



APPENDIX

Paris, July 24, 2009

PRINCIPLES FOR SOCIALLY RESPONSIBLE INVESTING (SRI) FOR PARIS FINANCIAL MARKET PARTICIPANTS

Today's financial crisis raises questions about the role and function of financial markets and what they should contribute to the economy. What should they contribute over the long term to the economy, companies, and sustainable development?

In continuing the work carried out by Paris Europlace—and particularly the guidelines of the report submitted in May 2008 by the Socially Responsible Investing workgroup chaired by Antoine de Salins and the forum on Increasing the Contribution of Finance to Sustainable Development: Long-term Stakes, European Priorities, held last November 24 and chaired by Nicolas Sarkozy, President of France, and José Manuel Barroso, President of the European Commission—the issuers, institutional investors, asset managers, banks, and investment firms in the Paris financial market, along with their professional associations, wish to work together to develop new initiatives to increase socially responsible investing and the contribution of finance to sustainable development.

The Socially Responsible Investing (SRI) report from Paris Europlace gave the following initial recommendations:

- facilitate the inclusion of ESG criteria in investors' analytical and decision-making processes;
- clarify and increase dialogue with companies to encourage the dissemination of nonfinancial information so that investors can better measure the strengths and risks of companies;
- identify a unifying framework for the Paris financial market and its participants.

The French Asset Management Association (Association Française de la Gestion Financière, AFG), the French Federation of Insurance Companies (Fédération Française des Sociétés d'Assurances, FFSA), the French Banking Federation (Fédération Bancaire Française, FBF), and Paris Europlace, which represent institutional investors, asset managers, and banking and financial firms, have agreed on three main principles and related actions, in addition to the work and charters already established by various professions:

☞ Principle 1: Develop Socially Responsible Investing (SRI)

As representatives of investors, the signatory associations encourage their members to: 1. state the procedures for including ESG (Environmental, Social, and Governance) criteria in their

investment strategies, and 2. publish these procedures annually. The associations continue to support academic research in sustainable finance.

These proposals will be taken to the European level so that the next directives take them into account.

The associations representing banks, financial establishments, and insurance companies encourage their members to market and distribute to their customers a product offer that meets SRI criteria.

☞ Principle 2: Develop nonfinancial information on companies and encourage dialogue between issuers and investors

The following actions are proposed:

1/ Reporting

The approach will consist of improving dialogue between companies and investors in a European context in order to develop shared principles for nonfinancial reporting. It will facilitate the creation of a model comprising a limited number of indicators common to all companies as well as breakdowns by business sector and size of company.

The aim is to implement a shared European reporting platform for environmental, social, and governance (ESG) criteria, with relevant indicators that are adapted to each business sector as defined at the European level.

2/ Consistent information from the Board and Shareholders' Meeting

The proposed action aims to encourage executive management to submit to the board of directors or supervisory board, as part of the assessment of its annual management report, all ESG information and indicators that affect the company. This will allow management to measure the extent to which ESG policy has been enacted by the company.

These points should be examined by the Board and taken up in the Board's report to the Shareholders' Meeting and in the annual financial statements (provisions related to environmental liabilities, healthcare coverage, pensions, etc.). The need for explanation and dialogue concerning nonfinancial opportunities and risks that can arise from companies' strategies and activities is particularly strong when companies carry out or are confronted with major financial transactions (acquisitions, takeover offers, IPOs, etc.). The shareholders and stakeholders must be able to count on greater transparency and the possibility of genuine dialogue.

To implement this approach, there could be a proposal at the next European Council for guidelines encouraging periodic assessment, by governance bodies, of companies and their progress in environmental, social, and governance (ESG) areas.

☞ Principle 3: Encourage Long-Term Finance

The following actions are proposed:

- **Encourage the development of long-term savings**

Following the La Martinière–Leclaire report submitted to the High Level Committee in July 2008, signatory professional associations would like to hasten the implementation of long-term savings instruments in order to assist households and companies with their long-term resources.

- **Further the study of how to adapt accounting standards**

In line with the international debate on financial stability, the signatory professional associations—issuers, investors, financial intermediaries—are committed to further review, at the European and global levels, of how to adapt accounting standards and of their impact on companies and the economy. Those promoting these principles will contribute to defining the improvements to be implemented.

- **Greater consideration of the long term in the remuneration of market participants**

The principles set out by the Paris financial market workgroup are implemented with a view to general economic interest. Their purpose is to improve consistency between the behavior of financial market professionals and the long-term objectives of the company employing them, especially where risk is concerned.

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The signatories shall carry out a yearly public assessment of the actions undertaken for the various principles. Paris Europlace shall publish information on any collective action undertaken.

The signatories shall encourage French and European professional federations that represent professional market participants to take the same approach.

Paul-Henri de La PORTE du THEIL

Jean-Pierre GRIMAUD Bernard SPITZ

Chairman, AFG

Chairman, AF2I

Chairman, FFSA

Pierre de LAUZUN

Gérard MESTRALLET

Deputy Director General, FBF

Chairman, Paris EUROPLACE

Appendix: a note on Responsible Investment by the French Asset Management Association (AFG) and the French Federation of Insurance Companies (FFSA) Sustainable Development Charter