



CFA UK LEVEL 4 CERTIFICATE IN IMPACT INVESTING

SPECIMEN PAPER

Version 3: Tested from 01 March 2026

Key Information	
Number of questions	65. 1 mark per question.
Time allowed	1 hours 30 minutes
Target pass mark	The pass mark of the exam seldom varies between 60% and 70%.
Types of questions used	Standard multiple choice – candidates select 1 option of 4.
<p>The specimen paper should NOT be viewed as a primary source of learning. By its nature, a specimen paper will only cover a proportion of the learning outcomes. Candidates are strongly advised to develop a fundamental understanding of the curriculum in order to demonstrate the competence required to pass the examination.</p> <p>Please click here for all Terms and Conditions pertaining to the CFA UK Level 4 Certificate in Impact Investing.</p>	

SPECIMEN PAPER: QUESTIONS

1. A General Partner of an early stage climate innovation fund invests in small companies located in Southeast Asia that are developing emerging decarbonisation technologies.

Which strategy **best** describes how the investors are driving positive impact?

- A. Grow new or undersupplied capital markets by anchoring or participating in new or previously overlooked opportunities.
 - B. Engage actively by proactively supporting or advocating for investees to increase positive and reduce negative impacts.
 - C. Signal that impact matters through a strategy that proactively and systematically considers measurable positive and negative impacts in decision making which is communicated widely.
 - D. Provide flexibility on risk adjusted financial returns, where the investor is growing new or undersupplied capital markets, by accepting a lower financial return to generate impact than could be obtained by a comparable investment.
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2. An impact enterprise launches an exciting new software that aims to generate revenue alongside digital access to underserved communities. An impact investor considers making an offer to them, but first wants to hear more about what data they plan to use to track their impacts and how the company will measure and manage its effects on society.

Which type of risk is the investor concerned about?

- A. Execution risk.
- B. External risk.
- C. Evidence risk.
- D. Endurance risk.

3. Which of the following is an example of additionality within the context of investor contribution?
- A. Quantifying the impact multiple at exit.
 - B. Seeking extra equity in a firm with a solid track record.
 - C. Promoting the potential of a company to raise more capital.
 - D. Making a cornerstone investment in a first-time fund manager.
4. Which of the following pioneered approaches in impact investing for private market investments?
- A. Multilateral Development Banks.
 - B. Wealth and Asset Managers.
 - C. Venture Capital Investors.
 - D. Multinational Charities.
5. Which type of stewardship is **most** common in public equities markets?
- A. Voting.
 - B. Joining the board.
 - C. Regulatory compliance.
 - D. Investment term contingencies.
6. Which of the following **best** describes the Operating Principles for Impact Management?
- A. A framework of principles to aid investors in designing and implementing their impact management systems.
 - B. A protocol requiring all impact investors to apply a uniform approach to impact management.
 - C. A framework that offers tools for calculating the return on investment for impact investments.
 - D. A set of principles which determines the financial performance of impact investments.

7. According to the GIIN's estimate, what was the global size of the impact investing market at the end of December 2024?
- A. 1.57 trillion.
 - B. 3.16 trillion.
 - C. 5.16 trillion.
 - D. 7.16 trillion.
8. At which stage of investment selection is it important for an investor to further test their initial hypothesis on whether an investment can be suitable for their impact investment strategy?
- A. Sourcing.
 - B. Assessment or Due Diligence.
 - C. Decision.
 - D. Execution or Implementation.
9. An organisation runs a profitable tutoring service for high-income students, in order to fund a free tutoring program for low-income students.

Which impact enterprise model is this an example of?

- A. Impact through operations.
- B. Impact centred.
- C. Cross subsidy.
- D. Profit donation.

10. An impact investor is comparing two potential investments with similar financial returns.

Investment 1 – Focuses on providing affordable loans to low-income individuals.

Investment 2 – Concentrates on reducing deforestation.

Which approach would be **most** appropriate to effectively compare the two investments' quality and quantity of intended impacts?

- A. Use an impact valuation methodology, such as an impact score or monetisation.
- B. Assess the projects against the United Nations Sustainable development Goals.
- C. Focus on the number of people reached by each investment.
- D. Utilise a Theory of Change framework for both investments.

