German Asset Manager and Fossil Fuel Expansion

Greenpeace • Urgewald • Reclaim Finance

Summary

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Greenpeace is an independent campaigning network which uses non-violent, creative confrontation to expose global environmental problems and to force solutions which are essential for a green and peaceful future.

Urgewald is a German environment and human rights NGO, whose goal is to establish strong environmental and social standards for the international finance industry. Urgewald has 30 years of experience in working on the finance and energy sector.

Reclaim Finance is an NGO affiliated with Friends of the Earth France. Founded in 2020, it is 100 % dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows.

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Introduction

On December 12 2015, the Paris Climate Agreement was adopted. The agreement made prominent reference to the outstanding responsibility of the financial system to achieve the agreed climate goals, stating that „finance flows have to be made consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."

Six years later, the name of the biggest German asset manager, DWS, hit the headlines. **For the first time, the German financial regulator (BaFin) ordered a police raid on an asset manager for suspected greenwashing.** In particular, DWS stood accused of lying about the environmental, social and governance (ESG) characteristics of its sustainable funds. In a context where greenwashing by financial institutions is under increasing scrutiny, DWS was quick to deny the accusations.

While the DWS case is another data point in the heated global debate around ESG value, it sheds light on the very weak climate policy and practice of at least one German asset manager. This brings us to the following question: Is the DWS case representative of the German asset management (AM) sector's capacity to respond to the climate emergency, or is it an exception?

Calls to end fossil fuel expansion have grown in volume from organizations including the International Energy Agency (IEA),[1] the Intergovernmental Panel on Climate Change (IPCC) and the UN. Fossil fuel reserves are already exploited, and evidence shows that consuming them further would largely exhaust a 1.5 °C carbon budget.[2] As such, fossil fuel expansion plans have been widely recognized as strictly incompatible with international climate objectives.[3] Hence, we focused our research on how German asset managers manage their relationships with companies developing new coal, oil or gas projects.

This report takes stock of the climate practices of four major German asset managers, Allianz GI, Union Investment, Deka Investments and DWS, together managing more than € 2.3 trillion of assets.[4] The authors investigated the companies' policies towards the fossil fuel sector, where the bulk of their financed emissions lie,[5] and their current portfolio exposure to fossil fuel companies.

Many German asset managers have publicly declared commitments to achieving the Paris climate goals and the four assessed in this report are among those that have signed onto the Net Zero Asset Managers Initiative,[6] assessing how they deal with fossil fuel expansionists is a good way to test the credibility of their net zero transition plans.

Consequently, **two questions are at the core of the report.** First, **whether the four asset managers' net zero claims are being followed by action to change their investment practices** in line with a scenario limiting global warming to 1.5 °C. And secondly, whether the greenwashing accusations faced by DWS for **suspected greenwashing around its sustainable funds could be extended to other asset managers.**

Methodology and scope

Asset managers included in the report

Asset manager analyzed in this report	Assets under management (AUM, as of June 2022)	Parent Group
DWS	€ 833 bn [8]	Deutsche Bank
Allianz GI [9]	€ 578 bn [10]	Allianz
Union Investment	€ 415 bn [11]	DZ Bank
Deka Investments	€ 290 bn [12]	DekaBank

Methodology for the asset manager policy evaluation

We evaluated the asset managers' fossil fuel policies based on a set of criteria defined with tools developed by Reclaim Finance. The focus of this report is fossil fuel expansion, i.e. how the policies consider companies involved in fossil fuel expansion.

- The Coal Policy Tool and the Oil and Gas Policy Tool are online tools that compare and assess financial institutions' fossil fuel exclusion policies.
- Engagement policies were evaluated based on the criteria defined in Reclaim Finance's annual asset manager scorecard.

Methodology for the financial data

In section 1 of this report, we publish data on the four asset managers' investments in fossil fuel developers. The financial research was undertaken by independent research organization Profundo B.V.. The holdings data was extracted as of September 2022. [13] The holdings of the asset managers were matched with a predefined list of companies to identify their exposure to fossil fuel developers.

The list of companies was built as follows:

- **All companies developing new coal projects, as listed on the Global Coal Exit List (GCEL).** [14] This includes all plans to expand coal power or coal mining, or to develop new coal infrastructure. The 2021 GCEL shows that over 440 GW of new coal-fired power capacity and 1,800 million tons per annum of new thermal coal mining capacity are still in the pipeline. 503 companies are still planning to develop new coal power plants, new coal mines or new coal transport infrastructure.
- **The top 100 companies with the biggest upstream oil and gas expansion plans (and behind 85 % of all upstream expansion plans worldwide) as listed on the Global Oil and Gas Exit List (GOGEL).** [15] Over 95 % of the upstream oil and gas companies listed on the GOGEL are still exploring or preparing to develop new oil and gas reserves. 506 upstream oil and gas producers are planning to add 190 billion barrels of oil equivalent (bboe) to their production portfolios within the next one to seven years.
- **The top 100 companies with the biggest midstream expansion plans (pipelines and LNG terminals) as listed on the Global Oil and Gas Exit List (GOGEL).** These companies cover around 80 % of all midstream expansion plans.

German asset managers hold billions in fossil fuel developers

Germany's four biggest asset managers are all members of the Net Zero Asset Managers Initiative (NZAM) and have endorsed the criteria of the UN's Race To Zero Campaign, whose updated criteria clearly state the need to phase out from the fossil fuel sector and end developing new fossil fuel assets.[16] They have committed to align their investment portfolio with a 1.5 °C trajectory.

