

**Ref.:** JRC<sup>1</sup> Technical Reports- Development of EU Ecolabel criteria for retail financial products

**Deadline:** 6 May 2019

**Addressees:** Banking sector, portfolio managers, fund managers, Consumer organizations, NGOs, Investor Organizations

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## DEVELOPMENT OF EU ECOLABEL CRITERIA FOR RETAIL FINANCIAL PRODUCTS

### BETTER FINANCE RESPONSE

**Link to the file:**

[http://susproc.jrc.ec.europa.eu/Financial\\_products/docs/20190315%20TR%201.0%20EU%20EL%20Financial%20Products\\_Final%20consultation.pdf](http://susproc.jrc.ec.europa.eu/Financial_products/docs/20190315%20TR%201.0%20EU%20EL%20Financial%20Products_Final%20consultation.pdf)

**Summary:**

The technical report is based on the following analysis and set of criteria:

- Mandatory and point based system
- Product scope
- Criterion 1: Threshold on green investment portfolio and economic activities
- Criterion 2: exclusion based on environmental aspects
- Criterion 3: excluded activities- environmental aspects
- Criterion 4: Social and Ethical related exclusion
- Criterion 5: Retail investor information

## Ecolabels Questionnaire

### Mandatory vs point-based system

The JRC proposes a system with all mandatory criteria (pass/fail system). Except for the criterion on EU ecolabel information that refers to the text that can be displayed with the EU ecolabel logo and is an optional requirement according the EU Ecolabel Regulation.

System	Advantages	Disadvantages
<b>Pass/Fail</b>	Strict compliance to all requirements/ No flexibility	Difficulty of prioritization of the most relevant criteria
<b>Point-based</b>	Possibility of prioritizing criteria and flexibility in the application of criteria	If unsupported by some mandatory could result in very poor performance in environmental aspects

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<sup>1</sup> Joint Research Centre (JRC) is the Commission's science and knowledge service. The JRC employs scientists to carry out research in order to provide independent scientific advice and support to EU policy.

### 1.1 Do you agree with the proposal of a set of mandatory criteria for the EU Ecolabel for this Product Group?

BETTER FINANCE welcomes the setting of mandatory criteria for the Ecolabel. The issue with any point system is that it may reveal gaps in correctly weighting the criteria for awarding points depending on certain circumstances. Therefore, we support the creation of an ecolabel with mandatory requirements. The mandatory (pass/ fail system) provides a stronger market recognition and an improved transparency in comparison to a point-based system.

Even if the point-based system allows a greater volume of products to be potentially eligible, in order to encourage mainstream financial actors to apply for the label, this does not always provide concrete benefits for retail investors. Indeed, a more flexible system, as the point-based one, allows to market financial products that have weaker environmental standards compared to a mandatory system.

This is all the more important as citizens as savers and individual investors have little trust in investment products, as confirmed for many years by the EC consumer scoreboard. The Ecolabel is a unique opportunity to regain the trust and confidence of individual investors. It must not fail and therefore be awarded only to investment products that truly fund sustainable activities and are exemplary in terms of information disclosure and compliance with EU investor protection rules.

### Product scope

The JRC proposed to focus only on retail investors and to target products that are generally offered to retail investors such as those under PRIIPs Regulation. However, JRC decided to focus only on several specific PRIIPs products. **Investment funds** together with **insurance-based products** that have an investment element analogous to investment funds have been included within the first proposed scope. Insurance-based products can include **unit-linked insurance** sold as **individual pension** or **annuity products**.

This narrower product scope could be extended in future revision. This product group shall comprise the following financial products that are provided as a service by a fund manager and have been packaged for retail investors in accordance with the requirements laid down in Regulation (EU) No 1286/2014 on packaged retail and insurance-based investment products (PRIIPs):

- **Investment funds**, to include those referred to as Undertakings for the Collective Investment in **Transferable Securities** (UCITS) and, where applicable, **Retail Alternative Investment Funds** (RAIFs);
- **Insurance-based products** with an investment component, such as individual unit-life insurances.

Other products that might be considered in the scope at later stages (in PRIIPs and outside):

- Savings accounts
- Deposit accounts

## **2.1 Do you agree with initial proposed scope for the EU Ecolabel?**

BETTER FINANCE welcomes the initial proposed scope for the EU Ecolabel. However, we warn that targeting PRIIPs products, the Ecolabel needs to have an exemplary compliance with investor protection rules in order to support retail investors in their decision-making process. The technical features of the product should be considered at the forefront, the time horizon or maturity date. Short term transferable securities (money market) or financial instruments like money market funds or short-term bank savings accounts should not be included if they are used only for short-term needs.

