

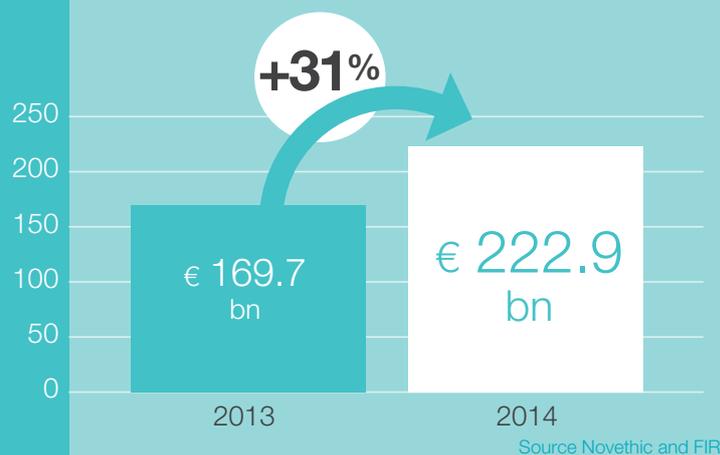
2014 figures on responsible investment in France

A survey conducted by **novethic**
in partnership with the **FIR** FORUM POUR L'INVESTISSEMENT RESPONSABLE

MAIN TRENDS

- The dynamic growth in Sustainable and Responsible Investment (SRI) in 2014 was driven by asset owners. Private investors now make up less than 20% of the market.
- Integration of Environmental, Social and Governance (ESG) criteria is becoming more common in asset management. It is methodically applied on €356 billion of assets.
- Asset owners are assuming their role as decision makers. They now want to define their SRI policies and specify how they are to be implemented in their dedicated mandates.
- Insurance companies are the heavyweights in this market. In France they own two thirds of responsibly invested assets, and their involvement largely explains the increase in both SRI and ESG integration between 2013 and 2014.

SRI products



SRI grew by 31% in 2014, more than double the 14% observed in 2013. SRI – funds and mandates combined – has now risen to about

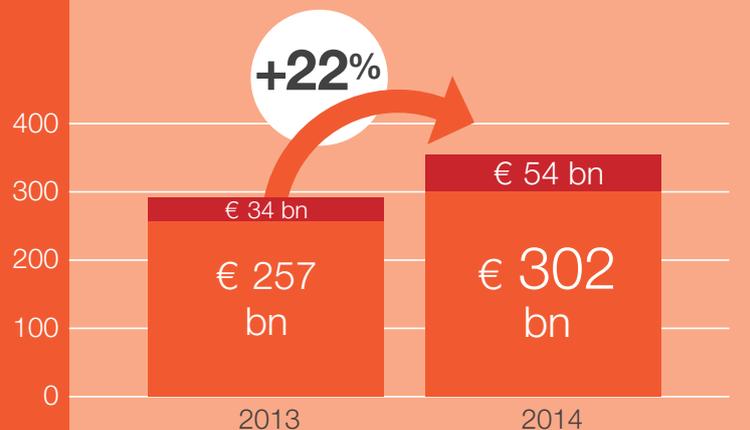
€ **223** bn

ESG integration

Is applied on

€ **356** bn

The two ESG integration practices surveyed are the most demanding.



- Financial valuation of ESG issues
- ESG constraints for fund managers

SRI products

€223
bn

SRI INVESTORS

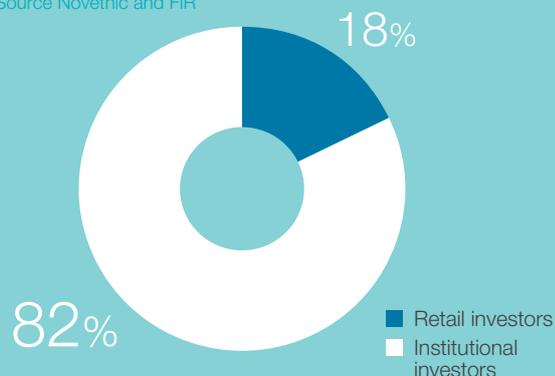
Breakdown of SRI AuM by type of investors (€bn)

Source Novethic and FIR

	2013	2014	Change
Total	169.7	222.9	+31%
Including institutional investors	132.3	182.0	+38%
Pooled funds	43.3	41.8	- 3%
Delegated management	75.0	118.3	+58%
In-house management	14.1	21.9	+55%
Including retail investors	37.4	40.9	+9%
Pooled funds	18.6	20.6	+11%
Employee savings	18.8	20.3	+8%

Breakdown by type of investors

Source Novethic and FIR

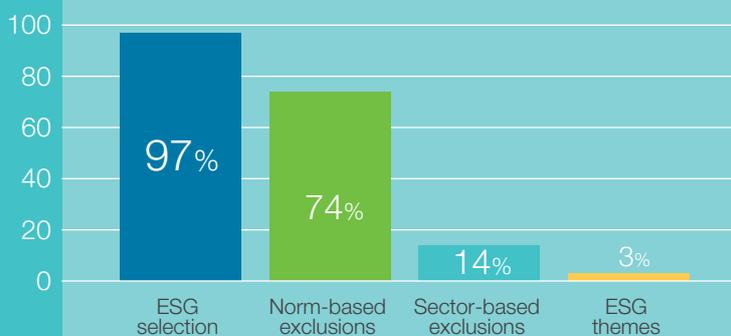


Asset owners and particularly insurance companies are driving the development of SRI. These investors are increasingly moving away from turnkey solutions like pooled funds and opting for tailored mandates or internal management of their SRI funds.