11. An impact investor is evaluating four investment opportunities with different impact risks:

Opportunity A – Has a high drop-off risk.

Opportunity B – Has a high execution risk.

Opportunity C – Has a high alignment risk.

Opportunity D – Has a high stakeholder participation risk.

Which investment opportunity is **more** likely to experience difficulties in delivering activities as planned?

- A. Opportunity A.
- B. Opportunity B.
- C. Opportunity C.
- D. Opportunity D.

12. The theory of change for an affordable housing construction business includes enabling the delivery of safe shelter for families struggling to find adequate housing on low income budgets.

This is an example of what aspect of the theory of change?

- A. Activities.
- B. Short-term outcome.
- C. Outputs.
- D. Longer-term outcome.

13. A green energy fund wants to operationalise an impact strategy by adjusting their current asset allocations to include renewable assets in emerging markets.

What is this strategy called?

- A. 100% impact.
- B. Responsible and ESG.
- C. Carve out / ring fence.
- D. Integration into an existing portfolio.

14. What is **most** important for an impact-motivated investor in primary public equities markets to understand?

- A. Link between capital provision and investor contribution.
- B. Aggregate result of trades.
- C. The use of proceeds.
- D. Cost of capital.

15. A company generates positive outcomes with each unit of product or service sold.

What impact business model is this categorised as?

- A. Impact through operations.
- B. Impact centred.
- C. Cross subsidy.
- D. Profit donation.

16. Which type of asset owner is expected to record the **highest** growth rate in impact capital invested in future years?

- A. Pension funds.
- B. Family offices.
- C. Endowed foundations.
- D. Insurance companies.

17. Which of the following describes the **main** challenge in estimating the size of the impact investing market?

- A. Definitions of impact investment vary.
- B. The market is growing too rapidly to size.
- C. Investors are unwilling to share data.
- D. Nobody has attempted to size the market.

18. A local government pension fund has decided to adopt a 'carve out' strategy, allocating an initial 2% of assets towards impact investing.

Which of the following is the **most** likely reason for this?

- A. To achieve a market rate risk-adjusted return.
- B. To allow for a focus on a particular impact theme.
- C. To avoid creating new investment processes and policies.
- D. To align investments with the values of pension fund members.

19. Which statement **most** accurately describes the key aims of impact investments?

- A. Generate positive, social and environmental outputs, outcomes and impact.
- B. Generate positive, measurable, social and environmental impact alongside financial returns.
- C. Generate positive, social and environmental impact alongside market rate risk-adjusted returns.
- D. Generate positive, measurable impact by financing companies that have limited access to capital.

20. The Hope Future Fund is making high-risk, long-term investments in underdeveloped clean energy technologies. It takes much higher and earlier stage risk than conventional investors and expects high financial returns in the long term though expects below market returns initially.

Does it operate as catalytic capital according to the characteristics set out by the Catalytic Capital Consortium?

- A. Yes, it meets the characteristics of catalytic capital.
- B. No, it fails to meet any characteristic of catalytic capital.
- C. Yes, but only partially because it fails to meet the requirement of concessionary financial returns.
- D. Yes, but only partially because it fails to meet the requirement of a long operational track record.

- 21.** A small firm that specialises in renewable energy technologies has obtained investment from a catalytic capital fund.

Which of the following outcomes is **least** likely to be associated with this catalytic capital investment?

- A. The firm is expected to generate high financial returns within a short period of receiving the investment.
- B. The firm requires investment capital over a longer period to fully realise its potential impact.
- C. The firm is part of a new market that is currently undersupplied with capital.
- D. The firm requires not only capital but also technical assistance.

- 22.** An impact investor looking to achieve market level returns is considering a loan to a pre-seed stage enterprise that is currently not generating profits, but has high potential for impact and return.

Which instrument is **most** suitable?

- A. Term loan.
- B. Quasi equity.
- C. Recoverable grant.
- D. Variable payment obligation.

- 23.** 500 households each year complete training on digital literacy provided by a social enterprise.

Where should this result be accounted for in the organisation's Theory of Change?

- A. Inputs.
- B. Outputs.
- C. Outcomes.
- D. Impact.

