

SRI label supported by the authorities



Label guidelines

I. - ELIGIBILITY CRITERIA

Title	Requirements	Information required	Inspection points, inspection method, procedure for concluding whether a requirement or criterion has been met
I. Eligible funds	<p>The following funds are eligible:</p> <ul style="list-style-type: none"> i. Funds covered by the UCITS directive. ii. Alternative investment funds (AIF) that do not have a substantial leverage effect as defined by the AIFM Directive and that are: <ul style="list-style-type: none"> - General-purpose investment funds or - Employee savings funds 	Prospectus and KIID.	<p>Check that the record/authorisation exists in the GECO database of the AMF The auditor checks that the fund is a UCITS covered by the UCITS IV Directive (2009/65/EC) or an Alternative Investment Fund (2011/61/EU) authorised for sale in France, a general-purpose investment fund covered by article L. 214-24- 24 of the French Monetary and Financial Code or an employee savings fund covered by article L. 214-163 of the French Monetary and Financial Code.</p>
II. Label promotion body	Commit to becoming a member of the label promotion body	Written membership commitment.	Verify that the commitment exists.
III. Special cases	<ul style="list-style-type: none"> i. Corporate/sovereign mixed funds Debt securities issued by governments, regional authorities and governmental or international public agencies, other than "green" bonds, are not included in the scope of SRI assets concerned by the label. At least 30% of the portfolio must be assets other than the aforementioned debt securities. ii. Funds of funds or multi-management funds must be at least 90% invested in funds that have the SRI label or a European label recognised as an equivalent by the label owner. 	<p>Portfolio statement and prospectus</p> <p>Portfolio statement indicating the label obtained or requested for each fund, and prospectus.</p>	<p>The auditor verifies the portfolio's composition in terms of the underlying funds' eligibility.</p> <ul style="list-style-type: none"> - Verification that the funds invested in are in fact labelled or are the subject of a label request - Verification of compliance with the 90% ratio of SRI labelled funds <p>When compliance with a quantitative standard is required and the applicant fund does not meet this or the applicant fund has not been operating long enough to demonstrate compliance with the standard, the criterion is considered to have been met if the applicant</p>

	<p>iii. Feeder funds Feeder funds are eligible for the label if the master fund is labelled</p>		<p>fund agrees to meet this standard within 12 months of the label being awarded. "Green" bonds are defined in accordance with the criteria of the Green Bond Principles.</p> <p>To assess "long-term" compliance with a quantitative standard, the certifier or auditor examines the average of this standard over the fund's history during the 12 months preceding the request to award the label.</p>
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II. - LABELLING CRITERIA

Criterion no.	Criteria	Information required, standard to meet	Inspection points, inspection method, procedure for concluding whether a requirement or criterion has been met
Pillar I- The objectives targeted by the fund by taking ESG criteria into account			
1	Criterion 1- The general, financial and specific ESG objectives targeted by taking ESG criteria into account in the investment policy are clearly described in the commercial documents intended for investors.	<p>The applicant provides the following information or answers the following questions:</p> <p>(i) What are the general objectives (impact on the companies) targeted by taking ESG criteria into account in the investment policy, notably with respect to the impacts targeted (see Pillar VI)? How are they defined and described to investors?</p> <p>(ii) Do you have objectives of a financial nature (medium-term outperformance, risk reduction, profitability/risk trade-off, etc.) or other objectives (ethical etc.) linked to taking ESG criteria into account? If so, what are they and how are they defined and described to investors?</p> <p>(iii) What are the...:</p> <ul style="list-style-type: none"> - Environmental - Labour (human resources and human rights) - Corporate governance <p>etc. objectives targeted by taking ESG criteria into account in the investment policy? How are these objectives defined and described to investors?</p>	<p>Check the completeness and quality of information provided by the applicant in respect of the documentation required and the questions asked.</p> <p>The auditor checks that the documentation addresses points (i) to (iii).</p> <p>An applicant fund that does not declare specific environmental, social and governance objectives (for example those referred to in pillar VI) does not meet the present criterion.</p>
Pillar II- Issuer analysis and rating methodology used by the fund management company			
2.1	Criterion 2.1- The ESG assessment methodology is clearly described and the fund management company demonstrates its ability to take these criteria into account in its investment policy.	<p>The applicant fund's management company:</p> <p>(i) Provides documentation available to investors that describes:</p> <ul style="list-style-type: none"> - The ESG assessment method - How the implementation of this method influences its investment policy <p>(ii) Provides a presentation of the ESG analysis tools and methods (proprietary tool with internal rating scale, external rating scale, reference to external ratings, frequency of rating review, etc.).</p> <p>(iii) Provides a presentation describing the strategy for selecting ESG assets and the method for transitioning from an ESG investment universe to an ESG portfolio (quantitative tools,</p>	<p>Check the completeness and quality of the documentation provided by the applicant in respect of the documentation required and the questions asked.</p> <p>The auditor checks that the ESG assessment method is available to investors.</p>

