



## Transparency Code Applications – Guidance Manual

### Main principle

Signatory funds to the European SRI Transparency Code (the Code) must provide accurate and relevant information in clear and concise language that can be understood by a broad audience to allow all potential stakeholders, especially investors and savers, to better understand how the investment policies of the relevant funds take ESG policy and ESG integration practices into account.

### Introduction:

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was established to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.



## **1. List of funds covered by the Code**

Several/many SRI funds invest in the same asset class and share both a dominant SRI strategy and the same methodology. Such funds can be grouped into the same application to sign up to the Code.

*Example:* your asset manager offers a European Best-in-Class equity fund and a global one with the same methodological approach.

You must fill out two separate applications to sign up to the Code for equity funds and fixed income funds.

For multi-assets funds, only one application needs to be filled out by the fund, and not by the asset classes of the fund.

Funds using convertible bonds must be classified as fixed income funds.

## **2. General information about the fund management company**

### **2.1. Name of the fund management company that manages the applicant fund(s)**

Please provide the legal name of the company that manages the fund(s) that is (are) submitting the application to sign up to the Code (give the name, address, website etc.).

Please specify if the fund is subject to a management delegation.

### **2.2. What are the fund management company's track record and principles when it comes to integrating SRI into its processes?**

Briefly describe the steps taken in the fund manager's sustainable investment process, as well as the company's overarching principles and motivation.

### **2.3. How does the fund management company formalise its sustainable investment process?<sup>1</sup>**

Please provide a link to a webpage for non-professional investors that presents the policies referred to.

### **2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by the fund management company?<sup>2</sup>**

Explain how the fund manager or the fund management company takes ESG risks and opportunities (controversies, reputational risk, new investment themes etc.) into account.

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<sup>1</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES

<sup>2</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)



Explain how the fund manager takes risks and opportunities linked to climate change into account in its investment policy (transitional risks, physical risks, investments/divestments that favour a low-carbon economy etc.)

If applicable, please specify the AuM in thematic funds, in assets or in infrastructure assets that contribute to the transition economy<sup>3</sup>, in collective investment vehicles as part of a label, a charter or an initiative contributing to the international goal of limiting global warming and achieving the aims of the energy/environmental transition.

**2.5. How many employees are directly involved in the company's sustainable investment activity?**

Please list all the teams and their respective roles.

*Example:* a steering committee dedicated to ESG or SRI, a team of SRI analysts, management teams, compliance teams, reporting teams, commercial teams etc.

**2.6. Is the fund management company involved in any RI initiatives?**

Please do not include CSR initiatives supported by the parent company.

**2.7. What is the total number of SRI assets under the company's management?**

The latest inventory of total AuM without double counting available as at 31 December.

Please provide a link to a webpage, PDF document or search engine that lists all the SRI funds open to the public and managed by your fund management company.

If applicable, companies that commercialise SRI funds across several distribution channels can limit themselves to the funds in the same channel.

**3. General information about SRI fund(s) that come under the scope of the Code**

**3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?**

*Example:* financing a specific sector or activity, reducing ESG risks, promoting issuers' best practices, impact investing, average ESG rating of the portfolio, SDG<sup>4</sup>s etc.

**3.2 What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?**

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<sup>3</sup> Energetic and ecological transition; energy and environmental transition

<sup>4</sup> Sustainable Development Goals

Please list the number of internal or external analysts (excluding trainees/interns) dedicated to the ESG evaluation of issuers.

In terms of external resources, please list the service providers used (ESG rating agencies, specialist data providers, consultants, brokers etc.).

### **3.3. What ESG criteria are taken into account by the fund(s)?**

Please describe the main criteria used for each of the environmental, social and governance dimensions. Specify how these criteria are differentiated according to sectors, geographical locations, issuer categories etc.

If necessary, please provide example.

### **3.4. What principles and criteria linked to climate change are taken into account in the funds?<sup>5</sup>**

Concerning climate change, do you take the following risks and opportunities into account? If so, how?

- Physical risks, defined as exposure to the direct physical consequences of climate change;
- Transitional risks, defined as exposure to the consequential developments/trends of transitioning to a low-carbon economy;
- Opportunities benefitting a low-carbon economy.

Concerning climate change, describe the screening methodology applied to issuers. For the approach chosen, please specify if applicable:

- Compatibility with the international goal of limiting global warming (issuers' contribution to the energy/environmental transition, use of the 2° C scenario at sector level etc.);
  - The effects of climate change and extreme weather conditions;
  - The changing availability and prices of natural resources and their use in accordance with climate action and environmental goals;
- The consistency of the issuers' investment expenditures with a low-carbon strategy. In particular, in the case of issuers linked to the use of fossil fuel reserves, compatibility with a low-carbon strategy of the underlying assumptions behind investment expenditures to develop such reserves;
- The measurement of greenhouse gas emissions in the past, present and future that are directly or indirectly associated with the issuers.

