StePs
Stewardship Professionals

Certified Stewardship Professional - CSP©

Multiple Choice Sample Questions

These sample questions will help you in your preparation for the CSP© Exam. The exam questions will be of a similar level of difficulty.

Please note that in some cases, more than one answer may be correct.

StePs – July 2025

A) Topic: Stewardship Fundamentals

Question 1: What is the role of the lead (or senior) independent director?

☐ A) Purely ceremonial and to act as an alternate for the chair should they not be available for a board meeting.

☐ B) To act as an alternative conduit of investor concern if the chair is not appropriate – for example if the issue is the relationship between chair and CEO.

☐ C) To chair meetings of the non-executive directors where the presence of the chair is inappropriate because of a conflict of interest – for example when considering the chair's succession.

☐ D) Both B and C

Question 2: Internal audit is best understood as ...

- [ ] A) ... a risk management function.
- [ ] B) ... a part of the external audit that only company executives see the outputs of.
- [ ] C) ... a part of the external audit that only company non-executive directors see the output of.
- [ ] D) ... an alternative to carrying out an external audit.

Question 3: Why do many investors oppose the repricing of options?

- [ ] A) Repricing means that employees are protected from share price falls in a way that shareholders aren't.

- [ ] B) It makes options even more of a one-way bet for employees.

- [ ] C) Executives benefit from undeserved share price outperformance; they shouldn't avoid the effects of underperformance, even if it isn't directly their fault.

- [ ] D) All of the above

Question 4: An institutional investor's stewardship activities are ...

- [ ] A) ... part of its corporate social responsibility (CSR) obligations.
- [ ] B) ... an additional service that its beneficiaries may or may not require it to perform.
- [ ] C) ... a mechanism through which institutional investors can discharge their fiduciary duties.
- [ ] D) ... fundamentally a compliance requirement.

Question 5: Stewardship codes ...

- [ ] A) ... exist in all markets to guide investment decision making on a voluntary basis.
- [ ] B) ... impose a legal obligation on signatories to adopt its standards.
- [ ] C) ... exist as voluntary codes of practice to encourage responsible monitoring, voting and engagement with portfolio companies.
- [ ] D) ... are prepared by companies as part of their contractual commitment to an investee company.

Question 6: Which of the following is NOT an accounting standard?

- [ ] A) IFRS (International Financial Reporting Standards)
- [ ] B) GAAP (Generally Accepted Accounting Principles)
- [ ] C) FASB (Financial Accounting Standards Board)
- [ ] D) SAS (Statement on Auditing Standards)

Question 7: Which of these is an argument for why non-executive directors should not receive variable remuneration?

- [ ] A) Because they do not contribute to the company's performance.
- [ ] B) Because variable pay may compromise their independence and objectivity.
- [ ] C) Because they are not legally allowed to receive any form of variable compensation.
- [ ] D) Because they only attend board meetings and do not make strategic decisions.

Question 8: What does the concept of "clawback" mean?

- [ ] A) A policy that allows executives to increase their bonuses retroactively.
- [ ] B) A contractual agreement that enables a company to recover previously paid compensation under certain conditions.
- [ ] C) A tax strategy to reduce corporate liabilities.
- [ ] D) A mechanism for board members to request back pay for meeting attendance.

Answers:

Question 1:

Right answer: **D** - The role of the LID or SID only comes into action when an alternative authority is needed – either for communication from investors or for effective board functioning.

Question 2:

Right answer: **A** - Internal audit is very different from external audit and is certainly not an alternative to it.

Question 3:

Right answer: **D** - Repricing makes clear options aren't incentives, they're just a standard element of expected reward.

Question 4:

Right answer: **C** - As fiduciaries of their beneficiaries, institutional investors owe investors a duty to preserve the assets entrusted to them and to maximize risk-adjusted returns. Accordingly, institutional investors should employ stewardship tools whenever they can be effective to accomplish these goals.

Question 5:

Right answer: **C** – Stewardship codes exist in markets around the world to promote responsible investment practices by institutional investors (like asset managers, pension funds, and insurers). Even though they are voluntary, these codes play an important role in encouraging long-term, sustainable decision-making that benefits not just shareholders, but also broader stakeholders and society.