The proportion of SRI assets held by retail investors shrank further, continuing the downward trend of the previous two years. Retail investors now account for less than one fifth of SRI, compared with about one third three years ago. As for the share of SRI in employee savings plans, it remained stable at about 30%.

SRI strategies as % of AuM

Source Novethic and FIR



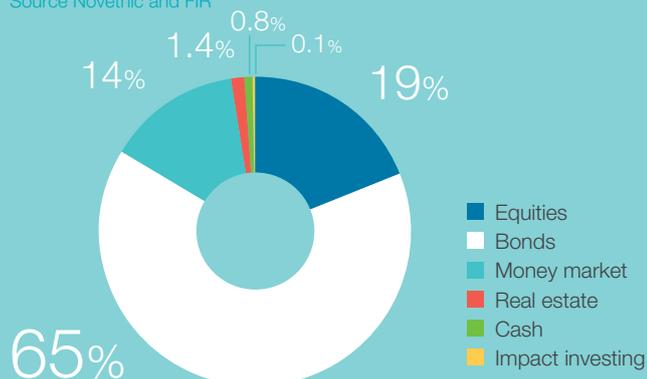
SRI STRATEGIES

Investors' primary SRI strategy is still ESG selection approach. Of the 97% of assets managed in this way, the Best-in-class approach is used for 90% and Best-in-universe for 7%. A growing number of asset managers are combining these ESG approaches with norm-based exclusions now used by three quarters of the market.

As for ESG analysis, French respondents say their main sources are Vigeo (77%), Sustainalytics (46%) and MSCI (29%). This represents a remarkable breakthrough for Sustainalytics, as this non-financial rating agency was mentioned by only one third of respondents in 2013.

Breakdown of SRI AuM by asset class

Source Novethic and FIR



ASSET CLASSES

The proportion of assets invested in fixed-income products increased again in 2014, with a parallel decline in SRI money-market funds, thus continuing a trend observed for the past three years.

SRI real estate funds, which currently represent more than 1% of the market, grew by 59%* during the year.

*Novethic has published a specific study on real estate funds.

ESG integration

€356
bn

ESG integration is coming into wider use through very diverse practices. The survey focused on the most demanding ones, but it is also interesting to note that dissemination of ESG analyses to all asset management teams is becoming the rule, which concerns over **€2.9 trillion** in assets.

AuM under ESG constraints (€bn)

Source Novethic and FIR



ESG CONSTRAINTS FOR FUND MANAGERS

The use of asset management approaches that apply ESG constraints to non-SRI assets has increased by about 20% in one year, with over €300 billion managed in this way today.

These approaches appeal to investors, and in particular insurance companies, that want to use ESG analysis, but not as systematically as they would with an SRI fund. That is because SRI imposes constraints for each issuer in the portfolio that the asset manager must respect, while these ESG integration strategies set a minimum ESG threshold for the portfolio. In practice, this involves freezing, limiting or forbidding investments in companies with a serious ESG risk profile or giving the asset manager a minimum ESG performance target for the portfolio as a whole.

AuM integrating financial valuation of ESG issues (€bn)

Source Novethic and FIR



FINANCIAL VALUATION OF ESG ISSUES

ESG objectives are systematically included in the financial valuation, rating or recommendation of an issuer for AuM totalling €54 billion, with equities the main asset class. That represents an increase of about 60%, compared with 2013.

Five asset managers and an asset owner have implemented this policy, attesting to the "materiality" of certain ESG criteria, which are mature enough to have an impact on the financial valuation of securities.



Focus: Insurers are driving the growth in responsible investing

Insurers account for **two thirds of SRI in France**, with about **€400 billion** of AuM, including €110 billion in SRI and €275 billion in ESG integration. Thus, 18% of insurance companies' financial investments now take ESG criteria into account.

About ten institutions with substantial assets are driving this movement, using diverse forms of SRI and ESG integration. They choose SRI for small AuM volumes and apply ESG integration strategies for large volumes when making new investments. Responsible investment is thus being applied on **life insurance products**, which accounts for a large share of the assets analysed with ESG criteria.

Insurance companies report that 72% of their SRI assets, or **€78.4 billion**, are in "euro-denominated funds". French people's savings are the source of these assets, but they are rarely informed of the ESG criteria integration policy. The insurers control the management of their "euro-denominated funds", and the methods they use are rarely explained to customers.

