SLOW BURN:

The asset managers betting against the planet

The Inaugural 2021 Asset Managers' Coal Scorecard

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The asset managers betting against the planet

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THE PROCESS

We surveyed 29 major asset managers, mostly based in Europe and among the biggest institutions in terms of assets under management. We analyzed their investment practices regarding climate change, using coal as the most straightforward benchmark on climate. The first edition of this scorecard focuses on coal, as one of the easiest asset classes financial institutions can begin to act on and as the sector that requires the most urgent exit.[1]

Our questionnaire (following a methodology described below) covered three main topics:

1. Climate alignment and engagement
2. Dealing with coal in active management
3. Dealing with coal in 'passive' management[2]

Key information on our sample of 29 asset managers:[3]

- They represent a total of €34 trillion in assets under management;[4]
- Overall, 'passively' managed assets represent approximately 48% of this amount;[5]
- Each participant represents at least €300 billion in assets under management and 24 participants are headquartered in Europe.

OUR MAIN FINDINGS

- **Less than half of the asset managers assessed have a public policy to phase out coal.** Vanguard, PIMCO and Schroders are among the big asset managers that have still not adopted such a policy.
- Moreover, because these policies often allow for many exceptions, overall, **only 25% of all the assets managed within our sample were covered by a coal exclusion criterion.[6]** For example, while they have adopted a coal policy, BlackRock, Legal & General Investment Management and UBS AM's coal policies apply to less than 40 % of their assets.
- Even when a coal policy does apply, the criteria used to exclude companies are rarely robust. Only 20% of the asset managers exclude companies that still have coal expansion plans. **As a result, of €23 trillion of assets covered by long term climate commitments,[7] only €3.4 trillion exclude companies with coal expansion plans.[8]**
- Even worse, **whilst being signatories of the Net Zero Asset Managers Initiative, six asset managers[9] have still not adopted any public policy to restrict investments in coal**, including Vanguard, DWS and Allianz GI.
- **'Passively' managed investments[10] are increasingly a recipe for climate chaos: although they represent more than 45% of the assets handled by the 29 asset managers, they are hardly covered by coal-related criteria.** Hence, passive asset managers' exposure to coal remains very high. Among the biggest 'passive' managers[11] in our sample, **less than 3% of their passively managed investments is currently covered by a coal exclusion criterion.[12]**
- Half of the asset managers are publicly requesting or recommending companies they invest in align with Paris Agreement objectives. However, **none systematically define time-bound requests or apply sanctions in case of absence of short-term progress.** As a result, combined with weak exclusion policies,[13] **most asset managers are not acting to protect their clients from stranded assets.[14]**

ASSET MANAGERS PUT TO THE TEST

A/ IN THE SHADOWS: THE RISING INFLUENCE OF ASSET MANAGEMENT

The past year has demonstrated more than ever the growing urgency of the transition from fossil fuels to an economy based on sustainable renewable energy. The window to get back on a 1.5°C pathway is limited, and the next 10 years will be crucial: **the UNEP Production Gap report shows that fossil fuel production must decrease by 6% annually until 2030.**

With coal being the single biggest source of carbon emissions, **a swift end to the use of coal is a prerequisite for our future wellbeing.** Investors are in a unique position to accelerate the transition required. **With more than $100 trillion in assets under management globally,[15] asset managers are part of an extremely powerful industry.** They play a pivotal role in the fossil fuel economy, including coal, as **they are the main shareholders of most fossil fuel companies[16] via the assets they manage.**

The increasing power of asset managers is reflected by the fact that **the market is becoming more and more concentrated:** the top 20 asset managers worldwide represent almost 50% of all assets managed globally.[17] This translates into **rising levels of influence for the biggest firms.** As an example, in roughly two thirds of FTSE100 companies, BlackRock and Vanguard together now control stakes amounting to 10% or more.[18]

Unfortunately, current remuneration incentives and performance measurements are based on short term objectives, which explains why investors are contributing to a system where financial markets not only misprice climate risk,[19] but also increase it. **The rise of 'passive' investing[20] also increases the lack of long-term vision** as 'passive' asset managers are currently not taking appropriate action to manage and reduce climate risks. This management technique also blunts asset owner pressure for change.[21]

With **an increasing number of asset managers joining the 'race to zero'[22] and publishing commitments to become carbon neutral by 2050**, our report looks at how this translates into tangible action today. **Given their rising influence, it is crucial to analyze to what extent asset managers are using their power to contribute to a rapid phase-out of the coal sector.**