- Aligning Investor Interests with Long-Term Company Performance
- Voluntary Nature to Promote Flexibility and Global Adoption
- Enhancing Market Trust and Stability
- Global Best Practices and Soft Regulation
- International Trends and Pressure

Question 6:

Right answer: **C and D** – SAS (Statement on Auditing Standards) is not an accounting standard; it relates to auditing standards set by professional bodies for auditors. IFRS and GAAP are accounting standards, while FASB is the organization that sets the standards under GAAP in the U.S.

Question 7:

Right answer: **B –** Variable remuneration, such as bonuses or stock options, may compromise the independence and objectivity of non-executive directors, whose primary role is to oversee and challenge management. Fixed pay structures help ensure they act in the best interest of shareholders without conflicts of interest.

Question 8:

Right answer: **B** - A clawback is a policy or provision that allows a company to reclaim previously awarded compensation, typically in cases of misconduct, financial restatement, or failure to meet performance targets. It promotes accountability and helps protect shareholder interests.

B) Topic: Stewardship Tools, Skills, Techniques

Question 1: What is proxy voting?

- [ ] A) A process where shareholders vote by attending the annual general meeting (AGM) in person.
- [ ] B) A method by which shareholders delegate their voting power to another person or entity to vote on their behalf.
- [ ] C) A system used to prevent hostile takeovers by distributing voting rights among many shareholders.
- [ ] D) A legal requirement for shareholders to submit their votes electronically.

Question 2: Who does an institutional investor typically address when they have an issue with the board of directors?

- [ ] A) CEO
- [ ] B) Chairman
- [ ] C) The investor relations or corporate secretary department
- [ ] D) Internal auditors

Question 3: What describes the process of claims filing in a class action?

- [ ] A) The process of submitting a formal request for compensation.
- [ ] B) A process where a defendant submits evidence to defend against an accusation in court.
- [ ] C) A method of reporting financial earnings to a government agency.
- [ ] D) A method of reporting financial earnings to a government agency.

Question 4: Which joint actions by investors might trigger acting in concert or concert party concerns?

- [ ] A) Discussing the company's governance of sustainability issues.
- [ ] B) Seeking to replace the CEO and change company strategy.
- [ ] C) Discussing capital allocation policy.
- [ ] D) Accepting corporate hospitality from investee companies as part of an engagement strategy.

Question 5: What are common points of critique when using a proxy advisor?

- [ ] A) Proxy advisors always make recommendations that benefit the company’s executives.
- [ ] B) Proxy advisors may rely on generalized voting recommendations without fully understanding specific company circumstances.
- [ ] C) Proxy advisors are often slow to adapt to changing market conditions.
- [ ] D) Proxy advisors do not consider the long-term interests of investors.

Question 6: Which tool is not part of the escalation process?

- [ ] A) Public statements made before or at the Annual General Meeting
- [ ] B) Securities Litigation
- [ ] C) Exit
- [ ] D) Filing a Shareholder Proposal

Question 7: Where is the key distintion between collaborative enagagement and acting in concert?

- [ ] A) Collaborative engagement involves formal agreements between shareholders, while acting in concert involves informal discussions.

- [ ] B) Collaborative engagement occurs when shareholders work together on specific issues without formal agreements or, while acting in concert involves coordinated actions with a clear shared specific goal to influence or control a company's operations or securities.

- [ ] C) Collaborative engagement means sharing information with other shareholders but not taking any direct action, while acting in concert involves making joint decisions to file a shareholder proposal.

- [ ] D) Collaborative engagement requires a formal agreement between shareholders, while acting in concert involves informal discussions to influence a company's strategy.

Question 8: If an executive of a publicly-traded company inadvertently volunteers material non-public information during an engagement with the staff of an investor, such staff should …

- [ ] A) … keep such information to themselves and not share it with any of their colleagues.
- [ ] B) … report the information and the circumstances to compliance.
- [ ] C) … insist the company make the information public.
- [ ] D) … file a confidential record of the information and the circumstances.

Answers:

Question 1:

Right answer: **B** - A method by which shareholders delegate their voting power to another person or entity to vote on their behalf.

Question 2:

Right answer: **B and C** - Institutional investors typically raise governance concerns through the investor relations team or corporate secretary, who act as formal channels between shareholders and the board. These teams facilitate communication and ensure that shareholder concerns are relayed appropriately. National governance codes also refer to the chairman as the first shareholder representative on the board.

