

2015 figures on Responsible Investment in France

€746 billion

+29%

Total assets managed under responsible investment (RI) approaches have risen to €746 billion in France. This captures all investments that integrates Environmental, Social and Governance (ESG) criteria, but does not count exclusion overlays.

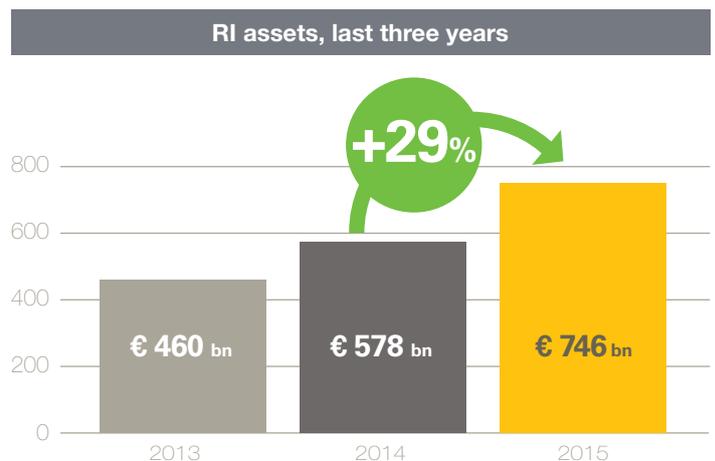
Novethic's research centre conducts a detailed quantitative analysis of the impact of the approaches adopted by investors to measure the influence on portfolio composition.

For the first time, the RI market can be grouped into three impact levels: limited, significant and extremely selective, or "high-impact SRI".

→ Insurers are driving steady growth

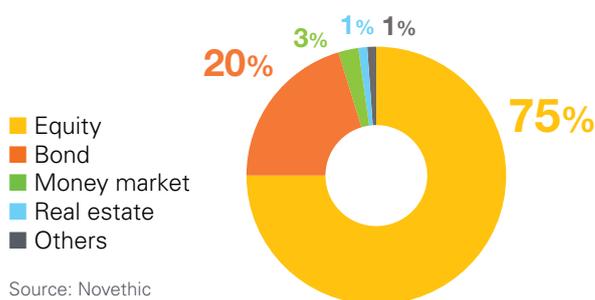
The survey reached out to virtually all investors active in responsible investing. It covered the French assets of 55 management companies, two-thirds of which are French based firms, along with the assets of ten institutional investors that are particularly engaged in ESG.

Insurers are driving the steady growth seen in the market. With their RI assets swelling from €375 billion in 2014 to more than €465 billion at 31 December 2015, they generated 55% of the increase in RI volumes. Conversions of conventional funds into RI funds played a big part in this.



Source: Novethic

RI assets, distribution by class



Source: Novethic

The RI market is almost exclusively the preserve of institutional investors, who now hold around 90% of total assets, not counting norm-based and sector-based exclusion overlays. Even strong growth on the employee savings side was unable to reverse the situation. According to the AFG (the French asset management association), SRI AuM (Assets under Management) in this asset class grew by 14.5% in 2015, approaching €22 billion and accounting for almost one-third of total employee savings.

