

MARKET DATA

SUSTAINABLE FUNDS

FRANCE

at 31.MAR.2021



NOTICE OF MAJOR CHANGES IN FUNDS' COMMUNICATIONS

In the first quarter of 2021, many management companies have adapted the communications around their sustainable fund offering. March was their deadline to bring their funds' regulatory documentation into line with the AMF's 2020 recommendations, which set out good practice in terms of communications for funds incorporating sustainable approaches.

Since 10 March, asset management companies must also comply with the recommendations of the new European Sustainable Finance Disclosure Regulation (SFDR). This new reporting framework aims to improve transparency by encouraging management companies to classify their sustainable funds into two categories. The so-called «Article 8» funds promote environmental or social characteristics, while the «Article 9» funds have a sustainable investment objective, the more ambitious approach.

To date, among the nearly 1,000 sustainable funds open to French retail investors, Novethic has identified 516 that have declared their adherence to Article 8 or 9 of the SFDR Regulation. Less than 200 funds are categorized as "Article 9" funds. This initial breakdown shows that the most committed offer, which seeks to maximise its environmental and social impacts, remains a minority. Only one management company, entirely dedicated to sustainable finance, has decided to classify its entire range as Article 9: Mirova.

The French SRI Label is also in a transitional phase after the release of a charging report by the Inspection Générale des Finances at the end of March. While awaiting a major overhaul of its governance and methodology, the label has continued to grow with more than 50 additional funds in Q1 2021. It now covers nearly 60% of the French sustainable fund market and accounts for half of fund inflows. Even if the standard does not require it, more and more SRI-labelled funds offer environmental sector exclusions. This is the case for three quarters of them, which have adopted coal and nuclear policies in almost all cases. However, only a third (35%) of the labelled funds have a sustainable investment objective in line with Article 9 of the SFDR Regulation out of the total panel analysed. This shows that the SRI Label is now awarded to funds with a wide range of practices. The aim is not to target investments towards activities within a sustainable business model, but to guarantee the quality of a management process that takes sustainable criteria into account.

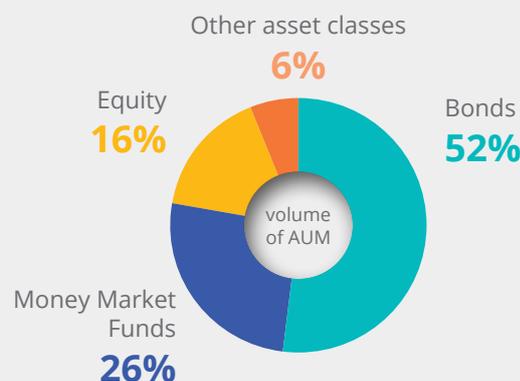
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€ 522 bn* ↑ +20%**

962 Funds

*AUM **YTD



€ 383 bn
564 Funds



SRI LABEL

€ 16 bn
26 Funds



GREENFIN

Novethic has analysed and quantified the supply of "sustainable" funds open to individual investors on the French market since 2004. These are funds available for sale in France, UCITS, or accessible to individuals, excluding employee investment fund.

THEMATIC FUNDS, MORE AMBITIOUS IN THEIR APPROACH TO SUSTAINABILITY

■ The majority of thematic funds are logically classified under Article 9. This is the case for 70% of the 142 thematic funds for which adherence to one or other of the articles of the SFDR Regulation could be identified to date. Due to their nature, they are more likely to have a sustainable investment objective, such as the decarbonisation of the energy or transport sectors, the promotion of a less resource-intensive economy or the achievement of one or more of the United Nations Sustainable Development Goals (SDGs).

■ Most of the solidarity and sharing funds analysed fall under Article 8 of the Regulation. Only seven fall under Article 9, six of which are also thematic funds. These funds with particular approaches are not commonly accepted as SRI investments, but are categorised rather as «other ESG approaches», along with exclusionary approaches alone or ESG integration funds.

■ In terms of themes, environmental funds are still the most represented, accounting for more than half of fund inflows at the beginning of the year. The most successful funds were funds investing in renewable energy and energy efficiency, followed by those focusing on resource management, pollution control and water.

■ Social funds are growing steadily and still account for 10% of the assets of thematic funds. The attractiveness of the themes varies, with the highest fund inflows and outflows invested in the employment and healthcare themes.

€ 116 bn
250 Funds

ENVIRONMENTAL
THEMATICS | € 107 bn
124 Funds

SOCIAL
THEMATICS | € 16 bn
45 Funds

MULTI-THEMATICS | € 37 bn
81 Funds

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NOVETHIC MARKET DATA

Every quarter, Novethic captures trends in the European sustainable finance funds market.

Also refer to the Market Data:

[GREEN FUNDS EUROPE](#)

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