Climate Change Policy

Impact Asset Management GmbH (in short: I-AM) sees climate change as a significant challenge for our common future and is convinced that the financial industry must and can play a key role in the search for sustainable solutions. For this reason, we support measures that contribute to the mitigation of global warming based on scientific findings.

Climate Efficiency at I-AM

As one of the leading bank-independent asset management companies in the German-speaking region, we see it as our responsibility to steer financial flows towards sustainable economic activities. I-AM specializes in the selection, analysis, and management of ESG and impact strategies. Our investment policy aims to contribute to the achievement of the UN Sustainable Development Goals and to generate social, environmental, and financial returns as a "triple bottom line" asset manager.

In Austria we have been one of the first signatories of the UN PRI (United Nations Principles for Responsible Investment) since 2011. The six "Principles for Responsible Investment" (UN PRI) introduced by the UN in 2006 are fundamental values for sustainable investment. With them, investors and asset managers commit themselves to complying with environmental, social and governance criteria (ESG guidelines) relevant to the financial market in their investment activities. At product level, all sustainability and impact strategies are regularly reviewed and evaluated by external institutions (e.g., Forum Nachhaltiger Geldanlagen, or FNG; Consultative Group to Assist the Poor, or CGAP; LuxFlag). In addition, independent ESG rating agencies (e.g., MSCI ESG Research, ISS ESG) regularly assign top ratings to our ESG products.

As an asset manager, we have been managing ESG and impact strategies since 2006. In the last six years (2017-2022), we have been able to increase the proportion of assets under management (AuMs) at I-AM from 25% to over 60%. The increase is partly due to the growth of existing or new SRI products, but also to the conversion of existing non-SRI products. With this in mind, C-QUADRAT Asset Management GmbH was renamed Impact Asset Management GmbH in 2021. The new brand positioning is intended in particular to reflect the focus on the sustainable and impact-oriented direction of the company and the product portfolio.

In the long term, all AuMs are to be managed according to the SRI principle. Investments are considered "SRI-compliant" if the form of investment takes into account social and/or environmental sustainability criteria in addition to financial aspects and sees its social responsibility in particular in the prevention of negative impacts of its activities (e.g., through the use of one or several ESG strategies defined by Eurosif, such as exclusions, ESG integration, impact, etc.).[1]

[1] Remer (2020; Gabler Bankenlexikon)

In addition to the measures in asset management, our company also focuses on sustainable management in its regular business activities. I-AM has been considered climate-neutral since 2016 and even climate-positive since 2022. In addition, we strive to reduce our company's Scope 1, 2 & 3[2] emissions. This is achieved by consistently giving preference to alternative means of transport for business trips (e.g., instead of classic scheduled flights) and the active use of video conferences, as well as by promoting the use of public transport for daily travel to our company locations (e.g., job tickets). The move of our office to a climate-neutral building in May 2022 is another example of the climate efficiency strategy at I-AM.

Investments to mitigate climate change

Our product range is currently divided into ESG individual funds, ESG fund of funds, microfinance (each "SRI") and non-sustainably managed assets ("non-SRI"). Our guidelines for the various product groups in relation to climate change are currently as follows:

ESG single security funds:

Within the investment processes of the ESG single security funds, we primarily pursue ESG positive criteria in addition to sector exclusions (e.g., heavy fossil fuels, alcohol, tobacco, etc.). These are mainly based on the three pillars of sustainability: E (Environmental), S (Social) and G (Governance). More than 100 different factors with many further subcategories flow into selected ESG ratings, which are monitored and optimized on a daily basis by the fund management. Within these sub-categories from the environmental sector, there are a large number of key elements that are aimed at the area of climate change (CO_2 emissions, pollutant emissions, etc.), which are included in the overall company analysis and ultimately influence investment decisions. With the "best-in-class" principle, the ESG team tries to invest particularly in companies that rank among the best in their sector-specific climate indicators.

Already in the construction of the investment universe, self-imposed negative criteria are used to exclude companies from investments that extract, sell, or generate energy with coal (5% turnover threshold), or are involved in the areas of shale gas, shale oil (fracking) and oil sands (Tar Sands) (5% turnover threshold). Furthermore, companies producing or supplying genetically modified organisms (GMOs) or chlorine and agrochemicals (biocides) are excluded (5% turnover threshold).

Since the beginning of 2024, this exclusion has also been extended to include the fossil fuels sector (oil & gas) (5% turnover threshold for production and 30% turnover threshold for distribution & servicing).

