New study: world's largest asset managers far off track to meet own 2050 net zero commitments

95% of portfolios are misaligned with net zero targets; stewardship efforts have stagnated; asset managers do not support emerging sustainable finance policies

The world’s largest asset managers are far off track to meet their own 2050 net zero commitments, according to a new study released by FinanceMap today. The analysis finds that the world’s largest asset managers have not improved their climate performance over the past two years and in some cases have reversed positive trends, despite most having set net zero by 2050 targets through initiatives such as the Net Zero Asset Managers (NZAM).

FinanceMap’s Asset Managers and Climate Change 2023 report scores 45 of the largest asset management companies based on three criteria: equity portfolio analysis, stewardship of investee companies, and sustainable finance policy engagement.

All asset management firms analyzed in this work were consulted on their results prior to release. Full results for each asset manager are available at FinanceMap.org.

“The data shows that while they may talk the talk, most asset managers are not walking the walk when it comes to using their influence to drive real change in investee companies and sustainable finance policy,” said FinanceMap Program Manager Daan Van Acker.

The scores for the world’s ten largest asset managers are as follows (the complete scores for all assessed asset managers are available here):

<table>
<thead>
<tr>
<th>Asset Management Group</th>
<th>Fossil Fuel to Green Investment Ratio</th>
<th>Portfolio Paris Alignment Score*</th>
<th>Stewardship Score</th>
<th>Policy Engagement Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock</td>
<td>2.5 : 1</td>
<td>-20%</td>
<td>C</td>
<td>D+</td>
</tr>
<tr>
<td>Vanguard</td>
<td>2.6 : 1</td>
<td>-21%</td>
<td>D+</td>
<td>D+</td>
</tr>
<tr>
<td>Fidelity Investments</td>
<td>3.7 : 1</td>
<td>-19%</td>
<td>E+</td>
<td>D</td>
</tr>
<tr>
<td>State Street Corporation</td>
<td>4.1 : 1</td>
<td>-20%</td>
<td>C+</td>
<td>D</td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td>3.5 : 1</td>
<td>-19%</td>
<td>C+</td>
<td>D</td>
</tr>
<tr>
<td>Crédit Agricole (Amundi)</td>
<td>4.8 : 1</td>
<td>-12%</td>
<td>A-</td>
<td>D+</td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>1.4 : 1</td>
<td>-22%</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>Allianz</td>
<td>1.1 : 1</td>
<td>-17%</td>
<td>B+</td>
<td>C</td>
</tr>
<tr>
<td>Capital Group</td>
<td>5.4 : 1</td>
<td>-18%</td>
<td>C</td>
<td>D</td>
</tr>
<tr>
<td>UBS</td>
<td>2.0 : 1</td>
<td>-19%</td>
<td>A</td>
<td>D+</td>
</tr>
</tbody>
</table>
The Portfolio Paris Alignment Score, based on the PACTA tool, shows to what extent an asset manager’s equity portfolio is invested in companies transitioning in line with the IEA Net Zero by 2050 Scenario in key sectors. Portfolio Paris Alignment Scores can range from -100% to +100%, with a score of 0% indicating the portfolio is perfectly aligned with IEA Net Zero. Negative scores indicate that the portfolio is overinvested in companies expanding polluting technologies and underinvested in companies expanding green production.

“Since FinanceMap’s 2021 report, asset managers’ portfolios are still misaligned with net zero targets, environmental stewardship efforts have stagnated, and asset managers are not supporting effective sustainable finance policy,” said Van Acker.

Additional key findings from this year’s report include:

- The portfolios of the world’s 45 largest asset managers, which collectively hold $72 trillion in assets under management (AUM), continue to be highly misaligned with Paris Agreement goals. Of the equity fund portfolios assessed, 95% are misaligned with the IEA Net Zero Emissions by 2050 Scenario.

