

<https://blog.en.erste-am.com/erste-asset-management-excludes-oil-companies/>

Erste Asset Management excludes oil companies

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- **Austrian sustainability pioneer to divest oil sector early from all sustainability funds with Austrian Ecolabel**
- **Erste Asset Management manages assets worth EUR 9bn in nine funds based on the criteria of ethical ecolabel**
- **Erste AM exercises votes as sustainable investor at 400 AGMs**

Decarbonisation, i.e. the transformation of the economy towards lower CO₂ emissions, requires massive efforts from all energy utility companies. Oil companies are among the biggest emitters of greenhouse gases and are therefore particularly hard hit by this transformative strategy. They are faced with sizeable challenges, not only due to the corona crisis and the currently volatile oil markets.

Oil companies excluded

As biggest investment company in Austria, Erste Asset Management has decided to exclude oil companies early from its sustainable funds that hold the Austrian Ecolabel. This currently affects nine funds with about EUR 1.3bn worth of assets under management (as of 7 April 2020). In doing so, we are complying early with the regulations of the Austrian Ecolabel, which are going to require the exclusion from ethically certified environmental funds in due course.

“Oil companies can be excluded on ethical and moral grounds if one does not want to participate in the business of companies that big greenhouse emitters. Alternatively, one may also want to exclude them from a risk perspective, in an effort to fulfil the goals of the Paris Climate Agreement. We have therefore decided to comply with the new regulations of the Austrian Ecolabel before they have actually come into effect,” says Walter Hatak, Head of Responsible Investments, Erste AM.



*Photo: Walter Hatak, Head of Sustainable Investments Erste Asset Management
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Voting at more than 400 AGMs

In order to contain global warming below 1.5 degrees relative to the pre-industrial age, companies will be faced with an increasing number of regulations. It is important to act in good time as sustainable investor.

Since 2015, Erste AM has exercised its voting rights on the basis of its own sustainability policy for all funds of Erste AM (i.e. also traditional mutual funds). Here, too, we assess investments integratively on the basis of strict, sustainable criteria. Last year alone, we voted in line with our ESG (environment, social, governance) guidelines on 400 AGMs. “This means that the very constructive dialogue with OMV, where we are lead investor of the international investor association Climate Action 100+, will of course remain in place,” as Hatak points out.

Only half of the energy utility companies pursue the goals of the Paris Climate Agreement

According to the analysis of the financial service provider MSCI, fewer than half of the companies in this sector have set themselves goals in this context or are pursuing goals that comply with the containment of global warming of 1.5 to 2 degrees.

On top of that, the goodwill of utilities tends to be long-lived. This and the high capital intensity make a transitional phase of ten years seem realistic for many utilities. Due to the high capital intensity of a large-scale transformation, the transitional phase is likely to take at least ten years. In order to facilitate a comprehensive transformation of the global utility sector to less CO₂-intensive forms of energy, global investments especially in networks and the storage of renewable energies are urgently needed.

“The results show that on the basis of the total emissions that can still be emitted before the 2-degree target for climate warming becomes unattainable, energy utility companies have to do much better, since they account for the lion’s share of emissions,” as Hatak concludes.

INFO:

Managing sustainably invested assets of more than EUR 13.4bn (as of 31 December 2019) in 50 sustainable mutual funds and several special funds and providing comprehensive expertise, Erste AM is market leader in the area of sustainable investment in Austria. Also, Erste AM holds a pioneering role in ethics and sustainability: the first sustainable mutual fund was issued as early as 2001.

For more information on electricity, energy, and sustainable investments, please visit <https://blog.en.erste-am.com/dossier/electricity-energy/>

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