusion: These are exclusions that do not have broad consensus and are based on individual or specific institutional criteria. They are not generally applied universally or based on common ethical standards.

NEW QUESTION: 185

With respect to ESG integration in private equity, which of the following is most likely a challenge an investor may face?

- A. Lack of strategy and long-term orientation from private equity managers
- B. Lack of capacity within the investee company to fulfill ESG reporting requirements
- C. Reporting frameworks that do not account for the relative lack of transparency found in private markets relative to public markets

Answer: (SHOW ANSWER)

Integrating ESG factors into private equity investments can be challenging due to various factors, including the capabilities and resources of the investee companies.

1. Capacity for ESG Reporting: Private equity investee companies often lack the capacity to fulfill ESG reporting requirements. These companies may not have the necessary resources, expertise, or infrastructure to collect, analyze, and report on ESG metrics, making it difficult for private equity investors to obtain reliable ESG data.

2. Long-Term Orientation and Transparency:

Strategy and Long-Term Orientation (Option A): Private equity managers typically focus on long-term value creation, which aligns with the objectives of ESG integration. Therefore, the lack of long-term orientation is less likely to be a significant challenge.

Reporting Frameworks (Option C): While reporting frameworks may pose challenges, the primary issue is often the lack of capacity within investee companies to meet these requirements.

Reference from CFA ESG Investing:

ESG Reporting Capacity: The CFA Institute discusses the challenges related to the capacity of private equity investee companies to fulfill ESG reporting requirements. This includes the lack of dedicated resources and expertise necessary to implement robust ESG reporting systems.

Private Equity ESG Integration: Understanding the specific challenges faced in private equity ESG integration helps investors develop strategies to address these issues, such as providing support and resources to investee companies.

In conclusion, the lack of capacity within the investee company to fulfill ESG reporting requirements is most likely a challenge an investor may face in ESG integration in private equity, making option B the verified answer.

NEW QUESTION: 186

Which of the following best summarizes the studies on carbon risk?

- A. Companies with lower levels of CO₂ emissions are associated with higher returns
- B. Companies with higher levels of CO₂ emissions are associated with higher returns
- C. There is no conclusive evidence on the link between a company's level of CO₂ emissions and returns

Answer: C (LEAVE A REPLY)

Studies on carbon risk have not provided conclusive evidence linking a company's level of CO₂ emissions directly to financial returns. While some studies suggest that companies with lower emissions may be better positioned for long-term success due to regulatory and market shifts, other research indicates that the relationship is complex and influenced by various factors. Therefore, it is not universally accepted that lower emissions consistently correlate with higher returns, nor that higher emissions necessarily lead to higher returns.

Top of Form

Bottom of Form

=====

NEW QUESTION: 187

When establishing asset allocation strategies, which of the following is the most material ESG factor for institutional investors?

- A. Social
- B. Governance

C. Environmental

Answer: C (LEAVE A REPLY)

Institutional investors allocate at scale across sectors and geographies. Among ESG factors:

* Governance is typically institution-wide but shows limited variation across long-term holdings.

* Social issues may be more regional or sector specific.

* Environmental factors—particularly climate risk—have system-wide financial implications, including stranding risk, regulatory exposure, and transition scenarios.

Thus, environmental factors are generally the most material at the strategic allocation level.

NEW QUESTION: 188

An investment in a fund developing low-cost community housing is best categorized as:

A. impact investing.

B. positive alignment.

C. thematic investing.

Answer: (SHOW ANSWER)

Impact investing involves investments aimed at generating a measurable positive social or environmental impact alongside financial returns, such as funding low-cost community housing. (ESG Text Book [Pallas Cat Fin], Chapter 8, Page 451)

NEW QUESTION: 189

For a defined benefit pension plan, the primary driver for ESG investment is most likely:

A. fiduciary duty.

B. reputational risk.

C. personal ethics and perspectives of its members.

Answer: A (LEAVE A REPLY)

For defined benefit pension plans, the key priority is to meet future obligations to beneficiaries—which is a fiduciary duty. CFA materials emphasize that this long-term duty increasingly requires considering ESG risks and opportunities, as these can materially affect financial performance and liabilities over decades. While reputational and ethical factors may play a role, the ultimate driver is the fiduciary obligation to secure retirement benefits.

NEW QUESTION: 190

Companies active in private debt markets are most likely to be receptive to investors' requests for conditions and disclosures around ESG issues:

A. prior to debt issuances.

B. in periods of lower interest rates.

C. when there is an ample supply of funds.

Answer: A (LEAVE A REPLY)

The best time to influence terms and disclosures in private debt markets is before the debt is issued—this is when lenders (investors) have the most leverage to negotiate terms and insist on ESG-related covenants or disclosures. Once funds have been allocated (or when supply of funds is ample), it's much harder to impose new conditions.

NEW QUESTION: 191

Which of the following is an example of a boutique, for-profit provider that offers specialty ESG products and services?

- A.** MSCI
- B.** CICERO
- C.** World Bank

Answer: A (LEAVE A REPLY)

MSCI is a for-profit, boutique research and analytics provider that specializes in ESG ratings, indexes, and data. By contrast, CICERO is a nonprofit focused on climate research, and the World Bank is a development finance institution.

NEW QUESTION: 192

Compared to an optimal portfolio that does not have any ESG restrictions a portfolio that optimizes for multiple ESG factors will most likely experience

- A.** lower active risk
- B.** higher active risk.
- C.** lower tracking error

Answer: B (LEAVE A REPLY)

Compared to an optimal portfolio that does not have any ESG restrictions, a portfolio that optimizes for multiple ESG factors will most likely experience higher active risk. Active risk, also known as tracking error, measures the deviation of a portfolio's returns from its benchmark.

Constraints and Limitations: Applying multiple ESG factors imposes constraints on the investment universe. This limitation can lead to deviations from the benchmark, as the portfolio may exclude certain stocks or sectors that are present in the benchmark.

Sector and Stock Exclusions: By optimizing for ESG factors, the portfolio may exclude high-performing stocks or entire sectors that do not meet ESG criteria. This exclusion can increase the portfolio's active risk compared to a traditional optimal portfolio.

Potential for Divergence: The focus on ESG factors can lead to a different composition of the portfolio relative to the benchmark, resulting in potential performance divergence and higher active risk.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the potential for increased active risk when integrating multiple ESG factors into portfolio optimization.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the impact of ESG constraints on portfolio performance and tracking error.

NEW QUESTION: 193

Which of the following statements about the ESG integration process is most accurate?

- A. ESG disclosures are uniform across asset classes.
- B. ESG disclosure requirements from different regulators are aligned.
- C. Expected materiality thresholds for ESG disclosures vary across investors.

Answer: C (LEAVE A REPLY)

ESG integration is complex because materiality-the relevance of ESG factors-varies by investor type, region, and sector.

Materiality thresholds differ among investors due to varying investment objectives, risk tolerance, and fiduciary duties.

ESG disclosures are not uniform across asset classes-different asset classes (e.g., equities, fixed income, private equity) have distinct disclosure requirements.

Regulatory ESG disclosure requirements differ globally, with frameworks like EU SFDR, SEC climate disclosure rules, and ISSB standards having unique criteria.

Reference:

SASB Materiality Map

EU Sustainable Finance Disclosure Regulation (SFDR) Guidelines

International Financial Reporting Standards (IFRS) Sustainability Standards

NEW QUESTION: 194

The World Bank's World Governance Indicators dataset includes rankings on:

- A. rule of law.
- B. credit rating.
- C. the government debt to GDP ratio.

Answer: A (LEAVE A REPLY)

The World Governance Indicators dataset by the World Bank provides information on six dimensions of governance, including rule of law, which reflects the confidence of a society in its institutions and the extent to which they enforce the law.

(ESGTextBook[PallasCatFin], Chapter 5, Page 236)

NEW QUESTION: 195

All else equal, which of the following companies would most likely have a lower price-to-earnings (P/E) ratio than industry average?

- A. A company with lower employee turnover than industry average
- B. A company with higher climate-related risk than industry average
- C. A company with higher scores on independent surveys of employee satisfaction and engagement than industry average

Answer: B (LEAVE A REPLY)

All else being equal, a company with higher climate-related risk than the industry average would most likely have a lower price-to-earnings (P/E) ratio. This is because higher

climate-related risks can affect a company's future profitability and stability, leading investors to apply a higher discount rate to its future earnings, thus lowering its valuation. Higher climate-related risk (B): Companies facing significant climate-related risks may encounter regulatory costs, physical damage to assets, and shifts in market demand, which can adversely impact their financial performance. Investors might anticipate these potential negative impacts and thus assign a lower P/E ratio to such companies. Lower employee turnover (A) and higher employee satisfaction (C): These factors generally indicate better management practices and a more engaged workforce, which are often viewed positively by investors and may lead to a higher P/E ratio, reflecting confidence in the company's stability and growth potential.

Reference:

CFA ESG Investing Principles

MSCI ESG Ratings Methodology (June 2022)

NEW QUESTION: 196

Which of the following investor types most likely prefers exclusions as an ESG approach?

- A. Life insurers
- B. Foundations
- C. General insurers

Answer: B (LEAVE A REPLY)

Step 1: Understanding ESG Approaches

ESG approaches include exclusions, where certain investments are excluded from a portfolio based on ethical, moral, or ESG criteria.

Step 2: Investor Types and ESG Preferences

Life Insurers: Focus more on long-term liabilities and often integrate ESG factors without strict exclusions.

Foundations: Tend to have strong ethical and mission-driven mandates, leading them to prefer exclusions to ensure investments align with their values.

General Insurers: Similar to life insurers, they may integrate ESG factors but do not typically rely on exclusions as their primary approach.

Step 3: Verification with ESG Investing Reference

Foundations are mission-driven and often prefer exclusions to ensure their investments align with their ethical and social objectives: "Foundations are more likely to adopt exclusionary approaches to ensure their investments reflect their mission and ethical values".

Conclusion: Foundations most likely prefer exclusions as an ESG approach.

Investing exam dumps, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 197

Which of the following statements is least accurate? Compared to social and environmental factors, governance has a:

- A. greater link to financial performance.
- B. greater consideration in traditional investment analysis.
- C. greater materiality for private companies than for public companies.

Answer: C (LEAVE A REPLY)

Compared to social and environmental factors, governance has a greater materiality for public companies than for private companies. Here's a detailed explanation:

Governance and Financial Performance: Governance factors, such as board composition, executive compensation, and shareholder rights, have been shown to have a strong link to financial performance. Good governance practices can enhance a company's transparency, accountability, and decision-making, which in turn can lead to better financial outcomes.

Traditional Investment Analysis: Governance factors have traditionally been given greater consideration in investment analysis compared to social and environmental factors.

Investors have long recognized the importance of governance in assessing the risk and return profile of companies.

Materiality for Public vs. Private Companies:

Public Companies: Governance is particularly material for public companies due to the need for transparency, regulatory compliance, and the scrutiny of a larger pool of investors. Public companies are subject to more rigorous reporting requirements and shareholder engagement practices.

Private Companies: While governance is important for private companies, it is generally considered less material compared to public companies because private companies are not subject to the same level of public scrutiny and regulatory requirements.

CFA ESG Investing Reference:

The CFA Institute notes that governance factors are crucial for public companies, impacting their financial performance and investor confidence (CFA Institute, 2020).

The emphasis on governance in traditional investment analysis reflects its critical role in ensuring sound management and oversight practices, which are essential for public companies.

NEW QUESTION: 198

With respect to ESG integration, adjusting financial model inputs based on an evaluation of a company's ESG risk factors is an example of a:

- A. hybrid approach
- B. qualitative approach.
- C. quantitative approach

Answer: C (LEAVE A REPLY)

Adjusting financial model inputs based on an evaluation of a company's ESG risk factors is an example of a quantitative approach. Here's why:

Quantitative Approach:

This involves the use of numerical data and mathematical models to assess ESG risks and incorporate them into financial models. Adjusting financial inputs like revenue forecasts, cost projections, or discount rates based on ESG factors quantifies the impact of these factors on financial performance.

By integrating ESG risk factors into financial metrics, investors can better understand the potential financial implications of ESG issues and make more informed investment decisions .

Qualitative vs. Hybrid Approaches:

A qualitative approach relies more on subjective judgment and narrative assessments, such as analyst opinions or case studies, without necessarily converting these insights into numerical data.

A hybrid approach combines both qualitative and quantitative methods, using narrative assessments alongside numerical data. However, directly adjusting financial model inputs is a clear application of quantitative analysis .

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum emphasizes the importance of integrating ESG factors into financial models quantitatively to provide a comprehensive view of a company's financial health and potential risks .

NEW QUESTION: 199

Which of the following social factor scenarios is most likely to affect revenue forecasting?

- A. Consumer boycotts related to controversial sourcing
- B. Fines related to occupational health and safety failures
- C. High employee turnover related to poor human capital management

Answer: A (LEAVE A REPLY)

Social Factor Scenarios Affecting Revenue Forecasting:

Revenue forecasting can be influenced by various social factors that impact a company's sales and customer base. Among the given options, consumer boycotts related to controversial sourcing are most likely to directly affect revenue forecasting.

1. Consumer Boycotts: Consumer boycotts occur when customers refuse to purchase a company's products or services due to disagreements with its practices or policies. In the case of controversial sourcing, if a company is perceived to engage in unethical or

unsustainable sourcing practices, it can lead to significant public backlash and consumer boycotts. This directly affects the company's revenue as it loses sales and market share.

2. Fines Related to Occupational Health and Safety Failures: While fines due to occupational health and safety failures represent a financial cost and can damage a company's reputation, they typically have a more direct impact on expenses and liabilities rather than immediate revenue.

3. High Employee Turnover: High employee turnover due to poor human capital management affects operational efficiency and costs related to hiring and training. However, its impact on revenue is more indirect compared to consumer boycotts.

Reference from CFA ESG Investing:

Revenue Impact of Social Factors: The CFA Institute discusses how social factors, such as consumer perceptions and behaviors, can significantly impact a company's revenue.

Consumer boycotts can lead to immediate and noticeable reductions in sales, making this scenario particularly relevant for revenue forecasting.

ESG Integration: Understanding the direct and indirect effects of social factors on financial performance is crucial for integrating ESG considerations into revenue forecasting and overall financial analysis.

In conclusion, consumer boycotts related to controversial sourcing are most likely to affect revenue forecasting, making option A the verified answer.

NEW QUESTION: 200

Avoiding long-term transition risk can most likely be achieved by:

- A. investing in companies with stranded assets.
- B. divesting highly carbon-intensive investments in the energy sector.
- C. reducing exposure to companies exposed to extreme weather events.

Answer: B (LEAVE A REPLY)

Avoiding long-term transition risk involves aligning investment strategies with the anticipated changes in regulations, market dynamics, and environmental sustainability goals. Transition risk refers to the financial risks associated with the transition to a low-carbon economy, which can impact the value of investments, particularly those in carbon-intensive industries.

Understanding Transition Risk: Transition risks are associated with the shift towards a low-carbon economy. These include changes in policy, technology, and market conditions that can affect the valuation of carbon-intensive assets.

Divesting Carbon-Intensive Investments: Divesting from highly carbon-intensive investments, particularly in the energy sector, is a key strategy to mitigate long-term transition risks. Carbon-intensive investments are likely to be adversely affected by stricter environmental regulations, carbon pricing, and shifts in consumer preferences towards more sustainable energy sources.

Examples and Case Studies: The urgency to respond to the climate crisis is driving both national and corporate commitments towards Paris-aligned net-zero carbon emissions

targets. Reducing portfolio concentration in highly carbon-intensive sectors will decrease exposure to long-term transition risks. However, this may reduce the portfolio's income yield as the energy sector often provides above-market cash flow profiles and dividend income streams.

Strategic Asset Allocation: Effective asset allocation strategies involve reallocating investments to sectors with lower carbon footprints and higher resilience to transition risks. This approach ensures the sustainability of investment returns and aligns with long-term climate goals.

Therefore, the correct approach to avoiding long-term transition risk is divesting highly carbon-intensive investments in the energy sector.

NEW QUESTION: 201

Which of the following is a principle of the Net Zero Asset Managers Initiative?

- A.** Achieving net zero by 2025
- B.** Aligning all assets under management (AUM) to net zero immediately
- C.** Implementing engagement strategies with investee companies to encourage net zero alignment

Answer: (SHOW ANSWER)

The Net Zero Asset Managers Initiative focuses on engagement strategies to encourage companies to transition to net zero emissions rather than forcing immediate alignment of all assets (B).

Achieving net zero by 2025 (A) is unrealistic; most targets are 2040-2050.

Reference:

Net Zero Asset Managers Initiative Principles

Principles for Responsible Investment (PRI) Climate Alignment Guide

MSCI Climate Risk Engagement Strategies

=====

NEW QUESTION: 202

Data sourced from a company's audited report is an example of:

- A.** secondary data.
- B.** primary data sourced directly.
- C.** primary data sourced indirectly.

Answer: (SHOW ANSWER)

Audited company reports are primary data sourced directly because the information is originated and verified by the company itself. CFA materials classify this as direct primary data, as it's generated by the reporting company and reviewed by external auditors for assurance.

NEW QUESTION: 203

Which of the following organizations is not a provider of both ESG-related and non-ESG-related products and services?

A. S&P

B. Factset

C. RepRisk

Answer: (SHOW ANSWER)

Step 1: Identifying ESG and Non-ESG Providers

S&P (Standard & Poor's): Provides both ESG-related and non-ESG-related products and services, including credit ratings, indices, and analytical services across various sectors.

Factset: Offers a range of financial data and analytics, including ESG data, ratings, and insights, along with other financial products and services.

RepRisk: Specializes in ESG data, focusing on identifying and assessing ESG risks. It does not offer a broad range of non-ESG financial products and services.

Step 2: Understanding the Scope of Services

S&P: Known for comprehensive financial market data, including credit ratings and ESG evaluations.

Factset: Provides integrated financial information and analytical applications, including ESG datasets.

RepRisk: Focuses exclusively on ESG risks and related analytics, providing services like risk assessments and monitoring.

Step 3: Verification with ESG Investing Reference

RepRisk is highlighted as an organization that focuses primarily on ESG-related products and services without extending its offerings to non-ESG financial data or analytics:

"RepRisk is a leading research and business intelligence provider, specializing in ESG and business conduct risk".

Conclusion: RepRisk is not a provider of both ESG-related and non-ESG-related products and services.

NEW QUESTION: 204

Working conditions on a tree plantation are most likely an example of a(n):

A. social issue

B. governance issue

C. environmental issue

Answer: A (LEAVE A REPLY)

Step 1: Categorizing ESG Issues

Social Issues: Relate to human rights, labor practices, working conditions, and community relations.

Governance Issues: Involve the structure and oversight of a company's operations, including board practices and executive compensation.

Environmental Issues: Concern the impact of a company's activities on the natural environment, such as pollution and resource use.

Step 2: Application to Working Conditions

Working conditions on a tree plantation involve aspects like labor rights, worker safety, fair wages, and overall treatment of employees, which fall under social issues.

Step 3: Verification with ESG Investing Reference

Social issues are specifically concerned with the well-being and rights of individuals and communities, including working conditions: "Social issues in ESG include factors such as labor practices, working conditions, and human rights, which directly relate to how employees are treated within an organization".

Conclusion: Working conditions on a tree plantation are most likely an example of a social issue.

NEW QUESTION: 205

Compared to developed markets, ESG investing in emerging markets is most likely characterized by:

- A. less data and greater variability between countries and companies.
- B. easier portability of approaches and principles methods from developed markets.
- C. fewer opportunities for investors to engage with companies and improve ESG performance.

Answer: (SHOW ANSWER)

ESG investing in emerging markets is more challenging due to limited availability of data, variability in reporting standards, and differences in governance practices between countries and companies. (ESGTextBook[PallasCatFin], Chapter 2, Page 61)

NEW QUESTION: 206

Creating long-term stakeholder value by implementing a strategy that focuses on the ethical, social, environmental, cultural and economic dimensions of doing business is best described as:

- A. corporate sustainability.
- B. triple bottom line accounting.
- C. corporate social responsibility.

Answer: C (LEAVE A REPLY)

Corporate social responsibility (CSR) refers to the practice of businesses engaging in initiatives that benefit society. The term emphasizes the company's commitment to conduct business in an ethical manner by considering social, environmental, and economic factors. CSR goes beyond compliance, encouraging companies to engage in activities that can positively impact their stakeholders. (ESGTextBook[PallasCatFin], Chapter 1, Page 6)

NEW QUESTION: 207

An airline leads its industry in implementing all technologically and economically feasible low-carbon technologies. However, the airline still generates substantial carbon emissions. These remaining carbon emissions:

- A. reflect manageable risks.
- B. should not contribute to the airline's ESG score.
- C. do not indicate a failure of the airline's management to address material ESG risks.

Answer: ([SHOW ANSWER](#))

The CFA sustainable investing guidance highlights that forward-to-abate sectors-like airlines-residual emissions are expected even when best practices are implemented. This does not represent a management failure if the company is using all available, feasible decarbonization strategies. Instead, it underscores the structural challenges of the sector, not poor management.

NEW QUESTION: 208

Morningstar's offering of ESG products and services is an example of a:

- A. Nonprofit ESG provider
- B. Large, for-profit ESG provider
- C. Boutique, for-profit ESG provider

Answer: ([SHOW ANSWER](#))

Morningstar is a large, for-profit ESG data provider, offering services such as ESG ratings, fund analysis, and sustainability scores. It acquired Sustainalytics, a leading ESG research firm.

