

About Nordic Swan Ecolabelled
Investment Funds



Background document 1.0

**Consultation draft
15 December 2016**

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Addresses

In 1989, the Nordic Council of Ministers decided to introduce a voluntary official ecolabel, the Nordic Swan Ecolabel. These organisations/companies operate the Nordic Swan Ecolabelling system on behalf of their own country's government. For more information, see the websites:

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1 Summary – Nordic Swan Ecolabelled Funds

All business sectors need to work systematically with environmental sustainability, and consumers need guidance to understand how their choices affect companies, products and services.

This also applies to the finance sector which has a great responsibility – and a great opportunity – to contribute to the efforts to achieve a sustainable world through its impact on capital flow. Products offered by the sector include investment funds for private and institutional investors. At the same time the fund manager assumes ownership responsibilities in respect of the holdings of the fund.

The objective of Nordic Ecolabelling investment funds is to support investors who, in addition to earning returns, want the capital to work towards the achievement of a more sustainable world. Furthermore, the Nordic Swan Ecolabel will give the fund manager a clear and simple way to communicate a fund's sustainability profile.

Nordic Ecolabelling is of the belief that companies that systematically and prospectively work with sustainability issues will be more profitable in the long term. A Nordic Swan Ecolabelled investment fund will identify and stimulate sustainable companies. We envision an upward spiral – benefitting companies, investors and the world we share.

Investment funds differ from other products and services that can carry the Nordic Swan Ecolabel. Unlike many other manufactured products, the fund itself does not have any negative environmental effects. Rather, Nordic Ecolabelling's aim is to indirectly steer the business community towards contributing to sustainable development by taking advantage of the position as an investment fund, which is the reasoning behind the ecolabelling of investment funds.

The demand for more sustainable investment funds is high and the supply of such funds is constantly growing. However, investors are also calling for an independent assessment of the actual sustainability profile of the various funds on the market. The Nordic Swan Ecolabel is able to take on this important task and provide a credible, independent guarantee that the fund meets high sustainability criteria.

With the Nordic Swan Ecolabelling of funds, Nordic Ecolabelling also wants to raise awareness of and improve commitment to environmental sustainability in the finance industry, as well as increase the influx of capital into funds with a greater focus on sustainability. It is our belief that the Nordic Swan Ecolabel (when a certain volume of Nordic Swan Ecolabelled funds has been reached) may indirectly positively impact companies and their products and services.

The requirements for all products and services that can carry the Nordic Swan Ecolabel are high but achievable.

2 The purpose of the criteria

A Nordic Swan Ecolabelled fund shall be managed in such a way that it has an impact on companies to move in a more sustainable direction and reduces the risk that the return to

investors will come from activities defined as undesirable from a sustainability perspective.

Overall, the criteria shall provide a regulatory framework for various types of funds, which may have different strategies to achieve the above-mentioned purpose.

What Nordic Ecolabelling wants to achieve with Nordic Swan Ecolabelled funds is to

- reduce Nordic investors' investments in non-sustainable companies
- increase investments in companies with good sustainability performance
- influence and encourage companies to greater accountability through active ownership
and
- increase visibility and engagement in sustainability issues by the financial industry through transparency and dialogue with the investors.

Disclaimer

A fund's objective is primarily to provide financial return within a defined risk profile. The fund manager is obliged to always work for the investor's best in that respect. This also applies to the Nordic Swan Ecolabelled funds. The criteria are formulated and put together in a way that does not limit the investment universe to such a degree that the risk increases to an unacceptable level. As a result Nordic Swan Ecolabelled funds may contain investments in companies that are not considered to be sustainable, that make mistakes and that need to be developed further. Our requirements do therefore not guarantee in any way that each and every holding in the fund is in a sustainable company. However, a fund that complies with the Nordic Ecolabelling requirements meets an ambitious level of sustainable investments and can steer companies in a more sustainable direction.

2.1 Relevance, potential, steerability and the sustainability impact

To achieve environmental gains, Nordic Ecolabelling must be able to set requirements that are relevant to inherent environmental problems. There must also be a potential to differentiate between environmentally-friendlier products and others. Finally, it must be possible to steer the environmental problem in question via the Nordic Ecolabelling requirements. These three parameters should be taken together and are referred to as Relevance–Potential–Steerability, RPS. For more information on the RPS, please see the Nordic Ecolabelling Prestudy on Sustainable Funds (2014).

Exclusion

The exclusion requirements ensure that a Nordic Swan Ecolabelled fund does not have holdings in certain industries and companies. The exclusion criteria shall therefore reduce the fund investors' indirect ownership in companies whose current business model is incompatible with long-term sustainable development, or whose activities violate basic human rights and international conventions.

The requirements intend to reduce the risk of the saver/investor to obtain a financial return from unacceptable business activities from a sustainability perspective. Moreover, we are making clear to the world which types of business activities Nordic Ecolabelling

considers to be unsustainable. In theory, this could lead to reduced demand for unsustainable investments and in turn affect the price of security or raise the cost of capital for these companies. However, such an effect requires a worldwide adherence to this strategy, and this seems unlikely. The effect is more likely that of a signal value. However, we believe that if Nordic savers/investors reduce their financial investments in unsustainable business, this could, in turn, facilitate policy decisions that may change the conditions for unsustainable business activities – and thus alter the industry. More information about exclusion criteria can be found in Chapter 8.2.

Inclusion

The inclusion requirements set out rules on how the fund shall analyse actual and potential investments from a sustainability perspective.

The goal is to increase the focus on environmental, social and governance (ESG) opportunities and risks. Nordic Ecolabelling believes that the requirements will stimulate the fund managers to increase their ESG analysis and exert more pressure on companies to invest in and communicate about their own sustainability efforts.

The criteria shall result in a fund with a majority of holdings representing sustainable business models. This gives a better sustainability performance in the Nordic Swan Ecolabelled fund than in conventional funds. It is always positive for a company to be a desired investment. It is hoped that once they have reached a certain volume, Nordic Swan Ecolabelled funds will provide an incentive for companies to improve their sustainability performance so that they qualify for inclusion in a Nordic Swan Ecolabelled fund. It will create goodwill, both externally and internally.

Nordic Ecolabelling also wants the requirements to stimulate capital flows to businesses and industries that Nordic Ecolabelling wishes to further develop from a sustainability point of view.

Responsible ownership and transparency

The ownership requirements shall stimulate the fund manager to exercise ownership rights aimed at improving the sustainability strategy and performance of the holdings. Saving and investing in a fund means ownership, albeit indirectly through the fund manager. This ownership implies responsibility. Anonymous, short-term and uninvolved owners do not help companies to develop sustainable and responsible business models.

Nordic Ecolabelling hopes that the fund investor will become aware of and involved in their indirect ownership, and understand how ownership activities may influence companies in the portfolio through fund manager transparency (reporting and justification) and in dialogue with the fund manager.

