The Daily Dish

The Market and ESG

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The *Financial Times* reported "JPMorgan Asset Management and State Street Global Advisors both confirmed they were leaving Climate Action 100+. BlackRock, the world's largest money manager, is pulling out as a corporate member and transferring its participation to its smaller international arm." All three firms joined in 2020. Climate Action 100+, founded in 2017, describes itself as "an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change."

These moves mean that none of the five largest asset managers are on board with using shareholder pressure as a mechanism to reduce greenhouse gas (GHG) emissions and are more evidence of resistance to ESG corporate policies. (See Thomas Kingsley's piece for a nice summary of the issues.)

Evidently, the key issue is that "phase 2" of the Climate Action 100+ initiative moved beyond transparency and disclosures to actively pressuring companies to reduce emissions. Per the *FT*, "BlackRock said in a note that it was dropping its corporate membership because it believes the phase 2 strategy, which takes effect in June, conflicted with US laws requiring money managers to act solely in clients' long-term economic interest." JPMorgan and State Street echoed this sentiment.

This, of course, has always been the catch in the ESG movement. For investors who do not care about emissions, adherence to an emissions-driven investment strategy can reduce the return on investment and represents a violation of asset managers' fiduciary obligations. Of course, some investors *do* care about emissions. Consistent with serving those clients' interests, BlackRock "is setting up a new stewardship option allowing clients, particularly in Europe, to set decarbonisation as part of their investment objectives."