

SRI label supported by the authorities



Inspection and monitoring plan

This reference document presents the principles that govern the terms for certifying organisations applying for the "socially responsible investment" label.

It states the terms of eligibility and the procedure for certifying, monitoring and withdrawing or suspending the "socially responsible investment" label.

Section 1 **"Certifying bodies"**

Article 1 **"Definitions"**

For the purposes of the present document, the following terms apply:

1° Accreditation: a certificate issued by the French Accreditation Committee (COFRAC) or any equivalent European body that has signed the multilateral agreement formed in connection with the European coordination of accreditation bodies, in accordance with the application rules in effect, which serves as formal recognition of a body's competence to conduct specific compliance assessment activities.

2° Certifying body, or certification body: the accredited body tasked with auditing the applicant funds and awarding the label.

3° Auditor: an agent that has the necessary skills and impartiality, participating in the conduct of an audit and selected for its knowledge of audit practices, the specifications of the "socially responsible investment" label guidelines, and financial asset management.

4° Certificate: a document awarded by a certification body to an applicant organisation, attesting that its procedures or services comply with standards defined in a set of guidelines.

Article 2 **"Certifying body accreditation procedure"**

The certifying body is accredited in accordance with the standard NF EN ISO/CEI 17065.

Certifying bodies applying for accreditation submit an application to the national accreditation body.

Once accredited, certifying bodies submit to the French finance and public accounts minister a written request, accompanied by a copy of their accreditation certificate, to be included on the list of certifying bodies accredited for this mechanism. The list is published on the website of the French finance and public accounts ministry.

Each certifying body appoints an agent to represent it in dealings with the French finance and public accounts ministry. The list of certifying bodies is published on the website of the French finance and public accounts ministry.

Article 3 **"Selection of a certifying body by applicants"**

Applicants are free to choose their certifying body.

It is applicants' responsibility to verify that the certification body is accredited for issuing certification in connection with the "socially responsible investment" label.

Any applicant that wishes to change certification body must submit a new certification request and pass an initial audit under the conditions defined by the present document, or transfer its request to a certifier accredited under the conditions defined in article 16.

Article 4

"Change of certifying body after a certification rejection"

Applicants that have received a certification rejection from a certification body, in respect of one or several of their funds, may not submit a new application to another certifying body within a six-month period starting from the rejection date. After this period, they must indicate to their new certifying body the non-conformities that were reported to them and demonstrate that these have been resolved.

Article 5

"Certification and issuance of certificates by a body that has not yet been accredited"

After the national accreditation body has approved the admissibility of the accreditation request, certifying bodies are authorised to issue certificates without accreditation.

These certifying bodies obtain their accreditation within a 12-month period and, after obtaining their accreditation, may reissue the previously issued certificates under their newly acquired accreditation, subject to verifying that the certification process was compliant from the date of favourable admissibility and the certifying body's definitive accreditation.

If this accreditation is not obtained, certificates already issued remain valid but the certification must be transferred to an accredited certifier.

The latter examines the application packages and audit reports and decides whether to:

- take on the package by confirming the certification, and issue a definitive certificate;
- organise, after analysing the package, an adapted assessment;
- reject the certification.

Article 6

"Accreditation suspension and withdrawal"

Upon request, the certifying body keeps its client companies informed of their accreditation status.

If their accreditation is suspended, it must inform companies whose suspension may compromise the issuance of their next certification, within a maximum period of 15 days after notification of their suspension.

When a certifying body's accreditation is suspended, certifications issued until the suspension date remain valid. The certifying body may not issue new certificates during this period.

During the suspension period, to enable the certifying body to recover its accreditation, a six-month timetable is set during which the certifying body continues to operate in order to enable the national accreditation body to assess it. The certifying body may only conduct follow-up audits.

If, within a six-month period, the accreditation suspension is not lifted, the certifying body organises the transfer of the certifications that it issued to other accredited certifying bodies. In particular, it sends the companies concerned a list of the certifying bodies that cover their certification fields and the procedure to follow to carry out this transfer.

Within a maximum period of two years, unless a positive assessment is given, the national body announces the withdrawal of the certifying body's accreditation.

