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BlackRock urged to close gap between rhetoric and real climate action

Investors and shareholder advocacy groups have called on BlackRock to vastly improve its climate engagements, in anticipation of its CEO's yearly letter to companies reminding them of their need to address global strategic challenges and deliver long-term value for shareholders and society.

Trillium Asset Management, Boston Common Asset Management, and Ethos Fund join 9 NGOs, including ShareAction and ClientEarth, in writing to Larry Fink, the CEO of the world's largest money manager. The letter calls out the fund manager for its own poor contribution to environmental goals, especially in light of growing urgency to tackle the risk of climate change to the global economy.

BlackRock consistently votes against shareholder climate proposals and has a worse track record than other large global asset managers, the letter states. This is despite BlackRock claiming in 2018 that it has included "climate risk as one of [its] engagement priorities" and the ongoing failure of most high carbon companies to implement business strategies compliant with the ambitions of the Paris Agreement.

Specifically, signatories ask Mr Fink to improve BlackRock's stewardship of high-carbon companies by supporting more shareholder climate resolutions in the 2019 AGM season. By doing so, BlackRock can maximise long-term value creation for the investments it manages on behalf of millions of savers around the world.

The letter highlights a number of shareholder proposals on the ballot at company shareholder meetings this year that it asks BlackRock to vote in favour of. These include, but are not limited to:

- A resolution at Wells Fargo to set targets for emissions reductions in its loan and investment portfolio in line with the goals of the Paris Agreement.
- A resolution from the Church of England and New York State Common Retirement Fund at ExxonMobil to reduce the carbon emissions of its products.
- Resolutions on corporate lobbying at Duke Energy, JPMorgan Chase, and ExxonMobil.

The urgency of action to climate climate change has been highlighted by the findings last September by UN scientists that we have just over 11 years to avert the worst effects of climate change on the world and the financial system.

Jonas Kron, SVP at Trillium Asset Management, said: "As the Trump Administration's agenda makes matters worse, BlackRock has the opportunity to push for climate solutions that will benefit its customers, portfolios, and the economy upon which they depend. As many states, most major governments, and a growing number of private sector leaders move to support the Paris Climate Agreement, BlackRock cannot afford to be a laggard."

Catherine Howarth, chief executive of ShareAction, said: "BlackRock is the biggest but not yet the best when it comes to protecting clients and pension savers from climate-related risks. We hope BlackRock will close the gap between rhetoric and real action in 2019's proxy season."

James Thornton ClientEarth CEO said: "BlackRock has legal obligations as a fiduciary for the investments of millions of people around the world – if it does not take stronger action to protect investors from climate risk in 2019, it will be failing to fulfil those duties.

"BlackRock manages a huge volume of passive investments – meaning that where a company fails to meet Mr. Fink's standards on climate, there is little scope for BlackRock to sell the shares. That means wielding its considerable influence as a shareholder will be fundamental to living up to its fiduciary duties.

"As such, Mr. Fink must make it clear that BlackRock expects companies to set transparent, measurable targets for aligning their business strategy with the Paris Agreement, and state publicly that BlackRock will vote in favour of shareholder resolutions on this issue this year."

Tracey Davies executive director, Just Share, said: "BlackRock holds significant positions in carbon intensive companies in emerging markets. These companies are often overlooked by progressive global institutional investors. In South Africa, which is one of the world's biggest carbon emitters, and where local institutional investors are failing to tackle climate risk, the example set by BlackRock will have a significant impact on actions taken by other investors."

Lauren Compere, Managing Director, Boston Common Asset Management, said: "This proxy season we hope to see BlackRock take action to back their words by voting with climate resolutions and publicly supporting climate change-related initiatives rather than just opting for private "engagement" conversations. As a passive investor they are vastly underutilizing their proxy voting 'assets'. Arguably, they are not fully executing their fiduciary duty by not voting in favor of shareholder resolutions aligned with their own expectations that 'carbon intensive sectors move rapidly towards adopting business strategies compliant with the Paris Goals''.'

Julien Vincent, Executive Director, Market Forces, said: "For years, Larry Fink has been threatening companies with accountability on climate change risk management. But BlackRock continues to vote against shareholder proposals for greater climate risk management, backing directors hell-bent on pursuing business strategies that would see the abject failure of the Paris climate change agreement.

BlackRock needs to stop crying wolf if it wants to be treated with credibility on climate risk management. Companies that plan to exist in a Paris Agreement-aligned economy need to demonstrate how they're going to achieve that now. And companies with futures planned that contradict the intentions of the 197 nations that signed the Paris Agreement, and our chances of preventing runaway global warming, need to know they won't enjoy BlackRock's investment any longer.”

Brynn O’Brien, Executive Director, Australasian Centre for Corporate Responsibility (ACCR) said: “Many institutional investors, including major BlackRock clients, are getting serious about voting their shares on climate change issues. Last year Australian investors made history, with 46% voting in favour of our shareholder resolution challenging fossil fuels lobbying at Origin Energy. BlackRock, however, voted its shares against that resolution and has not offered an explanation as to why.

“BlackRock’s anti-resolution attitude must change if they are to have any credibility as a responsible investor. Larry Fink can write as many letters as he likes, but until those words are backed up by transparent action, BlackRock should be considered part of the problem.”

Notes to editors:

- For more information or to see a copy of the letter, please contact Beau O’Sullivan at beau.osullivan@shareaction.org or on +44203 475 7859
- Signatories include Trillium Asset Management, Boston Common Asset Management, Ethos Fund, ACCR (Australasian Centre for Corporate Responsibility), As You Sow, ClientEarth, Croatan Institute, Just Share, Majority Action, Market Forces, Preventable Surprises, ShareAction.
- According to 50/50 Climate Project, BlackRock supported only 23% of climate resolutions in the 2018 AGM season.