

Reshaping the European ESG Fund Landscape



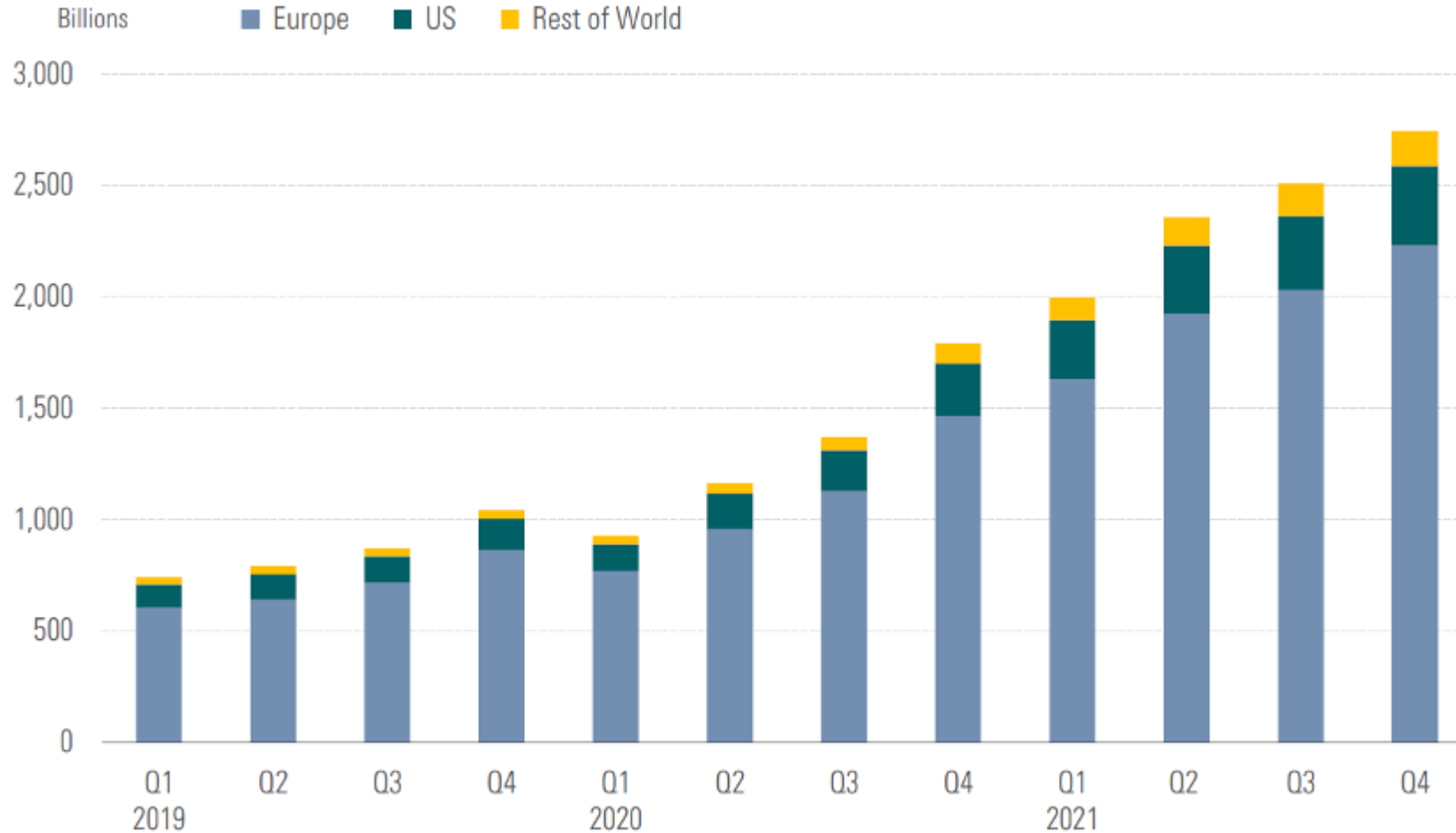
12 April 2022

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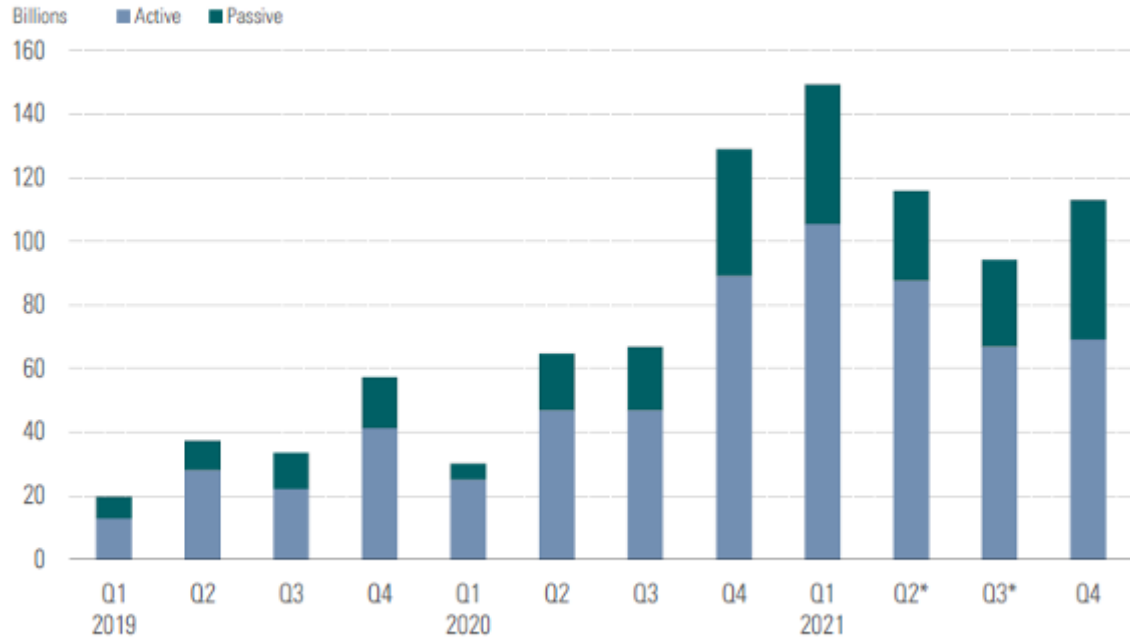
Global ESG fund assets reach \$2.7 Trillion in 2021