Exclusions

NORM-BASED EXCLUSIONS

The amount of assets managed with the norm-based exclusion approach continues to grow. The 35% increase in 2014 points to the widening use of this practice, particularly by asset managers.

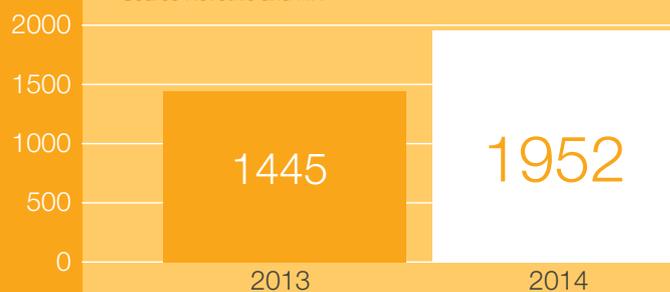
These exclusions apply either to issuers who violate international standards and norms or to companies that are controversial because their practices do not comply with the Global Compact.

SECTOR-BASED EXCLUSIONS

Assets affected by sector-based exclusions rose by 33% in 2014 to €583 billion. This increase is nevertheless smaller than the 73% gain in 2013. Asbestos, tobacco and weapons again topped the list of excluded sectors.

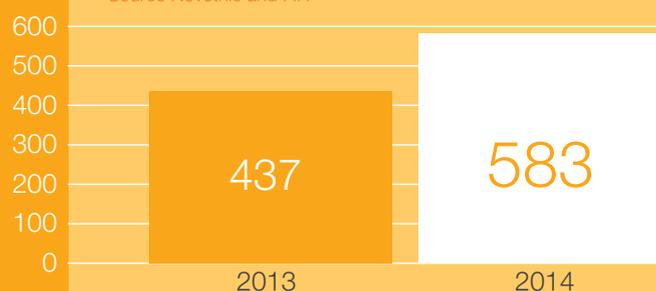
AuM concerned by norm-based exclusions (€bn)

Source Novethic and FIR



AuM concerned by sector-based exclusions (€bn)

Source Novethic and FIR



Green investments

In 2014, about fifteen French investors said they had measured the carbon footprint of their portfolios containing a total of €185 billion in assets.

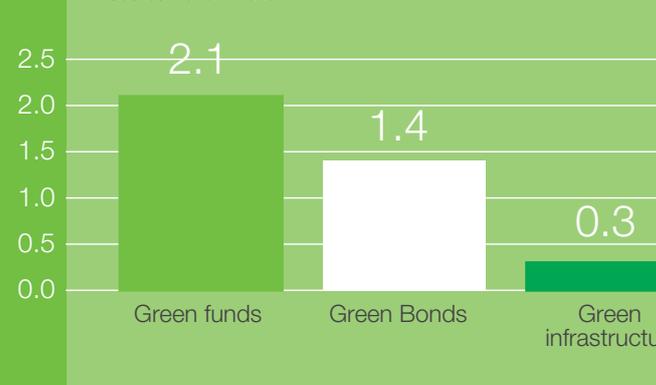
To better understand the strategy for structuring SRI and Green financing, respondents in the survey were asked for the first time to quantify their Green investments.

Altogether, 14 respondents have invested €3.8 billion in environmentally themed funds, Green Bonds or infrastructures for renewable energies, water treatment or waste management.

Only €364 million of the €1.4 billion in Green Bonds is invested through SRI funds. French respondents to this survey held a combined 3% of the €44 billion in Green Bonds in circulation at end-2014.

Breakdown of Green investments (€bn)

Source Novethic and FIR



METHODOLOGY: This survey presents the SRI assets held by French investors managed in France and internationally. ESG integration, exclusions and green investment are based on the assets of French players regardless of the nationality of their clients.

PANEL OF RESPONDENTS: 50 ASSET MANAGERS AND 9 ASSET OWNERS, 86% OF WHICH HAVE SIGNED THE PRI.

Asset owners: 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 (FRR) - IRCANTEC - MAIF.

Asset managers: Agicam - Allianz GI France - Amundi - Aviva Investors France - AXA IM - BNP Paribas IP - Candriam Investors Group - CM-CIC AM - Comgest - CPR AM - Diamant Bleu Gestion - Ecofi Investissements - Edmond de Rothschild AM - Federal Finance Gestion - Fédéris Gestion d'Actifs - Financière de l'Echiquier - Generali Investments Europe - Groupama AM - Henderson - HSBC Global AM (France) - Humanis Gestion d'Actifs - La Banque Postale AM - La Financière Responsable - La Française AM - Lazard Frères Gestion - Mandarine Gestion - Meeschaert AM - Metropole Gestion - Natixis AM et sa filiale Mirova - NN IP - OFI AM - Palatine AM - Petercam Institutional AM - Phitrust Active Investors - Pictet AM - Pro BTP Finance - Robeco France - Roche-Brune AM - Sycomore AM - Trusteam Finance - UBS Global AM.



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