

# OVERVIEW OF EUROPEAN SUSTAINABLE FINANCE LABELS



# Heterogeneous frameworks delivering mixed promises

The increasing importance of sustainable finance is based on a large variety of terminologies and practices, which often render the characteristics of a financial product difficult to read. In order to clarify the offer, nine dedicated labels have been launched over the past decade. Today, they are awarded to more than 800 funds on the European market, which totals almost 60,000 funds. They serve as benchmarks for responsible investment practitioners but are still little known to a wider audience.

The spectrum covered by the labels is as large as the concept of sustainable finance, which encompasses not only the different practices of integrating environmental, social and governance (ESG) criteria in asset management, but also green finance made up of funds with environmental themes.

## A varied offer

Some labels are managed by financial centers, a few by professional responsible investment associations, and others by specialized environmental labelling organizations. France is the only country in which the government has created and supports two public labels: the SRI label, dedicated to responsible investment; and the Greenfin label for more committed environmental funds.

All labels aim to guarantee a quality level regarding sustainable asset management. The stellar growth of responsible investment in Europe, which now covers about a quarter of assets under management (€14,000 bn), has indeed relied on voluntary commitments without a true standardization of practices.

This overview was drafted by Novethic's research team (Novethic is also an auditor of the Greenfin label). It allows for a comparison between these labels based on their attribution criteria and their impact requirements.

There are two categories of labels: on the one hand, labels focusing on ESG; on the other hand, labels focusing on green.

Each of them combines positive criteria relative to the assets selected in portfolios with negative sectorial screenings. Yet, the boundary between the two can be vague since ESG labels can integrate environmental criteria and environmental labels exclude controversial companies on ESG dimensions. The variety of terminologies (SRI, ESG, Greenfin, Climate) further complicates the readability of the approach.

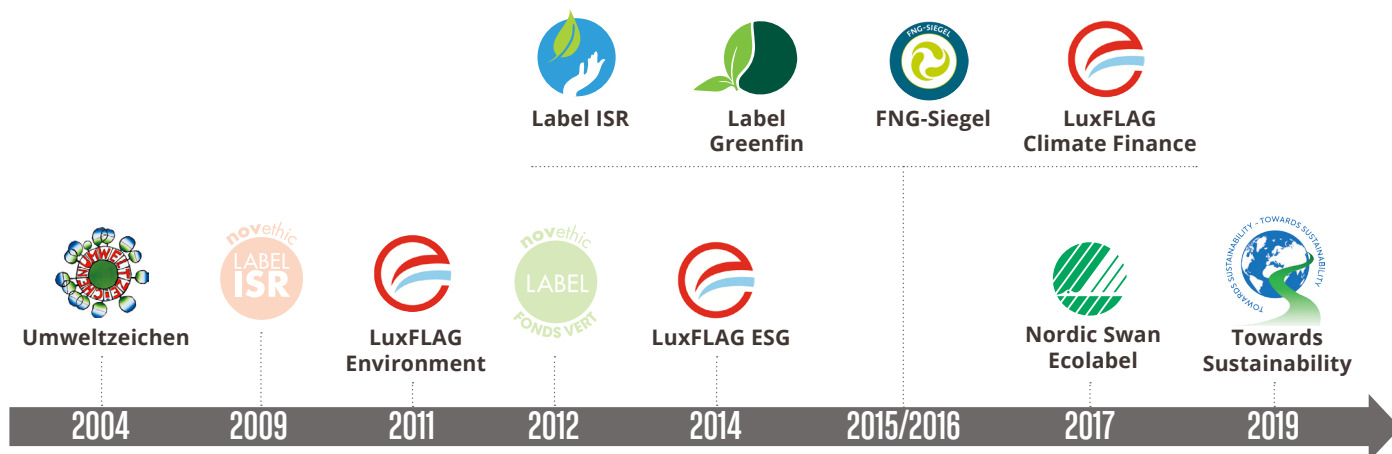
## Necessary adaptation to the new European framework

At the end of 2019, the European Union adopted its project of taxonomy for sustainable activities, which is intended to serve as the basis for the future Ecolabel for financial products. The EU has also published new regulations on "sustainability-related disclosures in the financial services sector". They include two dimensions, that of the environmental and social impact of sustainable management with suitable indicators, and that of "materiality", i.e. the financial evaluation of the cost of ESG risks, starting with climate change.