Corporate transparency on sustainability issues is a prerequisite to enable financial market sector to properly assess the long-term value creation of companies and their management of sustainability risks. Sustainability and long-termism go hand in hand. Long-termism describes the practice of making decisions that have long term objectives or consequences. Investments into environmental and social objectives require a long-term orientation.

## **2.2 Do you think other financial products/services should be included that are not covered in the initial proposed scope?**

There are other financial products directly addressed to retail investors that can have a positive impact if they comply with environmental and ethical criteria. Therefore, pension products (personal and occupational), debt securities, bonds and stocks can be included within the ecolabel scope.

On the contrary complex financial products with short-term maturity should be excluded from the scope of the Ecolabel. The majority of financial derivatives instruments (FDIs) are used either to hedge against a financial risk or to speculate on a financial risk. FDIs do not contribute to the purpose of long-term and sustainable development of value creation. In addition, these instruments are extremely complex (a reason their distribution is on hold to individual investors in Belgium for example) and speculative instruments. Therefore, derivatives should not be included in the scope. In addition, money market instruments are by essence short-term (up to 12 months maturity) and have the main purpose of gap or mezzanine funding. This segment of capital market is not linked to long term and sustainable development which is the core of the sustainable initiative. The same reasoning applies to structured products and deposits which are highly complex instruments and based on multiple underlying layers.

## **2.3 To what extent could savings and deposits be included within the scope in the future given the need to be able to identify specific uses of the money held in them as being ‘green’?**

Savings and deposits of financial institutions that make a commitment to not have a negative impact on the society and the environment should be included in the scope. These principles can directly affect the way in which the bank chooses to invest and lend the money in the saving account. Creation of new ethical/green savings and deposits can foster financial institutions to finance projects that make positive and lasting impact on the society and environment. The problem is that the assets into which these bank savings are invested are not identified and isolated in the banks’ balance sheets. If banks want to market “green” savings accounts, they must identify separately the assets into which these products are invested within their balance sheet.

## **2.4 While bonds are included as underlyings to investment funds, to what extent could retailed bond products themselves be included within the scope in the future, with verification of their greenness based on the Green Bond Standard?**

**2.5 Are there any other financial products or retail investment opportunities that could be considered for a future scope?**

**Criterion 1: Threshold on green investment portfolio and economic activities**

Portfolio holdings

- 70% of the total **portfolio** asset value shall be invested in green economic activities as defined below. All portfolio assets must be included in the total.

Assets held by the portfolio

Equities and bonds shall comply with the following thresholds:

- a) **Equities:** At least 90% of the direct holdings (in terms of number of issuers) of the company have a turnover of at least 50% from green economic activities as defined below.
  - b) **Bonds:** At least 70% of value of all the bonds held in the portfolio shall be green and those bonds that contribute to greenness thresholds must be fully compliant with the EU GBS
- The assessment is based only on direct holdings.
  - Verification of greenness is not required for any other assets (derivatives or money held as cash), but they must still be included in the total portfolio asset value that must meet the portfolio threshold.
  - The link with the EU Taxonomy would be established by taking a “look-through” approach for the operation of the EU Ecolabel criteria which entails assessing.

Green economic activities

For an economic activity within an investment portfolio to be considered green it shall meet the following requirements:

- a) It shall contribute substantially to at least one of the EU Taxonomy’s Environmental Objectives, for which technical screening criteria are available:
  - I. climate change mitigation,
  - II. climate change adaptation,
  - III. sustainable use and protection of water and marine resources,
  - IV. transition to a circular economy, waste prevention and recycling;
  - V. pollution prevention and control
  - VI. protection of healthy ecosystems,
- b) While not significantly harming any of the above-mentioned objectives, and
- c) It shall comply with the minimum social safeguards represented by the principles and rights set out in the eight fundamental conventions identified in the International Labour Organisation’s declaration on Fundamental Rights and Principles at Work

No governance criteria.

Assessment and verification

The applicant shall provide the following documentation showing the minimum percentage to be invested in green activities:

- The green investment policy of the applicant,
- Portfolio statement and prospectus including:
  - a) complete listing of the portfolio assets for the financial product, and
  - b) evidence that at least 70% of the listed portfolio assets are invested in green activities, an audit report on the latest annual financial statements.