Europe represents 80% of these assets

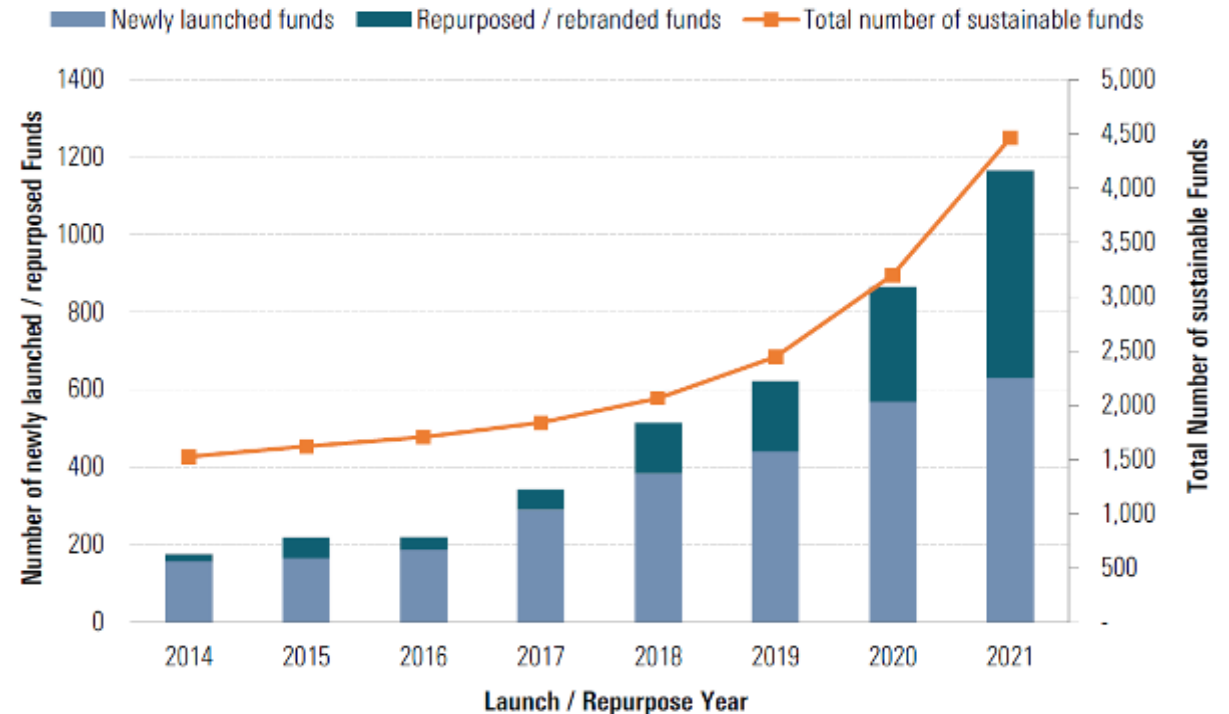


European ESG funds: Flows and product development accelerate

European Sustainable Fund Flows (USD Billion)



Source: Morningstar Direct, Manager Research. Data as of December 2021. *Q2 and Q3 data has been restated as explained above.

