PAS 7341:2020

Responsible and sustainable investment management – Specification

Department for Business, Energy & Industrial Strategy

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Foreword

This PAS was sponsored by industry, including Aviva Investors Global Services Limited, Barclay's Execution Services Limited, City of London Corporation, The International Business of Federated Hermes, HSBC Global Services UK Ltd and Lloyds Banking Group, and by the Department for Business, Energy and Industrial Strategy through its Energy Innovation Programme. Its development was facilitated by BSI Standards Limited and it was published under licence from The British Standards Institution. It came into effect on 31 October 2020.

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Assessed capability

Users of this PAS are advised to consider the desirability of quality system assessment and registration against the appropriate standard in the BS EN ISO 9000 series by an accredited third-party certification body.

Use of this document

It has been assumed in the preparation of this PAS that the execution of its provisions will be entrusted to appropriately qualified and experienced people, for whose use it has been produced.

This PAS follows a two-tier approach:

- responsible investment requirements to support an organization's responsible investment management approach; and
- additional sustainable investment requirements to support an organization's sustainable investment management approach.

Sustainable investment requirements are depicted in a coloured box.

Relationship with other publications

This PAS builds on the sustainable finance framework and terminology set out in PAS 7340:2020.

Presentational conventions

The provisions of this standard are presented in roman (i.e. upright) type. Its requirements are expressed in sentences in which the principal auxiliary verb is "shall".

Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.

Where words have alternative spellings, the preferred spelling of the Shorter Oxford English Dictionary is used (e.g. "organization" rather than "organisation").

Requirements in this standard are drafted in accordance with *Rules for the structure and drafting of UK standards*, subclause **J.1.1**, which states, "Requirements should be expressed using wording such as: 'When tested as described in Annex A, the product shall ...'". This means that only those products that are capable of passing the specified test will be deemed to conform to this standard.

Contractual and legal considerations

This publication does not purport to include all the necessary provisions of a contract. Users are responsible for its correct application.

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Introduction

0.1 Background

This PAS is part of a suite of standardization documents relating to sustainable finance that have been developed in conjunction with industry and the Department for Business, Energy and Industrial Strategy (see Figure 1). PAS 7340 provides an introduction to, and guidance on, the theme of sustainable finance, defining sustainable finance as the application of financial services to achieve the goal of sustainability, including the consideration of environmental, social and governance (ESG) criteria in business or investment decisions. It is recommended that PAS 7340[1)] is read prior to this PAS on responsible and sustainable investment management.

The drive to develop this PAS has come from the investment management industry recognizing the importance of sustainable finance for the delivery of long-term sustainable returns for investors as well as in supporting the delivery of sustainable development. National and international policy and regulatory agendas are also turning increasing attention to sustainable finance. Investment managers can play a key role in the delivery of sustainable finance through the provision of capital and stewardship activity, for example, engaging with investees on the long-term sustainability of investments, including on topics related to ESG considerations.

The level of ambition for sustainable development has been set by the 2030 Agenda for Sustainable Development [1] adopted by the United Nations in 2015, which is an ambitious set of goals and urgent call for global action. This is supported by other multilateral frameworks and agreements (see PAS 7340:2020, Annex B). Regulatory initiatives also require businesses to take action to consider – and in some instances, manage the impact of their operations in relation to sustainability and ESG considerations (see Annex A). In the current environment, investors can refer to non-regulatory principles, guidance and reporting frameworks to provide frameworks for conduct (for example, the UN-backed PRI's Reporting Framework [2] and the FRC's UK Stewardship Code 2020 [3]) and disclosure (for example, the Taskforce for Climate-Related Financial Disclosures [TCFD] [4], the Global Reporting Initiative [GRI] [5] or Sustainability Accounting Standards Board [SASB] [6]). Emerging regulations and requirements in the UK (the Financial Conduct Authority proposals to enhance climate disclosures [7]) and disclosure regulations entering into force at EU level on 10 March 2021 (EU Investor Disclosure Regulation [8]) also require organizations to define and report on their approach to responsible or sustainable investment management.

Standards can strengthen the impact of existing initiatives by highlighting parallels between initiatives, including common definitions, and providing additional detail, commentary and metrics. This can help organizations to implement a sustainable finance approach which is suitable to their business model and which can be developed over time.