Question Related to green economic activities

**3.1 Is there a way to address economic activities not yet featured in the current version of the EU Taxonomy and its technical criteria?**

We consider that the Ecolabel should comply with a finalized EU taxonomy in order to avoid any discrepancies in terms of green activities. We believe that this approach in taking a shot in the dark might muddle the process in designing the Ecolabel at the risk of damaging again the trust of EU savers. Therefore, we suggest setting a time frame that provide enough room to adapt the ecolabel to a finalized taxonomy.

Questions related to green investment portfolio value

**3.2 How could the revenue for a parent group with number of daughter companies and their share be handled?**

BETTER FINANCE welcomes the 70% threshold at portfolio level proposed by the JRC. However, we stress the importance to maintain the threshold at 50% regarding the turnover from green economic activities. A lower threshold at company level will have a detrimental effect on the composition of equities in the portfolio. 20%-30% of threshold per company turnover in green activities will allow companies with predominant brown activities to be awarded of the label. This is a crucial issue that can undermine the reliability and transparency of the Ecolabel. Moreover, even with 50% threshold exclusionary criteria need to be reinforced in order to avoid the inclusion in the portfolio of equities issued by companies with harming environmental activities.

In addition, we consider that the assessment of the 90% of the holding in terms of issuers should include both direct and indirect holdings. The indirect holdings could employ business models which are harmful for the environment and local communities. We believe that these criteria are extremely important to build an ecolabel that is in line with the retail investor expectations. Therefore, the measurements must be performed on the **consolidated** financial statements of companies, not on the statutory statements per legal entity.

Individual (“retail”) investors with high ecological motivations have strong preferences (ex. product evaluation and purchase decision). Therefore, high percentage in brown activities represented in the portfolio will affect the credibility and decrease the trust on the label. Recent research on product labelling suggests that “green” has become an important retail strategy and an increasing number of products on the market are labelled as environmentally friendly. The increasing importance of pro-environmentalism and corporate social responsibility has generated strong incentives for producers to market conventional unsustainable products as environmentally friendly. Therefore, green labels may lead consumers to automatically assume that the products are “green” even if they are not or do not comply with rigorous environmental standards. The ecolabel has to avoid this kind of practices setting strong thresholds and rigorous criteria.

**3.3 How should assets held in other investment funds be treated within this criterion? Do they require any special form of verification?**

The assessment of the company should be done on the consolidated statements of the company, which are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent company and of its subsidiaries are presented as those of a single economic entity, according to the International Accounting Standards. This approach should allow to verify also indirect holding within the portfolio. Indeed, indirect holding might employ business models which could be incompatible with the vision of the EU Ecolabel and it could impact the credibility of the Ecolabel. Therefore, it is crucial to consider the direct and indirect holding in the verification of each equity in the portfolio.

**3.4 To what extent should real estate also be considered as a specific asset within the portfolio verification? If so, how could its performance be verified?**

Real estate often constitutes a significant segment of capital investing and should be accordingly examined under the ecolabel criteria. There are already several existing real estate projects that focus on sustainable construction. OECD research confirms an increasing application of sustainability and green criteria to real estate investments. Nowadays, in real estate the focus is traditionally on the regulation underlying assets, e.g. on the energy efficiency of buildings<sup>2</sup>. In order to include real estate as specific asset in the portfolio, additional criteria should be established in order to properly address the characteristic of the market.

**3.5 Should assets for which verification of greenness is not required be included within the total portfolio asset value?**

BETTER FINANCE believes that if the investment fund includes specific assets for which the verification of the market is not required (such as derivatives or money held in cash), these assets should be included in the total asset value. However, as previously mentioned these assets are not fitting with the core values of the sustainable finance due their short-term and/or speculative nature. For these reasons a specific cut-off should be adopted in order to limit the presence of these assets in the investment fund. This is also why we ask for the exclusion of money market funds and the like and all investment instruments that are short term. For instance, a retail investment product that is more than 50% invested in short term securities or other instruments should not be eligible for the EU ecolabel.

**3.6 Should any type of criteria on trading practices and/or use of funds be applied to derivatives and cash?**

As previously mentioned, the majority of financial derivatives instruments (FDIs) are used either to hedge against a financial risk or to speculate on a financial risk. FDIs do not contribute to the purpose of long-term and sustainable development of value creation. Money market instruments are by essence short-term (up to 12 months maturity) and have the main purpose of gap or mezzanine funding. These instruments are not linked to long term and sustainable development.

