

# The “Conviction & Narrative” checklist

## 10 questions to ask the manager of an ESG Fund

*While in no way meant to be exhaustive, and recognizing that there is no consensus in the market as to what constitutes an “ESG fund”, these questions can help to assess what the ESG objectives of a fund are, the degree to which ESG factors play a meaningful role in the investment process, and whether the strategy can be marketed credibly as an “ESG fund”. Asset managers of ‘bona fide’ ESG funds will have thought about these questions and should be able to articulate their **Conviction & Narrative** with confidence.*

**1. Conviction.** Please describe what role ESG considerations play in the investment strategy, what ESG-related investment conviction this is based on, and how this is reflected in the investment research and decision-making process.

**2. Objectives.** Please indicate what the [objectives are of incorporating ESG considerations in the investment strategy](#), i.e. one or more of:

(1) Alignment with values – please specify what & whose values, and how they have been determined (2) Generating (financial) out-performance (3) Influencing company behavior (4) Risk management (5) [Having positive social or environmental impact](#)

For each objective, please indicate as much as possible how the chosen ESG approach will help achieve the objective – describe what your theory of change is, or what “cause & effect” chain of events your investments are intended to trigger.

If it regards an impact fund (5) – would you consider the strategy to be [“impact-aligning”](#) or [“-generating”](#)?

**3. Data, Ratings & Research.** Please indicate which data or ratings you use to implement the chosen ESG approach, and why. Is there (academic) research that you use as input for the strategy and/or that supports the validity of your investment strategy?

**4. Team.** Please describe the team that is responsible for managing the investment strategy, and indicate which members of the team are responsible for the ESG aspects of the strategy, and what ESG-related knowledge or capabilities they bring to the team.

**5. Reporting.** Please indicate what kind of reporting you make available to clients on the strategy and in particular on the ESG approach.

**6. Measurement & Attribution, Frameworks.** Please indicate if you do attribution assessment (to determine which investment results are attributable to the ESG aspects) or measurement of the targeted outcomes of the strategy, whether quantitatively or qualitatively. Please describe metrics used, who conducts the attribution or measurement, and the results to date. If you reference the Sustainable Development Goals (SDGs) as a framework, please provide detail referencing goals and sub-goals of the [UN 2030 Agenda for Sustainable Development](#) and discuss causal mechanisms.

**7. Regulatory Guidance.** Please indicate if you have followed specific regulatory guidance in establishing or documenting the strategy, e.g. from [Finma](#) (CH), [FCA](#) (UK), or [SEC](#) (US)?

**8. Ratings / Assessments / Labels.** Does the fund have any (external) ESG ratings, assessment, or [SFDR classification \(art. 6/8/9\)](#)? Do you feel they adequately capture the essence of your approach? [Does the fund have a label? Why that label?](#) Please indicate what the requirements are to obtain the rating, classification or label and how you meet them.

**9. Backstop.** Please indicate if your fund has investments (or might allow investments in the future) that would be considered controversial if found in an ESG fund. Are you prepared to explain why these investments can in fact be justified based on alignment with your ESG approach?

**10. Supporting activities.** Do you undertake activities that support investment research and decision-making, e.g. company-, industry- or public policy engagement; or support the further development of sustainable finance practices / markets, e.g. by working with NGOs, governments or academics?