3 Basic facts about the criteria

The criteria for funds are a combination of obligatory requirements that must be met at all times and point-score requirements. Out of the total score of 16, a minimum of 8 must be achieved to fulfil the licence. The aim of the point scores is to allow the different types of funds greater flexibility to fulfil the criteria.

3.1 Products that can be Nordic Swan Ecolabelled

Funds of all asset classes may carry the Nordic Swan Ecolabel provided they comply with the UCITS Directive (85/611/EEC). Compliance with UCITS is to be documented in requirement O1. The fund shall be distributed in one or more of the Nordic countries and not more than 50% of its assets shall be held in non-corporate bonds, such as government bonds. The background to these limitations is presented in Chapter 8.1 Definition of the product group.

3.2 Justification of the requirements

The Nordic Ecolabelling’s mission is to contribute to sustainable consumption. Funds that are Nordic Swan Ecolabelled offer consumers more sustainable fund options. The requirements also help fund managers to develop more sustainable products.

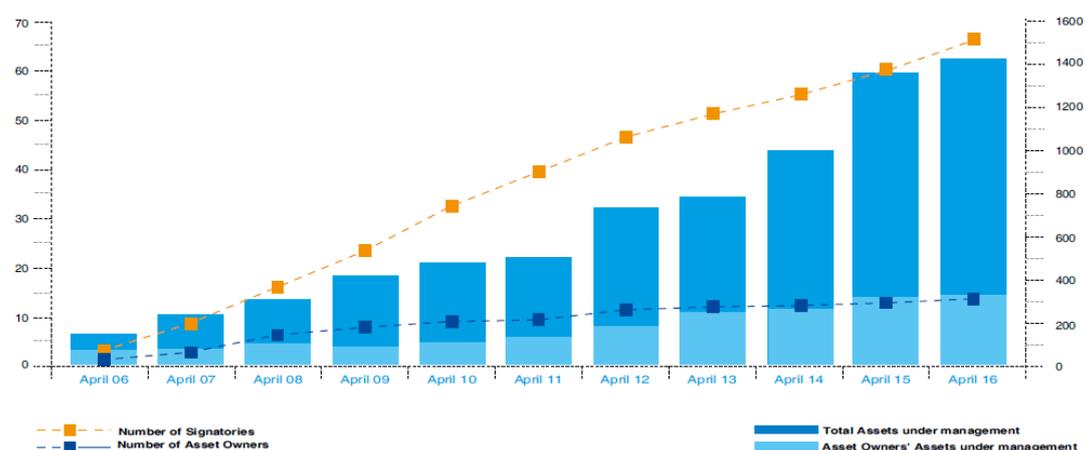
To achieve environmental gains, Nordic Ecolabelling must be able to set requirements that are relevant to environmental issues by using the Relevance–Potential–Steerability (RPS) tool. There also has to be the potential to differentiate between green funds and others, and to steer the environmental issue in question via ecolabelling requirements. An RPS screening was performed during the prestudy¹ and it showed that the three parameters of relevance, potential and steerability were all met for the product group.

4 The Nordic market

Table 1 shows how the global market for responsible investment is rapidly growing.

Table 1. The global market for responsible investment (Source: unpri)

The PRI has grown consistently since it began in 2006:



A rise in both the number of environmental funds and their fund capital was noticed² on the Nordic market back in 1999. The environmental funds were increasingly discussed and scrutinised in the media and other debate forums. Today, there are more than 6,000

¹ Nordisk miljömärkning (2014) Forstudie för svanmärkning av aksjefond.

² <https://www.naturvardsverket.se/Documents/publikationer/620-6132-1.pdf?pid=2826>

UCITS funds on the Nordic market³ and in Europe there are 1,874 funds with a total AUM of EUR 372.0 billion with a responsible investment profile⁴.

The Nordic investment market was screened during the Nordic Ecolabelling's prestudy on sustainable funds to obtain information about interest in ecolabelling. The findings showed that both fund managers and investors were interested in ecolabelling. More details about the market screening can be found in Nordic Ecolabelling's prestudy 2014.

5 Other labels

At present, there are no official ecolabels covering all the Nordic countries. In Europe, there are a few ecolabels at national or European level. One of the oldest is the Austrian ecolabel for sustainable financial products. More details about other labels on the market can be found in Nordic Ecolabelling's prestudy 2014.

6 About the criteria development

All ecolabelling criteria are developed in compliance with the ISO14024 type 1 standards in an open process. The criteria development process has broadly involved stakeholders in the Nordic countries and the review is available for public comment.

As part one of the open process, Nordic Ecolabelling initiated reference groups in all Nordic countries, except Iceland, in the spring of 2016. Banks, pension funds, large and small fund companies, academics, consumer and environmental organisations were invited to be part of the reference group. Up to 80 different parties/organisations have been involved in the process. Open consultative meetings are scheduled for the hearing period.

During the criteria development process, Nordic Ecolabelling contacted the reference group members with questions on different aspects of sustainability and fund management. The response was good and there is evidently considerable interest in sustainable investment funds. The reference group feedback proved very useful in developing the draft criteria.

As well as the reference group work, the project managers have held separate meetings with fund managers representing different types of funds/stakeholders to ensure that no single opinion is too dominant.

The dialogues with professionals who have experience and knowledge of sustainable fund management have been another key aspect of the project. This has been particularly important to the development of these criteria, since Nordic Ecolabelling has little previous experience in the business area. Nordic Ecolabelling engaged the services of consultants from DNV GL to ensure availability of good expertise in the project.

Members of the project from Nordic Ecolabel

Name	Role in project	Title	Country
Per Sandell	Project Manager	Business Developer	Sweden
Karin Bergbom	Product Advisor	Criteria Manager	Finland

³ Morningstar 2016-08-31.

⁴ http://www.alfi.lu/sites/alfi.lu/files/European-Responsible-Investing-Fund-Survey-2015_1.pdf

Anne Karin Kvam	Consultant, DNV GL	Responsible Investment and Sustainability Specialist	Norway
Else Hovind Hendel	Consultant, DNV GL	Senior Consultant, Assessment Services	Norway
Thomas Christensen	National Contact	Product Manager	Denmark
Elisabeth Magnus	National Contact	Senior Environmental Expert	Norway
Karen Dahl Jensen	Steering Group member	Manager Product Development	Denmark
Jeppe Frydendal	Steering Group member	Licensing Manager	Denmark
Anne-Grete Henriksen	Steering Group member	Marketing and Communications Manager	Norway
Ragnar Unge	Steering Group member	CEO, Ecolabelling Sweden	Sweden

7 Environmental impact of the product group

The investment of money in companies or shares has an indirect effect on all sectors of the environment. It can have environmental impacts such as climate change, emissions, resource depletion, waste, pollution and deforestation. More details about the environmental impact of investments can be found in Nordic Ecolabelling’s prestudy 2014.