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<sup>2</sup> [https://www.oecd.org/environment/WP\\_24\\_Defining\\_and\\_Measuring\\_Green\\_Investments.pdf](https://www.oecd.org/environment/WP_24_Defining_and_Measuring_Green_Investments.pdf)

The value of these assets should be calculated on the total value of the investment fund, but specific restrictions should be considered.

These assets could fall under the remaining 30% of the portfolio for which the green assessment is not required. BETTER FINANCE would advice to apply specific criteria or thresholds that provides a stronger exclusion of these assets from the portfolio.

### **3.7 Does the assessment and verification require any specific parts to be tailored to individual products within the scope?**

Yes, BETTER FINANCE believes that the assessment and verification need to be tailored to each individual product. Technical features of the product need to be considered at the forefront.

#### **Criterion 2: exclusion based on environmental aspects**

These exclusions shall apply to all activities within an investment portfolio. A cut off threshold 5% of the total revenue derived from each company may be associated with these excluded activities.

#### **Criterion 3: excluded activities- environmental aspects**

Companies that derive significant revenues from the following activities shall be excluded from investment portfolios of the financial product:

- Coal, natural gas and crude oil exploration and extraction
- Coal, natural gas and crude oil refining for fuel
- Forms of energy generation from fossil fuels that are excluded from the EU Taxonomy
- Waste management facilities without materials or energy recovery
- Production of pesticides that are not authorised for use or import to the EU
- Production of industrial gases with a high Global Warming Potential and/or Ozone -Depletion Potential
- Illegal deforestation

Nuclear energy is not included. It depends of Member States, but further discussions with stakeholders are needed.

The list does not include transitional low carbon technologies such as combined heat and power (CHP). This is a new generation of fossil fuel which is considered as transitional.

In both cases, BETTER FINANCE strongly recommends to base the decision to include or exclude on scientific facts, and to explain clearly the decision taken to EU citizens.

In the case of **sovereign bonds or bonds** issued by international organisations the following exclusions shall apply either to the issuing country or the economic activity:

- Non ratification of the Paris Agreement
- Non ratification of the UN Convention for Biological Diversity

- Non ratification of international conventions on environmental protection, except for local public authorities that do support those conventions (current case of the USA, where several States and municipalities do support them).
- Internationally funded projects that could damage valuable and /or protected natural areas

The environmental exclusions included within this proposal are solely for the purpose of discussion with stakeholders and are to be further checked for their applicability and consistency.

Moreover, the exclusions will need to be further checked against the EU taxonomy to ensure there are no contradictions with the logic of how it is designed.

#### Assessment and verification

The applicant shall provide the investment policy, investment portfolio and the allocation of proceeds to the Competent Body. Further to the initial verification, internal checks shall be performed at least once per year and any changes communicated to the Competent Body who also retains the right to make random checks on compliance.

#### **3.8 Do you think the proposed environmental exclusions should be expanded to include more economic activities?**

BETTER FINANCE believes that the list of activities excluded from investment portfolio needs to be further researched in conjunction with the finalisation of the EU taxonomy. The EU should research whether additional economic activities should be included such as pesticides, GMO crops, unsustainable vegetal and palm oil production. Harmful sectors, as mining activities should be also considered for exclusion from the investment portfolio. Mining has the potential to have severely adverse effects on the environment including loss of biodiversity, erosion, contamination of surface water, ground water, and soil. Mining may also affect the surrounding population's health as a result of contamination caused by the leakage of chemicals. Other economic activities that have the similar impact on the environment, landscape and local community should be further researched and considered to be excluded from the portfolio.

In addition, sectors with high concentration of greenhouse effect gases need to be excluded; such as Nitrous Oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulfur Hexafluoride (SF<sub>6</sub>).

#### **3.9 Do you think the partial exclusions threshold should apply to each company's activities or to the portfolio as a whole? If it should apply at portfolio level, should it be set differently for specific sectors?**

The cut-off threshold of 5% should be applied to each company's activities. If applied at portfolio level the investment fund awarded of the Ecolabel would have a higher concentration of companies with unsustainable activities because the assessment would be made for the portfolio as whole and not for every company's activity. Therefore, we suggest applying the exclusionary threshold at company level. At least, if applied at company level, it should be assessed on a consolidated basis as discussed earlier.



