

#2. Responsible Investment Certification Program: Program Requirements by Category Guide

1. Purpose

To explain the program requirements for each category of program participant.

2. Overview

The Program has five program categories – two for financial services, two for products or funds and one for the whole of fund (superannuation funds only). Criteria are made up of:

- Legal and governance requirements
- Minimum education, training and experience requirements
- Minimum product or service inclusions
- Disclosures such as for product performance results/returns, holdings and responsible investment strategies applied
- Performance or behaviour commitments

Each application is subject to the *Quality and Thresholds* Test; see Section 5.

The requirements for each category are summarised in the Table 1 and provided in more detail in Section 3.

Table 1: Overview of program requirements by category

Requirement/Category	Financial Adviser	Dealer Group	Product Provider	Super Product	Super Whole of Fund
Financial, legal and governance compliance	✓	✓	✓	✓	✓
Professional membership	✓				
Specified level of RI education, training and experience	✓	✓			
Sound client RI advisory process	✓	✓			
Inclusion and promotion of RI products	✓	✓		✓	
Disclosure – RI products	✓	✓			
Disclosure - RI strategies			✓	✓	✓
Disclosure – holdings			✓	✓	✓
Disclosure – product performance			✓	✓	✓
Third party verification of RI strategies and processes			✓	✓	✓
Quality & Threshold Test (<i>internally applied</i>)	✓	✓	✓	✓	✓
Commitment to Program Code of Conduct	✓	✓	✓	✓	✓
Certification Symbol Trade Mark Licence Agreement	✓	✓	✓	✓	✓
Licensee Marketing Kit & Style Guide	✓	✓	✓	✓	✓
RI = responsible investment					

3. Requirements for All Categories

Certified responsible investment financial advisers, dealer groups, products and superfunds:

1. Meet strict operational and disclosure requirements and make publicly available specific details of their services; these are laid out in Section 4 Requirements by Category.
2. Invite their members, clients and peers to hold them to account for their behaviours consistent with the Program *Code of Conduct*.
3. Make themselves available to RIAA's annual spot audits (executed by RIAA or a Third Party Verification Panel member designate) covering between 5-10% of eligible program participants renewing Program certification in a given year.
4. Agree to participate in good faith in the Program's Concerns & Grievance Policy and Procedures with a view to protecting the reputation of responsible investment peers, individual investors and/or the responsible investment industry as a whole.

4. Requirements by Category

Financial Advisers

Certified RI Financial Advisers:

1. **Are Legal and Professional:** hold a current Financial Services Licence Number, Financial Advisor Licence Number or Authorised Representative Number and are members of a professional body, such as the FPA, ACCA, CPA Australia or ICAA; and
2. **Are Trained and/or Experienced:** have completed the RI Essentials online course offered by the PRI Academy OR have at least two years' relevant experience providing responsible investment advice and can demonstrate how they stay up to date on developments in RI; and
3. **Promote RI Services:** undertake to promote RI options to ALL of their clients by, as a minimum, including appropriate questions on responsible investing in their Fact Find (or equivalent) and are able to perform the interview process should clients express an interest in investing responsibly; and
4. **Provide RI Products:** can demonstrate that they ably research and offer RI products, having RI products on their Approved Product List (or equivalent); and
5. **Promote the Program:** incorporate the Certification Symbol into their marketing and communications material in accordance with the *Certification Symbol Licensee Agreement* and the *Licensee Marketing Kit and Style Guide*.

Dealer Groups

Certified RI Dealer Groups:

1. **Are Legal:** hold a current Australian Financial Services Licence; and
2. **Are Trained and/or Experienced:** have at a minimum 50% of their advisers certified as responsible investment financial advisers under the Program. To be certified advisers have completed the RI Essentials course offered by the PRI Academy OR have at least two years' relevant experience providing responsible investment advice; and
3. **Support their Network:** are committed to and enable the provision of specialist responsible investment training to their adviser network; and
4. **Provide RI Products:** include responsible investment products on its approved product list (or equivalent) including some that have been certified by RIAA; and

5. **Promote RI Services:** include appropriate questions on responsible investing in their Dealer Group Fact Find (or equivalent) that is used by ALL their advisers to ALL clients; and
6. **Promote the Program:** incorporate the Certification Symbol into their marketing and communications material in accordance with the *Certification Symbol Licensee Agreement* and the *Licensee Marketing Kit and Style Guide*.

Products (e.g. funds)

Certified RI Product Providers:

1. **Have auditable RI strategies and processes:** can detail their responsible investment product strategy and explain the specific RI processes, management systems and reporting frameworks undertaken for their responsible investment product/s. These RI strategies are systematically and consistently applied to the product and thereby differentiate the product from its traditional (i.e. non-RI) equivalent investment product; and
2. **Have their RI strategies documented in legal product documentation:** provide full disclosure of their responsible investment strategies in the Product Disclosure Statement (retail), Information Memorandum or Pitch book (wholesale) and/or equivalent documentation that supports the product; and
3. **Have their RI processes verified:** have their product and its management processes audited by a Third Party Verification entity appointed by RIAA; and
4. **Disclose holdings and product performance:** regularly publish (with no longer than a quarterly lag period) the past performance results/returns of the product (where relevant) and disclose at a minimum the names of the top 20 stock holdings (for equities funds, or an equivalent disclosure for other products) ensuring that these are updated at least every six months.
For new and renewing applicants on and after July 1, 2016, certified RI Product Providers will provide full public disclosure of their entire holdings for products certified under the Program (or for other products, an equivalent level of disclosure); and
5. **Promote the Program:** incorporate the Certification Symbol into their marketing and communications material in accordance with the *Certification Symbol Licensee Agreement* and the *Licensee Marketing Kit and Style Guide*.