Yet more than seven years after the Paris Agreement was signed, Germany's four biggest asset managers are still investing billions in companies whose fossil fuel expansion plans threaten the prospect of a managed decline of the fossil fuel industry. **In September 2022, they held $12.6 bn (details below) in companies developing new coal projects ($ 2.1 bn) and new oil and gas supply and midstream projects ($ 10.5 bn).** DWS is by far the biggest investor among the four in both coal and oil & gas expansion ($ 7.5 bn). It is also worth noting that it is the biggest investor in terms of relative exposure[17] (compared to its total assets under management).

Such expansion plans have been widely recognized as strictly incompatible with international climate objectives, as further consumption of already exploited fossil fuel reserves would largely exhaust a 1.5 °C carbon budget.[18] Acknowledging this, the IEA stated[19] that fossil fuel use must fall drastically and that all new investments in fossil fuel supply projects and most investments in liquified natural gas (LNG) should not be undertaken in a 1.5 °C trajectory.[20] Regarding coal more specifically, climate science has underlined the inconsistency of any new coal project with the 1.5 °C or even 2 °C target[21] and this was confirmed in the 2021 IEA Net Zero Emissions scenario.[22]

By unrestrictedly investing in the companies behind such projects, German asset managers are a threat to the global efforts to limit warming to 1.5 °C and are breaking their own climate pledges.

Exposure to companies with coal expansion[23] plans (as of September 2022):

Asset manager	Holds shares worth…	Holds bonds worth…	Total holdings (shares & bonds) are worth…	Invested in coal developers such as…	… that is still involved[24]..
DWS	$ 1 111 mln	$ 167 mln	**$ 1 277 mln**	Glencore	In 45 Mt of new coal mining capacity
Allianz GI	$ 332 mln	$ 33 mln	**$ 365 mln**	Marubeni Corp	In over 2 GW of new coal power plants in Indonesia, Japan and Vietnam
Union Investment	$ 72 mln	$ 41 mln	**$ 114 mln**	Itochu	In 2 GW of new coal power plants in Indonesia
Deka Investments	$ 265 mln	$ 75 mln	**$ 340 mln**	Posco	In over 3 GW of new coal power plants in South Korea and Vietnam

Exposure to companies with short term oil and gas expansion[25] plans (as of September 2022):

Asset manager	Holds shares worth…	Holds bonds worth…	Total holdings (shares & bonds) are worth…	Invested in oil and gas developers such as…	…that is planning to add…
DWS	$ 5 999 mln	$ 273 mln	**$ 6 271 mln**	Shell	3.8 bboe[26] to its production portfolio
Allianz GI	$ 1 094 mln	$ 178 mln	**$ 1 272 mln**	Petrobras	7 bboe[27] to its production portfolio
Union Investment	$ 1 648 mln	$ 219 mln	**$ 1 867 mln**	TotalEnergies	4.3 bboe[28] to its production portfolio
Deka Investments	$ 992 mln	$ 109 mln	**$ 1 101 mln**	Exxon	7 bboe[29] to its production portfolio

THE BOND PROBLEM: PROVIDING NEW DEBT TO FOSSIL FUEL EXPANSIONISTS?

Investors' exposure to fossil fuel companies at a given time does not necessarily mean that they are also still providing fresh cash to these companies and their projects. Indeed, they hold securities (shares and bonds) of the companies through two main channels: the primary market and the secondary market.

- The primary market is the place where the securities are created, which means that it is the first time that the stocks and bonds are sold to investors. It is a way for the company to raise capital and the moment where investors are providing money to the company.
- On the secondary market, the securities are then being traded between investors. The investments occurring here are not necessarily linked to the company raising more capital from the markets.