If accreditation is withdrawn, the certifying body notifies the French finance and public accounts minister within a 15-day period.

Section 2
"Certification audit"

Article 7
"Definitions"

For the purposes of the present document, the following terms apply:

1° Initial certification audit: audit that enables an applicant organisation to obtain initial certification from an accredited certification body.

2° Renewal audit: audit that enables an applicant organisation to obtain a renewal of the certification issued after the initial certification audit.

3° Follow-up audit: audit conducted before the renewal audit to determine whether the investment fund's management rules, including all of the appropriate procedures and documents, still comply with the requirements of the specifications, particularly in view of changes to the certified organisation that have been notified to the certifying body.

The follow-up audit also serves to verify that a minor non-conformity that needs to be verified has been corrected. In accordance with the envisaged changes or the developments observed, the certifying body may decide to conduct an additional audit.

Article 8
"General certification process"

Certification of compliance with the specifications of the "socially responsible investment" label is carried out by an accredited certifying body in keeping with the present document, at the written request of the applicant organisations.

The certification cycle lasts a maximum of three years starting from the date the certification is issued, including two intermediary follow-up audits. The follow-up audits must be conducted respectively within 12 months, plus or minus three months, and 24 months, plus or minus three months, after the certification is issued.

A renewal audit is conducted within 36 months, plus or minus three months, after the certification is issued. After the renewal audit, the decision must be announced before the certification deadline.

If the certification is renewed, it takes effect on the expiry date of the previous certification decision.

If the certification is rejected or withdrawn, the applicant organisation recommences the certification cycle if it wishes to do so.

If non-conformities were detected during the initial certification audit or during follow-up audits and must be corrected, specific follow-up audits may be scheduled by the certifying body.

Follow-up audits may also be scheduled if there is a substantial change to the investment policy or the regulation of one or several certified investment funds of the same organisation.

During each audit, the certifying body must record and justify every observation and state the documents examined.

Article 9 **"Initial audit"**

I. - The initial certification audit takes place in three stages:

- Initial contact by the applicant and analysis of the application's admissibility by the certifying body.
- Preparation of the audit.
- Analysis of the applicant's compliance and result of the audit.

II. - Admissibility of the application

The applicant organisation sends the certification body a written certification request, as well as the information required to prepare a quotation and a certification contract.

This request is accompanied by an information form containing the following items:

- Company name of the applicant organisation and points of contact.
- List of the collective investment undertakings to certify.
- Information establishing compliance with the eligibility criteria of the "socially responsible investment" label guidelines, and supporting documentation.
- Certifications already obtained, if applicable.
- Sworn statement indicating that, for each of the collective investment undertakings to certify, no other certification application in respect of the label has been filed with a certifying body during the last six months.

The certification body ensures that the information form has been completed in full and examines, by reviewing documentation, the eligibility of each undertaking for certification, in respect of the eligibility criteria I, II and III of the specifications stated in article 4 of decree no. 2016-10 dated 8 January 2016.

The certification body then notifies the applicant organisation in writing (certification admissibility document) whether the application of one or several funds is admissible, and if so which.

III. - Preparation of the audit

After receiving the certification admissibility document and before the certification work begins, a contract is drawn up between the applicant organisation and the certification body, detailing the scope, the duration of the organisation's commitment and the requirements concerning the terms of certification.

The contract states the entity assessed and applying for certification, any funds covered by the request, the duration of the certification and the scheduling of the follow-up audits.

The guidelines and all of the requirements concerning the "socially responsible investment" label are sent to the applicant fund's management company at the same time as the certification contract.

By signing the contract, the management company agrees to put in place within its organisation the means to enable to meet the requirements of the present inspection and monitoring plan and the requirements of the "socially responsible investment" label guidelines.

Once the contract has been established, the applicant organisation sends an application package containing, in addition to the package items stated in section 2:

- all of the required documents stated in the specifications, notably the fund prospectus, its KIID, the commercial materials and management report, and the portfolio statement;
- for each criterion of the specifications, any supporting documentation that is required by the specifications or that it deems relevant to establishing its compliance with the criteria.