		discretion, fundamental or technical analysis, consideration of rating changes, type of exclusions practised, controversy management, etc.).	The auditor checks that the methodology is reviewed at least annually. An applicant fund that declares an ESG assessment methodology that does not in actual fact result in the selection of ESG assets does not meet the present criterion.
2.2	Criterion 2.2- The fund's management company puts in place reliable internal or external resources to conduct its analysis and demonstrates a real effort to analyse and understand the information it has at its disposal.	<p>a) The applicant fund's management company provides the following information:</p> <p>(i) List stating the external sources of information used in the ESG analysis (financial, non-financial and ESG rating agencies, research from brokers, independent analysts, consultants, NGOs, database providers, etc.).</p> <p>(ii) Contracts signed with these third parties during the 12 months preceding the application date.</p> <p>(iii) Methodology for using external data.</p> <p>b) The applicant fund's management company provides available information on the human resources dedicated internally to the ESG analysis, in particular:</p> <ul style="list-style-type: none"> - Size and level of expertise of the ESG research teams (training, years of experience, etc.). - ESG analysis training plan and time devoted by the management company to training during the 12 months preceding the application date. - Internal communication (managers, salespersons) of the non-financial analyses conducted. 	<p>Check the completeness and quality of the information required.</p> <p>Examine the contracts provided, if applicable by spot checks.</p> <p>An applicant fund that does not demonstrate a significant investment in the human and material resources of the ESG analysis does not meet the present criterion.</p>
Pillar III- Inclusion of ESG criteria in the portfolio's construction and operation			

<p>3.1</p>	<p>Criterion 3.1- The ESG strategy is explicitly defined and the result of the implementation of this strategy is measured.</p>	<p>a) The applicant fund provides a complete and up-to-date inventory of its portfolio (including the number of securities and the latest valuations used), stating in particular, for each asset:</p> <ul style="list-style-type: none"> - The ESG assessment given (rating, score, opinion, etc.) - The origin of this ESG assessment (internal or, if external, the name of the assessing body) - The minimum ESG assessment required for inclusion in the portfolio <p>Applicants funds whose ESG selection model involves the use of weightings must also state the ESG weighting chosen for each asset or type of asset in the portfolio.</p> <p>b) The proportion of ESG analysed issuers in the fund's portfolio must be over 90% on a long-term basis. These percentages can be by number of issuers or by capitalisation.</p> <p>c) The applicant fund demonstrates that the result of the implementation of its ESG strategy is measurable. The applicant fund has <u>either</u>:</p> <ul style="list-style-type: none"> (i) A 20% reduction in its investable ESG universe relative to the fund's initial investment universe (i.e. the worst 20% of shares are eliminated). (ii) An average ESG rating for the portfolio that is significantly higher (i.e. better) than the average ESG rating of the initial universe. The portfolio's weighted average ESG rating may not under any circumstances be lower than the weighted ESG rating of the fund's initial investment universe, the benchmark or the benchmark index after eliminating the worst 20% of shares. 	<p>Check the completeness and quality of the information required.</p> <p>Check compliance with the quantitative standards stated in b) and c).</p> <p>When compliance with a quantitative standard is required and the applicant fund does not meet this or the applicant fund has not been operating long enough to demonstrate compliance with the standard, the criterion is considered to have been met if the applicant fund agrees to meet this standard within 12 months of the label being awarded.</p> <p>Quantified standards are calculated, if applicable, based solely on the eligible portion of the fund (including cash), with the exception of bonds and other debt securities issued by public or quasi-public issuers.</p> <p>To assess the "long-term" compliance with a quantitative standard, the auditor examines the average of this standard over the fund's history</p>
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			during the 12 months preceding the request to award the label.
3.2	<p>Criterion 3.2- The fund's management adopts a long-term perspective; the policy on the use of derivatives is compatible with the fund's objectives and consistent with its adoption of a long-term perspective.</p>	<p>a) The use of derivative financial instruments must be limited to techniques that enable effective management of the portfolio of securities in which the applicant fund is invested. If the applicant fund uses derivatives, it must state:</p> <ul style="list-style-type: none"> (i) Their nature (ii) The objective(s) pursued and their compatibility with the fund's long-term management objectives (iii) Any limits in terms of exposure (by amount and duration) (iv) If applicable, their impact on the fund's ESG quality <p>The use of derivatives must not alter the ESG selection policy significantly or over the long term.</p> <p>b) If the fund lends/borrows securities, it:</p> <ul style="list-style-type: none"> (i)Retrieves the securities to exercise the voting rights, unless physically impossible (ii)States whether the counterparty selection criteria integrate ESG criteria. <p>c) The fund cannot have a short position on an active selected as ESG in accordance with its own ESG method for selecting assets. A short position is understood to be short selling, firm forward selling without holding the asset in cash, purchasing a put option or selling a call option without holding the assets in cash. A short position is also understood to be the acquisition of a financial instrument that produces the same effect.</p> <p>In accordance with the criteria defined above, the fund meets the requirements defined in appendix 2.</p>	<p>Check the completeness and quality of the information required.</p> <p>When compliance with a quantitative standard is required and the applicant fund does not meet this or the applicant fund has not been operating long enough to demonstrate compliance with the standard, the criterion is considered to have been met if the applicant fund agrees to meet this standard within 12 months of the label being awarded.</p> <p>Quantified standards are calculated, if applicable, based solely on the eligible portion of the fund (including cash), with the exception of bonds and other debt securities issued by</p>

