

<https://blog.en.erste-am.com/impact-investing-a-new-strategy-for-overcoming-environmental-challenges/>

Impact investing: a new strategy for overcoming environmental challenges

Armand Feka



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.

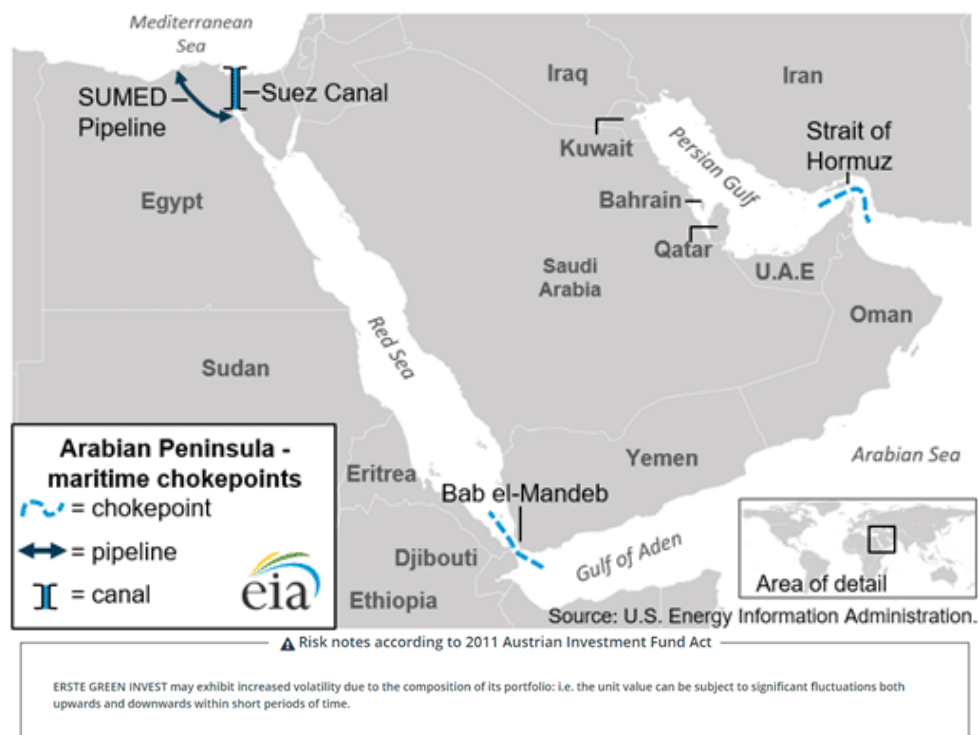
Read everything about impact investing, greenwashing, and interviews with experts on the topic in our ESGenius newsletter here: <https://blog.en.erste-am.com/dossier/impact->

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.

Legal note:

Prognoses are no reliable indicator for future performance.



Legal disclaimer

This document is an advertisement. Unless indicated otherwise, source: Erste Asset Management GmbH. The language of communication of the sales offices is German and the languages of communication of the Management Company also include English.

The prospectus for UCITS funds (including any amendments) is prepared and published in accordance with the provisions of the InvFG 2011 as amended. 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 conjunction with the InvFG 2011.

The currently valid versions of the prospectus, the Information for Investors pursuant to § 21 AIFMG, and the key information document can be found on the website www.erste-am.com under "Mandatory publications" and can be obtained free of charge by interested investors at the offices of the Management Company and at the offices of the depositary bank. The exact date of the most recent publication of the prospectus, the languages in which the key information document is available, and any other locations where the documents can be obtained are indicated on the website www.erste-am.com. A summary of the investor rights is available in German and English on the website www.erste-am.com/investor-rights and can also be obtained from the Management Company.

The Management Company can decide to suspend the provisions it has taken for the sale of unit certificates in other countries in accordance with the regulatory requirements.

Note: You are about to purchase a product that may be difficult to understand. We recommend that you read the indicated fund documents before making an investment decision. In addition to the locations listed above, you can obtain these documents free of charge at the offices of the referring Sparkassen bank and the offices of Erste Bank der oesterreichischen Sparkassen AG. You can also access these documents electronically at www.erste-am.com.

N.B.: The performance scenarios listed in the key information document are based on a calculation method that is specified in an EU regulation. The future market development cannot be accurately predicted. The depicted performance scenarios merely present potential earnings, but are based on the earnings in the recent past. The actual earnings may be lower than indicated. Our analyses and conclusions are general in nature and do not take into account the individual characteristics of our investors in terms of earnings, taxation, experience and knowledge, investment objective, financial position, capacity for loss, and risk tolerance.

Please note: Past performance is not a reliable indicator of the future performance of a fund. Investments in securities entail risks in addition to the opportunities presented here. The value of units and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your units. Persons who are interested in purchasing units in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision. If the fund currency is different than the investor's home currency, changes in the relevant exchange rate can positively or negatively influence the value of the investment and the amount of the costs associated with the fund in the home currency.

We are not permitted to directly or indirectly offer, sell, transfer, or deliver this financial product to natural or legal persons whose place of residence or domicile is located in a country where this is legally prohibited. In this case, we may not provide any product information, either.

Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of the fund to American or Russian citizens.

It is expressly noted that this communication does not provide any investment recommendations, but only expresses our current market assessment. Thus, this communication is not a substitute for investment advice, does not take into account the legal regulations aimed at promoting the independence of financial analyses, and is not subject to a prohibition on trading following the distribution of financial analyses.

This document does not represent a sales activity of the Management Company and therefore may not be construed as an offer for the purchase or sale of financial or investment instruments.

Erste Asset Management GmbH is affiliated with the referring Sparkassen banks and Erste Bank.

Please also read the "Information about us and our securities services" published by your bank.

Subject to misprints and errors.



Armand Feka