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<sup>5</sup> Reference to Article 173 of the French TECV Act (see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>



**3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

Please specify how the issuers are evaluated in terms of ESG (recommendations, ESG ratings, exclusions, ESG risks, ESG opportunities etc.).

**3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

Please indicate the Standard Operating Procedure that is followed if a company is in breach of international norms or if controversies arise in the portfolio. Please also indicate if the following are applicable and if so when: immediate divestment, ESG risk review, active ownership and engagement example.

## **4 Investment process**

**4.1 How are the results of the ESG research integrated into portfolio construction?**

Please describe how the results of the ESG research (see Question 3.5) are incorporated into the definition of the eligible investment universe. If applicable, please describe the eligibility threshold and the resulting degree of selectivity.

Describe the coordination of the ESG-filtered universe, the analysis and/or the investment process.

**4.2 How are criteria specific to climate change integrated into portfolio construction?<sup>6</sup>**

Please specify where possible:

- The compatibility of the investment policy of the fund(s) with the international objective of limiting global warming, the relevant EU guidelines, carbon budgets and the national low-carbon strategy (setting of indicative targets, nature of the investments);
- The existence of an investment bucket in green bonds or in themed funds that is compatible with the energy and environmental transition.

**4.3 How are issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?<sup>7</sup>**

*Please specify 1) whether you have an upper limit on the number of companies not subject to ESG analysis that can be held in a fund (if so, what is the limit?).*

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<sup>6</sup> Reference to Article 173 173 of the French TECV Act and the HLEG recommendations on DISCLOSURE

<sup>7</sup> Reference to Article 173 and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)



2) what action you take to try to obtain ESG information about an issuer not covered by your usual source of ESG analysis.

**4.4 Has the ESG evaluation or investment process changed in the last 12 months?**

If so, please outline the principal changes.

**4.5 Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises<sup>8</sup> (impact investing)?**

Please explain what steps are involved in the investment decision (screening, due diligence etc.)  
Please also explain the criteria that are part of those steps.

**4.6 Does (do) the fund(s) engage in securities lending activities?**

If so,

(i) is there a policy in place to recall the securities so as to exercise the voting rights?

(ii) does the process for selecting the counterparty(ies) integrate ESG criteria?

**4.7 Does (do) the fund(s) use derivative instruments?**

If so, please describe

(i) their nature;

(ii) their objective(s);

(iii) the potential limits in terms of exposure;

(iv) if appropriate, their impact on the SRI nature of the fund(s).

**4.8 Does (do) the fund(s) invest in mutual funds?**

If so, please outline how and to what extent you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s). Please specify how many mutual funds can be held in a fund.

**5 ESG controls**

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<sup>8</sup> A social enterprise is an operator in the social economy whose main objective is to have a social impact, rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities



### **5.1 What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>9</sup>**

Please specify the control structure (internal team, external, tools, legislation like the French RCCI financial risk control function etc.)

Here a greater level of detail regarding SRI steering is required, instead of purely focusing on checks, as in Question 1.

*Example:* indicate the frequency of controls and how long the funds have to comply.

Are these controls carried out pre-trade or post-trade?

## **6 Impact measures and ESG reporting**

### **6.1 How is the ESG quality of the fund(s) assessed?**

Please specify the methodology used.

*Example:* the use of a portfolio's average ESG rating, or the publication of qualitative comments on some stocks or issuers, or progress/responsiveness in engagement on certain issues.

Describe the communication strategy with clients and its frequency.

### **6.2 What ESG indicators are used by the fund(s)?<sup>10</sup>**

*Example:* direct greenhouse gas emissions, absenteeism rates, corporations whose variable compensation package for managers integrates ESG criteria, number of controversies linked to labour laws and human rights etc.

Specify the method of calculation, the communication strategy and the frequency.

### **6.3 What communication resources are used to provide investors with information about the SRI management of the fund(s)?**

Please list the communication resources, briefly describing their content, how they are disseminated and accessed, and how frequently they are updated.

### **6.4 Does the fund management company publish the results of its voting and engagement policies?<sup>11</sup>**

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<sup>9</sup> Reference to Article 173 of the French TECV Act

<sup>10</sup> Reference to Article 173 of the French TECV Act

<sup>11</sup> Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE



Please provide a link to the latest report on exercise of the voting policy, the latest report on engagement and the latest report on internal evaluation of the voting policy.