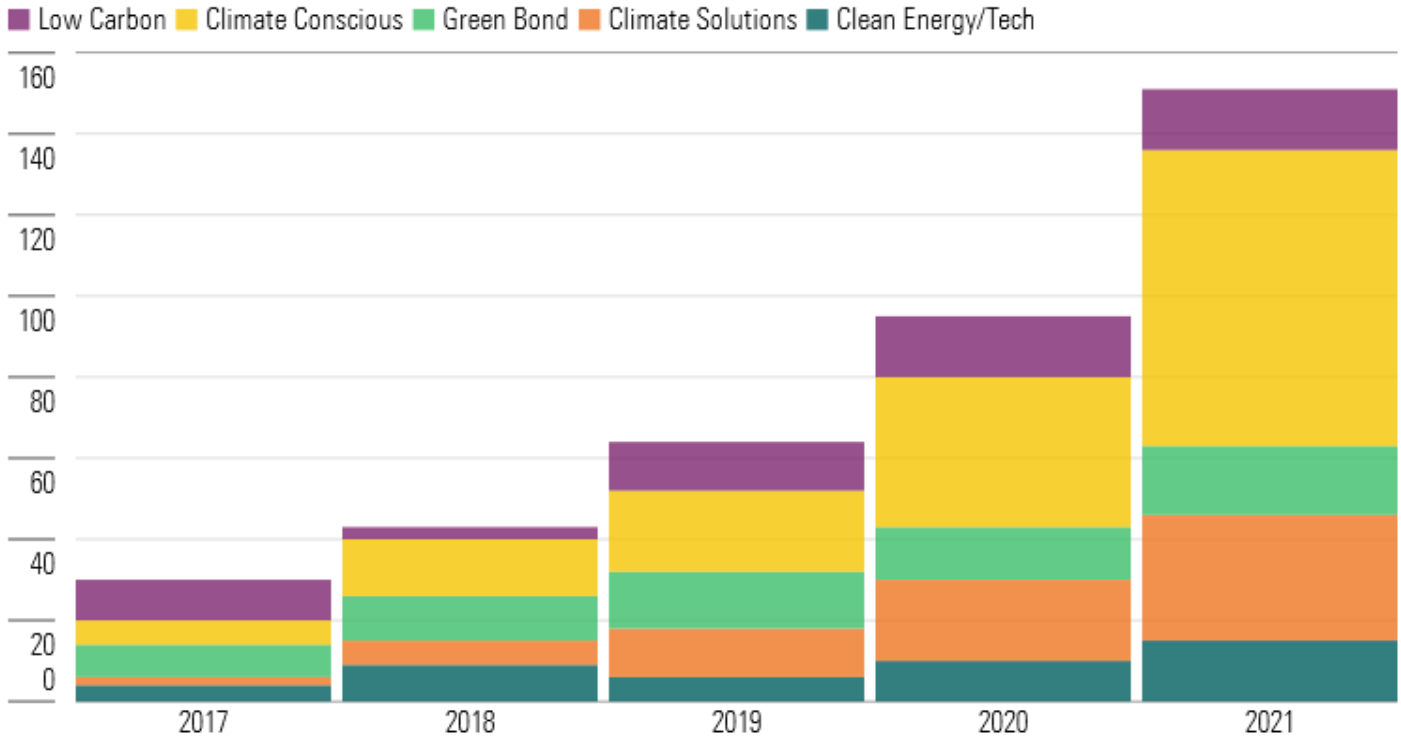


Source: Morningstar Direct, Manager Research. Data as of December 2021. Numbers for 2021 have been restated as explained above.

151 new climate funds launched in Europe last year

