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As the saying goes, practice makes perfect. We are now engaged in the pursuit of Craftsman spirit in all walks of life. Professional and mature talents are needed in each field, similarly, only high-quality and high-precision Sustainable Investing Certificate (CFA-

SIC) Exam qualification question can enable learners to be confident to take the qualification examination so that they can get the certificate successfully, and our Sustainable-Investing Learning Materials are such high-quality learning materials, it can meet the user to learn the most popular test site knowledge. Because our experts have extracted the frequent annual test centers are summarized to provide users with reference.

CFA Institute Sustainable-Investing Exam Syllabus Topics:

Topic	Details
Topic 1	• 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	• 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 3	• 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.
Topic 4	• Engagement and Stewardship: Designed for Asset Managers and Stewardship Professionals, this domain covers investor engagement strategies and stewardship principles. It highlights the purpose, importance, key principles, and practical application of engagement tactics within responsible investing frameworks.
Topic 5	• 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 6	• 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 7	• The ESG Market: This domain targets Financial Analysts and Institutional Investors, examining the size, scope, relevance, and key drivers of the ESG market. It also discusses risks and opportunities within the ESG investment landscape, helping candidates understand market dynamics and trends.

CFA Institute Sustainable Investing Certificate (CFA-SIC) Exam Sample Questions (Q129-Q134):

NEW QUESTION # 129
Compared to an optimal portfolio that does not have any ESG restrictions a portfolio that optimizes for multiple ESG factors will most likely experience

- A. lower tracking error
- B. higher active risk.
- C. lower active risk

Answer: B

Explanation:
Compared to an optimal portfolio that does not have any ESG restrictions, a portfolio that optimizes for multiple ESG factors will most likely experience higher active risk. Active risk, also known as tracking error, measures the deviation of a portfolio's returns from its benchmark.
Constraints and Limitations: Applying multiple ESG factors imposes constraints on the investment universe.

This limitation can lead to deviations from the benchmark, as the portfolio may exclude certain stocks or sectors that are present in the benchmark.
Sector and Stock Exclusions: By optimizing for ESG factors, the portfolio may exclude high-performing stocks or entire sectors that do not meet ESG criteria. This exclusion can increase the portfolio's active risk compared to a traditional optimal portfolio.
Potential for Divergence: The focus on ESG factors can lead to a different composition of the portfolio relative to the benchmark, resulting in potential performance divergence and higher active risk.
References:
MSCI ESG Ratings Methodology (2022) - Highlights the potential for increased active risk when integrating multiple ESG factors into portfolio optimization.
ESG-Ratings-Methodology-Exec-Summary (2022) - Discusses the impact of ESG constraints on portfolio performance and tracking error.

NEW QUESTION # 130
Interest by retail investors in responsible investing has:

- A. remained stable over time
- B. been growing over time
- C. been declining over time

Answer: B

Explanation:
Interest by retail investors in responsible investing has been growing over time. This trend is driven by increased awareness of ESG issues and the recognition that sustainable investing can align with both personal values and financial goals.
Growth in interest: Surveys and market data consistently show that more retail investors are considering ESG factors in their investment decisions. This trend is supported by the increasing availability of ESG-related investment products and greater transparency from companies regarding their ESG practices.
Drivers: Factors contributing to this growth include heightened awareness of environmental and social issues, the impact of regulatory changes promoting ESG disclosures, and the perception that ESG investing can mitigate risks and uncover opportunities.
References:
CFA ESG Investing Principles
Market surveys and reports on trends in responsible investing

NEW QUESTION # 131
The EU Paris-Aligned Benchmarks and EU Climate Transition Benchmarks both:

- A. impose green-to-brown ratios to restrict "brown" investments
- B. prohibit investments in fossil fuels
- C. use a relative approach by comparing a company's performance to its sector average

Answer: C

Explanation:
Step 1: Understanding EU Paris-Aligned and Climate Transition Benchmarks The EU Paris-Aligned Benchmarks (PAB) and EU Climate Transition Benchmarks (CTB) were established to help investors align their portfolios with the Paris Agreement goals. They aim to guide investments towards a low-carbon economy and provide standards for climate-related financial products.
Step 2: Key Characteristics of the Benchmarks
Paris-Aligned Benchmark (PAB): Designed to align with a 1.5°C temperature rise scenario.
Climate Transition Benchmark (CTB): Allows for a broader alignment with climate transition objectives, aiming for a less stringent pathway than the PAB.
Step 3: Common Features
Both benchmarks:
Require reductions in carbon intensity compared to a standard benchmark.
Aim to support the transition towards a low-carbon economy.
Use a sector-relative approach, meaning companies' performances are compared to their sector averages to account for differences in sectoral emission profiles.
Step 4: Verification with ESG Investing References
Both the EU PAB and CTB use a relative approach to compare a company's performance to its sector average, ensuring that high-emission sectors still contribute to the transition: "These benchmarks use sector-relative decarbonization approaches, comparing

companies within the same sector to ensure fair and achievable targets across different industries".
Conclusion: The EU Paris-Aligned Benchmarks and EU Climate Transition Benchmarks both use a relative approach by comparing a company's performance to its sector average.

NEW QUESTION # 132
In contrast to active investors, passive investors are most likely to:

- A. focus their engagement on companies identified as underperformers or ones that trigger other financial or ESG metrics
- B. seek a direct discussion with senior management and then the board
- C. start their engagement process by writing a letter to all the companies impacted by a certain ESG issue

Answer: C

Explanation:
In contrast to active investors, passive investors are most likely to start their engagement process by writing a letter to all the companies impacted by a certain ESG issue.
Passive Investment Approach: Passive investors, such as those managing index funds, typically hold a wide array of companies within their portfolios. Direct engagement with each company individually can be resource-intensive.
Broad Engagement Strategy: Writing a letter to all companies affected by a specific ESG issue allows passive investors to address concerns across their entire portfolio efficiently. This approach ensures that all relevant companies are informed of the investor's expectations and concerns regarding the ESG issue.
Active Investors: In contrast, active investors may prioritize direct discussions with senior management and the board (A) or focus on specific underperforming companies (C) for more targeted engagement.
CFA ESG Investing Reference:
The CFA Institute's resources on engagement strategies for investors distinguish between the broad, systematic engagement methods used by passive investors and the more targeted, intensive approaches favored by active investors. This helps ensure effective ESG integration across different investment styles.

NEW QUESTION # 133
Which of the following events typically increases the discount rate in an investor's discounted cash flow (DCF) model? The investee company:

- A. Launches a new product to reduce customers' electricity usage
- B. Is subject to a newly established carbon tax applied sector-wide
- C. Faces an environmental litigation cost related to a specific project

Answer: C

Explanation:
Anenvironmental litigation costis afirm-specificrisk that increases uncertainty in a company's cashflows, thereby raising itscost of capital (discount rate)in a DCF model.Higher discount rates reflect higher risk perceptions, reducing the present value of future earnings.
In contrast, asector-wide carbon tax (B)affects all firms in the industry and is often incorporated into pricing structures, reducing itsfirm-specific impact on discount rates.Launching a sustainable product (A)might lower risk perception, potentially reducing the discount rate instead.
References:
CFA Institute Guide to Valuation & ESG Risks
MSCI ESG Ratings Methodology on Cost of Capital Adjustments
Principles for Responsible Investment (PRI) Report on Climate Risk in Financial Models

NEW QUESTION # 134
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