

Tuesday 25 September 2018

Responsible Investment exceeds EUR 1,000 billion

The Association Française de la Gestion Financière (French Asset Management Association – AFG) publishes for the first time comprehensive **statistics on Responsible Investment in the French asset management industry, in collaboration with the *Forum pour l'Investissement Responsable (Forum for Responsible Investment – FIR)* to mark France's Responsible Finance Week.**

Considered as a major area of focus by the AFG, Responsible Investment (RI)¹ encompasses all of the approaches adopted by management companies that take into account Environmental, Social and Governance (ESG) criteria.

As at 31 December 2017, Responsible Investment in France represents EUR 1,081 billion. **Therefore, respondent French management companies manage, on behalf of their clients, almost a third of their assets by taking ESG criteria into consideration*.**

**Breakdown of RI assets
of respondent management companies**
(data as at end-2017 in EUR billion)

| | Total under management | RI assets | Of which SRI |
|------------------------|------------------------|--------------|--------------|
| Investment funds | 1,670 | 430 | 156 |
| Discretionary mandates | 1,780 | 651 | 154 |
| Total | 3,450 | 1,081 | 310 |
| Total (as %) | 100% | 31% | 9% |

Driven by demand from institutional investors, which explains the dominance of discretionary mandates (56%), RI has grown significantly over recent years. Structure has been given to management companies' practices.

Authorities and regulations have supported its development while ensuring the standard of management processes:

- Managers and institutional investors must now report on their ESG practices.
- Labels for retail funds have been created for investment funds by the Ministry of Economy and Finance and the Ministry of Ecological and Solidarity Transition (SRI Label and TEEC Label (Energy and Ecological Transition for Climate Label)).

At European level, this trend should grow stronger with the implementation of the action plan on Sustainable Finance adopted by the European Commission.

* If we take into account exclusion approaches, which amount to EUR 767 billion, assets reach EUR 1,848 billion.

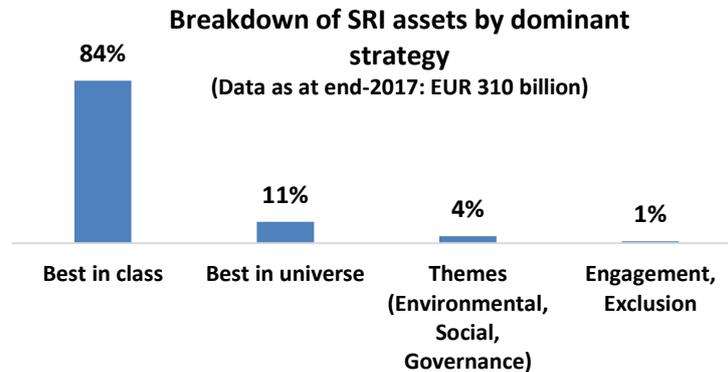
A closer look at the management of SRI funds and discretionary mandates

SRI assets amount to EUR 310 billion, i.e. 29% of the total amount of Responsible Investment.

These assets gained **12% over one year** with growth of **14%** for SRI funds alone.

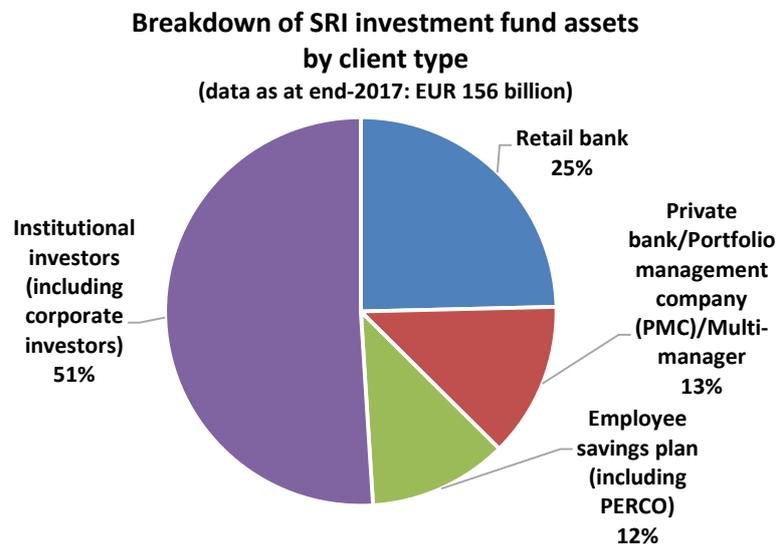
▪ Strategies used

In France, SRI strategies focus on **selecting companies that have taken the lead on sustainable development**. The dominant strategy is **best in class**² (84% of assets), followed at a distance by **best in universe**³ (11%). The other strategies continue to be very much behind.