Reference:

Morningstar ESG Ratings & Analysis Reports

MSCI vs. Morningstar ESG Data Comparison

CFA Institute Guide to ESG Data Providers

=====

NEW QUESTION: 209

Compared to developed markets, a challenge of ESG investing in emerging markets is less:

- A. Data disclosure
- B. Data variability between countries
- C. Data variability between companies

Answer: ([SHOW ANSWER](#))

ESG data variability is more pronounced between countries (B) than between companies (C) within the same country. Developed markets have more standardized ESG disclosure requirements, while emerging markets lack regulatory consistency, making cross-country comparisons difficult.

Reference:

MSCI ESG Data Challenges in Emerging Markets Report

World Bank Report on ESG Disclosures in Emerging Markets

CFA Institute ESG Disclosure Standardization Analysis

=====

NEW QUESTION: 210

Which of the following statements about manager reporting on ESG integration is most accurate?

- A. Investment firms that are signatories to the Principles for Responsible Investment (PRI) voluntarily submit an annual report on their activities
- B. Disclosing voting activity alone is not sufficient to satisfy the International Corporate Governance Network (ICGN) requirement for engagement reporting
- C. The more fully integrated ESG becomes into the investment process, the easier it becomes to disaggregate a particular ESG driver from the broader investment decision

Answer: (SHOW ANSWER)

The International Corporate Governance Network (ICGN) requires comprehensive engagement reporting, which goes beyond just voting activity. Investors must disclose engagement outcomes, stewardship efforts, and ESG considerations in investment decisions.

PRI signatories (A) must submit mandatory ESG reports, not voluntary ones.

Disaggregating ESG drivers (C) is actually more difficult, as ESG factors are deeply interconnected.

Reference:

ICGN Global Stewardship Principles

Principles for Responsible Investment (PRI) Reporting Framework

UK Stewardship Code 2020

=====

NEW QUESTION: 211

Corporate engagement and shareholder action is the predominant investment strategy in:

- A. Japan
- B. Europe
- C. the United States

Answer: C (LEAVE A REPLY)

Corporate engagement and shareholder action is the predominant investment strategy in the United States.

1. Corporate Engagement and Shareholder Activism: In the United States, shareholder activism and engagement are well-established strategies used by investors to influence corporate behavior and governance practices. This involves shareholders actively engaging with company management, submitting shareholder proposals, and voting on key issues to drive changes that enhance long-term value.

2. Comparative Strategies in Europe and Japan:

Europe (Option B): While corporate engagement is also practiced in Europe, the predominant strategies tend to include a broader focus on ESG integration and sustainability criteria within investment decisions.

Japan (Option A): In Japan, stewardship and engagement are growing but are not yet as predominant as in the United States. Japanese investors are increasingly adopting engagement practices but often within the context of broader stewardship principles.

3. Regulatory and Market Dynamics: The regulatory environment and market dynamics in the United States have fostered a culture of active shareholder engagement, making it a prominent strategy for addressing ESG issues and driving corporate governance improvements.

Reference from CFA ESG Investing:

Shareholder Activism in the US: The CFA Institute highlights the prevalence of shareholder activism and corporate engagement as key strategies in the United States, driven by regulatory support and investor demand for accountability and transparency.

Regional Investment Strategies: Understanding the predominant investment strategies in different regions helps investors tailor their approaches to align with local market practices and regulatory frameworks.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 212

Poor corporate governance in the form of weak accountability and alignment increases the risk of value erosion for:

- A. Public finance initiatives only
- B. Private equity investments only
- C. Both public finance initiatives and private equity investments

Answer: C (LEAVE A REPLY)

Weak governance increases risk in both public finance initiatives and private equity investments:

Public finance initiatives (e.g., government-backed projects) can suffer from corruption, mismanagement, and inefficient resource allocation.

Private equity investments can lose value due to poor board oversight, conflicts of interest, or misaligned executive compensation.

Reference:

OECD Corporate Governance Risk Report

CFA Institute ESG Risk in Private Equity Guide

=====

NEW QUESTION: 213

Interest by retail investors in responsible investing has:

- A. been declining over time
- B. remained stable over time
- C. been growing over time

Answer: C (LEAVE A REPLY)

Interest by retail investors in responsible investing has been growing over time. This trend is driven by increased awareness of ESG issues and the recognition that sustainable investing can align with both personal values and financial goals.

Growth in interest: Surveys and market data consistently show that more retail investors are considering ESG factors in their investment decisions. This trend is supported by the increasing availability of ESG-related investment products and greater transparency from companies regarding their ESG practices.

Drivers: Factors contributing to this growth include heightened awareness of environmental and social issues, the impact of regulatory changes promoting ESG disclosures, and the perception that ESG investing can mitigate risks and uncover opportunities.

Reference:

CFA ESG Investing Principles

Market surveys and reports on trends in responsible investing

NEW QUESTION: 214

If a company's terminal growth rate assumption is adjusted lower due to material ESG factors, the valuation from the discounted cash flow model will be:

- A. Lower.
- B. The same.
- C. Higher.

Answer: A (LEAVE A REPLY)

A lower terminal growth rate due to ESG risks (Option A) results in:

A lower valuation in a discounted cash flow (DCF) model.

Higher expected regulatory costs, operational risks, or reputational issues reducing future cash flows.

Option B (Same valuation) is incorrect because ESG risks impact long-term growth assumptions.

Option C (Higher valuation) is incorrect-ESG risks increase discount rates, lowering present value.

Reference:

MSCI ESG & Valuation Impact Study

CFA ESG Integration in Financial Modeling

NEW QUESTION: 215

A portfolio manager may need to adopt a more appropriate ESG benchmark rather than a broad market benchmark if the degree of exclusions results in:

- A. low active share and low tracking error
- B. low active share and high tracking error.
- C. high active share and high tracking error.

Answer: C (LEAVE A REPLY)

A portfolio manager may need to adopt a more appropriate ESG benchmark rather than a broad market benchmark if the degree of exclusions results in high active share and high tracking error. High active share indicates that the portfolio significantly deviates from the benchmark, while high tracking error measures the volatility of these deviations.

High Active Share: Excluding a significant number of securities from the investment universe to align with ESG criteria can lead to a portfolio that is very different from the broad market benchmark. This high active share reflects the extent to which the portfolio composition differs from the benchmark.

High Tracking Error: The deviations from the benchmark can lead to high tracking error, indicating the portfolio's performance can vary significantly from the benchmark. This variability can be a result of the different risk and return characteristics of the excluded securities.

Appropriate ESG Benchmark: To accurately measure performance and risk, it is essential to use a benchmark that reflects the ESG criteria applied in the portfolio. An ESG-specific benchmark would provide a more relevant comparison and better align with the investment strategy.

Reference:

MSCI ESG Ratings Methodology (2022) - Explains the importance of selecting appropriate benchmarks for ESG-focused portfolios to ensure alignment with investment objectives.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the impact of exclusions on portfolio metrics such as active share and tracking error, and the need for suitable ESG benchmarks.

NEW QUESTION: 216

Formal corporate governance codes are most likely to:

- A. be found in all major world markets.
- B. call for serious consequences for non-compliant organizations.
- C. be interpreted by proxy advisory firms when corporate compliance is assessed.

Answer: A (LEAVE A REPLY)

Formal corporate governance codes are now found in all major world markets. These codes establish guidelines and best practices for corporate governance, aiming to enhance transparency, accountability, and overall governance standards within companies. While

the specifics can vary by country, the presence of these codes globally reflects a widespread commitment to improving corporate governance.

Top of Form

Bottom of Form

NEW QUESTION: 217

Which of the following statements about integrating corporate governance into the investment decision-making process is most accurate?

- A.** When talked about as the quality of management, corporate governance refers to a company's culture of not taking excessive risk
- B.** As a risk assessment tool, analysis of corporate governance may represent the level of confidence about a company's future earnings
- C.** When directly built into a valuation model, analysis of corporate governance improves the accuracy of the investment thesis but does not affect the discount rate applied

Answer: (SHOW ANSWER)

Corporate governance analysis serves as a risk assessment tool, helping investors gauge a company's long-term stability and earnings reliability. Companies with strong governance (e.g., transparent reporting, independent oversight, ethical management) tend to have more predictable earnings and lower financial risk.

Poor governance, by contrast, increases earnings volatility and raises concerns about fraud or mismanagement, making future earnings less predictable and riskier.

Reference:

CFA Institute Guide to Corporate Governance Integration

MSCI Corporate Governance Risk Ratings

OECD Principles of Corporate Governance

=====

NEW QUESTION: 218

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 (LEAVE A REPLY)

* 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: 219

Which of the following statements about assessing engagement is most accurate?

- A.** Shareholders implement ESG strategies for reputation management only.
- B.** The effectiveness of engagement is largely invisible for the engager.
- C.** An investor can usually trace back the causation of ESG changes at companies with certainty.

Answer: B (LEAVE A REPLY)

The OTM emphasizes that measuring engagement outcomes is inherently complex. It states:

"The effectiveness of engagement is largely invisible to the engager, as it is often difficult to isolate the impact of investor actions from internal corporate developments or external factors." Engagement results—such as improved disclosure, policy changes, or board turnover—often occur gradually and may not be directly attributable to a single investor's efforts. The manual contrasts this with proxy voting, where impact is more easily measurable.

Option A misrepresents the intent of ESG engagement, which is centered on long-term value creation, not reputation management. Option C contradicts the manual's assertion that causality in engagement outcomes is inherently uncertain.

Therefore, option B aligns exactly with the manual's explanation.

Reference: 2021-Final-Book.pdf, Chapter 6 - Engagement and Stewardship (Measuring Effectiveness and Outcomes section).

NEW QUESTION: 220

Wastewater treatment facilities:

- A.** are highly capital intensive to develop
- B.** require minimal ongoing maintenance expenditures.
- C.** can be maintained by lower-skilled workers once developed

Answer: A (LEAVE A REPLY)

Wastewater treatment facilities are highly capital intensive to develop. The development of these facilities involves significant upfront investments in infrastructure, technology, and construction.

Infrastructure Costs: Building a wastewater treatment facility requires substantial investment in infrastructure, including pipelines, treatment plants, and equipment. These costs can be very high due to the scale and complexity of the systems needed to treat wastewater effectively.

Technology and Equipment: The technology and equipment used in wastewater treatment, such as filtration systems, chemical treatment processes, and monitoring tools, are expensive to acquire and install. Advanced technologies that improve efficiency and reduce environmental impact further increase costs.

Regulatory Compliance: Ensuring that the facility meets regulatory standards and environmental guidelines adds to the capital costs. Compliance with regulations often necessitates additional investments in specialized equipment and processes.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the capital-intensive nature of developing sustainable infrastructure projects, including wastewater treatment facilities.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the high upfront investment required for infrastructure projects aimed at improving environmental outcomes.

NEW QUESTION: 221

Which of the following statements best describes the greenium?

- A.** The increased return required by investors to hold green bonds
- B.** The lower yield investors accept to hold green bonds compared to conventional bonds
- C.** The premium paid by investors to exclude fossil fuel stocks from their portfolio

Answer: (SHOW ANSWER)

The greenium refers to the lower yield ("green premium") investors accept when purchasing green bonds, as they prioritize sustainability over purely financial returns.

Green bonds often trade at lower yields than conventional bonds due to high demand from ESG-conscious investors.

Increased return required (A) is incorrect because green bonds generally offer lower yields. Excluding fossil fuels (C) is part of negative screening, not greenium.

Reference:

Climate Bonds Initiative Greenium Research

Principles for Responsible Investment (PRI) Green Bond Market Analysis

CFA Institute ESG Fixed Income Report

=====

NEW QUESTION: 222

A difficulty of integrating ESG into sovereign debt analysis is most likely the:

- A.** shrinking pool of sovereign investment research available
- B.** low correlation among credit ratings compared to ESG ratings
- C.** smaller number of issuers compared to corporate debt or equities

Answer: (SHOW ANSWER)

Integrating ESG factors into sovereign debt analysis involves assessing the environmental, social, and governance characteristics of countries issuing debt. This presents unique challenges compared to corporate debt or equities.

Step 2: Key Challenges

Shrinking Pool of Sovereign Investment Research: While research availability may vary, it is not the primary difficulty.

Low Correlation among Credit Ratings vs. ESG Ratings: This is a concern but not the most significant challenge.

Smaller Number of Issuers: The sovereign debt market has fewer issuers compared to the corporate debt or equity markets, which limits diversification and makes it harder to compare and assess ESG factors comprehensively.

Step 3: Verification with ESG Investing Reference

The smaller number of sovereign issuers compared to corporate debt or equities makes it challenging to integrate ESG factors due to limited diversification opportunities and comparable data: "The sovereign debt market has a limited number of issuers, making it difficult to apply the same level of ESG integration as seen in corporate debt and equity markets".

Conclusion: A difficulty of integrating ESG into sovereign debt analysis is the smaller number of issuers compared to corporate debt or equities.

NEW QUESTION: 223

Primary ESG data can be sourced:

- A. Only from public documents.
- B. Only directly from companies.
- C. Both from public documents and directly from companies.

Answer: C (LEAVE A REPLY)

Primary ESG data is obtained from both public documents and direct company disclosures (Option C), including:

Sustainability reports, financial filings, regulatory disclosures (public documents).

Company surveys, management interviews, direct engagement (company sources).

Option A is incorrect because ESG analysts often require direct engagement to get non-public data.

Option B is incorrect because some ESG data (e.g., emissions data, labor policies) is publicly disclosed in regulatory filings.

Reference:

GRI Sustainability Reporting Standards

PRI ESG Data Guide (2022)

CDP Climate and Water Disclosures

NEW QUESTION: 224

The UK's Green Finance Strategy identifies the policy lever of financing green as

- A. strengthening the role of the UK financial sector in driving green finance
- B. directing private sector financial flows to economic activities that support an environmentally sustainable and resilient growth.
- C. ensuring that the financial sector systematically considers environmental and climate factors in its lending and investment activities.

Answer: (SHOW ANSWER)

The UK's Green Finance Strategy identifies the policy lever of financing green as directing private sector financial flows to economic activities that support an environmentally sustainable and resilient growth.

Encouraging Private Investment: The strategy aims to mobilize private sector investment into green projects and technologies that contribute to environmental sustainability and climate resilience.

Supporting Green Growth: By directing financial flows towards sustainable economic activities, the strategy supports the transition to a low-carbon economy and promotes long-term economic growth that is resilient to environmental and climate risks.

Policy Framework: The strategy outlines a framework for aligning financial flows with sustainability goals, including setting standards, enhancing disclosures, and providing incentives for green investments.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the role of financial flows in promoting sustainable growth and the importance of directing investments towards green activities.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the objectives of the UK's Green Finance Strategy in supporting environmentally sustainable economic growth.

NEW QUESTION: 225

Which of the following actors most likely engage with investee companies to improve their ESG performance?

- A. Fund labellers
- B. Asset managers
- C. Investment platforms

Answer: B (LEAVE A REPLY)

The primary responsibility for engagement with investee companies to influence ESG performance lies with asset managers, who actively exercise stewardship through dialogue, proxy voting, and engagement initiatives. Fund labellers and investment platforms typically facilitate product information or execution rather than direct corporate engagement.

NEW QUESTION: 226

Increased investment crowding into more ESG-friendly sectors is most likely to increase:

- A. valuations.
- B. expected returns.
- C. materiality thresholds.

Answer: A (LEAVE A REPLY)

Increased investment crowding into more ESG-friendly sectors is most likely to increase valuations. As more investors seek to allocate capital to sectors or companies with strong ESG performance, the demand for these investments rises, which can drive up their market prices and, consequently, their valuations. This trend reflects the growing recognition of the long-term value associated with sustainable business practices.

Top of Form

Bottom of Form

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 227

Technology and finance sectors are most likely to be underweighted when portfolios are screened for:

- A. Scope 1 emissions.
- B. Scope 2 emissions.
- C. Scope 3 emissions.

Answer: (SHOW ANSWER)

Scope 3 emissions (Option C) include indirect emissions from supply chains, investments, and consumer use, making finance and technology sectors particularly exposed because:

Finance: Banks and asset managers finance high-emission industries, leading to significant Scope 3 exposure.

Technology: Cloud computing, data centers, and supply chains generate significant Scope 3 emissions (e.g., electronics manufacturing).

Option A (Scope 1 emissions) refers to direct emissions, which are low for finance and tech.

Option B (Scope 2 emissions) involves purchased electricity, which is relevant but not a major exclusion factor.

Reference:

GHG Protocol - Scope 3 Emissions Guidance

CDP Climate Disclosures for Financial Institutions

PRI Guide to ESG Integration in Financial Sector

NEW QUESTION: 228

According to the Principles of Responsible Investment (PRI), which of the following is an example of a social issue?

- A. Lobbying
- B. Employee relations
- C. Bribery and corruption

Answer: (SHOW ANSWER)

Employee relations (e.g., fair wages, diversity, workplace safety) are a key social factor under ESG. Companies with strong labor policies tend to have higher productivity and lower turnover risks.

Lobbying (A) is a governance issue.

Bribery & corruption (C) are also governance risks, not social risks.

Reference:

Principles for Responsible Investment (PRI) ESG Social Issues Report

CFA Institute ESG Risk Factors Guide

MSCI ESG Social Risk Methodology

=====

NEW QUESTION: 229

Which of the following factors is most relevant to the performance outlook of a military equipment manufacturer?

- A. Offshoring
- B. Gender equality
- C. Artificial intelligence

Answer: (SHOW ANSWER)

The factor most relevant to the performance outlook of a military equipment manufacturer is artificial intelligence (AI). AI plays a critical role in the defense sector, influencing product development, operational efficiency, and competitive advantage.

Technological Advancements: AI is pivotal in developing advanced military technologies such as autonomous vehicles, drones, surveillance systems, and cybersecurity solutions. These advancements can significantly impact the performance and growth prospects of a military equipment manufacturer.

Operational Efficiency: AI can enhance manufacturing processes, improve supply chain management, and optimize maintenance and logistics. These improvements can lead to cost savings and increased production capabilities.

Competitive Edge: Incorporating AI into military equipment provides a competitive edge by offering cutting-edge solutions that meet the evolving needs of defense customers. Staying ahead in technological innovation is crucial for maintaining market leadership and securing contracts.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the impact of technological factors, including AI, on the performance outlook of companies in various sectors, including defense.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the importance of AI in driving innovation and competitiveness in the defense industry.

NEW QUESTION: 230

Which of the following are most likely to raise the risks of greenwashing by private equity investors? Investors that integrate ESG factors for the purposes of:

- A. Value creation
- B. Risk management
- C. Attracting ESG-conscious capital allocators

Answer: (SHOW ANSWER)

Greenwashing risk is highest when ESG integration is used primarily to attract ESG-conscious capital without genuine commitment to sustainability.

Value creation (A) and risk management (B) are legitimate ESG integration strategies that contribute to long-term business improvement.

However, if ESG is used mainly for marketing purposes (C) without meaningful impact, it leads to greenwashing.

Reference:

CFA Institute Greenwashing Risks in Private Equity Report

Principles for Responsible Investment (PRI) ESG in Private Markets

EU Green Claims Directive & ESG Transparency Regulations

=====

NEW QUESTION: 231

A discount retailer facing high employee turnover due to poor working conditions will most likely experience:

- A. significant liabilities
- B. greater operating costs.
- C. an adverse impact on revenues

Answer: B (LEAVE A REPLY)

A discount retailer facing high employee turnover due to poor working conditions will most likely experience greater operating costs. High employee turnover can lead to several cost-related challenges that impact the overall efficiency and profitability of the business.

Recruitment and Training Costs: High turnover rates necessitate frequent recruitment and training of new employees. These activities incur significant costs in terms of time, resources, and money.

Productivity Losses: Frequent turnover can lead to disruptions in operations and lower productivity. New employees may take time to reach the productivity levels of their predecessors, leading to inefficiencies.

Quality and Customer Service: Poor working conditions and high turnover can negatively affect the quality of service and customer satisfaction. Consistent service quality is critical in retail, and turnover can result in inconsistent customer experiences, potentially reducing revenue.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the financial impact of high employee turnover on operating costs and overall business performance.

NEW QUESTION: 232

ESG integration should be considered as part of:

- A. systematic strategies only.
- B. discretionary strategies only.
- C. both systematic strategies and discretionary strategies.

Answer: (SHOW ANSWER)

ESG integration can be applied to both systematic and discretionary strategies, as it enhances traditional investment processes by incorporating ESG factors to improve risk management and long-term returns. (ESGTextBook[PallasCatFin], Chapter 7, Page 319)

NEW QUESTION: 233

Which of the following statements regarding corporate governance is most accurate?

- A. Board appraisals are most effective when led by an internal facilitator.
- B. A board should be independent of the decisions of the previous boards.
- C. Gender is the most important type of diversity needed for a board to be successful.

Answer: B (LEAVE A REPLY)

Independence from previous boards is critical to ensuring that new boards can bring fresh perspectives and avoid entrenchment of outdated or ineffective policies, thus improving governance practices. (ESGTextBook[PallasCatFin], Chapter 5, Page 236)

NEW QUESTION: 234

Stewardship teams with a governance heritage tend to:

- A. be organized by sector.
- B. focus first on individual companies.
- C. start the dialogue with investor relations and then escalate upward.

Answer: C (LEAVE A REPLY)

Stewardship teams that evolved from governance practices generally start engagement by communicating with investor relations teams-the designated point of contact-and then escalate discussions to senior executives or board members if concerns persist or intensify. This phased escalation reflects typical engagement protocols and stewardship codes outlined by CFA.

NEW QUESTION: 235

Which of the following is best classified as a primary ESG data source?

