

SFDR Article 8 and Article 9 Funds: Q1 2022 in Review

Article 8 funds register outflows for the first time, while Article 9 funds hold up.

Morningstar Manager Research

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Key Takeaways

- ▶ In the first quarter of 2022, Article 8 funds bled EUR 3.3 billion, while Article 9 funds registered inflows of EUR 8.6 billion, against a backdrop of inflationary pressure, uncertainties around interest rates, and geopolitical concerns following Russia's invasion of Ukraine.
- ▶ Article 8 and Article 9 fund assets grew by 8.5% in the first quarter of 2022 to EUR 4.18 trillion.
- ▶ The two fund groups accounted for a bigger share of the EU universe: 45.6% at the end of March, from 42.4% three months earlier, in terms of assets.
- ▶ Product development fell by almost half in the first quarter, with an estimated 138 new Article 8 and Article 9 fund launches. This represents 47% of total new funds inception in the EU over the period.
- ▶ Amundi, JPMorgan, and Nordea, ranked as the top three providers of Article 8 funds, while Pictet, BNP Paribas, and BlackRock were the largest providers of Article 9 funds, in terms of assets.

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The Article 8 and Article 9 Fund Universe

Our Article 8 and Article 9 fund universe encompasses open-end and exchange-traded funds in scope of the Sustainable Finance Disclosure Regulation that state in their prospectuses that they either promote environmental and/or social characteristics (Article 8, "light green" funds) or have a sustainable investment objective (Article 9, "dark green" funds). We identified these funds using the "EU SFDR Fund type (Article 8 or Article 9)" data point in the Morningstar Direct database. Funds in scope of SFDR that are neither Article 8 nor Article 9 are Article 6 funds ("Not Stated" in the Morningstar database). This report uses SFDR disclosure collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds. (For more details on SFDR, read [SFDR Article 8 and Article 9 Funds: 2021 in Review](#))

Important Disclosure

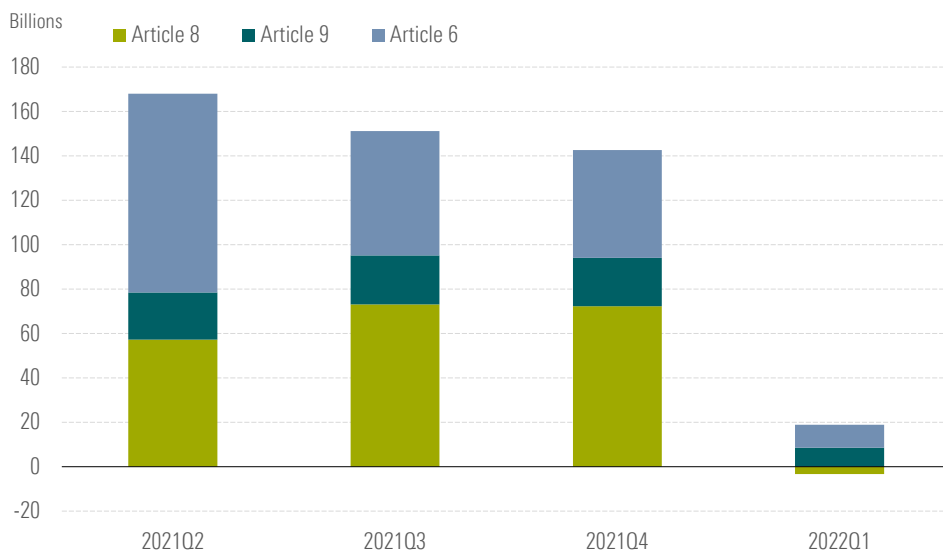
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Article 8 Funds Register Net Outflows for the First Time, While Article 9 Funds Hold Up

Against a challenging macroeconomic backdrop of inflationary pressures, geopolitical risks, and market volatility, Article 8 and Article 9 fund inflows declined to EUR 5.2 billion in the first quarter of 2022, from a restated EUR 94.1 billion in the fourth quarter of 2021. This represents a 94% decline, which is larger than the 79% fall in inflows experienced by Article 6 funds over the period.

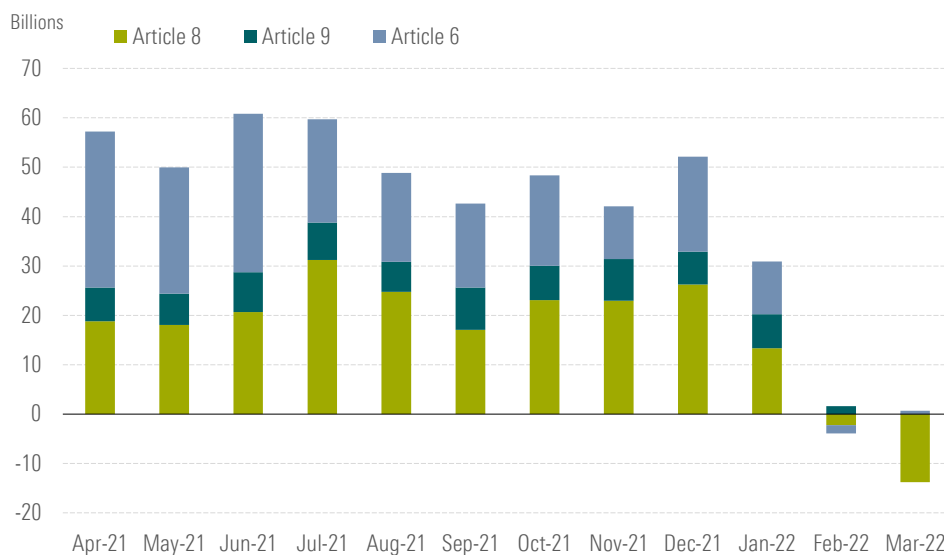
After strong inflows last year, Article 8 funds suffered the most in the first three months of 2022, bleeding EUR 3.3 billion, while Article 9 funds registered inflows of EUR 8.6 billion.

Exhibit 1 Quarterly Flows Into Article 8 and Article 9 Funds Versus Article 6 Funds (EUR Billion)



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

The monthly flows breakdown shows that Article 8 funds started experiencing outflows in February (EUR 2.2 billion), which deepened in March at EUR 13.7 billion. Meanwhile, Article 6 funds recorded smaller outflows in February (EUR 1.7 billion) and barely positive net flows of EUR 0.7 billion in March.

Exhibit 2 Monthly Flows Into Article 8 and Article 9 Funds Versus Article 6 Funds (EUR Billion)

Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

In contrast, flows into the Article 9 funds remained positive through February and March 2022's turbulent markets, although by a small amount. Their resilience could be linked to their more limited exposure to hard-hit fixed-income funds. At the end of 2021, fixed-income funds accounted for 15.6% of Article 9 fund assets, roughly half of the representation of fixed-income funds in the Article 8 grouping (29.7%). Moreover, some of the most represented asset classes (as defined by the Morningstar Categories) in the Article 8 fund group recorded significant outflows relative to the rest of the universe. Examples include EUR Corporate Bond (EUR 6.6 billion), EUR Diversified Bond - Short Term (EUR 4.2 billion), and Europe Large-Cap Growth Equity (EUR 3.4 billion).