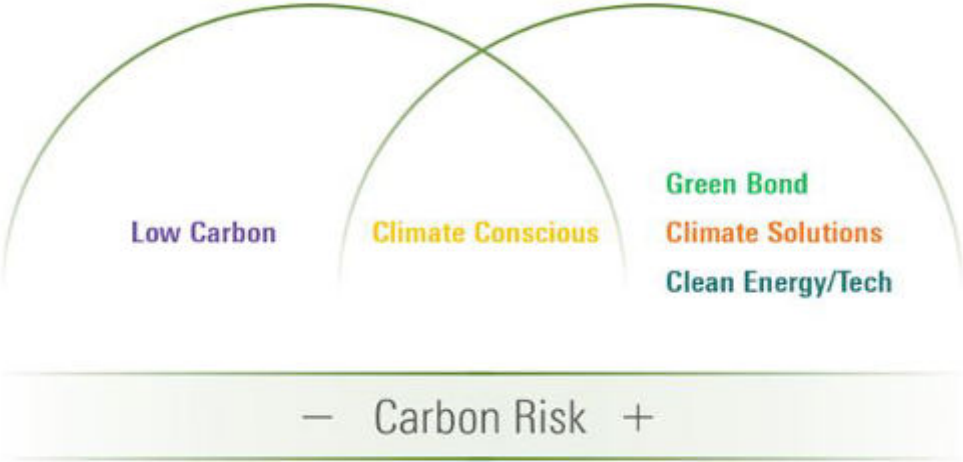
A variety of strategies

Launches of European Climate Funds



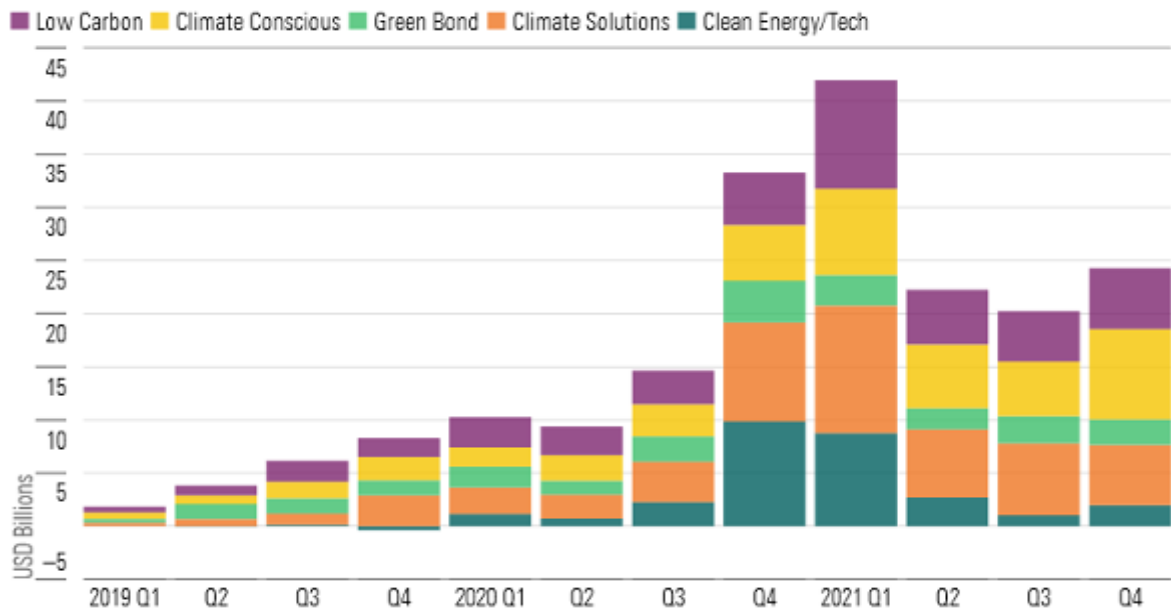
Source: Morningstar Direct. Morningstar Research. Data as of December 2021.

