



MINISTRY OF ENVIRONMENT, ENERGY AND THE SEA

"Energy and Ecological Transition for the Climate" Label

Control and Monitoring Plan Guidelines

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Foreword

As a result of the discussions that took place at the Banking and Finance Conference on Energy Transition of June 2014 a label has been created that makes it possible to specifically identify investment funds contributing to the energy and ecological transition.

This creation was led by a willingness to value "green" funds in order to further steer savings towards the energy and ecological transition, either by highlighting existing investment funds or by encouraging the creation of such funds. For investors, in particular individual savers, it guarantees the quality and transparency of the environmental characteristics of the funds distinguished in this way and their contribution to the energy and ecological transition.

As a public label, the "Energy and Ecological Transition for the Climate" Label must be ambitious. In addition, although covered by French legal standards, this label can be applied to financial funds from other countries in the European Union or non-member countries.

To successfully create the label, a working group bringing together the representatives of all the stakeholders worked from October 2014 to August 2015 to draw up a general system and a draft repository of criteria, plus draft Control and Monitoring Plan Guidelines applicable to the "Energy and Ecological Transition for the Climate" label.

The first version of the Control and Monitoring Plan Guidelines resulting from this work was submitted for public consultation from 22 September 2015 to 11 October 2015 by the French Ministry of Environment, Energy and the Sea.

Revisions to update and improve the control and monitoring methods will be planned as often as the Label Committee considers necessary.

Introduction

The purpose of the Control and Monitoring Plan Guidelines is to describe the principles governing the control and monitoring methods to be taken into account by the certification bodies for and after awarding the "Energy and Ecological Transition for the Climate" label, so that the control and monitoring methods implemented by the certification bodies are equivalent from one certification body to another.

It covers three areas:

- The process of certifying a candidate investment fund, i.e. the process by which the "Energy and Ecological Transition for the Climate" label is awarded to the fund;
- The methods for monitoring a certified (or "awarded") fund;
- The management of any observations made on the Control and Monitoring Plan Guidelines in force.

Some definitions relating to specific terms used in the document are set forth hereafter:

Terminology	Definition
Auditor	Competent and impartial agent carrying out an audit, i.e., an independent, objective activity which gives an organisation an assurance of the level of control over its operations. The audit is a systematic, independent and documented process used to obtain audit evidence and to assess it objectively in order to determine the extent to which the audit criteria have been met (standard ISO 19011: 2002).
Initial certification audit	The initial certification audit is the audit that enables a candidate organisation to obtain a certification from a certification body.
Monitoring audit	Compared to the initial certification audit, the main purpose of the monitoring audit is to determine whether the investment fund management rules, including all the appropriate procedures and documents, comply with the requirements of the "Energy and Ecological Transition for the Climate" label, beyond simple verification of the repository of criteria implementation.
Renewal audit	The renewal audit is the monitoring audit that enables the candidate to obtain renewal of his certification following the initial certification audit.
Certification	Certification is an activity by which a recognised body, independent of the parties involved, issues a certificate to an organisation, process, service, product or professional skills to certify their compliance with the requirements set out in a repository of criteria.
Conflict of interest	A conflict of interests arises from a situation in which a person or an organisation is involved in multiple interests, one of which might influence or appear to influence the way in which they perform the functions and responsibilities entrusted to them. This definition must be understood in the context of this document as any inability by the certification body to participate in defining and implementing the certified procedures.
Investment fund	An investment fund is an entity or company which manages, through a professional, capital invested in a portfolio of shares or bonds. The investment fund may be invested in listed or unlisted companies with very traditional investment guidelines and a portfolio composition based on large equities, or conversely may have specific investment criteria such as risk capital, development capital or LBO funds.
Management of disputes	If the portfolio management company disagrees with the certification body's interpretation of the fulfilment of the repository of criteria, this later may issue observations which will be analysed by the Label Committee. Once the analysis has been made, the certification body will be able to requalify its observations and ask for evidence of compliance with the repository of criteria and implementation of the action plan, where applicable. Its decision regarding the interpretation of compliance with the repository criteria will be final.
Labelling	Labelling is the process that leads to the award of a label by a certification body to a candidate organisation. This label is a mark of recognition that a system complies with a repository of criteria. In the context of this document, the label is the property of the State, which delegates to the certification bodies the granting of the label.
Non-compliance	There are 3 types of non-compliance: minor, major and serious. A minor non-compliance means that compliance with the criterion requirement is almost complete but a slight deviation has been detected. A major non-compliance means that only a small part of the criterion requirement has been complied with. A serious non-compliance means that the criterion requirement has not been complied with at all.
Certification body	The certification body is the body responsible for auditing the funds application to the label candidates and for awarding or not the label.