Question 3:

Right answer: **A -** Claims filing is the process of submitting a formal request for compensation, resolution, or legal remedy, typically in the context of insurance, legal disputes, or contractual issues. This process initiates the claim and allows for further investigation or action based on the request.

Question 4:

Right answer: **B -** Joint actions by investors that might trigger "acting in concert" or "concert party" concerns typically involve coordinated activities that suggest a shared strategy or intention to influence or control a company. These actions could include:

- Voting Together: Agreeing to vote in a particular way at shareholder meetings.
- Joint Acquisition of Shares: Buying shares together or with a common understanding or arrangement.
- Collaborative Engagement: Coordinated discussions with the company management to influence business decisions.
- Shareholder Agreements: Any formal or informal pacts regarding the exercise of rights over shares.
- Common Strategic Objectives: Aligning on plans to change management, initiate a takeover, or block a transaction.
- Public Statements or Campaigns: Jointly issuing press releases or engaging in activism targeting the company.

Regulators (like the UK Takeover Panel or SEC in the U.S.) may view these actions as indicative of a concert party, which could lead to disclosure obligations, mandatory bid requirements, or regulatory scrutiny.

Question 5:

Right answer: **B -** Proxy advisors are sometimes criticized for relying on standardized, generalized maret-wide voting recommendations that may not fully account for the unique circumstances of a specific company or shareholder. This can result in recommendations that don't align with the best interests of all investors or stakeholders.

Question 6:

Right answer: **C** - "Exit" isn't typically part of the escalation process because escalation is meant to resolve issues within the organization or system, whereas exit is a final decision to leave or disengage from it.

Question 7:

Right answer: **B** - Collaborative engagement occurs when shareholders work together on specific issues without formal agreements, while acting in concert involves coordinated actions with a clear shared goal, often requiring disclosure under securities law because it may influence the company's control.

Question 8:

Right answer: **B** - Possession of material non-public information about a listed company by an investor may trigger insider trading concerns, and potentially require the investor to cease trading in the securities of the company. Accordingly, staff who come into possession of likely material non-public information, even if inadvertently, should immediately contact their firm's compliance office.

C)Topic: Stewardship & ESG: Themes, Assets and Outcomes

Question 1: What is impact investing?

☐ A) It prioritises a company's social mission to relative to its responsibility to shareholders.

☐ B) Seeks to balance a company's/social and environmental impact with generating returns to shareholders.

☐ C) Seeks to have an impact on corporate governance by placing investor nominated candidates on the board.

☐ D) It aims provide positive publicity for the investor.

Question 2: A company releases water used during its processing in the production of nuclear energy. The contaminated water released exceeds legal limits and the company is heavily fined. This release of water and its impact would be described as...

- [ ] A) ... only singly material.
- [ ] B) ... only doubly material .
- [ ] C) ... both singly and doubly material.
- [ ] D) ... immaterial.

Question 3: Systemic risk is defined as ….

- [ ] A) … risk to an entire market, regardless of the origin of the risk.

- [ ] B) … only risks and impacts arising from human activity. It excludes risks and impact from natural phenomena.

- [ ] C) … only risks and impacts arising from natural phenomena. It excludes risks and impacts from human activity.

- [ ] D) … a risk to the global ecosystem.

Question 4: How do you best describe tilting portfolios?

- [ ] A) It focuses on sectoral leaders according to ESG performance indicators
- [ ] B) It excludes investments in companies below a threshold ESG scores
- [ ] C) It is positive social impact focused on companies with
- [ ] D) A decision to invest based on the quality of CSR activity by a company

Question 5: How would you best describe biodiversity?

- [ ] A) The variety of technologies used in environmental monitoring.
- [ ] B) The total number of species that have gone extinct.
- [ ] C) The variety and variability of life on Earth, including species, ecosystems, and genetic diversity.
- [ ] D) The process of planting trees to offset carbon emissions.

Question 6: How does the goals of Stewardship differ from those of Impact Investing?

- [ ] A) Not by much, they are two ways to achieve the same goals.

- [ ] B) Stewardship is fundamentally about maximizing long-term financial returns, while impact investing explicitly targets achievement of social and environmental change as an investment objective.

- [ ] C) Returns are always secondary for impact investors.

- [ ] D) Impact investors are generally passive and don't engagement with investee company management and Boards.

Answers:

Question 1:

Right answer: **B** - Impact investing seeks to have a real-world impact, but it is nonetheless investing and so it aims to deliver some level of financial return. Different opportunities may strike the balance between these two aims differently.