▪ Clients

SRI fund assets are distributed equally between institutional investors (51%) and retail investors (49%). The proportion of individuals should continue to increase thanks to the growing number of offerings from savings product distribution networks (life insurance, PEA (French equity savings plan), securities accounts, etc.), thanks to employee savings plans and to the progress of labelling.



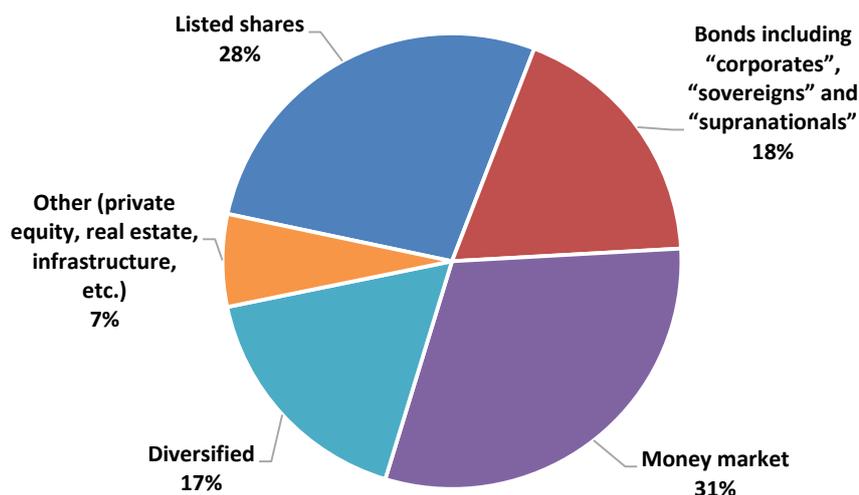
SRI discretionary mandates are managed for institutional investors.

▪ Asset classes

The assets of SRI funds by asset class are spread among money market funds, equity funds, diversified funds and bond funds. Unlisted asset classes currently represent only 7% of the total, consistent with the amount allocated to savings in general.

Breakdown of assets according to categories of SRI investment funds

(data as at end-2017: EUR 156 billion)



Meanwhile, **discretionary mandates** are mainly geared towards corporate bonds.

▪ Labels

Finally, over the past two years, the two public SRI and TEEC labels created in 2015 have been carving out their place on the market:

- 157 funds have obtained the SRI Label as at 24 September 2018. They are managed by 34 management companies for a total of EUR 41 billion in AUM. **The number of funds that have obtained labels continues to grow and the SRI Label is becoming a genuine market standard.**
- 22 funds managed by 15 management companies have been awarded the TEEC label.

* * *

¹ The following are included in the scope of RI:

- SRI (Socially Responsible Investment) funds. *"SRI is an investment which aims to reconcile economic performance with social and environmental impact by funding companies and public institutions that contribute to sustainable development regardless of their business sector. By influencing governance and corporate behaviour, SRI contributes to a responsible economy."* (AFG-FIR definition, 2013)
- Funds that have other ESG approaches, such as ESG-themed funds, funds that incorporate ESG criteria, exclusion funds, engagement funds, solidarity funds and impact investing funds.

² Best in class: selection of issuers that have the best ESG practices within their business sector. This approach includes all economic sectors.

³ Best in universe: selection of issuers that have the best ESG practices regardless of their business sector.

Best effort: selection of issuers that demonstrate an improvement in their ESG practices over time.

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About AFG www.afg.asso.fr; follow us on Twitter @AFG_France

The Association Française de la Gestion Financière (French Asset Management Association – AFG) represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. These companies manage nearly EUR 4,000 billion in assets, including EUR 1,950 billion in French funds and approximately EUR 2,050 billion in discretionary portfolios and foreign funds.

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