

Question #1 of 23

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) audit and governance committee.
 - B) investment and risk committee.
 - C) nominations and remuneration committee.
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Question #2 of 23

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

- A) are staggered.
 - B) use majority voting.
 - C) use cumulative voting.
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Question #3 of 23

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

- A) shareholder theory.
 - B) special interest theory.
 - C) stakeholder theory.
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Question #4 of 23

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) exclude investments with negative ESG characteristics from the investor's portfolio.
 - B) choose among investments with similar risk and return characteristics.
 - C) assess the expected return and risk of potential portfolio investments.
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Question #5 of 23

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

- A) integrating environmental and social considerations into the investment decision making process.
 - B) investing only in companies that promote environmental or social initiatives favored by an investor.
 - C) excluding companies in carbon production based industries from consideration for investment.
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Question #6 of 23

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

- A) organizational infrastructure.
 - B) contractual infrastructure.
 - C) governance infrastructure.
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Question #7 of 23

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.
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Question #8 of 23

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) proxy shareholders.
 - C) activist shareholders.
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Question #9 of 23

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 company's internal procedures for addressing stakeholder relationships.
 - C) a framework for defining the rights and responsibilities of stakeholders.
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Question #10 of 23

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 #11 of 23

With a one-tier board structure:

- A) independent directors determine company strategy.
 - B) both executives and non-executives can serve on the board of directors.
 - C) senior managers determine corporate strategy.
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Question #12 of 23

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

- A) Waste contamination.
 - B) Local resource depletion.
 - C) Stranded assets.
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Question #13 of 23

Thematic investing is *most accurately* described as:

- A) considering a single environmental or social factor when selecting investments.
 - B) identifying the best companies in each sector with respect to environmental and social factors.
 - C) excluding companies or sectors from consideration for investment based on environmental and social factors.
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Question #14 of 23

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

- A) directors.

- B) creditors.
 - C) regulators.
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Question #15 of 23

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.
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Question #16 of 23

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

- A) shareholders and managers.
 - B) directors and regulators.
 - C) customers and suppliers.
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Question #17 of 23

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

- A) shareholders.
 - B) senior managers.
 - C) directors.
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Question #18 of 23

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

- A) including stock options as part of manager compensation.
 - B) covenants in debt indentures.
 - C) issuing stock dividends.
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Question #19 of 23

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.
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Question #20 of 23

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 #21 of 23

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

- A) best practices are essentially the same in developed economies.
 - B) may be focused only on shareholder interests.
 - C) is defined in the same way in most countries.
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Question #22 of 23

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

- A) Creditors.
 - B) Governments.
 - C) Customers.
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Question #23 of 23

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

- A) reduced default risk.
- B) weaker financial performance.

C) less effective decision making.

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