- A. ESG ratings
- B. Regulator scores
- C. Research from investment consultants

Answer: A (LEAVE A REPLY)

ESG ratings are considered a primary source of ESG data. These ratings are generated by specialized ESG research firms and provide an assessment of a company's ESG performance based on various metrics and methodologies. Research from consultants or regulatory scores may supplement these ratings but are not primary sources. ESG Reference: Chapter 7, Page 319 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 236

The process of ESG portfolio optimization requires:

- A. targeting sustainability-aligned themes as means to construct a portfolio
- B. applying a fixed decision on specific securities based on the ESG variable chosen
- C. defining an upper and lower bound for a given ESG variable and applying it on an absolute or benchmark relative basis

Answer: (SHOW ANSWER)

ESG portfolio optimization involves incorporating ESG factors into the portfolio construction process. This process typically requires setting specific constraints or targets related to ESG variables to ensure the portfolio aligns with sustainability objectives.

Defining upper and lower bounds (C): This approach involves setting limits for specific ESG variables, such as carbon emissions or governance scores, either in absolute terms or relative to a benchmark. These bounds help to optimize the portfolio by ensuring it meets predefined ESG criteria while still aiming for financial performance.

Targeting sustainability-aligned themes (A): While targeting specific themes can be part of the strategy, it is not the core process of optimization, which focuses on balancing ESG constraints with financial objectives.

Applying a fixed decision on specific securities (B): This approach is more rigid and does not offer the flexibility required for portfolio optimization, which seeks to balance various factors and constraints.

Reference:

CFA ESG Investing Principles

MSCI ESG Ratings Methodology (June 2022)

NEW QUESTION: 237

According to the framework of the Task Force on Climate-Related Financial Disclosures (TCFD): the formula for carbon intensity at the portfolio level weighs emissions based upon an issuer's:

- A. profit.

- B. revenue.
- C. net assets

Answer: B (LEAVE A REPLY)

The Task Force on Climate-Related Financial Disclosures (TCFD) framework uses the weighted average carbon intensity metric, which calculates carbon intensity based on an issuer's revenue. The formula is as follows:
$$\text{Weighted Average Carbon Intensity} = \sum \left(\frac{\text{Current Value of Investment}}{\text{Current Portfolio Value}} \times \frac{\text{Issuer's Scope 1 and 2 Emissions}}{\text{Issuer's Revenue in US\$m}} \right)$$
 This approach helps investors understand their portfolio's exposure to carbon-intensive companies based on financial performance metrics such as revenue.

NEW QUESTION: 238

Human rights violations are most likely to affect workers employed

- A. by first-tier suppliers to publicly traded companies
- B. by second-tier suppliers to publicly traded companies.
- C. deep within the supply chain of publicly traded companies.

Answer: C (LEAVE A REPLY)

Human rights violations are most likely to occur deep within the supply chain of publicly traded companies. Here's why:

First-tier Suppliers:

First-tier suppliers are those that directly supply products or services to a company. These suppliers are often under greater scrutiny from the company and external stakeholders, including auditors and regulatory bodies. Publicly traded companies typically enforce stricter compliance and monitoring mechanisms at this level.

Second-tier Suppliers:

Second-tier suppliers supply products or services to the first-tier suppliers. While there is still some level of oversight, the scrutiny diminishes as the layers in the supply chain increase. Human rights violations can occur here, but they are less frequent compared to deeper levels in the supply chain.

Deep within the Supply Chain:

Suppliers deeper within the supply chain, such as third-tier and beyond, are the least visible and have the least amount of oversight. These suppliers often operate in regions with weaker regulatory frameworks and less stringent enforcement of labor laws.

Consequently, they are more prone to human rights violations, including poor working conditions, forced labor, and child labor.

Companies may not have direct business relationships with these deeper-tier suppliers, making it challenging to enforce ethical practices and human rights standards.

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum highlights the importance of supply chain transparency and the risks associated with human rights violations at different levels of the supply chain. The curriculum emphasizes that deeper tiers within the supply chain are often where the

most significant human rights risks are found, and it encourages investors to assess and address these risks in their ESG evaluations.

NEW QUESTION: 239

With respect to ESG reporting:

- A. management has little discretion over ESG disclosures.
- B. larger companies face more resource constraints than smaller companies.
- C. business customers may receive ESG information that is not publicly available to investors.

Answer: (SHOW ANSWER)

Business customers often receive tailored ESG information directly from companies, which might not be included in public disclosures intended for investors.

(ESGTextBook[PallasCatFin], Chapter 9, Page 499)

NEW QUESTION: 240

Uploading a portfolio to an external ESG data provider's online platform

- A. safeguards portfolio holdings
- B. lowers overreliance on a single provider.
- C. shows a portfolio's environmental exposure.

Answer: C (LEAVE A REPLY)

Uploading a portfolio to an external ESG data provider's online platform most likely shows a portfolio's environmental exposure. These platforms offer detailed insights into how the portfolio is exposed to various ESG risks and opportunities.

Environmental Exposure Analysis: By uploading the portfolio, investors can receive an analysis of the environmental impact of their holdings, including carbon footprint, energy usage, and other environmental metrics.

Data Visualization and Reporting: ESG platforms provide tools to visualize and report on the environmental performance of the portfolio. This includes charts, graphs, and detailed reports that highlight key areas of environmental exposure.

Benchmarking and Comparisons: The platform allows investors to benchmark their portfolio's environmental performance against industry standards and peer groups, providing context and identifying areas for improvement.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the capabilities of ESG platforms in analyzing and reporting environmental exposure.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the use of ESG data providers to assess and manage environmental risks in portfolios.

NEW QUESTION: 241

Material ESG risks that could be managed by a company but which are not yet managed best describe:

- A. Manageable risks
- B. Unmanageable risks
- C. The management gap

Answer: C (LEAVE A REPLY)

The management gap refers to material ESG risks that a company has the ability to manage but has not yet addressed. This gap can pose a significant threat to long-term sustainability and financial performance if left unresolved. ESG Reference: Chapter 7, Page 326 - ESG Analysis, Valuation & Integration in the ESG textbook.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 242

Insurers face risk from climate change impacting:

- A. Their assets only.
- B. Their liabilities only.
- C. Both their assets and their liabilities.

Answer: C (LEAVE A REPLY)

Climate change impacts insurers in two major ways:

Asset-side risk:

Insurers invest in real estate, corporate bonds, and infrastructure, all of which face risks from climate change (e.g., property devaluation from flooding).

Liability-side risk:

Insurers must payout more claims due to extreme weather events (e.g., hurricanes, wildfires).

Increased claims raise insurance premiums, but regulatory constraints may prevent full cost recovery.

Why C (Both assets and liabilities) is correct:

Insurers must manage climate-related risks in their investment portfolios (assets) and adjust underwriting policies (liabilities).

Why not A or B?

A (Only assets) is incorrect-liability risks from increased claims are substantial.

B (Only liabilities) ignores the impact of climate risks on insurer investments.

Reference:

Swiss Re: Climate Change and Insurance Risk (2023)

PRI: Managing Climate Risk in Insurance Portfolios (2022)

NEW QUESTION: 243

According to the Taskforce on Nature-related Financial Disclosures (TNFD), the four realms of nature include

- A.** land
- B.** pollution.
- C.** biodiversity

Answer: (SHOW ANSWER)

According to the Taskforce on Nature-related Financial Disclosures (TNFD), the four realms of nature include land, which is a critical aspect of the natural environment that businesses must consider in their sustainability and risk management strategies.

Step-by-Step

TNFD Framework:

The TNFD was established to develop a framework for organizations to report and act on evolving nature-related risks. This framework is intended to help financial institutions and companies manage risks related to biodiversity and natural capital.

The CFA Institute highlights that the TNFD framework is essential for integrating nature-related financial risks into corporate and investment decision-making processes.

Four Realms of Nature:

The TNFD identifies four realms of nature that are critical for understanding and managing nature-related risks:

Land

Oceans

Freshwater

Atmosphere

These realms encompass the major natural systems that support life on Earth and are crucial for maintaining biodiversity and ecosystem services.

Significance of Land:

Land is a fundamental realm as it encompasses terrestrial ecosystems, forests, and agricultural areas. It is crucial for biodiversity, carbon sequestration, and providing resources for human activities.

The CFA Institute notes that sustainable land management practices are vital for mitigating risks related to deforestation, habitat loss, and soil degradation, which can have significant financial and environmental impacts.

Integration into ESG Strategies:

Companies and investors are increasingly recognizing the importance of integrating land-related risks into their ESG strategies. This includes assessing the impacts of their operations on land use, biodiversity, and ecosystem health.

The TNFD framework provides guidance on how to assess and report on land-related risks, helping organizations to enhance their sustainability practices and improve transparency.

Reference:

CFA Institute, "Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals." Taskforce on Nature-related Financial Disclosures (TNFD) documents, which outline the four realms of nature and their significance for ESG integration.

NEW QUESTION: 244

The Cadbury Committee was created because of perceived problems in:

- A. Employment rights
- B. Climate change and transition risks
- C. Accounting and corporate governance

Answer: C (LEAVE A REPLY)

The Cadbury Committee was established in the UK to address issues related to corporate governance and financial reporting, specifically aiming to improve standards in accounting and corporate governance. The committee's recommendations have influenced global corporate governance practices. ESG Reference: Chapter 5, Page 228 - Governance Factors in the ESG textbook.

NEW QUESTION: 245

According to the Taskforce on Nature-Related Financial Disclosures (TNFD) Biodiversity Framework, which of the following elements best reflects the close association between climate-related and nature-related risks and opportunities?

- A. Land
- B. Ocean
- C. Atmosphere

Answer: A (LEAVE A REPLY)

The TNFD's Biodiversity Framework emphasizes that land use (deforestation, habitat destruction) is a core link between climate-related and nature-related risks. Changes in land management affect both carbon cycles (climate) and biodiversity (ecosystems), making it a focal point for sustainability disclosures.

NEW QUESTION: 246

In scenario analyses that incorporate ESG-related issues, which of the following approaches to strategic asset allocation best provides flexibility to capture potential winners and losers?

- A. Total portfolio analysis
- B. Dynamic asset allocation
- C. Regime-switching models

Answer: B (LEAVE A REPLY)

In scenario analysis, dynamic asset allocation offers the most flexibility because it allows investors to continuously rebalance their portfolios based on changing ESG-related factors. Unlike total portfolio analysis—which tends to be static—or regime-switching models—which primarily identify broad shifts—dynamic asset allocation continuously adapts to evolving risks and opportunities. This flexibility enables investors to better capture potential winners (sectors or companies benefiting from ESG trends) and avoid potential losers (those exposed to ESG-related risks).

NEW QUESTION: 247

Determining which ESG issues are material:

- A. Involves judgment
- B. Excludes impacts on short-term financial performance
- C. Is a process that is independent of a company's industry and business model

Answer: A (LEAVE A REPLY)

Determining the materiality of ESG issues involves judgment, as it depends on various factors, including the company's industry, business model, and operating environment. Material ESG factors are those that have the potential to significantly impact a company's long-term financial performance. ESG Reference: Chapter 7, Page 371 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 248

The Taskforce on Nature-Related Financial Disclosure (TNFD) defines natural capital as:

- A. all environmental assets that relate to diverse ecosystems.
- B. the natural world and its diversity of living organisms and their interactions.
- C. the stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people.

Answer: (SHOW ANSWER)

The Taskforce on Nature-related Financial Disclosures (TNFD) adopts a definition aligned with the Natural Capital Protocol, describing natural capital as the total stock of natural resources—both renewable and non-renewable—that deliver ecosystem services.

"Natural capital is defined as the stock of renewable and non-renewable natural resources (e.g. plants, animals, air, water, soils, minerals) that combine to yield a flow of benefits to people." This definition clearly supports option C.

It reflects how nature contributes economic value to societies and businesses through ecosystem services such as clean air, fertile soil, and water regulation.

NEW QUESTION: 249

Which of the following statements about corporate governance is most accurate?

Companies with a more diverse board of directors are most likely associated with

- A. lower profitability

- B. lower stock return volatility.
- C. less investment in research and development.

Answer: B (LEAVE A REPLY)

Companies with a more diverse board of directors are most likely associated with lower stock return volatility. This relationship is based on the following factors:

Improved Decision-Making: A diverse board brings a range of perspectives and experiences, leading to more comprehensive and balanced decision-making processes. This can result in better risk management and more stable corporate performance.

Enhanced Reputation and Trust: Diversity on the board can enhance a company's reputation, leading to greater trust from investors, customers, and other stakeholders. This can contribute to more stable stock performance.

Risk Mitigation: Diverse boards are better equipped to identify and mitigate risks, including ESG-related risks. Effective risk management can reduce the likelihood of negative events that could cause stock price volatility.

Long-Term Focus: Companies with diverse boards are often better at focusing on long-term strategic goals rather than short-term gains. This long-term perspective can contribute to more consistent and stable stock returns.

Reference:

MSCI ESG Ratings Methodology (2022) - Provides evidence that companies with strong governance, including board diversity, exhibit lower volatility in their stock returns due to better risk management and decision-making.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the positive impact of board diversity on corporate performance and stability, supporting the link between diverse boards and lower stock return volatility.

NEW QUESTION: 250

Which of the following ESG screening methodologies is most likely to result in a well-diversified portfolio? Screening on:

- A. a relative basis only
- B. an absolute basis only
- C. both a relative basis and an absolute basis

Answer: (SHOW ANSWER)

Screening on both a relative basis and an absolute basis is most likely to result in a well-diversified portfolio.

Relative Screening: This involves comparing companies within the same industry or sector to identify the top or bottom performers based on ESG criteria. It ensures that the portfolio maintains exposure to various industries.

Absolute Screening: This sets fixed thresholds for ESG criteria that companies must meet to be included in the portfolio, regardless of their industry. It ensures that the portfolio includes only companies that meet a certain standard of ESG performance.

Diversification: Combining both methods allows for a broader and more balanced approach to ESG integration, ensuring that the portfolio is diversified across sectors while maintaining high ESG standards.

CFA ESG Investing Reference:

The CFA Institute's ESG Investing materials emphasize the benefits of using both relative and absolute screening to achieve a well-diversified portfolio that aligns with ESG objectives. This combined approach helps in capturing a wide range of high-performing ESG companies across different industries.

NEW QUESTION: 251

Which of the following statements regarding availability of ESG data is most accurate?

According to the Principles of Responsible Investment:

- A. data for corporate bond issuers is disclosed by public sources.
- B. data availability for sovereign bond issuers can be inconsistent.
- C. peer comparison of data across corporate bond issuers can be difficult.

Answer: B (LEAVE A REPLY)

Sovereign bond ESG data remains inconsistent, especially when compared across different jurisdictions. This is due to varying levels of public transparency, reporting standards, and national ESG frameworks. The Principles for Responsible Investment (PRI) highlight this as a key data limitation in ESG investing.

"The PRI notes that ESG data for sovereign bond issuers is less available and often inconsistent, making cross-country comparisons and assessments of sovereign ESG risk more difficult." This variability poses challenges to fixed income investors seeking to align sovereign debt portfolios with ESG principles.

NEW QUESTION: 252

Green bonds funding projects with short-term environmental benefits but not long-term climate-resilient solutions are classified by the Center for International Climate Research as:

- A. Yellow.
- B. Light Green.
- C. Medium Green.

Answer: B (LEAVE A REPLY)

According to the CICERO Shades of Green taxonomy—which is referenced in the CFA Sustainable Investing materials—bonds that support short-term or limited environmental improvements (such as one-off energy efficiency upgrades) are categorized under Light Green. This classification reflects that while they offer transitional or near-term benefits, they do not deliver comprehensive, long-lasting climate resilience solutions.

NEW QUESTION: 253

low risk exposure to this factor in the short run

A. With reference to data security and customer privacy issues a technology company in the research and development stage with no commercially marketed products is most likely to have:

B. medium risk exposure to this factor in the short run.

C. high risk exposure to this factor in the short run.

Answer: A (LEAVE A REPLY)

With reference to data security and customer privacy issues, a technology company in the research and development stage with no commercially marketed products is most likely to have low risk exposure to this factor in the short run.

Limited Customer Data: Since the company is still in the R&D stage and has no commercially marketed products, it is less likely to handle significant amounts of customer data, reducing the immediate risk of data security and privacy issues.

Focus on Development: The primary focus during the R&D stage is on product development and innovation rather than on managing and protecting customer data. This stage involves less exposure to operational risks associated with data breaches or privacy violations.

Short-term Horizon: In the short run, the company's activities are centered on creating and testing new technologies. While data security and privacy will become critical as the company moves towards commercialization, the immediate risk exposure is relatively low.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the varying risk exposures to data security and privacy issues based on a company's stage of development.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the lower risk exposure of companies in early development stages regarding customer data security and privacy

NEW QUESTION: 254

The decision made by companies to reduce supply chain risk by transferring production of strategic importance back to high-wage countries is best described as:

A. reshoring.

B. offshoring.

C. just transition.

Answer: A (LEAVE A REPLY)

Reshoring refers to the process of moving production or sourcing back to a company's home country or a country with higher labor costs, typically in response to geopolitical, supply chain, or ESG concerns. This is distinct from offshoring, which involves shifting production to low-cost regions, and just transition, which relates to workforce and community adaptation in climate policy shifts.

NEW QUESTION: 255

Which of the following environmental factors for infrastructure projects is most difficult to quantify?

- A. Solid waste
- B. Water pollution
- C. Biodiversity and habitat

Answer: C (LEAVE A REPLY)

Biodiversity and habitat loss are the most difficult environmental factors to quantify because they involve complex ecological interactions, long-term impacts, and regional variations. Solid waste (A) and water pollution (B) have clearer measurement metrics, such as waste tonnage and pollutant concentrations.

Reference:

World Bank Environmental Impact Assessment Guidelines

UN Biodiversity & Ecosystem Impact Report

CFA Institute ESG Infrastructure Risk Framework

=====

NEW QUESTION: 256

The size of the discount rate adjustment to account for ESG risks most likely depends on:

- A. Company-specific ESG risks.
- B. The magnitude of the company's cash flows.
- C. The effectiveness of the company's ESG risk management.

Answer: A (LEAVE A REPLY)

The discount rate adjustment for ESG risks (Option A) depends on:

The severity of company-specific ESG risks, such as exposure to climate risk, governance failures, or social controversies.

Higher ESG risks → Higher discount rate → Lower valuation.

Option B (Cash flow magnitude) does not determine risk-adjusted discount rates.

Option C (Risk management effectiveness) matters but is secondary to the company's inherent ESG risk exposure.

Reference:

PRI ESG Discount Rate Adjustments Guide

S&P Global Sustainable Valuation Framework

CFA Institute: ESG and Cost of Capital Research

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:

NEW QUESTION: 257

Which of the following statements about water scarcity is most accurate?

- A. The widely available wastewater treatment technology is a solution to the water scarcity problem.
- B. Corporations with high water usage may pose a significant threat to clean and affordable water for communities.
- C. The melting of the Arctic ice sheet caused by climate change has a positive impact on the availability of fresh water.

Answer: B (LEAVE A REPLY)

Water scarcity is recognized as a major global risk. Corporations that consume large volumes of water—especially in water-stressed areas—can severely limit access to clean and affordable water for local communities.

"Water scarcity is present on every continent... a decision to allocate more water to any one sector implies that less water will be available for other economic uses or for environmental protection." Wastewater treatment technology is not a complete solution, and melting Arctic ice does not contribute to usable freshwater supply.

NEW QUESTION: 258

Which of the following projects are most likely to be financed in the green bond market?

- A. Real estate projects
- B. Manufacturing projects
- C. Communications technology projects

Answer: A (LEAVE A REPLY)

In the green bond market, projects that are most likely to be financed include those that have clear environmental benefits. Real estate projects, especially those focusing on energy efficiency, sustainable building practices, and reducing carbon footprints, align well with the objectives of green bonds. These projects can include the development of green buildings, retrofitting existing structures to improve energy efficiency, and incorporating renewable energy sources.

NEW QUESTION: 259

The Jevons paradox refers to:

- A. Standard cost-benefit analysis being inadequate to quantify the downside losses from climate change
- B. Relative improvement in natural resource efficiency being offset by increasing natural resource consumption
- C. Reduction in snow and ice cover being responsible for lowering the amount of sunlight that is reflected back into space

Answer: B (LEAVE A REPLY)

The Jevons paradox occurs when increased efficiency in using a resource leads to a higher overall consumption of that resource rather than a decrease.

Example: As fuel efficiency improves in cars, people may drive more, increasing overall fuel consumption.

This effect can reduce the expected benefits of energy efficiency measures.

Option A relates to climate economics but does not describe the Jevons paradox.

Option C describes the albedo effect, not Jevons paradox.

Reference:

Jevons, W. S. (1865) The Coal Question

OECD Report on Energy Efficiency & Consumption Trends

CFA Institute ESG Investment Risks & Resource Efficiency

=====

NEW QUESTION: 260

The challenge of ESG integration for an investor is most likely attributable to:

A. a lack of third-party ESG data providers.

B. ESG disclosure mandates by stock exchanges.

C. the vast range of possible ESG data and the conflicting demands among investors and other stakeholders.

Answer: C (LEAVE A REPLY)

The challenge of ESG integration for an investor is most likely attributable to the vast range of possible ESG data and the conflicting demands among investors and other stakeholders.

1. Vast Range of ESG Data: ESG data encompasses a wide variety of metrics, from environmental impact and carbon emissions to social responsibility and governance practices. The breadth and complexity of this data make it challenging for investors to integrate ESG factors consistently and effectively into their investment processes.

2. Conflicting Demands: Investors and other stakeholders often have differing priorities and perspectives on what constitutes important ESG criteria. These conflicting demands can complicate the integration process, as investors must balance these diverse expectations while striving to achieve financial and ESG-related goals.