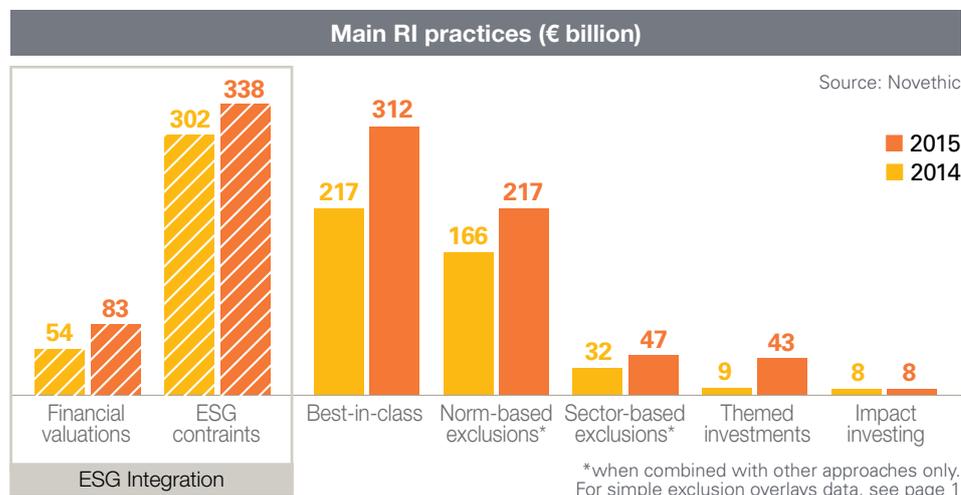
Exclusion overlays are gaining ground

Exclusion overlays concern a tiny share of the investment universe, be it for ethical, environmental or public health reasons. Moreover, they do not impact the financial management process and are therefore accounted separately. Nevertheless, exclusion overlays are being applied by a growing number of investors, who follow two approaches:

- norm-based exclusions to screen out companies accused of serious and repeated breaches of international conventions. These exclusions were up 34% to cover assets worth €2.621 trillion,
- sector-based exclusions were up 8% in 2015 and covered assets worth €631 billion. Weapons manufacturing was the number-one sector affected by such exclusions (€616 billion), followed by tobacco and pornography (over €520 billion), gambling, alcohol, nuclear energy, GMOs and fossil fuels exclusions, which showed significant growth. ■

Analysis of different **RI strategies**

RI proponents adopt different approaches depending on their goals. The survey looks at five broad categories of practices, which many firms combine. Definitions are provided below. All categories saw strong growth but two stood out, namely environment and social-themed investing, whose assets increased fivefold, and financial valuation, which saw a 55% increase.