- 24.** Which of the following approaches best captures a key feature of the investment-decision making process in impact investing?
- A. Developing criteria for what qualifies as an impact enterprise that will apply to each investment.
 - B. Evaluating potential trade-offs between economic growth and social or environmental impact.
 - C. Determining the possible financial return, financial risk, and impact for each investment.
 - D. Analysing long-term impact outcomes and long-term financial return expectations.
- 25.** Signatories to the Operating Principles for Impact Management are required to
- A. Provide regular, independent verification of their impact and financial performance.
 - B. Adopt the UN Sustainable Development Goals (SDGs) as their primary framework.
 - C. Commit to include analysis on both positive and negative impacts of each investment.
 - D. Publish an annual Disclosure Statement to describe their impact management system.
- 26.** Which of the following is **not** one of the proposed labels under the UK's Sustainability Disclosure Requirements (SDR)?
- A. Sustainability Focus.
 - B. Sustainability Growth.
 - C. Sustainability Improvers.
 - D. Sustainability Impact.

- 27.** WealthB is a family office that wants to start making impact investments but is unsure which strategy it should pursue.

It is most important to WealthB to develop its impact investing expertise by investing in a range of impact investments while still maintaining the investment parameters for most of its £100 million portfolio.

Which strategy would be most suitable for WealthB to pursue?

- A. Portfolio carve out.
 - B. Fund of funds investment approach.
 - C. Integration into existing portfolio.
 - D. 100% impact investment approach.
- 28.** Which of the following factors motivated the UK's Financial Conduct Authority to develop the Sustainability Disclosure Requirements?
- A. To address concerns regarding inaccurate or exaggerated sustainability claims in financial products, commonly known as greenwashing.
 - B. To offer investors clarity in identifying the most sustainable investment products in the market.
 - C. To establish guidelines for fund managers to identify and label funds as sustainable or impact oriented.
 - D. To harmonise sustainability disclosure standards with the EU Sustainable Finance Disclosure Regulation to facilitate cross-border investment.
- 29.** Why is the design of the impact investment selection approach important?
- A. To ensure it meets minimum legal and regulatory requirements.
 - B. To align the process with the investor's impact strategy and objectives.
 - C. To enable better identification of finance-first investment opportunities.
 - D. To act as a reference for sourcing, due diligence and the decision making process.

- 30.** An endowed foundation is considering making an investment into a social outcome fund. It is analysing key impact risks and has identified the risk that each social outcomes contract the fund invests in will likely be delivered by multiple organisations.

When analysing the fund's pipeline, one of the social outcomes contract will be delivered by four organisations in different geographic locations. While all four have delivered the intervention successfully before, only two have worked together in the past. Each organisation has its own target beneficiaries to provide services to and the four organisations are to meet quarterly to share their learning to improve service delivery and ensure delivery of overall contract obligations.

When considering the Impact Norm risks, based on this information alone, which of the following conclusions is the endowed foundation most likely to reach when evaluating this impact risk?

- A. There is a high likelihood of execution risk for the target stakeholders and low severity if it occurs.
- B. There is low likelihood of execution risk for the target stakeholders and low severity if it occurs.
- C. There is a high likelihood of efficiency risk for the target stakeholders and high severity if it occurs.
- D. There is a low likelihood of efficiency risk for the target stakeholders and high severity if it occurs.

31. FoundationXYZ is considering making an impact investment and is considering how each investment aligns with its impact management goals.

These include:

- Understanding the target impact at the point of investment.
- The ability to influence the delivery of impact throughout the investment.
- The ability to aggregate impact across similar investments.

Based only on FoundationXYZ's impact management preferences, which of the following investments would be **most** suitable?

- A. Investment in an impact private debt fund.
- B. Investment in a publicly issued green bond.
- C. Investment to an impact enterprise through equity.
- D. Investment in an impact private debt fund of funds.

32. During impact investing sourcing, what is the primary goal of conducting due diligence?

- A. To consider both financial returns and impact potential when evaluating investments.
- B. To assess the impact potential and risks associated with potential investments.
- C. To streamline the investment process and optimise resource allocation.
- D. To ensure alignment with regulatory standards and compliance requirements.