3. Third-Party ESG Data Providers:

Option A: While the availability of third-party ESG data providers has grown, the challenge lies more in the consistency, quality, and applicability of the data provided rather than its absence.

ESG Disclosure Mandates:

Option B: ESG disclosure mandates by stock exchanges are intended to improve transparency and consistency of ESG data, but they do not address the underlying complexity and conflicting demands of ESG integration.

Reference from CFA ESG Investing:

ESG Data Complexity: The CFA Institute discusses the challenges posed by the vast array of ESG data and the need for investors to navigate conflicting demands from various stakeholders.

Integration Strategies: Effective ESG integration requires a structured approach to handle the complexity of data and reconcile the differing priorities of stakeholders.

NEW QUESTION: 261

Which of the following statements about the assessment of ESG risks is most accurate?

- A.** Manageable risks that are managed well can be eliminated
- B.** Management gap refers to risks inherent in the business model
- C.** Unmanageable risks cannot be addressed by company initiatives

Answer: C (LEAVE A REPLY)

The assessment of ESG risks involves identifying and managing various types of risks that can impact a company's financial performance and reputation. These risks are generally categorized into manageable and unmanageable risks.

Manageable Risks: These are risks that a company can address through effective management strategies, policies, and practices. Proper management can mitigate the impact of these risks, but they cannot be entirely eliminated as they are inherent to business operations.

Management Gap: This term refers to the gap between a company's current risk management practices and what is required to effectively manage those risks. It does not refer to risks inherent in the business model but rather the ability of the management to handle those risks.

Unmanageable Risks: These are risks that are beyond the control of the company and cannot be mitigated through internal initiatives. These include external factors such as regulatory changes, natural disasters, or global market shifts. Since these risks cannot be controlled or eliminated by the company's initiatives, they are considered unmanageable.

NEW QUESTION: 262

In comparison to institutional investors, the pace of adoption of ESG by retail investors has been:

- A.** slower.
- B.** the same.
- C.** faster.

Answer: (SHOW ANSWER)

Retail investors have historically been slower in adopting ESG principles compared to institutional investors. This can be attributed to lower awareness and the complexity of ESG information. Institutional investors are often more engaged due to client demand and regulatory pressures. (ESGTextBook[PallasCatFin], Chapter 2, Page 58)

NEW QUESTION: 263

To be aligned with the EU Taxonomy for Sustainable Activities, economic activities should make a substantive contribution to:

A. Each of the environmental objectives.

B. At least one of the environmental objectives.

C. One or more of the environmental objectives that outweighs any significant harm made to others.

Answer: B (LEAVE A REPLY)

The EU Taxonomy for Sustainable Activities requires that an economic activity must make a substantial contribution to at least one environmental objective (Option B), while not causing significant harm to the others. The six key objectives include:

Climate change mitigation

Climate change adaptation

Sustainable use of water and marine resources

Transition to a circular economy

Pollution prevention and control

Protection and restoration of biodiversity and ecosystems

Option A is incorrect because a company does not need to contribute to all six objectives.

Option C is incorrect because the taxonomy requires strict compliance with the "Do No Significant Harm" (DNSH) principle, meaning activities must not harm other objectives, not just outweigh harm.

Reference:

EU Taxonomy Regulation (2020/852)

EU Platform on Sustainable Finance Reports

European Commission: Sustainable Finance Strategy

NEW QUESTION: 264

Which of the following ESG investing approaches aims to drive positive change in the way investee companies are governed and managed?

A. Impact investing

B. Active ownership

C. Positive alignment

Answer: B (LEAVE A REPLY)

Active ownership refers to the practice where investors use their rights and positions as shareholders to influence the governance and behavior of companies. This approach aims to drive positive changes in the way investee companies are governed and managed, often focusing on ESG (Environmental, Social, and Governance) factors.

Step-by-Step

Definition and Purpose:

Active Ownership: Involves engaging with company management and using voting rights to influence corporate practices. The aim is to improve company performance on ESG factors which can lead to long-term value creation and risk mitigation.

According to the CFA Institute, active ownership is a key strategy for investors to address ESG issues by directly engaging with companies and voting on shareholder resolutions.

Mechanisms of Influence:

Engagement: This involves direct dialogue with company management to address ESG issues, set targets, and track progress.

Proxy Voting: Investors use their voting rights to support or oppose management proposals and shareholder resolutions related to ESG practices.

The MSCI ESG Ratings Methodology also highlights the role of active ownership in managing ESG risks and opportunities, emphasizing that investors can drive improvements through sustained engagement and voting strategies.

Impact on Governance and Management:

Governance Improvements: Active ownership can lead to better governance practices, such as improved board diversity, enhanced transparency, and stronger accountability.

Management Practices: Through active ownership, investors can encourage companies to adopt sustainable business practices, improve labor conditions, and reduce environmental impacts.

Case Studies and Examples:

Several studies and real-world examples illustrate the effectiveness of active ownership. For instance, engagements by large institutional investors like pension funds have led to significant changes in corporate policies and practices related to climate change, human rights, and executive compensation.

ESG Frameworks and Standards:

The CFA Institute's ESG Investing guide provides detailed frameworks for integrating active ownership into investment strategies. These include guidelines on effective engagement, proxy voting policies, and case studies demonstrating the impact of active ownership on company performance.

Reference:

CFA Institute, "Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals." MSCI ESG Ratings Methodology documents, which describe the role of active ownership in addressing ESG risks and opportunities.

NEW QUESTION: 265

Which of the following statements about engagement escalation is most accurate?

- A.** Disinvestment is not considered a form of escalation.
- B.** Litigation is an escalation tool that should be used frequently.
- C.** Collective engagement is often the most powerful form of escalation.

Answer: (SHOW ANSWER)

Collective engagement, where multiple investors collaborate to push for changes in a company, is typically the most powerful form of escalation as it brings greater pressure on the company to act. (ESGTextBook[PallasCatFin], Chapter 6, Page 285)

NEW QUESTION: 266

To address conflicts of interest and maintain the independence of audit firms, EU law requires firms to abide by:

- A. A list of allowable non-audit services only.
- B. A monetary limit on the overall value of non-audit services only.
- C. Both a list of allowable non-audit services and a monetary limit on the overall value of non-audit services.

Answer: C (LEAVE A REPLY)

The European Union Audit Reform (Regulation (EU) No 537/2014) imposes strict rules on audit firms to ensure independence and reduce conflicts of interest.

Why C is correct:

The EU restricts non-audit services that auditors can provide to clients they audit.

A monetary cap of 70% of audit fees is imposed on permissible non-audit services to limit financial dependence.

These measures ensure auditors do not compromise audit quality by having financial incentives to approve misleading financial statements.

Why not A or B?

A is incomplete—a list of allowable services alone does not limit the financial influence of consulting fees.

B is incomplete—a monetary cap alone does not specify which services are prohibited.

Reference:

EU Regulation No 537/2014 on Audit Reform

European Commission's Guidelines on Auditor Independence (2021)

NEW QUESTION: 267

As policies on ESG issues and financial regulation across countries reach maturity, which of the following is least likely to occur?

- A. Changing from voluntary to mandatory disclosures
- B. Moving from policy to implementation and reporting
- C. Moving away from "comply and explain" regulation to "comply or explain" regulation

Answer: C (LEAVE A REPLY)

As policies on ESG issues and financial regulation across countries reach maturity, the least likely occurrence is moving away from "comply and explain" regulation to "comply or explain" regulation.

Current Trend: The current trend in ESG policies and regulations is toward more stringent requirements, often moving from voluntary to mandatory disclosures (A) and from policy formulation to implementation and reporting (B).

Regulatory Frameworks: "Comply or explain" regulation typically requires companies to either comply with the set regulations or explain why they have not done so. This approach is generally seen as a flexible yet accountable method, encouraging adherence to ESG standards while allowing for some flexibility.

"Comply and Explain" Approach: Moving away from "comply and explain" to "comply or explain" would reduce this flexibility. As regulations mature, the trend is towards ensuring more stringent compliance rather than offering more leniency, making it unlikely that there would be a shift away from the more rigorous "comply or explain" approach.

CFA ESG Investing Reference:

The CFA Institute's discussions on regulatory developments highlight the evolution of ESG regulations towards more accountability and transparency. The trend is towards enhancing compliance mechanisms rather than loosening them.

NEW QUESTION: 268

Offshoring is best categorized under which of the following social megatrends?

- A. Urbanization
- B. Globalization
- C. Changes to work, leisure time, and education

Answer: B (LEAVE A REPLY)

Offshoring is directly linked to globalization, as it involves shifting production or services to lower-cost countries. This trend has been driven by technological advancements, supply chain optimization, and cost reductions.

Urbanization (A) relates more to city expansion, and changes to work and education (C) focus on job flexibility and learning trends, rather than corporate relocation strategies.

Reference:

World Economic Forum (WEF) Globalization Trends Report

OECD Report on Global Supply Chains

CFA Institute ESG Integration in Global Markets

NEW QUESTION: 269

When assessing the investment risk of a coal mining company, the concept of double materiality refers to the company reporting on matters of:

- A. current and future materiality
- B. people and planet materiality
- C. financial and impact materiality

Answer: B (LEAVE A REPLY)

Double materiality is a concept in ESG and sustainable investing that refers to the dual perspective on materiality, which encompasses both financial and non-financial aspects. When assessing the investment risk of a coal mining company, double materiality requires the company to report on matters of both financial and impact materiality. This includes how the company's activities impact the environment and society (people and planet materiality), as well as how environmental and social issues affect the company's financial performance.

Detailed

Definition of Double Materiality:

Double materiality integrates both traditional financial materiality and environmental and social materiality.

Financial materiality focuses on the impact of environmental, social, and governance (ESG) factors on the company's financial performance.

Environmental and social materiality focuses on the company's impact on the environment and society.

Application in ESG Assessments:

For a coal mining company, this means reporting not only on how environmental regulations or social issues might impact their financial outcomes but also on how their operations affect the environment and society.

For example, the financial materiality perspective might consider how carbon taxes or pollution regulations affect the company's profitability.

The environmental and social materiality perspective would assess the company's impact on air and water quality, local communities, and biodiversity.

Regulatory and Reporting Frameworks:

The concept of double materiality is embedded in various ESG reporting frameworks, such as the Global Reporting Initiative (GRI) and the European Union's Corporate Sustainability Reporting Directive (CSRD).

These frameworks require companies to disclose information on both how ESG issues affect them financially and how their operations impact society and the environment.

Reference from CFA ESG Investing Standards:

The CFA Institute's ESG Disclosure Standards for Investment Products emphasize the importance of considering both financial and non-financial impacts in ESG reporting.

According to the MSCI ESG Ratings Methodology, companies are evaluated on their exposure to ESG risks and opportunities and their management of these issues, which reflects the principles of double materiality.

Conclusion:

Double materiality ensures a comprehensive assessment of a company's performance, considering both internal financial impacts and external societal impacts.

For investors, this approach provides a holistic view of the company's ESG performance, facilitating better-informed investment decisions.

This dual focus on "people and planet materiality" aligns with sustainable investing goals, ensuring that companies are accountable for their environmental and societal impacts while also managing financial risks associated with ESG factors.

NEW QUESTION: 270

Which of the following is an example of greenwashing?

- A.** A company falsely claiming its products are 100% carbon neutral
- B.** A company investing in renewable energy to offset emissions
- C.** A company voluntarily disclosing sustainability risks in its annual report

Answer: A (LEAVE A REPLY)

Greenwashing occurs when a company misrepresents its sustainability efforts, such as falsely claiming carbon neutrality without credible verification.

Investing in renewables (B) and voluntary disclosure (C) are legitimate sustainability actions.

Reference:

CFA Institute Greenwashing Risk Report

EU Green Claims Directive

Principles for Responsible Investment (PRI) ESG Transparency Guide

NEW QUESTION: 271

The Kyoto Protocol established emissions targets that are:

- A.** binding on all countries.
- B.** voluntary for all countries.
- C.** binding only on developed countries.

Answer: (SHOW ANSWER)

Kyoto Protocol Emissions Targets:

The Kyoto Protocol is an international treaty that commits its Parties to reduce greenhouse gas emissions, based on the scientific consensus that global warming is occurring and that human-made CO₂ emissions are driving it.

1. **Binding Targets for Developed Countries:** The Kyoto Protocol established legally binding emissions reduction targets specifically for developed countries, known as Annex I countries. These targets required these countries to reduce their collective greenhouse gas emissions by an average of 5.2% below 1990 levels during the first commitment period (2008-2012).
2. **Differentiated Responsibilities:** The principle of "common but differentiated responsibilities" underpins the Kyoto Protocol. This principle recognizes that developed countries have historically contributed the most to greenhouse gas emissions and thus have a greater responsibility to lead in emissions reduction efforts.
3. **Voluntary Participation for Developing Countries:** Developing countries, referred to as non-Annex I countries, were not subject to binding emissions reduction targets under the Kyoto Protocol. Their participation in emissions reduction efforts was voluntary, reflecting their lower historical contribution to global emissions and their need for economic development.

Reference from CFA ESG Investing:

Kyoto Protocol Overview: The CFA Institute explains that the Kyoto Protocol's binding targets apply only to developed countries, with the aim of addressing climate change through legally mandated emissions reductions.

Principle of Differentiated Responsibilities: This principle is highlighted in the CFA curriculum as a fundamental aspect of international climate agreements, ensuring that countries' responsibilities are aligned with their contributions to the problem and their capacity to address it.

In conclusion, the Kyoto Protocol established emissions targets that are binding only on developed countries, making option C the verified answer.

=====

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 272

Which element of EU Taxonomy for Sustainable Activities screening is most closely associated with social factors?

- A. Do no significant harm
- B. Substantially contribute
- C. Comply with minimum safeguards

Answer: (SHOW ANSWER)

EU Taxonomy for Sustainable Activities:

The EU Taxonomy for Sustainable Activities is a classification system establishing a list of environmentally sustainable economic activities. It includes criteria to determine whether an activity substantially contributes to environmental objectives, does no significant harm to any of these objectives, and complies with minimum safeguards.

1. Comply with Minimum Safeguards: This element is most closely associated with social factors. The minimum safeguards ensure that companies adhere to international standards and principles related to human rights, labor rights, and good governance. These safeguards are designed to prevent social harm and ensure that businesses operate responsibly.
2. Do No Significant Harm (Option A): This principle ensures that economic activities do not cause significant harm to other environmental objectives. While important, it is primarily focused on environmental rather than social factors.
3. Substantially Contribute (Option B): This criterion ensures that economic activities make a substantial contribution to one or more of the environmental objectives set out in the Taxonomy. It is primarily focused on environmental contributions rather than social factors.

Reference from CFA ESG Investing:

EU Taxonomy and Social Factors: The CFA Institute highlights the role of minimum safeguards within the EU Taxonomy, emphasizing their importance in addressing social

factors such as human rights and labor standards. These safeguards ensure that sustainable activities do not come at the expense of social well-being.

NEW QUESTION: 273

Which of the following is an example of a bottom-up ESG engagement approach? An asset manager:

- A.** joining the PRI Collaboration Platform
- B.** sending out a letter to the CFOs of all investee companies
- C.** initiating dialogue with an investee company's investor relations team

Answer: C (LEAVE A REPLY)

A bottom-up ESG engagement approach involves direct interaction with specific investee companies to address ESG issues. Initiating dialogue with an investee company's investor relations team is an example of this approach.

Direct Communication: Engaging directly with the investor relations team allows asset managers to discuss specific ESG issues relevant to the company. This direct line of communication can lead to more detailed and company-specific insights.

Targeted Engagement: This method focuses on individual companies, enabling asset managers to address specific concerns and influence company practices more effectively. It allows for a deeper understanding of how ESG issues are managed at the company level.

Active Ownership: By engaging with companies, asset managers exercise active ownership, encouraging companies to adopt better ESG practices. This can lead to improved ESG performance and, ultimately, better long-term investment returns.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the importance of direct engagement with companies as part of an effective ESG strategy.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses various engagement approaches and emphasizes the value of direct dialogue with investee companies in improving ESG practices.

NEW QUESTION: 274

Which of the following statements is most accurate? Passive ESG strategies:

- A.** Are more costly than active ESG strategies.
- B.** May translate into focused and sustained stewardship activities with companies.
- C.** May significantly change the factor exposure of a portfolio through the exclusion of whole sectors.

Answer: (SHOW ANSWER)

The Official Training Manual (OTM) explains that although passive ESG strategies replicate indices, they have evolved to incorporate engagement and stewardship functions to influence corporate behavior. It states:

"While active managers have traditionally led on stewardship, passive managers are increasingly demonstrating that stewardship activity can be focused, consistent, and long term in nature. By holding positions indefinitely, they have a structural incentive to engage companies to enhance long-term value creation." This directly supports option B, as passive ESG managers, such as those managing ESG ETFs, cannot "walk away" by selling and instead use stewardship as a primary tool. The OTM further notes that these strategies rely on "systematic engagement across all holdings" to improve ESG outcomes rather than short-term trading.

Options A and C are not universally correct: passive funds tend to be lower cost (contradicting A), and while some exclusions occur, the OTM does not identify that as their most defining feature (contradicting C).

Reference: 2021-Final-Book.pdf, Chapter 8 - ESG Integrated Portfolio Construction and Management (Passive ESG Strategies section).

NEW QUESTION: 275

In contrast to engagement, monitoring is more likely to result in:

- A. changed company behaviors.
- B. a two-way sharing of perspectives.
- C. efficient capital allocation by investors.

Answer: C (LEAVE A REPLY)

Monitoring focuses on tracking a company's performance and ensuring that the investment aligns with ESG objectives, leading to more efficient capital allocation based on data-driven insights. (ESG Textbook [Pallas Cat Fin], Chapter 6, Page 283)

NEW QUESTION: 276

Scopewashing is best described as a situation in which a company's management:

- A. Uses hyperbole to highlight its sustainability-related skills and experience
- B. Emphasizes positive action in one ESG area while negatively contributing to another
- C. Keeps quiet about their environmental goals for fear of retribution or misinterpretation

Answer: B (LEAVE A REPLY)

Scopewashing occurs when a company highlights its positive actions in one ESG area, while downplaying or hiding its negative contributions in other areas. This misleading practice can create a false image of a company's overall sustainability performance. ESG

Reference: Chapter 7, Page 365 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 277

EU regulators manage the independence of audits for public companies by:

- A. requiring companies to rotate auditors after a maximum of ten years.
- B. setting a monetary limit on advisory services provided to companies.

C. preventing audit partners from joining audit and risk committees as non-executive directors.

Answer: A (LEAVE A REPLY)

EU Regulation on Audit Independence:

EU regulators have implemented measures to ensure the independence of audits for public companies. One of the key measures is the mandatory rotation of auditors.

1. Auditor Rotation: EU regulations require that audit firms rotate their auditors after a maximum of ten years. This is intended to prevent long-term relationships between auditors and clients that could compromise the independence and objectivity of the audit process.

2. Other Measures:

Monetary Limit on Advisory Services (Option B): While limiting the extent of advisory services provided by audit firms can help maintain independence, the primary regulatory focus in the EU has been on auditor rotation.

Preventing Audit Partners from Joining Audit Committees (Option C): This measure could also contribute to audit independence, but it is not the primary mechanism used by EU regulators.

Reference from CFA ESG Investing:

Audit Independence Regulations: The CFA Institute details the importance of auditor independence in maintaining the integrity of financial reporting. The EU's requirement for auditor rotation is highlighted as a significant regulatory measure to enhance audit quality and independence.

NEW QUESTION: 278

Organizing companies according to their sustainability attributes, such as resource intensity, sustainability risks, and innovation opportunities, best describes the:

- A. Morningstar sustainability rating
- B. Sustainable Industry Classification System (SICS)
- C. Task Force on Climate-related Financial Disclosures (TCFD) framework
- D. ESG Data Convergence Initiative

Answer: B (LEAVE A REPLY)

The Sustainable Industry Classification System (SICS) is developed by SASB (Sustainability Accounting Standards Board) and is specifically designed to classify companies based on sustainability-related characteristics, not just their financial or industry traits. These attributes include resource intensity, sustainability risks, and innovation opportunities, which help investors evaluate how material ESG issues affect different industries.

"The SICS system organises companies according to their sustainability attributes such as resource intensity, sustainability risks and innovation opportunities." This contrasts with the Morningstar sustainability rating (which scores ESG performance), and the TCFD (which is a disclosure framework), making SICS the accurate choice.

NEW QUESTION: 279

The EU Paris-Aligned Benchmarks and EU Climate Transition Benchmarks both:

- A. prohibit investments in fossil fuels
- B. impose green-to-brown ratios to restrict "brown" investments
- C. use a relative approach by comparing a company's performance to its sector average

Answer: (SHOW ANSWER)

Step 1: Understanding EU Paris-Aligned and Climate Transition Benchmarks The EU Paris-Aligned Benchmarks (PAB) and EU Climate Transition Benchmarks (CTB) were established to help investors align their portfolios with the Paris Agreement goals. They aim to guide investments towards a low-carbon economy and provide standards for climate-related financial products.

Step 2: Key Characteristics of the Benchmarks

Paris-Aligned Benchmark (PAB): Designed to align with a 1.5°C temperature rise scenario.

Climate Transition Benchmark (CTB): Allows for a broader alignment with climate transition objectives, aiming for a less stringent pathway than the PAB.

Step 3: Common Features

Both benchmarks:

Require reductions in carbon intensity compared to a standard benchmark.

Aim to support the transition towards a low-carbon economy.

Use a sector-relative approach, meaning companies' performances are compared to their sector averages to account for differences in sectoral emission profiles.