8 Justifications of the requirements

This chapter presents proposals for the requirements, and explains the background to the requirements and the chosen requirement level.

Each requirement and its associated definitions describe the scope of the requirement. In some cases, the scope remains vague. This is intentional, since very exact definitions could limit the usage of existing Environmental, Social and Governance (ESG) rating systems.

8.1 Definition of the product group

A general definition of the product group is given in the chapter “What can carry the Nordic Swan Ecolabel”.

As a general rule, a fund must be covered by UCITS (Undertakings for Collective Investments in Transferable Securities, 85/611/EEC) regulations. UCITS is a regulatory framework that creates a harmonised regime throughout Europe for the management and sale of mutual funds. UCITS funds can be registered in Europe and sold to investors worldwide using unified regulatory and investor protection requirements. UCITS fund providers who meet the standards are exempt from national regulation in individual European countries. Because they are seen as very safe and well-regulated, UCITS funds are very popular investments and account for about 75% of all collective investments by small investors in Europe. Limiting the criteria scope to UCITS sets a natural boundary to this regulatory framework.

The fund shall be distributed in at least one of the Nordic countries. This requirement is set because the Nordic Swan Ecolabel mainly operates in the Nordic countries. However, it does not limit holdings from the global universe or origin of the fund managers.

No more than 50% of the fund's assets shall be based on non-corporate credits, such as government bonds. The reason for this limitation is that Nordic Ecolabelling has poor steerability to achieve environmental improvements by ecolabelling funds with main assets in government bonds.

O1 Description of the fund

A short description of the product intended for Nordic Swan Ecolabelling and how the product fulfils the definition of what can carry the Nordic Swan Ecolabel. The following must be included:

- Company name (fund manager).
- Name of fund(s).
- Investment universe.
- ESG investment strategy/objective.
- Assets under management (in Euro) at time of application.
- Document showing the fund compliance with UCITS regulations.
- Document showing in which Nordic countries the fund is available for private and/or institutional investors.

Signed application form.

Fund factsheet and/or other document showing details according to O1.

Description of the fund

The description of the fund shall enable Nordic Ecolabelling to check whether the fund falls within the scope of the criteria and other general documentations. This requires confirmation of compliance with the UCITS Directive (85/611/EEC) and that the fund is distributed in one or more Nordic countries.

O2 Holdings

The fund manager must provide a list of the holdings in the fund. The list shall identify type of security (equity, corporate credit, non-corporate credit), securities identification (ISIN) and also include:

- Date when an ESG analysis was last performed for each holding.
- Information if the analysis was preformed internally by the fund manager or by a well-recognised service provider.
- Information showing that no more than 50% of the total value of portfolio is non-corporate credits.

List of holdings on application date including date when ESG analysis was preformed or last updated. The list shall also include information if the analysis was performed internally or by a well-recognised service provider.

Information showing share of non-corporate credits.

Holdings

The list of holdings must be submitted so that Nordic Ecolabelling can verify compliance with the criteria. Nordic Ecolabelling is aware that this list will only give a snapshot of

the holdings at the time of application. The audit process will check the fund manager's ability to ensure that future holdings are in compliance with the criteria, and annual reports will further confirm the fund's compliance with the license's validity time (see O23).

03 Direct and indirect holdings

The criteria in this document apply to both direct and indirect holdings (see Terms and definitions).

A direct holding must never have more than 5% of its annual revenue in activities/sectors which are excluded in requirements O5–011 (for equity and corporate bonds, O12–O13 for government bonds, e.g. a company with a 3% oil extraction revenue and 3% weapons production revenue cannot be a holding in the fund. For direct holdings that have the (sole) business idea to invest in other companies (e.g. investment companies), the same requirements apply to their underlying investee companies.

Indirect holdings that do not meet the criteria cannot exceed 5% of the fund value in average over the course of the last 12 month from application date. The requirement must be met at annual running average during the license validity.

- ☒ Description of the funds system to keep track of the share of indirect holdings.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Direct and indirect holdings

Direct investments are those in which the investor owns the particular assets himself, while indirect investments are investments made in other funds (fund-in-fund), equity index futures etc., as opposed to direct holdings. Since the ecolabelling requirements for indirect holdings might be difficult to verify, one option would be to restrict these indirect holdings completely. This would cut out too much of the market and was not supported by the reference group. Nordic Ecolabelling has therefore decided not to restrict indirect holdings, provided they meet the same criteria as the ecolabelled fund.

Verification of the ecolabelling requirements for indirect holdings might be difficult and even impossible in some cases. Ownership steerability is also limited, since there is no direct relationship between the investor and the company. To make the verification easier and broaden the investment universe, there is an exception limit (5%) for indirect holdings which does not need to be documented. It should be noted that this exception limit allows some uncontrolled investment in the ecolabelled fund. A point score (P3) is set, however, if all inclusion and exclusion criteria are met for all indirect holdings.

8.2 Exclusion criteria

The exclusion criteria are set to give the Nordic Swan Ecolabelled fund a clear environmental and social profile. The criteria cover central environmental issues such as fossil energy utilisation and climate change, and social responsibility such as corruption and transparency. The requirements are chosen for having the greatest RPS and/or credibility among investors and consumers, and to give the Nordic Swan Ecolabelled fund a clear profile.

The ways in which the fund manages the exclusion of holdings may vary. In many cases, the fund uses ESG systems which allow the fund manager to identify holdings that are not allowed and exclude them from the portfolio. For an index fund, the index profile

automatically excludes certain business areas. Some fund managers might choose to screen the holding's profile themselves, for example by studying the company's annual reports.

Threshold

A revenue share that is permitted, in spite of the intention of the exclusion, is indicated for the exclusion criteria. In some cases, the limit is set to zero, e.g. serious or systematic human rights violations. This will require the fund manager to conduct a solid analysis of the holdings to ensure compliance with the requirement.

There is a 5% revenue limit for several of the requirements. Nordic Ecolabelling has assessed that a zero limit in these cases is very resource-intensive and difficult to ensure on a daily basis. There is the risk that if a zero limit is set, it will exclude an unreasonable amount of a fund's potential investment universe.

When setting the threshold, Nordic Ecolabelling used the same limit per cent value as the Swedish Ethics Board for fund marketing⁵, which indicates that a fund may be marketed as "free from..." if the holding has less than 5% revenue in the excluded sector.

04 New information on holdings

When a fund manager receives information that an obligatory exclusion requirement is not met, the fund manager must sell all of the holding within three months.

If there is doubt regarding the nonconformity, or if the fund manager expects the issue to be resolved/rectified in near future, the fund manager does not need to sell the holding within three months. However, within three months after receiving the information, the fund manager must explain on their home page how they assess the situation, what actions the fund manager will take in order to address the issue and what result the fund manager expects to get. If, after 24 months, the issue causing the possible nonconformity has not been successfully addressed and there still is an issue which implies nonconformity, the holding must be sold.

