Free Questions for ESG-Investing

Shared by Guerra on 30-10-2024

Question 1

Question Type: **MultipleChoice**

A challenge for asset managers integrating ESG issues is most likely a lack of:

Options:

A- suitable benchmarks.

B- options outside equities.

C- options provided by consultants and advisers.

Answer:

A

Explanation:

One of the primary challenges for asset managers integrating ESG issues is the lack of suitable benchmarks that adequately reflect ESG criteria, making it harder to measure performance accurately. (ESGTextBook[PallasCatFin], Chapter 8, Page 451)

Question 2

Question Type: MultipleChoice

An investment in a fund developing low-cost community housing is best categorized as:

Options:

A- impact investing.

B- positive alignment.

C- thematic investing.

Answer:

A

Explanation:

Impact investing involves investments aimed at generating a measurable positive social or environmental impact alongside financial returns, such as funding low-cost community housing. (ESGTextBook[PallasCatFin], Chapter 8, Page 451)

Question 3

Question Type: MultipleChoice

The scorecard technique to assess ESG risks is dependent on:

Options:

A- third-party scores.

B- third-party research.

C- company disclosures.

Answer:

C

Explanation:

The scorecard technique relies on company disclosures to assess ESG risks, as these disclosures provide direct information about a company's practices and performance in relation to ESG criteria. (ESGTextBook[PallasCatFin], Chapter 7, Page 364)

Question 4

Question Type: MultipleChoice

Which of the following is most likely the easiest to demonstrate in attributing returns to ESG-related actions?

Options:

A- The value added by an engagement program

B- The performance drag or enhancement from excluding an industrial sector

C- The contribution of a particular ESG driver to the overall investment decision

Answer:

B

Explanation:

The performance impact of excluding certain sectors (such as tobacco or coal) can be more easily measured by comparing the portfolio's returns to a benchmark, showing the drag or enhancement due to this exclusion. (ESGTextBook[PallasCatFin], Chapter 7, Page 319)

Question 5

Question Type: MultipleChoice

A disadvantage of the Global Real Estate Sustainability Benchmark (GRESB) framework is that it:

Options:

A- does not provide peer group comparison.

B- does not provide environmental impact reduction targets.

C- is easily sidestepped by majority owners who control how it is applied.

Answer:

C

Explanation:

The GRESB framework's application can be influenced or controlled by majority owners, which may limit its effectiveness in assessing the sustainability of real estate investments if it is not applied rigorously. (ESGTextBook[PallasCatFin], Chapter 8, Page 451)

Question 6

Question Type: MultipleChoice

Which of the following most likely indicates strong corporate governance? A company board with:

Options:

A- gender diversity.

B- a chair who also serves as the company's CEO.

C- directors that have similar professional backgrounds.

Answer:

A

Explanation:

Gender diversity on a company's board is often seen as an indicator of strong corporate governance, as it promotes diverse perspectives and better decision-making. (ESGTextBook[PallasCatFin], Chapter 5, Page 236)

Question 7

Question Type: MultipleChoice

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:

Options:

A- faith-based investing.

B- norms-based exclusion.

C- considering religion as a social factor.

Answer:

B

Explanation:

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)

Question 8

Question Type: MultipleChoice

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

Options:

A- Climate Action 100+

B- Network for Greening the Financial System

C- Partnership for Carbon Accounting Financials

Answer:

A

Explanation:

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)