Free Questions for ESG-Investing

Shared by Mccoy on 03-03-2025

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Question 1

Question Type: MultipleChoice

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:

Options:

A- positive screening only.

B- norms-based screening only.

C- both positive screening and norms-based screening.

Answer:

C

Explanation:

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)

Question 2

Question Type: MultipleChoice

Human rights violations most likely occur:

Options:

A- among the first tier suppliers of publicly-traded companies.

B- deep within the supply chains of publicly-traded companies.

C- among the second tier suppliers of publicly-traded companies.

Answer:

B

Explanation:

Human rights violations are most likely to occur deep within the supply chains, where visibility and oversight are more limited, especially in complex global operations.

(ESGTextBook[PallasCatFin], Chapter 4, Page 192)

Question 3

Question Type: MultipleChoice

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

Options:

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:

A

Explanation:

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)

P2P exams

Question 4

Question Type: MultipleChoice

Information provided by ESG rating agencies is most likely:

Options:

A- relatively noisy.

B- subject to 'group think.''

C- already reflected in stock prices.

Answer:

A

Explanation:

ESG ratings can be noisy due to variations in methodology, data sources, and subjective judgments by rating agencies, leading to inconsistencies across ratings for the same company. (ESGTextBook[PallasCatFin], Chapter 7, Page 364)

Question 5

Question Type: MultipleChoice

Which of the following statements about stewardship codes is most accurate? Stewardship codes:

Options:

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:

B

Explanation:

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)

Question 6

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

Explanation:

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. (ESGTextBook[PallasCatFin], Chapter 6, Page 283)

Question 7

Question Type: MultipleChoice

Which of the following statements is most accurate? Faith-based Islamic investors:

Options:

A- may invest in gambling companies.

B- may own investments that pay interest.

C- look to invest in line with Shariah principles.

Answer:

C

Explanation:

Faith-based Islamic investors follow Shariah principles, which prohibit investments in industries such as gambling, alcohol, and those earning interest (riba). (ESGTextBook[PallasCatFin], Chapter 1, Page 31)

Question 8

Question Type: MultipleChoice

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

Options:

A- outcomes from ESG activity.
B- policies and activities of signatories.
C- assertions of investment managers on ESG themes.

Answer:

A

Explanation:

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)