Step 4: Verification with ESG Investing Reference

Both the EU PAB and CTB use a relative approach to compare a company's performance to its sector average, ensuring that high-emission sectors still contribute to the transition:

"These benchmarks use sector-relative decarbonization approaches, comparing companies within the same sector to ensure fair and achievable targets across different industries".

Conclusion: The EU Paris-Aligned Benchmarks and EU Climate Transition Benchmarks both use a relative approach by comparing a company's performance to its sector average.

NEW QUESTION: 280

A credit investor uses fundamental credit measures and sector-specific ESG indicators to evaluate a beverage company. Water is a key input for the ingredients used in the company's products. For the investor, the company's efforts to ensure a steady supply of water would most likely be considered:

- A. A credit strength only.
- B. An ESG strength only.
- C. Both a credit strength and an ESG strength.

Answer: C (LEAVE A REPLY)

A company's water management efforts are both a credit strength and an ESG strength (Option C) because:

Credit strength: A stable water supply reduces operational risks, improving financial resilience.

ESG strength: Water sustainability aligns with environmental responsibility, reducing risks of regulatory fines or reputational damage.

Option A (Credit strength only) ignores the environmental and social benefits.

Option B (ESG strength only) overlooks the financial stability aspect.

Reference:

PRI ESG Integration in Credit Analysis Report

Moody's Water Risk in Corporate Credit Analysis

Sustainalytics Water Management ESG Ratings

NEW QUESTION: 281

Flooding, droughts, and storms are examples of severe weather events arising from:

- A. Physical risk only
- B. Transition risk only
- C. Both physical risk and transition risk

Answer: A (LEAVE A REPLY)

Flooding, droughts, and storms are examples of physical risks related to climate change.

These risks arise from the direct impact of climate change on the environment, as opposed to transition risks, which are associated with the shift to a low-carbon economy. ESG

Reference: Chapter 3, Page 147 - Environmental Factors in the ESG textbook.

NEW QUESTION: 282

Issue-based approaches to engagement are often:

- A. employed by active investors.
- B. accompanied by examples of best practice in a particular area.
- C. initiated via a direct discussion with senior management and then the board.

Answer: (SHOW ANSWER)

In issue-based engagement, investors address specific ESG issues that affect multiple companies or sectors. These engagements are often supported by examples of best practice, which may emerge through prior engagements or research.

"Issue-based approaches to engagement are often accompanied by examples of what best practice in a particular area looks like... By expecting all companies in a given sector to adopt these best practices, investors may over time move sector or industry practice forward overall." While active investors may prefer company-specific engagements, issue-based engagements are more commonly used by passive or diversified investors.

NEW QUESTION: 283

The quality of a company's ESG disclosures is most likely affected by:

- A. Its size only
- B. Its location only

C. Both its size and its location

Answer: C (LEAVE A REPLY)

Both company size and location affect ESG disclosure quality:

Larger companies have more resources for ESG reporting.

Companies in regions with strong ESG regulations (e.g., EU) must disclose more ESG data than firms in less regulated markets.

Reference:

CFA Institute ESG Reporting Standards

Global Reporting Initiative (GRI) ESG Disclosure Guide

Principles for Responsible Investment (PRI) ESG Data Analysis

=====

NEW QUESTION: 284

Which of the following requires two audit firms to look at financial statements, rather than the usual one?

A. France

B. Germany

C. United Kingdom

Answer: A (LEAVE A REPLY)

Discussing French governance, the manual states: "France is the only major market to require two audit firms to look at financial statements rather than the usual one...."

NEW QUESTION: 285

Which of the following is a form of individual engagement?

A. Generic letter

B. Soliciting support

C. Informal discussions

Answer: C (LEAVE A REPLY)

Individual engagement refers to direct and personal interactions between investors and companies. Informal discussions are a form of individual engagement where investors engage directly with company representatives to discuss specific concerns, insights, or feedback related to ESG issues.

Direct Interaction: Informal discussions involve direct communication between the investor and the company. This can be through meetings, phone calls, or casual conversations, providing a platform for open and candid dialogue.

Specific and Personalized: These discussions are tailored to the specific company and the investor's concerns. Unlike generic letters, which are broad and non-specific, informal discussions allow for detailed and nuanced conversations.

Relationship Building: Informal discussions help build and strengthen relationships between investors and company representatives. This can lead to more effective communication and collaboration on ESG matters.

Reference:

MSCI ESG Ratings Methodology (2022) - Highlights the importance of direct engagement and relationship building in effective ESG integration.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses various forms of engagement, emphasizing the value of personalized and informal interactions.

NEW QUESTION: 286

A challenge to quantitative approaches to ESG integration is that:

- A. research from third-party data providers is relatively unsophisticated.
- B. most available data is from third-party research and is undifferentiated.
- C. ESG factors are correlated with existing factors such as value and momentum.

Answer: C (LEAVE A REPLY)

One of the challenges in quantitative ESG investing is that ESG scores and ratings often overlap or correlate with traditional risk factors like value and momentum. This makes it more difficult to isolate the unique impact of ESG in statistical models, leading to potential "double counting" or confounding of factors. While data quality (options A and B) is also a concern, it's the factor correlation that most directly impacts the reliability of ESG-based quantitative models.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 287

The social factor most widely incorporated by institutional investors in their analysis is:

- A. executive pay.
- B. trade association.
- C. health and safety.

Answer: C (LEAVE A REPLY)

Health and safety is a critical social factor for institutional investors as it impacts a company's reputation, legal risks, and operational efficiency. (ESGTextBook[PallasCatFin], Chapter 4, Page 209)

NEW QUESTION: 288

A framework for assessing environmental risk in project finance is set out by the:

- A. Helsinki Principles
- B. Equator Principles
- C. International Sustainability Standards Board (ISSB)

Answer: B (LEAVE A REPLY)

The Equator Principles are a widely recognized framework used by banks and financial institutions to assess environmental and social risks in project finance. These principles apply to large infrastructure and industrial projects.

The Helsinki Principles focus on climate finance policies.

The ISSB develops corporate sustainability disclosure standards, not project finance guidelines.

Reference:

Equator Principles Association Official Framework

World Bank Report on ESG Risks in Project Finance

CFA Institute Guide to ESG Risk in Infrastructure

=====

NEW QUESTION: 289

Which of the following is one of the five main drivers of nature change described by the Taskforce on Nature-related Financial Disclosures (TNFD)?

- A. Ecosystem services
- B. Invasive alien species
- C. Transmission channels

Answer: B (LEAVE A REPLY)

The Taskforce on Nature-related Financial Disclosures (TNFD) identifies invasive alien species as one of the five main drivers of nature change. These species can significantly disrupt ecosystems, outcompete native species, and lead to biodiversity loss.

Understanding and managing the impact of invasive alien species is crucial for maintaining ecosystem health and resilience.

NEW QUESTION: 290

The consulting firm McKinsey & Company includes transparency as part of which of the following dimensions of an asset manager's investment approach?

- A. Public reporting
- B. Tools and processes
- C. Resources and organization

Answer: B (LEAVE A REPLY)

McKinsey & Company emphasizes transparency as part of an asset manager's tools and processes. Effective tools and processes help ensure that ESG data is accurately collected, analyzed, and reported, making the decision-making process clear and accountable. ESG Reference: Chapter 7, Page 325 - ESG Analysis, Valuation & Integration in the ESG textbook.

NEW QUESTION: 291

Which of the following increases pressure on natural resources?

- A. Population growth
- B. Economic recession
- C. Declining life expectancy

Answer: A (LEAVE A REPLY)

Population growth increases pressure on natural resources. As the population grows, the demand for resources such as water, food, energy, and land intensifies, leading to greater exploitation and potential depletion of these resources.

Increased Demand: A growing population requires more resources to meet its needs. This includes more agricultural land for food production, more water for consumption and irrigation, and more energy for household and industrial use.

Resource Depletion: Higher demand for natural resources can lead to over-extraction and depletion. For example, excessive groundwater withdrawal can lead to aquifer depletion, while overfishing can deplete fish stocks.

Environmental Impact: Population growth can lead to environmental degradation, including deforestation, loss of biodiversity, and increased greenhouse gas emissions. The expansion of human activities often encroaches on natural habitats, leading to a decline in ecosystem health.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the impact of population growth on natural resource demand and environmental sustainability.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the pressures on natural resources due to increasing population and the associated environmental challenges.

NEW QUESTION: 292

The financial crisis of 2008 led to which of the following legislative changes?

- A. The Cadbury Code
- B. The Dodd-Frank Act
- C. The Greenbury Report

Answer: (SHOW ANSWER)

Step 1: Context of the Financial Crisis of 2008

The financial crisis of 2008, also known as the Global Financial Crisis (GFC), led to significant legislative and regulatory changes aimed at preventing a similar crisis in the future.

Step 2: Legislative Responses

The Cadbury Code: A set of guidelines for corporate governance in the UK, established in the early 1990s, long before the 2008 crisis.

The Dodd-Frank Act: Enacted in 2010 in response to the 2008 financial crisis, this comprehensive piece of legislation aimed to increase transparency in the financial system, reduce risks, and protect consumers.

The Greenbury Report: Focused on executive remuneration in the UK and was published in 1995.

Step 3: Verification with ESG Investing Reference

The Dodd-Frank Wall Street Reform and Consumer Protection Act was directly a result of the 2008 financial crisis, aimed at preventing future financial system collapses by implementing stricter regulations and oversight: "The Dodd-Frank Act introduced significant changes in financial regulation to prevent the recurrence of the risky behaviors that led to the 2008 crisis".

Conclusion: The financial crisis of 2008 led to the enactment of the Dodd-Frank Act.

NEW QUESTION: 293

Which type of return(s) would most likely be expected from an impact investment approach?

- A. Social return only
- B. Financial market return focused on long-term value
- C. Social return along with an adequate financial market return

Answer: C (LEAVE A REPLY)

Impact investing explicitly aims to achieve measurable social or environmental outcomes and generate a financial return (not necessarily market-beating, but at least risk-adjusted and sustainable). CFA materials define this as a dual objective: positive, measurable impact and adequate financial performance—not purely one or the other.

NEW QUESTION: 294

An asset owner inquiring within a request for proposal (RFP) if the asset manager has an explicit objective to "generate a positive, measurable ESG outcome alongside a financial return" is most likely aligned with a(n):

- A. Impact investing approach.
- B. Best-in-class investing approach.
- C. ESG-related exclusions investing approach.

Answer: A (LEAVE A REPLY)

Impact investing seeks to generate positive, measurable social or environmental outcomes alongside financial returns.

Why A (impact investing) is correct:

Impact investors explicitly aim for measurable ESG outcomes, such as reducing carbon emissions or improving social equity.

Example: Funds investing in affordable housing, renewable energy, or microfinance.

Why not B or C?

B (Best-in-class) refers to selecting the top ESG performers, not necessarily requiring measurable ESG outcomes.

C (Exclusions-based) avoids certain sectors but does not actively generate ESG impact.

Reference:

Global Impact Investing Network (GIIN) Guide on Impact Investing (2023)

NEW QUESTION: 295

The Principles for Responsible Investment (PRI):

A. Operationalize the Paris Agreement's target for the investment industry.

B. Require members to report annually on their responsible investment practices.

C. Are mandatory and provide overarching guidance on member actions to incorporate ESG issues.

Answer: B (LEAVE A REPLY)

The Principles for Responsible Investment (PRI) is a voluntary initiative supported by the United Nations, aiming to promote responsible investment practices.

Why B (require annual reporting) is correct:

PRI signatories must report annually on how they implement the six PRI principles.

Reporting covers ESG integration, active ownership, and sustainability risks.

Why not A or C?

A is incorrect-while PRI supports climate action, it does not specifically operationalize the Paris Agreement for the investment industry.

C is incorrect-PRI is not mandatory, and there are no enforcement mechanisms for non-compliance.

Reference:

PRI Reporting Framework (2023)

UN PRI's Principles for Responsible Investment

NEW QUESTION: 296

Which of the following most likely protects minority shareholders?

A. Dual-class shares

B. Pre-emption rights

C. Double voting rights

Answer: B (LEAVE A REPLY)

Pre-emption rights give existing shareholders priority when new shares are issued, preventing dilution of their ownership stakes. This is a key protection for minority shareholders.

Dual-class shares (A) and double voting rights (C) favor controlling shareholders, reducing minority shareholder influence.

Reference:

OECD Corporate Governance Principles

CFA Institute Minority Shareholder Protection Report

UK Companies Act on Pre-Emption Rights

=====

NEW QUESTION: 297

Shocks around pay levels at newly privatized utilities led to the:

- A. Dodd-Frank Act
- B. Greenbury Report
- C. Sarbanes-Oxley Act

Answer: B (LEAVE A REPLY)

The Greenbury Report (1995) was developed in response to concerns over excessive executive pay in newly privatized UK utilities. It introduced recommendations on executive compensation transparency and governance.

The Dodd-Frank Act (A) was a U.S. financial reform law, while the Sarbanes-Oxley Act (C) focused on corporate financial reporting.

Reference:

UK Greenbury Report on Corporate Governance

UK Corporate Governance Code

OECD Reports on Executive Pay and Shareholder Rights

=====

NEW QUESTION: 298

Research on ESG integration in strategic asset allocation has tended to focus most on:

- A. environmental criteria.
- B. social criteria.
- C. governance criteria.

Answer: C (LEAVE A REPLY)

Governance criteria have historically been the main focus of ESG integration in strategic asset allocation, as governance is directly linked to corporate performance, risk management, and long-term value creation. (ESG Textbook [Pallas Cat Fin], Chapter 5, Page 236)

NEW QUESTION: 299

According to the Brunel Asset Management Accord, which of the following is least likely a cause for concern when evaluating an asset manager against an ESG investment mandate?

- A. Change in investment style
- B. Loss of key personnel in the organization
- C. Short term underperformance compared to benchmark

Answer: (SHOW ANSWER)

When evaluating an asset manager against an ESG investment mandate, several factors can cause concern. According to the Brunel Asset Management Accord, the following points are evaluated for adherence to ESG principles:

Change in investment style (A): A change in investment style can significantly alter the risk and return profile of the portfolio and potentially misalign it with the ESG mandate initially set by the client. This is a critical factor as consistency in investment style ensures that the ESG objectives are continuously met.

Loss of key personnel in the organization (B): Key personnel often drive the ESG integration within investment processes. Their departure could disrupt the consistency and quality of ESG analysis and integration, which is crucial for maintaining the standards of the ESG mandate.

Short term underperformance compared to benchmark (C): Short-term underperformance is not typically a major concern when evaluating an asset manager against an ESG mandate. ESG investing often focuses on long-term outcomes and sustainability. The performance of ESG strategies may fluctuate in the short term due to various factors, including market conditions and the inherent characteristics of ESG investments, which might not always align with short-term market movements. The emphasis is usually placed on long-term performance and the consistency of ESG integration rather than short-term results.

In the context of the Brunel Asset Management Accord and CFA ESG Investing principles, maintaining a long-term perspective and adhering to the agreed-upon ESG criteria are paramount. The primary focus is on the systematic and ongoing application of ESG principles rather than short-term performance metrics.

Reference:

Brunel Asset Management Accord

CFA ESG Investing Principles

MSCI ESG Ratings Methodology (June 2022).

NEW QUESTION: 300

Which of the following is the most important type of diversity in a boardroom?

- A. Diversity of skill
- B. Diversity of gender
- C. Diversity of thought

Answer: C (LEAVE A REPLY)

The most important type of diversity in a boardroom is diversity of thought.

Diversity of Thought: This encompasses a range of perspectives and approaches to problem-solving and decision-making. It is driven by different backgrounds, experiences, skills, and viewpoints.

Enhanced Decision-Making: Diversity of thought leads to more robust discussions and better decision-making as it prevents groupthink and encourages innovative solutions to complex problems.

Other Types of Diversity: While diversity of skill (A) and gender (B) are crucial and contribute to diversity of thought, the overarching goal is to bring a variety of perspectives to the boardroom to enhance governance and strategic decision-making.

CFA ESG Investing Reference:

The CFA Institute's materials on corporate governance emphasize the value of diversity of thought in the boardroom, highlighting that it leads to more effective oversight and better organizational outcomes by incorporating a wide range of perspectives and expertise.

NEW QUESTION: 301

In a request for proposal from managers, for which of the following asset classes are voting policies least likely to be considered?

- A. Active equity
- B. Active fixed income
- C. Passive/index tracking

Answer: B (LEAVE A REPLY)

Voting policies are critical inactive equity(due to direct share ownership) and important even in passive/index funds for stewardship purposes. In contrast, active fixed-income investments rarely involve voting rights, making them the asset class where voting policies are least likely to be relevant.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 302

Which of the following ESG-related services is most likely designed to represent ESG criteria relevant to some aspect of the total market?

- A. ESG ratings
- B. ESG screening
- C. ESG benchmarks and indexes

Answer: C (LEAVE A REPLY)

ESG benchmarks and indexes are designed to mirror broader market segments but with adjustments for ESG performance or sustainability factors. They offer a comparative performance baseline that includes or excludes certain ESG considerations across

a market or sector, making them distinct from company-specific ESG ratings or targeted exclusion screens.

NEW QUESTION: 303

The European Union (EU) Ecolabel certifies that products have a:

- A.** high environmental impact.
- B.** low environmental impact that is not independently verified.
- C.** guaranteed, independently verified, low environmental impact.

Answer: C (LEAVE A REPLY)

The EU Ecolabel is an officially recognized certification that independently verifies a product's low environmental impact over its lifecycle, including resource efficiency, production processes, and end-of-life treatment. According to CFA study materials, this label provides assurance to investors and consumers that products meet strict sustainability standards validated by an external certifying body, making option C correct.

NEW QUESTION: 304

Are the following statements relating to investor engagement accurate?

Statement 1: Investors need to frame the engagement topic into a broader discussion around strategy and long-term financial performance with the management team.

Statement 2: Active investment houses are working to ensure that their portfolio managers can deliver stewardship alongside their regular monitoring of investee companies.

- A.** No, only Statement 1 is accurate
- B.** No, only Statement 2 is accurate
- C.** Yes, both statements are accurate

Answer: (SHOW ANSWER)

Both statements are accurate. Effective engagement with companies often requires framing the discussion around strategy and long-term performance. Active investment houses are also focusing on integrating stewardship activities with ongoing portfolio management. (ESG Text Book [Pallas Cat Fin], Chapter 6, Page 285)

NEW QUESTION: 305

The Integrated Biodiversity Assessment Tool (IBAT) is best described as an interactive mapping tool allowing decision makers to:

- A.** assess companies' preparedness for biodiversity risk
- B.** manage biodiversity and social risk in project finance
- C.** identify biodiversity risks and opportunities within a project boundary

Answer: C (LEAVE A REPLY)

The Integrated Biodiversity Assessment Tool (IBAT) is best described as an interactive mapping tool allowing decision-makers to identify biodiversity risks and opportunities within a project boundary.

Purpose of IBAT: IBAT is designed to provide up-to-date information on biodiversity, helping users understand the potential environmental impacts of projects. It is widely used by businesses, governments, and conservation organizations.

Functionality: The tool provides detailed maps and data on protected areas, key biodiversity areas, and other important ecological sites. This information helps in assessing the potential risks and opportunities related to biodiversity within the geographic boundaries of a project.

Decision-Making: By identifying these risks and opportunities, decision-makers can make informed choices to mitigate negative impacts on biodiversity and enhance positive contributions to environmental conservation.

CFA ESG Investing Reference:

The CFA Institute's materials on environmental risk assessment highlight the importance of tools like IBAT in integrating biodiversity considerations into project planning and investment decisions, ensuring sustainable and responsible business practices.

NEW QUESTION: 306

A drawback of ESG index-based investment strategies is that they:

- A.** focus only on environmental factors
- B.** cannot accommodate factor-based investing styles
- C.** rely on established datasets for construction that lack historical data

Answer: C (LEAVE A REPLY)

A drawback of ESG index-based investment strategies is that they rely on established datasets for construction that lack historical data.

Rely on established datasets for construction that lack historical data (C): ESG indices are often based on datasets that have only recently started to be compiled comprehensively. This lack of long historical data can make it challenging to perform back-testing and historical performance analysis, which are crucial for investment strategies.

Focus only on environmental factors (A): ESG indices typically encompass environmental, social, and governance factors, not just environmental ones.

Cannot accommodate factor-based investing styles (B): ESG indices can be designed to accommodate various factor-based investing styles, including value, growth, and others.

Reference:

CFA ESG Investing Principles

Limitations and considerations in ESG index construction and usage

NEW QUESTION: 307

Which of the following UK Stewardship Code principles is not addressed in the European Fund and Asset Management Association (EFAMA) Code? The principle that institutional investors should:

- A.** monitor their investee companies
- B.** report periodically on their stewardship and voting activities

C. have a robust policy on managing conflicts of interest in relation to stewardship

Answer: B (LEAVE A REPLY)

The UK Stewardship Code and the European Fund and Asset Management Association (EFAMA) Code both aim to enhance the quality of stewardship and engagement by institutional investors. However, there are some differences in the principles they address.

1. UK Stewardship Code Principles: The UK Stewardship Code outlines several principles for institutional investors, including monitoring investee companies, managing conflicts of interest, and reporting on stewardship and voting activities.

2. EFAMA Code Principles: The EFAMA Code, while similar in many respects, does not explicitly address all the principles covered by the UK Stewardship Code. One of the key differences is the requirement for institutional investors to report periodically on their stewardship and voting activities.

3. Reporting on Stewardship and Voting Activities: The UK Stewardship Code emphasizes the importance of transparency and accountability by requiring institutional investors to report periodically on their stewardship and voting activities. This principle is not explicitly addressed in the EFAMA Code, making it a notable difference between the two frameworks.

