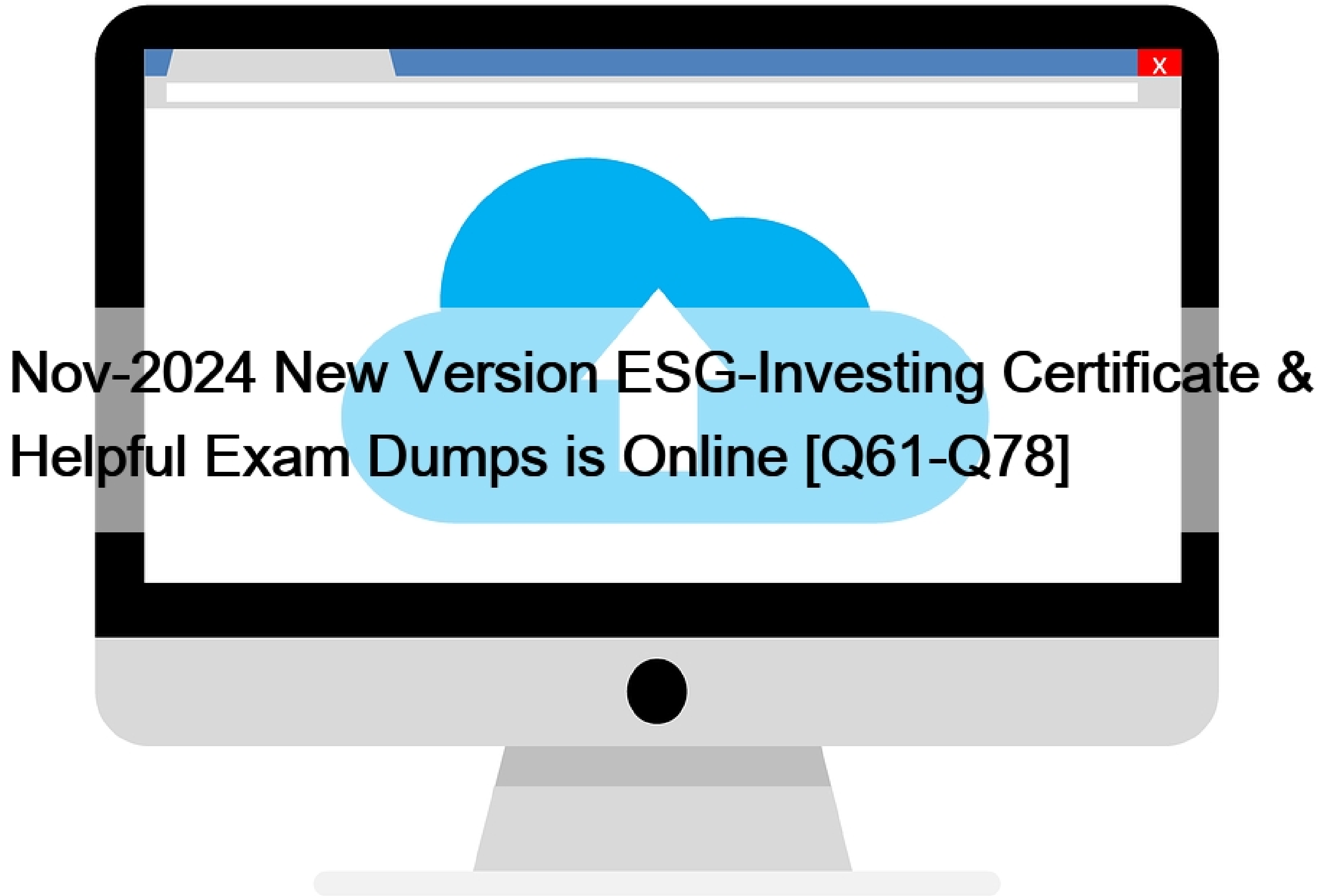
This page was exported from - Free Exam Dumps Collection
Export date: Wed Nov 27 20:40:06 2024 / +0000 GMT

Nov-2024 New Version ESG-Investing Certificate & Helpful Exam Dumps is Online [Q61-Q78



Nov-2024 New Version ESG-Investing Certificate & Helpful Exam Dumps is Online ESG-Investing Free Certification Exam Material with 294 Q&As QUESTION 61

With respect to exclusion policies, which of the following falls outside of the traditional spectrum of responsible investment?
* Indices
* Listed equities
* Corporate debt
Exclusion policies are a common practice in responsible investment, typically applied to specific asset classes to avoid investments in sectors or companies that do not meet certain ethical standards. The following are considered in the traditional spectrum of responsible investment:

* Indices (A): Indices themselves do not fall within the traditional scope of responsible investment exclusion policies. Indices are benchmarks and can include or exclude companies based on various criteria set by the index provider, but they are not direct investments.

