OPINION

BlackRock's climate change efforts are glacial

THE LAST WORD

Attracta Mooney

BlackRock, a large investor in companies that rely heavily on fossil fuels, does not seem a likely environmentalist.

But one year ago, the world's largest asset manager issued a stark warning about global warming. "Investors can no longer ignore climate change," said the fund house, which oversees $6tn in assets.

The New York-listed company argued that even if one did not agree with the science, investors could not disregard the "swelling tide of climate-related regulations and technological disruption". Investors, it said, needed to act to protect their portfolios.

Yet just a few months later, BlackRock appeared to forget its own warning. Throughout the year to June 2017, the fund house repeatedly voted against resolutions at annual general meetings that called on companies to provide more clarity about how they might be affected by climate change.

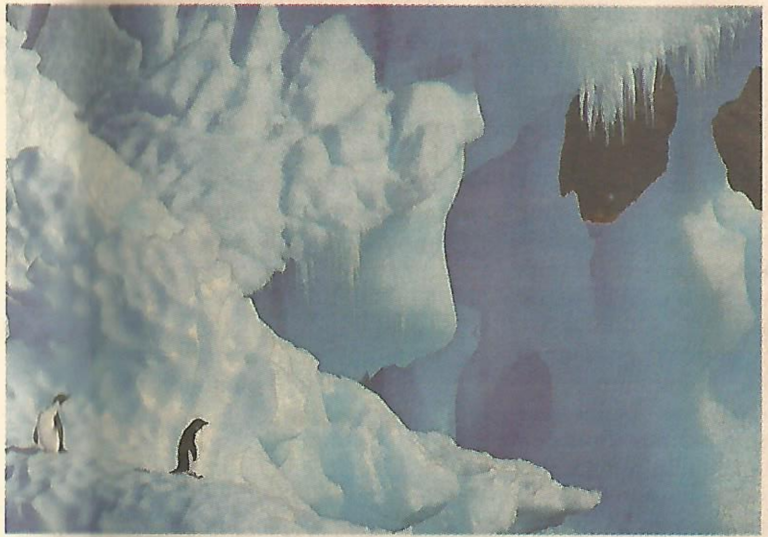
According to Proxy Insight, the data provider, BlackRock voted against so-called scenario-planning climate change resolutions, which are typically put forward by shareholders and often not supported by management, at 14 oil and gas companies, including Southern Company, Noble Energy and Hess. It backed the measures at just two, the big oil majors ExxonMobil and Occidental.

In most cases, the resolutions asked that companies annually assess how they might be affected by measures to limit temperature rises to 2C, in line with the 2015 Paris agreement.

BlackRock is not alone in its inconsistent voting. JPMorgan and Vanguard, which have also warned of the risks posed by climate change, failed to back resolutions at 14 companies, but supported them at two. State Street Global Advisors, the world's third-largest fund house, supported resolutions at eight oil and gas companies, abstained at five and voted against at three, according to Proxy Insight.

This patchy record makes little sense. If a fund house believes climate change could hurt stocks over the longer term, it seems sensible that investors should demand as much information as possible on these risks at all companies.

Investors with inconsistent records typically explain the difference in their voting record as "engagement". Big investors often speak to management privately during the year, and particularly before AGMs, and will try to use their influence to change company policy behind the scenes.



BlackRock appears to have forgotten its own warning — WWF/PA

This is BlackRock's explanation for its voting record. It says it takes "climate change seriously and engages with relevant companies".

"We do vote for shareholder proposals on climate when we think our engagement has not led to the change we seek," BlackRock told FTfm. "We don't decide how to vote based solely on our views on the issue under consideration. Our vote reflects our assessment of the company's response to our engagement in light of the long-term financial impact."

'A case-by-case approach doesn't get the sector-wide change that is really needed'

But almost two years after the Paris agreement, the excuse of engagement is wearing thin. Climate change will not just affect a few, it has the ability to alter entire sectors radically. And secret discussions will not drive the sector-wide disclosure that is required.

As Carolyn Hayman, who co-chairs Preventable Surprises, a lobby group, says: "We are talking about systemic risk from climate change that will effect the whole economy worldwide. [Investors] have a fiduciary duty to understand this.

"A case-by-case approach doesn't get the sector-wide change that is really needed. No one but the people engaging can know what the impact of engaging is. [This] requires a top-down approach rather than company by company."

The climate change issue is here to stay. Even with the US withdrawing from the Paris agreement, governments show few signs of slowing down their drive to limit global warming — including France and the UK, which will both ban the sale of petrol and diesel cars from 2040.

Investors will of course continue filing resolutions at a wide variety of companies over climate change. But it is now up to the world's biggest investors to put their vote where their mouth is. A couple of high-profile protest votes that generate nice headlines is no longer good enough.

As Ms Hayman says: "A lot of investors are very concerned and are voting against management in really large numbers [on climate change resolutions]. It's time for Vanguard and BlackRock to get with the project."

Attracta Mooney is the FT's investment correspondent