- 33.** WaterXYZ is establishing a new impact investment fund and is considering how it will set its impact goals to measure progress. The fund is targeting a market rate return for its portfolio and has broad target health outcomes.

Which of the following approaches is WaterXYZ **most** likely to use when setting impact goals?

- A. Set the impact goal at the portfolio level and maximise financial performance at the investment level, subject to attaining the impact goal.
- B. Set the financial goal at portfolio level and optimise impact at the investment level, subject to achieving the financial goal.
- C. Set the impact goal at the investment level and accept the best financial risk-adjusted return at the portfolio level.
- D. Set the financial goal at the investment level and accept the best impact performance possible at the portfolio level.

- 34.** An asset owner is analysing the quality of reporting at the individual holdings level from one of its listed impact investment funds based in France.

Currently the fund only discloses:

- Its impact management policies and practices.
- Its impact risk framework for decision making.
- Impact outcomes for 90% of investments.

Which of the following is the asset owner **most** likely to request the fund to report on in its impact disclosures to meet best practice?

- A. Report its theory of change.
- B. Report its impact selection criteria.
- C. Report impact outcomes for the whole portfolio.
- D. Report compliance with the EU Sustainable Finance Disclosure Regulation.

35. Which of the following scenarios is the **least** favourable engagement practice for impact investors in public equities?

An impact investor

- A. Participates in a company's Annual General Meeting and votes on resolutions related to sustainability and board appointments.
- B. Escalates their efforts by filing a shareholder resolution and launching a joint public media campaign with other investors and pressure groups.
- C. Develops a strategy to work closely with a company to enhance its impact performance, regularly monitor progress, and adjust their engagement tactics.
- D. Dedicates most of their resources to promoting their investment in the media and showcasing positive results to influence the company's governance or strategic decisions.

36. An impact venture capital fund manager is assessing three impact ventures in mobile phone / tablet apps for a potential investment:

- **Venture 1** – A mental health app targeting the general population but with the potential to reach very underserved groups. The investment would result in a 10% equity stake and voting board seat.
- **Venture 2** – An education app targeting disadvantaged young people to improve reading attainment. The investment would result in a 20% equity stake and attendance at annual investor meetings.
- **Venture 3** – A physical wellbeing app targeting people with diabetes but with wider appeal to the general population. The investment would result in a 50% equity stake and an observer board seat.

The fund manager's core strategy is focused on its ability to control and oversee the targeting of impact outcomes for more vulnerable groups. Based only on the information provided, which venture(s) is the fund manager **most** likely to invest in that align(s) most with its core strategy?

- A. Venture 1 only.
- B. Ventures 1 and 2.
- C. Venture 3 only.
- D. Ventures 2 and 3.

37. What is the **main** reason for the UK's Financial Conduct Authority in developing the Sustainability Disclosure Requirements (SDR)?

- A. To seek to combat greenwashing and the related negative effects.
- B. To help investors determine which are the most sustainable investment products.
- C. To provide fund managers with a guide as to what funds to label as sustainable or impact.
- D. To differentiate the UK as a jurisdiction for sustainability by setting a higher standard than the EU Sustainable Finance Disclosure Regulation (SFDR).

38. An impact enterprise is assessing a range of hybrid impact investment models offered by different impact investors.

The impact enterprise:

- Has been operating for 3 years with its clean energy technology product and wants to scale into a new region.
- Is a traditional company structure with impact objects.
- Has a proven income stream for its product to date which is largely seasonal.
- Will not be able to make repayments for a year until it is established in the new region.

Based only on the information above, which is **most** likely suitable for the impact enterprise?

- A. Quasi equity product with repayment linked to future fundraising.
- B. Revenue share product with repayment linked to earned income.
- C. Variable payment obligation linked to free cash flow.
- D. Repayable grant linked to delivery of impact goals.

39. What is the **main** purpose of impact data assurance?

- A. To satisfy the requirements of the Operating Principles for Impact Management.
- B. To increase confidence in the information used in decision making.
- C. To verify information is true, fair, and not misleading.
- D. As a key mechanism to prevent impact washing.

40. Good Jobs is focused on helping disadvantaged people who are mostly unemployed to improve their skills, confidence and find employment that pays the Living Wage or better.