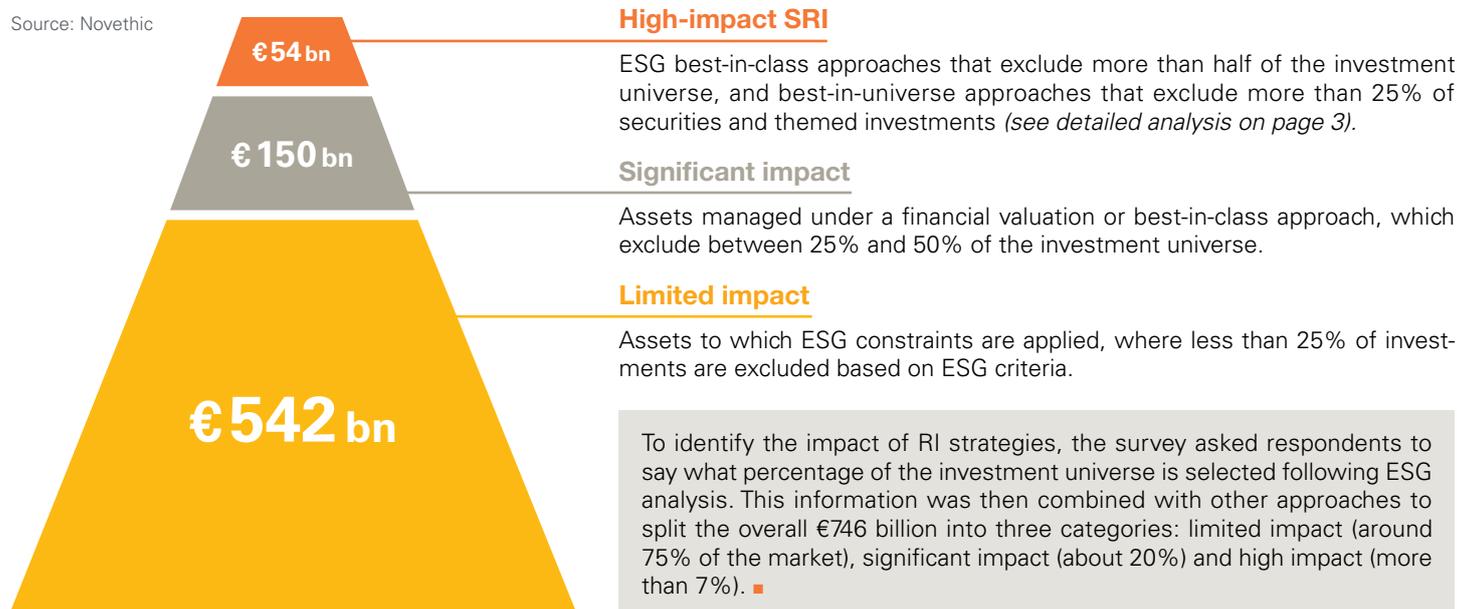


The rise of theme-based approaches is certainly correlated with climate commitments that were a feature of 2015. While 60% of the €43 billion in themed investments are multi-themed, a full third of the total assets are exclusively environmental-themed. Individual investors hold 36% of thematic assets and thus appear to be particularly sensitive to this approach. AuM integrating the financial valuation of ESG analysis also increased strongly, in a sign that the materiality of ESG criteria is gaining ground. The robust growth in best-in-class selection was essentially due to one major conversion.

Themed investments	Theme-based approaches focus on companies that offer solutions to environmental or social issues. This activity may be the company's primary business or account for a portion of revenues.
Best-in-class	RI strategy based on selecting issuers with the best ESG practices. This approach includes best-in-class (which selects the best issuers in their respective sector of activity) as well as best-in-universe (which selects the best issuers irrespective of their sector of activity, resulting in the exclusion of at-risk sectors and a preference for sectors that offer ESG solutions).
ESG constraints	Management process that consists in freezing, limiting or forbidding investments in companies with a serious ESG risk profile or imposing a minimum ESG quality threshold on asset managers.
Financial valuations	ESG criteria are systematically integrated in issuers' financial valuations, ratings or recommendations and consequently impact investment decisions.

→ Impact of strategies **on portfolios**

Source: Novethic



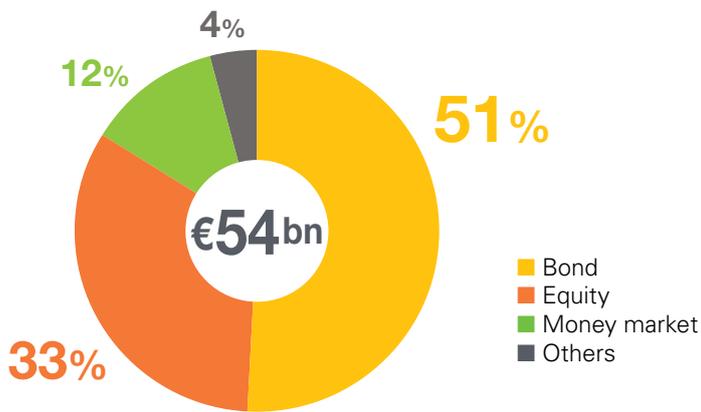
High-impact SRI

Market trends point to mounting investors interest in approaches that have a highly significant impact on portfolios, steering their composition away from that of benchmark stock indices. Novethic has therefore created a new category – “high-impact SRI” – which accounts for assets worth **€54 billion**. This category includes best-in-class approaches that exclude more than half of the investment universe, and best-in-universe approaches that exclude more than 25% of securities and themed investments.

€54 billion
in high-impact SRI

High-impact SRI, breakdown by asset class

Source: Novethic



Breakdown by client type (€ billion)