			<p>public or quasi-public issuers.</p> <p>To assess "long-term" compliance with a quantitative standard, the certifier or auditor examines the average of this standard over the fund's history during the 12 months preceding the request to award the label.</p> <p>The physical impossibility of retrieving securities is assessed in respect of the cost of the transaction relative to the weighting of the securities in the</p>
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Pillar IV- The policy on ESG engagement (dialogue and voting) with issuers

4	<p>Criterion 4- The general voting policy and the resources put in place are consistent with the fund's objectives.</p>	<p>a) The voting policy must have been formalised by the management company and published on the management company's website. To this end, the fund provides the latest internal control report produced by the compliance and internal control manager on the implementation of the voting policy.</p> <p>b) The fund describes its voting policy, notably with respect to its targeting of ESG impacts, stating:</p> <p>(i) The content of the formalised ESG commitment policy (in particular: submission of resolutions, monitoring of companies in the event of a controversy, etc.).</p> <p>(ii) The content of the formalised ESG voting policy, stating the voting rate (number submitted per E, S and G category).</p> <p>(iii) Whether the fund's votes are published.</p> <p>(iv) The human resources, or the external resources (consulting), dedicated to the ESG engagement and voting policy and their connection with the ESG targeting resources.</p> <p>(v) Number of issuers with which the fund has established a relationship, number of</p>	<p>Check the completeness and quality of the information required.</p> <p>An applicant fund that does not participate in the company life of its investments does not meet the present criterion.</p>
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		<p>approaches made to issuers, examples of successes and failures, if applicable. This number will be compared with the number of issuers in the ESG universe invested in.</p> <p>(vi) In what way this engagement and voting policy is consistent with the fund's targeting of ESG impacts.</p> <p>c) The fund describes any other action undertaken regarding the portfolio's issuers.</p>	
Pillar V- Enhanced transparency			
5.1	<p>Criterion 5.1- Formalised communication with distributors and investors has been put in place, ensuring their proper understanding of the fund's strategy and objectives.</p>	<p>a) The fund provides the latest management reports sent to investors, stating their frequency and the targets (investors and distributors or distributors only).</p> <p>b) An ESG management report must be sent to investors at least annually.</p> <p>c) The fund provides information on its policy on communicating with investors and distributors, notably:</p> <p>(i) Any method for communicating with investors and distributors</p> <p>(ii) Policy on handling investor questions or complaints</p> <p>(iii) Its ability to alter the ESG investment strategy or the management practices following questions or complaints from investors and distributors</p> <p>(iv) If applicable, surveys of investors' expectations regarding ESG management and their satisfaction with the results obtained.</p>	<p>Check the completeness and quality of the information required.</p>
5.2	<p>Criterion 5.2- Compliance with SRI management rules is internally inspected and these rules are clearly described to investors.</p>	<p>a) The management company describes its policy on managing ESG risks and communication with investors.</p> <p>b) The management company provides documentation demonstrating that the risk control manager and the compliance and internal control manager are aware of the specific issues surrounding ESG management and that they actually verify the correct application of the ESG strategy. The fund has an internal control and periodic control structure that enables it to integrate, internally or via service providers, an update on the ESG strategy's compliance into a compliance report.</p>	<p>Check the completeness and quality of the information required.</p>

		The fund provides the latest report written on this subject.	
Pillar VI- Demonstration of positive impacts on the development of a sustainable economy			
6	Criterion 6- The impact of the ESG management on the issuers selected is monitored.	<p>The fund provides information on how it organises the monitoring of the impact on the issuers selected in its portfolio. The fund states:</p> <ul style="list-style-type: none"> - The resources, notably the human resources, put in place. - The method for assessing the impact. - The results obtained, differentiating the impacts on (i) environmental performances, (ii) labour performances, (iii) governance performances and (iv) performances in terms of respecting human rights. <p>Details of the information to provide are stated in appendix 3.</p>	Check the completeness and quality of the information required.