Within the Article 8 fund group, however, investors continued to pour money into the "greener" strategies, as evidenced by the EUR 27.1 billion inflows registered by the Article 8 funds included in our [sustainable fund universe](#). Our universe includes funds that focus on sustainability; impact; or ESG factors. It doesn't contain the growing number of funds often referred to as "ESG integrated funds," which formally consider ESG criteria in the investment process but do not make ESG considerations the focus of the investment process. Some of these ESG integrated funds may be classified by their managers as Article 8.

Flows—Leaders and Laggards

Below are the Article 8 and Article 9 funds that experienced the largest inflows and outflows in the second quarter.

Exhibit 3 Article 8 Funds With the Largest Inflows in the First Quarter of 2022



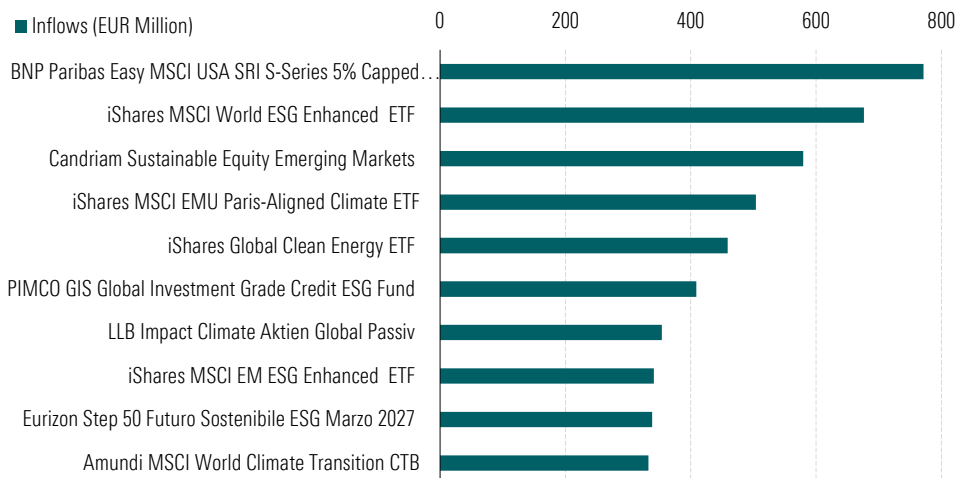
Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Exhibit 4 Article 8 Funds With the Largest Outflows in the First Quarter of 2022



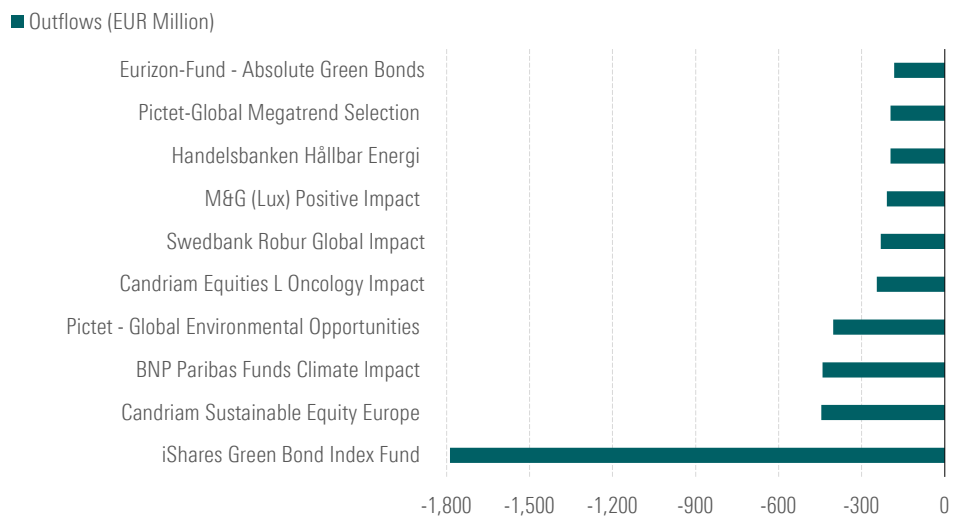
Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Exhibit 5 Article 9 Funds With the Largest Inflows in the First Quarter of 2022



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Exhibit 6 Article 9 Funds With the Largest Outflows in the First Quarter of 2022

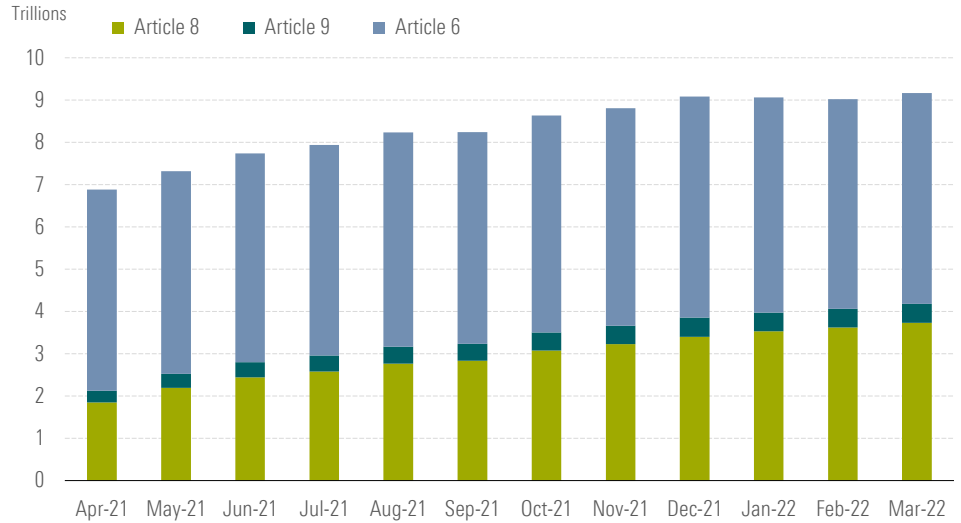


Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Article 8 and Article 9 Fund Assets Close to 4.18 Trillion

Despite the challenging macroeconomic backdrop of inflationary pressures, geopolitical risks, and market volatility, Article 8 and Article 9 fund assets grew by 8.5% in the first quarter of 2022 to EUR 4.18 trillion, from a restated amount of EUR 3.85 trillion at the end of December 2021. In comparison, Article 6 fund assets declined by 4.7% over the period.

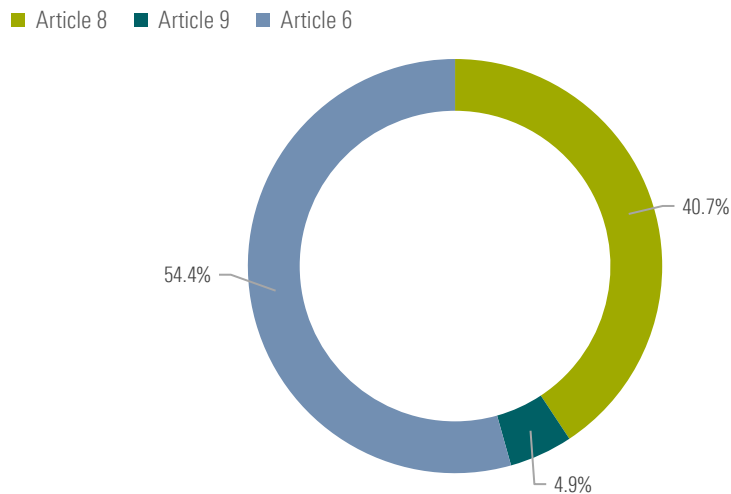
Exhibit 7 Monthly Assets Breakdown by SFDR Classification



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

As a result, the two fund groups accounted for a bigger share of the EU universe: 45.6%, split into 40.7% for Article 8 products and 4.9% for Article 9 products, at the end of March. This compares with a combined (and restated) market share of 42.4% at the end of December 2021.

