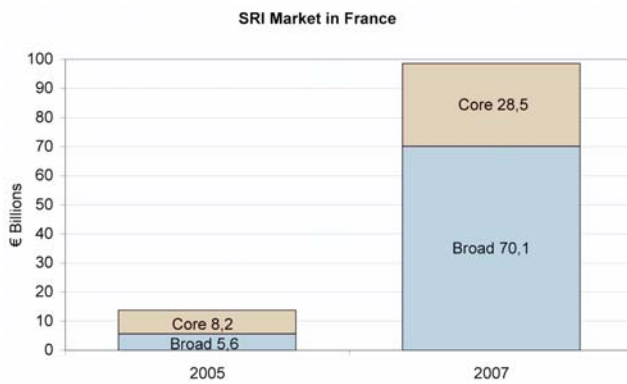


FRANCE

KEY FEATURES OF SRI IN FRANCE

As of December 31st, 2007, the French Core SRI market had reached €28.5 billion as illustrated in Figure 1. The Broad SRI market amounts to €70.1 billion, of which €66 billion is allocated to mandates using an integration approach and about €4 billion subject to simple exclusions.

FIGURE 1



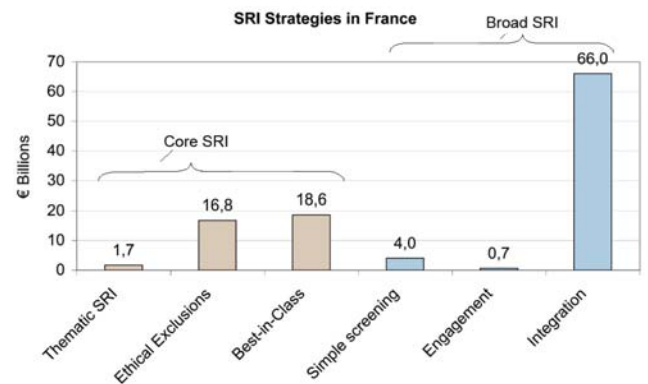
Source: Novethic, Eurosif

Main practices

As illustrated in Figure 2, the Core SRI market of French Asset Managers is still made up of ESG Best-in-Class approaches (€18.8 billion) and multiple-factor ethical exclusions. Such exclusions play a small role for French clients, as they are often combined with ESG selection; but when foreign customers are included, the amounts subject to exclusions reach €16.8 billion. French clients' preference for ESG positive selection reflects the country's historical focus on the sustainable development dimension of SRI. Eurosif estimates that the Core SRI French assets contribute about 1.0% of the French asset management industry.¹

In the Broad SRI market, simple exclusions (€4 billion) play a minor role. Engagement (€651 million) is essentially practiced by a minority group of activist funds which have their roots in corporate governance activism. Integration on the other hand, has shown a rapid growth, culminating at €66 billion. Indeed, following Fonds de Réserve pour les Retraites (FRR) (since 2004) and the Caisse des Dépôts et Consignations (CDC) pioneer involvements, private asset management subsidiaries of large insurance groups have started to integrate ESG criteria into their mainstream investment strategies.

FIGURE 2



Source: Novethic, Eurosif

Finally, most AuM invested in company shares are being actively voted according to respondents, who must abide by the "comply or explain" legislation in France. However, such voting practices rarely go beyond statutory proposal and corporate governance issues.

In terms of investment vehicles, research data indicates a growing preference for mandates over investment funds, as illustrated in table 3. This is both demand-side driven, due to the growing role of large institutional investors on the market and the requirements of Employee Savings Plans (ESPs)², and supply-side driven due to the growing capacities of fund managers to develop tailor-made offers.

Who are the main investors?

TABLE 3: INVESTMENT VEHICLES IN FRENCH CORE SRI

Investment Funds	Retail 4.35
	Institutional 5.47
	ESP 1.38
	TOTAL 11.21
Mandates	Institutional 16.05
	ESP 1.29
	TOTAL 17.34
TOTAL Core SRI	28.55

Source: Novethic, Eurosif

As illustrated by Figure 4, the French SRI market is characterised by the strength of both its institutional (76%) and retail (26%) arms.

Historical SRI investors such as churches, NGOs and

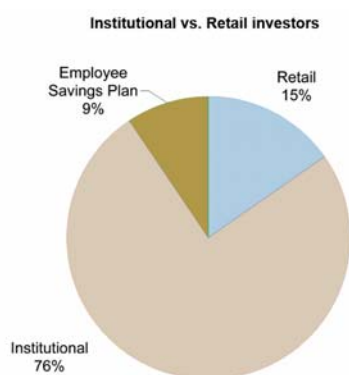
¹ Source: "EFAMA: Annual Asset Management report - July 2008" estimates the French asset management market at €2,727 billion in 2006. Assuming a 1.6% growth in 2007 (AMF, French SICAV), this suggests a market at €2,771 billion in 2007.

