Reading 34: Corporate Governance and ESG: An Introduction

Question #1 of 23

Question ID: 683886

Risks that may arise from ineffective corporate governance *least likely* include:

A) weaker financial performance.

B) reduced default risk.

C) less effective decision making.

Question #2 of 23

Question ID: 683883

A company director's duty of loyalty is *most accurately* described as requiring a director to:

A) act in the interests of the company and its shareholders.

B) carry out the duties assigned by the managers of the company.

C) perform his or her duties in good faith and with due diligence.

Question #3 of 23

Question ID: 683889

Which of the following environmental factors is *least likely* to arise from inadequate internal controls and safety standards?

A) Stranded assets.

B) Waste contamination.

C) Local resource depletion.

Question #4 of 23

Question ID: 683880

A conflict of interest between corporate stakeholders is *least likely* to be mitigated by:

A) covenants in debt indentures.

B) including stock options as part of manager compensation.

C) issuing stock dividends.

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Question ID: 683875

The stakeholders *most likely* to be concerned with their legal liabilities are:

A) directors.

B) regulators.

C) creditors.

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Question ID: 683873

The stakeholder group that typically prefers the greatest amount of business risk is:

A) directors.

B) shareholders.

C) senior managers.

Question #7 of 23

Question ID: 683882

Smith Company's board of directors assigns responsibilities to three committees. The committee that is *most likely* to be responsible for establishing the chief executive officer's compensation package is Smith's:

A) investment and risk committee.

B) nominations and remuneration committee.

C) audit and governance committee.

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Question ID: 683872

The stakeholders of a company that prefer a relatively riskier company strategy that has the potential for superior company performance are:

A) creditors.

B) suppliers.

C) shareholders.

Question #9 of 23

Question ID: 684025

Which of the following statements about corporate governance is most accurate? Corporate governance:

A) is defined in the same way in most countries.

B) may be focused only on shareholder interests.

C) best practices are essentially the same in developed economies.

Question #10 of 23

Question ID: 683887

To judge whether management's incentives are aligned with a firm's stated goals, an analyst should examine the firm's:

A) share class structure.

B) cross-shareholdings.

C) remuneration programs.

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Question ID: 683877

The relationship between a company's shareholders and its senior managers is *best* described as a(n):

A) agency relationship.

B) principal relationship.

C) working partnership.

Question #12 of 23

Question ID: 683879

A company's internal systems and practices for managing stakeholder relationships are *most accurately* described as its:

A) contractual infrastructure.

B) governance infrastructure.

C) organizational infrastructure.

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Question ID: 683870

The stakeholder theory of corporate governance is primarily focused on:

A) increasing the value a company.

B) resolving the competing interests of those who manage companies and other groups affected by a company's actions.

C) the interests of various stakeholders rather than the interests of shareholders.

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Question ID: 683874

Which of the following stakeholders are *most likely* to benefit from a company's growth and excellent financial performance?

A) Customers.

B) Creditors.

C) Governments.

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Question ID: 765494

In the absence of any ESG-related constraints specified in an investment policy statement, a portfolio manager is *most likely* to violate fiduciary duty by using ESG factors to:

A) assess the expected return and risk of potential portfolio investments.
B) choose among investments with similar risk and return characteristics.
C) exclude investments with negative ESG characteristics from the investor's portfolio.

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Question ID: 683885

Shareholders who use their share voting power or other means to pressure companies to make changes they believe will increase shareholder value are *most accurately* described as:

A) ESG shareholders.
B) activist shareholders.
C) proxy shareholders.

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Question ID: 683876

A principal-agent relationship *most likely* exists between a company's:

A) customers and suppliers.
B) shareholders and managers.
C) directors and regulators.

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Question ID: 683881

Minority shareholder groups are *most likely* to have influence over corporate strategy when board elections:

A) use cumulative voting.
B) use majority voting.
C) are staggered.

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Question ID: 683884

With a one-tier board structure:

A) both executives and non-executives can serve on the board of directors.
B) independent directors determine company strategy.
C) senior managers determine corporate strategy.

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Question ID: 683890

Thematic investing is *most accurately* described as:

A) excluding companies or sectors from consideration for investment based on environmental and social factors.

B) considering a single environmental or social factor when selecting investments.

C) identifying the best companies in each sector with respect to environmental and social factors.

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Question ID: 683878

In the context of stakeholder management, organizational infrastructure is *most accurately* described as:

A) contractual arrangements a company enters into with its stakeholders.

B) a framework for defining the rights and responsibilities of stakeholders.

C) a company's internal procedures for addressing stakeholder relationships.

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Question ID: 683869

The interests of community groups affected by a company's operations are *most likely* to be considered in corporate governance under:

A) stakeholder theory.

B) shareholder theory.

C) special interest theory.

Question #23 of 23

Question ID: 765493

Environmental, social, and governance (ESG) investing is *most accurately* described as:

A) investing only in companies that promote environmental or social initiatives favored by an investor.

B) excluding companies in carbon production based industries from consideration for investment.

C) integrating environmental and social considerations into the investment decision making process.