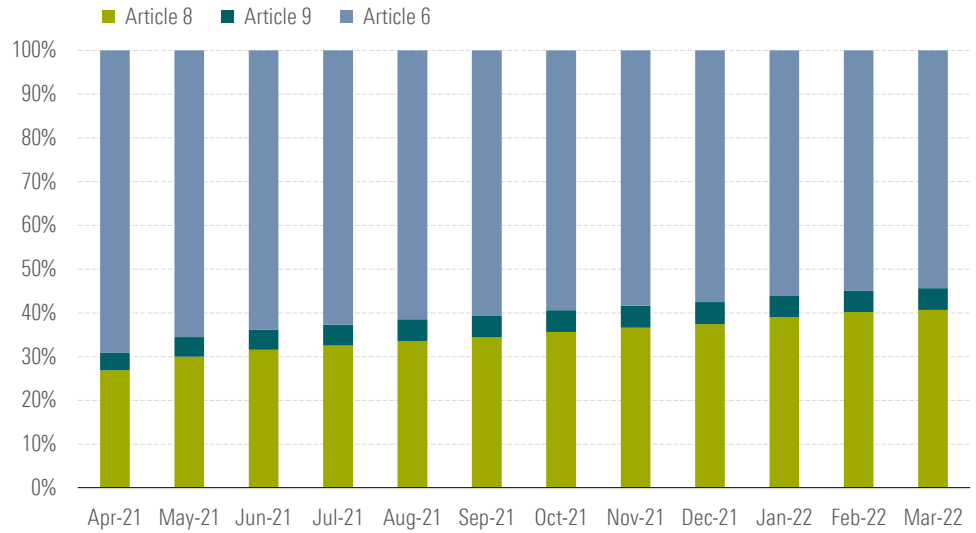
Exhibit 8 SFDR Fund Type Breakdown (by Assets)



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

From 30.9% a year ago to 45.6% at the end of March 2022, Article 8 and Article 9 funds are on track to reach 50% of overall EU fund assets by mid-2022 as managers continue to upgrade strategies and launch new products that meet the articles' requirements.

Exhibit 9 Monthly Assets Breakdown by SFDR Classification in Percentage Terms

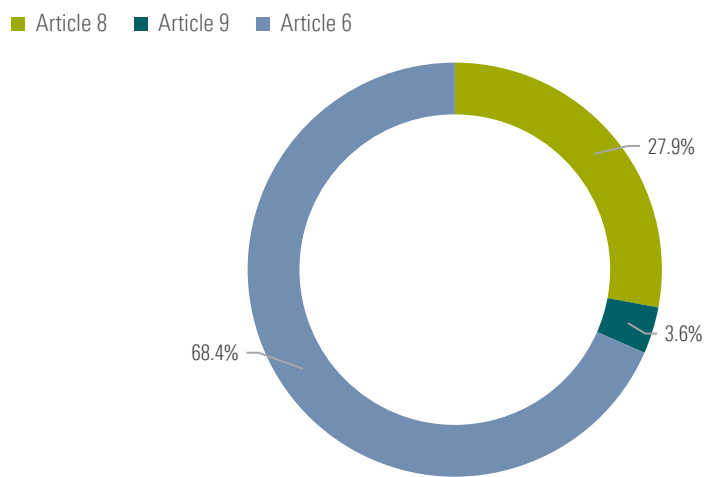


Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

In terms of number of funds,¹ the market share of Article 8 and Article 9 funds grew too in the first quarter, with 6,862 (27.9%) funds classified as Article 8 and 898 (3.6%) classified as Article 9.

Combined, the two categories represented 31.5% of the overall EU fund universe at the end of March, up from 28.6% at the end of December 2021.

Exhibit 10 SFDR Fund Type Breakdown (by Number of Funds)



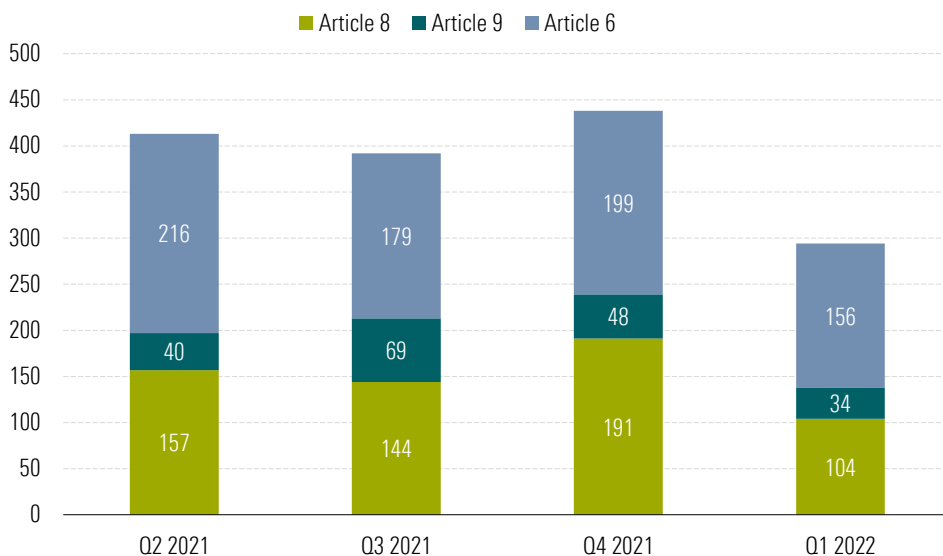
Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

¹ Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Article 8 and Article 9 Fund Launches

Product development waned in the first quarter of 2022, with an estimated 138 Article 8 and Article 9 fund launches. This represents a 46% quarterly decline.

