



For immediate release

How can SRI and green investments be reconciled?

October 23, 2007 (Paris, France) – Today, Novethic is publishing the first survey to analyze funds available in the French market that adopt a thematic approach focused on the environment and that claim to be oriented toward SRI and, more broadly, sustainable development. The survey targets asset management firms that practice SRI, analyzing the composition of funds and certificates of this type and shedding light on the diversity of investments and the apparent contradiction between the way some of these products are marketed and their final composition.

In 2007, the investment management world saw a veritable tidal wave of green investment products. Invested in targeted sectors of the environment (renewable energies, water management, waste management), they have enjoyed substantial media coverage—in particular due to the very good return on investment they offer. On the face of it, this phenomenon would appear to differ from the SRI approach, where funds operate on the “best in class” principle—i.e., choosing businesses from a broad spectrum of economic sectors that exhibit the best track record when it comes to environmental, social and corporate governance issues (ESG). But some companies have asked Novethic to list their new range of green products as SRI products, giving rise to the decision to devise and conduct a survey designed to determine the frontiers of a new category (SRI fund themes).

As a result of the survey, 7 funds are included in this new category, among the 22 that were initially screened. To be considered as an SRI thematic fund, a fund must demonstrate that it truly takes ESG considerations into account in the fund construction process. This requires the existence of specific mechanisms, such as the involvement of SRI expertise in stock analysis and selection, the application of an ESG screen, and management of the product by the SRI team.

The questionnaire-based survey was sent out to 8 asset management firms, and elicited a response rate of 66%. It revealed that, with the exception of one fund—the Water Fund sold by Pictet—all made claims about protecting the planet, sustainable development and SRI. In fact, this dual label makes sense only if the criterion is not only to **invest 100% in companies that offer sustainable development solutions but also to demonstrate real concern for ESG issues.**

The list of 7 funds that satisfy Novethic’s definition of a thematic SRI fund is as follows: Parwold Environmental Opportunities (BNP PAM), FLF Equity Environmental Sustainability World (FORTIS IM), CA Aqua Global (IDEAM), Sarasin Oekosar Equity Global, Living Planet Fund, Sarasin New Power Fund and UBS Equity Fund-Global Innovators. Together, their assets total more than 1.3 billion euros.

A tangible example: the composition of a water fund

The CA Aqua Global fund, which is managed by I.DE.A.M, is one of these thematic SRI funds. The asset management firm opted to refrain from investing in the bottled water industry, on the grounds that its environmental impacts are contested and it does not really respond to the problem of access to drinking water for developing nations. In addition, after a financial selection, an ESG screen is applied to ensure that the stocks to be picked in the final analysis respond adequately to the social and environmental issues identified for each sector under consideration.

Key question: determining sustainable development sectors

The survey allowed us to uncover a relative diversity in the definition of investment sectors that address sustainable development issues. Asset management firms do not share the same definition of clean energy, some including the natural gas sector.

Therefore, it appears that the investment world needs to define the frontiers of what is meant by sustainable services and technologies. While protection against the risks of a green speculative bubble through portfolio diversification is valid, earning the sustainable development label (or the SRI or planetary protection label) requires making consistent investment choices.

[Click here to access the complete summary.](#)

About Novethic: A subsidiary of Caisse des Dépôts, Novethic is a leading center for research, information and expertise pertaining to SRI (socially responsible investment) and CSR (corporate social and environmental responsibility). Its web site, www.novethic.com, is a comprehensive source of information for responsible economic actors.

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