27 INTRODUCTION TO CO... OTHER ESG CONSIDERATIONS

1. In the context of stakeholder management, organizational infrastructure is most accurately described as:
   (A) a framework for defining the rights and responsibilities of stakeholders.
   (B) contractual arrangements a company enters into with its stakeholders.
   (C) a company's internal procedures for addressing stakeholder relationships.

2. Which of the following factors should an analyst most likely consider favorable for shareholders' interests?
   (A) Anti-takeover provisions.
   (B) Non-executive directors.
   (C) Dual-class share structures.

3. a one-tier board structure:
   (A) senior managers determine corporate strategy.
   (B) independent directors determine company strategy.
   (C) both executives and non-executives can serve on the board of directors.

4. 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.

5. The interests of community groups affected by a company's operations are most likely to be considered in corporate governance under:
   (A) special interest theory.
   (B) shareholder theory.
   (C) stakeholder theory.

6. Analysis of a firm's remuneration is most likely to inform an analyst as to:
   (A) the voting rights of shareholders who hold different share classes.
   (B) whether management's incentives align with the firm's objectives.
   (C) potential conflicts of interest arising from the firm's cross-shareholdings.

7. Risks that may arise from ineffective corporate governance least likely include:
   (A) reduced default risk.
   (B) less effective decision making.
   (C) weaker financial performance.

8. The stakeholders most likely to be concerned with their legal liabilities are:
   (A) regulators.
   (B) creditors.
   (C) directors.

9. Thematic investing is most accurately described as:
   (A) identifying the best companies in each sector with respect to environmental and social factors.
   (B) considering a single environmental or social factor when selecting investments.
   (C) excluding companies or sectors from consideration for investment based on environmental and social factors.

10. Smith Company's board of directors assigns responsibilities to several committees. The committee that is most likely to be responsible for establishing the chief executive officer's compensation package is Smith's:
   (A) governance committee.
   (B) remuneration committee.
   (C) risk committee.

11. 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.

12. Minority shareholder groups are most likely to have influence over corporate strategy when board elections are:
   (A) staggered and use majority voting.
   (B) annual and use cumulative voting.
   (C) staggered and use cumulative voting.

13. With regard to environmental, social, and governance (ESG) considerations, which of the following statements is most accurate?
   (A) A "values-based" objective involves investing in companies that have ESG-related opportunities that are not fully reflected in their share prices.
   (B) Integrating ESG factors into the analysis of a company's risk and return characteristics is not considered a violation of fiduciary duty.
   (C) Fiduciary duty requires managers to integrate their clients' ESG-related considerations into investment decisions.

14. The stakeholder theory of corporate governance is primarily focused on:
    (A) resolving the competing interests of those who manage companies and other groups affected by a company's actions.
    (B) the interests of various stakeholders rather than the interests of shareholders.
    (C) increasing the value a company.

15. Special resolutions that require a supermajority of shareholder votes may be addressed:
    (A) at either the annual general meeting or an extraordinary general meeting.
    (B) only at the annual general meeting.
    (C) only at an extraordinary general meeting.

16. The stakeholders of a company that are least likely to prefer a relatively riskier company strategy that has the potential for superior company performance are:
    (A) suppliers.
    (B) creditors.
    (C) shareholders.

17. With regard to a corporation's legal environment, the interests of shareholders and firm creditors are typically best served by:
    (A) a civil law system.
    (B) a common-law system.
    (C) an enacted statute system.

18. A principal-agent relationship most likely exists between a company's:
    (A) shareholders and managers.
    (B) directors and regulators.
    (C) customers and suppliers.

19. The relationship between a company's shareholders and its senior managers is best described as a(n):
    (A) agency relationship.
    (B) working partnership.
    (C) principal relationship.

20. 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.

21. The stakeholder group that typically prefers the greatest amount of business risk is:
    (A) directors.
    (B) shareholders.
    (C) senior managers

22. Which of the following stakeholders are most likely to benefit from a company's growth and excellent financial performance?
    (A) Creditors.
    (B) Customers.
    (C) Governments.

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

24. A conflict of interest between corporate stakeholders is least likely to be mitigated by:
    (A) issuing stock dividends.
    (B) covenants in debt indentures.
    (C) including stock options as part of manager compensation.

25. 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 from consideration for investment based on environmental or social considerations.

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