After 18 months of support and intervention, 53% of the people Good Jobs supported found jobs that pay the Living Wage. Good Jobs had identified the baseline at the UK's national minimum wage. The Good Jobs team also found that more than 85% of those earning the Living Wage had been supported by another social enterprise that helped them secure stable and long-term accommodation.

Based on the above information only, which of the following is the **most** likely conclusion Good Jobs' management team will draw using the Five Dimensions of Impact framework?

- A. The degree of change for most of the cohort is better.
- B. There may be other drivers affecting the positive outcomes.
- C. The positive impact has mostly been caused by their intervention alone.
- D. They are prioritising delivery of the outcome that is most important to their stakeholders.

41. Multi-Family Office XYZ is a dedicated sustainability and impact investor. It has created a carve out for Next Gens in the families who wish to align the management of their wealth with Sustainable Development Goal 5, Gender Equality.

Multi-Family Office XYZ is considering bonds or bond funds for this carve out. Their priorities are to link the capital they provide to the outcomes achieved and to incentivise issuers to contribute to female empowerment goals.

Based on the above information alone, which of the following is the **best** option?

- A. A social bond fund managed by an all female management team.
- B. A microfinance fund where most of the borrowers are female.
- C. Bonds issued in line with the Orange Bond principles.
- D. Sustainability-linked bond linked to female participation.

42. When considering an impact enterprise that has the characteristics of an 'impact through operations' business model, which of the following business model drivers is an impact investor **most** likely to assess?
- A. Customer loyalty of the target customers.
 - B. The marginal additional cost of its impact activities.
 - C. The extent to which there is collinearity between the product and impact.
 - D. The degree of cross subsidy between consumer groups to achieve impact.

43. Which of the following challenges in aligning impact intent and the selection process does the Operating Principles for Impact Management **most** likely seek to address in its framework?

- A. The potential mismatch between the investible universe and an investor's impact goals.
- B. The misalignment of incentives between financial returns and impact outcomes.
- C. The flexibility available to impact asset managers in private markets.
- D. The limited impact evidence available in some asset classes.

44. An endowed foundation is developing a Theory of Change to articulate its impact investment strategy. Key points to be included are:

- Its endowment is £300 million.
- Its charitable objective is focused on education outcomes.
- It plans to invest in funds and pooled vehicles.
- It wants to align with globally recognised goals.

Based only on the information above, which of the following is the asset owner **most** likely to identify as an outcome in its Theory of Change?

- A. The extent to which its £300 million is invested in education enterprises.
- B. The improvement of literacy skills for the portfolio enterprises' customers.
- C. The range of enterprises its fund managers invest in to support education impacts.
- D. The number of impact services it helps to support that align with the Sustainable Development Goals.

- 45.** An impact enterprise that provides affordable housing to low income families living in the UK wants to identify a set of Key Performance Indicators (KPIs) to measure the success of its business model.

The KPIs it is considering include:

- **KPI 1:** The number of people housed who would otherwise be homeless.
- **KPI 2:** The improvement in living standards for those people who are housed.

Which of the following statements is **most** accurate when considering the benefits and limitations of the potential KPIs?

- A. KPI 1 is more likely to indicate the level of impact achieved relative to KPI 2.
- B. KPI 2 is easier to measure accurately relative to KPI 1.
- C. KPI 1 enables the enterprise to better understand its target stakeholders relative to KPI 2.
- D. KPI 2 enables the enterprise to compare the results to relevant thresholds unlike KPI 1.

- 46.** A private equity fund manager is launching a new impact fund aimed at improving water, sanitation and hygiene (WASH) outcomes in Southeast Asia. The fund manager has successfully delivered similar impact funds in other regions, but they are concerned they will not be able to raise enough capital to make the fund viable because of the perceived relatively higher risk in the fund's target region.

What type of structuring approach is **best** suited for this new fund to raise return-seeking capital at scale?

- A. Syndicated lending fund.
- B. Blended finance fund.
- C. Impact equity fund.
- D. Quasi-equity fund.

