

<https://blog.en.erste-am.com/the-topic-of-water-in-sustainable-investing/>

## The topic of water in sustainable investing

WWF Austria / Erste AM Communications



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Clean water is one of the most valuable and important resources on our planet. At the same time, climate change is ensuring that this resource is becoming increasingly scarce – and the situation is getting even worse.

In the last century, more than half of the planet's wetlands have disappeared. Despite its abundance of water, Austria has also been more severely affected than assumed. Last summer was one of the hottest and driest in measured history. In times of climate heating, we are experiencing extreme precipitation, followed by droughts and water shortages. The glaciers in this country are also disappearing at a rapid rate.

### Water risks also affect companies

The economy is increasingly affected by these water risks. The consequences of this range from price increases, water shortages due to supply failures, and withdrawal of water supplies to risks associated with the company's reputation.

At the same time, almost every company needs clean water for their production processes. The economy is thus one of the world's largest users of water. This is an aspect that also has a negative impact. For example, the extraction of too much water from rivers and groundwater, or the pollution of this valuable resource, further increase water risks.

In order to meet the challenges of climate and environmental protection for a planet worth living on, the financial sector also needs to manage investments in a targeted manner. One example of this is the sustainable flagship fund [ERSTE WWF STOCK ENVIRONMENT](#). The equity fund invests globally with a focus on companies in the areas of recycling and waste management, renewable energies, energy efficiency and mobility. In addition, the areas of water treatment and supply also play an important role, because the responsible use of our water resources ultimately concerns us all.

*ERSTE WWF STOCK ENVIRONMENT invests in companies in the field of water treatment and supply, in addition to other areas of environmental and climate protection.*

*Source: unsplash*

### How are water risks considered in the investment process?

In the ERSTE WWF STOCK ENVIRONMENT, targeted investments are made in companies that help to reduce water consumption. In order to reduce water risks, the sustainability analysts of Erste AM take into account the management and regional distribution of water withdrawals in the company evaluation.

In practice, this looks as follows: First, it is recorded whether a company operates in water-scarce risk areas and whether it is dependent on high water withdrawals there. It also assesses what measures the company is taking to improve water use toward greater sustainability. These aspects are included in the calculation of the companies' ESG rating, which is one of the key factors in determining whether a company is included in the fund or not.

Another important instrument in connection with water risks is the water footprint. This shows how high the water withdrawal of a company is. Erste Asset Management calculates the water footprint for all sustainable equity and bond funds. On the one hand, this is an important signal to encourage companies to publish water data. On the other hand, fund managers can incorporate this essential information into their investment decisions and thus better consider water issues.

### Pioneer in the field of water management

In ERSTE WWF STOCK ENVIRONMENT, around 9.5% of the total invested volume is currently invested in companies from the water treatment and supply sector. From the point of view of Clemens Klein, fund manager of ERSTE WWF STOCK ENVIRONMENT, **Xylem Inc.** is one of the top companies. The company helps water utilities with a real-time monitoring system to quickly locate and fix leaks and burst pipes. In addition, the company's systems and analytics enable early detection of potential vulnerabilities in utility networks. "Xylem is thus making a

decisive contribution to reducing the high water losses from damaged infrastructure,” explains Klein. After all, he says, this is a major problem in the United States in particular: “In the US, 23 billion liters of drinking water are lost every day because some of the pipes are more than 100 years old. That’s more than 15% of the US’s daily water consumption.”

**Evoqua Water Technologies** is another top pick in the fund. The company offers innovative solutions for real-time water analysis and has also developed various processes to clarify contaminated water. “In the USA in particular, the contamination of drinking water with PFAS (perfluorinated and polyfluorinated alkyl compounds), is a serious problem in 49 states, for which Evoqua offers innovative solutions,” explains Clemens Klein.

□ *“In the US, 23 billion liters of drinking water are lost every day because some of the pipes are more than 100 years old. That’s more than 15% of the US’s daily water consumption.”*

## Clemens Klein

### Fondsmanager ERSTE WWF STOCK ENVIRONMENT

#### Sustainable investing pays off

Not only ecological but also economic interests are connected with the security of water supply. A water shortage can also have serious consequences for companies, such as massive price increases or production losses. The topic of water is therefore likely to continue to play a central role in investing in the future.

ERSTE WWF STOCK ENVIRONMENT is also specifically dedicated to the topic of water supply and thus directs investments towards the sustainable use of water resources. In addition, Erste Asset Management waives part of the management fee for the fund as part of its partnership with WWF. This supports numerous nature conservation projects of the WWF, such as the river protection program in Austria.

All information about ERSTE WWF STOCK ENVIRONMENT and the cooperation with WWF can be found [here](#).

#### Advantages for the investor:

- Broad diversification in companies of the environmental sector with little capital investment.
- Support for WWF’s environmental protection programs by Erste AM.
- Opportunities for attractive capital appreciation.
- The fund is suitable as an addition to an existing equity portfolio and is intended for long-term capital appreciation.

#### Risks to be considered:

- The price of the fund can fluctuate strongly (high volatility).
- Due to the investment in foreign currencies, the net asset value in Euro can be negatively impacted by currency fluctuations.
- Capital loss is possible.
- Risks that may be significant for the fund are in particular: credit and counterparty risk, liquidity risk, custody risk, derivative risk and operational risk. Comprehensive information on the risks of the fund can be found in the prospectus or the information for investors pursuant to § 21 AIFMG, section II, “Risk information”.

For further information on the sustainable focus of ERSTE WWF STOCK ENVIRONMENT as well as on the disclosures in accordance with the Disclosure Regulation (Regulation (EU) 2019/2088) and the Taxonomy Regulation (Regulation (EU) 2020/852), please refer to the current [Prospectus](#), section 12 and the Annex “Sustainability Principles”. In deciding to invest in ERSTE WWF STOCK ENVIRONMENT, consideration should be given to any characteristics or objectives of the ERSTE WWF STOCK ENVIRONMENT as described in the Fund Documents.

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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](http://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](http://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](http://www.erste-am.com/investor-rights) and can also be obtained from the Management Company.

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