Consideration of the main adverse effects of investment decisions on sustainability factors (CO_2 emissions, water pollution, hazardous waste, etc.) is carried out through the negative criteria mentioned above and in the selection of stocks (positive criteria).

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[2] Scope 1: includes the direct release of climate-damaging gases in the own company; Scope 2: includes the indirect release of climate-damaging gases by energy suppliers; Scope 3: includes the indirect release of climate-damaging gases in the upstream and downstream supply chain.

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In addition to these filter applications, we generally prefer companies in our ESG funds that do not exhibit excessive carbon intensity. For this reason, when making investment decisions, we prefer those companies that dispose of advanced systems and solutions for effective greenhouse gas reduction and at the same time show a low carbon risk. Companies that are classified as "poor" in this category by our data providers are excluded from the basic universe (i.e. investments). The regular improvement of the CO_2 footprint of our ESG portfolios is recorded quarterly in the ESG reports.

Parallel to the classic ESG strategies, we have also set ourselves the goal of pursuing an active impact policy. By this we mean the pursuit of portfolio optimizations in the direction of the UN SDGs (United Nations Sustainable Development Goals) as well as dialogue strategies with companies that have so far made little progress towards achieving decarbonization in the business cycle. Preference is given to companies whose revenues from products or services have a positive impact on society and the environment or manage negative externalities in their operations across the value chain to minimize negative impacts, while leveraging existing and emerging opportunities in their products and services to contribute to the achievement of the SDGs. Measurement of contributions extends over 120 different data points per company and enables granular thematic assessments as well as aggregated impact measurements. In the long term, the ESG portfolios should result in positive contributions overall and those companies with particularly negative impacts on UN SDGs 7 (Affordable & Clean Energy) & 13 (Climate Action) should no longer be included in the portfolios.

As part of our collaborative engagement, we are in dialogue with more than 100 different companies every year that are among the laggards in the area of sustainability. Under the thematic goal "Net-Zero", we focus on those companies that perform conspicuously negatively in the area of climate efficiency compared to their respective industry cohorts. In doing so, we primarily aim to raise awareness and identify opportunities to optimize business processes towards more climate-friendly solutions.

ESG fund of funds:

The ESG selection process seeks target funds that have integrated ESG criteria into their investment process. This means that they promote environmental or social characteristics or a combination of these (Article 8 Disclosure Directive) or aim for a sustainable investment (Article 9 Disclosure Directive). Based on this, both positive and negative criteria are taken into account in the selection process.

The positive criteria are based on E (Environmental), S (Social) and G (Governance) factors as described above and are incorporated into an ESG rating on the basis of a large number of sub-categories. The ESG screening is used to exclude those target funds with poor ESG ratings.

The negative criteria are intended to filter out those target funds that hold a certain proportion of their assets in ethically or morally questionable sectors (including fossil fuels, tobacco, etc.).

Already in the construction of the investment universe, negative criteria are applied to exclude those target funds whose revenues are generated from the mining of power plant coal (including lignite, hard coal, anthracite and steam coal) and its sale to external parties (tolerance threshold: 5% of the portfolio's market value), or companies that have large reserves of conventional fossil fuels (tolerance threshold: 10% of the portfolio's market value).

Microfinance:

As a pure social impact investment, no climate targets are currently pursued in this product group.

Non-SRI assets:

In the long term, all AuMs are to be managed according to the SRI principle, in line with the definitions explained above. As a dedicated climate target, we pursue the limitation of so-called high impact fossil fuel reserves (i.e., controversial fossil fuel reserves such as thermal coal, oil sands, shale oil and shale gas) to below 5% of the respective net asset value of the funds, as these have a particularly negative impact on climate change. In addition, investments in issuers that generate a significant portion of their revenues from any link to thermal coal (mining, transport, energy, etc.) shall be excluded from the universe in the long term (also for any target funds of the investment universe of the non-SRI funds of funds). I-AM will make the applicable limits and tolerance thresholds as well as further future exclusions largely dependent on the sector development and the availability of the underlying data.

In the management of special funds as well as mandates, any agreements concluded with the investor will be taken into account and efforts will be made to continue implementing the SRI principles.

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I-AM Climate Strategy

Whether in establishing in-house minimum criteria, optimizing sustainability in our portfolios, communicating with companies, or working with industry partners and other stakeholders, I-AM has for many years placed great emphasis on reducing its overall carbon footprint. That is why we want to continue to make our business operations and key steps in the value chain more climate-friendly in the long term. The measures already implemented to reduce CO_2 emissions are considered one of the elements of our long-term corporate strategy.

Vienna, April 2024