47. A private debt impact fund manager is considering an investment into an early stage enterprise focused on water solutions in the Global South. The key information they are considering includes:

- Each member of the enterprise's management team has experience in water solutions but they have not worked together before.
- There is strong collinearity between the enterprise's product and its target impact but it is unclear how long impact will be sustained for.
- There is demonstrable support from customers for its core business-to-consumer (B2C) business and interest from local government to enter into contracts.

Using only the information provided, what conclusion is the impact fund manager **most** likely to reach about the relationship between impact risk and financial risk for this potential investment?

- A. Alignment risk is the most important risk that affects both impact outcomes and financial returns.
- B. External risks are the most important risk that affect both impact outcomes and financial returns.
- C. Drop off risk is the most important risk that affects both impact outcomes and financial returns.
- D. Execution risk is the most important risk that affects both impact outcomes and financial returns.

48. An impact venture capital fund manager is establishing a new, environmentally focused impact fund in Europe. Given the early-stage nature of the enterprises the fund will be investing into, the fund manager has the following key criteria when assessing the enterprise:

- The founder's commitment to achieving positive environmental impact.
- There is a clear link between the enterprise's product or service and the generation of positive environmental impact.

The fund manager wishes to ensure these initial criteria are maintained once the investment has been made, given they will have a material ownership stake in the investee enterprises.

Which of the following investment terms are **least** likely to be used by the fund manager when investing in the impact enterprise linked to these initial criteria?

- A. Alignment with the Sustainable Development Goals.
- B. Annual environmental impact targets.
- C. Impact-aligned financial incentives.
- D. A voting board seat.

49. BlueImpactABC is an impact fund manager that invests in enterprises delivering ocean-based interventions to generate positive environmental impact. BlueImpactABC wants to improve its impact management approach to better measure outcomes and report its impact to investors. It plans to introduce Key Performance Indicators (KPIs) as a first step.

Which of the following reasons **best** explains why KPIs are a suitable tool for BlueImpactABC to measure its outcomes?

- A. KPIs enable the most accurate understanding of aspects of stakeholders' wellbeing or environmental condition.
- B. KPIs don't require comparison to social or environmental thresholds, which are difficult to determine.
- C. KPIs are often available within an enterprise's own business so can be accurately measured.
- D. KPIs decrease the risk of not achieving the target impact.

50. Impact investor BlueLMN is developing its portfolio construction approach to improve decision making and is considering how it can best balance its financial risk and return objectives, while optimising impact outcomes. It wants to implement a consistent method to consider each individual investment in relation to its portfolio.

Which method of analysis is BlueLMN **most** likely to use as part of its portfolio construction approach?

- A. Impact-Weighted Accounts.
- B. Efficient Impact Frontier.
- C. Impact Rate of Return.
- D. Impact Monetisation.

51. The General Partners (GPs) at Impactful Private Equity manage a bespoke mandate on behalf of an impact-first investor who is particularly concerned that impact endures beyond the life of the investment at exit.

The GPs are considering the following options for a health technology company that has a cross subsidy model where some customers are subsidising those who cannot afford the full subscription model. They know their Limited Partners are particularly concerned that the underserved customers continue to have access to this technology.

Using only the above information, which of the following exits are the GPs **most** likely to consider?

- A. An initial public offering exit and, as part of its Corporate Social Responsibility strategy, underserved customers will continue to get access to the service.
- B. An exit that enables employee ownership of the company where they will strongly influence the governance and strategic choices of the firm.
- C. Ensure the company becomes B Corp certified before sold to a competitor.
- D. Sell to a privately owned company in a complementary business sector, with synergies, that is keen to include covenants linked to impact.

52. Wealth Management XYZ is an established firm with 80 years' track record of managing client funds. In the last 10 years, the firm has evolved to managing all its funds through an ESG lens and it has increasingly invested in developing a range of impact investment products in public and private markets.

Which of the following are they **least** likely to adopt to reconcile the tension between marketing and fundraising versus providing an unbiased assessment of the impact of the firm?

- A. Ensure the Head of Impact is an individual of high integrity and has a reporting line into Legal and Compliance, not Marketing.
- B. Become a signatory to the Operating Principles for Impact Management where independent verification statements are required.
- C. Adopt the International Sustainability Standards Board's standards to integrate impact management into the decision making process.
- D. Appoint an external audit firm with experience in impact to examine its claim before publishing its impact report.

