

Erste Asset Management: “Our funds lead companies to engage more actively with sustainability”

- **By investing in Erste Asset Management funds, our clients influence the strategy and positioning of companies via their shareholder rights**
- **Investment decisions allow for lobbying in the field of sustainability and help prevent for example child labour or support renewable forms of energy**
- **In 2020, Erste Asset Management exercised voting rights at 363 Annual General Meetings (AGMs) on behalf of assets under management of more than EUR 3bn**
- **Assets under management of sustainable investment products should exceed those of conventional funds by 2025**

Can investment companies contribute to making the world a better place? Walter Hatak, Head of Sustainable Investments with Erste Asset Management (Erste AM), responds with a resounding “Yes – but only with the help of our clients!” More and more client assets go towards climate-friendly companies, while at the same time Erste Asset Management uses its votes from the shares it has invested the clients’ funds in to elicit more sustainability from companies across the board.

The Millennium Sustainable Goals 2015 and the EU Action Plan 2018 for the financing of sustainable growth were two important turning points in the effort to make the financial system more sustainable. As a result, the framework for sustainable investment has been tightened, obligatory minimum standards have been introduced, and the key role of investment companies – funnelling the money from investors mainly into climate-friendly companies – has been highlighted. The momentum of this movement that started in 2015 has picked up enormous speed in recent years. Sustainable investment has turned from a trend to a revolution.

The volume of sustainable assets under management should exceed conventional funds by 2025

According to Forum für Nachhaltige Geldanlagen (FNG; Sustainable Investment Forum), retail investments in sustainable funds and mandates in Austria increased by 77% in 2019 y/y. Total assets under management held by sustainable funds has even doubled since 2017. According to the consulting firm PwC, sustainable assets under management will presumably increase to EUR 7,600bn by 2025 and thus exceed conventional funds.

The investment decisions of investors exert an increasing degree of influence on the strategy and the positioning of companies. Erste Asset Management uses the votes conveyed by the assets we are entrusted with at the various AGMs of companies in a targeted fashion. In doing so, we comply with a sustainable AGM voting guideline that we have made public and that applies to all [our mutual funds](#).

“In the year to date, we have voted in 363 AGMs on behalf of EUR 3bn worth of assets. This shows what influence investors can have on the economy. As investment company, we have pioneered sustainable investment since 2001. We continue to drive the momentum that encourages people to invest in companies that take climate change seriously. These companies want to solve the biggest challenge of mankind,” as Hatak points out.

Transforming the economy through shareholder motions

Sustainable investment and engagement are the biggest levers in implementing the necessary transformation of the economy. By engagement, we mean direct communication with companies such as management calls, conference calls, workshops, and open letters.

Why is this important? “The biggest success can be achieved when the dialogue is maintained over several years and we remain in constant contact with companies. In Austria in particular we have been in ongoing talks in order to address climate and social topics with the management of various companies. In 2019 we had more than 80 talks with companies where we addressed issues such as CO₂, lobbying, and child labour in the supply chain,” as Hatak explains.

In 2019 – much like in previous years – Erste AM supported shareholder motions related to climate change. Such motions were typically geared towards the goal of the Paris Agreement to cap global warming below 2 degrees Celsius (as measured from the start of the Industrial Revolution). We also supported motions in the social realm and in the healthcare sector. For example, shareholders at the Coca-Cola AGM demanded the company deal with the societal risks resulting from the marketing of beverages with high sugar content.

Sustainable companies perform better during crises

Companies that fail to pursue a sustainable and thus future-oriented strategy may be punished by the capital market with the downgrade of their ratings, higher risk premiums, or worse credit terms. Even before the coronavirus the notion of stakeholder capitalism was becoming more popular, i.e. the idea that companies should not only focus on short-term profit. The pandemic will probably accelerate this development further. Studies from the service provider MSCI already show that sustainable companies have navigated the crisis better and have by and large also achieved a better performance. “This global pandemic has clearly illustrated to companies the relevance of how they handle their business model, their employees, and their values,” Hatak concludes.

For our ESGenius Newsletter, please visit: <https://blog.de.erste-am.com/dossier/was-ist-eigentlich-nachhaltiges-investment/>

About us:

Erste Asset Management manages assets worth EUR 62.8bn (as of 31 October 2020). About 100 investment professionals across numerous countries work in the Investment department of Erste Asset Management. In order to ensure an optimised management process, the Erste Asset Management fund managers cooperate closely with our in-house Research department.

Erste Asset Management is a pioneer and market leader in the field of sustainability in Austria: the first environmental equity fund was issued as early as in 2001 and has been co-managed with WWF Austria since 2006

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