forum
nachhaltige Geldanlagen

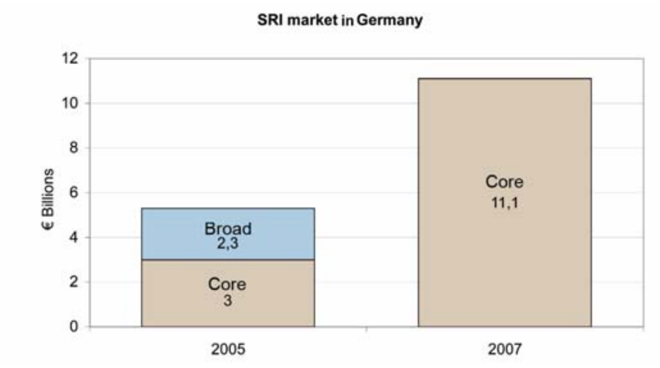
GERMANY

SRI initiatives in Germany evolved in the 1970s from the ecological and pacifist movements. Since then, institutional investors, such as churches and insurance companies, have helped foster the trend towards SRI. From 2002 onwards the German government enacted disclosure regulations for pensions to encourage SRI.

KEY FEATURES OF SRI

The German SRI management market amounts to €11.1 billion. Core SRI accounts for 100% of the total SRI AuM as shown in Figure 1. As the total volume of capital in German investment companies came to €1698.4 billion in 2007[1], the share of total SRI assets sums up to approximately 0.7%.

FIGURE 1



Source: Eurosif European SRI Survey, 2008

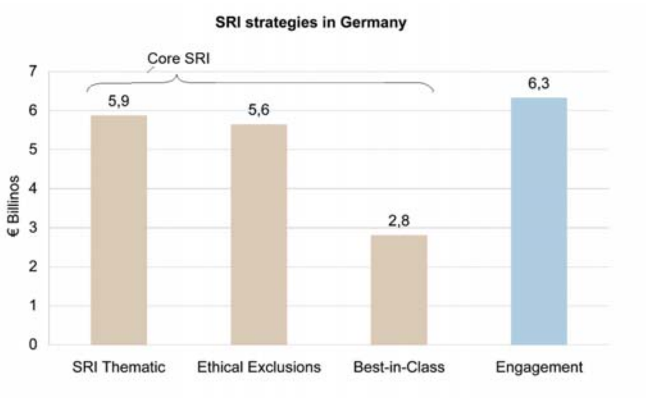
Core SRI Market

Within Core SRI, theme funds play a major role with €5.9 billion of assets under management as illustrated in Figure 2. The second most commonly used investment strategy is ethical exclusions which accounts for €5.6 billion. Best-in-Class plays a lesser role and sums up to €2.8 billion.
The importance of other positive screening criteria is very low, at less than 1%. In some cases, investors combine ethical exclusions with positive screening (26.8%).

Broad SRI Market

Engagement practices cover about €6.3 billion of assets and are always combined in Germany with positive screening or ethical exclusions. This is the reason why the total Broad SRI amounts to zero, to avoid double counting as those assets are already included in Core SRI.

FIGURE 2



Source: Eurosif European SRI Survey, 2008

Note: As engagement is systematically practiced in combination with Core strategies, the engagement assets are not counted in the total Broad SRI to avoid double-counting, hence a total Broad at zero.

Who are the main investors?

The German SRI market is dominated by institutional investors (63%). Respondents of our survey rated religious institutions and charities as the most important institutional investors, followed closely by NGOs and foundations. Corporate/occupational pension funds as well as insurance companies and mutual organisations are also seen as important institutional investors. Other institutional investor groups like public authorities and governments, universities and other academics, public pension funds or reserve funds continue to play a minor role in SRI investment.
On the retail side, High Net Worth Individuals are expected to increasingly drive the demand of this segment.

What do SRI fund managers and service providers offer?

The spectrum of SRI products and financial services offered includes the whole opportunity set of traditional investment. Mandates make up the largest part of German SRI assets at €4.9 billion as of the end of 2007. German SRI investment funds (open to both retail and institutional investors) reached €4.3 billion, representing 0.6 % of the total volume of German mutual funds.[2]
Other SRI assets such as ETFs, structured products, hedge funds, closed end-funds and guaranteed funds, sum up to €1.8 billion.

In terms of asset allocation, German SRI is largely dominated by equities (70%), followed by bonds (21%). Noteworthy is the relative importance of the SRI money

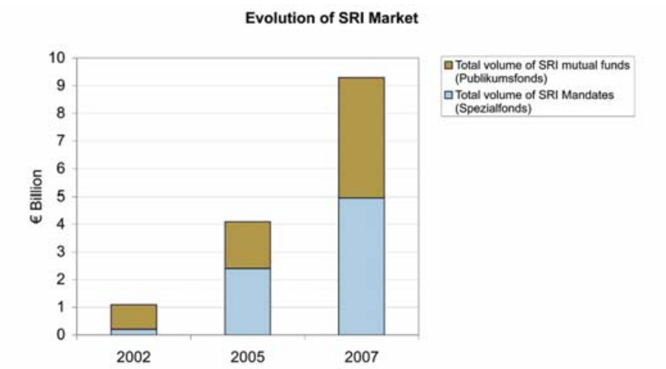
[1] See Bundesverband Investment und Asset Management e.V. (BVI): Jahrbuch "Investment 2008", Daten, Fakten, Entwicklungen (p. 4). Link: http://www.bvi.de/de/bibliothek/jahrbuecher/archiv/jb2008/jb2008_neu.pdf.
[2] Ibid.

market (3% of SRI assets), compared to other European countries.

MARKET EVOLUTION

Since 2005 there has been a steady growth in the German SRI market. The total volume of SRI investments managed in Germany rose by about 110% (CAGR: 45%) from €5.3 billion at the end of 2005 to €11.1 billion in December 2007. This growth is mainly caused by the increase of total volume of SRI mandates ('Spezialfonds'). The SRI mandates' volume grew by more than 106% from €2.4 billion at the end of 2005 to €4.9 billion in 2007.

FIGURE 3



Source: Eurosif European SRI Survey, 2008

MARKET PREDICTIONS

The discussion on how to cope with climate change has influenced the business environment for sustainable investments in Germany. For example, policy makers recognise the importance of the financial market in financing climate friendly technologies and ecological innovation in general. The German Federal Ministry for Education and Research has launched a platform for climate change and investments in order to better inform financial service providers on this topic. Nevertheless, there are no legal or regulatory implications attached to this.

Additionally, the relevance and actuality of climate change has led to increased consumer awareness and the development of new markets for climate friendly investment products. Therefore, new financial products focusing on climate change as well as financing start-ups in the field of new energies and clean technologies are entering the market and might also influence the shape of SRI in the years to come.

Concerning growth expectations for the German SRI market, the financial service providers are optimistic. On average, they expect an increase of 241% in their SRI assets under management. However, the question in our survey relating to future prospects was answered very heterogeneously by the financial service providers taking part in this study. Regarding their SRI management teams, respondents predict an average 38% growth in the next three years. There also seems to be an optimistic view that extra financial aspects will become more important for private investors.

In 2008, there are also significant signs of institutional investors starting to integrate ESG criteria into their traditional investment analysis on a large volume of assets; therefore it is expected that integration (and therefore Broad SRI) will increase tremendously in the coming years.

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