53. An investor wants to make debt impact investments focused on the energy transition to a low-carbon economy at scale.

Which of the following is the investor **most** likely to pursue given this strategy?

- A. Identify a range of companies operating in energy transition and pursue strategic bondholder engagement against environmental outcomes.
- B. Participate in a range of syndicated debt opportunities into very early, but potentially promising, scalable innovations in the energy transition.
- C. Build a portfolio of term loans to early stage companies operating in solar and wind technologies that have outcome linked interest rates.
- D. Invest in a range of investment grade green bonds issued by the most polluting companies in oil and gas.

54. ABC Family office is an impact investor. They established a Theory of Change to ground their investment strategy which includes the following:

- **Inputs:** £20 million capital and impact investment team time.
- **Activities:** Invest in impact enterprises that help contribute to Sustainable Development Goal 2, Zero Hunger, and engage with investees to improve impact management.
- **Outputs:** Invest in up to 20 start-up impact enterprises delivering products and services to people who are, or at risk of being, malnourished, and clear impact reporting of this impact.
- **Outcomes:** Improved health outcomes due to improved nutrition for the target group.
- **Impact:** Improved life chances due to improved health outcomes for the target group.

Based on its Theory of Change, what is the **least** likely impact criterion that ABC Family office would adopt to assess new opportunities into impact enterprises?

- A. The extent to which the founders are open to improving their impact management approach.
- B. The extent to which the impact enterprise can evidence how the intervention improves nutrition.
- C. The extent to which the impact enterprise has a long track record of delivery to improve nutrition.
- D. The extent to which the impact enterprise will target those people who are currently malnourished.

55. Which of the following is **not** a typical sourcing approach for identifying impact investments in venture capital?

- A. Engaging with venture capital networks to discover early stage social enterprises.
- B. Working with trusted brokers and capital introductions firms for deal flow.
- C. Engaging with established impact related accelerators or incubators.
- D. Desktop research using an off the shelf ESG data analytics platform.

56. Which of the following impact business models are most likely to work best in a luxury goods market with high profit margins?

- A. Impact centred and impact through operations.
- B. Cross subsidy and impact centred.
- C. Profit donation and impact through operations.
- D. Cross subsidy and profit donation.

57. An impact focused single-family office in Europe is considering investing in a new venture capital impact fund. The fund hasn't made any investment yet, but the General Partner (GP) has several funds with Environmental Social and Governance (ESG) factored in.

Which of the following is **most** important in the family office's assessment of the GP practice in investment and portfolio level impact reporting and disclosure?

- A. Impact risk-based framework for decision making.
- B. The firm is signatory to the Impact Principles and 3rd party assurance.
- C. Quality of their existing quarterly and annual reports of their ESG funds.
- D. If the new fund will align to Sustainable Finance Regulation Disclosure Article 9.

58. An impact investor is performing operational, ESG and impact due diligence on a listed investment trust vehicle that invests in impact funds and direct investments across asset classes that benefit people who are most underserved and socially disadvantaged.

Which of the following would be the **most** likely focus in its impact due diligence?

1. Potential to generate positive change and mitigate negative impacts in each of the asset classes.
 2. Investment trust board members' diversity, experience and pay.
 3. The investment trust managers' impact intent, measurement, and additionality.
 4. Impact verification linked to theory of change and logic models.
- A. 1 only.
B. 1, 3 and 4 only.
C. 3 only.
D. 2 and 4 only.

59.

Enterprise	Business Description
A	This enterprise offers affordable solar energy panels to rural communities in developing countries.
B	This operates an online education platform with basic content free and premium features paid.
C	This enterprise implements sustainable farming practices and offers products to reduce food waste.
D	Focuses on creating employment opportunities for marginalised populations.

Based on the table provided, which enterprise is **most** likely following a cross subsidy business model?

- A. Enterprise A.
B. Enterprise B.
C. Enterprise C.
D. Enterprise D.