Audit plan	The certification body draws up an audit plan. The audit plan contains the elements within the audit scope and includes the analysis of each criterion in the repository.
Withdrawal of certification	The certification is withdrawn by the certification body in the event of a serious non-compliance that has not been corrected and in the light of the number of non-compliances that have not been corrected. In this case, the Ministry will remove any reference to the fund from its website, and the portfolio management company will remove any mention of the label from the fund concerned.
Suspension of certification	Certification is suspended by the certification body in the event of several minor non-compliances (corrective actions to be applied when the label application is re-submitted) or major non-compliances (corrective actions to be applied within 6 months).

I. Initial certification audit

1. SELECTION OF THE CERTIFICATION BODY

1.1. Capacity of the certification body

The "Energy and Ecological Transition for the Climate" certification of investment funds is issued by an accredited certification body, according to the standard NF EN ISO/IEC 17065 or any subsequent version, by the French Accreditation Committee (COFRAC) or any equivalent European body signatory to the multilateral agreement made under the European co-operation of accreditation bodies, in accordance with the rules of application in force and available on the website www.cofrac.fr. Until 30 September 2016, the certification bodies may also be selected by a call for tenders from the Ministry of Environment, Energy and the Sea.

From October 1st, 2016, after the accreditation application has been admitted by the national accreditation body, the certification bodies are authorised to issue certificates without accreditation.

These certification bodies shall obtain their accreditation within a period of twelve months and may, once their accreditation has been obtained, re-issue under accreditation the certificates previously issued, subject to verification that the certification process was compliant, from the date of favourable admission and definitive accreditation of the certification body.

If the accreditation is not obtained, the certificates already issued will remain valid, but the certification must be transferred to an accredited certification body.

The list of accredited certifying bodies, drawn up either by COFRAC or by the Ministry up to September 30th, 2016, is available on the Ministry of Environment, Energy and the Sea website. (www.developpement-durable.gouv.fr).

1.2. Qualification of auditors

The certification bodies must have qualified auditors, responsible for certification audits, inspection and monitoring of the investment funds. They will be selected on the basis of their skills, training, experience and independence (absence of conflict of interests) and must be specifically qualified by the certification body to meet the following requirements:

- Knowledge of audit practices, in particular the principles of standard ISO 19011¹;
- Knowledge by the auditors of the certification objectives and processes for the "Energy and Ecological Transition for the Climate" Label;
- Knowledge of the portfolio management industry.

2. APPLICATION FOR THE "ENERGY AND ECOLOGICAL TRANSITION FOR THE CLIMATE" LABEL

2.1. Initial certification application

Any portfolio management company wishing to make use of the "Energy and Ecological Transition for the Climate" label for one or more of its investment funds must submit the fund or funds for certification by an accredited certification body from the list of bodies authorised to carry out the certification for the "Energy and Ecological Transition for the Climate" label available on the Ministry of Environment, Energy and the Sea website (see paragraph 1.1).

It will send the certification body a certification application and the information necessary for drawing up a quotation and a certification contract.

This application, in the form of an information sheet, contains the following information:

- Company name of the applicant company and contact(s);
- List of funds to be certified and type of relationship between the structure and its investors (investment fund policy that may be detailed in the fund regulations, prospectus, management delegation contract or any other document legally binding on the portfolio management company);
- General characteristics of each of these funds and information enabling them to meet the eligibility criteria of the repository for the "Energy and Ecological Transition for the Climate" label;

¹ This standard provides guidelines on auditing management systems, including audit principles, management of an audit programme and implementation of management system audits.

- Management and internal control rules applied by the management company to the fund or funds to be certified;
- Certifications already obtained, where applicable.

The certification body shall ensure that the applicant is informed of all the repository of criteria requirements.

2.2 Entering into a contract

Before starting the certification process, a contract is drawn up between the portfolio management company and the certification body, detailing the scope, length of the mission and the requirements of the certification methods.

Prior to signature of the contract, the certification body checks that the fund or funds are within the scope of certification.