* Listed equities (B): Exclusion policies frequently apply to listed equities, where investors choose not to invest in companies involved in activities contrary to their ethical guidelines (e.g., tobacco, firearms).

* Corporate debt (C): Similarly, exclusion policies can apply to corporate debt, avoiding bonds issued by companies that do not meet ESG criteria.

References:

* CFA ESG Investing Principles

* MSCI ESG Ratings Methodology (June 2022)

QUESTION 62

A materiality assessment to identify ESG issues impacting a company’s financial performance is most likely measured in terms of:
* likelihood only.
* magnitude of impact only.
* both likelihood and magnitude of impact.
A materiality assessment to identify ESG issues impacting a company’s financial performance is most effectively measured in terms of both likelihood and magnitude of impact. This approach provides a comprehensive view of potential risks and opportunities by evaluating how likely an issue is to occur and the extent of its potential impact on financial performance. This dual assessment helps in prioritizing ESG issues that are both probable and significant in their effects.

QUESTION 63

In which country is the nominations committee drawn from shareholders rather than being a committee of the board?
* Italy
* Sweden
* The Netherlands
In Sweden, the nominations committee is drawn from shareholders rather than being a committee of the board.

* Sweden (B): In Sweden, the nominations committee is typically composed of representatives of the largest shareholders and is responsible for proposing board members. This approach ensures that shareholder interests are directly reflected in the selection of board candidates.

* Italy (A): In Italy, the nominations committee is generally a committee of the board rather than being drawn from shareholders.

* The Netherlands (C): In the Netherlands, the nominations committee is also generally a committee of the board.

References:

* CFA ESG Investing Principles

* Corporate governance practices in various countries

QUESTION 64

Which of the following statements about materiality is most accurate?

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

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 References:

* 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.

QUESTION 65

Which sector is likely to experience the highest share price increase through reduced carbon emissions?

* Utilities
* Industrials
* Real estate

The utilities sector is likely to experience the highest share price increase through reduced carbon emissions.

* Utilities (A): Utilities, particularly those involved in energy generation, are significant emitters of carbon. Therefore, reducing carbon emissions in this sector can lead to substantial cost savings, improved regulatory compliance, and enhanced reputation. These factors can positively impact share prices as investors increasingly value companies with lower carbon footprints.

* Industrials (B): While industrials can benefit from reduced emissions, the impact on share price is generally less pronounced compared to utilities due to the broader range of factors influencing industrial sector performance.

* Real estate (C): The real estate sector also benefits from reduced emissions through energy efficiency and sustainability initiatives,

but the direct impact on share prices tends to be less immediate compared to the utilities sector.

References:

* CFA ESG Investing Principles

* Market analysis on the financial impacts of carbon emission reductions

QUESTION 66

Companies may be excluded from the UK Modern Slavery Act on the basis of:
* size only
* sector only.
* both size and sector

Under the UK Modern Slavery Act, companies are required to publish a statement on the steps they have taken to ensure that slavery and human trafficking are not taking place in their business or supply chains. The Act applies to businesses with a turnover of £36 million or more, making size the primary basis for exclusion.

There are no sector-specific exclusions mentioned in the Act.

QUESTION 67

Which of the following increases pressure on natural resources?
* Population growth
* Economic recession
* Declining life expectancy

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.

References:

* 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.

QUESTION 68

Which of the three ESG factors is most often taken into consideration by traditional investment analysts?
* Social
* Governance
* Environmental
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.

References:

* 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.

QUESTION 69

The United Nations Framework Convention on Climate Change (UNFCCC) aims to:
* operationalize the Paris Agreement for the business world
* promote material climate change disclosures in mainstream reporting
* stabilize greenhouse gas (GHG) emissions to limit man-made climate change
The United Nations Framework Convention on Climate Change (UNFCCC) aims to stabilize greenhouse gas (GHG) emissions to limit man-made climate change.

* UNFCCC Objectives: The primary objective of the UNFCCC is to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. This goal is articulated in Article 2 of the convention.

* Climate Stabilization: The stabilization of GHG emissions is crucial to mitigate the adverse effects of climate change, including extreme weather events, rising sea levels, and disruptions to ecosystems and agriculture.

* International Cooperation: The UNFCCC provides a framework for international cooperation to combat climate change, involving commitments from countries to reduce GHG emissions and promote sustainable practices.

CFA ESG Investing References:

The CFA Institute’s materials on ESG investing emphasize the importance of understanding global frameworks like the UNFCCC in shaping climate-related policies and investment strategies. The stabilization of GHG emissions is a key aspect of global

efforts to mitigate climate change risks and is fundamental to sustainable investing practices.

