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Sustainable finance and collective management: the AMF publishes a first policy on investor information

Supported by growing investor demand, there has been sharp growth in funds that integrate environmental, social and governance criteria.

While the rapid development of "sustainable" asset management is unquestionably very positive, the ambitious sales pitch on these themes does raise questions as to how to inform investors properly and, more particularly, how to prevent the risk of greenwashing.

Responsible for ensuring that information disclosed to investors is clear, accurate and not misleading, the AMF has published a policy aimed at ensuring the proportionality between the reality of non-financial criteria taken into account in the fund's asset management and the place reserved for this criteria in investor communication. Greater clarity will enhance investor protection at a time when investors are showing growing interest in investments that focus on non-financial criteria.

Funds that wish to emphasise this consideration of non-financial criteria as a central component of their communication or that include it in the fund's name will have to comply with minimum standards set out in this policy and in particular have an approach based on a significant engagement , as defined below.

- Funds will have to include measurable objectives for their consideration of non-financial criteria in regulatory documents such as the prospectus. These measurable objectives will have to be significant to ensure a real distinction between the approaches. For the

best-in-class approaches that are often used by fund managers, for example, quantitative thresholds derived from the French SRI label will be used as a reference to judge whether the commitment is significant. For example, "selectivity" approaches will have to commit to a minimum reduction of 20% of issuers with the lowest ESG rating in the investment universe. For other approaches, asset management companies should be able to prove to the regulator in what way the commitment chosen is significant.

This doctrine applies immediately for the creation of collective investment products, modifications of existing products and new notifications to the AMF of foreign UCITS marketed in France. Regarding existing products, the updates of the product's name, its marketing materials and the KIID must be done by November 30th 2020.

This first stage of the AMF policy does not exhaust all the issues regarding the quality of non-financial information communicated by collective investments and is in line with a process of gradual improvement in practices. Important issues such as the quality and relevance of the non-financial data used or the measurement of the potential impacts of the strategies implemented are not addressed by this policy.

The AMF may need to clarify its doctrine or adapt it in line with changes in market practices and European legislation, such as the Disclosure Regulation. The regulator is also working on specifying the communication methods of funds that take into account non-financial criteria without making a significant engagement as described in this policy.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>

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Position - Recommendation DOC-2020-03: Information to be provided by
 ↘ collective investment schemes incorporating non-financial approaches

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