It is the portfolio management company's responsibility to check that the certification body is accredited to certify the "Energy and Ecological Transition for the Climate" label.

The certification body must check with the Ministry of Environment, Energy and the Sea that the fund has not had its "Energy and Ecological Transition for the Climate" label suspended or withdrawn by another certification body.

Candidates that have been denied certification by a certification body for one or more of their funds may not begin a new process with another certification body until 12 months have passed. They must inform their new certification body of the non-compliances that were notified to them and demonstrate that they have been resolved.

Any candidate that wishes to change certification body must submit a new certification application to an accredited certification body, which analyses the application and defines the relevant assessment methods.

The contract shall state the assessed entity applying for certification, the funds covered by the application and the length of the certification.

The repository of criteria and all the requirements relating to the "Energy and Ecological Transition for the Climate" label shall be sent to the candidate fund management company at the same time as the certification contract.

By signing the contract, the management company undertakes to put in place within its organisation measures that will enable it to meet the requirements of this Control and Monitoring Plan Guidelines and the requirements of the repository of criteria for the "Energy and Ecological Transition for the Climate" label.

Upon acceptance of the contract by the applicant, the certification body will inform the Ministry of Environment, Energy and the Sea of the undertaking made by the portfolio management company.

3. PREPARATION OF AN INITIAL CERTIFICATION AUDIT

3.1. Principles

The certification body decides whether or not to certify the portfolio management company's candidate funds based on the conclusions of an initial audit performed on the basis of documents and interviews with the portfolio management company's teams, the terms of which are set out in this document.

The portfolio management company and the certification body must base the audit on the updated version of the repository of criteria. During this audit, all the requirements of the repository in force for the "Energy and Ecological Transition for the Climate" label must be assessed by the auditor.

3.2. Audit plan

The certification body draws up an audit plan. The audit plan contains the elements on the audit scope and includes the analysis of each criterion in the repository of criteria. If the audit is carried out by an audit team, the audit plan must clearly indicate which part of the audit has been carried out by which auditor. If the "Energy and Ecological Transition for the Climate" audit is performed in combination with another repository, the audit plan must clearly indicate which repository or documents or part of the repository has been audited and at which time.

The audit consists of the following four elements:

- An opening meeting: this meeting must be an opportunity for the auditors to introduce themselves to the portfolio management company whose fund is being audited; they will describe the audit process (time of interviews, methods, etc.);
- An assessment of compliance with the repository of criteria for the "Energy and Ecological Transition for the Climate" label based on inspection of documents and interviews with the portfolio management company's teams;
- The conclusions of the audit;
- A closing meeting during which the auditors will present the conclusions of the audit.

The portfolio management company has to accompany the auditor during the audit. As part of the audit, interviews will be organised with the management and research teams. It is recommended that the company executives are present at the opening and closing meetings, so that they can comment on any non-compliances.

The auditor(s) will carry out the initial certification audit by assessing all the requirements of the "Energy and Ecological Transition for the Climate" label applicable to the audited fund. The auditor (or the lead auditor in the event of an audit team) will present the conclusions and comment on all the non-compliances identified in relation to the label repository of criteria.

The certification body is responsible for taking the certification decision and preparing the formal audit report.

3.3. Indicative length of an audit

For the audit teams, the length of an audit may be reasonably estimated at between 3 and 5 days according to the size of the fund.

4. AUDIT REPORT

After each audit, a full written report is drawn up by the certification body.

The audit report must instil confidence in the reader; to this end it must, in particular, provide a high level of transparency. It must be issued by the accredited body (legal entity) and signed by a person authorised to do so. The audit report is sub-divided into several sections:

- General information on the portfolio management company and the audited fund;
- General results of the audit with detailed description of the characteristics of the investment fund per criterion;
- Summary in table form;
- Summary of all the identified non-compliances;
- Non-compliances identified for each criterion.

The audit report will be sent to the management company.

5. CERTIFICATION DOCUMENT

In addition to the audit report, a certificate will be given to the portfolio management company by the certification body. This document certifies that its procedures or services are compliant with the standards set out in the repository of criteria. This document is valid for one year.