#### **Criterion 4: Social and Ethical related exclusion**

Companies that derive their revenue from activities that contravene the ILO's eight fundamental labour conventions and the United Nations Global Compact's 'Principles on Human rights and Labour' shall be excluded from the investment portfolio of the financial product. The following specific activities shall also be excluded:

- Tobacco production at any stage from raw material to final products for consumers
- The production of weapons

These exclusions shall apply to all activities within an investment portfolio.

In the case of **sovereign bonds** or bonds issued by international organisations the following exclusions shall apply either to the issuing country or the economic activity:

- The use of controversial weapons
- A corruption index reported to be less than 50
- Non ratification of international conventions on social and ethical matters e.g. ILO conventions
- Country is subject to EU or UN financial sanctions for special social or ethical violations

#### **Assessment and verification**

The applicant shall provide the investment policy, investment portfolio and the allocation of proceeds to the Competent Body. Further to the initial verification, internal checks shall be performed at least once per year and any changes communicated to the Competent Body who also retains the right to make random checks on compliance.

#### **3.10 Do you think the proposed exclusions list based on social & ethical aspects should be enriched with more activities?**

BETTER FINANCE believes that the proposed exclusion list based on social and ethical aspects is very weak. *OECD guidelines for multinational enterprises and UN guiding principles and Human Rights* should be added in order to exclude companies that for examples violate human rights, harm local and indigenous communities, and are accused of discriminatory action against their employee.

Criteria for sovereign bonds need to be reinforced. With these weak criteria, several bonds from controversial countries would be awarded of an Ecolabel. For example, US bonds won't receive the Ecolabel, because of the non ratification of the Paris Agreement, but Saudi bonds are entitled to receive an Ecolabel as they "comply" with social and ethical criteria.

Additional criteria should be added in order to exclude government securities from countries violating basic human rights, those of women in particular, where an oppressive regime is in power, countries that systematically and wilfully violate human rights and make themselves guilty of war crimes and crimes against humanity.

#### **3.11 Do you think it may be appropriate to also exclude poor corporate management practices and/or poor human capital development? If yes, how it will be possible to verify such exclusions?**

BETTER FINANCE believes that it is extremely important to include criteria on corporate governance. Corporate governance can be easily measured compared to other criteria. Indeed, data on corporate governance are already available on the market which can facilitate the assessment of exclusionary criteria for companies that do not comply with corporate governance standards. In addition, corporate practices are very important for investors which are interested in firms that have a transparent business policy concerning decision-making and operation openness to employees and shareholders. We believe that an additional exclusionary list based on corporate governance criteria should be included. This exclusionary list should consider specific criteria such as gender balance, pay for performance, employee's discrimination, tax evasion, collective bargaining rights, freedom of association, working hours and pay policies, and violation of one or more of ten principles of the Global Compact.

In addition, we agree with the creation of an Ethical board that can verify and assess all ethical, social, and governance criteria of each company in the portfolio. The Ethical board should be established at national competent body level or at European level. This body will be responsible to verify the conduct of each company disclosing all the relevant information to the public in order to ensure that every company included in the ecolabel product do not violate any of the ethical, social, and governance criteria.

#### **Criterion 5: Retail investor information**

The following information shall be provided by the applicant to the consumers on an annual basis:

- Investor information and investment policy which shall detail the following:
  - The methodology for computing the portion of turnover in accordance with Criterion 2.
  - The environmental objectives of the portfolio
  - The financial objectives such as risk reduction policies
- Information on corporate activities and governance structures of the company managing the portfolio detailing how social and ethical issues are managed
- Information on management and internal control procedures which detail a monitoring mechanism for reducing the potential risks of including in the investment portfolio activities included in the exclusion lists of criteria 2 and 3.

#### **Assessment and verification**

The applicant fund shall provide the latest annual reports and or documentation to the Competent Body: the green investment policy of the applicant, portfolio statement and prospectus including complete listing of the portfolio assets for the financial product and management and internal control procedures for ensuring compliance to environmental and social performance aspects.

#### **3.12 What will be a reasonable interval for monitoring and reporting information to the consumers?**

BETTER FINANCE strongly regrets that there are no consultation questions on the contents of investor information. Our own experience of existing Public ecolabels of investment products shows a very damaging weakness in checking that “green” labelled investment products comply with general EU

investor protection and disclosure rules. We have evidence<sup>3</sup> that some of already green-labeled investment products are violating the basic rules of Mifid on fair, clear and not misleading information, and on UCITS funds key disclosure ones.

