

Erste Asset Management pulls the plug on coal on 1 July

- **Austrian investment company is pulling the plug on coal, abstaining from investments in companies that operate in the fields of coal mining or the production of electricity or fuel from coal from 1 July 2021 onwards**
- **This investment policy applies to all mutual funds managed actively by Erste Asset Management (Erste AM)**
- **Companies that have committed to exit coal in accordance with the Paris Climate Accord are exempt from this policy**

“This is the moment of truth... The world has to act now,” said Alok Sharma, President of the World Climate Conference COP, and demanded emphatically the exit from coal. The mining, burning, and use of coal contribute significantly to the increase in greenhouse gases and thus to global climate change. The coal sector bears a particular responsibility with regard to the conservation of the environment, the safeguarding of human rights, and health vis-à-vis society and future generations.

Erste Asset Management will therefore exclude all companies from the investment universe of the affected funds from 1 July 2021, unless the respective companies credibly commit to exiting coal in accordance with the Paris Climate Accord, i.e. at the latest by 2030 on the basis of the IPCC report of 2014. In addition, Erste Group, the parent company of Erste Asset Management, announced in March 2021 that it would gradually reduce its financing for the steam coal mining and coal-fired power generation sectors and end them entirely by 2030.

Based on the report of the Intergovernmental Panel on Climate Change (IPCC, 2014), the global warming limit of 1.5 degrees Celsius set at the world climate summit in Paris in 2015 can only be achieved by exiting the coal sector.

Maintenance of power and heat supply

“As early as in 2016 we were one of the first investment companies in the German-speaking region with a corporate coal policy. We now reach the next milestone by adhering to even more stringent criteria in our investments. We would explicitly want others to follow suit so we can solve the climate crisis together,” says Heinz Bednar, CEO of Erste Asset Management.

Due to the current status of coal in the maintenance of the energy and heat supply in Central and Eastern Europe (CEE), the transition has to be socially agreeable and along the lines of supply security. “This is why we deliberately chose a mix of exclusion and engagement, in order to guide companies in a focused fashion through the transformation towards the use of renewable energies,” as Bednar explains.

This makes jobs in the affected sectors safe for the future and also ensures the maintenance of supply security amid the exit from climate-damaging energy generation.

How the exit from coal is to be implemented

The benchmarks of the new Erste Asset Management policy are based on the sales thresholds derived from the Austrian Ecolabel and on scientific findings on the time we have to exit coal in order to achieve the Paris climate goals.

“Sustainable investment affects our entire company and, ultimately, also our society. Therefore, it is insufficient to define more stringent benchmarks for a small line of products – these benchmarks have to

apply to all mutual funds. The client has to be sure regardless of the fund he or she chooses that no coal mining or energy production from coal is involved,” says Bednar.

On the basis of this rationale and in collaboration with external research partners and data providers, Erste Asset Management evaluates its operations with respect to the following areas: coal mining (thermic or metallurgic), power production from black coal or brown coal, fuel production (liquid or gaseous) from coal; a clear and published coal exit plan from the respective companies. Erste Asset Management does not expect this measure to have any impact on the performance of the funds concerned, but rather to reduce long-term risks.

“By exiting coal investments, Erste Asset Management not only assumes responsibility as investor and minimises long-term environmental and financial risks, but the step also helps us comply with the Montréal Carbon Pledge, to which we are a signatory,” as Bednar concludes.

Link to the new Erste AM coal policy:

<https://www.erste-am.at/en/private-investors/sustainability/publications-and-guidelines#all-downloads>

About:

Erste Asset Management manages assets of about EUR 71.55bn (as of May 2021). About 100 investment professionals work in our Investment Departments across all countries. In order to ensure an optimal investment process, Erste Asset Management fund managers cooperate closely with our in-house Research Department.

Managing sustainably invested assets of EUR 12.9 bn in more than 50 sustainable mutual funds and several special funds, Erste AM is market leader in sustainability in Austria. In addition, Erste AM is a pioneer in ethics and sustainability: the first environmental equity fund was issued as early as in 2001 and has been co-managed with WWF Austria since 2006.

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