

Sustainable-Investing Interactive Questions - Sustainable-Investing Exam Study Guide



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The CFA Institute Sustainable-Investing certification exam is one of the top rated career advancement certification exams in the market. This Sustainable Investing Certificate (CFA-SIC) Exam (Sustainable-Investing) exam is designed to prove candidates' skills and knowledge levels. By doing this the CFA Institute Sustainable-Investing certificate holders can gain multiple personal and professional benefits. These benefits assist the Sustainable-Investing Exam holder to pursue a rewarding career in the highly competitive market and achieve their career objectives in a short time period.

CFA Institute Sustainable-Investing Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none">Environmental Factors: This section measures skills of Environmental Analysts and Sustainability Specialists by exploring environmental issues such as climate change, resource management, biodiversity, and pollution. It covers systematic relationships, material impacts, and methodologies for environmental analysis at country, sector, and company levels.
Topic 2	<ul style="list-style-type: none">Introduction to ESG Investing: This section of the exam measures skills of Investment Analysts and Portfolio Managers and covers the foundational concepts of environmental, social, and governance (ESG) investing. It focuses on defining ESG investment, different responsible investment approaches, sustainability concepts, benefits and challenges of ESG integration, and key global initiatives in ESG.
Topic 3	<ul style="list-style-type: none">ESG Analysis, Valuation, and Integration: This domain measures the capabilities of Portfolio Managers and Equity Analysts to integrate ESG factors into investment decision-making. It addresses challenges of integration, the impact on industry and company performance, security valuation, and approaches to ESG data analysis across asset classes.
Topic 4	<ul style="list-style-type: none">Integrated Portfolio Construction and Management: Targeting Portfolio Managers and Investment Strategists, this section discusses ESG integration into portfolio construction. It covers ESG screening approaches, benchmarking, the effect on risk-return profiles, and managing ESG portfolios across various asset classes.
Topic 5	<ul style="list-style-type: none">Social Factors: Focused on Social Analysts and Corporate Social Responsibility (CSR) Professionals, this domain reviews social factors impacting investments. It includes systemic relationships and material impacts related to labor practices, diversity, equity, inclusion, and social opportunities at multiple levels.

CFA Institute Sustainable-Investing Exam Study Guide & Sustainable-Investing Latest Exam Duration

Everything needs a right way. The good method can bring the result with half the effort, the same different exam also needs the good test method. Our Sustainable-Investing study questions in every year are summarized based on the test purpose, every answer is a template, there are subjective and objective exams of two parts, we have in the corresponding modules for different topic of deliberate practice. To this end, our Sustainable-Investing Training Materials in the qualification exam summarize some problem-solving skills, and induce some generic templates. The user can scout for answer and scout for score based on the answer templates we provide, so the universal template can save a lot of precious time for the user.

CFA Institute Sustainable Investing Certificate (CFA-SIC) Exam Sample Questions (Q22-Q27):

NEW QUESTION # 22

A portfolio manager may need to adopt a more appropriate ESG benchmark rather than a broad market benchmark if the degree of exclusions results in:

- A. low active share and high tracking error.
- B. low active share and low tracking error
- **C. high active share and high tracking error.**

Answer: C

Explanation:

A portfolio manager may need to adopt a more appropriate ESG benchmark rather than a broad market benchmark if the degree of exclusions results in high active share and high tracking error. High active share indicates that the portfolio significantly deviates from the benchmark, while high tracking error measures the volatility of these deviations.

High Active Share: Excluding a significant number of securities from the investment universe to align with ESG criteria can lead to a portfolio that is very different from the broad market benchmark. This high active share reflects the extent to which the portfolio composition differs from the benchmark.

High Tracking Error: The deviations from the benchmark can lead to high tracking error, indicating the portfolio's performance can vary significantly from the benchmark. This variability can be a result of the different risk and return characteristics of the excluded securities.

