ERSTE Asset Management

**Media release**
Vienna, 21 Mach 2023

# World Water Day:
# Water risks are also economic risks

- Erste Asset Management has published the water footprint of its sustainable funds since 2017
- Availability of water data has greatly improved since then
- World Water Day on 22 March

**This is the seventh year that Erste Asset Management (Erste AM) has published the water footprint of its sustainable equity funds. Since 2021, this disclosure has been complemented by the publication of the data for our sustainable bond funds. With climate change, droughts and water shortages have also arrived in Europe. The topic of water and how companies manage their water risks is therefore also becoming increasingly important in an investment context.**

## Water shortage is also becoming an issue in Europe

"Water is much more than a vital resource," emphasises **Walter Hatak, Head of Responsible Investments at Erste Asset Management**. The resource is also of enormous importance from an economic point of view. The far-reaching effects of the water shortage became clear once again last year. If the rivers do not carry enough water, cargo ships get stuck. Even nuclear reactors cannot continue to operate because they cannot be cooled sufficiently.

For companies, a water shortage can have a wide variety of consequences, such as stricter regulation of water consumption, massive price increases or delays in the production process. This highlights the fact that water risks are also economic risks. It is therefore all the more important for companies to use our water resources responsibly and manage water risks sustainably.

> *"Water shortages and the progressive lowering of the groundwater level – problems that a few years ago we only knew from documentaries about distant countries – have meanwhile arrived here, where in rural regions the domestic wells that have existed for generations are increasingly drying up, thus drastically demonstrating the consequences of the climate crisis,"* emphasises **Walter Hatak**.

## Regional component as decisive factor

"By publishing the water footprint of sustainable equity funds for the first time in 2017, Erste AM once again lived up to its pioneering role," Hatak emphasises. In the meantime, the disclosure of water risks has been regulatorily defined. Within the framework of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, these are calculated and published by investment companies as part of the so-called additional principal adverse impact indicators.

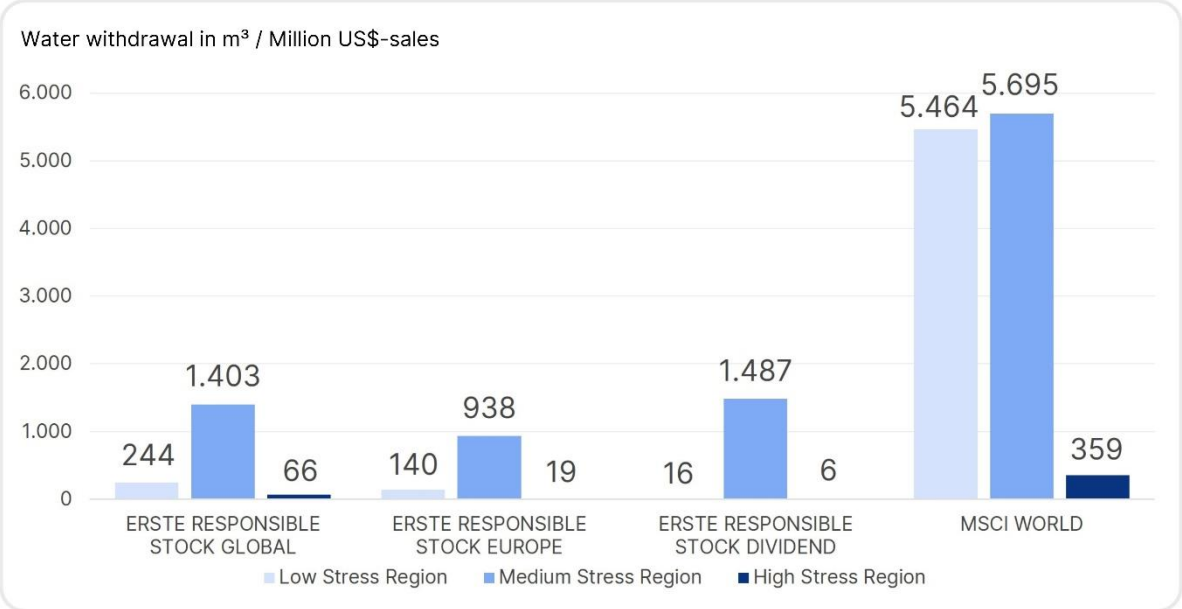
As for the availability of water data in the sustainable Erste AM funds, more and more companies have started to disclose their water consumption. Availability has increased from 46.8% in 2017 to 73.0% now.

It is important to understand that not only the actual consumption in absolute terms plays a role in possible water risks. Unlike the carbon footprint, the regional component is crucial. “Water consumption in regions with high water resources, such as in the area of the Alps, is to be classified differently than water consumption and related management practices in water-scarce regions, such as in Cape Town in South Africa,” Hatak points out.

