

Get an impact fund – save the world?

- **Impact investing: a new strategy for overcoming environmental challenges**
- **The EU disclosure regulation creates more transparency with regard to sustainability risks and effects in financial investment products**
- **For everything about impact investing, greenwashing, and interviews with experts, please kindly read our ESGenius newsletter**

Impact investments are currently hot property in the financial sector. Impact funds are investments that are meant to generate positive, measurable social and environmental effects in addition to financial return. The growing impact investment market is channelling capital towards the most pressing challenges in areas such as renewable energy, climate protection, microfinance, and affordable and accessible basic services such as housing, healthcare, and education.

Impact funds – the “icing on the cake” of the sustainable investment industry

“For a long time, it was left to the fund companies to judge whether a fund was an impact fund or not. On the upside, it allowed them to create innovative, new products; but on the downside, the chance to potentially greenwash investments opened up to free riders,” says Walter Hatak, Head of Sustainable Investments at Austrian fund company Erste Asset Management (Erste AM). The disclosure regulation of the European Union, which came into force at the beginning of March 2021, establishes new transparency rules with regard to the results of sustainability risks in financial investment products and their negative effects. Put simply, the goal of article 9 funds contained therein is to generate not only performance, but also a positive effect, i.e. a positive impact on society.

The impact must be measurable and visible

We at Erste AM subject our impact funds to an annual impact screening by external sources. In it, the impact the assets invested in the fund have had over the year is assessed. In order for us to be able to report a positive impact, the selection of the right assets is crucial. This may be the shares of companies that offer solutions against climate change, or, in the fixed-income segment, green bonds or climate awareness bonds that fulfil our sustainability criteria. *“Impact does not necessarily mean environmental topics; social issues like job creation in developing countries through micro loans also play an important role for Erste AM,”* says Hatak.

There are many ways to achieve the impact goal

A positive impact can be achieved in different ways. Erste AM uses all available sustainability tools, on the one hand through the fund products themselves, on the other hand through the exercise of voting rights and corporate dialogues.

ERSTE GREEN INVEST provides capital to those companies whose business model engages with the combat against climate change and which use natural resources such as water as efficiently as possible. ERSTE RESPONSIBLE BOND GLOBAL IMPACT focuses on green bonds, climate awareness bonds, and social bonds, which specifically invest in projects that are meant to conserve a liveable planet for future generations. ERSTE RESPONSIBLE MICROFINANCE provides capital for the founding of companies and thus the creation of jobs where no other source of finance would be accessible.

By exercising voting rights, submitting shareholder motions for environmental and social issues and engaging in dialogues with investors, asset managers can exert pressure on companies. This also comes with a positive effect outside the remit of impact funds. In 2020, Erste AM exercised voting rights at 363 AGMs on behalf of more than EUR 3bn worth of assets.

And the other funds have no impact?

“From our point of view, every investment decision has an impact that should be measured regardless of the product line. For this reason, we were the first fund company in Austria to join the Montréal Carbon Pledge and to publish the carbon footprint of all mutual funds on our website every year,” says Hatak. It fills us with pride that we have consistently been below the overall market average in terms of CO₂ emissions since the beginning of measurements, not the least due to our minimum standards implemented across the company. In addition, we have also published our water risks since 2017 in our sustainable equity funds and have expanded the calculations to include fixed income funds for the first time this year.

Even if we manage to reduce emissions drastically, the water tap will still be on and water will continue to fill the bathtub until it spills over one day. *“Climate neutrality therefore has to be the declared goal. With impact funds we can invest in those companies and projects that contribute decisively to turning off the water tap once and for all,”* concludes Hatak.

Read everything about impact investing, greenwashing, and interviews with experts on the topic in our ESGenius newsletter here: <https://blog.en.erste-am.com/dossier/impact-investing/>

Info:

ERSTE GREEN INVEST is an impact fund that invests in sustainable companies in renewable energy or, for example, water management. The fund also supports companies that assume a pioneering role in the transformation of environmentally harmful processes of the Old Economy.

About us:

Erste Asset Management manages assets of about EUR 70.55bn (as of February 2021). About 100 investment professionals work in our Investment Departments across all countries. In order to ensure an optimal investment process, Erste Asset Management fund managers cooperate closely with our in-house Research department.

Managing sustainably invested assets of more than EUR 16.5bn in 50 sustainable mutual funds and several special funds, Erste AM is the market leader in 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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▲ Risk notes according to 2011 Austrian Investment Fund Act

ERSTE RESPONSIBLE MICROFINANCE may make significant investments in investment funds (UCITS, UCI) pursuant to section 71 of the 2011 Austrian Investment Fund Act.

The Austrian Financial Market Authority (FMA) hereby warns: In accordance with section 166, para. 1, point 3 of the Austrian Investment Fund Act (InvFG 2011), ERSTE RESPONSIBLE MICROFINANCE can invest up to 100 % in alternative investments that might bear higher investment risks compared to traditional investments. These investments in particular may incur losses up to the total amount of the invested capital.

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ERSTE GREEN INVEST may exhibit increased volatility due to the composition of its portfolio: i.e. the unit value can be subject to significant fluctuations both upwards and downwards within short periods of time.

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The prospectus for UCITS (including any amendments) is published in Amtsblatt zur Wiener Zeitung in accordance with the provisions of the InvFG 2011 in the currently amended version. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in connection with the InvFG 2011. The fund prospectus, Information for Investors pursuant to § 21 AIFMG, and the key investor document/KID can be viewed in their latest versions at the web site www.erste-am.com or obtained in their latest versions free of charge from the domicile of the management company and the domicile of the custodian bank. The exact date of the most recent publication of the fund prospectus, the languages in which the key investor document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com

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