This PAS is intended to support the implementation of existing initiatives (e.g. UN PRI [2], UK Stewardship Code 2020 [3], regulatory requirements for disclosure) by drawing on the common principles to create a coherent set of expectations for firms under responsible and sustainable investment management. It creates a way for organizations to adopt responsible investment management and, where applicable and appropriate, transition to sustainable investment management (in part or in whole).

[1)] https://shop.bsigroup.com/ProductDetail?pid=000000000030387840.

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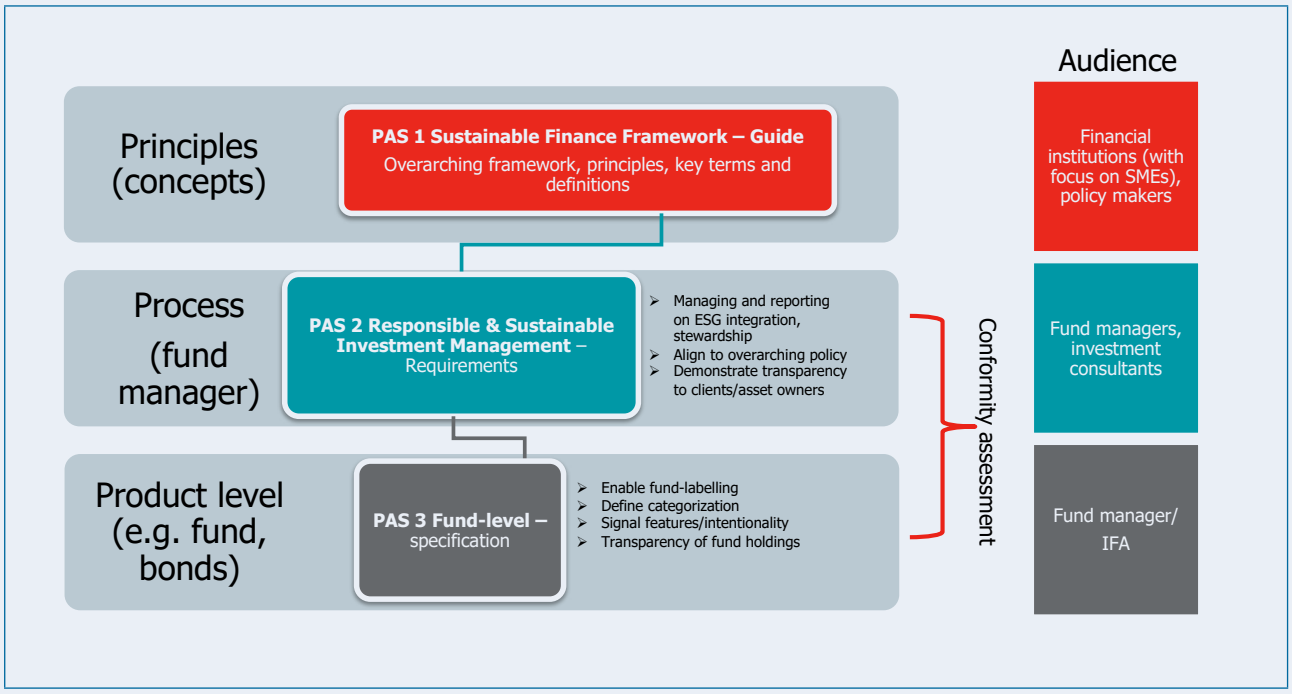
Figure 1 – Standardization documents relating to sustainable finance



PAS 7340	PAS 7341	PAS 7342 (planned)
A framework offering guidance on implementing principles and approaches to sustainable finance within organizations. It provides a common terminology and set of principles for financial services organizations to align their activities with the UN Sustainable Development Goals (SDGs) [9] and other sustainability initiatives. It is intended to be used by financial services organizations of any size and type, and might be particularly useful to small and medium-sized organizations.	A set of requirements to establish, implement and manage the process of integrating ESG and sustainability considerations into investment management. It is intended to be used by anyone managing investments directly, including investment management firms (e.g. fund/asset managers) and investment consultants and intermediaries in organizations of any size, as well as asset owners.	A set of requirements for the assessment, governance, labelling and communication of funds presented as having sustainable credentials. It aims to make sustainable finance more accessible for the retail investor market by promoting more explicit and consistent disclosures, and clarity of definitions, categorization and labelling. It specifies requirements for the processes by which a fund is presented to the market.

