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## Publication of the third report on non-financial approaches in collective investment schemes

**The AMF has published its report on the major trends in the French market for funds with a non-financial approach. It provides a supplement to Position-Recommendation n°2020-03 on the information to be provided by collective investment schemes incorporating non-financial approaches.**

At a time of strong growth in sustainable finance and the ranges of funds incorporating environmental, social and governance (ESG) criteria, the regulator has noted the increasing technicality and diversity of approaches used. Consequently, the controls carried out by asset management companies (AMCs) on the quality of the non-financial data they use must be proportionate to the use of such data. The primary objective of this report is to provide AMCs with a range of recommendations and best practices to ensure that information for investors is clear, accurate and non-misleading.

Regarding information about greenhouse gas (GHG) emissions, a great majority of the AMCs surveyed calculate a carbon footprint or intensity for at least one of the funds that they manage. The carbon footprint assigns an estimated amount of carbon emissions based on the investments in the portfolio, while carbon intensity is a metric that assesses the average emissions of issuers in the portfolio relative to their revenue. This data is likely to become more significant with the implementation of European legislation such as the Disclosure Regulation concerning indicators of adverse impacts in terms of sustainability that could be defined by the European Commission. The AMF clarifies its expectations regarding AMC disclosures, such as the need to inform investors of the methodological limitations associated with the use of such data.

The report emphasises that it is essential to set up an appropriate control mechanism to ensure data quality and consistency. AMCs generally rely on service providers for the collection of carbon data. However, the AMF considers that it would be necessary to perform more due diligence when selecting service providers. The regulator also recommends the setting up of regular ex-post checks on GHG emission data.

The following topics were also presented in the report:

- an overview of the market with a description of the various European labels;
- initial analyses on the functioning of approaches relating to specific asset classes such as private equity, real estate and money market funds;
- the inability, in the current context, to communicate in a central way about non-financial aspects for synthetic replication funds;
- an assessment of the compliance of AMCs with the regulatory requirements of Article 173 on the publication of the implementation of non-financial criteria in their management.

With a wide variety of national labels that all have different requirements, the AMF supports the introduction of a European label to provide investors with greater clarity. The regulator encourages the development of sustainable finance and stresses that the wide range of approaches requires more investor education, and more particularly for retail investors, in order to establish conditions for trust. To do this, AMCs need to communicate in a balanced manner on their non-financial promises. The AMF's policy will be updated to include the positions and recommendations presented in this report.

### ***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> URL = [https://www.amf-france.org/]*

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