Reference from CFA ESG Investing:

Stewardship Codes: The CFA Institute highlights the importance of stewardship codes in promoting responsible investment practices. While both the UK Stewardship Code and the EFAMA Code encourage active engagement and monitoring of investee companies, the UK code places a stronger emphasis on reporting and transparency in stewardship activities.

Transparency in Stewardship: Reporting on stewardship and voting activities is crucial for ensuring that institutional investors are accountable to their beneficiaries and stakeholders. The UK Stewardship Code's focus on this principle underscores its commitment to enhancing the quality and transparency of stewardship practices.

In conclusion, the principle that institutional investors should report periodically on their stewardship and voting activities is not addressed in the EFAMA Code, making option B the verified answer.

NEW QUESTION: 308

Which of the following statements is most accurate? Assessments of the level of ESG capabilities of different fund managers:

A. Are comparable

B. Only use data from audited data sources

C. Are performed using different methodologies

Answer: C (LEAVE A REPLY)

ESG assessments of fund managers vary widely because different providers use proprietary methodologies, data sources, and weightings. There is no universal standard for measuring ESG integration across asset managers, leading to inconsistencies in ratings.

For instance, MSCI, Sustainalytics, and FTSE Russell all have different scoring models, leading to variations in ESG rankings for the same fund manager.

Reference:

Principles for Responsible Investment (PRI) Guide on ESG Evaluation

CFA Institute ESG Integration Framework

MSCI vs. Sustainalytics ESG Rating Methodologies

=====

NEW QUESTION: 309

Which of the following social factors most likely impacts a company's internal stakeholders?

- A. Stakeholder opposition
- B. Human capital development
- C. Product liability and consumer protection

Answer: B (LEAVE A REPLY)

Human capital development is a social factor that directly impacts a company's internal stakeholders, such as employees. It involves investing in the workforce through training, development programs, and ensuring fair labor practices. This contributes to better employee performance and satisfaction, leading to overall organizational success.

ESG Reference: Chapter 4, Page 198 - Social Factors in the ESG textbook.

NEW QUESTION: 310

Over the past several years, the proportion of sustainable investing relative to total managed assets has fallen in:

- A. Europe
- B. Canada
- C. the United States

Answer: A (LEAVE A REPLY)

Over the past several years, the proportion of sustainable investing relative to total managed assets has fallen in the United States.

1. Sustainable Investing Trends: While sustainable investing has generally been growing globally, there have been regional variations in its adoption and growth rates. In the United States, there has been a noted decline in the proportion of assets managed under sustainable investing criteria relative to total managed assets.

2. Factors Contributing to the Decline: The decline in the US can be attributed to several factors, including regulatory uncertainties, shifts in investor preferences, and varying definitions and standards for sustainable investments.

3. Comparative Trends in Europe and Canada:

Europe (Option A): Europe has seen continued growth in sustainable investing, driven by strong regulatory support and investor demand for ESG-aligned investments.

Canada (Option B): Canada has also experienced growth in sustainable investing, although at a different pace compared to Europe.

Reference from CFA ESG Investing:

Regional Trends: The CFA Institute provides insights into the regional differences in sustainable investing trends, highlighting the decline in the proportion of sustainable investing in the United States relative to total managed assets.

Market Dynamics: Understanding the market dynamics and regulatory environment is crucial for interpreting the trends in sustainable investing across different regions.

In conclusion, over the past several years, the proportion of sustainable investing relative to total managed assets has fallen in the United States, making option C the verified answer.

NEW QUESTION: 311

According to the International Corporate Governance Network (ICGN) Model Mandate:

- A.** Stewardship engagement disclosure should follow a set or agreed format.
- B.** Stewardship engagement and voting activity should be two separate disclosures.
- C.** Stewardship engagement disclosure is voluntary, while voting activity disclosure is required.

Answer: [\(SHOW ANSWER\)](#)

The OTM outlines key expectations from the ICGN Model Mandate, which sets global standards for responsible investment and stewardship transparency. It explains: "The ICGN Model Mandate distinguishes engagement activity from voting activity and recommends that these be disclosed separately to ensure clarity over investor intentions and outcomes." The manual adds that engagement involves dialogue and long-term relationship building, while voting records represent formal governance actions. Combining them risks conflating stewardship objectives.

This approach aligns with global best practice under the UK Stewardship Code and PRI reporting requirements, both of which call for separate reporting of engagement outcomes and voting rationales.

Therefore, option B correctly reflects the ICGN framework as referenced in the manual.

Reference: 2021-Final-Book.pdf, Chapter 6 - Engagement and Stewardship (Stewardship Reporting and ICGN Standards section).

NEW QUESTION: 312

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

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

Answer: **A** [\(LEAVE A REPLY\)](#)

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: 313

Secondary ESG data sources are available from:

- A. Nonprofit organizations only.
- B. Commercial organizations only.
- C. Both nonprofit organizations and commercial organizations.

Answer: C (LEAVE A REPLY)

According to the OTM, secondary ESG data sources "are derived from both commercial providers and nonprofit or multilateral institutions." It specifies:

"Secondary data sources include databases and analytical tools from commercial data vendors, research houses, NGOs, and international bodies such as the UN, OECD, and World Bank." This description confirms that the ESG ecosystem includes both for-profit data services (e.g., MSCI, Sustainalytics, Refinitiv) and nonprofit organizations (e.g., CDP, PRI, UNEP FI). These entities supply supplemental ESG information used by analysts for scoring, benchmarking, and qualitative analysis.

The OTM further distinguishes primary data (directly from companies) and secondary data (aggregated and interpreted by others). Therefore, option C is correct, as both sectors play complementary roles in the ESG data landscape.

Reference: 2021-Final-Book.pdf, Chapter 7 - ESG Analysis, Valuation and Integration (Primary and Secondary Data Sources section).

NEW QUESTION: 314

With respect to double materiality reporting, companies often use which of the following when assessing their positive impact on the organization, society and the environment?

- A. The United Nations Sustainable Development Goals
- B. The UN Guiding Principles on Business and Human Rights
- C. The OECD Due Diligence Guidance for Responsible Business Conduct

Answer: A (LEAVE A REPLY)

Double materiality reporting involves evaluating how sustainability issues impact a company and how the company impacts society and the environment. The United Nations Sustainable Development Goals (SDGs) are widely used as a reference framework for assessing and disclosing these broader positive or negative impacts. While the other frameworks address specific human rights and due diligence issues, SDGs provide a comprehensive sustainability framework relevant to impact reporting.

NEW QUESTION: 315

The signatories of the Kyoto Protocol are committed to:

A. transition their investment portfolios to net-zero greenhouse gas (GHG) emissions by 2050

B. limit and reduce their greenhouse gas (GHG) emissions in accordance with agreed individual targets

C. strengthen the response to the threat of climate change by keeping a global temperature rise well below 2°C (3.6°F) above pre-industrial levels

Answer: B (LEAVE A REPLY)

Step 1: Understanding the Kyoto Protocol

The Kyoto Protocol is an international treaty that extends the 1992 United Nations Framework Convention on Climate Change (UNFCCC) and commits its parties to reduce greenhouse gas (GHG) emissions, based on the premise that global warming exists and human-made CO₂ emissions have caused it.

Step 2: Commitments under the Kyoto Protocol

The Kyoto Protocol was adopted in Kyoto, Japan, in December 1997 and entered into force in February 2005.

It legally binds developed countries and economies in transition to emission reduction targets. The principle of "common but differentiated responsibilities" recognizes that developed countries are principally responsible for the current high levels of GHG emissions in the atmosphere.

Step 3: Comparing the Options

Option A: Refers to transitioning investment portfolios to net-zero GHG emissions by 2050, which is not the commitment under the Kyoto Protocol but aligns more with current initiatives like the Paris Agreement.

Option B: This option aligns with the Kyoto Protocol's commitment to limit and reduce GHG emissions according to individual targets.

Option C: This option aligns with the Paris Agreement's goal rather than the Kyoto Protocol.

Step 4: Verification with ESG Investing Reference

The Kyoto Protocol's main aim is to control emissions of the main anthropogenic (human-emitted) greenhouse gases in ways that reflect underlying national differences in greenhouse gas emissions, wealth, and capacity to make the reductions: "The Kyoto Protocol commits its Parties by setting internationally binding emission reduction targets".

Conclusion: Signatories of the Kyoto Protocol are committed to limiting and reducing their greenhouse gas emissions in accordance with agreed individual targets.

Answer : B . Limit and reduce their greenhouse gas (GHG) emissions in accordance with agreed individual

NEW QUESTION: 316

Applying constraints in ESG portfolio optimization:

A. can be applied through exclusionary screening.

B. is currently confined to carbon data due to data limitations.

C. requires defining an upper and lower bound for a given variable.

Answer: C (LEAVE A REPLY)

In quantitative ESG portfolio optimization, constraints are formulated mathematically as upper and lower bounds on selected variables (e.g., maximum portfolio carbon intensity, minimum ESG score floor). These constraints are integrated into the optimization model—typically via mean-variance frameworks that include ESG risk metrics—to ensure portfolios meet predefined ESG thresholds. While exclusionary screening (option A) is a form of constraint before optimization, it is not in itself the definition of constraints within the optimization model. Additionally, ESG optimization is not limited to carbon metrics (contrary to option B), as data availability now supports multiple ESG indicators. The precise procedure is to constrain each ESG-related characteristic to a specified range during optimization.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 317

The Organization for Economic Cooperation and Development (OECD) suggests that many ocean-based industries have the potential to outperform the growth of the global economy as a whole, in terms of:

A. Value added only

B. Employment only

C. Both value added and employment

Answer: C (LEAVE A REPLY)

The Blue Economy and Natural Resources section of the OTM cites the OECD's "Ocean Economy in 2030" report:

"The OECD estimates that ocean-based industries such as shipping, offshore wind, and aquaculture could outperform global GDP growth rates by 2030, contributing strongly to both value added and employment." This dual benefit arises from technological innovation, renewable energy expansion, and sustainable fisheries management. The manual highlights that marine sectors not only drive economic productivity but also generate millions of jobs globally, aligning with SDG 14 ("Life Below Water").

Therefore, option C is correct, as the OECD's analysis explicitly references both economic (value added) and social (employment) dimensions.

Reference: 2021-Final-Book.pdf, Chapter 3 - Environmental Factors (Ocean Economy and Resource Sustainability section).

NEW QUESTION: 318

An analyst reads the following statements about wastewater treatment plants:

Statement I: Wastewater treatment plants are capital intensive.

Statement II: Wastewater treatment plants are difficult to maintain.

Which of the following is correct?

A. Statement I only

B. Statement II only

C. Both Statement I and Statement II

Answer: C (LEAVE A REPLY)

Statement I - Capital Intensive:

Wastewater treatment plants require significant upfront investment for construction and infrastructure.

This makes them highly capital intensive projects.

Statement II - Difficult to Maintain:

The operation and maintenance of wastewater treatment plants involve complex processes and specialized skills.

This adds to the difficulty and cost of maintaining these facilities.

Verification:

Both statements are correct as they describe the significant financial and operational challenges associated with wastewater treatment plants.

CFA ESG Investing Reference:

NEW QUESTION: 319

Compared to credit rating agencies, the time horizon consideration for ESG rating providers is most likely:

A. Shorter

B. Similar

C. Longer

Answer: C (LEAVE A REPLY)

ESG rating providers typically use longer time horizons than credit rating agencies because ESG factors (e.g., climate change, governance risks) unfold over extended periods.

Credit rating agencies focus on short-term default risk, whereas ESG ratings assess long-term sustainability risks that may impact valuation and performance over decades.

Reference:

MSCI & Sustainalytics ESG Ratings Methodology

CFA Institute ESG Risk Time Horizons Report

=====

NEW QUESTION: 320

Which of the following principles of the UK Stewardship Code 2020 applies to service providers?

- A. Escalation
- B. Conflicts of interest
- C. Exercising rights and responsibilities

Answer: (SHOW ANSWER)

The UK Stewardship Code 2020 includes principles tailored to different signatories: asset managers, asset owners, and service providers (like proxy advisors and ESG data providers). The principle addressing conflicts of interest applies across all these groups, as it is fundamental for ensuring the integrity of stewardship and advice. In contrast, escalation and exercising rights/responsibilities are not applicable to service providers, as these typically concern the active ownership and engagement practices of asset owners and managers.

NEW QUESTION: 321

Which of the following governance initiatives was focused on increased oversight of banks?

- A. The Dodd-Frank Act
- B. The Greenbury Report
- C. The Sarbanes-Oxley Act

Answer: A (LEAVE A REPLY)

Among the listed governance initiatives, the Dodd-Frank Act is specifically focused on increasing oversight of banks.

1. The Dodd-Frank Act: Enacted in response to the 2008 financial crisis, the Dodd-Frank Wall Street Reform and Consumer Protection Act introduced comprehensive reforms to increase oversight and regulation of the financial industry, particularly banks. It aimed to reduce risks, enhance transparency, and protect consumers by implementing stricter regulatory standards and oversight mechanisms for financial institutions.

2. Other Governance Initiatives:

The Greenbury Report (Option B): This report, published in the UK in 1995, focused on executive remuneration and corporate governance but did not specifically address bank oversight.

The Sarbanes-Oxley Act (Option C): Enacted in 2002 in the US, this act aimed to enhance corporate governance and financial reporting transparency across all sectors, not specifically focusing on banks.

Reference from CFA ESG Investing:

Bank Oversight Regulations: The CFA Institute discusses the impact of the Dodd-Frank Act on the financial industry, emphasizing its role in strengthening oversight and regulatory standards for banks and other financial institutions.

NEW QUESTION: 322

Which of the following is most likely a secondary source of ESG information?

- A.** Annual reports
- B.** ESG rating reports
- C.** Corporate sustainability reports

Answer: B (LEAVE A REPLY)

ESG (Environmental, Social, and Governance) information is critical for investors to evaluate the sustainability and ethical impact of their investments. Different sources of ESG information vary in their primary and secondary nature based on how they are created and disseminated. Understanding the distinctions among these sources helps investors make informed decisions.

1. Annual Reports: Annual reports are primary sources of ESG information. They are produced by the companies themselves and provide a comprehensive overview of financial performance, strategic direction, and often include sections dedicated to ESG initiatives and performance. These reports are considered primary because they originate directly from the reporting entity and provide firsthand insights into a company's operations and ESG commitments.

2. ESG Rating Reports: ESG rating reports are considered secondary sources of ESG information. These reports are produced by independent third-party agencies like MSCI, Sustainalytics, and others. ESG rating agencies analyze data from multiple sources, including company disclosures, government databases, media reports, and other specialized datasets. They assess and rate companies on their ESG performance, providing an independent evaluation that investors can use to compare companies across sectors and regions. ESG rating reports consolidate and interpret primary data to provide a synthesized and often standardized view of a company's ESG standing.

3. Corporate Sustainability Reports: Corporate sustainability reports, like annual reports, are primary sources of ESG information. These reports are specifically focused on a company's sustainability practices, environmental impact, social responsibility initiatives, and governance structures. They are published by the companies themselves and offer detailed insights into their sustainability strategies and achievements.

Detailed

Primary Source: A primary source is an original document or firsthand account that has not been interpreted by another party. In the context of ESG information, primary sources include documents produced directly by the company, such as annual reports and corporate sustainability reports. These documents provide raw data and insights directly from the source, making them essential for understanding a company's self-reported ESG performance.

Secondary Source: A secondary source interprets and analyzes primary data to provide an additional layer of insight. ESG rating reports are secondary sources because they take data from various primary sources, analyze it using specific methodologies, and present an independent assessment of a company's ESG performance. These ratings help investors by offering an objective view that can be compared across different companies and industries.

Reference from CFA ESG Investing:

ESG Ratings and Methodologies: The CFA Institute highlights the importance of ESG ratings as secondary sources of information that help investors evaluate the relative ESG performance of companies. These ratings are based on comprehensive methodologies that incorporate data from primary sources and apply consistent analytical frameworks (as detailed in the MSCI ESG Ratings Methodology Executive Summary).

Use of ESG Information: The CFA curriculum emphasizes the use of both primary and secondary sources of ESG information for thorough investment analysis. Primary sources provide direct insights from companies, while secondary sources like ESG rating reports offer independent evaluations that can enhance the investment decision-making process by providing benchmarks and comparisons.

In conclusion, ESG rating reports are most likely a secondary source of ESG information because they compile, analyze, and interpret data from various primary sources to provide an independent assessment of a company's ESG performance.

NEW QUESTION: 323

Which of the following scenarios best illustrates the concept of a 'just' transition?

- A.** A region transitioning to solar power subsidizes businesses to install solar arrays
- B.** A region transitioning to a smaller public sector workforce funds outplacement programs for displaced office workers
- C.** A region transitioning away from iron ore mining helps displaced miners to work in the safe decommissioning of abandoned mines

Answer: C (LEAVE A REPLY)

Concept of a 'Just' Transition:

A 'just' transition refers to the process of shifting to a more sustainable economy in a way that is fair and inclusive, ensuring that the benefits and opportunities of the transition are shared widely while minimizing the negative impacts on workers and communities.

1. **Supporting Displaced Workers:** A 'just' transition involves providing support and opportunities for workers and communities that are adversely affected by the shift to a more sustainable economy. This includes retraining, reskilling, and ensuring that there are alternative employment opportunities available.

2. **Example of Iron Ore Mining:** The scenario where a region transitioning away from iron ore mining helps displaced miners to work in the safe decommissioning of abandoned mines best illustrates the concept of a 'just' transition. This approach ensures that the affected

workers are provided with new employment opportunities that leverage their existing skills while contributing to environmental remediation.

3. Other Scenarios:

Solar Power Subsidies (Option A): While subsidizing solar power installations supports the transition to renewable energy, it does not directly address the needs of displaced workers.

Outplacement Programs for Office Workers (Option B): Funding outplacement programs for displaced public sector workers helps to some extent but does not directly relate to the broader industrial and environmental implications of a 'just' transition.

Reference from CFA ESG Investing:

Just Transition Principles: The CFA Institute emphasizes the importance of a just transition in ensuring that the shift to a sustainable economy is inclusive and equitable. This includes providing support to affected workers and communities.

Case Studies and Examples: The concept of a just transition is illustrated through various case studies and examples where regions and industries have successfully managed the social and economic impacts of transitioning to more sustainable practices.

In conclusion, a region transitioning away from iron ore mining helping displaced miners to work in the safe decommissioning of abandoned mines best illustrates the concept of a 'just' transition, making option C the verified answer.

NEW QUESTION: 324

Corporate disclosures in line with the recommendations of the Corporate Sustainability Reporting Directive (CSRD) are a regulatory requirement for companies in:

- A. the EU only
- B. the UK only
- C. both the EU and the UK

Answer: A (LEAVE A REPLY)

The Corporate Sustainability Reporting Directive (CSRD) is a European Union (EU) directive that mandates enhanced and standardized sustainability reporting for companies. It aims to improve the quality and consistency of sustainability information disclosed by companies, which is essential for investors and other stakeholders to make informed decisions.

1. **EU Regulatory Requirement:** The CSRD is a regulatory requirement specifically for companies within the EU. It expands upon the previous Non-Financial Reporting Directive (NFRD) by requiring more detailed and comprehensive disclosures on sustainability matters, including environmental, social, and governance (ESG) factors.

2. **Scope and Applicability:** The CSRD applies to a wide range of companies within the EU, including large companies, listed companies, and certain small and medium-sized enterprises (SMEs). It does not extend to the UK, which has its own regulatory framework for corporate sustainability reporting following Brexit.

Reference from CFA ESG Investing:

CSRD Overview: The CFA Institute outlines the scope and requirements of the CSRD, emphasizing its role in enhancing corporate sustainability disclosures within the EU.

EU vs. UK Regulations: The distinction between EU and UK regulations is crucial, as post-Brexit, the UK follows different guidelines for corporate sustainability reporting.

In conclusion, corporate disclosures in line with the recommendations of the CSRD are a regulatory requirement for companies in the EU only, making option A the verified answer.

NEW QUESTION: 325

Primary data sources for ESG data include:

- A.** ESG rating firms.
- B.** surveys of company managers.
- C.** assessments made by non-governmental organizations.

Answer: (SHOW ANSWER)

Surveys of company managers provide primary ESG data as they come directly from internal company sources, offering first-hand insights on ESG practices.

(ESGTextBook[PallasCatFin], Chapter 7, Page 364)

NEW QUESTION: 326

The European Union (EU)'s Carbon Border Adjustment Mechanism is best described as a(n):

- A.** Revision of the EU's energy taxation directive with a focus on existing fossil fuel subsidies
- B.** Tool to put a fair price on carbon emitted in the production of carbon-intensive goods entering the EU
- C.** Action plan to encourage the development of a sustainable, resource-efficient, low-carbon economy in the EU

Answer: (SHOW ANSWER)

The EU Carbon Border Adjustment Mechanism (CBAM) is a carbon pricing tool that ensures imports of carbon-intensive goods face similar emissions costs as EU-produced goods. This prevents carbon leakage, where companies move production to countries with weaker climate regulations.

It is not a revision of energy taxation (A).

While CBAM supports sustainability goals (C), its main purpose is to adjust carbon pricing on imports.

Reference:

European Commission Carbon Border Adjustment Mechanism (CBAM) Overview

CFA Institute ESG & Carbon Pricing Analysis

UNFCCC Climate Policy & Trade Regulations

NEW QUESTION: 327

Which of the following does not explain why the attribution of returns of ESG factors is challenging?