If the fund gets information from two different sources, the source that shows most excessive nonconformity should be used.

- ☒ Policy, procedures or similar showing that the fund manager will act in accordance with the requirement.

New information on holdings

Should changes occur in the fund during the validity of the Nordic Swan Ecolabel license, this might lead to the exclusion requirements no longer being met. This information about nonconformities may differ depending of the ESG rating systems. If the fund receives information from two different sources, the source that shows most excessive nonconformity should be used.

If nonconformities are found, the fund manager has two options: either to sell the holdings within three months, or publish a programme of corrective measures and the results the fund manager expects. The fund manager must respond to the nonconformities within a strict time limit and the holdings must meet the ecolabelling criteria within 24 months.

⁵ Etiska Nämnden För Fondmarknadsföring VÄGLEDANDE UTTALANDE meddelat den 17 november 2015, i ärende 8/2015 angående marknadsföring av fonder som hållbara.

The 24-month limit gives the fund manager time to shape the decision of the company by voting or other action. This might lead to some companies in the fund not meeting the criteria for a limited period of time. Nordic Ecolabelling believes that in some cases it is better to retain the possibility of shaping the company's decision as an owner than to sell off the holdings.

See requirement O22 which explains how unplanned nonconformities must be handled.

O5 Extracting and refining fossil fuels

The fund shall not invest in companies which themselves or through entities they control derive 5% or more of their revenue from extracting coal (all sorts, e.g. lignite), natural gas, crude oil or uranium and/or refining coal, natural gas, crude oil or uranium for fuel.

Companies that meet all criteria below are exempt and may be included in the fund.

- At least 75% of the company's energy sector investments are on average and for the last three consecutive years in the renewable energy sector.
- Revenue from renewable energy comprises at least 50 % of the company's total revenue.
- The company has less than 0.1% revenue from tar sand, shale oil or shale gas or other fracking activities and/or mining of oil shale.

- Fund policy or guideline.
- Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- List of any holdings that extract or refine crude oil, natural gas or uranium.
-  Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Extracting and refining fossil fuels

This obligatory requirement restricts the fund's holdings in the extraction and refining of fossil fuels (fossil coal of any type, natural gas, oil, uranium). The reason for the requirement is the challenges posed by climate change and excessive risks associated with nuclear power and the extraction (mining) of uranium. It is also important to restrict fossil fuel use from a consumer point of view. For example, it would not be convincing to Nordic Swan Ecolabel a fund without restrictions on fossil coal or oil, due to the focus on preventing climate change in today's society.

An exception of 5% to the main requirement is allowed to give more flexibility. This exception is in line with the Swedish fund marketing guidelines. To promote the transition towards renewable energy, an exemption has been set that allows companies with a large and growing share of renewable energy investment and production to be included. However, there is a 0.1% limit on investments in problematic energy sources, such as tar sand and shale oil.

O6 Generating Power

The fund shall not invest in companies which themselves or through entities they control have 5% or more of their energy production (GWh), or derive 5% or more of their revenue from generating power from fossil fuels such as coal, natural gas, fossil oil and/or uranium.

Companies that meet all criteria below are exempt and may be included in the fund.

- At least 75% of the company's energy sector investments are on average and for the last three consecutive years in the renewable energy sector.
 - Revenue from renewable energy comprises at least 50% of the company's total revenue.
 - The company has less than 0.1% revenue from tar sand, shale oil or shale gas or other fracking activities and/or mining of oil shale.
- ☒ Fund policy or guideline.
 - ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
 - ☒ List of any holdings that generate power from fossil fuels such as coal, oil, gas or uranium.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Generating power

This requirement is complementary to O5 and is set to exclude companies that use fossils (coal, oil, gas or uranium) to generate power. An exception has been set for power generation companies that are increasingly using renewable sources of energy. This has been set to stimulate a production change towards renewable energy.

The criteria have a threshold value of 5% to allow flexibility (see Threshold above).

07 Controversial weapons

The fund shall not invest in companies which themselves or through entities that they control produce or sell nuclear, chemical, biological, cluster and/or land mine weapons.

- ☒ Fund policy or guideline.
 - ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Controversial weapons

Investment in companies that produce or sell controversial weapons is not compatible with the sustainable development goals. The requirement includes mass destruction weapons such as nuclear, chemical, biological, cluster and/or landmine weapons. No exceptions are allowed.

08 Conventional weapons

The fund shall not invest in companies which themselves or through entities they control derive 5% or more of their revenue from production or sales of conventional weapons.

- ☒ Fund policy or guideline.
 - ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Conventional weapons

The requirement aims to exclude conventional weapons and is based on the same background as O7 Controversial weapons (see Terms and Definitions for more information on the scope of the requirement). Nordic Ecolabelling is aware that this does not automatically exclude companies exporting weapons to countries that abuse human rights or are engaged in armed conflict.

A threshold of 5% is set because it is extremely difficult for a fund manager to guarantee a 0% threshold. This means that the Nordic Swan Ecolabelled fund can invest a limited amount in companies that produce arms or war material. NB. Under O7, weapons of mass destruction are prohibited without exception.

O9 Tobacco

The fund shall not invest in companies which themselves or through entities they control derive 5% or more of their revenue from production or sales of tobacco.

- ☒ Fund policy or guideline.
- ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Tobacco

The impact of tobacco on human health is well known. Furthermore, the cultivation of tobacco plants may pose a threat to biodiversity due to land use changes and less sustainable methods of farming (excessive usage of pesticides, water and fertilizers). A threshold of 5% is set because it is extremely difficult for a fund manager to guarantee a 0% threshold.

O10 GMO crops

The fund shall not invest in companies which themselves or through entities they control derive 5% or more of their revenue from GMO crops production.

- ☒ Fund policy or guideline.
- ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

GMO crops

Genetically modified crops are plants used in agriculture. The DNA of GMO crops has been modified using genetic engineering techniques, for example to develop resistance to certain pests, diseases, environmental conditions, or chemical treatments (e.g. resistance to herbicides), reduce spoilage, or improve the nutrient profile of the crop. Although the risks associated with GMO crops are disputed, those often mentioned are the risks of crop-to-weed or crop-to-crop gene flow and development of resistance to herbicides. These risks are connected to biodiversity loss, which is one of the main threats to the environment today, since biotypes with high biodiversity are generally more resistant. Nordic Ecolabelling has chosen to exclude companies that either themselves or through entities they control derive 5% or more of their revenue from GMO crops based on the precautionary principle.