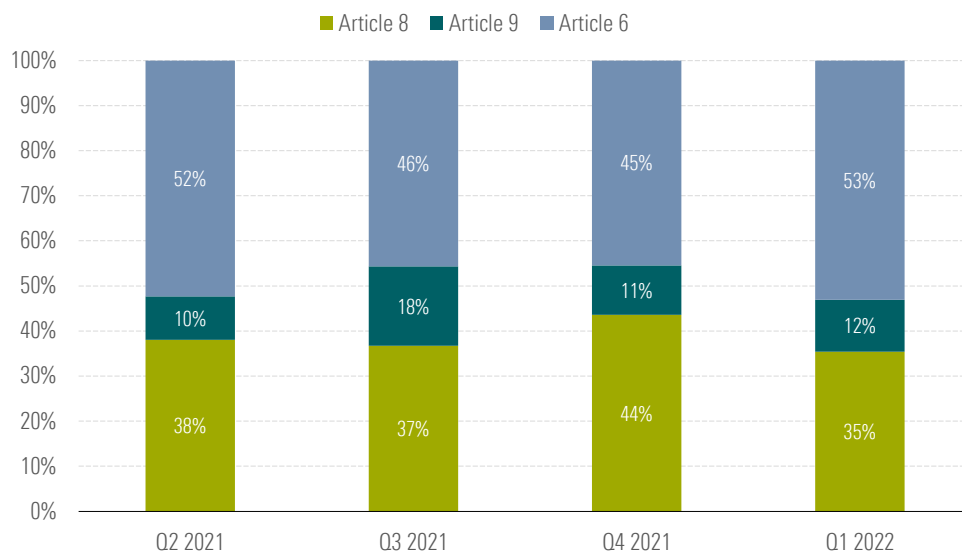
Exhibit 11 Quarterly Number of Fund Launches



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

However, our experience assessing newly incepted products shows that [first-quarter numbers of new launches have historically been lower than fourth-quarter numbers](#) across the board. Moreover, it is likely that the number of launches last quarter will be restated in future reports as we identify more launches and additional ones are reported to Morningstar.

That said, reverting the trend we reported in the second half of last year, Article 6 funds registered a higher proportion (53%) of new fund launches in the first quarter of this year, with 156 new offerings.

Exhibit 12 Quarterly Breakdown of Fund Launches

Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Despite this slump in product development, asset managers continued to expand the range of Article 8 and Article 9 options available to investors in terms of asset class, market exposure, investment style, and theme. Equity remained the source of the greatest product proliferation with 64 new equity offerings, followed by allocation and fixed income, with 39 and 31, respectively. Passive offerings accounted for less than 6% of new launches.

While broad ESG and sustainable funds represented the bulk of new Article 8 and Article 9 offerings, climate funds remained a popular theme among new launches: we counted six and 10 of such fund launches in the Article 9 and Article 8 categories. [Climate-themed funds](#) allow investors to reduce climate risk in portfolios and/or gain exposure to companies that will benefit from, or contribute to, the transition to a low-carbon economy. We expect the range of options for climate-conscious investors to continue to expand in 2022.

Recently launched Article 8 climate funds include **HSBC GIF Global Green Bond**, which focuses on green bonds, sustainability-linked bonds, transition bonds for which over 50% of proceeds support climate-related and environmental projects, as well as general corporate bonds from issuers with at least 90% of corporate revenues associated with the activities identified in the ICMA Green Bond Principles. **Moorea Fund Sustainable Climate Action** is another example. This Article 9 strategy invests in companies that offer products and services in green eco-activities that actively contribute to the environmental transition. Green eco-activities include renewable energies, energy efficiencies, green mobility, green buildings, circular economy, as well as sustainable water and agriculture.

The largest new Article 8 entrant was **MMA Green, Social and Sustainable Bonds**, which amassed a whopping EUR 2.5 billion less than a month after its launch. Another successful launch was **UBS (Lux) Green Social and Sustainable Bonds**, which clocked in with EUR 939 million at the end of the first quarter.

Launches in the Article 9 category clustered around similar sustainable themes and comprised several impact strategies. Examples include **DWS Invest SDG Corporate Bonds**, a fund that targets debt instruments issued by companies that advance the UN Sustainable Development Goals or bonds whose proceeds contribute to finance SDG-related or themed projects.

Reclassified Funds

In the first three months of the year, asset managers continued to upgrade funds to Article 8 or Article 9 by enhancing the funds' ESG integration processes and/or adding binding ESG criteria to the investment objectives and/or investment policies.

Examples of funds recently upgraded from Article 6 to Article 8 include two Amundi passive funds. **Amundi CAC 40 ESG ETF**, previously called Amundi CAC 40 ETF, has switched to an ESG best-in-class index focusing on the top 40 French stocks with the best ESG credentials among the constituents of the CAC Large 60 Index. **Amundi Stoxx Europe 600 ESG ETF**, previously known as Amundi Stoxx Europe 600 ETF, was revamped to target the 80% of firms of the Stoxx Europe 600 Index with the highest ESG score.

On the active side, fixed-income specialist Muzinich & Co overhauled and rebranded its global high-yield bond fund into **Muzinich Global High Yield Low Carbon Credit** on the back of the firm's commitment to net zero by 2050. Reclassified as Article 9, the fund now targets a carbon intensity of at least 40% below the reference index's and implements a set of socially responsible industry and conduct-based exclusions.

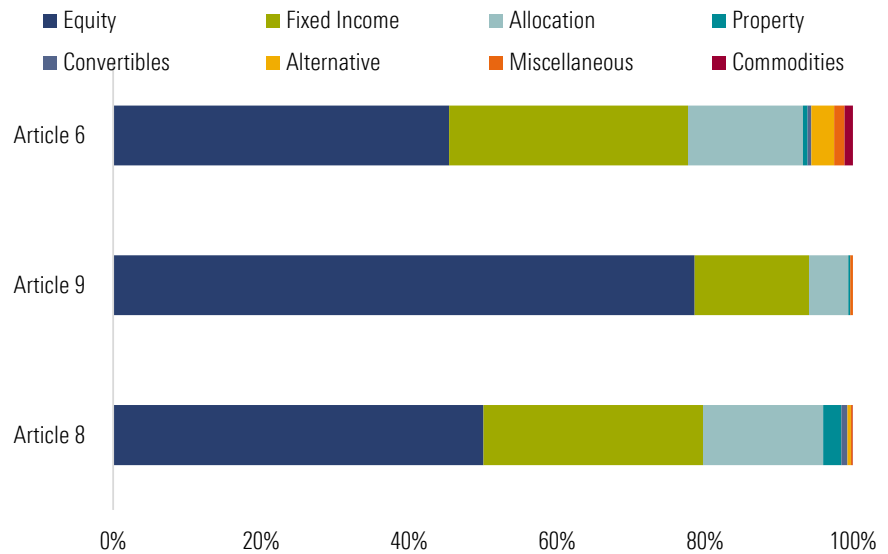
Meanwhile, Abrdn recently announced its intention to convert 24 of its products (18 equity and six fixed-income funds accounting for over EUR 8 billion in assets) to Article 8. The strategies will include specific ESG targets and have a lower carbon intensity than their benchmarks.

Invesco has also recently proposed to its clients to amend the index of its **Global Clean Energy ETF** and subsequently reclassify the fund from Article 8 to Article 9. The amendments will see the index add ESG exclusionary criteria including norms-based, controversy and business involvement screening, avoiding companies with poor governance practices or those doing significant harm to the environment.

Article 8 and Article 9 Funds per Broad Asset Class

Article 8 and Article 9 funds vary in asset class exposure compared with Article 6 funds. Both categories lean more toward equity, with equity funds accounting for exactly half of Article 8 offerings and 79% of Article 9 products as of March 2022, versus 45% in the Article 6 fund group. At the end of March 2022, fixed income represented close to 30% and 16% of Article 8 and Article 9 funds, respectively. Meanwhile, Allocation funds constitute 16% and 5% of Article 8 and Article 9 funds, respectively. The representation of other asset classes in the two groupings remains very low.

