

Certificate in ESG Investing

1. When undertaking an ESG assessment of a private equity deal ESG screening and due diligence will most likely take place during:

A. exit

B. ownership

C. deal sourcing

Answer(s): C

2. As a percentage of the overall materiality threshold reported in enhanced audit reports, performance materiality is typically:

A. 50%

B. 60%

C. 75%

Answer(s): A

3. Which of the following statements is least accurate? Compared to social and environmental factors, governance has a:

A. greater link to financial performance.

B. greater consideration in traditional investment analysis.

C. greater materiality for private companies than for public companies.

Answer(s): C

4. Which of the following is a for-profit provider offering multiple ESG-related products and services?

A. CDP

B. UNEP

C. FactSet

Answer(s): C

5. According to the Stockholm Resilience Centre, which of the following planetary boundaries have already been crossed as a result of human activity?

A. Climate change only

B. Loss of biosphere integrity only

C. Both climate change and loss of biosphere integrity

Answer(s): C

6. Are the following statements relating to investor engagement accurate?

A. No, only Statement 1 is accurate

B. No, only Statement 2 is accurate

C. Yes, both statements are accurate

Answer(s): C

7. The UK's Green Finance Strategy identifies the policy lever of financing green as

A. strengthening the role of the UK financial sector in driving green finance

B. directing private sector financial flows to economic activities that support an environmentally sustainable and resilient growth.

C. ensuring that the financial sector systematically considers environmental and climate factors in its lending and investment activities.

Answer(s): B

8. Under the UK listing regime, Class 1 transactions:

A. must be approved via shareholder vote

B. can be completed at management's discretion

C. require additional disclosures to shareholders but no approval via shareholder vote

Answer(s): A

9. According to the Brunel Asset Management Accord, which of the following is most likely a concern for the asset owner? A fund manager:

A. having short-term investment underperformance

B. taking lower risk compared to the investment mandate

C. generating returns consistently above the industry average

Answer(s): B

10. Stock exchanges can contribute to the growth of ESG market by:

A. supporting companies to issue more ESG-oriented bonds.

B. increasing the disclosure requirements on ESG data by listed companies.

C. considering ESG factors when voting on behalf of shareholders at companies' annual general meetings.

Answer(s): B

11. Over the past several years, the proportion of sustainable investing relative to total managed assets has fallen in:

A. Europe

B. Canada

C. the United States

Answer(s): A

12. With regards to the climate, financial materiality:

A. only considers impacts of a company on the climate

B. only considers climate-related impacts on a company

C. considers both impacts of a company on the climate and climate-related impacts on a company

Answer(s): C

13. Is the following statement accurate? "Engagement is meant to preserve and enhance long-term value on behalf of the asset owner by focusing on factors such as capital structure and lobbying."

A. Yes

B. No, because engagement does not focus on lobbying

C. No, because engagement does not focus on capital structure

Answer(s): A

14. According to a study of the Hermes UK Focus Fund, which of the following engagement objectives was most likely to be achieved through shareholder activism?

A. Remuneration policy changes

B. Improvements to investor relations

C. Restructuring and financial policies

Answer(s): C

15. Bonds that fund projects that provide access to essential services, infrastructure, and social programs to underserved people and communities are best described as:

A. green bonds.

B. social bonds.

C. transition bonds.

Answer(s): B

16. Which of the following most likely outlines an investment firm's ESG integration approach?

A. ESG policy

B. Statement of Investment Principles

C. Corporate social responsibility report

Answer(s): A

17. A hurdle to adopting ESG investing is most likely a:

A. lack of suitable benchmarks.

B. focus on short-term performance.

C. lack of options outside of equities.

Answer(s): A

18. Which of the following statements regarding ESG considerations and sovereign debt is most accurate?

A. There is little correlation between ESG risk and credit ratings

B. ESG integration in sovereign debt is at similar levels to listed equities and corporate debt

C. ESG ratings tend to be structurally lower for emerging countries relative to developed economies

Answer(s): C

19. Avoiding long term transition risk can most likely be achieved by:

A. investing in companies with stranded assets.

B. divesting highly carbon-intensive investments in the energy sector.

C. reducing exposure to companies exposed to extreme weather events

Answer(s): B

20. In the revised 2020 version of the UK Stewardship Code, a significant change is that signatories are now required to:

A. establish clear guidelines for escalating their activities.

B. publicly disclose how stewardship is integrated into their investment process.

C. report annually how stewardship activities have delivered practical results for clients.

Answer(s): C