O11 International norms and conventions

The fund shall not invest in companies including entities they control, if there is an unacceptable risk that the company contribute to or is responsible for serious or systematic violations of:

- ILO's fundamental principles.
 - Human rights.
 - Severe environmental damage.
 - Gross corruption.
- Fund policy or guideline.
- Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

International norms and conventions

Companies that do not comply with central norms and conventions cannot be included in a Nordic Swan Ecolabelled fund. These norms concern human rights, labour rights, environmental protection and anti-corruption measures.

Generally, Nordic Ecolabelling believes that ecolabelled products should not only be the best choice in terms of the environment, but should also be produced under acceptable working conditions. Furthermore, a company that causes severe environmental damage is not allowed to be part of a Nordic Swan Ecolabelled fund.

The fund must make a clear statement in its policy and/or guidelines on norms and conventions. Moreover, the fund must have a management system that describes how to deal with nonconformities (see O19).

The most common way to deal with companies that violate international norms and conventions is to obtain the information from a service provider such as MSCI or Sustainalytics. If the portfolio's universe is very limited, a fund manager can also perform this check. Severe nonconformities will be quickly detected. Minor issues will be identified in the annual ESG analysis update.

O12 Government bonds – sanctions

The fund shall not invest in government bonds issued by:

- Countries that are subject to EU or UN financial sanctions.
 - Countries which have not ratified one of the following:
 - The UN Convention on Biological Diversity.
 - The Paris Agreement
- Fund policy or guideline.
- Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Government bonds – sanctions

Countries that do not ratify international conventions/laws might lack in sustainable society governance. These are countries named on the EU/UN financial sanctions list⁶ and/or countries not ratifying central environmental conventions concerning biodiversity⁷ and climate change⁸. Any changes in the sanctions lists will be identified in the annual ESG analysis update.

O13 Government bonds – corruption

The fund shall not invest in government bonds issued by countries which are ranked below the 70 best ranked countries in the currently valid Transparency International's Corruption Perceptions Index.

- ☒ Fund policy or guideline.
- ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Government bonds – corruption

Points are given if the fund does not invest in countries that are ranked as having extensive corruption, since these countries might lack in sustainable society governance. High corruption is also linked to environmental problems, such as illegal trading of forest products. The corruption ranking refers to the Transparency International's Corruption Perceptions Index, which is commonly used by investors. Any changes in the sanctions lists will be identified in the annual ESG analysis update.

8.3 Inclusion criteria

The inclusion criteria are set to ensure that most of the holdings undergo an environmental, social and governance (ESG) analysis and that fund managers use the information when making their investments. This chapter also includes criteria to promote green investments. The requirements are chosen for having the greatest RPS and/or credibility among investors and consumers and to give the Nordic Swan Ecolabelled fund a clear sustainable environmental and/or social profile.

O14 ESG analysis

At least 90% of direct holdings in the portfolio, measured in number of issuers, have undergone ESG analysis (see information about indirect holdings in O3). The analysis can be conducted by an external party or internally.

External analysis shall be conducted by a well-recognised service provider, e.g. MSCI, Sustainalytics, ISS, GES or other similar organisation which is well established as a service provider to the financial sector and with relevant coverage and sufficient analytical capacity. The service provider must update the ESG analysis at least every year.

If the analysis is conducted internally:

- It must clearly demonstrate that relevant issues in all three categories – environmental, social and governance – are covered.

⁶ http://ceas.europa.eu/cfsp/sanctions/consol-list/index_en.htm

⁷ <https://www.cbd.int/information/parties.shtml>

⁸ http://unfccc.int/paris_agreement/items/9444.php

- For equity and corporate bonds the analysis shall include whether the investee company has a publicly available policy and strategy on corporate social responsibility (CSR), and publicly reports CSR performance.
- The internal analysis must be updated regularly, at least once a year.

If the fund manager has one or more external providers of ESG analyses

- ☒ Name of the external ESG service provider and a description of what data they deliver. Nordic Ecolabelling may ask for more information to check if the provider meet the criteria above.
- ☒ Description of how the fund manager controls that:
 - There is an ESG analysis for at least 90% of the holdings (measured in number of issuers).
 - Respective ESG analysis is updated at least every twelve month.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

If the fund manager does ESG analyses internally

- ☒ Description or template of analysis document showing how the fund manager conducts their ESG analyses, in accordance with the outlined requirements.
- ☒ Description of how the fund manager controls that:
 - There is an ESG analysis for at least 90% of the holdings (measured in number of issuers).
 - Respective ESG analysis is updated at least every twelve month.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

ESG analysis

ESG analysis is a central tool to promote the sustainability of holdings. The market pressure highlights ESG issues and the rating system is also a trigger for ESG improvements. At least 90% of the direct holdings in a Nordic Swan Ecolabelled fund must undergo an ESG analysis.

This requirement is not applicable to indirect holdings (if ESG covers these as well, it is awarded points).

The ESG may be performed by a well-recognised independent third party such as MSCI, ISS-Ethix and Sustainalytics. The ESG analysis may also be conducted internally if the ESG management system is documented and verified by Nordic Ecolabelling.

A threshold limit is set to 90%, because all direct holdings in the fund might not be included in existing ESG rating systems, for example if they are small companies or start-ups.

P1 ESG analysis – point score

All direct holdings (See information about indirect holdings in O3) in the portfolio has undergone ESG analysis according to O14. 2 points.

- ☒ See O14.

ESG analysis – point score

The obligatory requirement is supplied by a point score if the ESG coverage is 100% of the direct holdings.

015 Inclusion of ESG

The fund shall either pass A or B.

A. More than 50% of the fund, measured in value of the fund, shall be invested in holdings with strong ESG practices.

The fund shall have clearly defined criteria used for rating and inclusion of holdings based on environmental, social and governance practices and performance.

There shall be a clearly written ESG related rationale for all holdings with a poor ESG practices.

B. If the fund follows an index, the index shall be designed to identify investments with strong ESG practices. The index constituents shall be selected and screened in accordance with transparent and defined ESG criteria.

- If A – Methodology for ESG rating and procedures for selecting investments with strong ESG practices as well as what is defined as poor ESG practices with a description of how the fund manager ensures that the criteria are met at all times.
- If A – List of holdings including the ESG performance rating, determination of ESG practices (strong/poor) and a rationale for investment in holdings with poor ESG practices.
- If B – Description of index methodology and applied ESG criteria.

Inclusion of ESG

After an ESG analysis has been conducted for a Nordic Swan Ecolabelled fund, the results must be used to select companies for the portfolio based on their ESG practices. Nordic Ecolabelling wishes to label funds whose holdings are mainly in strong ESG practices.

In some cases, greater effect is achieved by investing in companies that are not ranked high on ESG screenings today. For instance, when a business is in a transition period and its emission performance will improve its ESG rating in the future. Nordic Ecolabelling therefore allows the fund to have holdings that do not have strong ESG practices today if there is a clear ESG-related reason for including the holding in the portfolio.