60. Which of the following represents a reactive measure that an impact investor might take when dealing with a distressed investment situation?
- A. Identifying and monitoring realistic impact and business KPIs as early warning indicators.
 - B. Establishing strong governance mechanisms and impact-aligned incentives to address any issues.
 - C. Understanding management motivation and aligning incentives to integrate impact into the business model and culture.
 - D. Ensuring key stakeholders are protected during any work-out process and minimising negative impacts by supporting continued impact.
61. A patient capital investor constructs its portfolio using a scoring methodology that accounts for environmental and social objectives, and financial return potential.

Which of the following is least likely to influence its scoring outcomes?

- A. The investor's stated theory of change.
 - B. The quality and consistency of underlying impact data.
 - C. The expected exit time frame of individual investments.
 - D. How each investment's expected return compares to the portfolio's overall return target.
62. A logistics company provides free training programs for individuals from disadvantaged backgrounds, aiming to create job opportunities for those furthest from the labour market. The company frequently hires graduates from these programs to fill positions within its operations.

Which impact business model does this practice **best** represent?

- A. Cross subsidy.
- B. Impact through operations.
- C. Impact centred.
- D. Profit donation.

- 63.** An impact investment firm is considering integrating impact strategies at various stages of the investment lifecycle.

Which of the following stages is **most** critical when aligning the firm's impact objectives with the selection of investments?

- A. Pre-investment due diligence.
- B. Post-investment monitoring.
- C. Articulation of impact thesis.
- D. Portfolio construction.

- 64.** A company is preparing its sustainability report using the Global Reporting Initiative (GRI) Standards.

According to the GRI Standards, which type of evidence would **most** effectively support a claim about reducing water consumption across the company's operations?

- A. Data showing the volume of water consumed before and after implementing water conservation measures.
- B. Testimonies from employees about their experiences with water-saving initiatives.
- C. The company's commitment statement to reduce water usage in the future.
- D. Description of water conservation policies and procedures.

- 65.** Green Leaf Fund invests in sustainable agriculture projects in Sub-Saharan Africa. One of its key investments is aimed at increasing crop yields through organic farming practices. To evaluate the impact, the fund wants to assess the outcome by understanding what would have occurred without the intervention and other factors that may influence results.

Which of the following approaches **best** integrates the counterfactual and context when measuring the impact of the project?

- A. Comparing the crop yields of the organic farming project with those of neighbouring farms using conventional methods.
- B. Assessing the project's success based on the increase in organic food demand in the local and global markets.
- C. Analysing the long-term impact on soil health and biodiversity in the region where the project operates against other regions.
- D. Comparing the local employment and wage rates before and after the organic farming practices have been adopted.

END OF EXAM

Sequence Number	Blueprint ID	Correct Answer
1	1.1.3	A
2	3.3.1	C
3	3.4.1	D
4	3.4.1	A
5	5.4.2	A
6	1.2.2	A
7	1.2.2	A
8	3.3.2	B
9	1.1.2	C
10	3.3.2	A
11	3.3.1	B
12	3.1.2	B
13	2.1.1	D
14	3.4.2	C
15	1.1.2	B
16	1.2.1	B
17	1.2.2	A
18	2.1.1	B
19	1.2.2	B
20	4.1.6	A
21	4.1.6	A
22	4.1.4	B
23	3.1.2	B
24	5.3.1	C
25	3.1.4	D
26	2.2.1	B
27	2.1.1	A
28	2.2.1	A

29	5.1.1	B
30	5.2.3	B
31	4.1.1	C
32	5.2.2	B
33	3.2.2	B
34	6.1.2	C
35	5.4.2	D
36	4.1.3	A
37	2.2.1	A
38	4.1.4	C
39	6.1.3	B
40	3.3.1	B
41	4.1.2	D
42	4.1.1	B
43	5.1.1	B
44	3.1.2	B
45	3.2.2	D
46	4.1.6	B
47	5.2.3	D
48	5.2.2	A
49	3.2.2	A
50	5.1.2	B
51	5.4.3	D
52	6.1.3	C
53	5.3.1	A
54	3.1.2	C
55	5.2.1	D
56	4.1.1	D
57	6.1.2	A

58	5.2.2	B
59	4.1.1	B
60	5.4.1	D
61	5.1.2	C
62	4.1.1	B
63	5.2.2	A
64	3.2.1	A
65	3.3.1	A