Exhibit 13 Article 8 and Article 9 Funds per Broad Asset Class

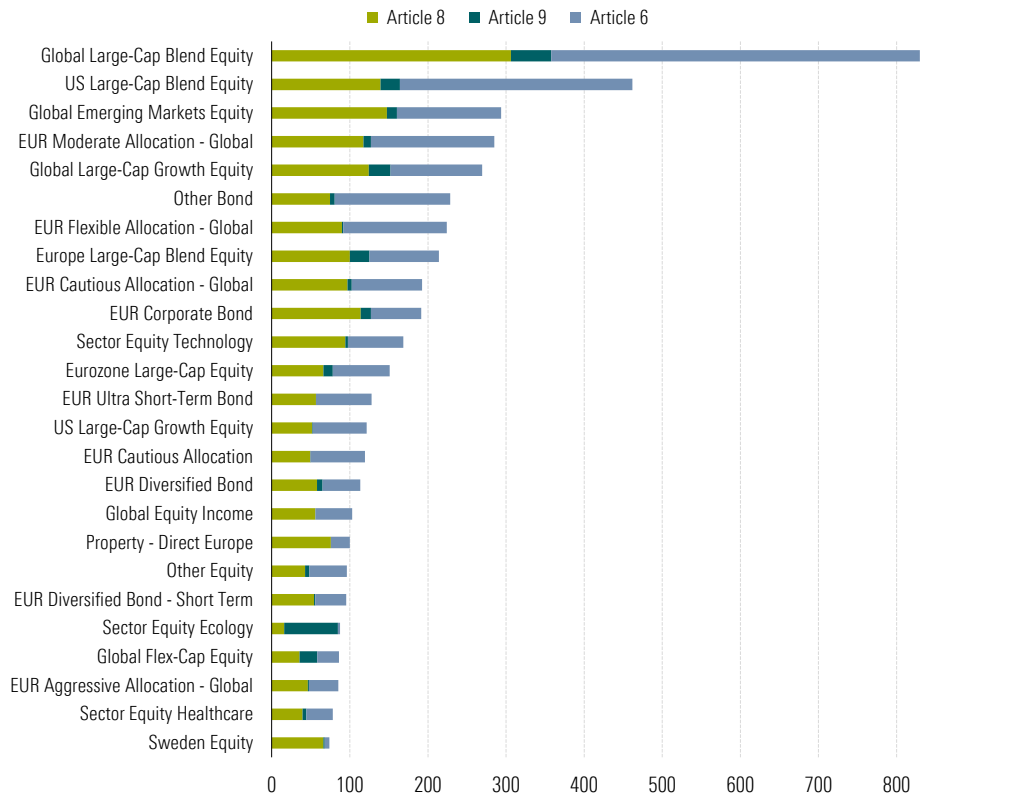


Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Article 8 and Article 9 Funds per Morningstar Category

Diving into some of the 25 Morningstar Categories with the highest Article 8 and Article 9 funds' asset ratios, we can see that Article 8 and Article 9 fund assets are distributed unevenly across these categories.

Exhibit 14 Article 8 and Article 9 Funds per Morningstar Category (EUR Billion)



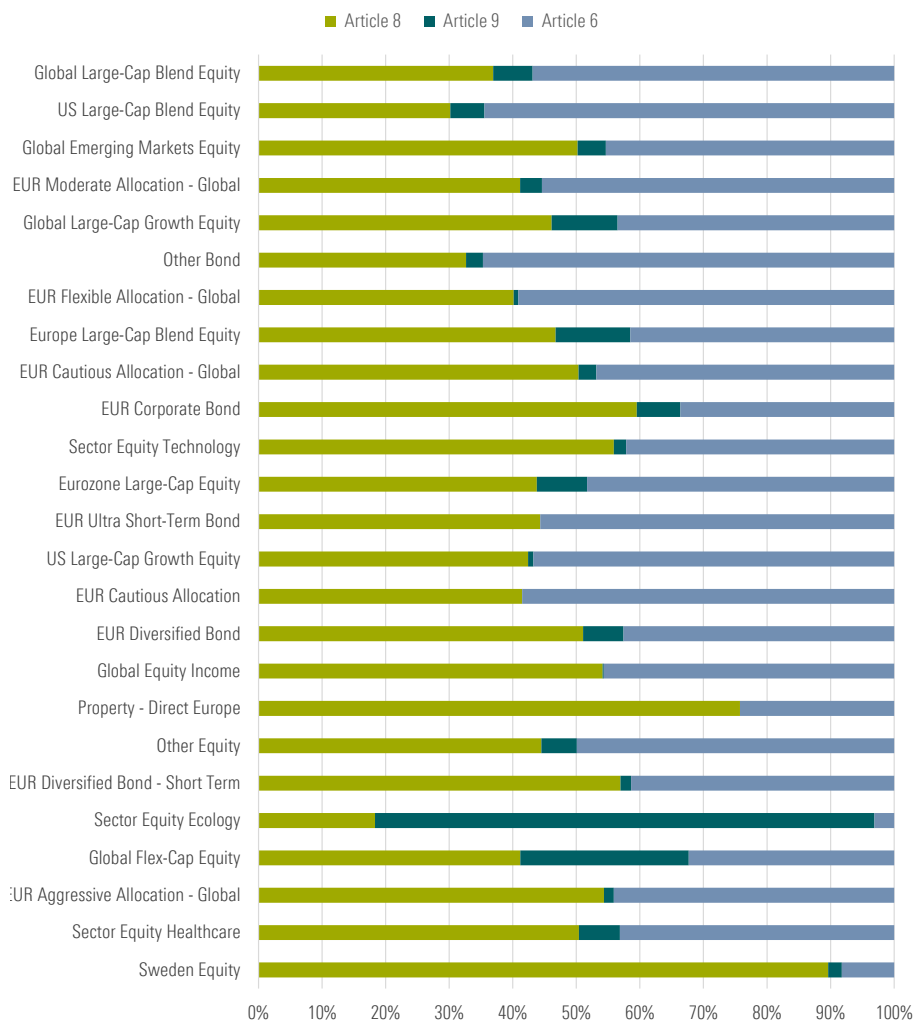
Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

While the largest one, global large-cap blend equity, has 43% of its assets in Article 8 funds and Article 9 funds, two of the smallest categories selected in our sample, Sweden equity and sector equity ecology, have 92% and 97% of their assets in Article 8 and Article 9 funds, respectively.

Outside of Morningstar Equity Categories, Property-Direct Europe and EUR Corporate Bond are the categories with the highest proportion of Article 8 or 9 funds (76% and 66%, respectively).

Among the biggest Morningstar categories, the lowest proportion of Article 8 and Article 9 offerings in aggregate is in U.S. large-cap blend equity, where only 30% of the assets are held in Article 8 funds and 5% in Article 9 funds, so 35% in total. By comparison, U.S. large-cap growth equity has only a slightly higher percentage of its assets (43%) in Article 8 and Article 9 funds.