For index and/or near-index funds, the positive selection of holdings is a challenge when it follows a conventional index. Nordic Ecolabelling considers the index products identifying strong ESG practices as playing a positive role if the index provider has done a comprehensive positive inclusion.

P2 P2 Renewable energy and other green investments

Points are given if the fund has a clearly defined environmental objective and a methodology for assessing and including holdings that promotes a transition to renewable energy and/or circular economy (see list below).

The methodology must outline how the fund manager identifies such holdings.

The list below show business areas and processes that may be included in a fund with an environmental objective. For the business areas listed below, production, equipment, service and retail may also be included. Business areas from the list must be at least 50% of each holding in order to be included under this requirement.

The fund may include a combination of holdings within the areas of green investments on the list below.

- **Renewable energy** (producer/service/maintenance of windmills, solar cells, biogas production etc.).
- **Energy efficiency** (contractors, distributors, manufacturers, providers of energy efficiency products and services etc.).
- **Ecosystem services** (ecological farming, consultancy services within ecosystem services etc.).
- **Sharing economy business** (carpools, co-working hubs, reselling and trading of used products etc.).
- **Green bonds** (see definition).

Other business areas and processes can be accepted after decision by Nordic Ecolabelling.

Point scores are given, if:

- 50% of the holdings or 50% of the value of the fund can be defined as green investment as defined in the list above. 1 point.
- 70% of the holdings or 70% of the value of the fund can be defined as green investment as defined in the list above. 2 points.
- 90% of the holdings or 90% of the value of the fund can be defined as green investment as defined in the list above. 3 points.

- ☒ Description of the funds objective and methodology for assessing and including holdings that promotes a transition to renewable energy and/or circular economy.
- ☒ List of holdings including identification of its relevant environmental business area, the combined share of these holdings in the fund (for defining the point score).
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Renewable energy and other green investments

This point-score requirement aims to promote “green investments”. There are listed business areas that have a positive environmental impact and therefore gain points. Additional business areas may be included on demand and following a decision by Nordic Ecolabelling. The aim is to open up channels to invest in green investments and thereby produce a positive environmental effect.

P3 Inclusion/exclusion criteria on indirect holdings

All obligatory inclusion or exclusion criteria are met for all indirect holdings. 1 point.
All obligatory inclusion and exclusion criteria are met for all indirect holdings. 2 points.
The fund has an average of less than 0.5% indirect holdings (as calculated in O3): 2 points.

- ☒ Fund policy or guideline.
- ☒ Description of how the fund manager ensures access to data and information in order to comply with the requirement.
- 🔍 Nordic Ecolabelling will perform a random sample check at the point of application and as part of the yearly reporting.

Inclusion/exclusion criteria on indirect holdings

Since the obligatory criteria for inclusion do not apply for indirect holdings, the fund is rewarded by points if all obligatory inclusion and/or exclusion requirements are met for indirect holdings.

If the fund has no indirect holdings, it is also rewarded with one point. This is set to balance the point scores for holdings with or without indirect holdings (a fund without indirect holdings would otherwise not be able to gain points from this requirement). For more information about indirect holdings, see the background to O3.

8.4 Transparency and fund management

The requirements on transparency and fund management are central to ensure sustainable investments. Ownership activities such as voting and company dialogues are promoted with points. The requirements in this chapter aim to influence the companies in the fund's portfolio and encourage them towards more sustainable business practices.

ESG reporting aims to increase the transparency of the fund. Public disclosure of voting records provides greater transparency to consumers and investors. Any changes that might impact the requirements will be identified in the annual ESG analysis update.

O16 ESG reporting and transparency

The fund shall regularly, and at least annually, issue a report as part of the ordinary fund performance reporting. The report shall be published on the fund manager's website, and linked to where the ordinary information with regards to the fund is made available for (potential) investors. The first report must be produced within a year after receiving the Nordic Swan Ecolabel. The report shall cover the relevant reporting period and contain information relating to the specific Nordic Swan Ecolabelled fund's holdings:

- a) Describe the fund manager's ESG activities (e.g. exclusions, inclusions, voting, dialogues, etc.) as a minimum reflecting the relevant Nordic Ecolabelling criteria.
- b) Describe relevant ESG issues, current ESG developments and ESG performance.
- c) Voting records (if no voting is done, this should be stated).

Brief description on how and what the fund intend to report (if possible, include a reporting template).

Link to web site where the report or the planned report will be published.

Will be controlled by Nordic Ecolabelling at the annual compliance check.

ESG reporting and transparency

Information about what is included in the fund is essential to ensure transparency. The requirement lowers the risk of unsustainable holdings in the portfolio and provides investors with vital information. The requirement states that an ESG report shall be made at least every twelve months and this report shall be published on the fund's website.

O17 ESG-related questions

If an investor in an ecolabelled fund has ESG related questions with regards to the holdings in the fund, the fund manager shall give a written reply to the investor within two weeks after the questions were put forward to the fund manager in writing.

The answer must explain the reason for the holding, and the ESG considerations the fund manager has in relation to the holding.

The fund manager shall track and keep all written questions received, as well as all answers given. The questions and answers must be available if requested by Nordic Ecolabelling at the annual compliance check.

- ☒ Routine or procedure showing how the requirement will be met.
- 🔗 Will be controlled by Nordic Ecolabelling at the annual compliance check.

ESG-related questions

To provide greater transparency to investors, ESG-related questions about holdings in the fund shall be answered within two weeks. The questions and answers shall be tracked so that Nordic Ecolabelling can conduct check-ups on the ESG issues.

P4 Reporting ESG reasons for holding

Questions concerning ESG issues in the fund's holdings are published together with the answer to the question (see O17) on the fund manager's website (see O16). 1 point.

- ☒ Link to website.
- 🔗 Will be controlled by Nordic Ecolabelling at the annual compliance check.

Reporting ESG reasons for holding

This point score is connected to O17 and the fund will be awarded a point if the ESG-related Q&As are published on the fund's website.

O18 Reporting of the fund's holdings

The fund manager shall report on all holdings in the Nordic Swan Ecolabelled fund, both the direct and the indirect holdings, on their web site at least once every quarter.

- ☒ Link to website.
- 🔗 Will be controlled by Nordic Ecolabelling at the annual compliance check.

Reporting the fund's holdings

To ensure transparency, the fund manager shall report on all holdings (both direct and indirect holdings) on the fund's website. This shall be updated at least quarterly.

P5 Frequent reporting of the fund's holdings

The fund manager reports on all holdings in the ecolabelled fund, both the direct and the indirect holdings, on their web site at least once every month. 1 point.

- ☒ Link to website.
- 🔗 Will be controlled by Nordic Ecolabelling at the annual compliance check.

Frequent reporting of the fund's holdings

Points will be awarded if the fund manager reports more often than the obligatory requirement. Nordic Ecolabelling tries to promote even greater transparency.