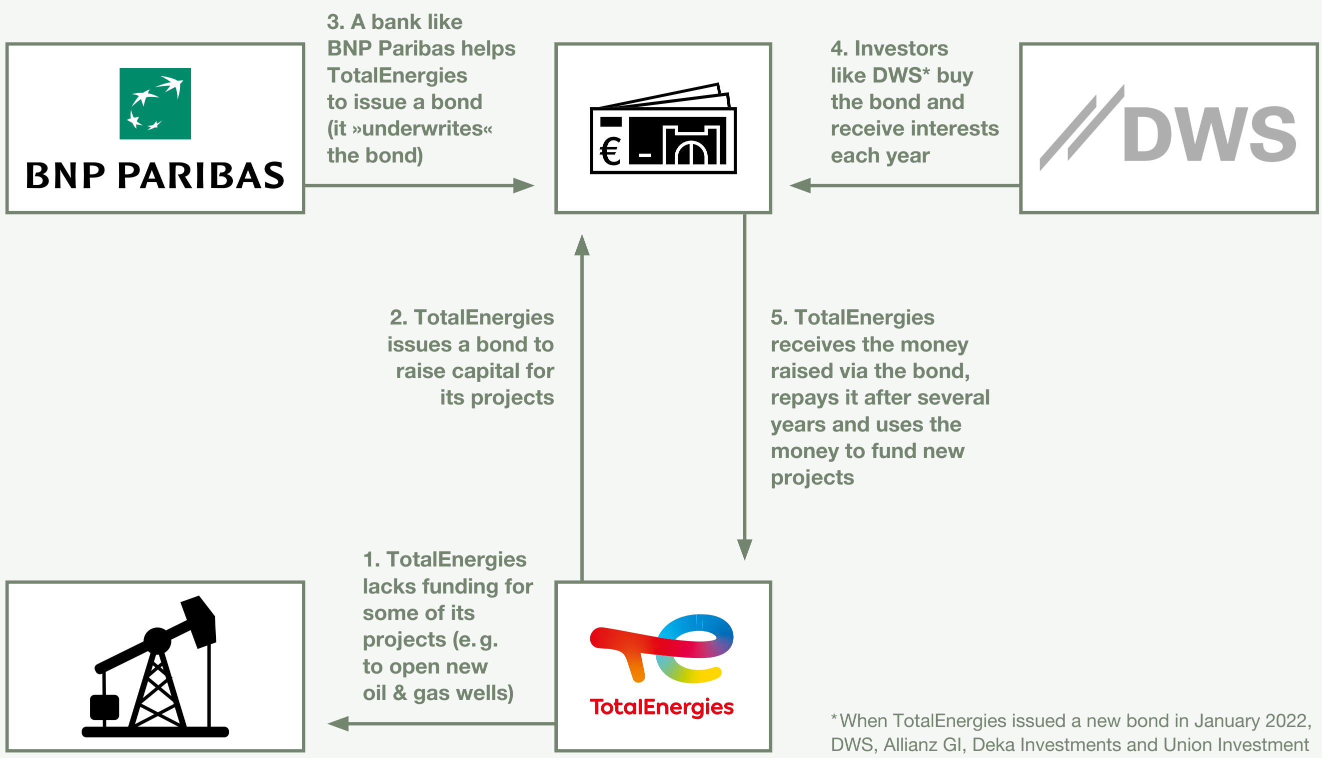
Thus, **tracking down the investments in new bonds that are being issued is key,** as fossil fuel companies are increasingly using bonds to raise capital.[30] Investments in such bonds indirectly help the companies to finance their 'carbon bombs', i.e. the expansion projects that have combined potential emissions that exceed the global 1.5 °C carbon budget.[31]

Our research seems to indicate that **the four asset managers are still buying new bonds from fossil fuel expansionists**[32] instead of retaining only existing investments. Far from simply holding existing securities to push companies to change through engagement, the asset managers are likely providing fresh capital to these companies, despite their expansion plans. While the asset managers should ultimately exclude all fossil fuel developers from their portfolios, **they should first and foremost immediately commit to denying new debt to such companies, especially in the light of their net zero commitments.**[33]

Recent investments of the four asset managers in bonds issued in 2022

Bond issued	Fossil fuel expansion plans of the issuer	Investors in the bond
TotalEnergies issued a €1.75 bn bond on 17 January 2022[34].	TotalEnergies is planning to add 4.3 bboe to its production portfolio[35].	The four asset managers currently hold **€75.73 mln** in the bond (€10.9 mln by DWS, €23.7 mln by AGI, €40.4 mln by Union Investment and €0.73 mln by Deka Investments)[36]
Range Resources issued a $500 mln bond on 1 February 2022[37].	Range Resources is planning to add 1 bboe to its production portfolio[38].	Two of the asset managers currently hold **$62.85 mln** in the bond ($0.35 mln by DWS, $62.5 mln by AGI)[39]

Exposure to companies with short term oil and gas expansion[25] plans (as of September 2022):



*When TotalEnergies issued a new bond in January 2022, DWS, Allianz GI, Deka Investments and Union Investment were among the investors. BNP Paribas was one of the lead underwriters of the bond.

A stubborn refusal to exclude the worst companies

We analyzed the policies and investment guidelines of the four asset managers to understand if their investments in companies developing new fossil fuel projects were set to decrease. Unfortunately, when such policies exist, they leave the door open for the worst polluters due to vague criteria.

OUR ANALYSIS OF THE POLICIES OF THE FOUR ASSET MANAGERS:

1. They exclude only a small part of the coal value chain

While three asset managers have coal exclusion policies (all but DWS),[40] the policies are very weak, covering only a portion of the coal value chain. For example, Allianz Global Investors (AGI) and Deka Investments have a unique criteria based on the share of revenues of the company that comes from coal, which leaves out a large share of the biggest and most problematic coal companies.

- AGI excludes companies with over 30 % of revenues from coal or over 30 % of coal share of power production but with large exceptions that weaken the criteria.[41] This leaves out companies such as Glencore, one of the largest coal producers with expansion plans, and Duke Energy, which operates coal plants and has a poor climate plan.[42]
- Deka Investments excludes mining companies above 30 % of revenues from coal and power companies above 40 % of coal generation but with large exceptions that weaken the criteria[43]. This leaves out companies such as big coal producer Glencore and coal plant developer Itochu.
- Union Investment excludes companies above 5 % of revenues from coal mining and companies above 25 % of power generation from coal, although with some exceptions, and has committed to coal phase out dates. The coal policy could be strong if it did not allow for large exceptions[44]. In order to improve its policy, the asset manager must exclude all coal developers[45] and adopt a strong absolute threshold to ensure it doesn't invest in companies heavily involved in the coal sector.

None of the asset managers have a criteria to exclude companies with coal expansion plans, while around half of the companies in the sector still have such plans[46].