- Collectively, the asset managers hold 2.8 times more equity value in fossil fuel production companies than in green investments in the assessed sample. FinanceMap identifies ‘green’ investments on the basis of the EU Taxonomy and Bloomberg data.

- The number of Stewardship A-List asset managers, those carrying out truly ambitious and effective climate stewardship practices relative to best practice, has decreased by 45% since 2021.

- While US asset managers have always lagged their European competitors, this year, US asset managers appear to have pulled back even further on their ambition in top-line climate messaging, as well as in their company engagements and resolution voting. This shift has occurred amidst an ‘anti-ESG’ trend in over fifteen state legislatures.

  - European asset managers top the chart when it comes to engagement with investee companies on climate. Legal & General Investment Management (A+) and the asset management arms of BNP Paribas (A) and UBS (A) all scored within the A grade. European managers Natixis and Schroders received the highest Portfolio Paris Alignment scores, while BNP Paribas was found to have 2.7 times higher exposure to green investments than the average asset manager in the assessed equity fund sample.

  - In the U.S., BlackRock, recorded a drop in its stewardship score (C, down from B in 2021). This puts it in the middle of the pack among its poorly scoring US peers Vanguard (D+), Fidelity Investments (E+), and State Street (C+). Notably, BlackRock has scaled back its calls to transition business models, while Fidelity Investments continues to be the least active manager in stewarding companies in the entire assessment.

  - In Japan, Sumitomo Mitsui Trust Asset Management and Mizuho subsidiary Asset Management One both scored B- on engagement with companies on climate change. Equity portfolios in Japan remain among the most misaligned with net zero globally.

- Support for climate-positive shareholder resolutions saw a notable decline in 2022, with the average asset manager supporting just 50% of such resolutions, compared to 61% in 2021.
Particularly, US-based asset managers displayed a trend of voting against a large portion of climate-related resolutions last year, with the average US manager supporting just 36% of climate resolutions, compared to 50% in 2021.

- Despite publicizing top-line messaging on the importance of sustainable finance policy, the asset managers are not utilizing their policy advocacy influence to support ambitious policy processes in Europe and the US. For instance, a number of asset managers, including BlackRock, Vanguard, and J.P. Morgan Asset Management, were unsupportive of Scope 3 emissions disclosures as part of the US SEC climate disclosure rule.

- 86% of the asset managers assessed in this report are members of at least one industry group opposing sustainable finance policy required to enable decarbonization pathways. Notable industry groups representing the asset management sector and opposing ambitious policy are the Investment Company Institute (ICI) and Securities Industry and Financial Markets Association (SIFMA) in the US, and the European Fund and Asset Management Association (EFAMA) in the EU.

Download the full report at this link.

For further information and to arrange interviews, please contact:

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Portfolio Paris Alignment Scores
45 of the World’s Largest Asset Managers’ Equity Fund Portfolios (2023)
Climate Stewardship Scores
45 of the World’s Largest Asset Managers (2023)

Methodology

The methodologies used in this research rely on publicly available information and financial databases. Assessments are built around industry-standard and science-based benchmarks such as the EU Taxonomy, the PACTA tool using the IEA Net Zero Emissions by 2050 scenario, and the UK FRC Stewardship Code, among others. FinanceMap assesses three areas of asset manager activity: portfolios, stewardship, and policy engagement. Full details of our methodologies are available on our website. FinanceMap provided all the asset managers with an opportunity to comment on this analysis and engaged in depth with many of them.

About InfluenceMap and FinanceMap

FinanceMap is a research program and platform by non-profit think tank InfluenceMap. InfluenceMap provides objective and evidence-based analysis of how companies and financial institutions are impacting climate change. Our data and content are used extensively by a range of actors including investors, the media, NGOs, policymakers, and the corporate sector. InfluenceMap does not advocate or take positions on government policy. InfluenceMap is based in London, UK, with offices in New York, Tokyo, Seoul, and Canberra. Our content is open source and free to view and use under our Terms and Conditions.