Pending this new framework which will enter into force next year, labels will continue to play a role as benchmarks in an often confusing universe. In its regulation, the European Union underlines that "divergent disclosure standards and market-based practices make it very difficult to compare different financial products, create an uneven playing field for such products and for distribution channels", adding that "such divergences could also be confusing for end investors and could distort their investment decisions".

It is all the more important to better understand which standards are offered by existing labels, through a detailed analysis of their criteria, while noting that the diversity of names in the marketing of labelled funds (see page 10) does not facilitate the readability of the promises offered by these funds.

Last challenge to take up: making these labels known to savers. France is running a first test with the PACTE law, that requires that labelled funds now be offered to life insurance customers.












Source: Novethic

# 9 labels for European sustainable funds

The Luxembourg Green Exchange (LGX) platform, launched in 2016 by the Luxembourg Stock Exchange, references 8 labels. A distinction is made between ESG and green labels. The former must guarantee that financial products rely on an integrated ESG strategy. The latter are awarded to so-called “green” thematic environmental funds (see chart below).

Additionally, Febelfin, the Belgian Financial Sector Federation, launched in 2019 a label designed as a norm or quality standard which all funds claiming to be sustainable, socially responsible or responsible should abide by. Its ambitions to become a market standard, at least for Belgium.

	Label	Governance	Attribution	Type of label	Annual cost	
ESG	 <b>SRI Label</b> (France)	Standalone stakeholder committee, supported by the Ministry of Finances	Accredited auditors	SRI/ESG investment process	Fee including the audit and promotion costs	
	 <b>FNG-Siegel</b> (Germany, Austria & Switzerland)	Expert committee under the stewardship of FNG <sup>1</sup>	GNG (FNG's labelling entity) & Uni. Hamburg	SRI/ESG investment process with climate exclusions. Point system	€4200	
	 <b>LuxFLAG ESG</b> (Luxembourg)	LuxFLAG <sup>2</sup>	LuxFLAG	SRI/ESG investment process	€3000	
	 <b>Towards Sustainability</b> (Belgium)	Central Labelling Agency <sup>3</sup> (CLA)	Verifiers appointed by the CLA	Quality standard combining requirements on the investment process and exclusions	Fee per labelled product collected by CLA	
	 <b>Umweltzeichen</b> (Austria)	Austrian Federal Ministry for the Environment	Ministry	SRI/ESG investment process with climate exclusions. Point system	Variable annual fee	
	 <b>Nordic Swan Ecolabel</b> (Nordic countries)	Nordic Ecolabelling Board <sup>4</sup> , on a mandate from Nordic governments	Nordic Swan	SRI/ESG investment process with climate exclusions & green reporting. Point system	€3000 + fixed charge	
	«Green» labels	 <b>LuxFLAG Environment</b> (Luxembourg)	LuxFLAG <sup>2</sup>	LuxFLAG	Thematic investments and ESG criteria	3000€
		 <b>LuxFLAG Climate Finance</b> (Luxembourg)	LuxFLAG <sup>2</sup>	LuxFLAG	Thematic investments and ESG criteria. Climate exclusions	3000€
 <b>Greenfin Label</b> (France)		Standalone stakeholder committee, chaired by the Ministry for the Ecological and Fair Transition	Accredited auditors	Thematic investments and ESG criteria. Climate exclusions	Depending on auditor	


<sup>1</sup> Sustainable investment forum (German-speaking countries)

Source: Novethic

<sup>2</sup> Cross-border labelling agency with founding members from the financial sector in Luxembourg

<sup>3</sup> The Central Labelling Agency (CLA) is the not-for-profit association that awards the Towards Sustainability Label.

<sup>4</sup> *Nordic Ecolabel* is a voluntary label created by the Nordic Council of Ministers in 1989 and available for about sixty categories of retail products. The “Financial Products” category was introduced in 2017.







 **Disclaimer:** the information on labelling criteria contained in this document is based on eligibility criteria documents available online on January 1st, 2020. They might further evolve.

## Asset classes covered in the different labels

Most of the existing labels apply at the minimum to UCITS-type equity and bond funds, marketed in the country of the label's governance body. To date, only the Umweltzeichen and Greenfin labels can certify real estate funds, with the SRI label expected to join the list in 2020. The Greenfin label is the only label that extends to unlisted funds (FIA for private equity and infrastructure), but they are not included in this overview.