***NOTE** BSI has been appointed secretariat of the international committee on sustainable finance (ISO TC 322) for the integration of sustainability considerations and ESG practices into institutional investment decision-making and wider finance management.*

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0.2 What is responsible investment and sustainable investment management?

The PAS sets out requirements for a firm-level approach to responsible investment management and how such requirements can be translated into considerations for a sustainable investment approach. Sustainable investment management may begin at a product level, recognizing that investment management firms with multiple investment strategies offer services to different clients with different responsible or sustainable investment goals. A sustainable investment management approach might not suit the preferences of all investors. Each organization follows its own approach to responsible or sustainable investment, based on applicability, resources and maturity of approach.

Responsible investment management aims to deliver long-term sustainable returns to investors by considering all material investment risks and opportunities, including ESG considerations. Sustainable investment management takes this a step further by pursuing specific sustainability goals or outcomes.

The primary purpose of responsible investment management is to deliver financial returns for clients and beneficiaries. In responsible investment approaches, organizations determine how ESG considerations impact investment processes and related activity. This includes identifying key ESG risks and opportunities in products and strategies. A responsible investment management approach is integrated into all aspects of the investment process, including ESG impacts on the financial returns, mandates, data and the use of service providers, to minimize risks and take advantage of opportunities, including voting and engagement, to enhance value.

In sustainable investment management, organizations consider how their investment processes can impact and pursue sustainability objectives, including through new product opportunities and beyond the life of investments. A sustainable investment approach aligns portfolios with relevant goals and uses ownership rights, including voting and engagement, and dedicated investment products, to support the achievement of sustainability objectives.

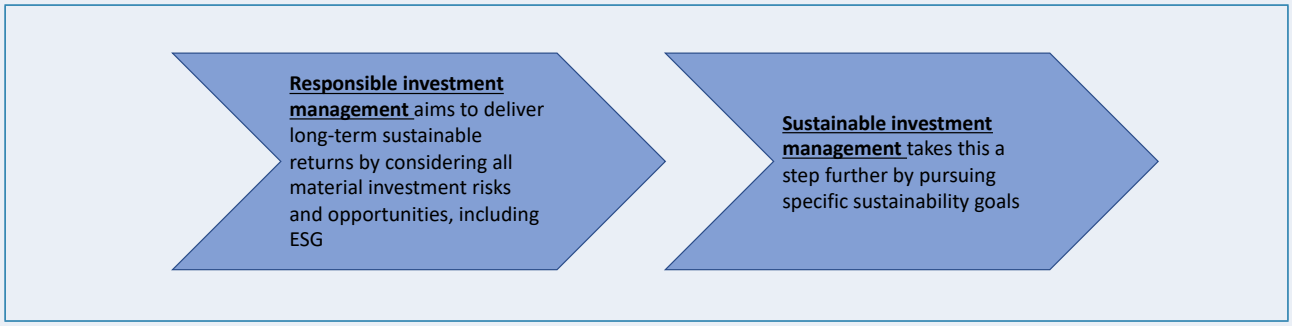
To be part of a sustainable financial system, investors need to identify and act in ways which align both investment processes, including stewardship activities, with normative frameworks that define sustainability, for example, the SDGs [9] and the Paris Agreement [10] for a global response to climate change. The Paris Agreement [10] is a global response agreed within the UN Framework Convention on Climate change [11] to pursue efforts to limit the increase in global temperatures to 1.5 °C above pre-industrial levels, based on nationally determined contributions. For the adoption of sustainable investment management, investors need to seek to generate positive change.

0.3 The aims of the PAS

This PAS establishes a baseline for delivering responsible investment management at firm (or legal entity) level and supporting the organization's progress toward sustainable investment management, where possible and suitable across investment management styles.

By providing responsible investment management requirements, supplemented by sustainable investment management practices, the PAS provides an aspirational pathway for transition over time. This can, if appropriate, begin at product or fund level with a view to expanding across investment processes. The third PAS planned for this suite of standardization documents, PAS 7342, is intended to address product level requirements in detail.

Figure 2 – Responsible and sustainable investment management



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0.4 Interaction of this PAS with existing initiatives

The requirements in this PAS draw upon key principles from existing industry initiatives (codes of conduct, as well as regulatory initiatives) in responsible and sustainable investment management, including stewardship. These are referenced throughout the document and summarized in Table B.1.

