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In Hottest Year on Record, New Report Reveals Largest Asset Managers Continue to Rubber Stamp Strategies of Climate Laggard Companies

Billions in Losses in 2023 Underline Urgency of Acting on Climate Risk; Three Asset Managers Emerge as Leaders in Climate Stewardship

New York, NY — Investors across the shareholder ecosystem witnessed one of the hottest years on record, with 2022 economic losses from climate disasters totaling $165.1 billion in the U.S. alone, impacting both short and long-term investment value creation. Yet, the majority of the largest asset managers have continued to shirk their responsibility to hold climate-critical companies accountable for a responsible transition to a sustainable economy, according to Majority Action's latest report analyzing the proxy voting of the largest asset managers in 2023.

Majority Action's new report ***Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2023,*** revealed that the largest asset managers — BlackRock, Vanguard, Fidelity, and State Street Global Advisors — continued to use the shareholder voting power entrusted to them by their clients to rubber-stamp the strategies of carbon-intensive companies failing to take necessary action on climate change. By voting in favor of the full boards of the vast majority of major climate-laggard portfolio companies, they countenanced business-as-usual corporate behavior responsible for exacerbating both company-specific and systemic risks posed by climate change — once again setting them at odds with their fiduciary duty to long-term investor clients.

And yet the proxy voting record of other large asset managers demonstrated that responsible and proactive stewardship is possible. Amundi (France), Franklin Templeton (U.S.), and Legal & General Investment Management (LGIM) (U.K.) held directors of companies vital to the net zero transition accountable for their failures to take necessary action in the face of escalating climate risks — further sharpening the contrast with the four largest asset managers.

"Leading asset owners and managers are stepping up to hold companies accountable for actions that exacerbate the risks to long-term investors and the global financial system," said **Eli Kasargod-Staub, Executive Director of Majority Action**. "Yet the largest asset managers have continued to avoid their responsibility to hold directors accountable for their climate failures, cowing to intimidation from political actors at the expense of their clients. Long-term investors must insist their asset managers step up to the demands set before them in this critical moment."

Climate in the Boardroom analyzes climate proxy voting policies and voting behavior of the world's largest asset managers at key S&P 500 climate-critical companies in the energy, utilities, and financial services sectors in 2023, each of which fails to meet key criteria of the Climate Action 100+ Net Zero Benchmark or related standards. The report assesses the extent to which the largest asset managers are actively mitigating risks to their clients' portfolios by holding corporate directors accountable for climate performance in climate-critical sectors. The analysis highlights the responsibility asset managers have to their clients to protect long-term investment value through updated proxy voting policies and key votes against recalcitrant climate-critical companies.

Key Findings

- Three asset managers – **Amundi (France), Franklin Templeton (U.S.), and Legal & General Investment Management (LGIM) (U.K.) – stood out for their leadership in using proxy voting to hold the directors of companies**

vital to the net zero transition accountable for ensuring their operations and business models are in alignment with 1.5˚C-aligned pathways.

- Conversely, the four largest and most influential asset managers, **BlackRock, Vanguard, State Street, and Fidelity provided overwhelming support to the directors of U.S.-based companies with operations and business models that were most misaligned with 1.5˚C pathways.** BlackRock and State Street supported the entire board at 82% and 76% of these companies, respectively, while Vanguard and Fidelity supported the entire board at 100% of these companies.

- **ISS' U.S. benchmark recommendations supported the entire board of directors at 88 percent of the most 1.5˚C-misaligned companies vital to the net zero transition.** At these climate-critical companies, the proxy advisor's benchmark recommendations were more management-aligned than all but four of the 16 asset managers analyzed.

- Overall, asset managers failed to hold boards accountable at the subset of 1.5˚C-misaligned companies that do not even have a net zero by 2050 ambition – a basic, crucial precondition for alignment with the aims of the Paris Agreement. **Ten of the 16 largest asset managers and proxy advisor ISS' U.S. benchmark recommendations supported the entire board at the majority of these companies.** Only Amundi, Franklin Templeton, and LGIM voted against at least one director at each of the companies without a net zero ambition.

- **There was no year-over-year increase in firms acknowledging that climate oversight firmly rests with the board of directors.** Furthermore, while most proxy voting policies analyzed recognized the need for director accountability at companies that did not meet climate performance expectations, the overwhelming majority of these expectations were so low as to rarely trigger a vote against the directors of companies with operations and business models most misaligned with the Paris Agreement goal of limiting warming to 1.5˚C.

Report Recommendations

Voting on director elections at companies vital to the net zero transition is the most direct action long-term investors with broad market exposure can take to influence corporate decision-making and protect the value of their portfolios as a whole from climate change impacts. While dialogue and resolutions have been used to encourage change in corporate behavior for many years, the imperative of driving near-term change requires clear and explicit proxy voting policies and action that hold directors accountable for climate oversight and that address the material risk facing diversified investors, particularly from companies that have demonstrated reluctance to achieve net zero carbon emissions by 2050.

Asset managers and proxy advisors should:

- Adopt or update proxy voting policies designed to address the material and systemic risk facing shareholders from climate change, acknowledging climate change as a systemic risk that should be mitigated via proxy voting, consistent with fiduciary duty.
- Commit to generally vote against directors at companies that do not meet climate performance expectations.

Asset owners should:

- Review and update voting policies to ensure that they enable asset owners to hold board leadership accountable for climate performance at systemically important companies involved in the production and consumption of fossil fuels, including alignment with the standards set out for asset managers above.
- Engage with their current asset managers over their voting record and plans for holding boards accountable for companies' contributions to systemic climate risk.
- Incorporate criteria regarding proxy voting on systemic climate risk and at companies vital to the net zero transition into their asset manager search and selection criteria, for example as an explicit element of due diligence questionnaires.

Policymakers should:

- Pass legislation requiring asset managers to consider systemic risks such as climate change in order to comply with their fiduciary duties, given the size and influence of the largest asset managers, as well as the substantial systemic risks posed by climate change to individual investors and the financial system.
- Pass legislation that requires asset managers to update and disclose policies, including proxy voting policies, to mitigate systemic risks to the portfolios of long-term, diversified investors.
- The Securities and Exchange Commission (SEC) should finalize the proposed rule to enhance and standardize climate-related disclosures for investors.

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Majority Action is a nonprofit organization dedicated to empowering shareholders of all sizes to hold corporations and their leadership accountable to high standards of long-term value creation, corporate governance, and social responsibility. *www.majorityaction.us*