## Varied ESG requirements

ESG analysis of portfolio assets is mandatory for all labels, but the threshold definitions vary from one label to another. While most labels use a “pass or fail” system with predefined thresholds, some combine it with requirements on exclusions and/or a point system. These requirements regarding ESG screening ensure that a large majority of assets in portfolios have been analyzed, and whenever possible, picked not only on financial but also ESG criteria. Some labels also require a regular update of the ESG analysis.

Label	ESG analysis coverage requirements
 <b>SRI label</b>	- ESG screening of more than 90% of the portfolio - 20% reduction of the investable universe, or “significantly” better average ESG score than initial universe
 <b>FNG-Siegel</b>	ESG screening of 100% of the portfolio
 <b>LuxFLAG ESG</b>	100% portfolio screening, in compliance with an ESG strategy (e.g. best-in-class)
 <b>Towards Sustainability</b>	100% ESG screening, with temporary derogations
 <b>Umweltzeichen</b>	- Mandatory integration of ESG selection criteria - Less than 50% of the total investment universe can be investable
 <b>Nordic Swan Ecolabel</b>	- ESG screening of more than 90% of the portfolio - More than 50% of the fund must be invested in holdings with “strong ESG practices”

Source: Novethic

## ● Exclusions combined with ESG analysis

ESG exclusions		 FNG-Siegel	 Umweltzeichen	 Nordic Swan	 Towards Sustainability
Norm-based exclusions framework	Corporate bonds	Global Compact	“In house” framework	“In house” framework	Global Compact
	Government bonds	Based on various norm-based country exclusion lists (Freedom House, biodiversity, corruption)	Based on various norm-based country exclusion lists (human rights, death penalty, military budgets, nuclear energy expansion policy)	Sanctions and conventions (sanctions, Paris agreement, biodiversity, corruption)	Countries on sanctions lists and Global Compact
	Unconventional weapons	P	R / P	R / P / C	R / P / C
	Conventional weapons	P	R / P	R / P	P / C
	Tobacco	-	-	P	R / P
	Genetic engineering	-	V / P	Part of the point system	-

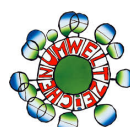
Four out of six labels centered on ESG analysis apply exclusions to companies and sovereign issuers alike. There are two types of exclusions. On the one hand, some exclusions target “controversial” companies known for breaching international conventions on fundamental human rights or from the International Labor Organization (ILO). The reference framework used here is the Global Compact of the United Nations, listing the 10 “commandments” of a responsible company. On the other hand, enforced sectoral exclusions might affect “controversial” activities such as GMOs and anti-personnel mines. For the two other labels, the definition of exclusions is left up to the discretion of the fund manager.

R: resale - P: production - C: components

Source: Novethic

## Point systems: a way to highlight best practices

Three ESG labels use a point system, either to ensure that minimum requirements are met (Nordic Swan & Umweltzeichen), or to distinguish funds whose ESG practices are more holistic (FNG). Additionally, the FNG label also rewards “institutional credibility”, entailing that the asset management company takes and upholds company-wide ESG/SRI commitments. Besides these three labels, point systems are not commonly in use.









Points for:	FNG-Siegel	Umweltzeichen	Nordic Swan
Additional ESG analysis & selectivity of ESG filter	<b>Yes</b> , a selection strategy score assesses and rewards positive & negative screening	<b>Yes</b> , high selectivity rates are rewarded (via 3 thresholds of 50, 33 & 25% of initial investment universe remaining)	<b>Yes</b> , if 100% of the portfolio (in number of issuers) has undergone ESG analysis
Stringency of ESG processes	<b>Yes</b> (qualitative)	<b>Yes</b> (quantitative)	<b>No</b> (assessed in minimum requirements)
Voting policy (equity funds)	<b>Yes</b> , a dialogue strategy grade rewards funds that can show evidence of an active dialogue on sustainability with a large proportion of issuers. A policy on formal engagement processes with issuers is also mandatory.	<b>Yes</b> , the exercise of voting rights in general assemblies is rewarded	<b>Yes</b> , rewards regular voting (at more than 10 or 50% of general assemblies) and the funds able to demonstrate a past track record and future strategy of regularly putting forward shareholder proposals
Engagement and dialogue	<b>Yes</b> , a dialogue strategy grade rewards funds that can show evidence of an active dialogue on sustainability with a large proportion of issuers. A policy on formal engagement processes with issuers is also mandatory.	<b>Yes</b> , an engagement criteria rewards solution-oriented dialogue with portfolio corporations	<b>Yes</b> , points are attributed if the fund manager regularly engages on ESG issues with at least 5/10% of portfolio companies. Another point is awarded if specific resources and objectives are allocated for the engagement and dialogue process
Additional exclusions	<b>No</b>	<b>No</b>	<b>Yes</b> , GMO crops
Environmental focus	<b>No</b> . Thematic funds are treated separately	<b>No</b> . Thematic funds are treated separately	<b>Yes</b> , based on a simplified environmental taxonomy (see page 7)
Additional reporting	<b>Yes</b> , if ESG KPIs at fund level are made public	<b>No</b>	<b>Yes</b> , if one or several of the following are publicly available: detailed engagement list, voting records showing company-specific voting, environmental performance indicators (see on page 8), holding list with ESG brief
Reporting verification (3rd party)	<b>No</b>	<b>No</b>	<b>Yes</b>
Point system	Graded from 0 to 100. “Basic” label between 0 and 24,9%. Stars awarded when grades exceed 25, 50 or 70%	Weighted points sum must exceed 65 % of the maximum amount of points (differentiated by category of products)	Graded from 0 to 16. A minimum score of 6 points must be achieved