2. They do not include phase out dates

Different scenarios converge to stress that all coal assets must be closed by 2030 in European and OECD countries and by 2040 in the rest of the world[47]. None of the asset managers have introduced in their policy a commitment to phase out coal from their portfolio by such dates. They are lagging their peers, with 33 other asset managers having already committed to such a phase out.[48]

3.The policy applies only to a small portion of the asset manager's activity

The policies also leave out big swathes of their assets, for example passive assets. While DWS, which is still lacking an exclusion policy on fossil fuels, has published overall decarbonization targets for 2030, the targets leave out all its

passively managed funds, which represent about 30% of its assets, and thus leave out a big chunk of its emissions.

4. There is no policy at all when it comes to the oil and gas sector

None of the four asset managers have investment restrictions (for example, denying new debt) for oil and gas companies expanding their activities. To sum it up, the policies are currently too flawed for the asset managers to even come close to align their portfolios with a net zero objective.

Asset manager	NZAM membership?	Decarbonization targets for 2030?	Coal investment restrictions?	Oil and gas investment restrictions?
DWS	Yes	Yes but very weak [50]	No [51]	No [52]
Allianz GI	Yes	Yes but weak [53]	Yes but very weak	No
Union Investment	Yes	No [54]	Yes but very weak	No
Deka Investments	Yes	No [55]	Yes but very weak	No

Reclaim Finance's assessment of the four asset managers' fossil fuel policies. For more details on each score, visit the Coal Policy Tool and the Oil and Gas Policy Tracker.

Coal policy scoring (each criteria is rated out of 10):

Country	Type	Financial institution	Projects	Developers	Relative threshold	Absolute threshold	Phase-out
Germany	Asset manager	**+ Allianz Global Investors**	NA	0	4	0	0
Germany	Asset manager	**+ Deka Investments**	NA	0	4	0	0
Germany	Asset manager	**+ Deutsche Bank – DWS**	NA	0	0	0	0
Germany	Asset manager	**+ DZ Bank – Union Investment**	NA	0	7	0	4

Oil and gas policy scoring (each criteria is rated out of 10):

Country	Type	Financial institution	Projects	Expansion	Phase-out	Unconventional Oil & Gas
Germany	Asset manager	**Allianz Global Investors**	NA	0	0	+
Germany	Asset manager	**Deka Investments**	NA	0	0	+
Germany	Asset manager	**Deutsche Bank – DWS**	NA	0	0	+
Germany	Asset manager	**Union Investment**	NA	0	0	+

As shown above, the four asset managers do not restrict investments in most fossil fuel companies. The lack of robust policies could be justified by the willingness of these asset managers to engage companies rather than divest (in section 3 we analyze the quality of their engagement policies). But notwithstanding the quality of their engagement activities, exclusion policies remain necessary.

- First, exclusion policies are necessary to ensure that **companies whose business plans are obviously at odds with a 1.5 °C alignment are excluded when there is no room for improvement.** For example, it is already clear today that in order to achieve the Paris 1.5 °C target which all four asset managers have committed to, it is necessary to stop investing in companies developing new coal projects or opening new oil and gas fields and transport infrastructures.[56] Around 60 financial institutions have started to follow this approach and have adopted policies that exclude most coal developers,[57] including 23 asset managers.[58] Furthermore, 13 financial institutions have a policy tackling (totally or partially) oil and gas expansion (according to the Oil and Gas Policy Tracker).[59] While immediate exclusion should be implemented for coal developers, a one-year engagement period might be favored with oil and gas developers.[60]
- Second, exclusion policies are needed to **immediately restrict investments in new bonds and shares of the climate harming companies that don't yet have robust decarbonization strategies** but are engaged by the asset managers. By restricting new investments (and keeping existing ones), asset managers are incentivizing the companies to transition and to comply with engagement demands. More concretely, **asset managers policies must ensure that they stop pouring fresh cash into companies that they are intending to change through their engagement activities[61].**

Such policies will be necessary to differentiate transitioning companies from laggards – and avoid making 'engagement' the easy way out for financial institutions. The quality of the dialogue between asset managers and oil and gas companies is thus crucial to ensure that effective action is taken. This is what we analyze in the next section.

Toothless dialogue with fossil fuel companies

If the dialogue between investors and companies is lacking in clear demands, effective tools, and adequate sanctions, it is not likely to result in meaningful changes. DWS, Allianz GI, Deka Investments and Union Investment all have engagement and/or voting policies. But when it comes to the demands they lay out for fossil fuel companies – which must urgently align their activities with the latest scientific conclusions – we found that the policies are very vague, a problem we have identified before in the asset management sector.[62] **Most importantly, none of the four asset managers publicly ask fossil fuel companies to put an end to new fossil fuel supply projects.**

While DWS, Allianz GI and Union Investment do publicly ask fossil fuel companies to adopt short and/or medium term decarbonization targets, this is far from enough. Indeed, the public demands do not mention the need for absolute (vs relative) targets, nor the necessity to include scope 3 emissions in the targets. They also do not mention the need for companies to decrease their overall fossil fuel production.

Does the asset manager publicly ask that fossil fuel companies:

Asset manager	Adopt and publish short term (by 2025) absolute GHG emission reduction targets?	Commit to immediately and progressively decrease their overall fossil fuel production?	Immediately put an end to new fossil fuel supply projects?
DWS	Public letter to a list of companies asking for short and medium term targets[63].		
Allianz GI	Fossil fuel companies should set interim targets.[64]		
Union Investment	Companies should set short and medium term targets.[65]	Only for coal-based power generation.	
Deka Investments			

The engagement and voting policy of an asset manager must be guided by public and detailed principles, including the following 3 key material demands for all fossil fuel companies:

- The asset manager asks that all fossil fuel companies adopt and publish short term (by 2025) absolute GHG emission reduction targets;
- The asset manager asks that all fossil fuel companies commit to immediately and progressively decreasing their overall fossil fuel production;
- The asset manager asks that all fossil fuel companies immediately put an end to new fossil fuel supply projects.

