

<https://blog.en.erste-am.com/green-label/>

## A green label does not necessarily mean green on the inside

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Funds marketing themselves as green investment do not always focus on companies that fight climate change, develop solar modules or recycle batteries. Instead, many of them look like traditional portfolios holding large tech companies – yet they wear green labels.

### Technology fund with green label

A green, exchange-traded fund of a large ETF provider is a good example. It was launched earlier this year and attracted record amounts even on day one. To many investors, a green label undoubtedly suggests a fund that holds companies in renewable energies, e-mobility, or recycling economy.

But in this case, that would be wrong. The top holdings of this ETF are Apple, Microsoft, Amazon, Alphabet, and Facebook, which account for an aggregate 20% of investments. In other words, almost like a tech ETF – but more easily marketable with a green label, it would seem.

### Green does not always mean green

Some of the aforementioned companies have already implemented good environmental practices and have set themselves ambitious goals aimed at reducing their carbon emissions. For example, Microsoft is planning to turn carbon-negative along the entire supply chain by the year 2030 by reducing emissions and buying carbon offset certificates.

Not quite as comprehensive and quick, but ambitious all the same, Amazon intends to reduce its own carbon footprint (exclusive of the supply chain) to zero by 2040. But even if they manage to achieve their climate goals and start to obtain power from renewable sources in due course, they still do not create a positive impact for the climate or the environment with their products and services. They therefore represent no green investment to us.

### Transparency is important

In order to separate the wheat from the chaff in the jungle of green investments, a new EU Regulation obliges financial institutions to categorise sustainable funds and disclose information on the investment approach. In the future, Article 9 funds will only be funds that intend to invest sustainably.

As far as Erste AM is concerned, this includes our Impact funds, e.g. Erste WWF Stock Environment and Erste Green Invest. Fund managers and Article 9 funds also have to regularly publish information about the sustainability impact of the fund and substantiate it with relevant indicators.

Article 8 funds are financial products that advertise environmental or social aspects. This category is in line with our responsible / sustainable funds, where we use our proprietary ESG rating to find the companies with the best environmental, social, and governance practices. Whereas Microsoft is investible for these funds on the basis of its good ESG performance, Amazon is no responsible investment for us due to numerous controversies in labour law; and it is certainly no green investment.

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