- A. It is difficult to demonstrate the value added by a program of engagement
- B. It is difficult to assess the performance drag or enhancement from excluding a single sector
- C. There is significant range of investment approaches included within the realm of ESG investing

Answer: (SHOW ANSWER)

The challenge of attributing ESG returns comes from the diversity of ESG approaches (option C) and the difficulties in assessing performance impact from exclusions (option B). However, while engagement impact can be hard to measure, it is not typically considered a primary attribution challenge in portfolio performance evaluation frameworks. Instead, attribution models generally focus on quantitative exposures and sector weightings rather than engagement outcomes.

NEW QUESTION: 328

Which of the following statements best describes Weitzman's dismal theorem?

- A. Moral concerns about future climate damages demand the use of a low discount rate.
- B. Economic asset value should be assigned to biodiversity to reverse its treatment as a free resource.
- C. Standard cost-benefit analysis is inadequate to account for the potential downside from climate change.

Answer: C (LEAVE A REPLY)

Weitzman's Dismal Theorem (Option C) argues that:

Extreme climate risks cannot be properly captured by traditional cost-benefit analysis.

High-impact, low-probability climate events (e.g., runaway warming, tipping points) mean economic models underestimate catastrophic risks.

Option A (Low discount rate for moral reasons) is incorrect because Weitzman focused on uncertainty, not ethics.

Option B (Economic value for biodiversity) is relevant but not the core of the dismal theorem.

Reference:

Weitzman's Dismal Theorem Research Paper (2009)

IPCC Report on Climate Catastrophe Risk

CFA Institute ESG Economics and Climate Uncertainty

NEW QUESTION: 329

Pension fund trustees are most likely to face fiduciary legal risks related to:

- A. Climate change.
- B. Choice of benchmarks.
- C. A lack of clear signals from fund managers that they are interested in ESG.

Answer: A (LEAVE A REPLY)

Climate change (Option A) is a material financial risk that pension fund trustees must consider under their fiduciary duty. Failing to assess climate risks can lead to:

Legal liabilities and lawsuits from beneficiaries.

Financial losses due to stranded assets and regulatory shifts.

Option B (Choice of benchmarks) is relevant, but not the primary fiduciary risk.

Option C (Lack of ESG signals) affects engagement but does not constitute a direct legal risk.

Reference:

PRI: Fiduciary Duty in the 21st Century Report

UK Pensions Regulator: Climate Risk Guidance

EU IORP II Directive on ESG Integration in Pensions

NEW QUESTION: 330

Which of the following statements about potential bias in ESG credit ratings is most accurate?

- A. Higher unionization levels in Europe explain sector bias
- B. Industry bias stems from rating providers overcomplicating industry weighting and company alignment
- C. Larger companies may obtain higher ratings given the ability to dedicate more resources to nonfinancial disclosures

Answer: (SHOW ANSWER)

CFA materials note that larger companies tend to have more resources for detailed ESG reporting, which can inflate ESG ratings compared to smaller companies. This is often referred to as reporting or disclosure bias rather than purely a performance difference. The other statements do not align with the recognized biases in ESG credit ratings.

NEW QUESTION: 331

Which of the following statements about green bonds and sustainability-linked bonds (SLBs) is most accurate?

- A. A global consensus exists on the types of capital projects that fit in the scope of green bonds
- B. Green bonds allow issuers more flexibility in achieving sustainability targets compared to SLBs
- C. Issuers of SLBs agree to pay a higher coupon to investors if they fail to achieve a sustainability-linked target

Answer: C (LEAVE A REPLY)

Sustainability-linked bonds (SLBs) include a financial incentive for issuers to achieve specific sustainability targets. If the issuer fails to meet these targets, they agree to pay a higher coupon (interest rate) to investors, making the bonds more expensive and

incentivizing issuers to fulfill their commitments. ESG Reference: Chapter 7, Page 362 - ESG Analysis, Valuation & Integration in the ESG textbook.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 332

A company reduces water usage and increases usage of more expensive resources after regulations become more stringent. This most likely impacts:

- A. revenues
- B. provisions
- C. operating expenditure

Answer: C (LEAVE A REPLY)

When a company reduces water usage and increases the use of more expensive resources due to more stringent regulations, this directly impacts its operating expenditure (OPEX). Here's a detailed breakdown:

Regulatory Compliance:

As regulations become stricter, companies often need to adopt new technologies or practices that may be more costly. This increase in cost is directly related to the day-to-day operations of the company, affecting operating expenditures.

For example, implementing water-saving technologies or switching to sustainable raw materials that are more expensive than traditional ones will raise the ongoing costs associated with production.

Impact on Revenues:

While reducing water usage and adhering to stricter regulations can have long-term benefits for the company, such as improved sustainability ratings and possibly higher market valuation, these changes do not typically have an immediate direct impact on revenues. Revenues are more directly influenced by sales and market demand.

Impact on Provisions:

Provisions are set aside for future liabilities or losses, such as environmental remediation costs or legal disputes. While stricter regulations might eventually lead to increased provisions, the immediate impact of switching to more expensive resources affects operating expenditure first.

CFA ESG Investing Reference:

The CFA ESG Investing curriculum highlights the importance of understanding how regulatory changes can affect various aspects of a company's financials. Operating expenditure is often highlighted as the most immediately impacted area when companies adapt their operations to comply with new environmental standards.

NEW QUESTION: 333

Which of the following statements regarding engagement is most accurate? Engagement:

- A. Helps companies understand the expectations of their investors.
- B. Is more likely to be effective in response to a share price fall than long-standing messaging.
- C. Yields great benefits when companies show little desire for productive dialogue with investors.

Answer: (SHOW ANSWER)

The OTM defines engagement as a cornerstone of active ownership, describing it as:

"A structured process by which investors communicate expectations to investee companies on ESG practices and long-term value creation." It further notes:

"Engagement helps companies better understand investor expectations and priorities while giving investors insight into corporate governance and risk management practices." This explanation precisely reflects option A. Conversely, the manual emphasizes that engagement is least effective when a company shows resistance or lacks openness (contradicting option C) and that successful engagement is long-term and relationship-driven, not reactive to short-term price movements (contradicting option B).

Thus, engagement's primary value lies in facilitating two-way understanding between investors and companies, confirming option A as correct.

Reference: 2021-Final-Book.pdf, Chapter 6 - Engagement and Stewardship (Purpose and Benefits of Engagement section).

NEW QUESTION: 334

Which of the following is an example of a climate adaptation measure?

- A. Investment in wind energy
- B. Increased use of public transport
- C. Use of more drought-resistant crops

Answer: C (LEAVE A REPLY)

An example of a climate adaptation measure is the use of more drought-resistant crops.

Climate Adaptation: Climate adaptation refers to adjustments in practices, processes, and structures to mitigate potential damage or take advantage of opportunities associated with climate change.

Drought-Resistant Crops: Using more drought-resistant crops is a direct adaptation measure that helps agriculture withstand periods of reduced rainfall, thereby maintaining productivity and food security in the face of changing climate conditions.

Other Examples: While investment in wind energy (A) and increased use of public transport (B) are important climate actions, they are primarily considered climate mitigation measures aimed at reducing greenhouse gas emissions rather than adapting to existing climate impacts.

CFA ESG Investing Reference:

The CFA Institute's materials on climate risk management highlight various adaptation strategies that businesses and investors can adopt to reduce vulnerability to climate change impacts. Using drought-resistant crops is specifically mentioned as a vital adaptation practice in the agricultural sector.

NEW QUESTION: 335

Which of the following social factors are most likely to impact external stakeholders?

- A. Labor rights
- B. Product liability
- C. Human capital development

Answer: B (LEAVE A REPLY)

Product liability directly impacts external stakeholders, such as consumers, regulators, and the general public. Companies with unsafe or defective products face legal risks, reputational damage, and financial losses.

Labor rights (A) and human capital development (C) primarily affect internal stakeholders (employees).

Reference:

OECD Corporate Responsibility Guidelines

UN Global Compact Consumer Protection Framework

CFA Institute ESG Social Risk Management Guide

=====

NEW QUESTION: 336

According to an OECD Centre for Opportunity and Equality (COPE) 2015 report, the average income of the richest 10% of the population is about:

- A. 4 times that of the poorest 10% across the OECD
- B. 9 times that of the poorest 10% across the OECD
- C. 14 times that of the poorest 10% across the OECD

Answer: (SHOW ANSWER)

The OECD COPE 2015 report found that the richest 10% earned about 9 times more than the poorest 10% across OECD countries, highlighting income inequality as a major social issue.

In some developing nations, the gap can be even wider (14x or more), but across OECD countries, 9x is the average disparity.

Reference:

OECD COPE Report on Income Inequality (2015)

=====

NEW QUESTION: 337

Which of the following statements about social trends is most accurate?

- A. Social trends have similar impacts on different sectors
- B. The importance of a social trend for a country is independent of the level of its economic development
- C. The impact of a social trend on companies within the same sector may differ based on each company's culture

Answer: C (LEAVE A REPLY)

Social trends, such as demographic shifts, diversity and inclusion, or changing consumer behavior, can impact companies differently even within the same sector. The extent of impact depends on corporate culture, business model, and regional market dynamics. For example, two technology companies may face the same social trend (e.g., remote work demand), but their response differs based on leadership philosophy, operational strategy, and corporate values.

Option A is incorrect because different industries experience varying levels of exposure to social trends. Option B is incorrect because economic development significantly influences how social trends manifest and affect businesses.

Reference:

CFA Institute ESG Integration Guide

World Economic Forum (WEF) Global Risks Report

MSCI ESG Research on Social Trends and Corporate Adaptation

=====

NEW QUESTION: 338

Which of the following statements is aligned with the Pensions and Lifetime Savings Association (PLSA) Stewardship checklist?

Statement 1: Investors should seek to ensure that fund managers deliver effective separation of long-term ESG factors from their investment approach.

Statement 2: Investors should work with their advisers to consider the level of resource available for stewardship activities.

- A. Statement 1 only
- B. Statement 2 only
- C. Both Statement 1 and Statement 2

Answer: (SHOW ANSWER)

The Pensions and Lifetime Savings Association (PLSA) Stewardship checklist provides guidance for asset owners, including pension schemes, on how to effectively integrate

stewardship into their investment strategies. Here's a detailed breakdown of the relevant statements:

Statement 1 Analysis: "Investors should seek to ensure that fund managers deliver effective separation of long-term ESG factors from their investment approach." This statement is not aligned with the PLSA Stewardship checklist. The checklist emphasizes integrating ESG factors into the investment approach rather than separating them. Effective stewardship involves considering ESG issues as an integral part of the investment strategy and decision-making process.

Statement 2 Analysis: "Investors should work with their advisers to consider the level of resource available for stewardship activities." This statement is aligned with the PLSA Stewardship checklist. The checklist highlights the importance of ensuring that adequate resources are allocated for stewardship activities. This includes working with advisers to assess and enhance the capability and resources dedicated to effective stewardship practices.

PLSA Stewardship Principles: The PLSA Stewardship checklist outlines several key requirements for effective stewardship, including clarity on how stewardship fits within the investment strategy, ensuring adequate resources for stewardship, and actively engaging with fund managers to ensure they are effectively integrating ESG considerations into their investment processes.

NEW QUESTION: 339

ESG integration into a company's operations most likely leads to increased:

- A. Efficiency.
- B. State intervention.
- C. Negative externalities.

Answer: (SHOW ANSWER)

Companies integrating ESG into operations enhance efficiency through improved resource management, governance, and stakeholder engagement.

Why A (Efficiency) is correct:

ESG initiatives lead to cost savings, innovation, and better risk management.

Example: Energy-efficient supply chains reduce waste and increase productivity.

Why not B or C?

B (State intervention) is incorrect-proactive ESG efforts often reduce regulatory risks.

C (Negative externalities) is incorrect-effective ESG integration minimizes externalities, not increases them.

Reference:

McKinsey: ESG and Business Efficiency Study (2023)

NEW QUESTION: 340

In the European Union, publicly listed firms are obliged to change auditors at least every:

- A. 5 years

B. 10 years

C. 20 years

Answer: B (LEAVE A REPLY)

In the European Union, publicly listed firms are required to change their auditors at least every 10 years. This regulation is part of the EU's statutory audit reform, which aims to enhance the independence of auditors and the quality of audits. The rotation requirement is intended to prevent long-term relationships between auditors and clients that could compromise the auditor's objectivity.

Regulatory requirement: The EU Audit Regulation (Regulation (EU) No 537/2014) mandates that public-interest entities, including publicly listed firms, must rotate their statutory auditors or audit firms after a maximum of 10 years.

Objective: This measure is designed to reduce the risk of conflicts of interest and ensure a fresh perspective on the firm's financial statements.

Reference:

EU Audit Regulation (Regulation (EU) No 537/2014)

CFA ESG Investing Principles

NEW QUESTION: 341

Globalization has led to a reduction in:

A. regulation

B. market efficiency

C. social structural inequality

Answer: C (LEAVE A REPLY)

Globalization has contributed to a reduction in social structural inequality. By integrating economies and increasing access to global markets, globalization has created opportunities for economic growth and development in many regions, helping to reduce poverty and inequality.

Reduction in social structural inequality (C): Globalization has enabled the transfer of technology, capital, and skills across borders, leading to job creation and economic development in less developed regions. This has helped to reduce structural inequalities by providing more equal opportunities for people in different parts of the world.

Regulation (A): Globalization has often led to an increase in regulation, particularly in areas such as trade, finance, and environmental standards, as countries cooperate to manage global issues.

Market efficiency (B): Globalization typically enhances market efficiency by increasing competition, improving resource allocation, and fostering innovation.

Reference:

CFA ESG Investing Principles

Economic studies on the impacts of globalization

NEW QUESTION: 342

ESG factors that relate to future growth opportunities are most relevant to:

- A. equity investors.
- B. sovereign debt investors.
- C. corporate bond investors.

Answer: A (LEAVE A REPLY)

Equity investors are primarily focused on future growth opportunities, as they are investing in the potential appreciation of a company's stock price over time. ESG factors that relate to future growth opportunities are particularly relevant to equity investors because these factors can significantly influence a company's long-term profitability and valuation.

Detailed

Growth Potential and Future Earnings: Equity investors are interested in companies that demonstrate potential for future growth and increased earnings. ESG factors such as innovation in sustainable technologies, efficient resource management, and positive social impact can drive a company's growth by opening up new markets, improving operational efficiencies, and enhancing brand reputation.

Risk Mitigation and Long-Term Stability: ESG factors also help equity investors mitigate risks associated with environmental, social, and governance issues. For example, companies with strong environmental practices are less likely to face regulatory fines, and those with robust governance structures are less likely to encounter scandals. This stability is attractive to equity investors looking for sustainable returns.

Valuation and Investor Sentiment: Companies that are proactive in managing ESG factors often enjoy a higher valuation due to positive investor sentiment. Investors are increasingly valuing companies that are seen as responsible and forward-thinking. This can lead to a higher stock price as demand for the company's shares increases.

Regulatory and Market Trends: As regulations around ESG factors become stricter and as consumers become more environmentally and socially conscious, companies that are ahead in ESG practices are likely to benefit. Equity investors look at these trends to anticipate which companies will be market leaders in the future.

CFA ESG Investing Reference:

According to the CFA Institute's ESG Investing Guide, "Equity investors are particularly interested in how ESG factors might affect a company's future earnings and risk profile" (CFA Institute, 2020).

The MSCI ESG Ratings Methodology document highlights that ESG factors are critical in assessing a company's resilience to long-term financially relevant ESG risks, which directly impacts future growth opportunities and hence, is vital for equity investors.

These aspects underscore why ESG factors related to future growth opportunities are most relevant to equity investors, who are keen on capitalizing on both the upside potential and risk management of their investments over the long term.

NEW QUESTION: 343

Compared to stewardship codes drafted by the fund management industry, stewardship codes with regulatory backing most likely place greater emphasis on:

- A. Disclosure of voting activity.
- B. Conflicts of interest management.
- C. Escalation activities to protect and enhance shareholder value.

Answer: (SHOW ANSWER)

Regulatory-backed stewardship codes are designed to enforce stronger accountability and escalation processes for investors engaging with companies.

Why C (escalation activities) is correct:

Regulatory codes emphasize escalation strategies (e.g., proxy voting, shareholder resolutions, and engagement letters).

Example: UK Stewardship Code 2020 requires investors to engage forcefully when companies fail to address material ESG risks.

Why not A or B?

A (Voting disclosure) is important but not the primary distinction between voluntary and regulatory-backed codes.

B (Conflicts of interest) is addressed in both types of stewardship codes but is not the main emphasis of regulatory-backed codes.

Reference:

UK Financial Reporting Council's Stewardship Code (2020)

NEW QUESTION: 344

The term 'management gap' most likely refers to:

- A. The lack of diversity among senior leaders in a firm.
- B. Risks that cannot be addressed through company initiatives.
- C. Risks that a company could manage but is not yet managing.

Answer: C (LEAVE A REPLY)

A management gap occurs when a company has the ability to manage ESG risks but has not yet implemented the necessary policies or controls.

Why C (Manageable but unaddressed risks) is correct:

Example: A company exposed to water scarcity risk but failing to implement water efficiency measures.

Why not A or B?

A (Diversity gap) is a related but different concept.

B (Unmanageable risks) refers to systemic risks that companies cannot directly control.

Reference:

Harvard Business Review: ESG Risk Management Gaps (2022)

NEW QUESTION: 345

A company's exposure to social trends and factors:

- A. Tends to be similar across companies in the same sector

- B. Tends to be similar across companies in the same country
- C. Depends on its culture, systems, operations, and governance

Answer: (SHOW ANSWER)

A company's exposure to social trends and factors depends largely on its culture, systems, operations, and governance. While certain trends may affect entire sectors or countries, the way a company is structured and governed will determine how it responds to and is impacted by these trends. ESG Reference: Chapter 4, Page 206 - Social Factors in the ESG textbook.

NEW QUESTION: 346

Which of the following is an advantage of using ESG index-based strategies?

- A. Slightly lower fee structures compared to other index-based strategies
- B. Lower costs compared to discretionary, actively managed ESG strategies
- C. More focused stewardship activities with companies compared to actively managed ESG strategies

Answer: B (LEAVE A REPLY)

ESG Index-Based Strategies:

ESG index-based strategies offer various advantages, including lower costs compared to discretionary, actively managed ESG strategies.

1. Lower Costs: Index-based strategies typically have lower management fees compared to actively managed strategies. This is because index funds aim to replicate the performance of a specific ESG index, requiring less research and management effort than actively selecting and managing individual securities based on ESG criteria. This cost efficiency is a significant advantage for investors seeking exposure to ESG factors without incurring high fees.

2. Fee Structures and Stewardship Activities:

Fee Structures: While ESG index-based strategies may not necessarily have slightly lower fee structures compared to other index-based strategies (option A), they do offer cost advantages over actively managed ESG strategies.

Stewardship Activities: Although stewardship activities are important, ESG index-based strategies may not offer more focused stewardship activities compared to actively managed strategies (option C), as active managers often engage more directly with companies on ESG issues.

Reference from CFA ESG Investing:

Cost Efficiency: The CFA Institute explains that index-based strategies, including ESG-focused ones, generally incur lower costs than actively managed strategies due to their passive management approach.

Index-Based ESG Strategies: These strategies provide a cost-effective way to incorporate ESG considerations into a portfolio, making them attractive to investors who prioritize cost efficiency.

In conclusion, an advantage of using ESG index-based strategies is their lower costs compared to discretionary, actively managed ESG strategies, making option B the verified answer.

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here: https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF Special Discount: Freepdfumps**)

NEW QUESTION: 347

Which of the following statements about social trends is most accurate?

- A.** Companies within a sector are equally exposed to social trends
- B.** Social trends have a similar impact across sectors in developed countries
- C.** The importance of a social trend depends on a country's regulatory framework

Answer: (SHOW ANSWER)

Regulatory Framework Influence:

Different countries have varying levels of regulation and enforcement related to social issues such as labor rights, health and safety, and social equity.

According to the CFA Institute, the regulatory environment in a country can significantly impact how social trends affect companies operating within that jurisdiction. For example, stringent labor laws in one country may lead to higher compliance costs for companies, while more lenient regulations in another country might result in fewer social obligations for businesses.

Examples of Regulatory Impact:

Labor Laws: Countries with strong labor protections (e.g., Europe) often require companies to provide better working conditions, which can influence company policies and operational costs.

Health and Safety Regulations: Stringent health and safety standards in countries like the US can lead to higher compliance costs but also improve employee well-being and productivity, impacting overall company performance.

Sector-Specific Impacts:

Social trends do not impact all sectors equally even within the same country. For instance, manufacturing sectors might be more affected by labor laws compared to the tech sector. The CFA Institute notes that investors must consider sector-specific risks and opportunities when analyzing social trends and their potential impacts on different industries.

Global vs. Local Trends:

While some social trends like gender equality or human rights are global, their implementation and importance can vary based on local regulatory frameworks. For example, gender diversity initiatives may be more advanced in countries with progressive gender policies, influencing company practices and investor perceptions in those regions.

Research and Methodology:

The CFA Institute provides methodologies for assessing the impact of social trends on investments, emphasizing the need to understand local regulatory environments and their implications for ESG factors.

Studies show that companies in highly regulated environments tend to have more robust social practices, which can influence their attractiveness to ESG-focused investors.

Reference:

CFA Institute, "Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals." MSCI ESG Research, which includes analyses of how regulatory frameworks affect social issues and company performance.

NEW QUESTION: 348

Anti-corruption laws are a relevant governance factor for which of the following investments?

- A.** Private equity
- B.** Sovereign debt
- C.** Infrastructure assets

Answer: (SHOW ANSWER)

Relevance of Anti-Corruption Laws:

Anti-corruption laws are particularly relevant for investments in sovereign debt as they reflect the governance quality of a country.

Sovereign Debt Governance:

Investors in sovereign debt are concerned with the overall governance and robustness of state institutions.

