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28 July 2020

Sustainable finance and collective investment management: the AMF publishes an update of its investor information policy

Following the [publication on 11 March 2020](https://www.amf-france.org/fr/actualites-publications/communiqués/communiqués-de-lamf/finance-durable-et-gestion-collective-lamf-publie-une-premiere-doctrine-en-matiere-dinformation-des) URL = [https://www.amf-france.org/fr/actualites-publications/communiqués/communiqués-de-lamf/finance-durable-et-gestion-collective-lamf-publie-une-premiere-doctrine-en-matiere-dinformation-des] of Position-Recommendation 2020-03 aimed at ensuring the proportionality between the reality of non-financial criteria taken into account in management and the place reserved for this criteria in investor communication, the AMF has published a first update of this policy.

This update is in three parts.

Summary

- > Adequacy of the communication and the consideration of non-financial criteria in management
- > Key communication on the consideration of non-financial criteria for certain approaches on non-financial indicators
- > Recommendations relating to policies for managing controversies and shareholder engagement

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Adequacy of the communication and the consideration of non-financial criteria in management

Until now, Position-Recommendation 2020-03 provided a binary distinction: either the collective investment adopted a significantly engaging approach to the consideration of non-financial criteria and could then make them a key aspect of their communication, or the approach did not meet these minimum standards and the collective investment could settle for a "very brief and very proportionate" mention of its consideration of these criteria in its marketing materials.

The position-recommendation now provides, in addition to the possibility of a central communication on non-financial aspects, the possibility of "reduced" communication for funds that take non-financial criteria into consideration in their management without adopting a significantly engaging approach. The introduction of this "reduced" communication on the consideration of non-financial criteria has two main objectives:

- Increased granularity: it will enable a better distinction between approaches that had hitherto been authorised to have a "very brief and very proportionate" communication although they implemented approaches with very diverse focuses. It will more effectively reflect the diverse range of approaches adopted by management companies in this respect.
- Reinforcement of requirements for approaches that do not meet minimum standards to qualify for "reduced" communication: these approaches will no longer be able to communicate about the consideration of non-financial criteria aside from mentioning this in their prospectus, whereas until now, they could include a very brief and very proportionate communication in their marketing materials.

The minimum standards associated with the possibility of benefiting from a "reduced" communication that must be included in the legal documentation of the collective investment scheme relate to the fact of having significant coverage of non-financial analysis (the scope of which differs depending on the asset class) and ensuring that the average rating or indicator of the collective investment is higher than the average rating or indicator of the investment universe.

The tables below summarise the various levels of communication of Position-Recommendation 2020-03 before and after the update.

Before the update

Communication	Channels of communication on the consideration of non-financial criteria	Minimum standards
Key	Name KIID Marketing materials Prospectus	Significantly engaging approach
Restricted to the prospectus	No name referring to non-financial aspects KIID - No mention of non-financial aspects or approaches Marketing materials – Very brief and very proportionate mention of the consideration of non-financial criteria Prospectus (proportionate)	Approach does not meet the standards of key aspect of communication

After update

Communication	Channels of communication on the consideration of non-financial criteria	Minimum standards
Key	Name KIID Marketing materials Prospectus	Significantly engaging approach
Reduced	Name: no reference to non-financial aspects KIID: concise and balanced mention, in the "Other information" section Marketing materials: concise mention Prospectus: proportionate communication	Non-significantly engaging approach
Restricted to the prospectus	No name referring to non-financial aspects KIID - No mention of non-financial aspects or approaches Marketing materials - No mention of non-financial aspects or approaches Prospectus (proportionate)	Approach that does not meet the standards of key or reduced communication

It must be emphasised that while this distinction represents a new improvement to AMF policy, it by no means addresses all the issues relating to the clear, accurate and non-misleading nature of information about non-financial criteria.

Key communication on the consideration of non-financial criteria for certain approaches on non-financial indicators

Until now, Position-Recommendation 2020-03 mentioned two approaches that were presumed to be significantly engaging and therefore able to make the consideration of non-financial criteria a key aspect of their reporting. These approaches, which are also recognised by the French SRI label, concern the significant exclusion from the investable universe and is a significant improvement on the non-financial rating of the collective investment (for example: weighted average of several criteria indicators on environmental, social and governance pillars). In the other cases, asset management companies must be able to demonstrate to the AMF in which manner their approach is significant.

The aim of the policy update is to clarify the presumption of the significantly engaging nature to other approaches based on non-financial indicators (greenhouse gas emissions, gender equality, etc.) and not only on non-financial ratings. The related minimum standards are in line with those currently required for significantly engaging approaches based on non-financial ratings.

This extension is a new phase in the recognition of approaches that can make the consideration of non-financial criteria a key aspect of their communication. It could be completed in the future.

Recommendations relating to policies for managing controversies and shareholder engagement

Lastly, Position-Recommendation 2020-03 now includes two recommendations on the formalisation of the policy for managing controversies and the content of shareholder engagement policies. These recommendations represent the first steps forward of AMF policy on these issues that are crucial to sustainable finance, and may be completed in the future.

Keywords

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