

2nd Athens ESG Forum



How investors are building SFDR-aligned Sustainable Products

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EU Sustainable Finance Disclosure Regulation

- [Regulation \(EU\) 2019/2088](#) is part of the EU Action Plan for Sustainable Finance.
- Applicable for financial market participants and financial advisers with respect to financial products.
- Investors must **account for sustainability risks** integration into investment decisions and **adverse impacts on people and the planet**.
- Harmonized investor **ESG disclosure standards** and **transparency**.
- Adopted in November 2019. Most of the provisions on sustainability-related disclosures applying from **10 March 2021**.
- Product-related Taxonomy disclosures apply for financial products with respect to the first two environmental objectives **from 1 January 2022**.
- Information will be shared at the company's website, product pre-contractual and periodic reporting.
- Commission's letter on 25 November 2021- Application date of the **regulatory technical standards-RTS** would be delayed to **1 January 2023**.
- **On 25th March 2022**, the ESAs issued an [updated Supervisory Statement](#) on the application of the SFDR:
 - a) Taxonomy-related product disclosures must include a precise **quantification and explanation of Taxonomy-alignment**
 - b) Financial market participants must obtain 'equivalent information' from the company itself or from a third party.
- **On 6th April 2022**, the European Commission adopted the [Delegated Regulation \(DR\) consolidating all RTS](#) prepared by the ESAs under the SFDR.
- The DR specifies the **content, methodologies, and presentation** of information to be disclosed.



Summary table of SFDR and TR disclosure obligations on financial market participants, financial advisers and financial products

Article	Entity or product level disclosure	Content	Are the Level 1 provisions complemented by RTS?	Application of Level 1 obligation	Draft application date of RTS provisions
Article 6 SFDR	Financial product and financial advice	Integration of sustainability risks into investment decisions and investment advice	No	10 March 2021	N/A
Article 7(1) SFDR	Financial product	Consideration of PAI at product level	No	30 December 2022	N/A
Article 7(2) SFDR	Financial product	No consideration of PAI at product level	No	10 March 2021	N/A
Article 8 SFDR and Article 6 TR	Financial product	Pre-contractual disclosures for products promoting environmental or social characteristics	Yes	(1) 10 March 2021 (Article 8(1) and (2) SFDR) (2) 1 January 2022 for the taxonomy-related disclosures for environmental objectives referred to in Article 9(a)-(b) TR (Article 8(2a) SFDR) (3) 1 January 2023 for the taxonomy-related disclosures for environmental objectives referred to in Article 9(c)-(f) TR (Article 8(2a) SFDR)	1 January 2023
Article 9 SFDR and Article 5 TR	Financial product	Pre-contractual disclosures for products with sustainable investment objective	Yes	(1) 10 March 2021 (Article 9(1), (2) and(3) SFDR) (2) 1 January 2022 for the taxonomy- related disclosures for environmental objectives referred to in Article 9(a)-(b) TR (Article 9(4a) SFDR) (3) 1 January 2023 for the taxonomy- related disclosures for environmental objectives referred to in Article 9(c)-(f) TR (Article 9(4a) SFDR)	1 January 2023



The Regulatory Technical Standards (RTS) under the SFDR

The Principal Adverse Sustainability Impacts Statement - Outline

Sustainability Factors	Adverse Sustainability Indicators applicable to investments in investee companies
GHG Emissions	GHG emissions [(Scope 1 and 2) and (Scope 3 from 1 January 2023), Total GHG emissions
	Carbon Footprint
	GHG intensity
	Activities in the fossil fuel sector
	Share of non-renewable energy consumption and production
Biodiversity	Energy consumption intensity per high impact climate sector (in GWh per million EUR of revenue)
Water	Activities negatively affecting biodiversity-sensitive areas
Waste	Water emissions (in tonnes)
Social and employee matters	Hazardous waste ratio (in tonnes)
	Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	Lack of processes, policies and compliance mechanisms for UN Global Compact and OECD Guidelines
	Unadjusted gender pay gap
	Board gender diversity (ratio of female to male board members)
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