Exhibit 15 Proportion of Article 8 and Article 9 Funds per Morningstar Category



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

These differences mean that investors have varying numbers of Article 8 and Article 9 options depending on the asset class and sub-asset class to which they are looking to gain exposure. While this may remain the case going forward because there are asset classes where ESG is easier to implement than others, we expect choices to continue to increase across the board.

The Largest Article 8 and Article 9 Funds

In the past three months, the league tables of the largest Article 8 and Article 9 funds have seen some changes. The Two AllianceBernstein fixed-income funds that led the Article 8 funds top 20 for many months were overtaken by two German direct property funds: a new entrant **Deka-Immobilien Europa** and **HausInvest**, which clocked at EUR 17.6 billion and EUR 17.2 billion, respectively, at the end of March. According to its prospectus, **Deka-Immobilien Europa** invests in European commercial real estate

while taking into account ESG criteria. Similarly, **HausInvest** focuses on high-quality commercial and residential real estate, real estate project developments, and investments in real estate companies. The fund was one of the first Real Estate products to be classified as Article 8 as its asset manager—**Commerz Real**—explained it considers social criteria as well as the climate and ecological performance of properties as a long-term value driver for the portfolio.

Exhibit 16 The 20 Largest Article 8 Funds

Name	SFDR Fund Type	Morningstar Global Category	AUM (EUR Billion)	Active / Passive	Morningstar Sustainability Rating
Deka-Immobilien Europa	Article 8	Property-Direct	17.6	Active	—
HausInvest	Article 8	Property-Direct	17.2	Active	—
AB - American Income	Article 8	US Fixed Income	16.7	Active	—
AB - Global High Yield	Article 8	Global Fixed Income	15.5	Active	—
Fidelity Funds - Global Technology	Article 8	Technology Sector Equity	14.0	Active	🌐🌐🌐🌐
DWS Concept Kaldemorgen	Article 8	Flexible Allocation	13.1	Active	🌐🌐🌐🌐
Findlay Park American	Article 8	US Equity Large Cap Growth	12.8	Active	🌐🌐🌐🌐
M&G (Lux) Optimal Income	Article 8	Cautious Allocation	12.0	Active	🌐🌐🌐
Muzinich Enhancedyield Short-Term	Article 8	Global Fixed Income	11.8	Active	🌐🌐
Mercer Multi Asset Growth Fund B2 0.1050	Article 8	Aggressive Allocation	10.6	Active	🌐🌐🌐🌐
JPMorgan Funds - Income Fund	Article 8	US Fixed Income	10.4	Active	—
Fidelity Funds - Global Dividend	Article 8	Global Equity Large Cap	10.3	Active	🌐🌐🌐🌐🌐
Northern Trust World Custom ESG Equity Index Fund	Article 8	Global Equity Large Cap	9.8	Passive	🌐🌐🌐
grundbesitz europa	Article 8	Property-Direct	9.8	Active	—
KLP AksjeGlobal Indeks	Article 8	Global Equity Large Cap	9.6	Passive	🌐🌐🌐
iShares MSCI USA SRI ETF	Article 8	US Equity Large Cap Blend	9.5	Passive	🌐🌐🌐🌐🌐
Towers Watson Global Equity Focus Fund Non Treaty	Article 8	Global Equity Large Cap	9.4	Active	—
WestInvest InterSelect	Article 8	Property-Direct	9.3	Active	—
Pictet-Multi Asset Global Opportunities	Article 8	Cautious Allocation	9.1	Active	🌐🌐🌐🌐
Swedbank Robur Technology	Article 8	Technology Sector Equity	9.0	Active	🌐🌐🌐🌐

Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

In addition to **Deka-Immobilien Europa**, seven other Article 8 funds made their entrance in the top 20. One of those is **JPMorgan Funds - Income Fund**, a fixed-income fund whose objective is to minimize the fluctuation in its holdings' periodic payments while investing at least 51% of its assets in issuers with positive ESG practices. Only two funds among the 20 largest Article 8 funds have ESG language in their name and are actively marketed as ESG-focused or sustainable offerings by their fund companies: new entrant **Northern Trust World Custom ESG Equity Index Fund** and **iShares MSCI USA SRI ETF**.

Meanwhile, three funds exited the top 20 under the Article 9 SFDR category: **ALM Souverains Euro ISR**, **BNP Paribas Funds Climate Impact**, and **Handelsbanken Hållbar Energi**. They have been replaced by two passive SRI and climate-passive products—**BNP Paribas Easy MSCI USA SRI S-Series 5% Capped Track** and **iShares Global Clean Energy ETF USD**—as well as **Pictet-Global Megatrend Selection**, an active offering that became the largest Article 9 fund as of March 2022. The latter targets companies that contribute to an environmental and social objective whilst avoiding activities that adversely affect society or the environment.

The leaderboard of Article 9 funds is well staffed with products focused on the environment and themes like renewable energy, climate transition, and water.

