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World's biggest asset managers acting too slowly on Paris climate targets

US firms continue to lag key European competitors
on shareholder engagement & resolution voting

The portfolios of the world's 30 largest fund managers, which collectively hold $50 trillion in assets, continue to be misaligned with the goals of the Paris Agreement and require urgent action to drive change in key climate-risk sectors, a new report by InfluenceMap released today finds.

The ***Asset Managers and Climate Change 2021*** report scores companies based on three criteria: engagement with investee companies, support for climate-related shareholder resolutions, and portfolio analysis. The asset management firms analyzed in this work were consulted on their results prior to release.

The research shows mixed results when it comes to engagement with investee companies to speed up the transition of business models and lobbying practices, with large US firms significantly lagging European competitors. Forceful engagement is needed in the automotive, fossil fuel production and utility sectors where stranded asset risk is prominent for investors. Companies in these sectors continue to lobby against Paris-aligned climate policy.

"Given the huge influence these asset managers have over the global economy, it is vital they take action to ensure the world can meet the climate goals of the Paris Agreement," InfluenceMap Executive Director Dylan Tanner said. "However, this latest report shows most asset managers are still moving too slowly when it comes to using their clout to drive change in investee companies."

"Once again, we see European asset managers taking the lead over their US competitors. This report highlights the need for US asset managers to step up and take stronger action – especially given their market dominance and unique ability to send a clear signal to the rest of the economy. In addition, even for those asset managers who lead on stewardship, the ultimate test will be real-world improvements on climate change by problematic companies. This needs to be demonstrated sooner rather than later if high climate-risk companies are to remain in portfolios."

The report finds:

- European asset managers top the chart when it comes to engagement with investee companies on climate. **Legal & General Investment Management** and the asset management arms of **BNP Paribas** and **UBS** all scored within the A grade.
- Global market leader (by assets under management), **BlackRock**, recorded an improvement in its engagement score (B, up from C+ a year ago). This puts it ahead of its next biggest US competitors **Vanguard** (C), **Fidelity Investments** (D), and **State Street Global Advisors** (B-).
- The top four US-based companies scored poorly on support for crucial, market guiding climate-related shareholder resolutions in 2020. **BlackRock** voted in favour of only 24% of such resolutions, **Vanguard** 21%, **Fidelity Investments** 23%, while **State Street Global Advisors** backed 50%.

- In Asia, Japanese **Sumitomo Mitsui Trust Asset Management** scored a B+ on engagement with companies on climate change. Such leadership is needed in Japan, where the TOPIX 1600+ companies remain the most Paris-misaligned of major indexes globally, primarily due to a focus by Japanese power utilities on thermal coal.

Shareholder resolutions on climate are becoming an increasingly important tool to drive change in investee companies and as a signal to the broader market on governance expectations by the corporate sector on climate change.

Overall support for climate-related resolutions increased during the 2020 proxy season (62%) compared with 2018 (56%) and 2019 (39%) levels. However, this report shows many US firms continue to rely on their European competitors to do the heavy lifting in this area.

"There is a clear trend towards investors requiring more information from companies than just operational emissions data. More and more, we are seeing investors wanting to know that corporate lobbying and business models are aligning with Paris targets," Dylan Tanner said.

Climate Engagement and Resolution Voting Scores

The World's Top 10 Asset Managers 2020 vs 2019

	2020 AUM	Engagement Scores 2020	Engagement Scores 2019	Resolution Support 2020	Resolution Support 2019	Resolution Support 2018
LEGAL & GENERAL IM	$1.6 TN	A+	A+	88%	67%	88%
ALLIANZ GI / PIMCO	$2.5 TN	B+/A-	B+/NA	82/100%	68/69%	84/71%
AMUNDI	$1.7 TN	A-	B+	83%	66%	82%
BLACKROCK	$7.3 TN	B	C+	24%	5%	9%
STATE STREET GA	$3.0 TN	B-	B-	50%	12%	40%
VANGUARD	$6.2 TN	C	C-	21%	7%	16%
JPMORGAN AM	$1.9 TN	C	C	48%	6%	19%
GOLDMAN SACHS AM	$1.5 TN	C	C	48%	30%	57%
CAPITAL GROUP	$1.7 TN	C-	D	15%	7%	11%
FIDELITY INVESTMENTS	$3.3 TN	D	D-	23%	12%	34%

A promising development during the past year has been the decision by **BlackRock**, **State Street Global Advisors**, and **JP Morgan Asset Management** to join the Climate Action 100+ process, which is prioritizing the transformation of corporate business models and lobbying on climate. An acceleration of this trend sends a further signal to the corporate sector that shareholders are serious about climate governance and the energy transition.

This report also includes an updated portfolio analysis of the world's largest funds. This is based on a detailed study of approximately 3,000 companies (more than $20 trillion market capitalization) within four key sectors: automotive, oil & gas, utilities, and coal production.

The analysis shows that each of these sectors is significantly misaligned with the Paris climate goals. Notably, the world's automakers are not transitioning to electric vehicles at a fast enough pace, the coal production sector is winding down too slowly, and the power sector is not phasing out fossil fuel generation nor introducing renewables quickly enough.

At a fund level, the portfolio analysis indicates that there are significant differences between individual funds' alignments depending on their geographical and thematic investment strategy. However, asset managers' overall portfolios continue to be overweight in companies deploying brown technologies and underweight in those deploying green technologies. Without urgent action, this represents an increased risk of stranded assets.

"Forceful engagement with the companies in these sectors is needed to hasten their transition to low carbon technologies," the report notes. "This must occur if the finance sector wishes to align its portfolios with Paris climate goals and reduce this risk of stranded assets."

Download the full report, infographics and quotes at this landing page.

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Methodology

The methodologies used in the analysis behind this report rely on publicly available information and financial databases. They rely on accepted benchmarks and tools such as the *Paris Agreement Capital Transition Assessment* (PACTA) portfolio alignment system in common use by financial institutions. The system assesses three areas of asset manager activity: portfolios, engagement with investee companies and shareholder resolutions. Full details of the methodology are online at https://financemap.org/our-methodology. FinanceMap provided all the asset managers with an opportunity to comment on their own assessments and engaged usefully with many of them.

About InfluenceMap and FinanceMap

InfluenceMap is a London-based think tank with offices in New York and Tokyo. We provide data-driven analysis to investors, corporations, and the media on issues related to energy and climate change. Our metrics for measuring corporate influence over climate policy are in use by investors globally, including the global Climate Action 100+ investor engagement process. Our content has been covered widely in global media and is used by many campaign groups. FinanceMap is a platform operated by InfluenceMap, providing an external, data-driven assessment of the financial sector's performance through a climate lens. Metrics and analysis on asset managers are available open-source online at FinanceMap.org.