MORNINGSTAR[®] Research:

- The Global Sustainable Fund universe* almost doubled to **USD 3.9 tn (end Q3 2021)**, following the introduction of the EU SFDR.
- European sustainable fund flows represented 49.6% of overall fund flows in Q3 2021.
- **Europe** accounted for **88% of global sustainable assets**.
- 270 new sustainability products launched globally in Q3 2021 bringing the **total to 7,486 funds**.
- **Equity funds dominated** new product launches (60%) in Q3 2021.
- Robust demand for sustainability products as fund flows into **Article 8 and Article 9 funds** accelerated in Q3 2021 capturing **57% of total flows**.
- 50% of new fund launches in Q3 2021 were either Article 8 or Article 9 funds.

* Funds with sustainability objective and/or ESG criteria in investment selection



Research:

- **Net assets of Article 8 SFDR funds** totalled EUR 3.7 tn at the end of March 2021, or **22% of the European fund market**.
- **Net assets of Article 9 SFDR funds** totalled EUR 340 bn at the end of March 2021, or **2% of the European fund market**.
- Uneven geographical coverage of funds classified according to Article 8 and Article 9 SFDR across European member countries.
- ESG integration remains the most applied strategy, with sustainability themed investments and impact investing gaining ground.

Study Methodology

- Scope of the study is to **collect and analyze information** on Asset Management companies' SFDR fund classification (Article 6, Article 8, Article 9) and related ESG expertise.
- **19 global Asset Management companies under review**
- Data gathering per investment product include name of the fund, ISIN code, share class, share class currency, UCITS compliance, assets under management (AuM), SFDR classification, asset class, benchmark where applicable. Fund AuM represents latest available information in Bloomberg and includes all available share classes.
- Analysis regarding the percentage of **total AUM** aligned to SFDR Article 6, Article 8 and Article 9.
- Analysis regarding the **asset class** attributed to Article 8 and Article 9 investment products.
- Results compared to **Morningstar** Fund Review, **EFAMA** and **EUROSIF** insights.
- **Qualitative analysis** on the objectives, methodology, criteria and investment process followed by Article 8 and Article 9 funds **to ensure SFDR alignment**.
- Information on Article 8 funds centered on criteria established in promoting environmental or social characteristics.
- Information on Article 9 funds centered on sustainable investment objective or target.
- **Data sources:** Sustainability, ESG, SFDR and product related material publicly available, information provided by the Asset Management companies on investment process and SFDR classification, Bloomberg.



1. BLACKROCK



BLACKROCK

- Commitment to put sustainability at the center of investments process. ESG integrated in active and advisory strategies.
- SFDR product classification: **88% Article 6, 6% Article 8 and 6% Article 9.**
- Asset class breakdown (Article 8): 21% Equities, 28% Bonds, **49% Asset Allocation.**
- Asset class breakdown (Article 9): 99% Equities.
- **Sustainable mutual fund and ETF offerings** cover exclusion of controversial business (**Screened strategy**), better ESG profile versus the benchmark (**ESG Broad strategy**), focus on specific themes (**Thematic strategies**) and those that generate measurable impact on one or more ESG factors (**Impact strategies**).
- Active sustainable investment strategies include **42 funds classified as Article 8** and **10 funds as Article 9**. Most Article 8 funds represent Screened and ESG Broad strategies. Article 9 funds represent both ESG Thematic and Impact strategies.
- The development of Climate ETFs with Paris Aligned Benchmarks (PAB) prioritizes net zero transition.
- **Key pillars of Sustainable investing:** Investment solutions, investment management, ESG research, company engagement, transparency & reporting, data & technology.
- **ESG approach:** Follow a principles-based approach to ESG integration providing the structure, tools and governance. Incorporate material ESG data and insights consistent with best market practices. Perform regular sustainability-related risk analysis. Focus on transparency via improved ESG disclosures at the company and fund level.