## Taking into account water risks in investment

Erste AM follows the risk classification of the World Resources Institute and distinguishes between low (e.g. Austria in the Alps), medium (e.g. Germany) and high (e.g. Spain) stress regions. In the course of the sustainability analysis, Erste AM records whether a company is located in a low-water risk region and whether it is dependent on high water withdrawals there. In addition, Erste AM's sustainability experts assess what measures companies take to improve water use. These aspects are accounted for in the calculation of the ESG rating of the companies, which among other things is decisive for whether a company is included in the fund or not.

The consideration of water risks in the selection of assets is proving successful. This year, Erste AM's sustainable funds again significantly outperformed the global equity market in terms of water footprint.




Source: Bloomberg, MSCI-ESG, calculations by Erste Asset Management; water and sales data of FYs 2015-2022; index data as of the end of 2022. The index was used for benchmarking purposes only and does not affect the discretion of the management company in selecting the assets of ERSTE RESPONSIBLE STOCK GLOBAL, ERSTE RESPONSIBLE STOCK EUROPE and ERSTE RESPONSIBLE STOCK DIVIDEND. In determining the average water intensity of the companies held in the funds, we use the water withdrawal published by the companies as a key indicator. Water intensity measures water consumption in cubic metres per million US dollars of sales.

Note: The chart shows the water footprint of selected funds. For the complete overview of all sustainable equity and bond funds, please visit https://www.erste-am.at/en/private-investors/sustainability/responsible#wasserfussabdruck.

## About us

Erste Asset Management GmbH (Erste AM) is an international asset manager with a strong position in Central and Eastern Europe. Erste Asset Management is backed by the financial strength of Erste Group Bank AG (Erste Group).

With offices in Austria, Germany, Croatia, Romania, Slovakia, the Czech Republic, and Hungary, Erste AM manages assets of EUR 69.35bn (as of 31 December 2022). Erste Asset Management has been successfully active on the market since 1965.

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**ERSTE RESPONSIBLE STOCK GLOBAL**
For more information on the sustainable structuring of ERSTE RESPONSIBLE STOCK GLOBAL and on the disclosures as pursuant to the Disclosure Regulation ((EU) 2019/2088) and to the Taxonomy Regulation (EU) 2020/852), please visit sec. 21, part II, chapter “Risk notices” of the Austrian Alternative Investment Fund Managers Act.

Benefits for investors:

- Broadly diversified investment in equities from the developed markets
- Participation in environmentally, ethically, and socially acting companies
- Active asset selection based on fundamental criteria
- Chance of attractive gains

Risks to bear in mind:

- The price of the fund may be subject to significant fluctuations (volatility)
- Foreign exchange fluctuations may affect the value of the fund due to the investment in foreign currency
- Capital loss is possible
- The following risks may be of particular relevance to the fund: credit risk, counterparty risk, liquidity risk, deposit risk, derivative risk, and operational risks. For comprehensive information on the risks of the fund, please refer to the prospectus and to the information for investors according to sec. 21, part II, chapter “Risk notices” of the Austrian Alternative Investment Fund Managers Act

**ERSTE RESPONSIBLE STOCK EUROPE**
For more information on the sustainable structuring of ERSTE RESPONSIBLE STOCK GLOBAL and on the disclosures as pursuant to the Disclosure Regulation ((EU) 2019/2088) and to the Taxonomy Regulation (EU) 2020/852), please visit sec. 21, part II, chapter “Risk notices” of the Austrian Alternative Investment Fund Managers Act.

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**ERSTE RESPONSIBLE STOCK DIVIDEND**

For more information on the sustainable structuring of ERSTE RESPONSIBLE STOCK GLOBAL and on the disclosures as pursuant to the Disclosure Regulation ((EU) 2019/2088) and to the Taxonomy Regulation (EU) 2020/852), please visit sec. 21, part II, chapter “Risk notices” of the Austrian Alternative Investment Fund Managers Act.

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**Important legal notes**

This document is an advertisement. All data is sourced from Erste Asset Management GmbH, unless indicated otherwise. Our languages of communication are German and English.

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 Information Document can be viewed in their latest versions at the web site www.erste-am.com within the section mandatory publications 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 Information Document is available, and any additional locations where the documents can be obtained can be viewed on the web site www.erste-am.com. A summary of investor rights is available in German and English on the website www.erste-am.com/investor-rights as well as at the domicile of the management company.

The management company can decide to revoke the arrangements it has made for the distribution of unit certificates abroad, taking into account the regulatory requirements. This document serves as additional information for our investors and is based on the knowledge of the staff responsible for preparing it at the time of preparation. Our analyses and conclusions are general in nature and do not take into account the individual needs of our investors in terms of earnings, taxation, and risk appetite. Past performance is not a reliable indicator of the future performance of a fund. Please note that investments in securities entail risks in addition to the opportunities presented here. The value of shares 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 shares. Persons who are interested in purchasing shares 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 a currency other than the investor's home currency, changes in the corresponding exchange rate may have a positive or negative impact on the value of his investment and the amount of the costs incurred in the fund - converted into his home currency.

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