Unfortunately, after several years of asset managers claiming productive engagement with the most polluting companies (including oil and gas majors), meaningful results have failed to materialize.

Problematic voting practices

Ensuring rigorous engagement strategies and formalized policies is crucial to avoid ad hoc voting practices that send mixed signals to the market. As ShareAction puts it, supporting environmental and social shareholder resolutions should now be a default position instead of being implemented on an ad hoc basis.[66] **Voting against standing item resolutions (like director reelections) because of non compliance to climate related demands is one of the many other steps that can be taken, as well as voting against any 'Say On Climate' resolution that presents a non aligned climate plan.**

The four asset managers overall voted in support of the flawed climate plans of oil and gas majors:

	2022 'Say On Climate' votes of:				
Asset manager	**TotalEnergies**	**Shell**	**BP**	**Equinor**	**Repsol**
DWS	Abstain	For	Against	For	For
Allianz GI	For (1)	For (1)	For	n/a	For
Union Investment	For	For	For	Against	For
Deka Investments	n/a[67]	n/a[68]	n/a	n/a	n/a

(1) AGI is among the few asset managers that publish justifications of their votes. An analysis of the justifications published this year[69] shows that AGI approved the climate plans of the majors based on their disclosure commitments and partial climate objectives, without sufficient consideration for the ambition and credibility of the emission reduction targets and overall strategy. AGI notes there were 'significant changes' in Shell's strategy and that TotalEnergies "pursues its investments in alternative sources of energy". But these considerations do not stand up to the fact that TotalEnergies and Shell are respectively the 7th and 9th biggest short term oil and gas expansionists worldwide.[70]

The results above clearly show that **voting decisions are taken on an ad hoc basis** and that climate plans of oil and gas majors can be validated by investors despite their complete misalignment with a 1.5°C compatible pathway.

Several studies on the transition plans of the six European majors (TotalEnergies, Equinor, Shell, BP, Eni and Repsol), including Reclaim Finance's analysis[71] and the CA 100+ benchmark,[72] conclude that **the majors are far from having a credible climate plan,** despite being considered as the "best-in-class" oil and gas companies. Given their current business strategies and weak climate targets, the six "majors" of the European oil and gas industry are not on track to reduce their GHG emissions and will largely overshoot the remaining 1.5°C carbon budget. Despite these facts, their 'Say On Climate' resolutions were widely supported by investors, revealing the need for more ambitious and clear policies.

There is no time for further delays: asset managers' engagement and voting policies must urgently step up their ambition when it comes to the most polluting companies. Meaningful changes will be brought only if asset managers "set ambitious – and importantly, public – expectations of companies. And then [...] vote in line with these expectations."[73]

Green funds, fossil fuel holdings

We know now that just because a fund is labeled as "ESG," there can be no guarantee of its contents or practices. Only a thorough analysis at the asset manager and fund level can provide clarity, as investors interpret ESG investing with different (and diverging) approaches. As a result, it's no longer a surprise to discover that many ESG funds contain holdings of some of the worst companies in terms of climate impact. Our research on a sample of funds[74] shows that:

- **68% of the ESG/climate funds of the four asset managers hold at least one fossil fuel developer[75] (compared to 59% for all the funds in the sample)**
- **22% of the ESG/climate funds of the four asset managers in this report hold more than 5 fossil fuel developers[76]**

Worse still, when refining our research to focus on 'climate' funds only, we found that some of these funds remain exposed to fossil fuel developers. The growing number of 'climate' funds on the market does not necessarily go hand in hand with less investments in fossil fuels. With blurry rules around fund disclosures, such funds can contain holdings of fossil fuel developers. **We list below examples of 'climate'[77] fund holdings of DWS, AGI and Deka Investments that include companies developing new fossil fuel projects.** Without the proper robust fossil fuel policies in place, asset managers won't be able to ensure that they are not supporting fossil fuel expansion.

Asset manager	Examples of 'climate' funds[78] that hold at least one coal developer	Examples of 'climate' funds[79] that hold at least one oil and gas developer
DWS	Xtrackers Emerging Markets Carbon Reduction and Climate Improvers ETF	Xtrackers World Net Zero Pathway Paris Aligned UCITS ETF Fund
Allianz GI	Allianz Clean Planet PT10-USD	Allianz Smart Energy PT10-USD
Union Investment	n/a	n/a
Deka Investments	Deka MSCI World Climate Change ESG UCITS ETF EUR	Deka MSCI World Climate Change ESG UCITS ETF EUR

Recommendations

DECARBONIZATION TARGETS ARE BARELY ENOUGH

As members of the Net Zero Asset Managers Initiative (NZAM), asset managers commit to halve their financed emissions by 2030[80] and to set interim decarbonization targets. While setting such targets can be a useful tool,[81] they must not be a substitute for the adoption of robust fossil fuel phase out policies. This necessity was recognized by the UN Race to Zero Campaign[82] when it strengthened in June 2022 the criteria that must be followed by its members (among which the NZAM). The new criteria require Race to Zero members to restrict the development, financing, and facilitation of new unabated fossil fuel assets.[83]

None of the four asset managers (all Race To Zero members via the Net Zero Asset Managers Initiative) restrict new investments in companies that develop new fossil assets. While DWS and Allianz GI have published overall decarbonization targets,[84] the emission reduction targets are extremely weak. Targets are not in absolute but relative terms[85] and cover only a small proportion of eligible assets under management (35 % and 12 %). Furthermore, decarbonization targets must be coupled with clear and publicly available information on how the firms intend to stop supporting fossil fuel expansion and invest in a way compatible with an overall decrease in fossil fuel production. We did not find this to be the case with the firms analyzed.