Exhibit 17 The 20 Largest Article 9 Funds

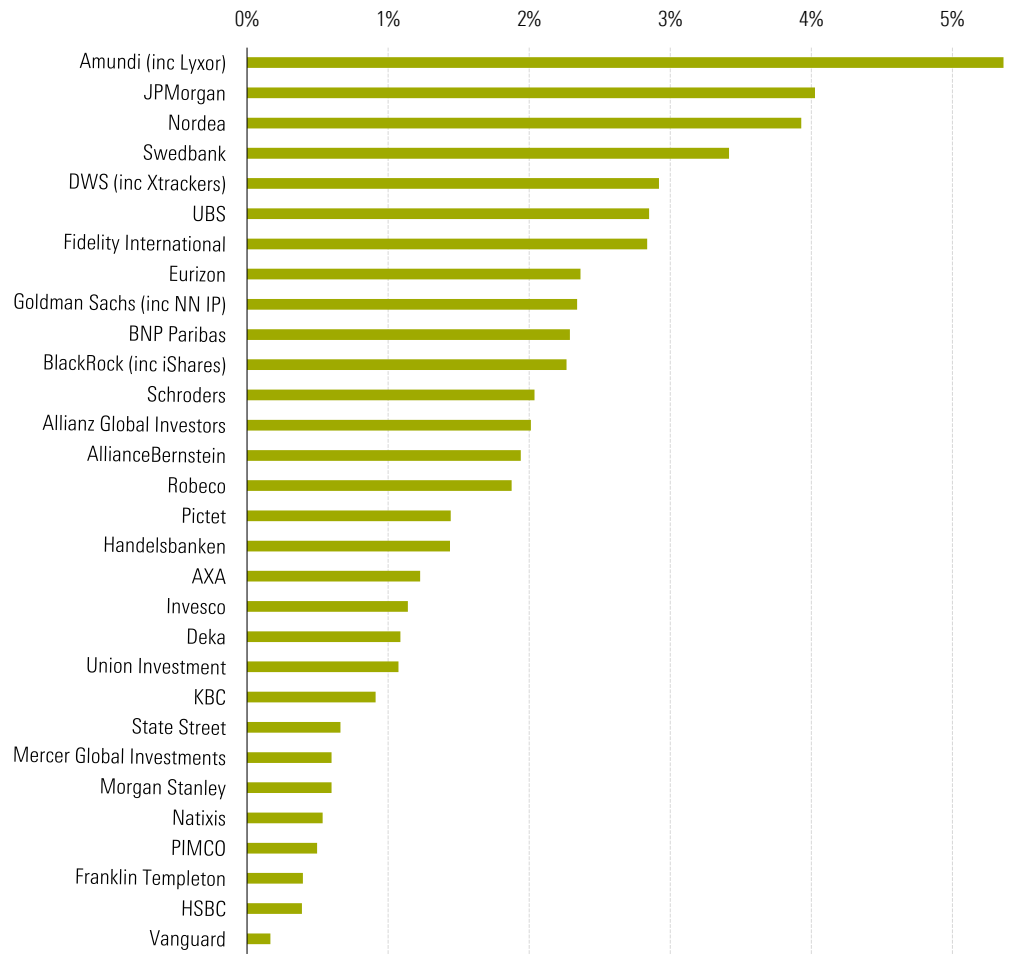
Name	SFDR Fund Type	Morningstar Global Category	AUM (EUR Billion)	Active / Passive	Morningstar Sustainability Rating
Pictet-Global Megatrend Selection	Article 9	Global Equity Large Cap	12.3	Active	
Nordea 1 - Global Climate and Environment Fund	Article 9	Global Equity Mid/Small Cap	10.7	Active	
Pictet - Global Environmental Opportunities	Article 9	Global Equity Large Cap	8.8	Active	
Pictet-Water	Article 9	Equity Miscellaneous	8.7	Active	
BlackRock Global Funds - Sustainable Energy	Article 9	Energy Sector Equity	6.8	Active	
Handelsbanken Global Index Criteria	Article 9	Global Equity Large Cap	5.9	Passive	
iShares Global Clean Energy ETF USD	Article 9	Energy Sector Equity	5.5	Passive	
Pictet-Clean Energy	Article 9	Energy Sector Equity	4.9	Active	
Mirova Global Sustainable Equity Fund	Article 9	Global Equity Large Cap	4.9	Active	
iShares MSCI USA ESG Enhanced ETF	Article 9	US Equity Large Cap Blend	4.8	Passive	
Handelsbanken USA Index Criteria	Article 9	US Equity Large Cap Blend	3.9	Passive	
BNP Paribas Funds Aqua	Article 9	Equity Miscellaneous	3.7	Active	
BNP Paribas Aqua	Article 9	Equity Miscellaneous	3.6	Active	
BNP Paribas Easy MSCI USA SRI S-Series 5%	Article 9	US Equity Large Cap Blend	3.5	Passive	
AB Sustainable Global Thematic	Article 9	Global Equity Large Cap	3.5	Active	
NN Duurzaam Aandelen Fonds	Article 9	Global Equity Large Cap	3.5	Active	
BNP Paribas Funds - Global Environment	Article 9	Global Equity Large Cap	3.4	Active	
Carmignac Investissement	Article 9	Global Equity Large Cap	3.4	Active	
RobecoSAM Sustainable Water Equities	Article 9	Equity Miscellaneous	3.3	Active	
RobecoSAM Smart Energy Equities	Article 9	Energy Sector Equity	3.2	Active	

Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Provider League Tables

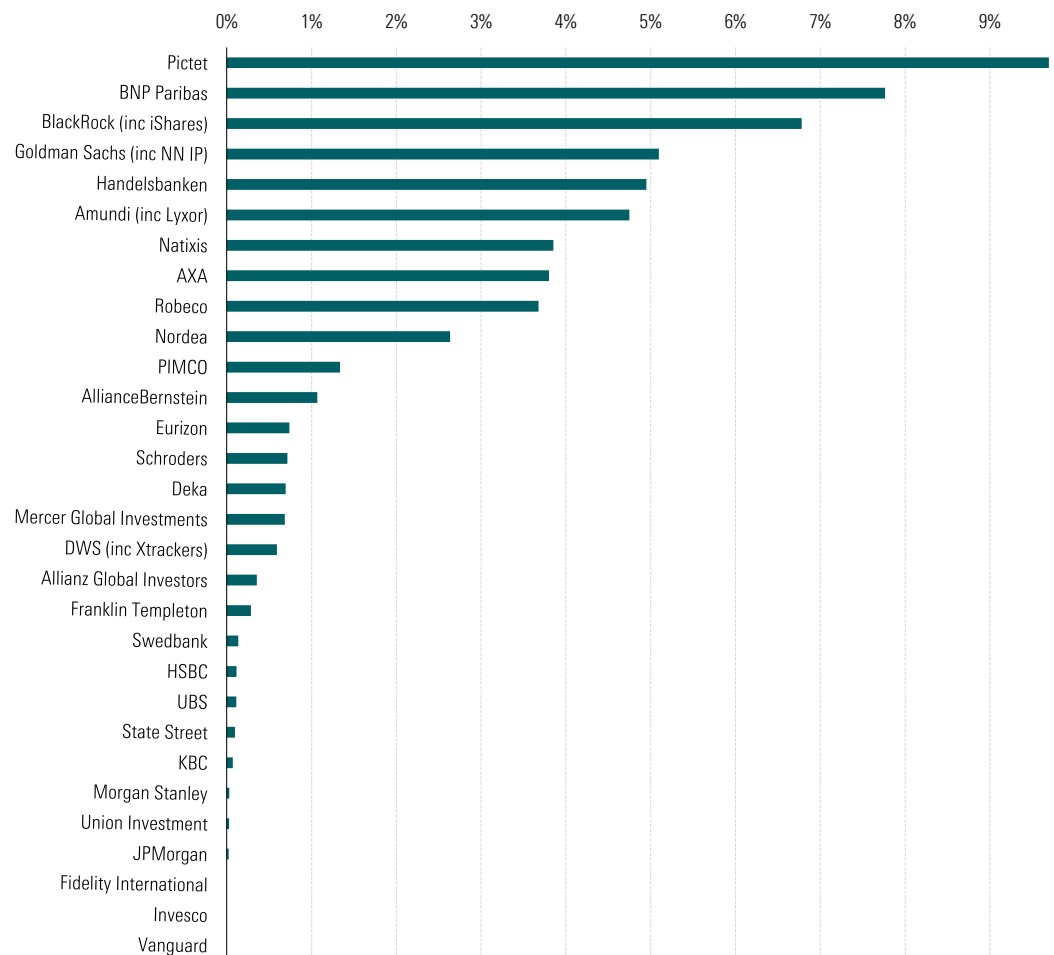
Exhibits 18 and 19 show the 30 asset managers with the highest market share in Article 8 and Article 9 funds, ranked by assets in Article 8 and Article 9 funds, respectively, based on SFDR data representing 96% of the EU fund universe excluding money markets, feeder funds, and funds of funds.

Exhibit 18 Top 30 Asset Manager Ranking by Article 8 Fund Assets



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds. Using Branding Name in Morningstar Direct, a manager's market share is calculated as following: manager's Article 8 fund assets divided by total market Article 8 fund assets.