II. Methods for monitoring awarded funds

1. **MONITORING CARRIED OUT BY THE PORTFOLIO MANAGEMENT COMPANIES**

1.1. Investor information

Documents of a legal or commercial nature relating to the relationship between the portfolio management company and its investors, subscribers or purchasers, in an awarded fund (investment fund policy that may be detailed in the fund regulations, management delegation contract, etc.) shall summarise, for the purpose of transparency, the characteristics of the "Energy and Ecological Transition for the Climate" label, in order to comply with:

- The general, financial and environmental objectives sought by the consideration of environmental criteria in the investment fund policy;
- The target allocation of the fund between the different "green" investment shares;
- The method of estimating the "green share" of issuers in which the fund is invested;
- The environmental impact indicators which the fund intends to produce and monitor.

For the prospectus, only information relating to the general, financial and environmental objectives sought by the consideration of environmental criteria in the investment fund policy and the target allocation of the fund between the different "green" investment pockets is required.

1.2. Internal control

Each portfolio management company will carry out internal controls (at least once a year) on the awarded funds to ensure they comply with the repository of criteria.

The internal controls are the responsibility of the portfolio management company and must lead to implementation of any necessary corrective measures without delay, if any non-compliances with the repository are noted.

The identification and processing of internal deviations shall be regularly checked by the certification body during its monitoring audits.

1.3. Monitoring mechanism for controversy risks

The management company must implement the monitoring mechanism for controversy risks so that it can be alerted on any controversy risks related to the corporate social responsibility of the issuer of the assets that may have an impact on the fund (see also the repository of criteria for the "Energy and Ecological Transition for the Climate" label on this point).

1.4. Rules for use of the certification mark

The "Energy and Ecological Transition for the Climate" label is associated with a specific trademark created by the public authorities.

Portfolio management companies that wish to use the label in their communications specifically undertake to comply with the following provisions:

- Any communication mentioning the "Energy and Ecological Transition for the Climate" label for the duration of the validity of its certification, and in particular use of the relevant trademark, may only be made in accordance with the regulations governing this trademark;
- Reference may only be made to the label, regardless of the medium (printed or Internet) when there is no ambiguity concerning which funds have been approved and which have not;
- If a list of funds contains several funds, some of which have not been approved, the reference to the label must clearly specify which funds are concerned.

2. **MONITORING AUDIT PERFORMED BY THE CERTIFICATION BODIES**

2.1. Principles

The monitoring audits are carried out by the certification body under the terms of monitoring the awarded funds.

Compared to the initial certification audit, the main purpose of the monitoring audit is to determine whether the investment fund's management rules, including all the appropriate procedures and

documents, comply with the requirements of the "Energy and Ecological Transition for the Climate" label, beyond simple verification of application of the repository of criteria.

These audits will check that:

- The repository of criteria in force is always applied, all the requirements applicable to the "Energy and Ecological Transition for the Climate" label to be assessed by the auditor; the specific rules implemented by the certification body to ensure application of the repository to funds in formation must in particular be specified by the certification body;
- The rules for use of the trademark are complied with;
- The methods of monitoring controversy risks are properly implemented, as are the control methods;
- The internal control methods;
- Any identified non-compliances are monitored and dealt with; particular attention must also be paid to non-compliances and findings identified at the previous monitoring audit and the effectiveness and implementation of corrective actions and preventive measures in the action plan put in place on that occasion².

The follow-up audits are carried out by the certification body appointed by the portfolio management company. The portfolio management company must inform the certification body that this is a follow-up audit, so that the auditor can check the plan of corrective actions drawn up at the previous monitoring audit.

2.2. Non-compliances

The characteristics of the non-compliances that may be identified are as follows:

Minor non-compliance	Almost full compliance with the requirement, but a slight deviation has been detected
Major non-compliance	Only a small part of the requirement has been complied with
Serious non-compliance	The requirement has not been complied with

2.3. Drafting of the audit report and action plan framework

The certification body must send the portfolio management company a preliminary audit report and the action plan framework identifying all the non-compliances identified at the monitoring audit within two weeks from the date of the monitoring audit.

The portfolio management company must propose in writing, within 15 days of receiving the action plan framework, a complete action plan to correct these non-compliances, preventive actions to avoid them being repeated, as well as a timescale for implementing these actions. All the non-compliances are presented in this separate action plan.

The timescales for implementing the corrective actions must not exceed those stipulated hereafter for each non-compliance seriousness level:

- Minor non-compliances
Implementation of the corrective actions will be verified at the next audit; a minor non-compliance must be removed by the next audit, otherwise it will be reclassified as a major non-compliance.
- Major non-compliances
Implementation of the corrective actions must be verified within 6 months; a major non-compliance must be removed within 6 months or it will be reclassified as serious.
- Serious non-compliances
Implementation of the corrective actions must be verified within 3 months. When identified at an initial audit, a serious non-compliance prevents certification and requires a new certification audit to be carried out.