Appendix 1 - Use of derivatives

For both bonds and shares, the use of derivatives is possible, although only under certain conditions. These derivatives are used as a complement to a portfolio invested in ESG analysed securities.

There are two aspects to the management of a fund:

- The selection of the securities in the portfolio
- The construction of the portfolio (management of the fund's normal operations)

Derivatives are mainly used in the construction of the portfolio.

(i) Bonds

For fixed income management purposes, derivatives are used to achieve technical rather than investment objectives: the portfolio is invested in fixed income products that are ESG analysed, then the managers use derivatives to adjust the portfolio (either temporarily or to refine the duration of the fixed income portfolio). If these are instruments used for financial adjustment purposes, derivatives on organised markets (futures contracts and options) must be able to be used without limitation in line with the fund's policy. As far as OTC instruments are concerned, the manager must analyse the ESG quality of the counterparties.

(ii) Shares

- Use of derivatives for hedging purposes: this must be authorised in line with the fund's ESG policy. There must be no contradiction with the ESG nature of the fund. The portfolio is always invested in ESG assessed shares, although the performance takes into account the neutralisation of the equity markets risk. The net performance will have an ESG impact due to the overweighting of ESG securities relative to the index.
- Use of derivatives for exposure purposes: use for exposure purposes must be temporary. The fund's reports and any additions made must enable each management company to explain how it proceeds and, in particular, to illustrate the temporary nature of the use of derivatives for exposure purposes. Furthermore:
 - Exposure to a security or an index must be possible, in particular to respond to a significant movement of the liability (subscriptions or redemptions).
 - In the case of a security, the underlying asset must be ESG.
 - In the case of an index, temporary exposure to the fund's benchmark index must be possible, including if this index is not ESG.
- The use of derivatives for the short selling of non-ESG securities (e.g. simply buying a put option on non-ESG securities) is not appropriate.

Lastly, as far as OTC instruments are concerned, the manager must analyse the ESG quality of the counterparties.

To illustrate the fund's use of derivatives, the management company must provide a descriptive table presenting the type of derivatives used during the last 12 months. This table contains in particular the nature and number of derivatives used, the proportion of the portfolio concerned, the ESG analysis conducted of the underlying assets and the counterparties, the strategy (market hedging, liquidity management, etc.) and states whether the derivative impacts the portfolio's ESG quality.

Appendix 2 - Information to provide about measuring the impact of the ESG selection

The following information requested is accompanied, if applicable, by certificates of assurance or verification of indicators produced by external third-party organisations. For each indicator provided, the fund must state:

- Its coverage by number of issuers and assets under management
- Its scope
- Its calculation method (indicating any changes in method from one year to the next)
- Any difficulties encountered in its preparation
- An analysis of its changes over the last three years (however, it is accepted that for the first two labelling campaigns, the indicators only concern year Y then Y & Y-1 respectively).

Demonstration of the environmental performance

The fund provides information on its environmental performance, notably in terms of the portfolio's carbon impact during the first year. The fund characterises this performance by producing at least one of the following indicators:

- Greenhouse gas (GHG) emissions (direct (in tonnes), in absolute value or relative (for example relative to the benchmark index or the assets under management)).
- GHG emissions prevented (in tonnes).
- Another relevant indicator.

Demonstration of the labour performance

The fund provides information on the labour performance. The fund characterises this performance by producing at least one of the following indicators:

- Percentage of salaried administrators
- Absenteeism rate
- Fairness ratio
- Another relevant indicator

Demonstration of the governance performance

The fund provides information on its governance performance. The fund characterises this performance by producing at least one of the following indicators:

- Proportion of companies (or assets under management) for which the directors' variable compensation integrates ESG criteria.
- Percentage of independent administrators.
- Another relevant indicator

Demonstration of the performance in terms of human rights

The fund provides information on the performance in terms of human rights. The fund characterises this performance by producing at least one of the following indicators:

- Proportion of companies (or assets under management) covered by a collective agreement (or equivalent)
- Number of controversies concerning human rights at work
- Another relevant indicator

Appendix 3 - List of documents to be provided by the applicant fund

1. The fund's prospectus and KIID
2. Commercial material, report (the latest) and management report
3. Statement detailing the portfolio in accordance with the requirements stated in criterion 3.1 (except for funds of funds)
4. For funds of funds only, a portfolio statement in accordance with the requirements stated in eligibility criterion III
5. List of supply contracts stated in criterion 2.2
6. Table (or data) enabling verification, if applicable, of compliance with criterion 3.1 c)
7. Summary document meeting the information requirements of criteria 1, 2.1, 2.2, 3.1, 3.2, 4, 5.1, 5.2 and 6
8. Latest report on the execution of the voting policy and latest internal control report on the compliance of the voting policy
9. Descriptive table on the use of derivatives