Appropriate ESG Benchmark: To accurately measure performance and risk, it is essential to use a benchmark that reflects the ESG criteria applied in the portfolio. An ESG-specific benchmark would provide a more relevant comparison and better align with the investment strategy.

Reference:

MSCI ESG Ratings Methodology (2022) - Explains the importance of selecting appropriate benchmarks for ESG-focused portfolios to ensure alignment with investment objectives.

ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the impact of exclusions on portfolio metrics such as active share and tracking error, and the need for suitable ESG benchmarks.

NEW QUESTION # 23

Which of the following is an example of greenwashing?

- A. A company voluntarily disclosing sustainability risks in its annual report
- **B. A company falsely claiming its products are 100% carbon neutral**
- C. A company investing in renewable energy to offset emissions

Answer: B

Explanation:

Greenwashing occurs when a company misrepresents its sustainability efforts, such as falsely claiming carbon neutrality without credible verification.

* Investing in renewables (B) and voluntary disclosure (C) are legitimate sustainability actions.

References:

CFA Institute Greenwashing Risk Report

EU Green Claims Directive

Principles for Responsible Investment (PRI) ESG Transparency Guide

NEW QUESTION # 24

The low correlation between the ratings from different ESG rating agencies:

- A. Has no effect on the ambition of companies to improve their ESG performance
- B. Makes it less difficult for companies to improve their ESG performance
- C. Makes it more difficult for companies to improve their ESG performance

Answer: C

Explanation:

Different ESG rating agencies (MSCI, Sustainalytics, Refinitiv, etc.) use different methodologies, leading to low correlation among ratings.

Why C (more difficult for companies) is correct:

Companies struggle to improve ESG scores because rating criteria differ significantly across providers.

Example: A company may score high on MSCI but low on Sustainalytics, making it harder to demonstrate ESG improvement.

Why not A or B?

A is incorrect because inconsistency creates challenges rather than making improvement easier.

B is incorrect because ESG ratings do influence corporate ambition to improve sustainability efforts.

Reference:

MIT Sloan: "The Inconsistency of ESG Ratings" (2022)

NEW QUESTION # 25

Which of the following board committees aims to ensure that the board is balanced and effective?

- A. Audit committee
- B. Compensation committee
- C. Corporate governance committee

Answer: C

Explanation:

The Corporate Governance Committee (Option C) ensures the board:

Has diverse, skilled, and independent directors.

Follows best practices in governance, ethics, and oversight.

Option A (Audit committee) focuses on financial reporting and risk management.

Option B (Compensation committee) oversees executive pay and incentives.

Reference:

OECD Corporate Governance Guidelines

PRI Board Effectiveness and ESG Governance Report

Harvard Law School: Corporate Board Oversight Trends

NEW QUESTION # 26

Which of the following is an environmental megatrend that has a severe social impact?

- A. Urbanization
- B. Globalization
- C. Mass migration

Answer: C

Explanation:

Mass migration is an environmental megatrend that has a severe social impact. Environmental changes, such as climate change, natural disasters, and resource depletion, can force large populations to migrate, leading to significant social consequences.

Displacement and Refugees: Environmental degradation and climate-related events can displace millions of people, creating large numbers of refugees and internally displaced persons. This leads to humanitarian crises and puts pressure on host communities and countries.

Social and Economic Strain: Mass migration can strain social and economic systems in both the areas people migrate from and to. It can lead to increased competition for jobs, housing, and resources, and can also cause social tensions and conflicts.

Cultural Impact: Migration can impact cultural dynamics, leading to changes in community structures and potential conflicts over cultural integration and identity. The social fabric of both sending and receiving regions can be significantly affected.

References:

MSCI ESG Ratings Methodology (2022) - Discusses the social impacts of environmental megatrends, including mass migration, highlighting the challenges and risks associated with large-scale human displacement.

ESG-Ratings-Methodology-Exec-Summary (2022) - Provides insights into the social and economic implications of environmental changes and the resulting migration patterns.

NEW QUESTION # 27

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