



Responsible Investment Certification Program

#16. Quality & Thresholds Test and Guidance

Principles for applying the Quality & 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 around 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?

With reference to question 2, RIAA staff and the CAP are urged to consider whether the term "Ethical" in the title of products and services that do not meet the Program Requirements of *#22 Requirement for trading with Ethical Investment TM Symbol* meets the reasonable persons test.



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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.

Free-riding. Does your product name include the term “ethical” which normatively means a reasonable range of exclusions, but your product only includes one or two mainstream exclusions (i.e. tobacco and controversial weapons) and your other RI strategy is ESG integration?