

BEAMA SRI Methodology 2011

Sustainable and Socially Responsible Investing UCIs (SRI)
ICB's die duurzaam en maatschappelijk verantwoord investeren (DMVI)
OPC en investissement sociétalement responsable et durable (ISRDR)

Approved by the BEAMA General Meeting on February 11, 2011

PRINCIPLE

UCI's (including UCI compartments/subfunds) which are active in sustainable and socially responsible investing, structurally and systematically take into account, in addition to the common financial criteria, the aspects relating to the environment, society and governance when they make an outline of their investment policy.

This can be done on the basis of several strategies.

SRI STRATEGIES

Best-in-class method

Selecting the best performing companies/countries within a particular sector, thereby taking into account the concern for the environment, society and governance.

Thematical approach

Selecting the best performing companies/countries with respect to the specific aspect of sustainability (e.g. green energy, labour conditions,...), thereby taking into account the concern for the environment, society and governance.

Normative screening

Selecting companies and countries on the basis of their respect for the most important international treaties (e.g. ILO) dealing with the concern for the environment, society and governance.

Exclusion for ethical reasons

Excluding companies or countries involved into a number of controversial activities (e.g. alcohol, gambling, tobacco,...).

Shareholder engagement

Shareholder activities aimed at having an influence on the attitude of a company or a country in the (medium) long term as for the concern for the environment, society and governance (e.g. creating a dialogue, exercising voting rights, presenting resolutions at the General Meeting).

CONDITIONS OF BEAMA ON SRI

1. The description of the investment policy in the **prospectus** leaves no doubt about the UCI being of the SRI-type.
2. The **three dimensions** underlying SRI (environment, society and governance) are always jointly taken into account when determining the composition of the SRI portfolio.
3. For an investment product to be included into an SRI portfolio, it must meet the following minimum standards:

- Compliance with the **UN Global Compact** principles (<http://www.unglobalcompact.org/>);
- Exclusion of companies, as laid down in the Belgian law, that are involved in a broad sense in the production of anti-personnel mines, submunition and depleted uranium weapon systems;
- Exclusion of companies directly (i.e. more than 5% of their turnover) involved in the production of non-controversial weapons (end product conceived for killing).

Over and above those minimum standards, additional screening will take place on the basis of at least one of the strategies mentioned above. However, compliance with a legal obligation can never qualify as an SRI strategy.

4. The **portfolio** of an SRI-type UCI consists of the following:
 - a. at least 90% of screened investment instruments (see below),
 - b. a maximum of 10%¹ of:
 - instruments for which SRI screening is impossible (e.g. real estate, commodities);
 - instruments for which there is no SRI alternative available on the market and which the manager wants to include into the portfolio for a limited period of time within the framework of efficient management;
 - instruments within the portfolio of a UCI with a 'buy-and-hold'-strategy, which, at the moment of their purchase, were eligible under SRI, but no longer do so, due to the circumstances.
5. Screening is done in an **independent** and **specialised** way.
6. A **transparency document** is available, the level of which is equivalent to that of the Eurosif Transparency Guidelines (http://www.eurosif.org/publications/european_sri_transparency_guidelines).
7. Regular **reporting and supervision** as for the compliance with these conditions. The SRI character can be maintained for structured products for which the period of subscription is expired and the underlying basket of which has been changed since the issue due to a circumstance the manager has no influence on (e.g. corporate action). However, if this change is the result of a decision taken by the manager (e.g. a periodical and dynamic change of the shares basket), a reassessment of the SRI character must take place.

BEAMA recommends its members to refrain from commercialising UCIs as SRI, if they do not meet the conditions set out by BEAMA.

¹ As for derivatives, one should take into account, when calculating the 10% percentage, the underlying notional product instead of the premium that has been paid/received.

SCREENING OF INVESTMENT INSTRUMENTS

Screening of investment instruments means checking whether investment instruments are compliant with as well as authorised by the SRI strategies the UCI wants to follow.

Screening of investment instruments should go down to the level of the final underlying instruments that can be screened.

Instruments that can be screened as part of an SRI portfolio are:

- **Shares** of screened companies;
- **Corporate bonds** issued by screened companies;
- **Term accounts and liquid funds** held by financial institutions which have been screened;
- **Public bonds** issued by public authorities which have been screened (supranational institutions, countries, federal states and other local authorities as well as public companies, in so far as the agreed authorities have a stake of more than 50% in them);
- **Units of SRI-type UCIs** which are compliant with the conditions set out by BEAMA;
- **Derivatives** pertaining to securities, shares baskets, stock exchanges indexes, provided that the underlying securities have been screened;
- **Units of UCIs, money market products, asset-backed securities, notes**, provided that the underlying securities have been screened.

SUPERVISION

Supervision of the way in which the UCI complies with the SRI investment policy and processes should have a public character. There must be

- clear and regular reporting and justification by the UCI itself as well as
- regular verification by an independent third party.

The **independent third party** can be an auditor, an independent research institution with the right competence or an advisory body.

The independent third party will be agreed by BEAMA (except for auditors). The following elements, among other things, will be taken into account in the agreement process: independence, diversification and competence in the field of SRI.

REPORTING AND CERTIFICATE PRESENTATION

Each year, the UCI will provide BEAMA with a **certificate** that has been signed by an independent third party for each compartment for which it wants to include in the BEAMA SRI list.

It is up to the manager to reconfirm this certificate every three months.

BEAMA lays down the requirements as to the form and content of the certificate. Each UCI indicates which of the strategies and processes mentioned above are being followed within the framework of portfolio management.

Only the UCI is entitled to give BEAMA confirmation of a particular UCI/compartiment being compliant with the conditions that have been laid down and hence being eligible for the BEAMA SRI list. The full liability for this decision lies with the UCI.

PUBLICATION

As for SRI, BEAMA will publish the following on its **website**:

- quarterly and annual statistics
- current list of SRI-type UCIs
- detailed information for each SRI-type UCI (e.g. prospectus, SRI certificate, transparency document, link to the promotor's website)

TRANSITIONAL PERIOD

All SRI-type UCIs mentioned on the BEAMA list must adopt the methodology as explained above within a 3 months' period after the approval of the methodology or at the latest at the beginning of the new accounting year.

For additional guidelines on the practical implementation or the administrative follow-up of these procedures, please contact the BEAMA Secretariat: sri@beama.be