Sustainable performance via engagement and dialogue

Dominik Varga

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The topic of sustainability offers a great opportunity to discuss the question of engagement. By engagement, we understand the dialogue between investors and shareholders and the respective companies in order to suggest changes and to bring them about in a targeted fashion.

Smart Power

Such dialogue may come in various forms. Pressure may be exerted through targeted voting and shareholder motions at AGMs. Dialogue with companies also comes in the form of conversations with Management, conference calls, workshops, open letters etc. In this context, engagement is largely a collaborative project. Of course, it makes sense in some cases – e.g. for acutely pressing issues – to approach a company on one's own. But the old adage according to which one is stronger together also applies to this area. Therefore, Erste AM is member of several investor initiatives such as Climate Action 100+ (CA100+; we have already highlighted our engagement with CA100+ at an earlier stage). One focal point of our employees in the CA100+ initiative is the oil and gas industry. Here, Erste AM is in active dialogue with OMV AG as local lead investor.

Focus on climate goals

Since 2019, the focus of our dialogue with OMV AG has been on the issues that we had defined in a bigger circle with other investors as part of CA100+. Criteria relevant to the oil and gas industry are for example whether a company agrees with the criteria of the Paris climate goals, whether there are medium to long-term goals to cut CO_2 emissions, whether the remuneration structure reflects the climate and sustainability goals, or whether the company lobbies for or against the Paris climate goals. During this period, the focus in our talks with OMV AG has been on what climate goals the company has defined, to what extent the remuneration structure reflects the climate and sustainability goals, and on lobbying activities and membership in lobbies. Over those months and quarters, we have achieved a lot. For example, OMV AG announced its long-term emission targets in a press release and thus issued a net zero emission target for 2050 in addition to the already defined goals about emission intensity of products and divisions until 2025. This year, the company has also launched a report that discusses its membership in various lobbying groups on the basis of their compatibility with the Paris climate goals. This is an important contribution to transparency because the membership in lobbies and other organisations also allows for effective publicity for the Paris climate goals. The remuneration policy has also been expanded by the aspect of sustainability, and the company has allowed for emission reduction targets.

Outlook

The aforementioned example illustrates in concrete terms how dialogue and engagement can instigate thought processes and change. Dialogue helps create an awareness especially with regard to companies in sectors with particularly intense emissions, and it opens up the opportunity to exert pressure together with like-minded investors. However, the positive change is no reason to regard the dialogue process as complete. Climate change will keep us busy for years to come, which is why the engagement will have to be stepped up in that area. This is also why membership in global investor initiatives such as CA100+ are important, because they facilitate concerted action, which is preferable to local and uncoordinated measures.

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