Decarbonising Portfolios Investing in Solutions



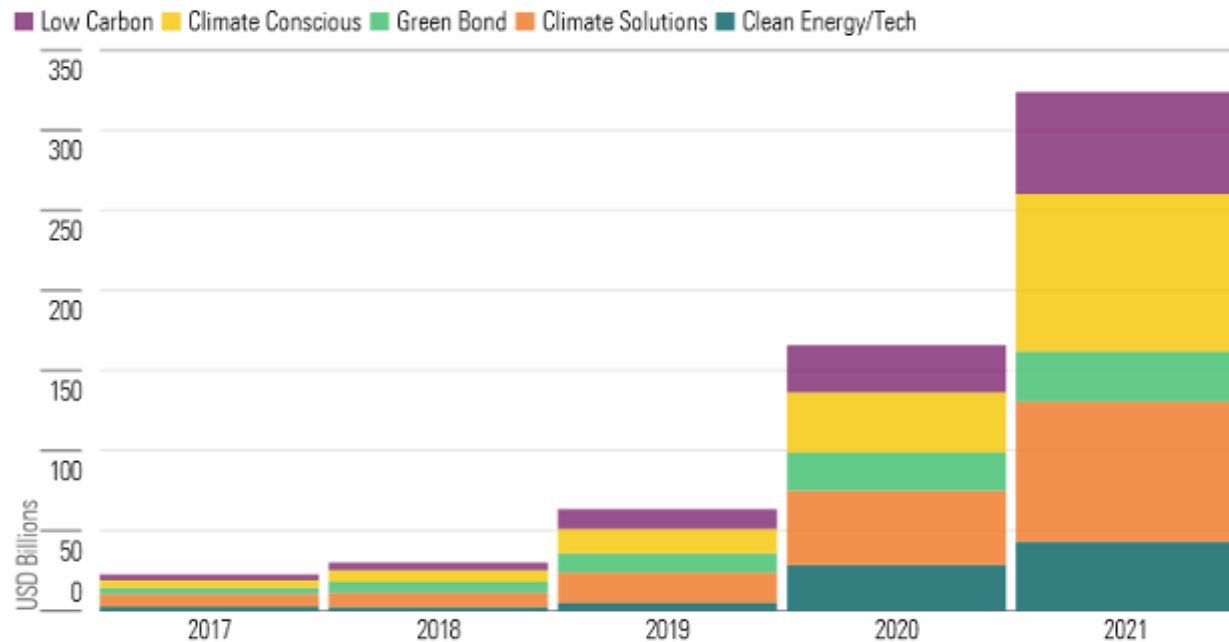
Flows into in climate funds up 60% and assets double in 2021

Flows Into European Climate Funds



Source: Morningstar Direct. Morningstar Research. Data as of December 2021.

Assets in European Climate Funds



Source: Morningstar Direct. Morningstar Research. Data as of December 2021.

