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New Report Reveals How the Four Largest Asset Managers Continue to Exacerbate the Climate Crisis in 2022

Proxy Voting Guide for 2023 Shareholder Season Released for Investors to Hold Directors Accountable at Climate-Recalcitrant Companies

New York, NY — Majority Action released its new report ***Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2022***, revealing the growing divide between the four largest asset managers — BlackRock, Vanguard, Fidelity, and State Street Global Advisors— and their peers that are increasingly holding board directors accountable for corporate climate performance.

In addition to the 2022 asset manager proxy voting analysis, the nonprofit shareholder advocacy group also released its ***2023 Proxy Voting Guide for a 1.5°C World*** for investors. The list identifies climate-critical companies at which votes against directors are warranted for failing to align their emissions targets, capital expenditures and policy influence with established pathways to limit warming to 1.5°C.

"Identifying and responding to systemic risks and promoting an efficient, sustainable economic system, utilizing the appropriate role of investors, is central to our fiduciary duty as stewards of our client's capital. Climate change is relevant to the value of our investments, and an urgent macro risk to the economic system. As such, it cannot be diversified away; it must be mitigated and managed," said **Piers Hugh Smith, Investment Stewardship Manager, Global Sustainability Strategy, Franklin Templeton**. "Shareholders have a role in holding their companies to account via their ownership rights; this is important. In voting, investors can do this by providing clear signals to issuers and actively protect our client's interests. Holding directors to account is part of this, as are shareholder resolutions, and votes regarding the approval of accounts and auditors at companies that are not acting in their shareholder's interest on aligning with pathways to limit global warming to 1.5ºC."

Climate in the Boardroom analyzes climate proxy voting policies and voting behavior of the world's 20 largest asset managers at S&P 500 companies in the energy, utilities, and financial services sectors in 2022. 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 how asset managers, asset owners, and policymakers all have a responsibility to avert the systemic, escalating, and irreversible effects of the climate crisis and its impacts on long-term investors and the global financial system.

"We are experiencing the gravity of climate change's impact on our global economic system, and asset managers must leverage their considerable proxy voting power to mitigate the material risk exposures for the long-term benefit of their clients," said **Illinois State Treasurer Michael W. Frerichs**. "When companies fail to set goals, build plans and marshal the resources necessary to ensure long-term sustainability, asset managers have a fiduciary obligation to hold board directors accountable. Proxy voting in alignment with 1.5°C pathways isn't a fringe position—it's the only responsible approach to asset management in the era of the climate crisis."

Climate in the Boardroom reveals that while the world's largest investment firms acknowledge that corporate boards of directors are responsible for overseeing climate performance expectations, they're contradicting their own policies and protecting board directors at corporations in climate critical sectors.

"With the climate crisis projected to cost the world economy $178 trillion in the coming decades, 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**. "Political pressure from recalcitrant fossil fuel interests does not excuse the largest asset managers from fulfilling their fiduciary duties to their clients and voting to hold directors accountable for their climate failures."

The key findings of this report include:

- **Overall, large asset managers' support for directors at climate-critical companies remains stubbornly high.** During the 2022 proxy season, 14 of the 20 asset managers supported more than 95 percent of management-sponsored directors at these companies, up from 13 asset managers in the prior season.

- **The gap between the leading asset managers** – those with the lowest support for management-sponsored directors at climate critical companies in 2022 – **and the majority of large asset managers continued to grow, further polarizing the group.**
    - The five asset managers with the lowest support for such directors – PIMCO, Amundi Asset Management, Legal & General Investment Management, UBS Asset Management , and Franklin Templeton – further decreased their support by 6.7 percentage points on average from the previous season.
    - By contrast, five large asset managers increased their support for such directors. This group included the two largest and most influential asset managers, BlackRock, which increased its support by 1.9 percentage points, and Vanguard, which increased its support by 0.5 percentage points to support 100 percent of management-sponsored directors at failing climate-critical companies.

- **The four largest asset managers – BlackRock, Vanguard, State Street Global Advisors, and Fidelity – have remained strong supporters of the status quo at climate-critical companies.** In 2022, they supported directors at climate-critical companies at an equivalent or greater rate than directors at S&P 500 index companies as a whole. In the four years since the

Intergovernmental Panel on Climate Change issued its groundbreaking report that detailed the dangerous impacts of global warming beyond 1.5°C above pre-industrial levels, the Big Four's support for directors at climate-critical companies has remained between 96 and 100 percent.

- **Most of the largest asset managers have acknowledged that climate oversight and accountability firmly rests with the board of directors.** Prior to the start of the 2022 proxy season, seven of the largest asset managers updated their respective proxy voting policies to enable voting against directors at companies failing to meet climate performance expectations, bringing the total asset managers with such policies to 12 of the 20 analyzed in this report.

- **Despite recognition of the need for director accountability for corporate climate performance, most asset manager proxy voting policies still set expectations for climate-critical companies that are so low as to rarely trigger a vote against a director for failures of climate oversight.** Of the 12 asset managers with policies that enable votes against directors for climate oversight failure, only three supported fewer than 95 percent of directors at climate-critical companies. Only one asset manager – Legal & General Investment Management – explicitly set limiting warming to 1.5°C as a goal of their proxy voting policies and expected companies to take action on emissions consistent with a 1.5°C trajectory rather than merely make climate-related disclosures.

Majority Action recommends that asset managers and asset owners adopt or update proxy voting policies that address the material and systemic climate risk facing shareholders. At minimum, the policies should feature: an intention that proxy voting be aligned to the goal of limiting global temperature rise to 1.5°C; a clear and explicit expectation that portfolio companies take action on emissions consistent with a 1.5°C pathway, including target setting and capital allocation, not merely disclose how the company perceives and manages its own climate risks; and a commitment to vote against directors at companies that have failed to meet the climate performance targets.

The 2023 Proxy Voting Guide for a 1.5°C World provides support for institutional investors planning their proxy votes to hold boards of directors accountable at systemically important companies in the electricity generation, oil and gas, banking, and insurance sectors that have not set emissions targets aligned to limiting warming to 1.5°C or aligned business plans and policy influence to those targets.

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