The ways in which responsible and sustainable investment are defined according to the UN PRI [2], the Global Sustainable Investment Alliance (GSIA) [12], UK Sustainable Investment and Finance Association (UKSIF) [13], the Global Impact Investing Network (GIIN) [14] and regulators, including the European Commission, share common principles and characteristics. The Investment Association's Responsible Investment Framework [15] defines responsible investment approaches, distinguishing between firm-level and fund-level approaches. The UK Stewardship Code 2020 [3] also sets out expectations for what it calls "responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy" [3]. This PAS draws on the commonalities of these widely used definitions and reflects them in Clause **3**.

Regulatory interventions from the European Commission are having repercussions on the nature of responsible investment behaviours and disclosures across the globe. Specifically, there are requirements to disclose how a firm manages its ESG risks, as well as its "adverse impacts" on society and the environment [16]. Firms are also going to be expected to disclose how they engage with investee companies to reduce these adverse impacts. ESG integration is to become a legal requirement through changes to MiFID [17] organizational requirements. Financial advisers need to gauge investors' sustainability preferences. Financial products need to disclose their sustainability credentials if they wish to be marketed on this basis. In the UK, the Financial Conduct Authority (FCA) is consulting on climate-related reporting requirements for listed companies [7], which may be extended to large asset owners in line with government expectations. The FCA has made consumer access to "green finance products and services, which meet their needs and preferences" a priority [18].

To bring clarity to this dynamic and fast-moving landscape, this PAS brings together key principles from the various investment management approaches and definitions from different initiatives across the globe. This is intended to support investment managers' compliance with codes and regulations by putting responsible or sustainable investment at the heart of their activities. This PAS also seeks to develop commonly agreed definitions for both responsible and sustainable investment management.

***NOTE** Compliance with this PAS does not in itself indicate compliance with any other codes and regulations.*

There are also multilateral guidelines that provide helpful reference points, including the Organisation for Economic Co-operation and Development (OECD) guidelines for responsible business conduct, which include institutional investors [19], and the UN Guiding Principles on Business and Human Rights [20]. Formal standards also provide a helpful reference point on sustainability practices by business, including BS ISO 26000, BS 8900 (series), BS EN ISO 14064-1, BS ISO 31000 and the reporting frameworks established by the GRI [5] and the SASB [6].

PAS 7341 uses the sustainable finance principles outlined in PAS 7340 to deliver specific requirements for responsible and sustainable investment management as explained in Table 1, which sit within the overall topic of sustainable finance. It also aligns with the terms related to sustainable finance defined in PAS 7340. Transparency of approach and disclosure to appropriate stakeholders are fundamental aspects of PAS 7341. This gives firms the necessary flexibility to explain their adherence to existing initiatives and signal to stakeholders, including clients, how they approach responsible or sustainable investment management. With the implementation of structured reporting and disclosure, this PAS helps investment managers examine and monitor their approach in more detail.

This PAS encourages investors to go beyond legal compliance in recognition of their connection to and impact on the economy and society, and their role in the transition to a low-carbon economy, for example, as set out in the UK's Green Finance Strategy 2019 [21]. Compliance with regulatory requirements, specifically investment managers' duties to act in the best interests of clients, including the consideration of material investment risks, is an important starting point. However, to transition to sustainable investment management, an organization needs to go beyond this and implement an ongoing process of performance improvement and target setting that is fundamental to achieving the broader aims of sustainable finance.

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Table 1 – Responsible and sustainable investment and the principles of PAS 7340

