German Investment Funds Association

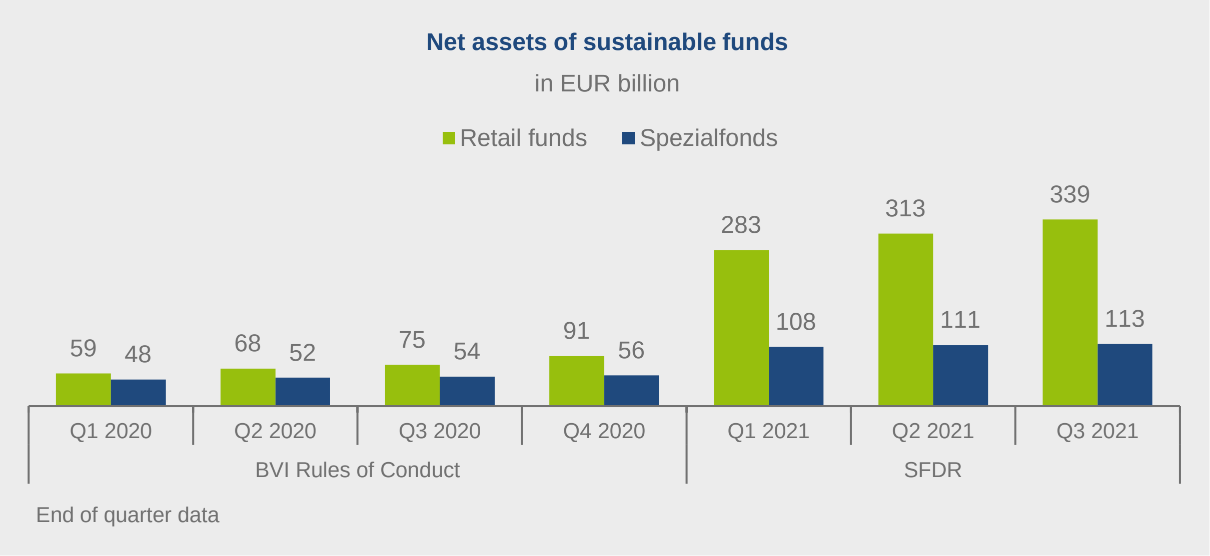
Snapshot Sustainability

THE GERMAN SUSTAINABLE FUND MARKET IN Q3 2021

SFDR as a watershed: sustainable products account for one quarter of retail fund assets already

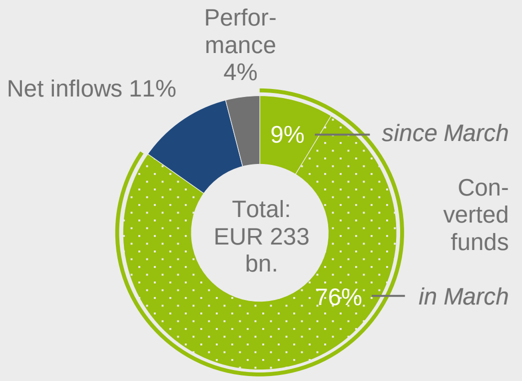
The market for sustainable funds in Germany continued to perform strongly in the third quarter: Sustainable retail funds managed EUR 339 billion for their investors as of the end of September, which corresponds to 24 percent of total retail fund assets. Spezialfonds accounted for EUR 113 billion. The total volume of sustainable funds thus amounted to EUR 452 billion. Compared to the end of June, this equates to an increase of about seven percent. In other words: More than one in eight euros invested in funds by German customers is managed according to sustainability criteria.

Products are considered sustainable if they are classified by BVI members as Article 8 funds (funds with a sustainability strategy) or Article 9 funds (funds that contribute to sustainability objectives) according to the Sustainable Finance Disclosure Regulation (SFDR). The SFDR, which came into force on 10 March 2021, mainly contains disclosure obligations and does not set any minimum requirements for the quality of sustainable investment strategies. In practice, however, it already sets the direction: For most observers, it divides the fund market into "sustainable" and "non-sustainable". Many fund companies have therefore taken



Snapshot Sustainability

Contribution to sustainable retail fund growth March-September 2021



the SFDR as an opportunity to review their range of retail funds and, if necessary, to adapt their processes and investment strategies.

Around three quarters of the growth in sustainable retail funds since the SFDR came into force is accounted for by funds converted directly in March (see chart). Existing products that were reclassified later are responsible for another nine percent. New business – including the contribution of newly launched funds – plays a significantly smaller role (11 percent), as does fund performance (4 percent). Despite the limitations mentioned above, the clearer legal framework has already contributed significantly to redirecting large capital flows in favour of sustainable companies and projects.

Sustainability is also playing an increasingly important role in risk management. A recent BVI survey[1] shows that the fund industry in Germany is well positioned to incorporate sustainability risks into the risk management process. More than half of the surveyed asset managers are currently implementing such projects, and ten percent have already completed them. In-house expertise on sustainability is also mostly rated as "good".

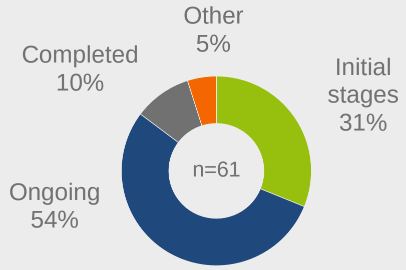
However, there are still some obstacles to implementation. Especially the lack of standards regarding sustainability criteria (84 percent of respondents), data availability (82 percent) and data quality (75 percent) were mentioned. Many data are only available as estimates and mostly only through expensive oligopolies of data providers. Accordingly, data providers were named as the most important source of sustainability data for the fund industry, followed by internal research.

The fact that the securities sector "is doing well" was also confirmed by the German Federal Financial Supervisory Authority (BaFin) in another recent survey. More than three quarters of the investment fund companies surveyed stated that they were able to manage sustainability risks.

Contact
lorena.vinueza-peter@bvi.de
+49 69 15 40 90 231

Implementation of sustainability risks by asset managers

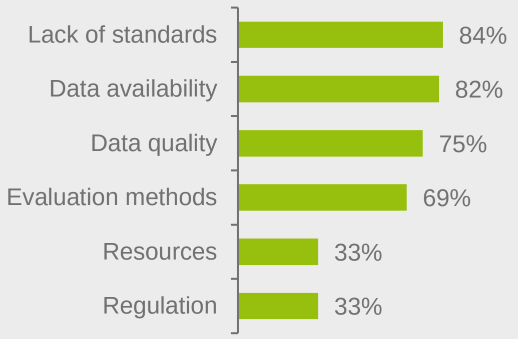
Share of companies



Source: BVI survey[1]

Biggest obstacles to implementation

Share of companies



[1] Market coverage (AuM): 94 percent