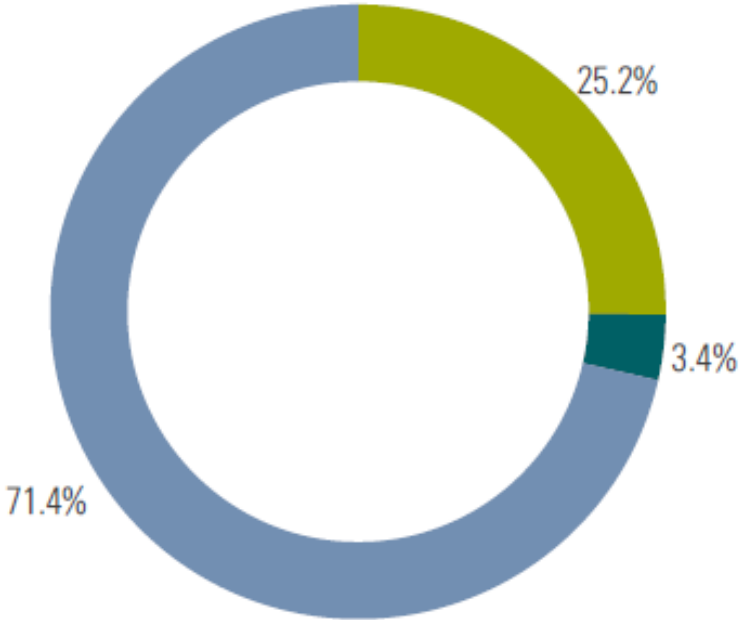
EU Sustainable Finance Disclosure Regulation (SFDR)



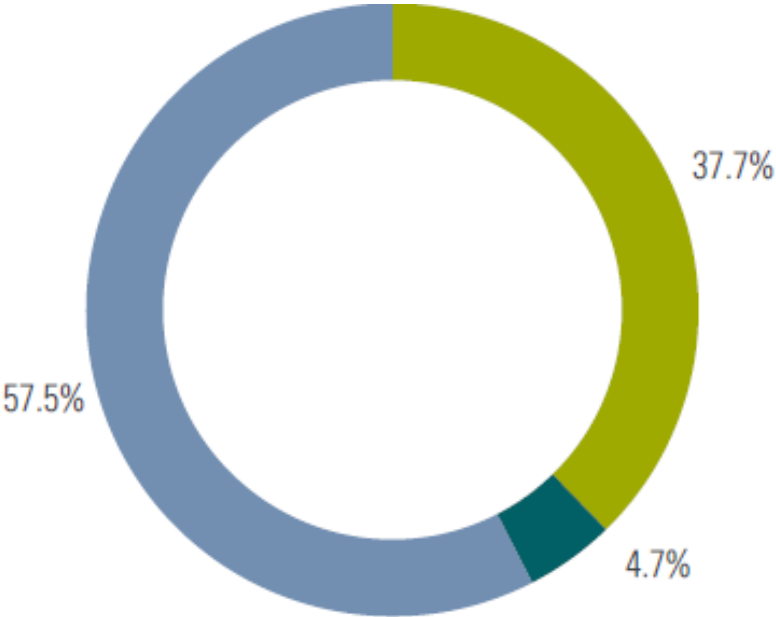
Article 8/9 funds represented over 42% of EU fund assets at end 2021

SFDR Fund Type Breakdown (by Number of Funds)