Sustainable finance principle	PAS 7340	Responsible investment	Sustainable investment
Governance and culture	Embed sustainability across the organization, including governance and culture	Commitment to deliver long-term sustainable value to clients and beneficiaries through ESG integration and stewardship, allocation of responsibility and resources. Associated targets and implementation processes across investment management	Commitment to align investment practices with international sustainability frameworks, including the Paris Agreement [10]. Demonstrate an active role and collaboration with others in pursuit of global sustainability goals
	Activities include	• An organizational purpose and vision with respect to responsible investment approach • Understanding of key ESG themes and sustainability trends • Accountability at the highest level of the organization for the approach and implementation	• Commitment or alignment included in the organization's purpose and vision
Strategy alignment	Align the business strategy with overall sustainability objectives, including risk management and products	Align business strategy with the delivery of long-term sustainable value to clients and beneficiaries	Align business strategy with delivery of sustainability goals, including in relation to risk management and product development, with related targets and reward system.
	Activities include	• Embedding approach in relevant job descriptions, terms of reference for board committees and performance management, and providing appropriate training • Determining material ESG considerations • Adopting a responsible investment approach (which may differ across asset classes) • Transparency on approach to consideration of ESG risks and impacts, how it differs across asset classes • Transparency on the use of service providers	• Inclusion of sustainable investment management objectives in key performance indicators (KPIs) and incentive structures • Objectives of international sustainability frameworks incorporated into approach and supported by relevant research and data • Consideration of approach over different timeframes, including beyond the life of the investment and for broader sustainable development goal
Investment processes	[Impact management] Identify and manage business life cycle sustainability risks and impacts, dependencies, risks and opportunities	Define and implement ESG integration processes to enhance risk-adjusted financial returns for portfolios and products, across asset classes, including setting reporting expectations. Use voting and engagement as part of the investment process	Define sustainability goals within investment processes and manage portfolios and products to deliver those sustainability goals using voting and engagement in support of these goals
	Activities include	• Systematic processes for inclusion of ESG considerations in investment process and investment decision-making across asset classes • Setting expectations for service providers and external managers	• Explicit sustainability outcomes for each asset class or investment category • Processes to design investment strategies to meet sustainability goals

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Table 1 – Responsible and sustainable investment and the principles of PAS 7340 *(continued)*

Sustainable finance principle	PAS 7340	Responsible investment	Sustainable investment
Investor rights and responsibilities	[Stakeholder engagement] Work with stakeholders to deliver collaborative solutions and a financial system architecture that supports sustainability objectives	Work with relevant stakeholders to deliver collaborative solutions to deliver long-term sustainable value	Work with relevant stakeholders to deliver collaborative solutions and a financial system architecture that supports sustainability objectives
	Activities include	• Exercising ownership rights and responsibilities across investment processes and asset classes, including systematic activity and monitoring processes for planned and reactive engagement, and policies for voting activity • Identification of relevant stakeholders with legitimate interest in transparency on the process and creation of forums for two-way information sharing	• Setting sustainable investment objectives for engagement activities to change corporate practice or meet supporting international sustainability targets or frameworks • Appropriate monitoring and tracking processes, including escalation thresholds • Defining the role and input that key stakeholders can have, including experts
Transparency	Operate in a transparent and accountable manner, including public reporting	Reporting on governance, strategy, investments, voting, engagement, the extent of ESG risks and opportunities, and the actions taken	Reporting on the organization's approach to alignment with sustainable investment frameworks, agreements and targets and the outcomes achieved
	Activities include	• As a principle, sharing material information (which can be through existing disclosures) with stakeholders to demonstrate the responsible investment approach, accountability and key impacts over time • Tailoring disclosures to different stakeholder groups • Demonstrating that reporting and data collection systems are in place to create effective monitoring of progress	• Linking disclosures on sustainable investment approach, where possible, to annual reporting and including known and likely impacts on society and environment

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0.5 Uses of this PAS

PAS 7341 is intended to help investment managers implement the principles set out in PAS 7340, enabling them to demonstrate responsible investment management across their organization and asset classes. This PAS is predicated on principles from existing responsible and sustainable investment initiatives (codes of conduct and regulatory requirements), as set out in **0.3**. Additionally, this PAS provides a pathway towards sustainable investment management, which may begin with individual products or strategies, and cascade across the organization, should a firm wish to take this route.

This PAS focusses on the practical implementation of policies and sets out how investment managers can embed their responsible or sustainable investment approach in their investment processes, including investment decision-making and stewardship activities, as well as the reporting on processes and outcomes. This can reference material ESG considerations, the UN SDGs [9] or other relevant tools to support the delivery of sustainability goals

The PAS sets out firm-level requirements for a responsible investment management approach, with additional requirements for a sustainable investment management approach. Compliance is achieved when the responsible or sustainable investment management approach applies to more than 80% of assets under management.

An organization may selectively implement the sustainable investment management requirements as applicable to its approach; however, this would not entail compliance with the sustainable investment tier of this PAS. Firms are encouraged to disclose their level of compliance with the sustainable investment management requirements alongside their responsible investment management compliance disclosures, if they wish to demonstrate that they are on a journey to the sustainable investment management level.