Source: Novethic

## The exclusion of fossil fuels, a common feature of all labels?

Environmental labels intend to offer the guarantee of not investing in sectors detrimental to the environment. On the negative screening side, this approach consists in the exclusion of fossil fuels, coal in particular, with varied thresholds. While this exclusion seems logic for green labels or those that are the scheme for financial products of an eco-label for consumption goods (Nordic Swan & Umweltzeichen), interestingly two ESG standards (FNG & Towards Sustainability) also encompass stringent criteria on coal. Beyond coal, each set of label guidelines comes with rather technical distinctions between different types of fossil fuel production and extraction. These criteria openly target oil and gas activities (*upstream and downstream*), energy or mining companies highly involved in coal, as well as the nuclear industry. For most labels, the criteria apply to the revenue share of a company directly related to an excluded activity, except for electricity production where installed capacity (in GW) may also be considered.

Criteria specifically written for electricity generation are also becoming widespread. Four out of the six labels detailed below enforce them, with the strictest thresholds found in the Greenfin and Nordic Swan label criteria. In the case of natural gas, both Umweltzeichen and Towards Sustainability labels have introduced a differentiated exclusion (respectively for electricity generation from gas, and gas extraction). In addition, the Towards Sustainability label chooses to align its exclusions on a 2°C pathway modeled on the Paris Agreement, by applying a maximum carbon intensity threshold for electricity generation. This threshold evolves over time in accordance with a below 2°C scenario from the IEA.

		 Greenfin <sup>1</sup>	 Nordic Swan Ecolabel <sup>2</sup>	 LuxFLAG Climate Finance	 Umweltzeichen	 FNG-Siegel	 Towards Sustainability <sup>2</sup>
Exploration & extraction	Coal	Yes (5%)	Yes (5%)	Yes (30%)	Yes (5%)	Yes (5%)	Yes (10%), with expansion criteria <sup>3</sup>
	Non-conventional O&G	Yes (5%)	Yes (5%)	Yes, internal criteria apply	Yes (5%)	Yes (5%)	Yes (10%), with expansion criteria <sup>3</sup>
	Conventional O&G	Yes (5%)	Yes (5%)	Exploration only (30%)	Yes (5%)	No	Oil only (60%)
Electricity generation	Fossil fuels	Yes (5%)	Yes (5%)	No	Oil only (5%)	No	Based on carbon intensity of the energy mix (gCO <sub>2</sub> /kWh) <sup>5</sup>
	Coal	Yes (5%)	Yes (5%)	Yes (30%), with expansion criteria <sup>3</sup>	Yes (5%)	Yes (30%)	
	Nuclear energy <sup>4</sup>	Yes (5%)	Yes (5%)	New projects only	Yes (5%)	Yes (5%)	

<sup>1</sup> Additional partial exclusion criteria apply to activities listed in this chart. Service companies and companies involved in the distribution / transportation and the production of equipment and services are excluded in so far as 33% or more of their turnover comes from clients from excluded sectors.

<sup>2</sup> Exceptions apply to companies that can demonstrate an ambitious low-carbon transition strategy (see below).

<sup>3</sup> A specific exclusion criterion targets companies which have announced "expansion plans". Assessment is based on physical assets (building or modernizing coal plants, in the case of LuxFLAG) or on corresponding revenue growth (Febelfin).