² For this reason, the portfolio management companies being audited must inform the certification body that their funds have been certified as "Energy transition and climate" previously.

3. SPECIFIC MONITORING AUDITS

3.1. Renewal audit for "Energy and Ecological Transition for the Climate" certification

The renewal of the "Energy and Ecological Transition for the Climate" label is subject to a mandatory monitoring audit, known as the renewal audit, performed one year after the initial audit (awarding of the certification). A new certificate will be issued after this audit.

The date of the renewal audit must be calculated from the date of the initial audit and not from the date on which the certificate was issued. In addition, the renewal audit must be scheduled at the earliest 8 weeks before and at the latest 2 weeks after the audit anniversary date.

The portfolio management companies are responsible for maintaining their certification. All the portfolio management companies for which a fund is certified according to the repository of criteria for the "Energy and Ecological Transition for the Climate" label will receive a reminder from the certification bodies three months prior to expiry of the certification.

3.2. Audit in the event of a change in investment policy or fund regulations

When the fund changes its investment policy or fund regulations during the year in which the "Energy and Ecological Transition for the Climate" label is valid, the company holding it must have a new monitoring audit performed.

The new audit report must be appended to the audit report in force. The conditions for passing the audit are the same as for the audit previously performed in order to renew the certification.

3.3. Supplementary audits

Each certification body may carry out supplementary optional monitoring audits on the awarded funds. The frequency and extent of these regular, supplementary, optional audits, depending on the investment fund's strategy (full or partial revision; on the underlying assets or investment universe) will, where applicable, be specified by the certification body.

An increase in the frequency or performance of these supplementary audits may be determined by the certification body, according to the results of the risk analysis made on the basis of monitoring any previous non-compliances that have not been resolved or the results of the annual renewal audit.

4. MAINTENANCE OF CERTIFICATION FOLLOWING A MONITORING AUDIT

The decision to maintain the certification will be made on the basis of the results of the annual renewal audit or the audit carried out as a result of a change in investment policy (see 3.2.).

The certification may be suspended or withdrawn in the event of a non-compliance that is:

- Serious;
- Major, and not removed within three months;
- Minor, for which the portfolio management company has not proposed or implemented any relevant corrective actions.

Any recurring non-compliance will be reclassified at a higher level.

III. Management of observations

1. —MANAGEMENT OF QUESTIONS RELATING TO DIFFERENT INTERPRETATIONS OF THE LABEL RULES

Questions concerning interpretations of the repository criteria or the Control and Monitoring Plan Guidelines must be sent to the Office of the Commissioner General for Sustainable Development at the following address:

LabelTEEC@developpement-durable.gouv.fr

A specific section on the MEEM website [Ministry of Environment, Energy and the Sea] contains all the questions that have been sent to the Office of the Commissioner General for Sustainable Development and the responses given.

2. RULES APPLICABLE TO DISPUTES

By submitting the application for one or more of its investment funds, the portfolio management company expressly acknowledges that the interpretation by the certification body regarding fulfilment of the repository of criteria is final.

If the company disagrees with this interpretation, it may inform the certification body and the Label Committee of this in writing. The certification body may not be held liable, except in cases of breach of its normal professional diligences, for failure to award the label to the candidate fund, regardless of the reasons for not awarding the label. The certification body cannot be held liable for reimbursing the administration fees.

3. LABEL COMMITTEE

The "Energy and Ecological Transition for the Climate" label Committee shall receive observations of any kind on the "Energy and Ecological Transition for the Climate" label, reports, certificates or all other circumstances in which the integrity of the "Energy and Ecological Transition for the Climate" trademark is called into question. The certification bodies and the portfolio management companies whose funds are certified to the "Energy and Ecological Transition for the Climate" standard or that have been refused certification, may use the observations form available on the Ministry of Environment, Energy and the Sea website.

The Label Committee Secretariat shall receive all the information needed to investigate the reasons for the observations.

These steps may involve cooperation with the certification bodies concerned, which may need to perform an internal investigation to identify information in order to resolve the claim, and provide the Label Committee Secretariat with a declaration on the results of this investigation.