



# Snapshot Sustainability

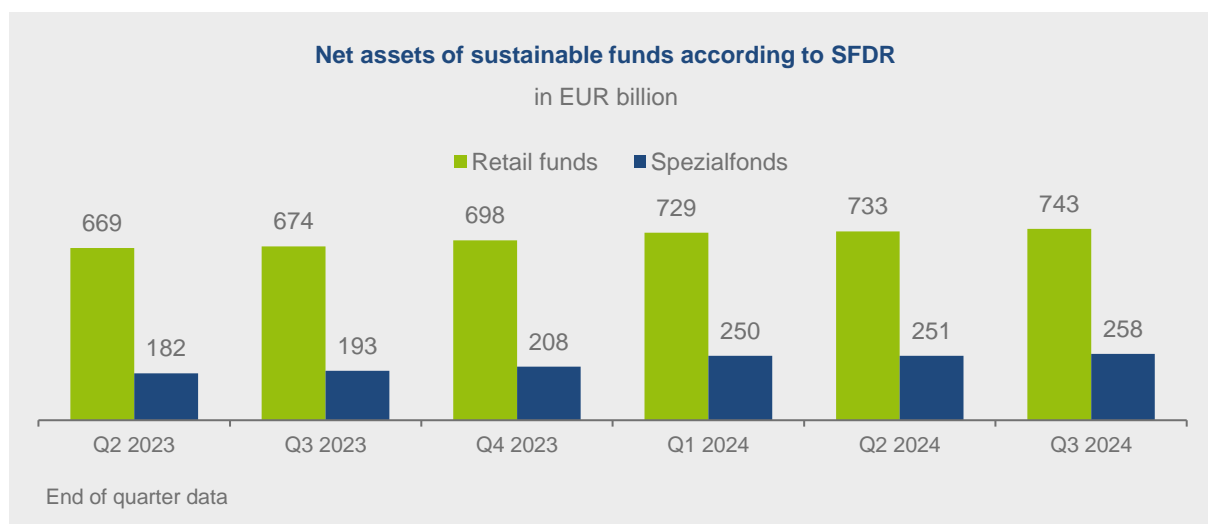
## THE GERMAN SUSTAINABLE FUND MARKET IN Q3 2024

### German investors hold more than one trillion euros in funds with sustainability features for the first time

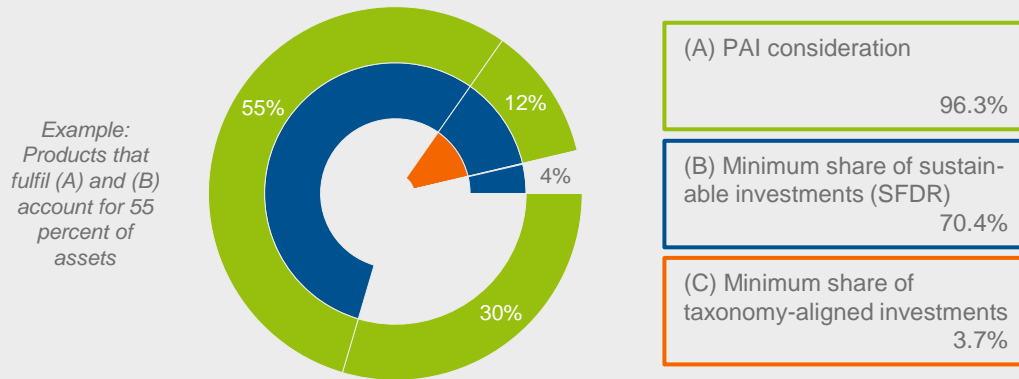
As of the end of September 2024, private and institutional investors in Germany held over one trillion euros in funds with sustainability features. Retail funds in accordance with Article 8/9 of the EU Sustainable Finance Disclosure Regulation (SFDR) account for more than three quarters of the assets, with a total of EUR 743 billion. Spezialfonds with sustainability features make up a smaller part of the market but have grown significantly. In the first nine months of the year, their assets under management increased by 24 percent to EUR 258 billion. The main reason for this was the reclassification of some large products managed for pension institutions. Retail funds saw an increase in assets of around six percent.

However, being categorised as a retail fund in accordance with Article 8 or 9 SFDR alone is not sufficient when advising clients with sustainability preferences. The investment strategy must also meet additional requirements, such as committing to a minimum share of either sustainable investments according to SFDR or of Taxonomy-aligned investments. Also, funds may consider the principal adverse impacts on sustainability (PAIs).

Investment funds must meet at least one but can also fulfil several of the three additional requirements. In the German market, PAIs and minimum shares of sustainable investments are primarily being used.



**Distribution of product features for retail funds suitable for distribution to customers with sustainability preferences**



Share of assets under management at the end of September 2024. Source: Morningstar Direct

According to Morningstar Direct, as of the end of September, 96 percent of the assets of funds with sustainability features were in products that consider PAIs. Minimum shares of sustainable investments according to SFDR accounted for 70 percent, while four percent committed to taxonomy-aligned investments. This distribution has hardly changed over time (see, for example, **Snapshot Sustainability Q1, 2023**).

With the ESMA Guidelines on funds' names using ESG or sustainability-related terms, the framework for retail funds with sustainability features is evolving further. The guidelines are an important step towards

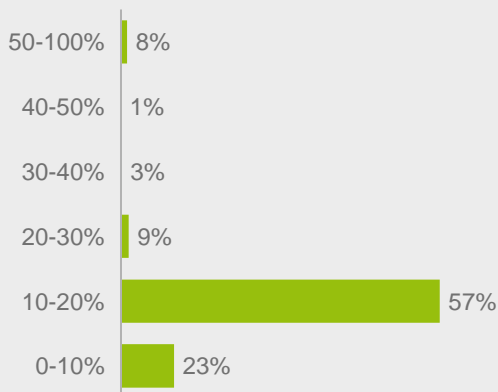
EU-wide standardisation. Since 21 November 2024, newly launched funds may only use name components such as "green" or "ESG" if they invest at least 80 percent of their portfolios according to the relevant characteristics. For existing funds, a transition period of six months applies.

In addition, there are other requirements that are partly not yet implementable. Among other things, ESMA requires funds that explicitly use sustainability-related terms in their name to invest "meaningfully" in sustainable investments. However, it is unclear what this means in practice.

Across all retail funds with sustainability features that provide for a minimum share of sustainable investments according to SFDR, commitments are usually low. Around 80 percent of the assets are in products that commit to 20 percent or less. There is also still no standardised assessment method for sustainable investments, which means that the minimum shares are not comparable. This makes the introduction of a uniform quota difficult. In the absence of standardised EU requirements, fund companies will have to explain to the regulator why the committed minimum share can be considered meaningful. Otherwise, there remains the option of removing the sustainability-related term from the fund name.

**Minimum shares of sustainable investments**

in percent of assets as at 30.9.2024



Analysis for funds with committed minimum share of sustainable investments according to SFDR  
Source: Morningstar Direct

**Contact**

markus.michel@bvi.de  
+49 69 15 40 90 242