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# Impact investing under threat

BY **ELIZABETH MCARTHUR** | TUESDAY, 16 JUL 2019 ⌚ 12:07PM

## **Advocates of impact investing are in fear for the future of the movement, issuing warnings about the danger**

A recent analysis of green themed funds around the globe found 85% make unsubstantiated and misleading impact-suggesting positive environmental impacts resulted from the investment strategy.

The report, issued by The 2 Degrees Investing Initiative, looked at impact-washing in light of the European Union's n friendly investments.

AMP Capital head of ESG investment research Ian Woods believes impact-washing poses a serious threat to the im wider ethical investing industry.

Impact investing must have an intention and aim to solve a problem to have a real impact, and there must also be a

"If there isn't the intentionality and there isn't the assessment of the impact then the whole idea of impact will just los tragedy for all those people who have spent so much time and done such good things in the impact investing space,

Woods has seen many examples of impact-washing throughout his career.

"There was one fund - and I won't name names - which had Exxon in it and British American Tobacco in it. It's difficu could be in an impact fund by the traditional meaning of what that is," he says.

There is also many sustainable or low carbon funds invested in companies whose business isn't aimed at addressin problem, as outlined in the United Nations Principles of Responsible Investing Sustainable Development Goals, he s

Australian Ethical head of ethics research Stuart Palmer agrees, saying impact-washing presents a significant challe

He's seen the word 'impact' used to describe very different investment approaches.

In one instance, Palmer's seen investment managers use the terminology to describe where the money is going and he's also seen it used to describe an investment manager wanting to impact a company's behaviour.

"When people see the word 'impact' or 'sustainable' or 'ESG' - what are they expecting and what are they getting?" F

"I think that's where the industry isn't doing a great job of using that terminology. Describing a fund as an impact func environment."

Pointing to the findings of The 2 Degrees Investing Initiative's report, Palmer argues an investment in a green bond i positive impact on the environment.

"In Australia, the big banks have issued green bonds. We've invested in some of them and not in others. I'm not kno saying if people think that's the answer to climate change and other challenges - it's not," Palmer says.

"It's capital going to the bank, it's not money that's exposed to the risk of something like building new solar and wind

Rosemary Addis is trustee of the global steering group on impact investing and is senior advisor to the United Nations Impact. She believes the rapid growth of the impact investing movement may have left it open to misinterpretation.

"Organisations that are holding themselves up as having invested with impact should be clear about what their goals should be linked to frameworks like the sustainable development goals," Addis says.

"If you're going to say that what you're doing is having impact, you have to show to who and how and what the risks process of setting principles."

According to Impact Investing Australia, impact products in the Australian market grew by four times from mid-2015 to

Addis believes there is strong consumer demand for investments with a constructive impact, but there is a gap between or impact investment and what the reality may be.

She argues there is one clear way to fight impact-washing - good governance.

According to Addis, proper governance around impact investments changes the conversation - giving impact the same

"We need to treat impact seriously, the same way we treat other specialties or areas like risk," she says.

"We need people with impact expertise on boards."