Conclusion: The UNFCCC’s role in stabilizing GHG emissions aligns with global climate goals and supports the transition to a lower-carbon economy, making it a critical consideration for investors integrating ESG factors into their decision-making processes.

QUESTION 70

Which of the following would most likely be the initial step when drafting a client’s investment mandate?
* Defining how to measure ESG performance
* Clarifying the client’s ESG investment beliefs
* Defining how to measure financial performance

The initial step when drafting a client’s investment mandate should be clarifying the client’s ESG investment beliefs. This foundational step helps in defining the client’s values, objectives, and priorities related to ESG, which will guide the entire investment strategy and ensure that it aligns with the client’s expectations and goals.

QUESTION 71

Regrowing previously logged forests is most likely an example of climate:
* resilience.
* change mitigation.
* change adaptation.

Regrowing Previously Logged Forests:

Regrowing previously logged forests is an example of climate change mitigation.

1. Climate Change Mitigation: Climate change mitigation refers to efforts to reduce or prevent the emission of greenhouse gases. Regrowing forests contributes to mitigation by absorbing CO2 from the atmosphere through the process of photosynthesis, thereby reducing the overall concentration of greenhouse gases.

2. Climate Resilience and Adaptation:

* Climate Resilience: Involves enhancing the ability of systems to withstand and recover from climate-related impacts.

* Climate Adaptation: Refers to adjustments in systems or practices to reduce the negative effects of climate change and take advantage of new opportunities. While regrowing forests can contribute to adaptation by improving ecosystem services, its primary role is in mitigation by sequestering carbon.

References from CFA ESG Investing:

* Climate Mitigation Strategies: The CFA Institute highlights various strategies for climate change mitigation, including afforestation and reforestation as key practices for sequestering carbon and reducing greenhouse gas concentrations in the atmosphere.

QUESTION 72

According to the Stockholm Resilience Centre, which of the following planetary boundaries have already been crossed as a result of human activity?
* Climate change only
* Loss of biosphere integrity only

* Both climate change and loss of biosphere integrity
According to the Stockholm Resilience Centre, both climate change and loss of biosphere integrity are planetary boundaries that have already been crossed as a result of human activity.

* Planetary Boundaries Framework: The Stockholm Resilience Centre’s planetary boundaries framework identifies critical thresholds in Earth system processes that should not be crossed to avoid catastrophic environmental changes.

* Crossed Boundaries: Both climate change and loss of biosphere integrity (biodiversity loss) are identified as boundaries that have already been transgressed due to human activities, leading to significant environmental and ecological disruptions.

CFA ESG Investing References:

The CFA Institute’s discussions on environmental risks highlight the importance of understanding planetary boundaries in assessing long-term sustainability risks and integrating these considerations into investment decisions.

QUESTION 73

What type of provider of ESG-related products and services is CDP (formerly known as Carbon Disclosure Project)?
* nonprofit
* large for-profit
* boutique for-profit
CDP (formerly known as the Carbon Disclosure Project) is a nonprofit organization that focuses on helping companies, cities, states, and regions disclose and manage their environmental impacts. It operates a global disclosure system that encourages transparency and accountability on climate change, water security, and deforestation.

* Nonprofit Organization: CDP is structured as a nonprofit organization, meaning it operates for the public good rather than for profit. Its mission is to drive environmental disclosure and action among businesses and governments globally.

* Global Environmental Disclosure: CDP runs a comprehensive environmental disclosure platform where thousands of entities report their environmental data. This data is used to assess and manage environmental risks and opportunities.

QUESTION 74

The concept of double-agency in society refers to the conflict of interest between
* corporate CEOs and shareholders
* money managers and asset owners.
* corporate CEOs and money managers
The concept of double-agency in society refers to the conflict of interest between money managers and asset owners. This concept arises when there are two levels of agency relationships, each with potential conflicts of interest.

* Principal-Agent Relationship: In the first level, asset owners (principals) delegate the management of

* their assets to money managers (agents). The money managers are expected to act in the best interests of the asset owners, but their own interests might not always align with those of the asset owners.

* Secondary Agency: The second level involves the relationship between the corporate CEOs (agents) and the company’s shareholders (principals). Here, the CEOs are supposed to act in the best interests of the shareholders, but again, there might be conflicts of interest.

* Double-Agency Conflict: The double-agency conflict occurs because the money managers, who are agents of the asset owners,

also act as principals when dealing with corporate CEOs. This dual role can lead to conflicts where the money managers’ decisions may benefit themselves or the CEOs rather than the asset owners.

