majority action

For Immediate Release: September 22, 2020

Contact: Kari Hudnell, 609-668-0560, kari@abpartners.co

Despite Recent Public Commitments on Climate Change, New Report Shows BlackRock and Vanguard Voted to Shield Fossil Fuel Executives from Accountability in 2020

In the Face of Accelerating Climate Change and Growing Consensus Around Systemic Risk, the World's Largest Asset Managers Used their Outsized Voting Power to Rubber-Stamp Corporate Boards and Undermine Global Shareholder Initiatives in Climate-Critical Industries in the U.S.

NEW YORK — In 2020, BlackRock and Vanguard, the world's largest asset managers and among the top three shareholders in the vast majority of S&P 500 companies, voted to undermine global investor efforts to promote responsible corporate climate action—despite public commitments to hold corporate directors accountable in the 2020 proxy season, according to a new report by Majority Action.

Many of the highest carbon-emitting companies continue to pursue strategies that ignore the economic risks posed by climate change, despite being on notice since 2018 that the global economy must reach net-zero emissions by 2050 to have just a 50% chance of limiting global warming to 1.5°C and avoiding the worst effects of a climate catastrophe. With wildfires raging in the West, rounds of hurricanes beating the South, and ice sheet melt tracking the IPCC's worst-case scenarios, BlackRock in particular undermined its public commitment from earlier this year, voting in favor of 99% of U.S. company-proposed directors across climate-critical sectors reviewed in this report.

"BlackRock is expending substantial effort on everything except that which matters most to protecting long-term investor value from the ravages of climate change—holding corporate boards accountable to achieving net-zero emissions by 2050 at the latest," said **Eli Kasargod-Staub**, executive director of Majority Action. "If the largest asset managers continue to shield recalcitrant boards from accountability, they will go down in history as among the few who could have truly moved the needle on climate change—but actively chose not to."

Climate in the Boardroom: How Asset Manager Voting Shaped Corporate Climate Action in 2020, is an annual analysis released by Majority Action, a nonprofit organization that empowers shareholders to hold corporations accountable to high standards of corporate governance, social responsibility, and long-term value creation. The full report reviews the votes of the 12 largest global asset managers, each of which has assets under management greater than $1 trillion, on support for management-backed directors, executive pay plans, and key climate shareholder resolutions during the 2020 proxy season.

The key findings of this review include:

- BlackRock and Vanguard **voted for nearly all (99%) U.S. company-proposed directors** across the energy, utility, banking, and automotive sectors reviewed in this report. BlackRock's 2020 votes come just months after CEO Larry Fink declared that BlackRock would put climate change at the center of its investment strategy.
- BlackRock and Vanguard not only voted with management more often than most of their asset manager peers— they were **just as likely to support management at utilities that had not made a net-zero commitment** as at those that had made one prior to their annual meeting.
- BlackRock and Vanguard **voted overwhelmingly against the climate-critical resolutions at S&P 500 companies reviewed in this report**, with BlackRock supporting just three of the 36, and Vanguard only four. **At least 15 of these critical climate votes would have received majority support of voting shareholders if these two largest asset managers had voted in favor of them.** These included proposals that would have held JPMorgan Chase's board accountable for its role as the world's largest fossil fuel financier and bring much-needed transparency to the lobbying efforts of Duke Energy, one of the largest and highest-emitting electric utilities in the U.S.
- **Despite joining Climate Action 100+ in early 2020, BlackRock voted against 10 of the 12 shareholder proposals flagged by the coalition**, undermining the largest global investor efforts for accountability and transparency in the energy, utility, industrials and automotive sectors.
- In contrast, **other large asset managers are choosing to set and enforce policies to hold corporate boards accountable** if climate-related concerns are not adequately addressed. Legal & General Investment Management and PIMCO had the highest rate of voting against management-proposed director candidates in the energy, utility, banking and automotive sectors and supported all of the shareholder proposals analyzed in this study, voting in favor of improved emissions disclosures and reduction plans, transparency regarding corporate political influence activity, and governance reforms to improve accountability to long-term shareholders.

Given the urgency to set companies on the path to net-zero emissions, Majority Action recommends that institutional investors vote against chairs and lead independent directors at systemically important carbon emitters that have failed to set targets of achieving net-zero carbon emissions by 2050 at the latest. For asset owners, Majority Action recommends closely examining the proxy voting activities of asset managers, demanding greater transparency on those managers' voting decisions, calling the asset managers to account for inadequate voting policies and practices, and considering those activities when evaluating and selecting asset managers.

###

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*