# Download CFA Institute Sustainable-Investing Exam Dumps Free

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# Question 1

Question Type: MultipleChoice

Under the International Corporate Governance Network's (ICGN) Global Governance Principles, a board chair's independence is most likely to be questioned if the person:

## Options:

A- is a representative of the state.
B- has a mandate for a short tenure.
C- is a former non-executive employee of the company.

## Answer:

C

## Explanation:

A board chair's independence is most likely to be questioned if they were previously a non-executive employee of the company, as this creates potential conflicts of interest in their decision-making. (ESGTextBook[PallasCatFin], Chapter 5, Page 231)

# Question 2

Question Type: MultipleChoice

Carbon intensity is calculated as Scope 1 plus Scope 2 emissions divided by:

## Options:

A- profit
B- revenue
C- market capitalization

## Answer:

B

### Explanation:

Carbon intensity is calculated as Scope 1 plus Scope 2 emissions divided by revenue.

Revenue (B): Carbon intensity is a measure of a company's carbon emissions relative to its economic output, typically calculated as the sum of Scope 1 and Scope 2 emissions divided by revenue. This provides a standardized way to compare the carbon efficiency of companies across different sizes and industries.

Profit (A): Using profit for this calculation is less common and would not provide a consistent measure of carbon intensity, as profits can vary widely due to factors unrelated to emissions.

Market capitalization (C): Market capitalization reflects the company's market value, which is influenced by investor perceptions and market conditions, rather than the direct economic output of the company.

CFA ESG Investing Principles

Standard methodologies for calculating carbon intensity

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## Question 3

Question Type: MultipleChoice

The Sustamalytics database is most likely used for:

### Options:

A- manager ESG assessment
B- company ESG assessment.
C- creating an ESG benchmark

### Answer:

B

### Explanation:

The Sustainalytics database is primarily used for company ESG assessment. Here's a detailed explanation:

Company ESG Assessment:

Sustainalytics provides detailed ESG ratings and research for individual companies. Their assessments cover various ESG risks and opportunities that companies face, and these ratings are used by investors to evaluate the ESG performance of companies.

The database includes ESG Risk Ratings that measure the degree to which a company's economic value is at risk due to ESG factors. These ratings help investors integrate ESG considerations into their investment processes.

CFA ESG Investing Reference:

The CFA Institute's ESG curriculum highlights the role of Sustainalytics in providing comprehensive ESG assessments of companies. These assessments are crucial for investors looking to incorporate ESG factors into their investment decisions.

# Question 4

Question Type: MultipleChoice

Which of the following is responsible for ensuring the composition of a company's board is balanced and effective?

## Options:

A- Audit Committee

B- Nominations Committee

C- Remuneration Committee

## Answer:

B

## Explanation:

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.

# Question 5

Question Type: MultipleChoice

In most global markets, supervisory boards consist of:

## Options:

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

## Answer:

C

## Explanation:

CFA governance materials emphasize thatmost global markets---including continental Europe, the UK, and many Asian economies---usemixed supervisory boards. These boards combineexecutive directors(who manage daily operations) withnon-executive directors(who oversee management and provide independent oversight), ensuring robust governance and accountability.

# Question 6

Question Type: MultipleChoice

When using a threshold assessment to integrate governance factors into the investment decision-making process, fund managers most likely focus on the:

## Options:

A- cost of capital

B- quality of management

C- level of confidence about future earnings

## Answer:

B

## Explanation:

A threshold assessment involves setting minimum criteria that companies must meet to be considered for investment. This often includes governance factors which are critical for evaluating the leadership and management effectiveness of a company.

Step 2: Focus Areas in Governance Assessment

Cost of Capital: More related to financial metrics and not directly linked to governance assessments.

Quality of Management: A key governance factor, assessing the capabilities, track record, and integrity of a company's management team.

Level of Confidence about Future Earnings: While important, it is more related to financial forecasting than to governance assessments.

Step 3: Verification with ESG Investing Reference

Governance assessments in ESG investing place significant emphasis on evaluating the quality of management. This includes leadership practices, board effectiveness, executive compensation, and overall management competence: 'Quality of management is a crucial aspect in governance assessments, determining the strategic direction and risk management practices of a company'.

Conclusion: When using a threshold assessment to integrate governance factors, fund managers most likely focus on the quality of management.

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