P6 Regular voting

The fund manager regularly vote on annual general meeting to the following extent:

- More than 15%* 1 point.
- More than 50%* 2 points.

- More than 85%* 3 points.

* Measured in number of holdings in the Nordic Swan Ecolabelled fund.

The voting must be done at least once a year.

- Routine or procedure showing how the requirement will be met.
- Name of voting service provider (if any).

Regular voting

The requirement is set to encourage fund managers to vote at companies' annual general meetings. Exercising one's right to vote at AGMs is an effective way for owners to actively participate in issues. Voting must be performed regularly, at least once a year, for example, at the annual general meeting. The voting might be positive (voting for investments in environmental improvements etc.) or negative (voting against investments in business that might have a negative environmental impact). The more companies that are influenced by this voting, the more points are awarded to the fund.

P7 Company dialogue

The fund manager has dialogues with at least 90% of the companies with a poor ESG practices as identified in criteria O15 in the Nordic Swan Ecolabelled fund. There shall be a clearly formulated ESG goal for each company dialogue. 2 points.

- Routine or procedure showing how the requirement will be met.
-  Will be controlled by Nordic Ecolabelling at the annual compliance check.

Company dialogue

As a responsible owner, the fund manager can promote ESG issues in the fund's holdings. Companies with a lower ESG practice, in particular, might benefit from company dialogues.

P8 Reporting company dialogues

The fund manager's ESG company dialogues related to the holdings of the Nordic Swan Ecolabelled fund, including the status and result of such dialogues, are published in the public report described in Criteria O16. 2 points.

- Brief description on how and what the fund intend to report company dialogues (if possible, include a reporting template).
- Link to web site where the report or the planned report will be published.

Reporting company dialogues

Funds are awarded points for showing transparency by publishing the results of the ESG dialogues. Nordic Ecolabelling believes that this kind of transparency will lead to an increased focus on companies with weak ESG performances and will encourage them to improve their performances.

8.5 Quality and regulations

O19 Management system

The fund manager must have resources, capacity, competence and a management system, which ensures that the quality of the Nordic Swan Ecolabelled fund does not deteriorate during the validity period of the licence.

The management system must be sufficient to document compliance with the Nordic Ecolabelling requirements.

- Description of resources, capacity, competence showing that the fund can comply with the Nordic Ecolabelling's requirements during the validity period of the licence.
- Copy of relevant relevant documents from the management system.
- Signed appendix 1.

020 Responsible person and organisation

The fund manager shall appoint individuals who are responsible for ensuring the fulfilment of the Nordic Ecolabelling requirements, for marketing of the fund and for financial reporting (needed for license fee calculation) to Nordic Ecolabelling, as well as a contact person for communications with Nordic Ecolabelling.

- Organisational chart and a description showing who is responsible for the above, including name, title and other relevant contact information.

021 Planned changes

Written notice must be given to Nordic Ecolabelling of planned changes of the fund product or how the fund is marketed that have a bearing on the Nordic Ecolabelling requirements.

- Procedures showing how Nordic Ecolabelling will be informed of planned changes as described in this requirement.

022 Unplanned nonconformities

There must be a system for handling unplanned nonconformities or events that impact the fund profile and/or the companies in the fund and which may lead to the Nordic Ecolabelling requirements no longer being met.

The system must include:

- How to deal with nonconformities or events as described above.
- Reporting of major nonconformities to Nordic Ecolabelling.

- Procedures detailing how unplanned nonconformities are handled.

023 Annual compliance check

The fund manager must do an internal audit to ensure that the fund fulfils all relevant Nordic Ecolabelling criteria every twelve months. The result shall be sent to Nordic Ecolabelling no later than 31 March each year. The report on "ESG reporting and transparency" in requirement O16 shall also be sent to Nordic Ecolabelling.

- Annual internal audit report.
- ESG report (as described in O16).

024 Legislation and regulations

The licensee shall ensure their own compliance with all applicable local laws and provisions relevant for the Nordic Swan Ecolabelled fund, e.g. with regard to financial regulations and working environment.

- Signed application form.

025 Information about the Nordic Swan Ecolabel

When a fund manager uses the Nordic Swan Ecolabel in communication or marketing, there should be a reference to the Nordic Ecolabelling's website <http://www.nordic-ecolabel.org/investmentfunds>

On the website there should also be a general explanation of what it means that a fund is labelled with the Nordic Swan Ecolabel.

The fund must use the following information in communication or marketing of the Nordic Swan Ecolabelled fund.

A Nordic Swan Ecolabelled fund is managed so that it can affect companies in a more sustainable direction. Requirements and audit cover the investment fund in total and is therefore no guarantee for each individual holding. Nordic Ecolabelling requirements do not cover financial risk or return.

Translations to Nordic languages will be available.

Description how the fund manager intend to give information to the investor.

Appendix 1.

O26 Customer information when a fund is no longer Nordic Swan Ecolabelled

The fund investors shall be clearly informed on the fund manager's website if the fund is no longer Nordic Swan Ecolabelled. The information must be presented at the website for at least twelve months after.

Signed application form.

The requirements in this chapter are common to all Nordic Ecolabelling criteria and aim to ensure that the requirements are met provided that the fund is Nordic Swan Ecolabelled. The chapter covers the obligatory requirements O19–O26. NB. O25 states that there must be a reference to Nordic Ecolabelling's website where additional information about Nordic Swan Ecolabelled funds can be found. There is also an obligatory disclaimer that must follow all communications concerning the Nordic Swan Ecolabelled fund. The disclaimer states that the Nordic Swan Ecolabelling covers the fund on a general basis, but will not guarantee each individual holding, nor the risk or the return of the fund.

8.6 Points

O27 Number of points

The fund must achieve a minimum of 8 points.

The point limit must be met as long as the license is valid.

Appendix 1.

Will be controlled by Nordic Ecolabelling at the annual compliance check. See also O23.

There are 8 requirements in the criteria. The fund can score at least one point for each. A minimum of 8 points must be scored (out of a possible total of 16 points) to be awarded the Nordic Ecolabel. The introduction of point scores will give different types of funds greater flexibility for achieving the Ecolabel.

8.7 Areas without requirements

This chapter will be concluded based on comments from the public hearing.

9 New criteria

This will be the first version of the criteria for funds.

Development of sustainable funds is growing fast with an ever-increasing focus on better data quality and greater transparency. Awareness of environmental and social issues is also increasing. Nordic Ecolabelling will therefore revise the criteria within a defined period of time.

In the future revision of these criteria will be updated on the basis of experience gained from this version and general developments in the business area.