Effective anti-corruption measures are critical for maintaining political stability, regulatory quality, and rule of law, all of which affect the creditworthiness of sovereign debt.

Application to Other Investments:

While private equity and infrastructure assets are also impacted by governance factors, anti-corruption laws are more directly tied to the governance quality of states, making them most relevant for sovereign debt investors.

Reference:

The importance of anti-corruption laws in sovereign debt investments is discussed in the final ESG investing documentation.

NEW QUESTION: 349

Which of the following most likely outlines an investment firm's ESG integration approach?

- A. ESG policy
- B. Statement of Investment Principles
- C. Corporate social responsibility report

Answer: A (LEAVE A REPLY)

An investment firm's ESG integration approach is most likely outlined in its ESG policy. This document provides a detailed framework of how the firm incorporates ESG factors into its investment process.

ESG policy (A): This policy typically includes the firm's principles, strategies, and methodologies for integrating ESG factors into investment decisions. It outlines the firm's commitment to ESG considerations and provides guidance on how these factors are incorporated at different stages of the investment process.

Statement of Investment Principles (B): This document may include high-level investment principles, but it does not specifically focus on the detailed ESG integration approach.

Corporate social responsibility report (C): This report highlights the firm's CSR activities and impacts but is not focused on the investment process itself.

Reference:

CFA ESG Investing Principles

Investment firm ESG policy examples

NEW QUESTION: 350

The European Union (EU) Ecolabel:

- A. is the official EU voluntary label for environmental excellence
- B. targets explicit claims made on a voluntary basis by businesses towards consumers
- C. flags products that have a guaranteed, independently verified, high environmental impact

Answer: A (LEAVE A REPLY)

The European Union (EU) Ecolabel is the official EU voluntary label for environmental excellence.

EU Ecolabel Overview: The EU Ecolabel is a recognized certification that indicates a product or service has a reduced environmental impact throughout its lifecycle.

Voluntary Participation: Businesses can voluntarily apply for this label, demonstrating their commitment to environmental excellence and compliance with rigorous environmental criteria set by the EU.

Consumer Trust: The label helps consumers identify products and services that are environmentally friendly and meet high environmental standards, promoting sustainable consumption.

CFA ESG Investing Reference:

The CFA Institute's discussions on environmental labels and certifications highlight the role of the EU Ecolabel as a voluntary but stringent standard for environmental excellence, helping consumers and investors make informed, sustainable choices.

NEW QUESTION: 351

A just transition in climate policy refers to:

- A. Ensuring that the shift to a low-carbon economy is socially inclusive and equitable
- B. Implementing carbon taxes to penalize polluting industries
- C. Divesting from all fossil fuel assets immediately

Answer: A (LEAVE A REPLY)

A just transition ensures that the move toward a low-carbon economy is fair, particularly for workers in carbon-intensive industries. It promotes social inclusion, retraining programs, and economic support for affected communities.

Carbon taxes (B) and immediate divestment (C) are strategies but do not define a just transition.

Reference:

International Labour Organization (ILO) Just Transition Guidelines

UNFCCC Climate Justice Report

Principles for Responsible Investment (PRI) Just Transition Framework

=====

NEW QUESTION: 352

In the context of portfolio analysis, third-party ESG data provider platforms most likely:

- A. Can approximate an overall ESG risk score for the portfolio.
- B. Can eliminate the need for proprietary ESG analytics capabilities.
- C. Are unable to express the portfolio's ESG exposures on an absolute value basis.

Answer: A (LEAVE A REPLY)

The ESG Data and Analytics chapter of the OTM clarifies how portfolio-level ESG measurement works using external providers. It notes:

"Third-party ESG platforms such as MSCI ESG Manager, Sustainalytics, and Refinitiv can generate portfolio-level ESG risk scores, benchmarking against industry peers or market indices." These tools aggregate underlying issuer ratings, weighting them by portfolio exposure to provide composite ESG metrics. However, the manual cautions that such systems do not replace proprietary analytics, as investors often need deeper contextualization or forward-looking assessments.

Therefore, while these platforms are capable of approximating ESG risk at the portfolio level, they cannot fully substitute for in-house integration or bespoke analysis-supporting option A as the correct choice.

Reference: 2021-Final-Book.pdf, Chapter 7 - ESG Data Quality and Integration (Portfolio Measurement and Analytics section).

NEW QUESTION: 353

Which of the following engagement styles is most likely closely aligned with passive investments?

- A. Bottom-up engagement

- B. Issued-based engagement
- C. Company-focused engagement

Answer: (SHOW ANSWER)

Issue-based engagement is most closely aligned with passive investments. Passive investors, who typically hold broadly diversified portfolios, often focus on specific ESG issues that affect multiple companies across sectors. They may engage with companies on these issues through collaborative initiatives or voting on shareholder resolutions, rather than engaging deeply with individual companies, which is more characteristic of active investment strategies.

NEW QUESTION: 354

Which of the following is responsible for ensuring the composition of a company's board is balanced and effective?

- A. Audit Committee
- B. Nominations Committee
- C. Remuneration Committee

Answer: B (LEAVE A REPLY)

The Nominations Committee is responsible for ensuring that the composition of a company's board is balanced and effective. This committee is tasked with identifying and recommending new directors and ensuring that the board has the necessary skills, experience, and diversity to oversee the company effectively. ESG Reference: Chapter 5, Page 232 - Governance Factors in the ESG textbook.

Both the EU Paris-Aligned Benchmarks and the EU Climate Transition Benchmarks allow limited investment in fossil fuels, with restrictions aimed at ensuring that such investments contribute to the transition to a low-carbon economy. These benchmarks are designed to help investors transition their portfolios in line with decarbonization goals. ESG Reference: Chapter 8, Page 406 - ESG Integrated Portfolio Construction & Management in the ESG textbook.

Scope 3 carbon emissions, which include indirect emissions from suppliers and consumers, are accounted for under both the UK Task Force on Climate-related Financial Disclosures (TCFD) and the European Union's Sustainable Finance Disclosure Regulation (SFDR). Both frameworks encourage comprehensive disclosure of emissions across the entire value chain. ESG Reference: Chapter 3, Page 133 - Environmental Factors in the ESG textbook.

NEW QUESTION: 355

A company has just been assigned a lower ESG risk than its industry peers. Compared to its current price-to-earnings (P/E), the fair value P/E is most likely:

- A. adjusted lower.
- B. not adjusted.
- C. adjusted higher.

Answer: (SHOW ANSWER)

A lower ESG risk profile suggests better risk management and potentially greater resilience compared to peers. This can reduce the risk premium demanded by investors and increase the fair value P/E ratio. In practical terms, investors may be willing to pay more (higher P/E multiple) for the earnings of a company perceived to be less exposed to ESG-related risks.

NEW QUESTION: 356

ESG offerings by asset managers generally began with:

- A. fixed income funds.
- B. infrastructure funds.
- C. active-listed equities.

Answer: C (LEAVE A REPLY)

Historically, ESG integration began in active-listed equity strategies because equities offered greater flexibility for asset managers to engage with companies directly through shareholder voting and engagement. Active equities also allowed for more direct influence on corporate ESG practices compared to fixed income or infrastructure investments, which typically have fewer levers for direct engagement.

NEW QUESTION: 357

The signatories of the Kyoto Protocol are committed to:

- A. Transition their investment portfolios to net-zero greenhouse gas (GHG) emissions by 2050.
- B. Limit and reduce their greenhouse gas (GHG) emissions in accordance with agreed individual targets.
- C. Strengthen the response to the threat of climate change by keeping a global temperature rise well below 2°C above pre-industrial levels.

Answer: B (LEAVE A REPLY)

The OTM explains the Kyoto Protocol as a foundational global climate agreement under the UNFCCC framework. It states:

"The Kyoto Protocol (1997) legally binds developed countries to limit and reduce their greenhouse gas emissions in accordance with individual country targets, representing the first implementation mechanism under the UNFCCC." Option C refers instead to the Paris Agreement (2015), which succeeded Kyoto and introduced the "well below 2°C" goal. Option A describes portfolio-level commitments, not the obligations of Kyoto signatories. Hence, the verified and historically accurate answer is B, which directly matches the Protocol's text.

Reference: 2021-Final-Book.pdf, Chapter 3 - Environmental Factors (Climate Frameworks and International Agreements section).

NEW QUESTION: 358

Which of the following best protects minority shareholders when a company raises additional capital?

- A. Dual-class share structures
- B. General mandate resolutions
- C. Pre-emption rights

Answer: C (LEAVE A REPLY)

In the Governance Factors chapter, the Official Training Manual (OTM) explicitly explains: "Pre-emption rights protect existing shareholders by giving them the right to maintain their proportional ownership when new shares are issued." This ensures minority shareholders can avoid dilution of their holdings when the company raises capital. The OTM further notes that such rights are a "cornerstone of good governance in most developed markets, ensuring equitable treatment of all shareholders." In contrast, dual-class share structures concentrate power among a select group of owners, while general mandate resolutions allow management broad discretion to issue new shares without pre-emption—both increasing governance risk for minority shareholders.

Hence, option C is the correct and verified choice, as it is directly supported by the governance standards section.

Reference: 2021-Final-Book.pdf, Chapter 5 - Governance Factors (Shareholder Rights and Minority Shareholder Protection section).

NEW QUESTION: 359

Which of the following emphasizes that short-term investment performance will be of limited significance in evaluating the manager?

- A. Brunel Asset Management Accord
- B. International Corporate Governance Network (ICGN) Model Mandate
- C. Principals for Responsible Investment's (PRI) Practical Guide to ESG Integration for Equity Investing

Answer: B (LEAVE A REPLY)

ICGN Model Mandate:

The ICGN Model Mandate is designed to align the interests of asset owners and asset managers with a focus on long-term value creation rather than short-term performance metrics.

According to the CFA Institute, the ICGN Model Mandate sets out principles and practices that encourage long-term investment strategies and de-emphasize the significance of short-term performance.

Focus on Long-Term Performance:

The Model Mandate highlights that evaluating investment managers based on short-term performance can lead to suboptimal investment decisions and may encourage behaviors that are not aligned with the long-term interests of asset owners.

The CFA Institute notes that the ICGN Model Mandate promotes a longer-term perspective in investment evaluation, which is crucial for sustainable value creation.

Investment Principles:

The ICGN Model Mandate includes guidelines for performance assessment, stating that short-term underperformance should not be a primary concern if the investment process and long-term strategy are sound.

The Brunel Asset Management Accord echoes this sentiment by emphasizing that short-term performance will be of limited significance in evaluating the manager, aligning with the principles set forth by the ICGN.

Implementation:

Asset owners are encouraged to adopt the ICGN Model Mandate to ensure that their investment mandates and manager evaluations reflect a commitment to long-term performance and sustainable investing.

The CFA Institute suggests that integrating these principles into investment mandates helps mitigate the risks associated with short-termism and supports the alignment of investment strategies with long-term goals.

Reference:

CFA Institute, "Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals." ICGN Model Mandate documents, which outline the emphasis on long-term performance over short-term metrics.

NEW QUESTION: 360

A challenge for investors involved in collective engagement is to:

- A.** avoid breaching rules regarding acting in concert.
- B.** increase the range of messages reaching the target company.
- C.** prevent informal dialogue between individual fund managers' stewardship teams.

Answer: (SHOW ANSWER)

One of the main challenges in collective engagement is ensuring compliance with legal and regulatory boundaries, particularly rules around "acting in concert" or market abuse regulations. Investors working together risk being seen as trying to influence control over a company, which can trigger regulatory scrutiny or require disclosures.

"Many investors see such market abuse rules as limiting their ability to carry out collective engagement effectively." Organizations like the Investor Forum in the UK have created frameworks to facilitate engagement without breaching these regulations, underscoring the seriousness of this issue.

NEW QUESTION: 361

Which of the following principles of the UK Stewardship Code 2020 applies to service providers?

- A.** Escalation
- B.** Collaboration
- C.** Review and assurance

Answer: C (LEAVE A REPLY)

The UK Stewardship Code 2020 requires service providers (such as proxy advisors and ESG data providers) to conduct review and assurance of their stewardship activities. This ensures accuracy, transparency, and accountability in engagement and proxy voting recommendations.

Escalation (A) applies to investors increasing engagement pressure on companies.

Collaboration (B) relates to joint investor efforts rather than service provider responsibilities.

Reference:

UK Financial Reporting Council (FRC) Stewardship Code 2020

CFA Institute Guide to Stewardship in Investment Management

Principles for Responsible Investment (PRI) Stewardship Best Practices

=====

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest**

Actual4test.com Sustainable-Investing dumps with Test Engine here:

https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As

Dumps, **30%OFF Special Discount: Freepdfdumps**)

NEW QUESTION: 362

Which of the following statements about the Green Claims Directive (GCD) is most accurate?

- A. Applies to mandatory green claims made by businesses towards consumers.
- B. Aims to make green claims reliable, comparable, and verifiable across the world.
- C. Requires verification by independent auditors before green claims can be made and marketed.

Answer: C (LEAVE A REPLY)

The manual highlights the European Commission's proposal for the Green Claims Directive (GCD), aimed at countering greenwashing and ensuring claim reliability. It states:

"The Directive requires that environmental claims made by companies must be verified by independent and accredited auditors before being used in marketing or communication materials." This verification step is the key distinguishing element of the GCD, aligning precisely with option C. Furthermore, the OTM notes that the Directive's objective is to ensure "consistency, verifiability, and comparability" within the EU single market-not "across the world," which invalidates option B. Option A is misleading since it applies to voluntary environmental claims, not mandatory reporting.

Thus, the extract confirms that independent third-party verification is the most accurate and defining requirement of the Green Claims Directive.

Reference:2021-Final-Book.pdf, Chapter 9 - Investment Mandates, Portfolio Analytics, and Client Reporting (Green Claims Directive section).

NEW QUESTION: 363

ESG engagement is a two-way dialogue to share perspectives between:

- A. investors and investees
- B. asset owners and fund managers
- C. senior executives and board of directors

Answer: (SHOW ANSWER)

ESG engagement is a two-way dialogue to share perspectives between investors and investees.

Engagement Definition: ESG engagement involves active communication between investors (e.g., asset managers, shareholders) and investees (e.g., companies) to discuss ESG issues and improve sustainability practices.

Purpose: The goal is to influence company behavior, enhance ESG performance, and align business practices with sustainable investment objectives. This dialogue allows both parties to share perspectives, address concerns, and work towards common goals.

Two-Way Communication: Effective ESG engagement requires open and ongoing communication, ensuring that both investors and investees contribute to the conversation and decision-making process.

CFA ESG Investing Reference:

The CFA Institute's guidance on ESG engagement highlights the importance of two-way dialogue between investors and investees to foster better ESG practices and drive positive change in corporate behavior.

NEW QUESTION: 364

The adoption of ESG investing by retail investors has generally been:

- A. slower than its adoption by institutional investors.
- B. at the same pace as its adoption by institutional investors.
- C. faster than its adoption by institutional investors.

Answer: A (LEAVE A REPLY)

The adoption of ESG investing by retail investors has generally been slower than its adoption by institutional investors. Institutional investors have led the way in integrating ESG factors into their investment decisions due to their larger resources and regulatory pressures. In contrast, retail investors have been slower to adopt ESG investing, though interest is growing, especially among younger generations.

NEW QUESTION: 365

Using the "shades of green" methodology developed by the Center for International Climate Research (CICERO), a project that does not explicitly contribute to the transition to a low carbon and climate resilient future is given the shading of:

- A. red
- B. yellow
- C. light green

Answer: A (LEAVE A REPLY)

Using the "shades of green" methodology developed by the Center for International Climate Research (CICERO), a project that does not explicitly contribute to the transition to a low carbon and climate resilient future is given the shading of red.

Red (A): In the CICERO "shades of green" methodology, projects that do not contribute to climate goals and may even counteract them are given a red shading. This indicates that the project is not aligned with the transition to a low-carbon and climate-resilient future.

Yellow (B): Yellow is used for projects with some positive environmental impacts but with certain risks or uncertainties about their overall contribution to climate goals.

Light green (C): Light green is used for projects that contribute to climate goals but are not fully aligned with a long-term vision for a low-carbon and climate-resilient future.

Reference:

CFA ESG Investing Principles

CICERO "Shades of Green" methodology documentation

NEW QUESTION: 366

The goal of limiting global warming to 1.5 °C was first set out in the:

- A. Kyoto Protocol.
- B. Paris Agreement.
- C. Glasgow Climate Pact.

Answer: B (LEAVE A REPLY)

The Paris Agreement of 2015 was the first international accord to set the explicit goal of limiting global warming to 1.5 °C above pre-industrial levels. Prior agreements like the Kyoto Protocol focused on emissions reduction targets but did not establish this specific temperature goal. The Glasgow Climate Pact built on the Paris Agreement's framework but did not originate the 1.5 °C target.

NEW QUESTION: 367

What is the underlying principle of the corporate governance code in most markets?

- A. If not, why not
- B. Apply or explain
- C. Comply or explain

Answer: C (LEAVE A REPLY)

The underlying principle of the corporate governance code in most markets is "comply or explain." This principle mandates that companies either comply with the established governance guidelines or explain why they have not done so. This approach allows for flexibility while encouraging transparency and accountability in corporate governance.

Flexibility and Adaptability: The "comply or explain" approach provides companies with the flexibility to adapt the guidelines to their specific circumstances. If a company believes that a certain recommendation is not suitable for its situation, it can choose not to comply, provided it explains the reasons for this decision.

Transparency: By requiring companies to explain their non-compliance, this approach promotes transparency. Stakeholders, including investors, can assess the company's governance practices and make informed decisions based on the explanations provided.

Encouragement of Best Practices: This principle encourages companies to strive towards best practices in governance, while allowing for deviations when justified. It balances the need for high standards with the recognition that one size does not fit all.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the principles of corporate governance codes and highlights the "comply or explain" approach as a common standard in various markets.

ESG-Ratings-Methodology-Exec-Summary (2022) - Provides insights into how corporate governance codes are designed to promote transparency and accountability through the "comply or explain" principle.

NEW QUESTION: 368

The launch of the European Green Deal in 2020 is intended to:

- A.** Make the European Union climate neutral by 2050.
- B.** Reduce greenhouse gas emissions in the European Union by 55% by 2030.
- C.** Mobilize €372 billion across the European Union, of which 30% will contribute to climate objectives.

Answer: A (LEAVE A REPLY)

The European Green Deal's primary goal is to make the EU climate neutral by 2050 (Option A), meaning:

Net-zero greenhouse gas emissions by 2050.

Massive investment in renewable energy and clean technology.

Option B (55% emission reduction by 2030) is an intermediate milestone, not the main goal.

Option C (€372 billion mobilization) refers to the EU Recovery Plan but is not the core objective.

Reference:

European Commission: The European Green Deal (2020)

EU Climate Law & Fit for 55 Package

PRI Overview of EU Green Finance Policies

NEW QUESTION: 369

Which of the following ESG investment approaches would most appropriately be used to construct a balanced and diversified portfolio?

- A. Thematic investing
- B. Screening on a relative basis
- C. Screening on an absolute basis

Answer: B (LEAVE A REPLY)

Screening on a relative basis would most appropriately be used to construct a balanced and diversified portfolio. This approach involves comparing companies within the same industry or sector and selecting those that perform better on ESG criteria relative to their peers.

Relative Comparison: Screening on a relative basis allows investors to identify the best-performing companies within each sector or industry, ensuring a balanced approach across different segments of the market.

Diversification: By selecting top ESG performers from various industries, investors can maintain a diversified portfolio while still adhering to ESG principles. This helps in spreading risk across different sectors.

Sector-Neutral: This approach ensures that the portfolio is not overly concentrated in specific sectors, which can happen with thematic investing or absolute screening. It allows for sector-neutrality, maintaining exposure to a broad range of industries.

Reference:

MSCI ESG Ratings Methodology (2022) - Discusses the benefits of relative ESG screening for constructing diversified portfolios.

ESG-Ratings-Methodology-Exec-Summary (2022) - Highlights the importance of maintaining diversification while applying ESG criteria in portfolio construction.

NEW QUESTION: 370

In which of the following countries does the governance code require at least two independent non-executive directors?

- A. Japan
- B. The UK
- C. South Africa

Answer: A (LEAVE A REPLY)

Japan's Corporate Governance Code (updated in 2021) requires at least two independent non-executive directors on corporate boards. This reflects efforts to enhance board independence and investor protection, especially in companies with historically high insider control.

By contrast, UK and South African governance codes recommend board independence but do not mandate a specific number.

Reference:

Japan Corporate Governance Code (Financial Services Agency, 2021)

UK Corporate Governance Code (FRC)

King IV Report on Corporate Governance (South Africa)

NEW QUESTION: 371

Which of the following statements about stewardship codes is most accurate? Stewardship codes:

- A. apply only to public equity investments.
- B. have similar principles in most parts of the world.
- C. pursue social policy goals without making a clear link to value.

Answer: (SHOW ANSWER)

Stewardship codes share similar principles across different regions, emphasizing long-term value creation, accountability, and the active role of shareholders in corporate governance. (ESGTextBook[PallasCatFin], Chapter 6, Page 276)

Valid Sustainable-Investing Dumps shared by Actual4test.com for Helping Passing Sustainable-Investing Exam! Actual4test.com now offer the **newest Sustainable-Investing exam dumps**, the Actual4test.com Sustainable-Investing exam **questions have been updated** and **answers have been corrected** get the **newest** Actual4test.com Sustainable-Investing dumps with Test Engine here:
https://www.actual4test.com/Sustainable-Investing_examcollection.html (760 Q&As Dumps, **30%OFF** Special Discount: **Freepdfdumps**)