IV. - Conduct of the audit

1° Organisation of the audit

The certification body makes a decision on whether or not to certify the applicant organisation's fund based on the conclusions of an initial audit conducted on the supporting documentation and on-site (interviews with the applicant organisation's teams), the terms of which are stated in the present document.

- The portfolio management company and the certification body must use the latest version of the guidelines.
- During this audit, all of the requirements of the current guidelines for the "socially responsible investment" label must be assessed by the auditor. The provisions 1, 2.1, 3.2, 4 and 5.1 can be assessed from the supported documentation, except if the certification body believes that an on-site assessment must be conducted.

2° Audit plan

The certification body draws up an audit plan. The audit plan determines the scope of the audit and includes analysis of each criterion in the guidelines. If the audit is conducted by an audit team, the audit plan must clearly indicate which part of the audit was conducted by which auditor.

If the "socially responsible investment" audit is conducted in a combined manner with another set of guidelines or a standard, the audit plan must clearly indicate this set of guidelines or standard and which parts of the guidelines or standard have been audited and at which time.

The audit is comprised of the following phases:

- A kick-off meeting: this meeting must give the auditors the opportunity to present themselves to the audited applicant organisation; it describes the execution of the audit (interview timetables, methods, etc.).
- An assessment of compliance with the criteria of the "socially responsible investment" label guidelines based on a documentation inspection and interviews with the applicant organisation's teams.
- The conclusions of the audit presented by the auditors following a closing meeting.

The portfolio management company must assist the auditor during the audit. As part of the audit, interviews are held with the management and analysis teams. Insofar as possible, the company managers concerned attend the kick-off and closing meetings so that any non-conformity or deviation can be commented on.

The auditors conduct the initial certification audit by assessing all of the requirements of the "socially responsible investment" label that apply to the audited fund. The auditor, or the lead auditor in the case of an audit team, presents his/her conclusions and comments on all of the non-conformities and deviations identified relative to the label guidelines.

After the closing meeting, in accordance with the comments and answers that the applicant gives to the auditors concerning any non-conformities and deviations identified relative to the guidelines, the certification body makes a decision on whether to certify the applicant's funds.

The certification body is responsible for making the certification decision and preparing the formal audit report. The certificate is issued based solely on the results of the initial certification audit.

For the audit teams, the duration of an initial certification audit depends on the size and number of funds to examine. The duration of an on-site audit may not be less than two days.

3° Audit report

After each audit, the certification body produces a full written report. The audit report must be written by the auditor and countersigned, if applicable, by the responsible person from the audit team. It is written in a thorough and transparent manner, for each fund, and is subdivided into several sections:

- General information about the applicant organisation and the audited fund.
- Overall result of the audit, including a detailed description of the investment fund's characteristics per criterion.
- Summary in table form.
- Summary of all of the deviations and non-conformities detected for each criterion.

4° Decision-making

The certification decision is made completely independently by the certifying body, based on the audit report, the analysis of the deviations and non-conformities detected and the explanatory items provided by the applicant organisation.

Article 10 **"Renewal audit"**

In order for the "socially responsible investment" label to be renewed, a renewal audit must be conducted three years after the certification was awarded during the initial audit. This audit results in a new certificate being issued.

Starting from the date of the initial audit, the renewal audit must be scheduled at the earliest ten weeks before and at the latest two weeks after the audit anniversary date.

The certification body must make the renewal decision before the certificate expiry date.

Portfolio management companies are responsible for upholding their certification. All portfolio management companies that have a certified fund receive a reminder from a certification body three months before the certification expires.

Section 3

"Terms of monitoring by certifying bodies"

Article 11

"Follow-up audit"

Annual follow-up audits are conducted by the certification body as part of the process of monitoring certified funds. Additional follow-up audits may be scheduled by the certification body in the event of a non-conformity.

Article 12

"Change of investment policy"

In the event of a substantial change to the fund's investment policy or regulation, the certified organisation must notify its certification body within a one-month period so that it can assess the impact of these changes on the current certification and decide, if necessary, to conduct an additional audit.

