



Press release

Novethic Launches France's First SRI Label

Paris - 29 September 2009. Today, Novethic publishes the list of the first funds awarded its Socially Responsible Investment (SRI) Label. The Label is awarded on an application basis to funds which fully integrate Environmental, Social and Governance (ESG) issues and provide comprehensive information on their extra-financial characteristics and portfolio holdings.

Impact of the Label

Despite an expanding SRI market, which represented EUR 30 billion in France as of the end of 2008 - an eight-fold increase in five years - progress remains to be made. Indeed, the terminology and quality of the extra-financial information on funds is lacking standardisation. By introducing its SRI Label, Novethic has set a benchmark in order to compel fund managers to explain their SRI management process more clearly, and to be more transparent on their SRI products. Part of the battle is already won, as applicant firms have already considerably improved the quality of their fund communication. For example, although the managers of the 92 labelled funds currently disclose information on all of their SRI portfolio holdings, only 12 did so as of the end of 2008.

A benchmark for individual investors

The SRI Label also aims to shore up market share amongst individual investors, which slipped from one-third to one-quarter between 2007 and 2008. By providing investors with a benchmark to aid them in better understanding SRI, Novethic hopes to develop this relatively unfamiliar fund category. Although encouraged by Novethic, using the SRI Label in fund marketing material is subject to review and prior approval by the research centre.

Focus on transparency

Obtaining the SRI Label requires compliance with four criteria. First, at least 90% of portfolio holdings must be screened to assess their integration of Environmental, Social and Governance practices, and all three aspects must systematically be included. Second, the SRI selection process must be clearly presented and made publicly available by the fund distributor. Third, the fund manager must periodically disclose information on the SRI aspects of portfolio securities. To meet this last criterion, a list of all portfolio holdings must be disclosed on a regular basis. Novethic verifies that the information provided in the applications is publicly available, more specifically on fund managers' websites.

Labelled funds reflect the French SRI market

Out of the 121 applicants, the 92 funds awarded the Label represent 60 equity funds, 22 bond funds, 5 money market funds and 5 diversified funds. This breakdown is a rather faithful reflection of the funds available on the French SRI market. The same applies to the management approach. 95% of labelled funds adopt a Best in Class approach in terms of the inclusion of Environmental, Social and Governance criteria. Norm-based exclusions (companies or governments that do not comply with major international conventions) and sector-based exclusions are each applied by only a third of label-winners. Amongst the 25 asset management companies that offer the 92 labelled funds, seven rank amongst the largest on the French market (in terms of volumes of assets invested in open-ended SRI funds). This means that the leading SRI players recognise and agree with the concept of the SRI Label.

Four funds labelled with specific "awards"

Four of the labelled funds received the "ESG Indicators" award. For this specific award, fund managers must publicly disclose quantifiable indicators to measure the Environmental, Social OR Governance performance of fund assets. For instance, this may involve tracking CO₂ emissions, verifying the independence of the board of directors, or calculating the percentage change in staff members of companies listed in the portfolio.

To access the SRI funds directory click here:

http://www.novethic.com/novethic/v3_uk/upload/label/SRI_Labelled_Funds.pdf



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About Novethic: As the sole source of analytical and statistical information on the French SRI market, Novethic is the leading research center in France on Socially Responsible Investment (SRI) and Corporate Social Responsibility (CSR). Created in 2001 as part of Caisse des Dépôts, Novethic produces research studies and organises events to mobilise business leaders, investors and NGOs on these key issues related to CSR and SRI. Visit www.novethic.com

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