

<https://blog.en.erste-am.com/saving-the-world-with-an-impact-fund/>

Saving the world with an impact fund?

Walter Hatak



Can sustainable investment change the world? What is impact investing, and what does Erste AM offer in this respect? Do only sustainable investors make an impact, or do all investments have an impact on the future?

Impact funds – the cherry on the cake of sustainable investing?

For a long time, it would be up to the investment companies to judge whether a fund was an impact fund or not. This came with the upside of being able to create innovative, new products and the downside of green-washing by copycats. Since the coming-into-effect of the disclosure regulation, this exercise has now been largely standardised on the basis of a classification system. The goal of so-called “article 9 funds”, in simple terms, is to generate a positive impact for society. It sounds great, but what is the fine print?

The impact has to be measurable and visible

We 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 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.

What was my impact?

Maybe you are now asking yourself what your personal impact on the basis of your investment in our funds is? Whereas your financial impact translates into your depositary account statement, the social or environmental impact requires more work. In order to free you from this work, we want to create an impact calculator on our website that is accessible to everyone. There, you can follow an exemplary case of investing in companies via our latest impact fund, [Erste Green Invest](#), and finding out how you participate indirectly in the impact of these companies.

And the other funds have no impact?

From our point of view, every investment decision has an impact that can be either positive or negative and that should be measured regardless of the product line the respective investment belongs to. For this reason, we were the first investment company in Austria to sign the Montréal Carbon Pledge in 2015, and we publish an annual CO₂ footprint of all mutual funds on our website. 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.

Impact through engagement and voting

The provision of capital to achieve a positive impact is not the only way an asset manager can influence a company. The impact that can be facilitated by corporate dialogue (“engagement”) and the exercising of voting rights is of equal importance. Here, we have managed to team up with like-minded investors and to convince the Management of an Austrian company to include CO₂ reduction targets into its remuneration scheme. We will shortly publish details in our voting and engagement report for 2020.

A bathtub full of CO₂

Bill Gates has recently compared the problem of greenhouse gases with a bathtub. 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, which means to think about one's own footprint on a day-to-day basis. It also means we have to use impact funds to invest in those companies and projects that contribute decisively to turning off the water tap once and for all.

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Walter Hatak

Head of Responsible Investments, Erste Asset Management