Superannuation Funds (product/option)

Certified RI Superannuation Fund products/option:

1. **Offer a responsible investment product as a member option:** the underlying asset manager/s used for this superannuation fund option must be certified under the Program. Where investments are managed internally (either entirely or for a part of the product), the superannuation fund is audited by a Third Party Verification entity appointed by RIAA;
2. **Disclose holdings and product performance:** regularly publish (with no longer than a quarterly lag period) the past performance results/returns of the product and disclose at a minimum the names of the top 20 holdings ensuring that these are updated at least every six months.
For new and renewing applicants on and after July 1, 2016, certified RI Superannuation Fund products will provide full public disclosure of their entire holdings for products certified under the Program (or for other products, an equivalent level of disclosure); and
3. **Provide educational information to members** about the responsible investment option or strategies; and
4. **Promote the Program:** incorporate the Certification Symbol into their marketing and communications material in accordance with the *Certification Symbol Trade Mark Licence Agreement* and the *Licensee Marketing Kit and Style Guide*.

Superannuation Funds (whole of fund)

Certified RI Superannuation Funds whole-of-fund:

1. **Have in place a responsible investment charter or policy** that governs the way responsible investment is considered and implemented across the entire superannuation fund; and
2. **Apply at least two RI strategies across the super fund** (e.g. screening plus ESG integration), with at least 75% of total fund assets managed under clearly defined RI strategies; and
3. **Have auditable RI strategies and processes:** They can detail their responsible investment fund strategy and explain the specific RI processes, management systems and reporting frameworks. These are subject to a Third Party Verification by an entity appointed by RIAA; and
4. **Disclose holdings and product performance:** At a minimum they publish (with no longer than a quarterly lag period) the fund performance results/returns on a six monthly basis. Also on a six monthly basis, they are encouraged to publish the names of all of their holdings; but at a minimum they are required to publish the names of the top 100 holdings until July 1, 2016, after which time it is a requirement for all Certified RI Superannuation Funds to fully disclose their holdings; and
5. **Employ other active ownership strategies across the fund** including systematic corporate engagement activities and proxy voting; and
6. **Are actively involved in advocating for more responsible financial markets** either directly through contributions to public and industry-based discourses and/or indirectly through membership and participation in collaborative initiatives; and
7. **Provide educational information to members** about the responsible investment strategies; and
8. **Promote the Program:** incorporate the Certification Symbol into their marketing and communications material in accordance with the *Certification Symbol Trade Mark Licence Agreement* and the *Licensee Marketing Kit and Style Guide*.

5. Guiding principles for applying the Quality and Thresholds Test

For the Program to deliver on its goals (see *#1 Responsible Investment Certification Program Overview and Guidelines*), it is crucial that its reputation and efficacy are respectively protected and upheld.

RIAA staff and the Program decision making body, the Certification Assessment Panel (CAP), refer to the following principles to guide all Program decisions. The application of these principles as sense-check overlaying all of the Program's decision points, helps ensure that the Program delivers against its goals.

In addition to category-specific application requirements, the CAP in its determination of any new or renewed applications have key principles and thresholds that guide decision making. These are based around a reasonable person test and relate to product or service performance quality.

RIAA notes that in the context of the Program's operations, a reasonable person would be someone knowledgeable in the area of environment, social, governance, ethics and/or responsible investing.

From a Quality perspective, these are explored by responding to this question:

1. Is the information made public by the applicant (e.g. inclusions as declared in the PDS), relevant to and consistent with the information provided to RIAA as part of the Applicant's application?

From a Thresholds perspective, these are explored by responding to these questions:

2. Is this (the product or service characteristics) what a reasonable responsible investing consumer would expect from any claims made by the fund, product or adviser?
3. If looking through the eyes of the responsible investment industry (as defined by membership to RIAA), would this claim be-little, confuse or lessen the credibility of the collective industry or other's responsible investment efforts and performance?

Things to look out for relate to whether:

- the product or service is indeed "responsible" as would be deemed by a reasonable responsible investing person; and that
- the product/service offering is not misleading to the reasonable responsible investing person (e.g. the name of the product reflects the character of the responsible investment product/service).

Here is some additional guidance to assist:

Exaggerating. How much of your entire offerings are responsible?

Glittering generality. Are you presenting a product as responsible by highlighting a single RI/ESG attribute (only focusing, for instance on munitions exclusion, without looking at the full range of ESG performance)?

Lesser of two evils. Are you labelling products "green(er)" distracting from the fundamental problems with these products (e.g. tobacco company with excellent labour practice standards)?

Feel-good language that's too vague to be meaningful. Are you using language that isn't purposefully descriptive and/or distracting or mislead consumers into believing the product is responsible when it's not particularly special?

Redundancy. Are you making a claim that's truthful but unimportant or unhelpful? E.g. any product currently labelled "CFC-free," engages in this form of greenwash, because all products are currently CFC-free: these compounds have been banned for over 20 years.