² A plan that allows employees to contribute to an investment pool managed by the employer. In a manner similar to Defined Contribution schemes, individual employees get to choose how to allocate their assets among a range of funds proposed by the Plan's fund managers.

charities are no longer core players in the market. Indeed, following in the footsteps of the FRR and the French Public Service Additional Pension Scheme (ERAFP), a growing number of large institutional investors such as insurers now apply an SRI approach. This growth is also partly driven by the role of trade unions in co-managing public funds.

Employee Savings Plans represent 9.4% of the SRI market. Here again, trade unions play a key role in defining the ESP offer and its SRI characteristics. One may note that SRI ESPs represent more than 6% of the global ESP AuM.

FIGURE 4

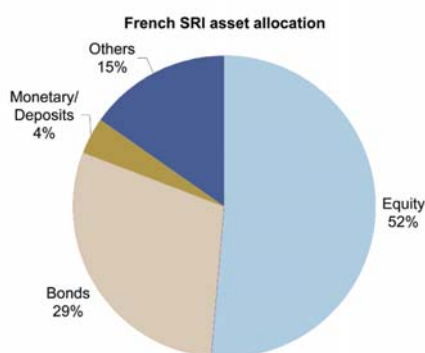


Source: Novethic, Eurosif

What do SRI fund managers offer?

Institutional investors in SRI currently focus on Europe geographically, equities in terms of investments and favour large caps. However, other asset classes such as SRI bonds have grown significantly these past two years as illustrated in Figure 5. More recently, a few SRI funds of funds have also been launched on the French market.

FIGURE 5



Source: Novethic, Eurosif

To cater to this demand, most large banks are present on the French SRI market through their fund management departments, along with smaller specialised fund managers. Most fund managers offer both investment funds, as well as customised management (mandates) in order to meet the specific requirements of a growing number of investors.

When performing research, fund managers rely on both internal and external sources. Favoured suppliers are SRI research agencies, used by all fund managers, and brokers (25%). Also, 88% have a dedicated internal team (analyst and/or manager). Lastly, 44% run committees dedicated to SRI issues.

MARKET EVOLUTION

The French SRI market is healthy and has proven to be quite resistant to the financial crisis that has persisted since mid-2007. The Core SRI market has grown by 247% since the 2006 SRI survey (CAGR³: 87%), while the Broad SRI market has jumped 1150% (CAGR: 254%). Overall the total SRI French market (Core + Broad) has grown 615% between 2005 and 2007 (CAGR: 167%) which is one of the fastest growths in Europe. Over the same time period, MSCI Europe grew 16.16%. Given the European focus of French SRI, this suggests that the Core SRI market's real growth was 230% (CAGR: 79.2%).

Although retail investors have shown significant interest in SRI funds (+84%), the market is still driven by institutional investors, whose assets have increased by 317%.

With no dramatic legal changes since 2005, the growth of assets can be partly explained by the increasing number of mainstream institutional investors on the French market. This has spurred the interest of a growing number of fund managers.

MARKET PREDICTIONS

Along with investment professionals, Novethic and Eurosif are optimistic that the SRI growth prospects in France will be demand-driven, led by:

Institutional investors:

Several request for proposals (RFPs) have been launched this year for SRI mandates. Large institutional investors, especially those managing their customers' assets such as insurance companies, are increasingly focusing on the ESG and reputational risks and opportunities of their

³ Compound Annual Growth Rate

investments. Additionally, a few institutional investors already involved in SRI, such as the FRR, are now in the process of expanding the scope of SRI strategies to all asset classes.

Employee Savings Plans (ESPs):

This year's survey by Novethic and Altedia IC showed a mitigated knowledge of SRI across the 120 largest French companies, although a majority displayed an interest in SRI ESPs and predicted an important increase of this market within the next 5 years.

Retail investors

The marketing aspect of SRI, which has long been neglected by SRI suppliers, seems to be developing with innovative initiatives such as Caisses d'Epargne's "Bénéfices Futur" program, which seeks to raise public awareness of ESG issues linked to their financial products.

The data above is based on research and analysis conducted by Novethic (www.novethic.fr / www.novethic.com) and Eurosif (www.eurosif.org).