Question 2:

Right answer: **C** - This represents both single and double materiality: there is a financial cost to the company with the fine and there is a direct material impact on the local environment through the release of the waste water.

Question 3:

Right answer: **A -** Systemic risks can originate from either human activity or from natural activity. Their nature is systemic because their impact is across markets as a whole, meaning diversification cannot protect an investor.

Question 4:

Right answer: **A -** Tilting is a decision to invest in the best performing ESG rated performers in a sector; while it does in practice lead to avoiding investments in certain companies, the decision is led by the wish for exposure to companies with positive characteristics rather than decisions to exclude some that fail to meet a threshold.

Question 5:

Right answer: **C -** Biodiversity refers to the variety and variability of life on Earth — including different species, genetic differences within species, and the diversity of ecosystems they form. It is essential for ecosystem resilience, human wellbeing, and sustainable development.

Question 6:

Right answer: **B** - The goals of Stewardship and Impact Investing differ in their primary focus and approach.

Key Difference: Stewardship is about influencing existing investments to do better.

Impact Investing is about directing capital into ventures designed to create a measurable positive impact from the start.

D)Topic: Reporting and Assessment

Question 1: Who is responsible for ensuring that a company's narrative reporting is consistent with the reported financial statements?

- [ ] A) Securities regulators
- [ ] B) The auditors
- [ ] C) The International Sustainability Standards Board
- [ ] D) The company's directors

Question 2: Which of the following statements about the PRI reporting process is TRUE?

- [ ] A) PRI reporting is optional for all signatories.
- [ ] B) PRI reports must be filed monthly to ensure ESG data accuracy.
- [ ] C) Signatories are required to submit annual reports disclosing their responsible investment activities.
- [ ] D) Only asset owners are required to file PRI reports; investment managers are exempt.

Question 3: Why is greywashing considered an issue in ESG investing?

- [ ] A) It involves companies intentionally harming the environment for profit.
- [ ] B) It reflects clear and measurable ESG performance with full transparency.
- [ ] C) It creates confusion by presenting vague or ambiguous sustainability claims.
- [ ] D) It ensures all ESG data is independently verified and audited.

Question 4: Which statements on non-financial reporting by listed companies are wrong?

- [ ] A) Non-financial reporting is optional and not regulated.
- [ ] B) Non-financial reporting covers disclosures related to ESG metrics.
- [ ] C) Auditors do not review non-financial reports.
- [ ] D) Non-financial reports are usually published along the Annual Report.

Question 5: Which of the following is NOT a type of greenwashing?

- [ ] A) Hidden trade-off greenwashing
- [ ] B) Misleading label greenwashing
- [ ] C) Exaggerated sustainability claims
- [ ] D) CDP reporting

Question 6: The materiality standard for which of these reporting standards and frameworks most explicitly goes beyond financial materiality?

- [ ] A) GRI
- [ ] B) SASB
- [ ] C) IFRS
- [ ] D) TCFD

Answers:

Question 1:

Right answer: **D** - Directors are responsible for all of a company's reporting. The other parties may have an influence – ISSB by setting standards, auditors by challenging the accounts, and in extreme situations the regulators, but the directors remain responsible.

Question 2:

Right answer: **C** - "Signatories are required to submit annual reports disclosing their responsible investment activities.

The PRI requires its signatories to report annually on their responsible investment practices through its Reporting Framework. This ensures transparency and encourages improvement over time."

Question 3:

Right answer: **C** - Greywashing refers to the use of vague, ambiguous, or unclear sustainability claims that make it difficult for investors or consumers to assess whether a company is truly ESG-aligned. Unlike greenwashing, which is outright deceptive, greywashing operates in a more subtle and confusing space, often leading to a lack of trust and transparency.

Question 4:

Right answer: **A and C -** Non financial reporting is regulated and reviewed by auditors**.**

Question 5:

Right answer: **D -** "CDP stands for Carbon Disclosure Project and is an acknowledged reporting standard for CO2 emissions.

The other options—hidden trade-off, misleading labels, and exaggerated claims—are all forms of greenwashing, where companies present themselves as more environmentally friendly than they actually are**."**

Question 6:

Right answer: **A -** SASB, IFRS and TCFD all focus principly on disclosure of information that is material to the company/s financial performance. GRI more explicitly adopts a double-materiality approach.