<sup>4</sup> Besides nuclear power generation, the FNG, Nordic Swan and Umweltzeichen labels also exclude uranium mining. In addition, FNG and Umweltzeichen exclusions target companies supplying components for nuclear power plants, and the latter also extends this exclusion to the construction of nuclear power plants. The Greenfin label excludes the entire related value chain.

<sup>5</sup> Criterion based on energy mix projections as per the Energy Technology Perspectives 2017 scenario of the IEA. If data in gCO<sub>2</sub>/kWh is not available, thresholds of 30% fossil fuels, 10% coal and 30% nuclear energy apply. Source: Novethic





### ● Fossil fuels: encourage the transition

The Nordic Swan and Towards Sustainability standards allow for exceptions in the case of companies whose energy transition strategy meets certain criteria. In the case of Nordic Swan, companies qualify for the exception if at least 75% of their energy sector investments (actual or committed and budgeted) in new capacity, on average for three consecutive years, are in renewables, and if renewables generate more than 50% of their revenue from power generation. For Towards Sustainability funds, companies that don't comply with exclusion criteria might account for up to 5% of a portfolio if selected among the best performing companies on sustainable energy transition (on a "phase out" approach) within their peer group ("best-in-class" filter).

## A systematic use of taxonomies

### ● What share of green activities in labelled equity funds?

To ensure that investments are directed towards environmental activities, labels combine two strategies. They are supported by a taxonomy of eco-activities and define, directly or indirectly, a minimum share of green activities that a labelled portfolio should include. This minimum share is computed based on two thresholds, one at company level and the other at portfolio level.

	Taxonomy used to define eco-activities	Thresholds at holding level («green company»)	+ Thresholds <sup>1</sup> at portfolio level	= Minimum threshold of aggregated turnover <sup>2</sup> from eco-activities in portfolio
 <b>LuxFLAG Climate Finance</b>	Common Principles for Climate Change Mitigation and Adaptation Finance Tracking (IDFC)	Company with a turnover of at least 50% from eco-activities	75% of green companies	37,5%
 <b>LuxFLAG Environment</b>	Environment related sectors as defined in the main classification systems	Company with a turnover of at least 20% from eco-activities	75% of green companies. Within this pocket, companies must derive 33% of turnover from eco-activities in aggregate	24,75%
 <b>Greenfin Label</b>	Based on CBI's taxonomy (Climate Bonds Initiative), slightly modified	Three types of companies: I: more than 50% from eco-activities II: between 10 and 50% III: less than 10%)	Portfolio made up of at least 20% of Type I companies and no more than 25% of Type III companies	15,5%
 <b>Nordic Swan Ecolabel<sup>3</sup></b>	Based on categories used for the Green Bond Principles (ICMA)	No threshold at holding level	No mandatory threshold, but the point system rewards portfolios that can demonstrate a share of 10 / 22 / 35 or 50% of aggregated turnover from eco-activities	At least 10%

<sup>1</sup> Thresholds measured in holding weight, not by number of holdings.

<sup>2</sup> For concision purposes, "revenue" and "turnover" are used as synonyms here.

<sup>3</sup> Label with both ESG and green characteristics but listed among ESG labels on LGX.

Source: Novethic

According to the first work documents released by the European Commission, a similar system will be used for the future European Ecolabel for financial products. The challenge will be to determine where to set the threshold for aggregate green turnover in portfolio. With today's labels, it varies between 15,5 and 37,5%.

### ● Environmental exclusions: early examples of a « do no significant harm » principle

Two green labels, Greenfin and LuxFLAG Climate Finance, entail particular environmental exclusions aimed at ensuring that the choice of technology comes with limited negative impact. This principle is currently part of the works of the *Technical Expert Group* which will set the basis for the future European taxonomy.



**LuxFLAG Climate Finance**



**Greenfin Label**






<b>Environmental exclusions</b>	Restriction apply to geothermal plants, mining, as well as biofuel and biomass (related to food security and deforestation issues)	Companies generating 33% or more of their turnover from forest exploitation, except if sustainably managed, and peatland agriculture are excluded
<b>Hydro power restrictions</b>	Exclusion of hydro-electric dams above 20MW in capacity, except if built according to high precautionary standards, such as Gold Standard	Large dams (above 15MW) are not viewed as an eco-activity, but are not strictly excluded

Source: Novethic

# Transparency criteria based on investment processes and portfolio allocation

The European labels presented in this overview detail their criteria in documents whose length ranges from a single page to several dozens. All have additional requirements beyond common sustainable finance criteria. These can be financial or transparency requirements, but also aim to limit the use of derivatives and other “speculative” financial products, as well as making the disclosure of portfolio holdings mandatory.