This would be a recipe for failure of the financial EU Ecolabel that BETTER FINANCE cannot support.

We believe that the Ecolabels shall translate into products that are exemplary in complying with EU investors protection rules. It is crucial that the retail reporting requirements include fair, clear and non-misleading investor information which are the core of sustainable finance principles.

As we have already flagged in the HLEG interim report in July 2017, BETTER FINANCE research reveals that some products already labelled as “sustainable” by Public Authorities do not comply with EU investors rules. For this reason, we believe that the design of the Ecolabel should learn from experience and not repeat these serious flaws. What it should be avoided at all cost for ecolabel products to be misused in order to circumnavigate investor protection rules or worse, engage in falsely active management. Ecolabel must refer to retail financial products that ensure long-term and sustainable creation.

We researched potential **Closet Index Funds** using the methodology developed by ESMA. We found out that a high number of SRI products (sustainable and responsible investments) labelled by National Public Authority were falsely active.

We found out that some of these funds:

- Advertised as an actively managed fund with higher fees than index (passive managed) funds.
- Advertised as using ESG (Environmental, Social and Governance) criteria to select stocks, its historic performance before fees over five years very closely mimic that of the corresponding mainstream benchmark. There was no significant difference in performance at any given time between the SRI fund and the main stream equity market segment.
- However, over the last 10 years the fund did not only fail to reach its objective to achieve a performance equal or superior to that of its mainstream benchmark, but it achieved less than half of the performance of this benchmark and even failed to beat inflation, generating a 10-year loss in real value for the fund investor.
- Finally, it was impossible for the average fund investor to be aware of all these issues. None of these important items and risks have been clearly disclosed to the investors in the KIID and there is no warning or clear disclosure on its actual failure to meet objectives and on its real loss incurred over the last ten years.

The fund clearly not fully comply with EU investors protection rules and should be prohibited from being advertised as “sustainable”, SRI or ESG.

For this reason, we believe that the retail investor information of ecolabels needs to strength requirements on

- *A fair and prominent indication of any relevant risk*
- *Not to disguise, diminish or obscure important items, statements or warnings*

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<sup>3</sup> BETTER FINANCE WE LCOMES EC ROADMAP TOWARDS A MORE SUSTAINABLE ECONOMY BUT ONCE AGAIN DEPLORES FAILURE TO TAKE THE INTERESTS OF EU CITIZENS AS PENSION SAVERS AND INDIVIDUAL INVESTORS INTO ACCOUNT  
<https://betterfinance.eu/wp-content/uploads/publications/PR - HLEG Final Report - 020218.pdf>

- *And to present such information in a way that is likely to be understood by the average member of the group to whom it is directed or to whom it is likely to be received.*

Within the Ecolabel design the compliance with requirements expressed on the Article 27.2 MIFID I and Article 44.2 of MIFID II delegated regulation, should be reinforced in order to guarantee a complete information disclosure for the retail investor.

Finally, we believe that the environmental objectives (following chapter) for the greenness of the product disclosed by the ecolabel are very general and misleading. These are the principles outlined in the taxonomy for the development of technical screening criteria for economic activities. Instead, the environmental objectives should state the specific contribution the ecolabel product will give to the environment or to climate change if the retail investor decide to invest in that specific product. These disclosures need to be different and adapted considering the characteristic of each ecolabel product.

The reasonable interval for monitoring and reporting information to the consumers should be 1 year minimum.

### **Information appearing on the EU ecolabel**

The applicant shall follow the instructions on how to properly use the EU Ecolabel logo provided in the [EU Ecolabel Logo Guidelines](#):

[http://ec.europa.eu/environment/ecolabel/documents/logo\\_guidelines.pdf](http://ec.europa.eu/environment/ecolabel/documents/logo_guidelines.pdf)

If the optional label with text box is used, it shall contain one of the following statements:

- The chosen environmental objective for the greenness of the product selected from the following:
  - reduced impact on climate change
  - enhanced climate change adaptation
  - enhanced sustainable use and protection of water and marine resources
  - enhanced transition to circular economy, waste prevention and recycling
  - enhanced pollution prevention and control
  - enhanced protection of healthy ecosystems.

And the following statements:

- Social and ethical principles respected
- Transparent reporting on environmental performance

### **Assessment and verification**

The applicant shall provide a signed declaration of compliance along with a sample of the product label or product documentation where the EU Ecolabel is placed that clearly shows the label, the registration/licence number and, where relevant, the statements that can be displayed together with the label.