Article 13

"Annual follow-up"

The annual follow-up audit aims to determine whether the investment fund's management rules, including all of the appropriate procedures and documents, comply with the requirements of the "socially responsible investment" label.

These audits consist of verifying that the current guidelines are still applied and that the documentation has not been significantly altered.

Particular attention is paid to the non-conformities and deviations identified during the previous follow-up audit or the initial certification audit, as well as to the effectiveness and implementation of the corrective actions and preventive measures of the action plan put in place at that time.

In this case, the audit report must be presented as an appendix, attached to the current audit report, so that the certification body can decide whether to uphold the current certification.

Article 14

"Conduct of the follow-up audit"

The follow-up audits are conducted by the certification body appointed by the portfolio management company.

The certification body must send the portfolio management company an audit pre-report and the action plan template indicating all of the non-conformities identified during the follow-up audit within two weeks of the follow-up audit date.

The portfolio management company must propose in writing, within 15 days of receiving the action plan template, a complete action plan to correct these non-conformities, preventive actions to prevent the deviation re-occurring and a deadline for implementing these actions. All of the non-conformities are presented in this separate action plan.

Section 3

"Handling of non-conformities"

Article 15

A non-conformity is a deviation from one or several criteria of the specifications.

Non-conformities are, in ascending order of severity, minor, major and serious. A minor non-conformity means that there was near-total compliance with the guidelines, but that a slight deviation was detected. A major non-conformity means that a significant proportion of the guidelines were not met. A serious non-conformity means that the guidelines were not followed.

The certification may be suspended or withdrawn, in accordance with the number of non-conformities detected, in the event of:

- serious non-conformities;
- major non-conformities not resolved within three months;
- minor non-conformities already detected for which the portfolio management company has not proposed or implemented relevant corrective actions.

The timetable for implementing corrective actions must not exceed a timetable established in accordance with the severity of the non-conformities:

- In the case of a minor non-conformity, the action plan drawn up must be implemented within a maximum period of six months. The implementation of the corrective actions will be verified during the next follow-up audit; a minor non-conformity must be resolved by the next audit, otherwise it will be reclassified as a major non-conformity.
- In the case of a major non-conformity, the implementation of the corrective actions must be verified within three months; a major non-conformity must be resolved within three months, otherwise it will be reclassified as a serious non-conformity. Verification of compliance fulfilment results in the conduct of an additional follow-up audit (on the supporting documentation or on-site if necessary) focused on the non-conformity.
- In the case of a serious non-conformity, the implementation of the corrective actions must be verified within three months. If detected during the initial audit, a serious non-conformity blocks the certification and requires a further certification audit to be conducted.

Any repeated non-conformity is reclassified under the next highest level.

Section 4

Article 16

"Certification transfer"

The transfer of a certification is defined as the recognition of an existing and valid certification, during a certification cycle, that is awarded by a certifying body covered by a valid accreditation from another certifying body, also covered by a valid accreditation in order to issue its own certification.

Before the transfer, the receiving certifying body verifies that the certified activities are within the scope of its accreditation and that the company that wishes to transfer the certification has a certification that complies with the mechanism in place.

The certification body takes all appropriate steps to ensure that transfer applicants do not have a suspended or withdrawn certificate, in which case the certification cannot be transferred from one certifying body to another certifying body. Non-conformities that resulted in a certificate suspension must be resolved before the transfer. The former certifying body sends to the receiving body, within a 15-day period, a copy of the issued certificate, the last audit report and a package detailing the non-conformities detected and the action plan decided on to reduce this deviation from the provisions of the guidelines.

The receiving body then examines, via a document review, the status of the outstanding non-conformities, the last audit reports, the complaints received and the corrective actions implemented. It then makes a decision on the transfer of the company's certification within a 30-day period.

Section 5
"Communication of information by certifying bodies"

Article 16

Accredited certifying bodies send an annual report on their certification activity to the French finance and public accounts ministry. This annual report includes qualitative and quantitative documentation regarding their activity. It highlights the difficulties encountered, notably regarding the interpretation of the specifications criteria, and may propose changes to the label owner.

They are bound by professional secrecy and must maintain the confidentiality of their communications with applicants.

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