

<https://blog.en.erste-am.com/divesting-oil-personal-preface-included/>

## Divesting oil – personal preface included

Walter Hatak



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When I think back to my first school outing to the refinery in Schwechat (Lower Austria), the first thing that comes to mind are the excellent wiener sausages at the canteen. The highly complex processes involved in the refinement of crude oil, on the other hand, are hard to digest even for an adult.

### Divesting oil – personal preface included

Some interest in crude oil was always going to be congenital in my case. After a quick detour to Vienna, I grew up on the biggest oilfield of Central Europe. My granddad was a very successful drilling foreman during the Russian occupation (and beyond), at a time when workplace safety standards were not even a thing on television. Winters were still real (i.e. below-zero) winters, where some of the oil was dumped into pits and set on fire in order for the workers not to freeze to death.

Luckily my dad chose the same sector, because that's where he met my mother. In contrast to my granddad, however, he did not become a technician, but embarked on a career with OMV.

Why this personal preface? As Head of the ESG Department with Erste AM, I – together with my team – took a radical decision earlier this year: divesting oil from our – Austrian Ecolabel-awarded – sustainability funds.

### Dialogue or exclusion? Both!

Crude oil companies can be excluded for ethical and moral reasons. For example, you do not want to participate in companies via your fund that are among the biggest greenhouse gas producers and thus contribute significantly to climate change.

The exclusion can also be based on risk aspects, e.g. compliance (or lack thereof, respectively) with the goals of the Paris Agreement. There will be an increasing number of restrictions with regard to the use of fossil fuels in order to contain global warming below 1.5 degrees relative to the pre-industrial age.

You do not want companies in your portfolio where you can expect large losses on a sustainable basis due to so-called stranded assets (i.e. crude oil reserves that, while itemised on the balance sheet of the company, cannot be extracted due to climate change regulations).

Regardless of the motivation for the exclusion of crude oil companies, the decision entails that the companies affected have become uninvestable for your fund.

### Achieving a change of heart at AGMs

Divestment would, however, also mean losing the chance to make use of our shareholder rights at the Annual General Meetings (AGMs) of oil companies and thus the platform to exert pressure for change, which is an even bigger lever for the transformation of the economy than criteria of exclusion.

Since 2015, we have used our voting rights on the basis of our own sustainability policy for all funds of Erste AM (N.B. that includes traditional funds). This means we will maintain the highly constructive dialogue with OMV (where we are lead investor of the international investor association Climate Action 100+).

### Sustainability pioneer in Austria

Since Erste AM therefore has the opportunity to combine the best of both worlds, it was an easy decision to already comply with the new regulations of the Austrian Ecolabel voluntarily at this early stage. Thus, we remain on the path that we chose in 2001 as pioneer and market leader.

We hope you will enjoy reading this new ESG Letter and wish you sufficient levels of (non-fossil) energy in the coming difficult days.

You can find our dossier on rethinking energy production and consumption at: <https://blog.en.erste-am.com/dossier/strom-energie/>

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