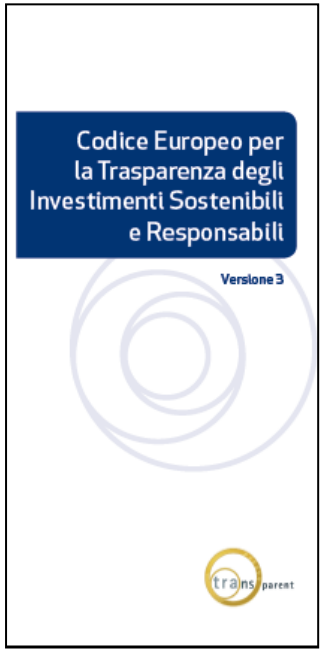
Developing Sustainability through European Financial Markets

European SRI Transparency Code: A best-practice tool for SRI investors and the industry



Milan

November 5, 2013

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EUROSIF – The Leading Pan-European Sustainable Investment Membership Association

1. **Proximity to EU domestic markets via national SIFs**

2. **Diversity of Membership Affiliates**

3. **European focus and based in Brussels**

- **Partnership of 8 national SIFs**
- **Directly supported by over 65 Member Affiliates**
- **Indirect network of ~ 600 European organisations**

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An Organisation With Around 65 Member Affiliates Drawn From the Industry Value-Chain

European SRI Transparency Code: Objectives

- To create more clarity and comparability on the investment principles and processes of SRI mutual funds distributed in Europe

- To act as a self-regulation tool for the industry (soft regulation)

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European SRI Transparency Code - Background

- Voluntary initiative (launched in 2004)
- Primarily aimed at retail investors
- Signatories commit to certain rules/principles
- Product / fund-level information disclosed in RFI-type questionnaire
- Checks performed at national SIF / Eurosif level
- Compliant products can use Transparency Logo (launched in 2008)
- Posted on Signatory website, Eurosif website and if applicable national SIF website

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European SRI Transparency Code – Signatories commitments

- The **order and exact wording** of the questions shall be respected;
- Responses should be **informative and clear**, and the resources and methodologies deployed should be described with as much detail and precision as possible;
- Funds should report data in the **currency** that they use for other reporting purposes;
- **Reasons** preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such a case, signatories should state when they will be able to answer the question;
- Responses shall be **updated at least on an annual basis** and should have a precise publication date;
- Responses to the Code should be **easily accessible** from the fund's and/or fund manager's website. In any case, signatories should make it clear where to find the information required by the Code;
- **Signatories are solely responsible** for the answers to the questions, and should state this in their response.

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European SRI Transparency Code - Commitments

Al fine di esplicitare tali impegni, gli aderenti dovranno includere all'inizio della scheda di adesione le due seguenti dichiarazioni:

Dichiarazione di impegno

L'Investimento Sostenibile e Responsabile è una parte essenziale del posizionamento e comportamento strategico della SOCIETÀ XXX. Siamo attivi nell'SRI a partire dall'ANNO XXX e accogliamo con piacere il Codice Europeo per la Trasparenza degli Investimenti Sostenibili e Responsabili.

Questa è per noi la prima, seconda…XXX dichiarazione di impegno e copre il periodo da XXX a XXX. La nostra scheda completa di adesione al Codice può essere consultata più avanti in questo documento o comunque reperita nel nostro report annuale relativo ai fondi retail e sul nostro sito web istituzionale.

Conformità al Codice

Il GESTORE XXX si impegna ad essere quanto più trasparente possibile dati i vincoli del contesto regolamentare e competitivo esistente nei Paesi in cui opera. La SOCIETÀ XXX soddisfa tutte le prescrizioni del Codice Europeo per la Trasparenza degli Investimenti Sostenibili e Responsabili, ad eccezione della DOMANDA XX & YY.

Nel caso in cui non tutte le richieste fossero rispettate, si prega di indicare di seguito se e quando si ritiene di essere in grado di soddisfare anche le richieste non soddisfatte correntemente.

DATA XXX

European Transparency Code V3.0

- **More user / reader-friendly**
  - More compact
  - Less duplication
  - 4 sections and 21 questions (previously: 6 sections , 35 questions)

- **More current with industry developments**
  - Derivatives, sec lending
  - Link with ESG/CSR policy of sponsor organisation and product

- **Anticipated better comparability of answers**
  - Promotion of Compliance Manual

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European SRI Transparency Code - Structure

Section 1 - Basic Details
6 questions about the Fund Management Co and the Fund(s)

Section 2 – Approach to ESG evaluation of companies
5 questions about the research methodology and the criteria used

Section 3 - Fund management process
7 questions about portfolio construction and management approach

Section 4 - Controls and ESG reporting
2 questions about the controls and the reporting of the fund
1 additional question on donations of the fund if any

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Eurosif Transparency Code: Intended Benefits

FOR RETAIL INVESTORS

- Product / Fund-level information
- Easily accessible
- Standardised information
- Comparable information
- Transparent information

FOR ASSET MANAGERS

- Can facilitate investors' decisions
- Best practice tool
- Marketing tool (logo)
- Self-regulation / discipline

Disclaimer:
TC is NOT a quality Label !