This table summarizes the different reporting requirements:







	Portfolio disclosure	ESG transparency	Climate transparency
 <b>SRI Label</b>	Frequency as stated in the transparency code	Voting policy published online & annual report on ESG processes	-
 <b>FNG-Siegel</b>	Frequency as stated in the transparency code	Official document on engagement policy & annual report on results	For thematic funds, the definition of sustainable activities must be publicly available
 <b>LuxFLAG ESG</b>	Annual (full portfolio)	-	-
 <b>Towards Sustainability</b>	Half-yearly (legal obligation in Belgium)	Engagement report on company or on product level	Official document detailing the policy on exclusions and other material issues with regards to ESG and climate
 <b>Umweltzeichen</b>	Monthly (full portfolio)	Main ESG characteristics of product	Presentation of a top 5 of selected sustainable assets in portfolio
 <b>Nordic Swan Ecolabel</b>	Quarterly (full portfolio)	The point system rewards annual reporting that contain a detailed review of engagement & voting statistics	The point system rewards thematic funds that describe how they identify, assess and include companies that promote the transition to an environmentally sustainable future
 <b>LuxFLAG Environment</b>	Annual publication of financial data & other relevant information for investors		-
 <b>LuxFLAG Climate Finance</b>	Annual	General information on ESG policy	Description of environmental & financial objectives linked to climate finance. Breakdown of portfolio per category of climate financing
 <b>Greenfin Label</b>	Annual (full portfolio)	Information on resources put in place to monitor and manage ESG controversies	General or environmental objectives sought by the investment policy

Source: Novethic



## Impact indicators, an emerging trend








Several labels have introduced requirements on publication of impact reporting which can take several forms, ranging from the simple calculation of physical indicators (carbon or water footprint for example) to the publication of a dedicated report.

Label	Impact reporting requirements
 <b>SRI Label</b>	General indicators of ESG performance
 <b>FNG-Siegel</b>	Quarterly report on the fund's sustainability performance. ESG KPIs compared to a baseline
 <b>Towards Sustainability</b>	Asset Management companies are encouraged to provide for each fund: the carbon intensity, the exclusion thresholds which are applied and the indicative exposure of the fund to the fossil fuel sector (in % of the AuM)
 <b>LuxFLAG Climate Finance</b>	Monitoring, evaluation and reporting of fund climate impact, with indicators to choose from three lists: adaptation, mitigation and REDD (forest protection).
 <b>Greenfin label</b>	Description of effective performance for at least one domain of reporting (climate, water, natural resources, biodiversity). Publication of at least one mandatory indicator to choose from a list
 <b>Nordic Swan Ecolabel</b>	The point system rewards the publication of physical indicators (avoided CO <sub>2</sub> emissions, renewable energy generated, clean water supplied, etc.) and of the impact analysis of the 10 largest fund's holdings

Source : Novethic

### ● Uneven information on label websites

All label websites provide a list of labeled funds with the name of the fund and that of the asset management company, as well as, in seven out of nine cases, a typology (asset class and/or legal structure). In addition to this summary information, several websites offer various documents to download, as well as "profile factsheets" and / or "sustainability factsheets" for labeled funds.