The clock is ticking fast: along with long-term climate commitments, asset managers must send clearer signals to the fossil fuel industry in the immediate term. Together, the four asset managers in this report hold more than €2 trillion in assets under management. As they are major share and bond holders in many energy companies, the positive impact they could have if they were to change their investment practices should not be underestimated.

ANY INVESTOR COMMITTED TO ACHIEVING CARBON NEUTRALITY BY 2050 UNDER A 1.5 °C SCENARIO MUST:

1. Plan to cease all investments in companies involved in coal, oil and gas

Coal

- They must immediately stop new investments (including via bonds) in companies developing any type of coal project, and divest from companies that continue to develop such projects.[86]
- They must also commit to exiting coal by 2030 in EU, OECD and Former Soviet Union countries and by 2040 worldwide. They should also call on all companies to swiftly adopt a clear and detailed strategy for the progressive closure (not the sale) of their existing coal assets.

Oil and gas

- They must immediately stop new investments (including via bonds) in companies[87] developing new oil and gas supply and transport infrastructure projects.[88]
- They must commit to divest from these companies by the end of 2023 at the latest, if all new projects have not been halted. Until this deadline, they should engage these companies to require an end to such projects.

2. Establish a clear and credible engagement strategy directed towards other fossil fuel companies

Fossil fuel companies that comply with the ‘no expansion’ demand outlined above should also be engaged, and asset managers should describe the time bound requests to companies in their engagement policies. The requests should be combined with sanctions[89] that culminate, after a defined period of time, in full divestment.

- They should request that all fossil fuel companies commit to halving their overall emissions by 2030, following 1.5 °C aligned scenarios with no/low overshoot and low reliance on negative emissions.[90]
- They should request that these companies publish and annually consult shareholders on climate plans in which they disclose detailed information.
- They should request that these companies publish fossil fuel phase out dates, to ensure oil and gas production is phased out by 2050 and electricity and heat production from fossil fuels by 2040 at the latest globally.[91] Phase out strategies must also be described, including plans to decrease overall fossil fuel production.[92]
- They should vote systematically against the climate plans described above, if they are not 1.5 °C aligned, and if they still allow the development of new upstream and midstream projects.

References

1 https://www.iea.org/reports/net-zero-by-2050

2 A study published in Environmental Research and other climate scenarios that project a 1.5 °C warming trajectory without relying on massive amounts of negative emissions – including, for example, the IPCC scenarios or the One Earth Climate Model commissioned by the Net Zero Asset Owner Alliance – point to this conclusion and to a compelling need to stop developing new fields and to rapidly decrease oil and gas production.

3 See part 1. of this report for more details.

4 €2374 bn as of March 2022. According to the Thinking Ahead Institute 2021 ranking of asset managers, the four asset managers analyzed in this report are among the biggest German asset managers. MEAG and Landesbank Baden-Württemberg were not included as they are not retail oriented asset managers/ mainly in-house asset managers.

5 Universal Owner found that for the largest asset managers, 10% of their holdings were responsible for 85 % of all their portfolio emissions.

6 The Net Zero Asset Manager Initiative is an international group of 273 asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.

7 We selected these four asset managers based on their overall size (assets under management) and based on their strategy. According to the Thinking Ahead Institute 2021 ranking of asset managers, the four asset managers analyzed in this report are among the biggest German asset managers. MEAG and Landesbank Baden-Württemberg were not included as they are not retail oriented asset managers/ mainly in-house asset managers. The four asset managers selected represent around 40 % of all of the assets managed in Germany.

8 https://www.dws.com/en-kr/our-profile/facts-and-figures/

9 Allianz GI and PIMCO are the two big asset managers of Allianz Group. We have not included PIMCO in this report as it is based in the US.

10 https://www.allianzgi.com/en/our-firm

11 http://www.union-investment.it/home/About-us.html

12 This number includes all subsidiaries related to asset management securities, not only Deka Investments GmbH. Source: https://www.deka.de/site/dekade_deka-gruppe_site/get/params_E-470021567/10862162/DekaGroup_Interim_Report_2022_EN.pdf

13 The research used Bloomberg, Refinitiv and IJglobal to identify the investors in the bonds and stock-listed shares of the selected companies. Investor links were researched at the most recent filing date available at the time of the research in September 2022.

14 Visit coalexit.org. The GCEL is updated each year in October. This research is based on the 2021 version of the GCEL.

15 Visit gogel.org. The first version of the GOGEL was published in November 2021.

16 https://reclaimfinance.org/site/en/2022/09/16/strengthened-race-to-zero-criteria-require-gfanz-to-support-fossil-fuels-phase-out/

17 Assets in fossil fuel expansion relative to the total assets under management (AUM) of the asset manager. This was calculated based on the AUM as of June 2022 of the four asset managers.