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European SRI Transparency Logo

- Launched May 2008.
- Use of logo strictly controlled by Eurosif, as specified in the **logo specification manual**.*
- **Disclaimer** accompanying the logo will have to appear on the funds material so that there can be no confusion about what it means.
- The logo, disclaimer and all related information will be sent individually to signatories once the signatory's response to the Guidelines has been **reviewed by a SIF (or Eurosif**).

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* Cannot be used at company level, **only fund level.**

Eurosif Transparency Code: A Success Story

- To date, approximately **500-600 funds** using the TC Logo out of about 900 SRI funds distributed in Europe[1]

- Transparency Code made **mandatory** by :
  - **AFG** (France)
  - **Febelfin / BEAMA** (Belgium)
  - Austrian SRI Label **Umweltzeichen**
  - French SRI Label **Novethic**

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[1] Source: Vigeo / Avanzi

SRI Transparency Code: French Example

- Mandatory for all French SRI retail Funds
- To date 288 Funds – 42 AMCs*
- List of Funds on AFG Website

[1] Source: AFG, Sept. 2013

SRI Transparency Code: Novethic Example

Règlement du
LABEL ISR
NOVETHIC
2013

Préambule

Lancé en 2009, le Label ISR Novethic a pour but de donner des repères aux investisseurs particuliers auxquels des sociétés de gestion offrent des produits ISR. Attribué par le Centre de recherche ISR de Novethic, organisme indépendant de ces sociétés de gestion, il est destiné à attester de la qualité du processus ISR et de la transparence sur les produits ISR.

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Critère n°2 Transparence du processus

Le souscripteur doit pouvoir comprendre les caractéristiques ISR du fonds et leurs impacts sur la gestion du produit. Pour cela, seront observés les éléments suivants :

Le gérant doit obligatoirement répondre au **Code de Transparence AFG-FIR** ou Eurosif pour le fonds candidat et rendre public un document datant de moins d'un an.

La réponse au Code de Transparence doit comporter des informations actualisées sur le processus ISR qui traitent des **moyens** (équipe d'analyse ESG interne, recours à des agences de notation, etc.) **ET des étapes de sélection ESG** des valeurs.

La politique d'investissement du fonds (à travers le Code de Transparence par exemple) doit **explicitement mentionner l'exclusion** des entreprises impliquées dans la production, le stockage, l'offre, etc. **de mines antipersonnel et d'armes à sous-munitions**, conformément aux lois françaises du 8 juillet 1998 et du 20 juillet 2010.

La réponse au Code de Transparence doit constituer un outil pédagogique pour les souscripteurs particuliers. Dans le cas contraire, Novethic pourrait demander la publication d'une description synthétique en complément du Code de Transparence.

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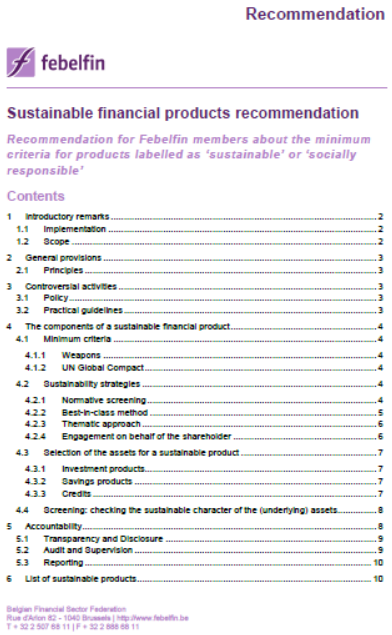
[1] Source: Novethic website

SRI Transparency Code: Belgian Example



Recommendation

febelfin

Sustainable financial products recommendation

Recommendation for Febelfin members about the minimum criteria for products labelled as 'sustainable' or 'socially responsible'

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5.1 Transparency and Disclosure

- The following publications must be available on the provider's website, preferably under a specific heading:
  - Policy, strategy and concrete implementation of sustainability in general and for each kind of product (e.g.one-pager) in a way that is easy to understand for the customer. (see 4)
  - Policy on controversial activities. (see 3)
  - As for investment products: detailed listing of the sustainable assets used as collateral for each product (absolute figures).
  - As for UCIs: transparency document in accordance with the Eurosif European SRI Transparency Code: http://www.eurosif.org/sri-resources/sri-transparency-code
  - As for savings products: listing of the sustainable assets used as collateral (absolute figures). At least for each type of assets and each economic sector. Preferably more into detail.
  - As for credits: clear delimitation of the investments for which sustainable credits can be granted.
  - Description of the quality management system and the results of the periodical audit. (see 5.2)
  - The usual periodical reporting, including the elements that are pertinent for sustainability. (see 5.3)
  - Indication of the place where customers can ask their questions, among other things about whether or not some assets are included into sustainable products. It is recommendable to publish the answers to frequently asked questions.

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[1] Source: Febelfin website

SRI Transparency Code: Open To Players Of All Sizes!

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