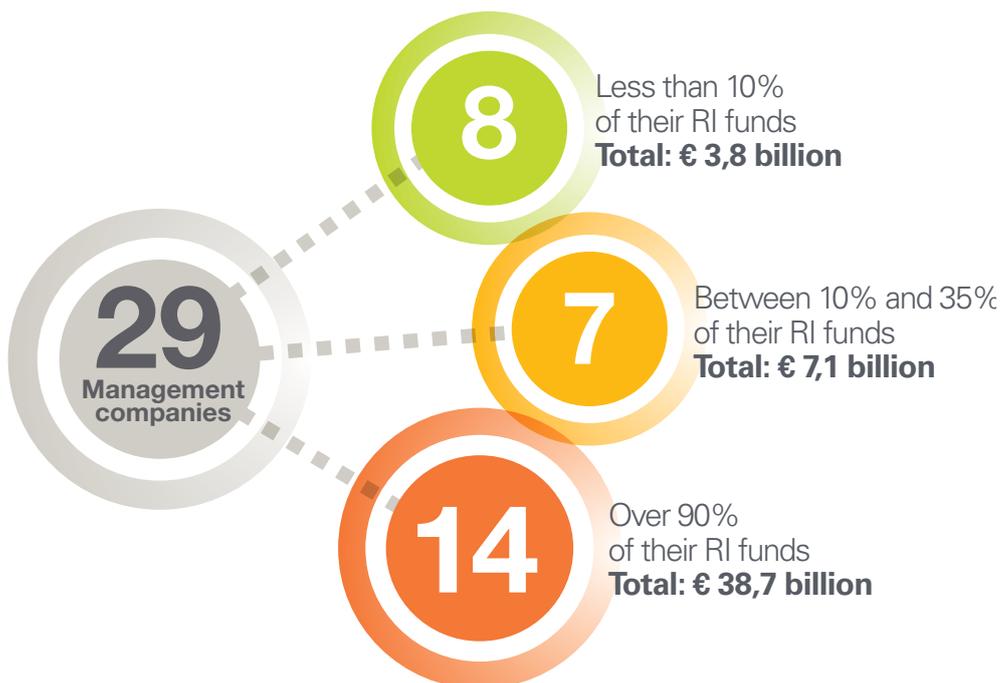
Source: Novethic

Total	Value (€ billion)	Percentage
Total	53,9	
Including institutional investors	41,3	77%
Mutual funds	15,3	28%
Mandates	20,7	38%
Internal management	5,2	10%
Including private investors	12,6	23%
Mutual funds	6,8	13%
Employee savings	5,8	11%

High-impact SRI accounts for less than 10% of the global RI market. Dominated by bonds, this approach features strong use of dedicated mandates, which currently look after assets worth €20.7 billion, or 38% of high-impact SRI. Today, more than half of the management companies in the panel manage at least a portion of their SRI assets according to these strong impacting processes. This is steering their portfolios away from the traditional benchmarks.

Management companies that apply high-impact SRI

Source: Novethic



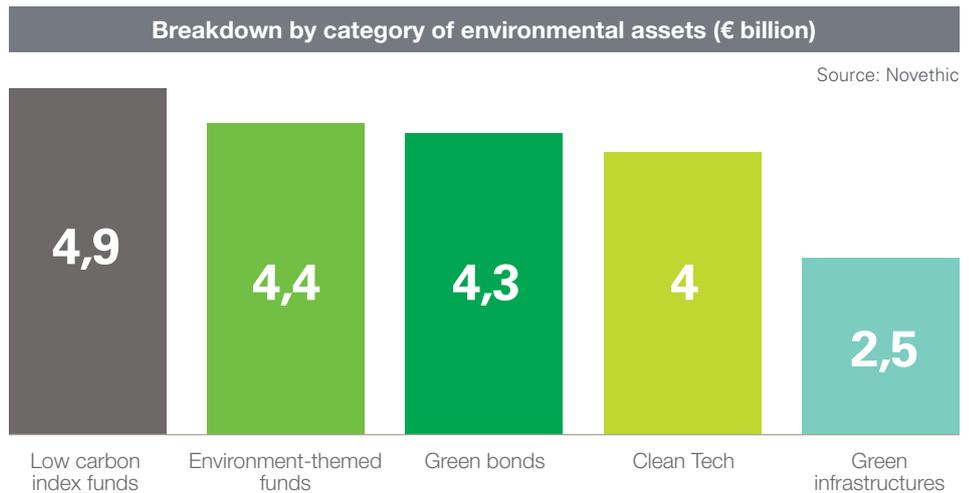
High-impact SRI is practiced by some 30 investment management companies, or more than half of all firms that are active in responsible investing. Some of them contribute a small portion of their assets to high-impact SRI (less than 10%) yet approximately half of these investment management companies apply this type of criteria to over 90% of their RI funds. Of these, seven manage more than €500 million according to this approach, namely Sycomore AM, La Française Inflection Point, Federis GA, Ecofi Investissements, Agicam, Natixis AM and its subsidiary Mirova and Generali Investments Europe. They are arranged in ascending order based on AuM.

