

# RI Certification Program – Standard

## July 1, 2019

### A. Requirements of the Program

The Program has six categories – three for financial services, two for products or funds and one for the whole of fund (superannuation funds only).

#### 1. The six criteria

The Program is based on six criteria

- A. Eligible
- B. Legal and with reliable governance
- C. Minimum product or service inclusions
- D. Relevant and accessible disclosures
- E. Performance or behaviour commitments
- F. Quality and thresholds tests

**Table 1: Overview of program requirements by category**

Requirement/Category	Service			Product	
	Financial Advice	Dealer Group	Investment Management Service	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 Trademark Licence Agreement	✓	✓	✓	✓	✓
Licensee Marketing Kit & Style Guide	✓	✓	✓	✓	✓
RI= Responsible Investment					

## 2. Requirements for all categories

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

- i. Meet strict operational and disclosure requirements and make publicly available specific details of their services as laid out under the respective Category requirements
- ii. Invite their members, clients and peers to hold them to account for their behaviours consistent with the *Program Code of Conduct*
- iii. Are subjected to the *Quality and Thresholds Test*
- iv. Promote the standard by incorporating the Certification Symbol into marketing and communications material in accordance with the *Certification Symbol Licensee Agreement* and the *Licensee Marketing Kit and Style Guide*
- v. 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
- vi. Are operating/offered for investment in Australia and/or New Zealand
- vii. Are current and legally trading
- viii. Are not persistently subject to legal proceedings and/or regulator investigation
- ix. Notify RIAA of material changes in product characteristics that may impact the suitability of the product remaining Certified under the RI Program.

## 3. 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*.

### Investment Management Service

Certified RI Investment Management Service:

1. **Are Legal:** hold a current Australian Financial Services Licence; and
2. **Are Experienced:** their key and responsible investment personnel have at least two years' relevant experience providing responsible investment advice and can demonstrate how they stay up to date on developments in RI (such as by meeting the requirements of RIAA's Continuing Education Credits system); and
3. **Have in place a published responsible investment charter or policy** that governs the way responsible investment is considered and implemented across the entire portfolio; and
4. **Promote RI Services:** include responsible investments as part of the services systematically delivered to ALL clients, that should be able to be demonstrated by clear auditable process (e.g. such as questions in Fact Find, or online sign up); and
5. **Have auditable RI strategies and processes:** can detail their responsible investment strategies and explain the specific RI processes, management systems and reporting frameworks undertaken for their responsible investment portfolio and/or service construction. These RI strategies are systematically and consistently applied to the portfolio and/or service and thereby differentiate the portfolio and/or service from its traditional (i.e. non-RI) equivalent investment portfolio and/or service; and
6. **Can demonstrate leading practice** in ESG integration, corporate engagement, screening of sustainability themed/tilting of portfolios, as measured by RIAA's leading practice assessments); and
7. **Have their RI processes verified:** have their portfolio and/or service and its management processes audited by a Third-Party Verification entity appointed by RIAA; and
8. **Disclose holdings and product performance:** make available to clients (with no longer than a quarterly lag period) the past performance results/returns of the product (where relevant) and provide full holdings disclosure (for equities funds, or an equivalent disclosure for other products) for the product ensuring that these are updated at least every six months; and
9. **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, superfund options)

Certified RI Products:

1. **Have formal, consistent, documented, and auditable RI strategies and processes:**  
**RI Strategies:**
  - a. are fully explained in legal product documentation such as the Product Disclosure Statement (retail), Information Memorandum or Pitch book (wholesale) and/or equivalent documentation that supports the product, and
  - b. are consistently and reliably represented between the legal documentation, supplementary materials, website and other public platforms, and
  - c. are underpinned by detailed, fit-for-purpose and formalized RI processes, management systems and reporting frameworks and thereby consistently and reliably applied to the Product, and
  - d. applied to the Product and its management processes are 1. audited by a Third-Party Verification entity appointed by RIAA; where some or all of the Product is managed by external manager/s, those managers' processes are also required to be audited by a Third-Party Verification entity appointed by RIAA (unless already certified by RIAA); 2. Subject 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 their product certification in a given year; and
2. **Make honest claims and are appropriately labelled:**
  - a. are named to accurately reflect the social, environmental, sustainability and/or ethical outcomes or responsible investment strategy applied to the product and
  - b. describe what could be reasonably expected by an investor in terms of the portfolio holdings of the product as well as
  - c. ensure all claims made about the product are honest and not false or misleading nor include puffery, un-substantiations and unqualified predictions; and
3. **Avoid significant harm:** can detail how the responsible investment product strategy results in a product for investors that, as a minimum *avoids significant harm*; and
4. **Account for ESG factors in the investment process:** can evidence how the responsible investment strategy accounts for the intentional inclusion of relevant environmental, social and governance factors in its systematic
  - selection, retention and realisation of assets, and/or
  - construction of portfolios and/or
  - risk assessment and management and/or
  - selection, assessment and management of managers and/or; and
5. **Have relevant and accessible RI disclosures:** publish
  - a. the benchmark against which the product is being financially measured and
  - b. twice-annually, the past financial performance results/returns of the product (where relevant) and

- c. twice-annually, the details of their product's portfolio holdings (for equities funds, or an equivalent disclosure for other products) on the fund's website with no longer than a 90-day lag and
  - d. activities and outcomes from stewardship practices (both engagement and voting) and
  - e. for products asserting certain sustainability outcomes or claims, the product's social, environmental and/or sustainability performance against benchmarks, goals or targets, at least annually as well as the methodology for measuring the Product's contribution to social, environmental and/or sustainability outcomes and
  - f. if the Product uses short-selling, how such instruments are managed, the proportion of the product likely subject to short-selling; and on a *look through* basis, all underlying positions including those to which there is zero net exposure after consideration of short-selling (or any other mitigating strategy); and
6. **Are managed by active stewards:** can detail the stewardship practices applied to the management of the responsible investment product and articulate the improved investee governance outcomes of these practices; and
  7. **Are managed by organisations with a formalised commitment to responsible investing:** managing or issuing organisations can demonstrate their organisation-wide commitment to promote, advocate for or support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy. This requirement takes effect within two years of entry to the Program; and
  8. **Provide educational information to members and customers** about the responsible investment strategies and investment outcomes.

### Superannuation Funds (whole of fund) – additional to Product requirements

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/active stewardship), with at least 75% of total fund assets managed under clearly defined RI strategies; and
3. **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.

### 4. Special requirements for trading with the Ethical Investment Symbol

As at August 22, 2018, Product Providers, Super Superannuation/KiwiSaver option and Superfund Whole of Funds, wishing to trade with the Ethical Investment Symbol must also meet the three Criteria contained within Appendix 5: *Requirement for trading with Ethical Investment Trademark Symbol*.