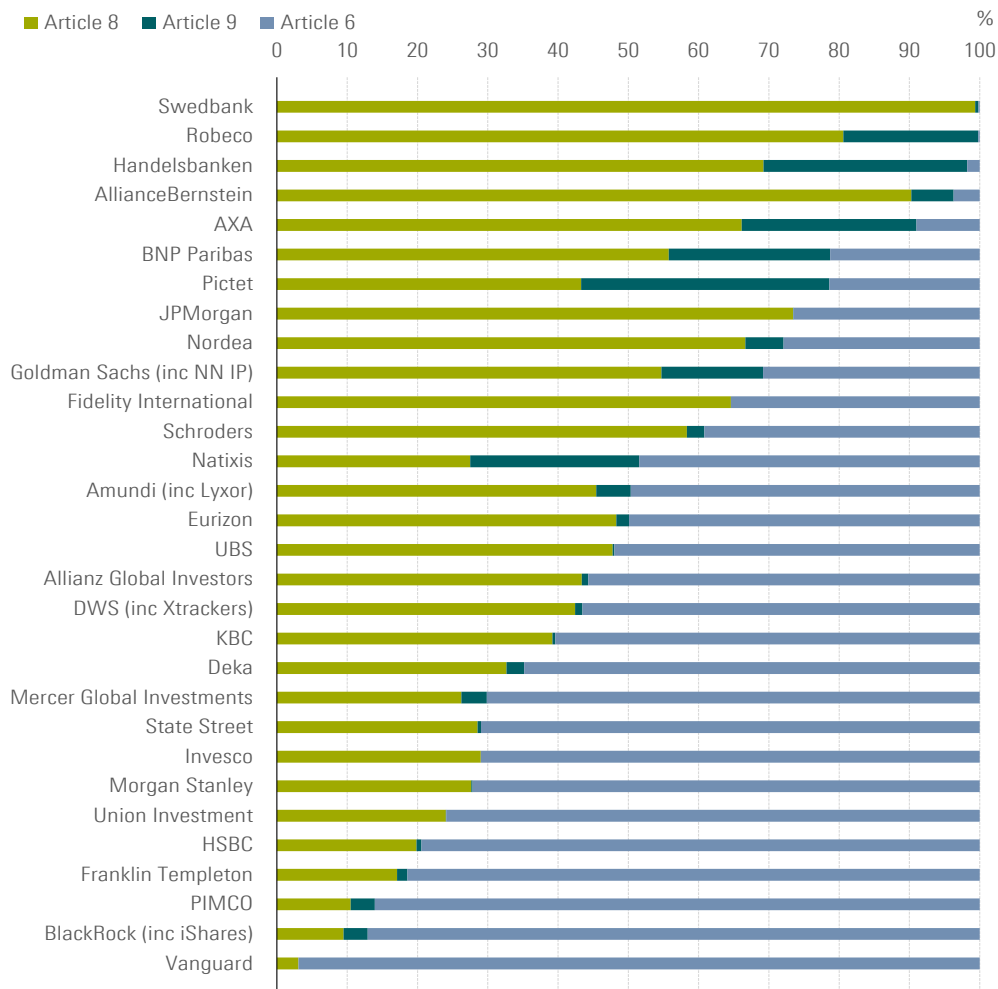
At the end of the first quarter of 2022, Amundi topped the league table with offerings accounting for 5.4% of the total market's Article 8 fund assets. JPMorgan and Nordea came second and third, with 4% and 3.9% market shares, respectively.

Exhibit 19 Top 30 Asset Manager Ranking by Article 9 Fund Assets

Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds. Using Branding Name in Morningstar Direct, a manager's market share is calculated as following: manager's Article 9 fund assets divided by total market Article 9 fund assets.

Boosted by its long-standing ESG thematic product range, Pictet was the firm with by far the highest share (9.7%) of total assets in Article 9 funds at the end of March. BNP Paribas and BlackRock followed with market shares of 7.8% and 6.8%, respectively. Both firms have benefited from the recent retooling of ETF offerings from Article 6 and Article 8 to Article 9 after aligning them to track Paris Aligned and Climate Transition Aligned benchmarks.

Exhibit 20 Top 30 Asset Manager Ranked by Percentage of Articles 8 and 9 Fund Assets



Source: Morningstar Direct. Data as of 31 March 2022. Based on SFDR data collected from prospectuses on 96% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds. Using Branding Name in Morningstar Direct. Managers are ranked by their percentage of combined assets in Article 8 and Article 9 funds. Each percentage is calculated as following: manager's Article 8 and 9 fund assets divided by manager's aggregated assets in Article 6, Article 8, and Article 9 funds.

Looking at the 30 asset managers with the highest market share in Article 8 and Article 9 funds, we find that the managers with the biggest proportion of Article 8 and 9 funds within their fund range are Swedbank and Robeco, which almost exclusively offer Article 8 and 9 funds (99.8% of their assets in scope each). They are closely followed by Handelsbanken and AllianceBernstein, which display 98.2% and 96.3%, respectively.

Regulatory Update

By the time the [Sustainable Finance Disclosure Regulation \(SFDR\)](#) celebrated its first anniversary on March 10, the European Commission had finalised its [Delegated Act](#), which will apply from 1 Jan. 2023. The Act specifies the details of the content, presentation, and methodologies in relation to the principle of "do no significant harm," sustainability indicators, adverse sustainability impacts, and the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites, and in periodic reports.

Ahead of these expanded reporting requirements, and despite the current lack of corporate taxonomy reporting, the European Supervisory Authorities also published a statement clarifying that fund companies should be providing an explicit quantification of the extent to which their products are taxonomy-aligned. Further, while estimates should not be used, in cases where information is not readily available from investee companies' public disclosures, fund companies may rely on equivalent information on taxonomy-alignment obtained directly from investee companies or from third-party providers. Prior to the ESAs statement, Sustainalytics, a Morningstar company that provides sustainability research, [found](#) that in the absence of corporate taxonomy data, many products are not yet committing to any level of alignment, while others indicate that some level of alignment is still possible and a few offer target alignment ranges.

In relation to another strand of the EU Sustainable Finance Action Plan, ESMA is consulting on updated [guidelines to conducting suitability assessments](#), reflecting the MiFID II amendments that will apply from 2 Aug., requiring financial advice to incorporate consideration of clients' sustainability preferences. The new requirements are a second-stage top-up to the existing suitability rules, designed to identify a range of suitable products for clients, in accordance with the criteria of knowledge and experience, financial situation, and other investment objectives, such as the length of time for which clients wish to hold the investment, their preferences regarding risk-taking, risk profile, and the purposes of the investment. Thus, advisers will need to explain to clients the concept of Sustainability Preferences, the three-part definition of which is a MiFID investment with a minimum proportion in EU Taxonomy-aligned sustainable investments; a light green (SFDR Article 8 product) or dark green (Article 9 product) with a minimum proportion in SFDR sustainable investments; or a MiFID investment that considers Principal Adverse Impacts (the harm that comes from investment decisions), and this can be demonstrated in accordance with the client's preferred methodology.

Lastly in Europe, the Council of the [EU agreed its position](#) on the European Commission proposal for a corporate sustainability-reporting directive. CSRD will apply more sustainability-reporting obligations on to a wider cohort of companies, in turn enhancing the completeness of asset managers reporting to investors. Further discussions will now commence with the European Parliament.

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