# CFA Institute ESG-Investing Practice Questions

**Shared by Freeman on 27-10-2026**

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## Question 1

Question Type: MultipleChoice

In contrast to engagement, monitoring is more likely to result in:

### Options:

A- changed company behaviors.
B- a two-way sharing of perspectives.
C- efficient capital allocation by investors.

### Answer:

C

## Question 2

Question Type: MultipleChoice

According to the Stockholm Resilience Centre (2023), which of the following planetary boundaries has already been crossed as a result of human activity?

### Options:

A- Freshwater use
B- Ocean acidification
C- Stratospheric ozone depletion

### Answer:

A

## Question 3

Question Type: MultipleChoice

Which option best is most likely a result of monitoring rather than engagement?

### Options:

A- Changed company behaviors
B- Efficient capital allocation by investors
C- Delivery of corporate purpose and culture

### Answer:

B

## Question 4

Question Type: MultipleChoice

Under the "shades of green" methodology developed by the Center for International Climate Research (CICERO), a bond that funds transition activities that do not lock in emissions is considered:

### Options:

A- Yellow
B- Light green
C- Medium green

### Answer:

B

## Question 5

Question Type: MultipleChoice

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

### Options:

A- Yellow
B- Light Green

C- Medium Green

### Answer:

B

## Question 6

Question Type: MultipleChoice

Which option best statements is most accurate? Assessments of the level of ESG capabilities of different fund managers:

### Options:

A- Are comparable
B- Only use data from audited data sources
C- Are performed using different methodologies

### Answer:

C

## Question 7

Question Type: MultipleChoice

What is the underlying principle of the corporate governance code in most markets?

### Options:

A- If not, why not
B- Apply or explain
C- Comply or explain

### Answer:

C

## Question 8

Question Type: MultipleChoice

If a company faces significant environmental regulations, investors would most likely decrease the company's:

### Options:

A- discount rate.
B- terminal growth rate.
C- cash flow projections.

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### Answer:

C

## Question 9

Question Type: MultipleChoice

Firms using an engagement style focusing first on individual companies, starting with the chair, and working through the board and down to management most likely have a(n):

### Options:

A- Social heritage
B- Governance heritage
C- Environmental heritage

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### Answer:

B

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