

<https://blog.en.erste-am.com/tesla-no-investment-in-environmental-funds/>

TESLA: no investment in environmental funds

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Tesla Inc. is not part of the sustainable investment universe of our environmental fund, [ERSTE WWF STOCK ENVIRONMENT](#), which is also the oldest one of the sustainable range of Erste AM and is subject to strict criteria.

The underlying rationale of the fund is to invest in products or technologies with particularly high environmental utility that fulfil the stringent criteria of WWF Austria (exclusion of [coal](#), [oil](#), and natural gas, no larger dam projects in the hydroelectric sector, no infringement with the criteria for CITES species protection etc.).

Tesla: Pioneer in e-mobility

E-mobility plays a crucial role in this context, since the technology is regarded as holding large potential despite its controversies. While in the short run smaller diesel- or petrol-driven cars seem to record lower emissions, e-cars may have the upper hand in the medium to short term.

The predictions about market share development are encouraging as well: the International Energy Agency (IEA) forecasts more than 30% by 2030, with the rate of market penetration differing widely depending on the region (N.B. China is the most important market, followed by Europe with a share of e-cars of e.g. 46% in Norway; USA is in third place).

Tesla is regarded as pioneer in the field of e-mobility and was admitted to the investment universe as early as 2011. At the same time, however, the company holds one of the most controversial positions on the stock exchange and has also turned into an ongoing topic of discussion at the WWF environmental advisory board meetings due to a variety of controversies.

That is where controversies are analysed, assessed, and put to vote for possible exclusion. Small-scale controversies can be tolerated, for example if there is no causal link between the situation and the company in question and the benefit for the environment outweighs the drawback of keeping the company in the invested universe.

“ESG Controversies” – Requirements are not met

However, Tesla has not fulfilled these criteria for a while now: according to our latest research, there have been several reports about a deficiency in vehicle quality and safety, misleading or unclear product information and marketing, and insufficient work safety standards as recently as August and September 2019. Less recently, we have seen reports of employee age or sex discrimination and accusations of illegal business practice, misinformation of investors, the declaration of inflated production volume forecasts, and tampered accident numbers, which Tesla has partially denied.

The company had more OSHA (Occupational Safety and Health Administration) <OSHA, nicht OHSA > entries in 2017 and 2018 than its competitors (Ford, General Motors, and Fiat Chrysler) and was fined a total of USD 30,000 last year due to non-compliance with Californian safety standards. The evaluation of corporate governance yields a weak result as well, given that it is not possible to ascertain the independence of various board members. For example, Kimbal Musk, the brother of Elon Musk, is a member of the Board of Directors.

Elon Musk: Resignation as Tesla Chairman

In addition to these specific accusations, which partially resulted in reports and fines, Elon Musk, CEO and most prominent personality of the company, is also known for his sometimes radical and unpredictable management style.

In particular, he is no supporter of hierarchical systems, bureaucracy, meetings per se, or all measures that obstruct direct communication. “Walk out of a meeting or drop off a call as soon as it is obvious you aren’t adding value. It is not rude to leave, it is rude to make someone stay and waste their time,” as he wrote in an email about workspace standards.

The evaluation of all these issues has ultimately led us to exclude Tesla from our universe, which also illustrates that in assessing the companies we take into account all the pillars of sustainability, and sustainable corporate culture is a decisive factor for us.

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