18 A study published in Environmental Research and other climate scenarios that project a 1.5 °C warming trajectory without relying on massive amounts of negative emissions – including, for example, the IPCC scenarios or the One Earth Climate Model commissioned by the Net Zero Asset Owner Alliance – point to this conclusion and to a compelling need to stop developing new fields and to rapidly decrease oil and gas production.

19 https://www.iea.org/reports/net-zero-by-2050

20 Beyond LNG, scenarios do not explicitly call for an end to all new midstream infrastructures for fossil fuels but these infrastructures are both a key pre-requisite and a consequence of new fossil production projects. Hence, a complete and consistent oil & gas policy should hold production & transport projects to the same standards.

21 For example in the IPCC scenarios and as underlined recently in the coal statement signed by the top three leaders of the Glasgow Financial Alliance on Net Zero (GFANZ), where they called for an end to financing of new coal projects.

22 https://www.iea.org/reports/net-zero-by-2050. See Reclaim Finance's full analysis of the WEO 2021 here.

23 Source: research by independent research organization Profundo, holdings data as of September 2022. The holdings of the asset managers were matched with a predefined list of companies to identify their exposure to fossil fuel developers. The list of companies is described in the Methodology section of this report.

24 Figures in this column are based on the 2021 version of the GCEL. Expansion plans may have evolved since then.

25 Source: research by independent research organization Profundo, holdings data as of September 2022. The holdings of the asset managers were matched with a predefined list of companies to identify their exposure to fossil fuel developers. The list of companies is described in the Methodology section of this report.

26 Billion barrels of oil equivalent (bboe).

27 Billion barrels of oil equivalent (bboe).

28 Billion barrels of oil equivalent (bboe).

29 Billion barrels of oil equivalent (bboe).

30 As many banks start to limit their lending to carbon intensive industries, companies in the coal, oil and gas value chain are turning more to the bond market as a safe haven.

31 https://www.sciencedirect.com/science/article/pii/S0301421522001756#:~:text=We%20have%20identified%20425%20carbon,been%20producing%20yet%20in%202020.

32 While it is very difficult to access information on the primary investors in a bond, our analysis of Bloomberg data allows us to see current investors in recently issued bonds.

33 All four asset managers are NZAM members.

34 https://totalenergies.com/sites/g/files/nytnzq121/files/documents/2022-01/Prospectus-Hybrid-Issuance-NC2027_NC2037_0.pdf

35 According to the 2021 GOGEL. See a full analysis of TotalEnergies strategy here.

36 Source: Bloomberg, as of Sept. 2022.

37 https://ir.rangeresources.com/news-releases/news-release-details/range-announces-pricing-500-million-offering-senior-notes

38 According to the 2021 GOGEL.

39 Source: Bloomberg, as of Sept. 2022.

40 DWS has implemented coal exclusions for some of its 'sustainable' funds but does not yet have a coal policy applying to the majority of its assets.

41 See here for a full analysis of the policy.

42 https://www.sierraclub.org/press-releases/2022/06/duke-energy-s-proposed-carbon-plan-receives-failing-grades-advocates

43 See here for a full analysis of the policy.

44 For coal power, the exclusion happens only if the company is "lacking a credible climate concept and > 25 % of energy is generated from coal".

45 Companies developing new coal projects: not only new coal mines but also new coal plants and coal infrastructure.

46 https://u6p9s9c8.rocketcdn.me/site/wp-content/uploads/2021/10/Media-Briefing_GCEL_ENG_07102021.pdf

47 https://climateanalytics.org/briefings/coal-phase-out/

48 See the Coal Policy Tool ('Phase out' criteria).

49 DWS has implemented coal exclusions for some of its funds but does not yet have a fossil fuel policy applying to the majority of its assets and to all categories of funds and geographies. DWS has a set of coal related criteria for some of its passive funds and a coal criteria for its 'sustainable' active funds (more here:https://www.dws.com/en-fr/solutions/esg/ri-statement/).

50 More details in section 4 of this report.

51 DWS has implemented coal exclusions for some of its funds but does not yet have a fossil fuel policy applying to the majority of its assets and to all categories of funds and geographies. DWS has a set of coal related criteria for some of its passive funds and a criteria on coal and oil for a limited number of 'sustainable' active funds (more here and here).

52 DWS has implemented coal exclusions for some of its funds but does not yet have a fossil fuel policy applying to the majority of its assets and to all categories of funds and geographies. DWS has a set of coal related criteria for some of its passive funds and a criteria on coal and oil for a limited number of 'sustainable' active funds (more here and here).

53 More details in section 4 of this report.

54 Union Investment has until November 2022 to publish its decarbonization targets.

55 Deka has until November 2022 to publish its decarbonization targets.

56 LNG terminals, pipelines, etc. Beyond LNG, scenarios (like the IEA NZE) do not explicitly call for an end to all new midstream infrastructures for fossil fuels but these infrastructures are both a key pre-requisite and a consequence of new fossil production projects. Hence, a complete and consistent oil & gas policy should hold production & transport projects to the same standards.

57 The co-chairs of the Glasgow Financial Alliance on Net Zero (GFANZ) recently issued a statement entitled "No New Coal" in which they note that "all rigorous science-based pathways" show that "new coal capacity (both extraction and power generation) is inconsistent with achieving net zero and limiting global warming to 1.5 °C. Despite numerous calls to accelerate the coal phase out, more than 500 companies are currently planning new coal projects worldwide, all incompatible with a 1.5 °C carbon budget and breathable air (source: Global Coal Exit List).