References:

* MSCI ESG Ratings Methodology (2022) – Explains the principal-agent relationships and how conflicts of interest can arise at multiple levels, leading to the double-agency problem.

* ESG-Ratings-Methodology-Exec-Summary (2022) – Discusses the importance of aligning interests between asset owners, money managers, and corporate executives to mitigate the double-agency issue.

QUESTION 75

Which of the following is most likely the primary driver of ESG investment for a life insurer?
* Reputational risk
* Recognition of lengthy investment time horizons
* Awareness of financial impacts of climate change
* Investment Horizon:

* Life insurers have investment horizons that can span decades, aligning with the long-term nature of their liabilities. This long-term perspective is crucial in managing and matching assets to future liabilities.

* According to the CFA Institute, life insurers are particularly focused on long-term sustainability and stability, making ESG factors relevant as they can significantly impact long-term investment performance.

* ESG Integration:

* ESG integration helps life insurers manage risks and seize opportunities that are pertinent over long investment periods. This includes climate change risks, social trends, and governance issues that can affect the performance of investments over time.

* The MSCI ESG Ratings Methodology highlights that incorporating ESG factors can improve the resilience of investment portfolios to long-term risks, aligning well with the objectives of life insurers.

* Financial Impacts:

* Recognizing the financial impacts of climate change and other ESG factors, life insurers aim to mitigate risks associated with environmental, social, and governance issues. This proactive approach helps in maintaining the solvency and profitability of the insurance business over the long term.

* Studies show that ESG factors can influence credit ratings, investment returns, and overall financial stability, which are critical considerations for life insurers with long-term obligations.

* Regulatory and Stakeholder Pressure:

* Increasing regulatory requirements and stakeholder expectations for sustainable and responsible investment practices also drive life insurers to integrate ESG factors into their investment strategies.

* The CFA Institute notes that regulatory frameworks and stakeholder demands are increasingly aligning towards greater ESG integration, influencing life insurers to adopt these practices.

References:

* CFA Institute, “Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals.”

* MSCI ESG Ratings Methodology documents, which discuss the relevance of ESG factors in long-term investment strategies for insurers.

QUESTION 76

Formal corporate governance codes are most likely to:
* be found in all major world markets.
* call for serious consequences for non-compliant organizations.
* be interpreted by proxy advisory firms when corporate compliance is assessed.
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

QUESTION 77

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?
* Efficiency ratios
* Capital structure analysis
* Profitability and cash flow analysis
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.

References 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.

QUESTION 78

Non-recyclable waste is eliminated in the:
* reuse economy
* linear economy
* circular economy
Step 1: Definitions and Concepts

* Reuse Economy: An economy where products and materials are reused multiple times before they are discarded, aiming to extend the lifecycle of products and reduce waste.

* Linear Economy: A traditional economic model characterized by a ‘take, make, dispose’ approach.

Resources are extracted, transformed into products, and ultimately disposed of as waste after use.

* Circular Economy: An economic system aimed at eliminating waste and the continual use of resources.

It employs recycling, reuse, remanufacturing, and refurbishment to create a closed-loop system, minimizing the use of resource inputs and the creation of waste.

Step 2: Characteristics of Each Economy

* Reuse Economy: Focuses on the continuous use of products. However, it still generates some waste at the end of the product lifecycle.

* Linear Economy: Generates a significant amount of waste as it follows a one-way flow of materials from resource extraction to waste disposal.

* Circular Economy: Aims to eliminate waste by creating a closed-loop system where products and materials are reused, recycled, and repurposed.

Step 3: Application to Non-Recyclable Waste

In the linear economy, non-recyclable waste is a common outcome. This is because the linear economy’s model does not prioritize recycling or reusing materials, leading to a significant portion of waste being non-recyclable and ending up in landfills or being incinerated.

In contrast:

This page was exported from - Free Exam Dumps Collection
Export date: Wed Nov 27 20:40:08 2024 / +0000 GMT

* Reuse Economy: Aims to reduce waste but does not eliminate it entirely.

* Circular Economy: Seeks to eliminate waste through effective recycling and repurposing, but the

* existence of some non-recyclable waste is inevitable.

Step 4: Verification with ESG Investing References

According to the ESG principles and circular economy strategies highlighted in various sustainability documents, the linear economy is explicitly recognized for its waste-generating characteristics: “The linear economy model results in a high volume of waste due to its ‘take-make-dispose’ nature, which is not aligned with sustainable practices aimed at reducing environmental impact”.

Conclusion: Non-recyclable waste is predominantly eliminated in the linear economy due to its inherent disposal-focused nature.

Get The Important Preparation Guide With ESG-Investing Dumps:
https://www.examcollectionpass.com/CFA-Institute/ESG-Investing-practice-exam-dumps.html]