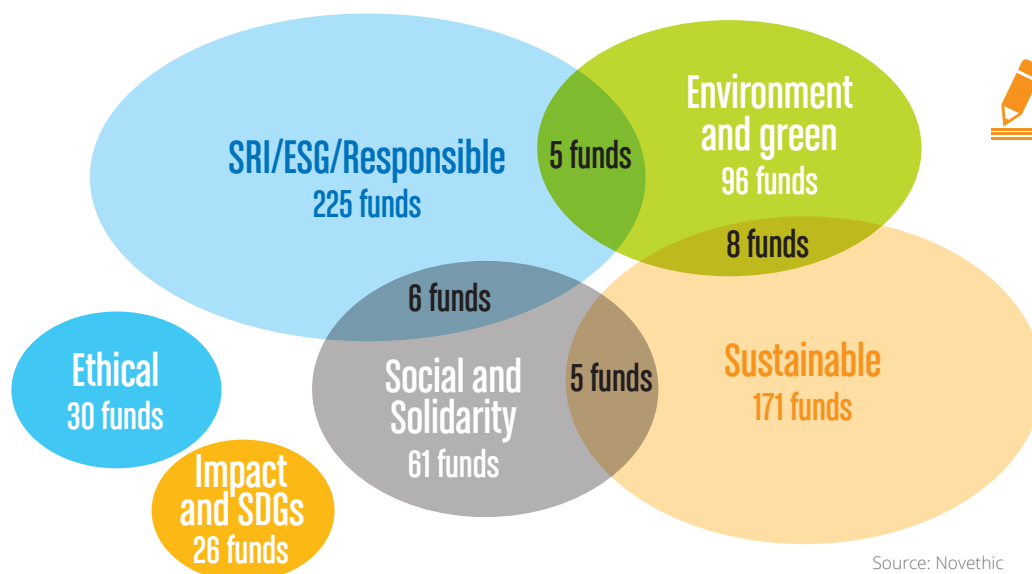
	Display system	ISIN codes	Downloadable list	Additional information	External links
 <b>SRI label</b>	Simple list	Yes	Excel format	-	-
 <b>FNG-Siegel</b>	Clickable list with factsheet (by fund) and rating in the point system	Yes	Excel and Pdf format	On the sustainability profile page (Pdf): - investment strategies and objectives - exclusions - source of ESG data	Transparency codes
 <b>LuxFLAG (common website for all 3 labels)</b>	Simple list	No	Pdf format	- Assets under management - Currency (€ / \$) of the fund - List of candidate funds	-
 <b>Towards Sustainability</b>	Clickable list with factsheet (by fund)	No	No	On the profile page: - bullet points identifying investment strategies and objectives - exclusions - carbon intensity of the portfolio - source of ESG data	- Fund's page - Responsible investment policy of the Asset Management company - Portfolio holdings, if available
 <b>Nordic Swan</b>	Clickable list with factsheet (by fund)	No	No	On the profile page: - short description of the fund's investment strategy and objectives	Sustainability report of the fund (if available, see <i>top table</i> )
 <b>Umweltzeichen</b>	Clickable list with factsheet (by asset manager)	Yes	Excel format	On the profile page of the asset manager: - general information - investment strategy and objectives of certain funds	Website of the Asset Management company
 <b>Greenfin label</b>	Simple list (on the Ministry's website)	No	Excel format	-	-

Source: Novethic

# An often confusing marketing

Sustainable finance covers a variety of concepts, but the broad range of marketing designations for financial products that claim to be sustainable does not clarify the investment promise made to a growing number of interested clients. The analysis of the names of the 806 labelled European funds (as of December 31st 2019 in this overview) testifies to this confusion.

**SEMANTIC ANALYSIS OF THE NAMES OF LABELLED FUNDS**  
(Sample : 573 funds)



The most commonly used terms are **“SRI”, “ESG” and “Responsible” (225 funds)**, although the term **“Sustainable”** (in five languages) is on the rise with **171 funds**.

Source: Novethic

- More than 25% of labelled funds (233) do not refer to sustainable finance in their marketing.
- 68 funds are “multi-category”. The most common combination, illustrated by the numbers in black on the above diagram, is to combine a traditional terminology (SRI/ESG/Responsible or even Sustainable) with a green, social or solidarity qualifier. This is the case for 24 funds.
- Semantic analysis in total number of occurrences. Unlisted infrastructure and real estate funds awarded with the Greenfin and LuxFLAG labels were excluded from this overview. For Towards Sustainability labelled funds, only the financial vehicles classified as mutual funds and index funds (ETFs) were counted.

## The British Investment Association wants to provide a framework for the marketing of responsible funds.

In 2019, before launching its own label, the Investment Association consulted its members (asset management companies) about their Sustainable Finance disclosure practices, in order to define a common language in a *Responsible Investment Framework*. The term *“Responsible”* was preferred to *“Sustainable”*. The Framework provides a series of definitions of investment approaches validated by IA members.

These are grouped into five component categories:

Definitions	Stewardship	ESG Integration	Exclusions	Sustainability Focus	Impact Investing
<b>Level</b>	Marketing documents need to distinguish between firm-level and fund-level approaches			At fund level	










The Investment Association is asking management companies to specify by 2020 which of the components described in the Framework apply to each fund. Based on this information, a database of UK fund characteristics is to be published at the end of 2020. In addition, 85% of the management companies consulted said they were in favour of the creation of a UK retail product label for responsible investment funds, on which the Investment Association is continuing to work.