■ Article 8 ■ Article 9 ■ Article 6

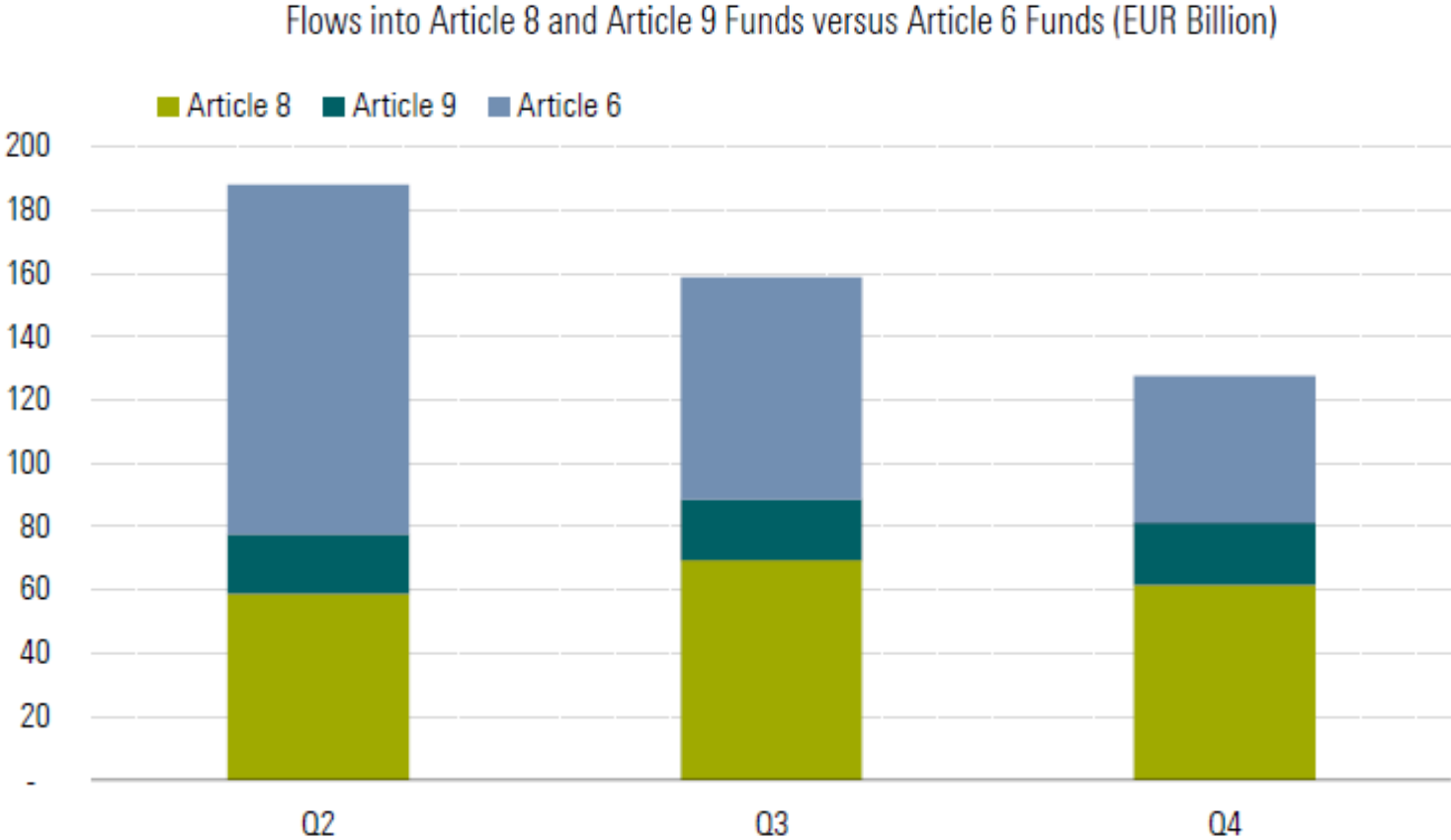


SFDR Fund Type Breakdown (by Assets)



Source: Morningstar Direct. Data as of 31 Dec 2021. Based on SFDR data collected from prospectuses on 91% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Article 8/9 funds take a growing share of total fund inflows



Source: Morningstar Direct. Data as of 31 Dec 2021. Based on SFDR data collected from prospectuses on 91% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

A broad range of ESG approaches

Article 8 Funds

Promoting environmental or social characteristics

- Values-based exclusions
- Material ESG considerations + Engagement
- Portfolio-level ESG KPIs
- Min 50% of sustainable assets
- Exclusion of 20% worst-in-universe
- Best-in-class
- Thematic

Light Green

Article 9 Funds

With a sustainable investment objective

- Values-based + fossil-fuel exclusions
- Portfolio-level ESG KPIs
- Best-in-class
- Thematic
- Impact

Dark Green

ESG Funds in the UK: A labelling and matching exercise

Potential approach to a sustainable product classification and labelling system