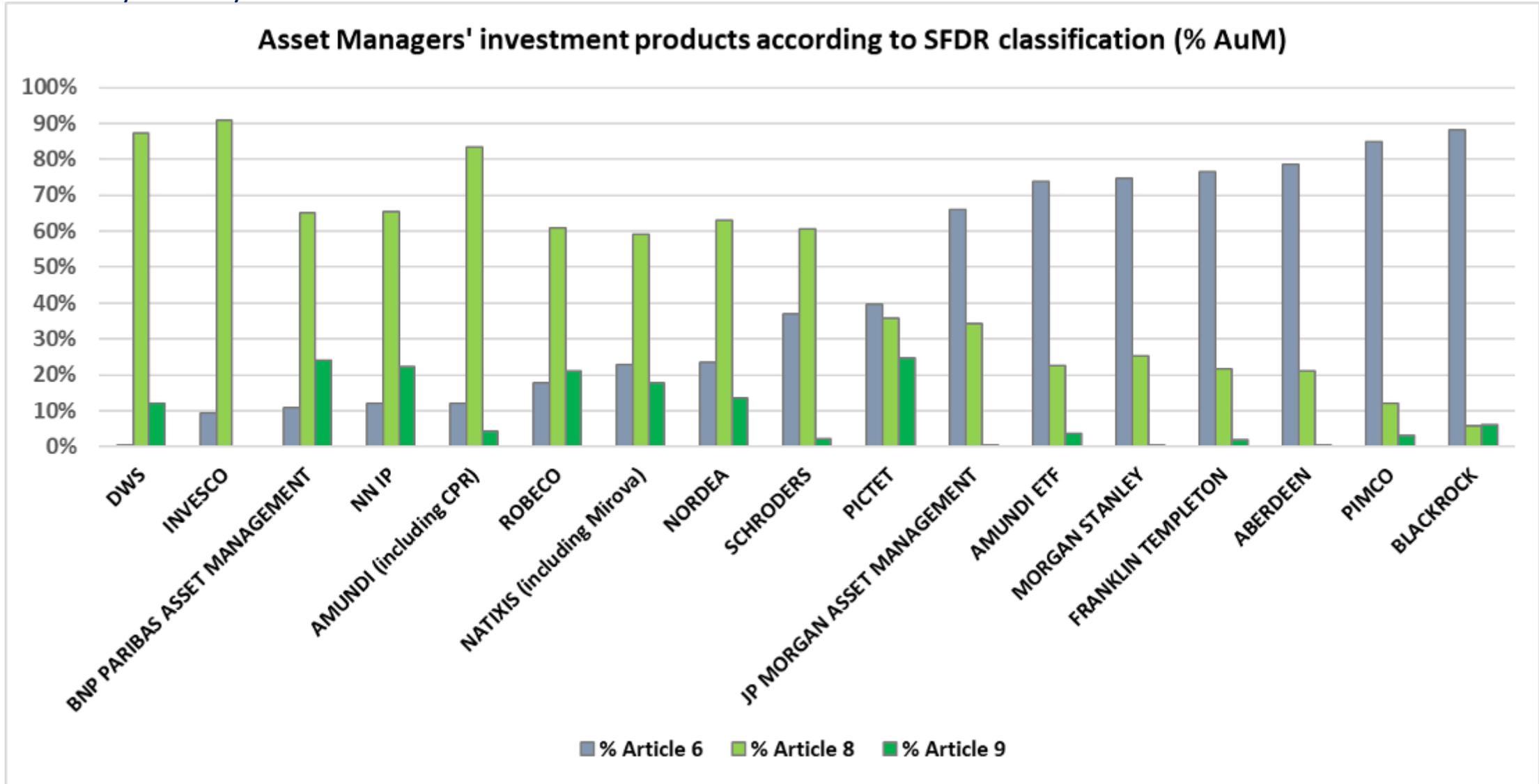
2. AMUNDI

- Integrates **ESG in all strategies**, processes and funds.
- Three-year ESG strategic plan adopted in 2018 to integrate ESG into fund management and voting activities by 2021 through systematic integration of ESG criteria, pro-active engagement and voting.
- New 3-year action plan, “**ESG Ambition 2025**” targets a faster **path to decarbonization** by committing to accelerate investing aligned with net zero emissions by 2050 or sooner. All actively managed open-end funds to incorporate assessment on decarbonization and sustainable activities.
- **Target EUR 20bn impact investments** and expand ETF ESG solutions to 40% of total ETF by 2025.
- Assets managed following responsible investment approach in excess of EUR 800 bn. SFDR classification for investment products EUR 535 bn (including passive EUR 164 bn).
- A total of 298 actively managed funds comply with Article 8 covering equity (143), fixed income (99) and mixed asset classes (59). **A total of 37 funds comply with Article 9.**
- SFDR product classification: **12% Article 6, 83% Article 8 and 4% Article 9.** Majority of passive funds classified as Article 6 (74%).
- Asset class breakdown (Article 8): 14% Equities, 23% Bonds, 16% Asset Allocation, **46% Money Market.** Asset class breakdown (Article 9): **60% Equities**, 24% Bonds
- ESG approach: Responsible offering captures multi-dimensional ESG integration and ESG sustainability themed investing divided between environmental and social focus.
- **ESG mainstream integration** includes ESG assessment of investee companies (**37 criteria** of which 21 sector-specific criteria), preference over highly rated companies with **lowest rated companies under-weighted or excluded.**