Terms and definitions

Circular economy	A circular economy is one that is restorative and regenerative by design, and which aims to keep products, components and materials at their highest utility and value at all times, distinguishing between technical and biological cycles. https://www.ellenmacarthurfoundation.org/circular-economy
Conventional weapons	Small arms and light weapons, sea and land mines, as well as (non-weapons of mass destruction) bombs, shells, rockets, missiles.
Direct holdings	See also definition of Holdings. Direct holdings are investments in individual and identifiable stocks and bonds, as opposed to indirect holdings (see definition below).
Ecosystem services	Ecosystem services are the direct and indirect contributions of ecosystems to human well-being. http://biodiversity.europa.eu/topics/ecosystem-services
Entities they control	The control over an entity through ownership of shares (>50%) or, according to the legal definitions in the market it operates, by being in a position to exercise control of the entity (for example dominate decision-making, directly or indirectly, in relation to the financial and operating policies of another entity.)
ESG	Environmental, social and governance. ESG is a generic term used in capital markets and commonly used by investors to identify, analyse and evaluate issues and/or corporate behaviour. ESG factors are a subset of non-financial performance indicators which include sustainable, ethical and corporate governance issues such as managing the company's carbon footprint and ensuring there are systems in place to ensure accountability.
ESG analysis	An analysis of ESG relevant issues.
ESG rating system	Service suppliers providing ESG analysis to investors will often also provide an ESG rating system. The ESG rating system serves to compare the ESG practices of various companies and can be used to identify companies with the best or worst ESG practices.
ETF	An exchange-traded fund (ETF) is an investment fund traded on stock exchanges, much like stocks. An ETF holds assets such as stocks, commodities, or bonds, and trades close to its net asset value over the course of the trading day. Most ETFs track an index, such as a stock index or bond index. ETFs may be attractive as investments because of their low costs, tax efficiency, and stock-like features. By 2013, ETFs were the most popular type of exchange-traded product.
EU or UN financial sanctions	http://eeas.europa.eu/cfsp/sanctions/consolidated/index_en.htm
Fund of fund	An investment strategy in which a fund invests in other types of funds (including ETFs).
GMO crops	Genetically modified crops are plants used in agriculture. The DNA of GMO crops has been modified using genetic engineering techniques for example to gain resistance to certain pests or diseases.
Green bonds	Fixed-income financial instruments in which the proceeds will be exclusively applied towards new and existing Green Projects – defined here as projects and activities that promote climate or other environmental sustainability purposes.
Gross corruption	Gross corruption exists if a company through its representatives:

	<p>a) Gives or offers an advantage – or attempts to do so – so as to unduly influence</p> <p>i) a public servant in the execution of public duties or in decisions which may bring the company an advantage, or</p> <p>ii) a person in the private sector who takes decisions or has influence on decisions which may bring the company an advantage.</p> <p>b) Demands or receives bribes.</p> <p>and</p> <p>c) The corrupt acts mentioned in letters a and b are carried out in a systematic or comprehensive manner.</p>
Non-Corporate Credit	<p>Non-Corporate Credit is a catch-all term used to include types of bonds that are forms of credit, but not issued by private corporations – and therefore cannot be considered corporate debts. Non-Corporate Credit generally includes sovereign debt, regional governments and government agencies in a currency other than that of the issuer, and bonds issued by supranational entities.</p>
Holdings	<p>Holdings are the contents of an investment portfolio. Portfolio holdings may encompass a wide range of investment products, from stocks, bonds and mutual funds to options, futures and exchange-traded funds (ETFs), and relatively esoteric instruments such as private equity and hedge funds.</p>
Human rights	<p>http://www.un.org/en/universal-declaration-human-rights/</p>
ILO's fundamental principles	<p>The International Labour Organization's principles cover freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation. http://www.ilo.org/declaration/lang--en/index.htm</p>
Indirect holdings	<p>Indirect holdings are investments in products such as other funds (fund of funds), equity index futures etc. as oppose to direct holdings. (See also definition of Holdings and Direct holding.)</p>
Index fund	<p>An index fund (also index tracker) is a mutual fund or exchange-traded fund (ETF) designed to follow certain preset rules so that the fund can track specified basket of underlying investments. Those rules may include tracking prominent indexes like the S&P 500 or the Dow Jones Industrial Average or implementation rules, such as tax-management, tracking error minimization, large block trading or patient/flexible trading strategies that allows for greater tracking error but lower market impact costs. Index funds may also have rules that screen for social and sustainable criteria.</p>
Investment company	<p>A corporation or trust engaged in the business of investing the pooled capital of investors in financial securities.</p>
Investment universe	<p>A fund will define its investment universe describing where it can invest its holdings. It can be defined by geography, sector or a combination of both.</p>
ISIN	<p>International Securities Identification Number.</p>
Renewable energy	<p>Any naturally occurring, theoretically inexhaustible source of energy (such as biomass, solar, wind, wave, tidal, and hydroelectric power that is not derived from fossil or nuclear fuel).</p>
Revenue	<p>The income that a business has from its normal business activities, usually from the sale of goods and services to customers.</p>
Serious or systematic human rights violations	<p>Serious or systematic human rights violations may involve murder, torture, deprivation of liberty, forced labour, the</p>

	worst forms of child labour and other child exploitation; serious violations of the rights of individuals in situations of war or conflict.
Severe environmental damage	<p>Projects or activities with potential significant adverse environmental risks and/or impacts that are diverse, irreversible or unprecedented. Considerations for deciding severity could also include the following:</p> <ul style="list-style-type: none"> – the damage is a result of violations of national laws or international norms, – the company has neglected to act in order to prevent the damage, – the company has not implemented adequate measures to rectify the damage, – it is probable that the company's unacceptable practice will continue.
Sharing economy business	Economic model in which individuals are able to borrow or rent assets owned by someone else. It includes aspects as collective purchasing, collaborative consumption and shared ownership.
The UN Convention on Biological Diversity	https://www.cbd.int/information/parties.shtml
The Paris Agreement	http://unfccc.int/paris_agreement/items/9444.php
Transparency International's Corruption Perceptions Index	http://www.transparency.org/
UCITS	<p>UCITS is an abbreviation for the mutual funds covered by the EU's Mutual Fund Directive (Council Directive 85/611/EEC 20 December 1985). UCITS stands for "Undertakings for Collective Investments In Transferable Securities". UCITS is a concept that accepts collective locations from shareholders, that will be, in the Fund's name, placed in highly liquid securities.</p> <p>It follows from the directive that UCITS funds that have been approved in one country in the European economic area is allowed to market in other EEA countries. UCITS directive has thus contributed to realize a free internal market for drawing of the mutual fund shares.</p> <p>The purpose of the directive was to strengthen competition within the EU and at the same time protect investors. Today the regulations contain 120 articles governing everything from investor protection to the funds' placements and the fund's Board and management. EU's rules on mutual funds was modified with UCITS V-directive and efforts have been made to introduce this in local law in 2015 and 2016. The directive includes rules for depot management, tax arrangements in fund management companies and sanctions.</p>