The PAS defines responsible investment to include stewardship and aligns itself with the view of investor stewardship reflected in the UK Stewardship Code 2020 [3], which encompasses all types of asset class investment. The Code views stewardship responsibilities as spanning investment processes (including strategic asset allocation) and asset classes. The Code also encompasses public and private assets, including equity and debt assets. This extends the understanding of discharging stewardship responsibilities, which previously focused on listed asset ownership, to engagement with investee companies and (proxy) voting activity. The needs of beneficiaries and clients continue to have primacy; however, the code emphasizes activities including collaboration and engagement with peers, stakeholders, policy makers and regulators, leading to sustainable benefits for the economy, the environment and society.

The PAS allows for a range of investment styles, including but not restricted to: ESG integration, screening, thematic, socially responsible or impact investing styles. It recognizes that investor actions can cause, contribute to or be directly linked to impacts that shape outcomes[2]. Some methods incorporate a set of non-financial objectives. The approaches adopted by each organization can vary according to their style, investment philosophy, and the needs or instructions of their clients and/or beneficiaries.

Disclosure and communication are a core aspect of this PAS, in particular against organizationally set objectives. The organization is expected to communicate its approach clearly. Existing, well-established reporting mechanisms such as the PRI's Reporting Framework [2] can be used to demonstrate how the requirements of the PAS are being met, alongside other internal processes or third-party verification, where desirable or appropriate.

The PAS does not mandate third-party verification but encourages organizations to determine the appropriate internal or external audit processes that communicate why they have adopted a particular approach. Sound reporting processes encourage and support verification.

All PASs are reviewed two years after publication to continue to keep up with the changing regulatory and policy landscape.

0.6 Target audience

This PAS is intended to be used by anyone managing investments, including investment management firms (e.g. fund/asset managers) and asset owners. Asset owners might also use the provisions of the PAS to set expectations or requirements for investment managers and communicate needs to intermediaries such as investment consultants.

The PAS requirements are applicable to the investment processes, including investment decision-making, of an organization as a business activity. Although the topics are related, this PAS does not provide guidance or requirements on the sustainable operation or development of an organization, such as internal environmental performance or corporate social responsibility. Such activities are covered by separate set(s) of guidance and standards, (e.g. BS ISO 26000).

[2] For more on outcomes, see https://www.unpri.org/pri-blogs/beyond-esg-incorporation-how-the-sdgs-can-help-investors-shape-outcomes-in-the-world/5921.article.

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1 Scope

This PAS sets out requirements to establish, implement and manage the process of integrating responsible and sustainability considerations into investment management at the legal entity level. The requirements cover stewardship and the levels of engagement needed to demonstrate ongoing practices and commitment to responsible or/and sustainable investment management.

***NOTE** A legal entity might include an individual, department or business unit that is responsible for setting its objectives and processes.*

This PAS addresses the policies and processes needed to create and embed a responsible investment management approach that can support an organization's transition towards a sustainable investment management approach. It underlines the importance of effective disclosure to appropriate stakeholders, and builds on existing industry guidance, principles and regulatory developments in sustainable finance.

This PAS is intended to be used by anyone managing investments including investment management firms (e.g. fund/asset managers) and asset owners. Investment consultants (including pensions consultants and managers) and intermediaries in organizations of any size, as well as asset owners, might find the provisions useful, for example, in establishing requirements for investment managers.

2 Normative references

There are no normative references in this document.

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3 Terms, definitions and abbreviations

3.1 Terms and definitions

For the purposes of this PAS, the terms defined in PAS 7340 together with the following apply.

3.1.1 assets under management (AUM)

total market value of assets that a financial institution is managing on behalf of investors

NOTE *Individual organizations might differ in their interpretation of the incorporation of their total AUM and its coverage of subsidiaries and other connected organizations.*

3.1.2 best-in-class

portfolio composition through active selection of investments that meet a defined threshold of performance on a defined set of criteria, which may be weighted

3.1.3 environmental, social and governance (ESG) criteria

factors used by investors to assess the sustainability of investments

NOTE 1 *Examples of ESG criteria include:*

a) environmental – climate change, natural resource depletion and environmental degradation (including land use change, habitat loss and species loss);

b) social – working conditions (including slavery and child labour), local communities, conflict, health and safety and employee relations, equality and diversity; and

c) governance – executive pay, bribery and corruption, political lobbying and donations, board diversity and structure and tax strategy.