58 See coalpolicytool.org for the full list of financial institutions.

59 Including 8 investors such as CNP Assurances, Ircantec, MAIF and Macif.

60 A short engagement period might be relevant to convince oil and gas developers, which account for the vast majority of oil and gas companies, to cease their expansion plans. This might also be justified by the fact that the scientific imperative to stop opening new oil and gas fields has emerged more recently than the imperative for the coal sector. However, no new investments, including through bonds, should be done in these companies.

61 'Engagement' refers to the ability of financial institutions to interact with the companies they finance, in order to influence their strategy and business model. Engagement activities include voting at the AGMs of these companies but also collective and individual dialogue to push the companies to change.

62 See our report from April 2022 on 30 major asset managers here.

63 https://www.dws.com/en-fr/solutions/esg/corporate-governance/

64 https://www.allianzgi.com/en/insights/outlook-and-commentary/oil-and-gas-majors

65 There is also a recommendation to use SBT validated targets. https://institutional.union-investment.de/dam/jcr:fb27a64e-0d8f-48dd-844a-dd5c531aadcc/Engagementpolicy_UnionInvestment.pdf

66 https://shareaction.org/news/2022-is-the-year-investors-use-proxy-voting-to-drive-positive-change

67 While Deka has not published its vote for 2022 yet, they voted FOR TotalEnergies and Shell's flawed climate plans in 2021.

68 While Deka has not published its vote for 2022 yet, they voted FOR TotalEnergies and Shell's flawed climate plans in 2021.

69 https://vds.issgovernance.com/vds/#/MjQwMQ==/

70 https://gogel.org/sites/default/files/2021-11/GOGEL%20Media%20Briefing.pdf

71 https://reclaimfinance.org/site/en/major-failure/

72 https://www.climateaction100.org/net-zero-company-benchmark/

73 https://shareaction.org/news/2022-is-the-year-investors-use-proxy-voting-to-drive-positive-change

74 Based on analysis by NGO InfluenceMap's FinanceMap platform. The sample comprises 1260 funds managed by the four asset managers (representing almost $1 trillion of AUM).

75 Based on analysis by NGO InfluenceMap's FinanceMap platform. Has been calculated as follows: number of ESG/climate funds exposed to at least one fossil fuel developer/total number of ESG/climate funds. Data as of Sept. 2022. 'Fossil fuel developers' have been identified based on the GCEL and GOGEL databases that list the companies involved in the development of new coal projects and of new upstream and midstream oil and gas projects.

76 Based on analysis by NGO InfluenceMap's FinanceMap platform. Has been calculated as follows: number of ESG/climate funds exposed to at least 6 fossil fuel developers/total number of ESG/climate funds. Data as of Sept. 2022. 'Fossil fuel developers' have been identified based on the GCEL and GOGEL databases that list the companies involved in the development of new coal projects and of new upstream and midstream oil and gas projects.

77 To identify climate-themed funds, six subcategories were defined: 'broad climate' 'transition' 'Parisaligned' 'carbon restricted' 'fossil fuel restricted' and 'clean energy'. For each of the subcategories, a list of search terms has been defined for the fund names. The holdings of the funds were thenmatched with a list of companies based on the GCEL and GOGEL databases published by NGO urgewald.

78 Some of the examples below are index funds. While the asset manager invests "passively" in the companies included in the index, it remains accountable for the choice of the index and the replication method used. As they do for active funds, they must guarantee the sustainability characteristics of the index fund. In practice, this involves working with index providers and their clients to get tracking errors accepted or to create new, truly sustainable indices.

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80 Time for financial institutions to show urgency on halving emisions by 2030, Reclaim Finance

81 See Reclaim Finance's key criteria for robust decarbonization strategies from asset managers: https://reclaimfinance.org/site/en/2022/05/25/3-key-elements-to-assess-asset-managers-climate-plan/

82 An initiative of the UN climate convention

83 https://reclaimfinance.org/site/en/2022/09/16/strengthened-race-to-zero-criteria-require-gfanz-to-support-fossil-fuels-phase-out/

84 https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf

85 Targets are expressed in terms of carbon intensity both for Allianz GI and DWS. While Allianz GI went a step ahead by setting a target for 2025, it does not cover the scope 3 emissions of its investee companies.

86 Along the entire coal value chain (mines, plants, infrastructure). Companies with such expansion plans are identified in the Global Coal Exit List.

87 When applicable, all direct investments in new projects must be stopped.

88 Such companies are identified in the Global Oil and Gas Exit List. See https://gogel.org/.

89 Such as systematic voting against some/all directors, primary market restrictions, portfolio levelexclusions, restrictions on new investments, divestment.

90 Climate plans should include: absolute and relative reduction targets for GHG emissions for Scopes 1, 2 and 3 in the short (3–5 years) and medium (8–10 years) term, covering all activities, the evolution of the energy mix and target production volumes in these time frames, the short- and medium-term investment plan broken down by economic activity and by orientation between asset maintenance and development, the potential contribution of offset and captured GHG volumes to the achievement of these objectives, the reference scenario used to define the climate objectives.

91 Fossil fuel use must be phased out including by 2035 for the heat and power sectors in EU and OECD countries and by 2040 elsewhere. In the IEA NZE, electricity sector emissions fall by close to 60% by 2030, to reach carbon neutrality by 2035 in "advanced economies" and 2040 worldwide. The electricity and heat sector become CO_2 negative in 2040.

92 With an absolute production reduction target for 2030.