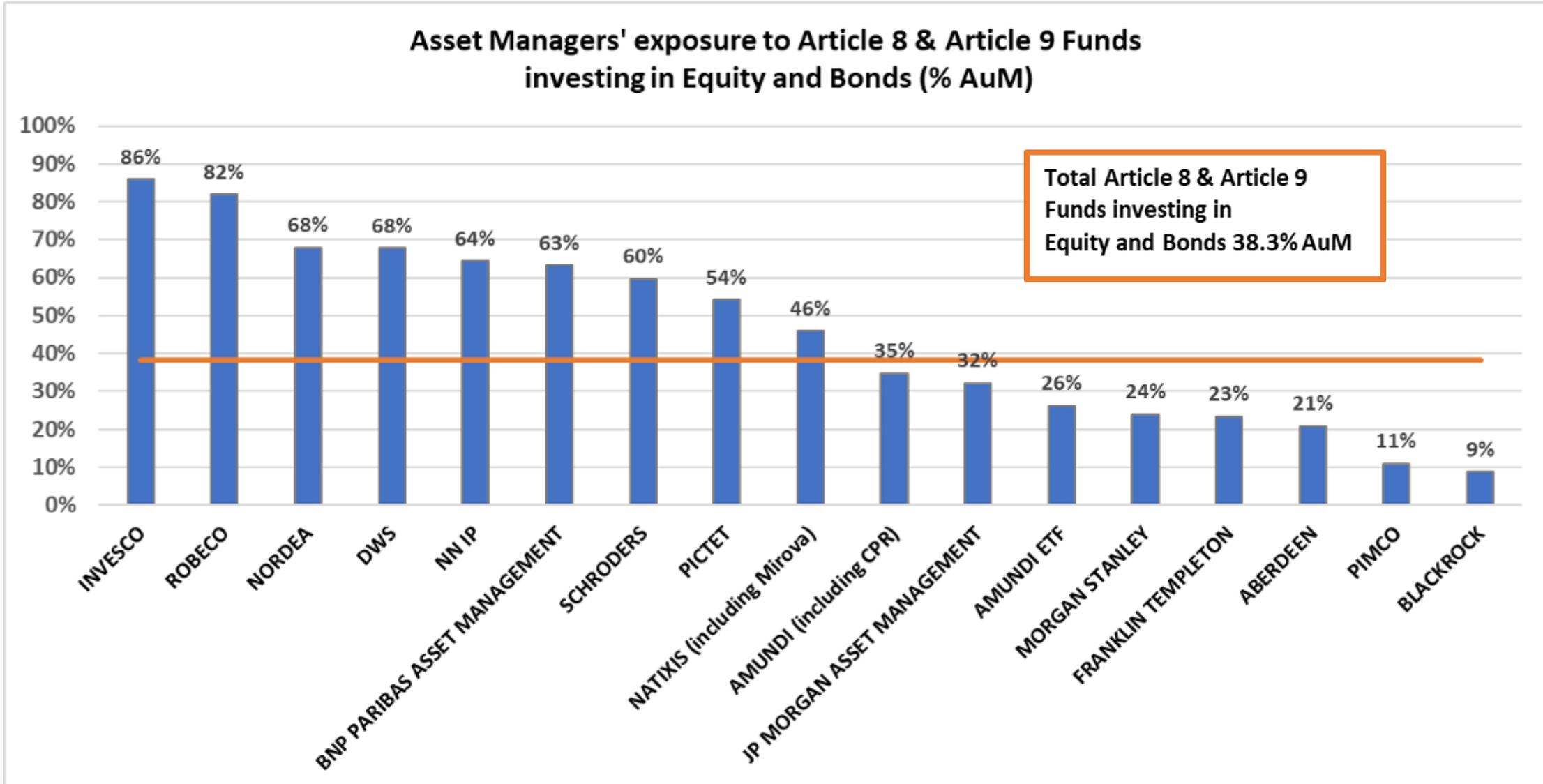
3. BNP PARIBAS ASSET MANAGEMENT

- Adoption of sustainable investment approach across **all investment strategies since 2020.**
- Sustainable Investing **Roadmap 2019-2022 focus on the energy transition** to a low carbon economy, the environment, equality and inclusive growth.
- SFDR product classification: **11% Article 6, 65% Article 8 and 24% Article 9.**
- Passive funds classified as Article 9 capture 45% of AuM in ETFs.
- Asset class breakdown (**Article 8**): 30% Equities, 30% Bonds, 33% Money Market
- Asset class breakdown (**Article 9**): **96% Equities**
- Sustainable investment approach: ESG integration, stewardship, responsible business conduct expectations and product-based exclusions, forward looking perspective.
- ESG integration aims to deliver outperformance of investment strategies versus their benchmarks **based on the ESG score and carbon footprint.**
- A total of **EUR 121 bn allocated in Sustainable+ fund range** covering enhanced ESG funds incorporating exclusions or best-in-class strategies, thematic and impact funds.
- **Article 6 funds** integrate sustainability risks by applying the Responsible Business Conduct Policy (exclusions), by integrating relevant ESG factors and by reviewing companies with lowest ESG performance.
- **Article 8 funds** at least 90% of their investments in developed markets covered by ESG analysts and at least 75% in emerging.
- **Article 9 funds** contribute to an environmental and/or social objective while ensuring DNSH (on top of sustainability risk criteria).

Key Study Results



Key Study Results



What's in the study?

- **Qualitative and Quantitative Analyses of 19 Asset Management companies' SFDR fund classification** (Article 6, Article 8, Article 9) and related ESG expertise, criteria, objectives and methodologies.
- **Excel file with data gathering per investment product** including: the name of the fund, ISIN code, share class, share class currency, UCITS compliance, assets under management (AuM), SFDR classification, asset class, benchmark where applicable.
- **Data sources:** ESG/Sustainability, SFDR and product-related material, information provided by the Asset Management companies on investment process and SFDR classification.

For enquiries about the full study, please contact:

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