Green investing and climate strategies

In 2015, the COP21 and the reporting obligations arising from Article 173 of France's Energy Transition law prompted 17 French investors, including five institutional investors, to establish climate strategies. More than half of them said that they had done this to contribute to financing the energy transition; approximately 40% said that it was to control transition risks, and approximately a quarter said that they had defined a strategy to manage the physical risks linked to climate change. While more than 20 French investors, including 16 investment management companies, measured the carbon footprint of their portfolios in 2015, less than one quarter of them have set targets for reducing the carbon intensity of their investments.

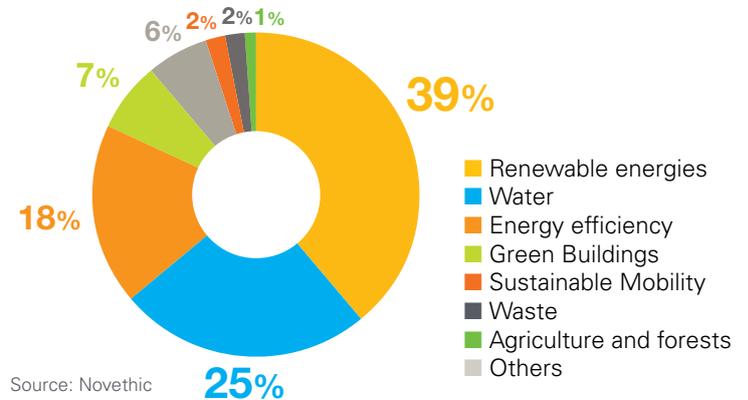
Outstanding green and low carbon investments by French investors totalled **€20.2 billion** in 2015, a fivefold increase from €3.8 billion in 2014.

Index funds were the primary strategy used to make climate-themed investments, yet it is hard to measure the environmental contribution of low carbon index funds given their alignment with major traditional stock indices. However, pure environmental investments can be broken down and are more or less evenly split between green funds, direct investments in cleantech firms, and green bonds. Green infrastructure (including renewables and low-carbon public transport infrastructure) comprises the final category.



Renewable energy, the leading investment theme

A breakdown of the €8.5 billion invested in environmental themes that were precisely identified by investors (excluding green bonds and index funds) reveals that two themes dominate: energy (renewables and energy efficiency) and water (25%).



Methodology : This survey presents the assets held by French investors managed in France and internationally. It does not cover the assets of foreign investors managed in France. All the data presented here are used in the survey of the Europe SRI market published by Eurosif in November 2016, using the methodologies specific to each of these publications.

Panel of respondents:

Asset owners: AGIRC-ARRCO - Agrica - BNP Paribas Cardif - Caisse des Dépôts - CNP Assurances - Crédit Agricole Assurances - Etablissement de Retraite Additionnelle de la Fonction Publique (ERAFP) - Fonds de Réserve pour les Retraites - Institution de Retraite Complémentaire des Agents Non Titulaires de l'État et des Collectivités publiques (IRCANTEC) - MAIF

Asset managers: ABN AMRO Investment Solutions* - AGICAM - Allianz GI France - Amundi AM - Aviva Investors France - Axa IM - BNP Paribas IP - Cedrus AM - CM-CIC AM - Comgest - CPR AM - Ecofi Investissements - Edmond de Rothschild AM - EGAMO - Federal Finance Gestion - Fédérés Gestion d'Actifs , fusionné depuis dans La Banque Postale AM - Financière de l'Echiquier - Generali Investments Europe* - Groupama AM - Henderson GI* - HSBC Global AM (France) - Humanis Gestion d'Actifs - Kempen Investments* - La Banque Postale AM - La Financière Responsable - La Française AM - Mandarine Gestion - Meeschaert AM - Metropole Gestion - Natixis AM et sa filiale Mirova - NN IP* - OFI AM - Palatine AM - Pictet AM* - Pioneer Investments* - Pro BTP Finance - Robeco France - Sycomore AM - Trusteam - UBS Global AM* - Vanguard AM*

* French investor's assets only