

## Over 2 000 labelled funds with unclear promises

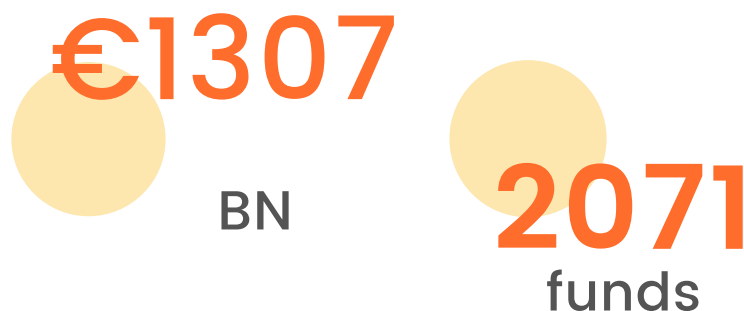
### Sustainable finance

Novethic has been publishing since 2019 its overview of the European sustainable finance labels, which analyses labelled funds. In July 2023, they passed the milestone of 2,000 labelled funds with over 1,307 billion in assets under management. While the momentum is encouraging, the ongoing overhaul of a majority of labels, including the two French public labels Greenfin and ISR, is making the guarantees they offer investors more difficult to understand.

A majority of labelled funds classified « Article 8 » under SFDR are not closely aligned with Taxonomy.

Nearly 80 % of European labelled funds are classified “Article 8” under SFDR, the proportion is much the same for ISR labelled funds. This is a first paradox, as the label guarantees an additional requirement from the fund promoter. Novethic’s analysis shows that, in the end, there is relatively little correlation between the labelling process and the decision to offer Article 9 funds, which stand out from the major benchmarks. Unsurprisingly, the Greenfin label, built with strong environmental criteria, has been most often awarded to Article 9 funds (77 %).

While SFDR (Sustainable Finance Disclosure Regulation) is due for revision and the European consultation has just been launched, it is interesting to note that the self-classification system corroborates another Novethic analysis. The rates of Taxonomy alignment of labelled funds remain low. Indeed, the majority of labelled funds has yet to commit to a minimum of alignment of their portfolio. As for those that have announced a commitment, the average rate of alignment does not exceed 10 %. In France, the average Taxonomy alignment rate of ISR labelled funds is estimated at 5.60 % (74 funds analyzed), and 21.5 % for Greenfin labelled funds (14 funds). These figures question the environmental and social guarantees of these funds. While surveys confirm that investors are looking to invest in credible products that finance sustainable economic models, the supply remains weak and reluctant to use Taxonomy as a tool to prevent greenwashing.



## Pending the overhaul of the ISR and Greenfin labels standards'

The exclusion of fossil fuels has become THE symbol of this gap between supply and demand. Therefore, labelers are gradually working to align their standard to the demand's expectations. Belgium's Towards Sustainability label has moved forward and explicitly excludes, coal, unconventional oil and gas, as well as companies with the least credible transition scenarios in the oil, gas and energy industries, as well as arms and tobacco. In France, the overhaul proposed by the ISR label committee this summer awaits the verdict of the Ministry of Finance. The committee proposed to set demanding criteria regarding the oil and gas sector, in order to be able to exclude from ISR labelled funds major oil companies. For the Greenfin label, owned by the Ministry of Ecological Transition, the committee works to include the Taxonomy standards to its criteria by 2024, and put an end to the systematic exclusion of the nuclear and gas sectors.



“Our study proves to be a particularly useful tool at a crucial time for European labels. It allows us to take stock of a market that is yet again vital when the SFDR regulations requiring self-classification has shown its limits. Labels remain, so far, the best way to answer the investors' expectations regarding clear and legible products. This is however still far from being the case: not only do each label has very different characteristics, but many of them are in the process of reviewing their criteria. We need a convergence towards standards that will be efficient in involving European investors in financing the Green Deal, but the project for an European ecolabel for finance remains unknown.”

**Anne-Catherine Husson-Traore, CEO of Novethic.**

[Read on Novethic's study \(in French\)](#)

### **About Novethic, sustainable Transformation Accelerator of the Caisse des Dépôts Group.**

Our mission is to inform, train and encourage action by financial actors, companies, and citizens. At the crossroads of sustainable finance strategies and corporate social responsibility practices, Novethic deploys its expertise - media, research, audit, and training - to enable professionals and decision-makers to meet the challenges of sustainable transformation.

## Contact

---

[communication@novethic.fr](mailto:communication@novethic.fr)