# Strong growth and competition between labels

The second half of 2019 witnessed increased competition between the different labels. The publication in November 2019 of the first list of funds awarded with the Towards Sustainability standard gave it a head start in terms of number of funds. The announcement “boosted” the French SRI label, which reclaimed the highest number of funds at the end of 2019, with a total of 321 funds as of December 31st. In order to give it more publicity, the promoters of the SRI label set up an extensive communication campaign on Parisian buses for several weeks.

All labels have increased in terms of number of funds and volume of assets under management since March 2019.

Belgium and France are striving to become the label market leader, but Luxembourg is not lagging. Wishing to be “a forerunner in offering favourable taxation for sustainable finance”, the country has been examining, since the end of 2019, an amendment to Luxembourg’s UCITS law in order to reduce the annual subscription tax rate applied to sustainable funds from 0.05% to 0.01%. This change will apply to funds with an ESG, green or social objective and which are awarded with a sustainable finance label (ESG or green). In the draft law, the SRI, Greenfin, Nordic Swan, Umweltzeichen, LuxFLAG and FNG labels were selected. A decree will later specify the conditions of application of the amendment.

	Number of funds		AuM in €bn (Morningstar and LuxFLAG data)		Number of funds with multiple labels	
	12/31/2019	Growth in 9 months	12/31/2019	Growth in 9 months	12/31/2019	
ESG	 <b>SRI Label</b> (France)	<b>321</b>	↗ + 121	137.8	↗ x 2.7	66
	 <b>FNG-Siegel</b> (Germany, Austria & Switzerland)	<b>101</b>	↗ + 36	30.2	↗ x 3.1	56
	 <b>LuxFLAG ESG</b> (Luxembourg)	<b>100</b>	↗ + 55	42.9	↗ x 3.4	25
	 <b>Towards Sustainability<sup>(1)</sup></b> (Belgium)	<b>265</b>	–	138.6	–	78
	 <b>Umweltzeichen<sup>(1)</sup></b> (Austria)	<b>116</b>	↗ + 12	14.8	↗ x 1.3	41
"Green" labels	 <b>Nordic Swan Ecolabel</b> (Nordic Countries)	<b>32</b>	↗ + 9	11.4	↗ x 1.4	6
	 <b>LuxFLAG Environment</b> (Luxembourg)	<b>10</b>	↗ + 3	7.9	↗ x 1.3	6
	 <b>LuxFLAG Climate Finance<sup>(1) (2)</sup></b> (Luxembourg)	<b>2</b>	↘ - 1	0.05	↘ x 0.2	–
	 <b>Greenfin Label<sup>(1)</sup></b> (France)	<b>19</b>	↗ + 8	6.1	↗ x 2.3	8
<b>TOTAL</b>	<b>806</b>	<b>↗ + 392</b>	<b>302</b>	<b>↗ x 3.2</b>	<b>126</b>	

Source: Novethic

<sup>1</sup> Unlisted infrastructure and real estate funds awarded with the Greenfin, LuxFLAG and Umweltzeichen are not counted here. For Towards Sustainability labelled funds, only the financial vehicles classified as mutual funds and index funds (ETFs) were counted.

<sup>2</sup> March 2019 adjusted figures

Source: Morningstar, LuxFLAG. 31 funds could not be included in AuM data (Assets under Management) due to lack of available data.

While the European taxonomy and the ecolabel project are beginning to take shape, one cannot help but note a lack of willingness to harmonize between countries, apart from climate exclusions for the labels that use them. It is all the more unfortunate since most major asset management companies market their UCITS sustainable funds in several European countries.



# OVERVIEW OF EUROPEAN SUSTAINABLE FINANCE LABELS

Study carried out by Nicolas Redon and Lorène Moretti  
with Anne-Catherine Husson-Traore

novethic



**The sustainable transformation accelerator of the Caisse des Dépôts Group.**

An expert in sustainable finance, a reference for the responsible economy and now an expertise accelerator, Novethic combines approaches to offer financial players, companies and their employees the keys to sustainable transformation. Research, fund analysis, market statistics, High-Impact SRI... our sustainable finance team strives to enhance the transparency, reliability and positive impact of responsible investment and management solutions. [www.novethic.fr](http://www.novethic.fr)