NOTE 2 *ESG criteria relate to the full business value chain activities of the organization's investments from conception of products/services through production to end use and beyond. In the context of greenhouse gas (GHG) emissions this would cover scope 1, 2 and 3 emissions.*

[SOURCE: PAS 7340:2020, **2.4**]

3.1.5 impact investing

approach where investments are made with the intention to generate positive, measurable social and environmental impact alongside a financial return

[SOURCE: PAS 7340:2020, **2.8**]

3.1.6 integration of ESG issues (investment)

systematic and explicit inclusion of material ESG criteria into investment analysis and investment decisions

[SOURCE: PAS 7340:2020, **2.9**]

3.1.7 intentionality

investor's intention to have a positive social or environmental impact through investment

{SOURCE: GIIN [22]}

3.1.8 investee engagement

interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.), including on issues of concern

NOTE 1 *Engagements can be undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.*

NOTE 2 *Investors can engage with investees directly in their own name, in collaboration with other investors and through commercial service providers. Comprehensive engagement could include substantive detailed discussions or interactions with a company (e.g. letters, meetings and calls) with time-bound actions and targets.*

NOTE 3 *Divestment by the investor is an option if objectives are not being achieved.*

[SOURCE: PAS 7340:2020, **2.10**]

3.1.9 investment management

practice of managing or investing securities and assets within a portfolio, in line with the investment goals of the client or beneficiary investor

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3.1.9.1 responsible investment management

consideration of the impact of material factors, including material ESG considerations, on financial risk and return to better manage both risks and opportunities and deliver long-term, sustainable returns

NOTE *A responsible investment management approach manages all aspects of the investment process, including ESG considerations, mandates, data and the use of service providers to minimize risks and take advantage of opportunities, including voting and engagement, to enhance value. Organizations identify how ESG considerations are impacting investment processes and related activity. This includes identifying gaps and key ESG risks in products and strategies. A key part of responsible investment management is the responsible stewardship of capital.*

3.1.9.2 sustainable investment management

investment management undertaken with specific sustainability objectives and consideration of how investment processes can support chosen sustainable objectives, during and beyond the lifetime of an investment, to achieve the goal of sustainability

NOTE 1 *It is recognized that investor actions influence a wide range of stakeholders, starting with clients and beneficiaries and extending to wider society and the environment, which implies the need to identify and act in ways that align both their investment process and stewardship activities with normative frameworks that define sustainability.*

NOTE 2 *A sustainable investment approach aligns portfolios with the Paris Agreement [2] and other relevant goals and uses ownership rights, including voting and engagement and products, to support the achievement of sustainability objectives.*

3.1.10 investment strategy

strategy that guides a manager's investment decisions within the confines of an organization's defined goals, risk tolerance and processes

3.1.10.1 active

strategies where the investment manager chooses which securities to invest in

NOTE 1 *Quantitative (quant) strategies are investment strategies or funds for which the manager builds computer-based models to determine whether an investment is attractive. In a pure "quant model", the model makes the final decision to buy or sell.*

NOTE 2 *Fundamental strategies are where investment decisions are based on human judgment. This includes both bottom-up (e.g. stock-picking) and top-down (e.g. sector-based) strategies.*

3.1.10.2 index investing

investments that mirror the performance of an index

NOTE *Examples include investments in broad capital market indices, ESG-weighted indices, themed indices, passive managed exchange-traded funds (ETFs) or indices with ESG-based exclusions.*

3.1.11 investor

person or entity that commits capital with the expectation of a financial or other return

3.1.12 issuer

legal entity, such as an investment trust, corporation or government, that develops, registers and sells securities to generate finance for its operations

NOTE *Securities include equity, bonds and derivatives and may be aggregated into funds.*

3.1.13 organization

person or group of people that has its own function with responsibilities, authorities and relationships to achieve its objectives

[SOURCE: BS ISO 55000:2014, **3.1.13**]

3.1.14 proxy voting

casting a ballot on behalf of a shareholder that is not present at a shareholder meeting

NOTE *Votes are taken on management and/or shareholder resolutions.*

3.1.15 risk

effect of uncertainty on objectives

NOTE 1 *An effect is a deviation from the expected. It can be positive (sometimes expressed as opportunities), negative (sometimes expressed as threats) or both.*

NOTE 2 *Objectives can have different aspects and categories (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organization-wide, project, product and process).*

NOTE 3 *Risk is often characterized by reference to potential events and consequences, and their likelihood.*

[SOURCE: PD ISO Guide 73:2009, **1.1**, modified]

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