

NEW EDITION OF THE OVERVIEW OF EUROPEAN SUSTAINABLE FINANCE LABELS:

*Increasing number of funds being labelled in Europe
Fossil fuel exclusion is mainstreaming*

Paris, 22 January 2020. Novethic unveils the major trends in the European market for sustainable finance labels marked by intense activity in 2019. In less than a year, the number of labelled funds has doubled to reach more than 800 funds at the end of the year, while the volume of assets under management has tripled. Another strong trend is the nearly systematic exclusion of most fossil fuels in the criteria of a majority of labels, with the exception of the French SRI label.

► Labels in full expansion in a context of intra-European competition ◀

The publication of the first list of funds of the Belgian *Towards Sustainability* standard was a new landmark in the European landscape of sustainable finance labels, along the extensive promotional campaign for the French SRI label on Parisian buses. The two labels are, the heavyweights of this European overview study.

Although, in the race for the highest number of funds, the French SRI label took the lead with 321 labelled funds against 265, it is the Belgian *Towards Sustainability* that wins by one billion with €139bn in assets under management, against €138bn for the SRI label. There is strong competition between the different countries developing sustainable finance schemes, each hoping to impose its own standard.

	Number of funds		AuM in €bn (Morningstar and LuxFLAG data)		Number of funds with multiple labels 12/31/2019
	12/31/2019	Growth in 9 months	12/31/2019	Growth in 9 months	
SRI Label (France)	321	↗ + 121	137,8	↗ x 2.7	66
FNG-Siegel (Germany, Austria & Switzerland)	101	↗ + 36	30.2	↗ x 3.1	56
LuxFLAG - ESG - Environment - Climate Finance (Luxembourg)	112	↗ + 57	50.9	↗ x 2.7	31
Towards Sustainability⁽¹⁾ (Belgium)	265	-	138.6	-	78
Umweltzeichen⁽¹⁾ (Austria)	116	↗ + 12	14.8	↗ x 1.3	41
Nordic Swan Ecolabel (Nordic Countries)	32	↗ + 9	11.4	↗ x 1.4	6
Greenfin Label⁽¹⁾ (France)	19	↗ + 8	6.1	↗ x 2.3	8
TOTAL	806	↗ + 392	302	↗ x 3.2	126

Source: Novethic

¹ 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.

² March 2019 adjusted figures

► A common feature: the exclusion of fossil fuels ◀

While the exclusion of fossil fuels is a prerequisite for environmental labels, it is now practiced by all sustainable finance labels, with the exception of the French SRI label and LuxGLAG ESG & Environment. The thresholds applied by ESG standards such as the German FNG and the Belgian Towards Sustainability vary but remain demanding. Beyond coal, each set of label guidelines comes with technical distinctions between different types of fossil fuel production and extraction, which this study helps to understand. The application of the exclusion criteria is generally based on the revenue share of a company directly related to an excluded activity.

► Green labels: a niche of varying size ◀

Green funds remain a minority share of the offer labelled funds. There are around thirty of them, representing about €15bn in assets under management. Additionally, the criteria of the "hybrid" label Nordic Swan allow to reward ESG funds with a significant green share.

The methodologies of green labels are fairly similar. They are based on the combination of two strategies to guarantee the environmental qualities of the funds: the reference to a taxonomy of eco-activities in which a given percentage of the fund must be invested. Novethic's analytical work shows that the thresholds are extremely variable.

	Taxonomy used to define eco-activities	Minimum threshold of aggregated turnover ¹ from eco-activities in portfolio
 LuxFLAG Climate Finance	Common Principles for Climate Change Mitigation and Adaptation Finance Tracking (IDFC)	37,5%
 LuxFLAG Environment	Environment related sectors as defined in the main classification systems	24,75%
 Greenfin Label	Based on CBI's taxonomy (Climate Bonds Initiative), slightly modified	15,5%
 Nordic Swan Ecolabel²	Based on categories used for the Green Bond Principles (ICMA)	At least 10%

¹ For concision purposes, "revenue" and "turnover" are used as synonyms here.

² Label with both ESG and green characteristics but listed among ESG labels on LGX.

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economy through the development and auditing of ambitious responsible certification labels for financial products.