B/ FINDINGS: LONG-TERM PROMISES BUT SHORT-TERM PASSIVITY

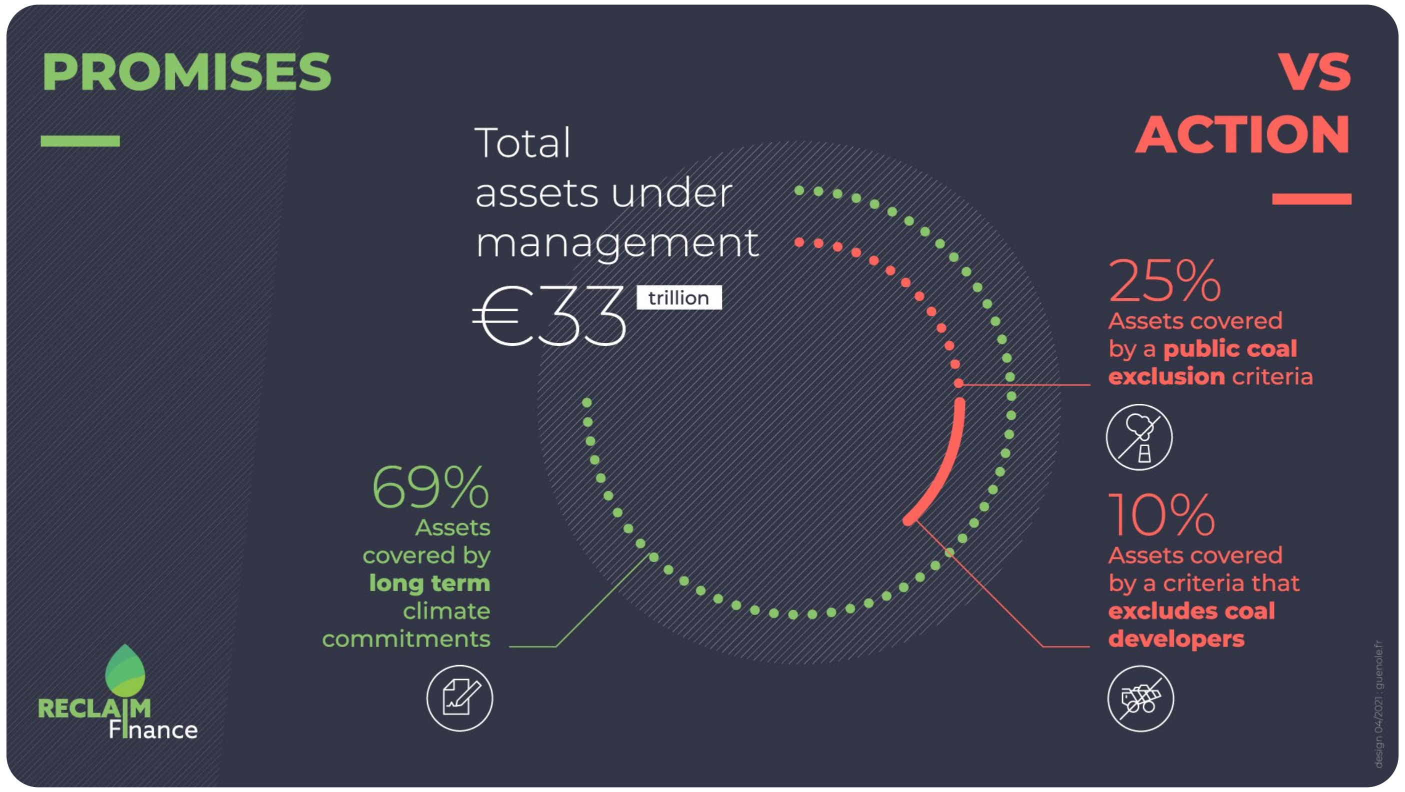
Our research shows that despite a growing number of commitments to align investments with climate objectives in the long term, **most asset managers are less than halfway there when it comes to concretely phasing out coal investments.** Among the 29 asset managers we analyzed, only six received more than one third of the total points available: Amundi, AXA Investment Managers, NIM – Ostrum, BNP Paribas AM, Union Investment and M&G Investments.[23] Scores are overall very low, with AXA IM the only asset manager to obtain more than half the points. Nine asset managers have a particularly low rating, achieving fewer than five points: State Street Global Advisors, JP Morgan, NIM - Loomis Sayles, Natixis IM, Insight Investment, Generali Investments, HSBC Global AM, Credit Suisse AM and Eurizon.[24]

1. First scorecard category: Climate alignment and engagement

For the energy transition to succeed, it will be crucial for asset managers to make investment decisions in ways that are compatible with climate objectives. 13 asset managers out of the 29 analyzed in this scorecard are members of the Net Zero Asset Manager Initiative, which means they are committed to the "ambition" to reach net zero emissions by 2050. Four other asset managers have committed to use the net zero investment framework developed by the Paris Aligned Investment Initiative (PAII). **Generali Investments, JP Morgan AM and SSGA are among the asset managers that have not made long term climate commitments regarding their investments.** While such commitments are not necessarily a guarantee of immediate action, they can be a sign of actions to come.

One of the channels for asset managers to act for the climate is to **use their voting power and the influence they can leverage within investee companies.** But for engagement activities to meet the level of required climate action, clear sanctions will need to be implemented in case of insufficient progress and escalation strategies publicly disclosed. **Our questionnaire has revealed that half of the asset managers are publicly recommending that companies adopt Paris-aligned strategies[25]** and almost half of them also publicly state that they might take voting or divestment sanctions regarding climate issues. Unfortunately, **only two (Aviva Investors and Aberdeen SI) have started to specify the conditions for these sanctions to take place.** While no asset manager analyzed has published time-bound requests made to companies,[26] **several have yet to disclose publicly any serious climate recommendation, such as Allianz GI or Credit Suisse AM.** It's also unclear what escalation strategies some asset managers use: Generali Investments, Deka Investment and Invesco are among the managers that do not disclose their strategy.

However, it is important to stress that **engagement activities must be coupled with immediate exclusions for companies with fossil fuel expansion plans.** Climate science demands an immediate decrease in fossil fuel production to limit warming to 1.5°C. Decreasing such production necessarily involves drastically cutting investments in the coal sector.



Promises to align investments with long term cliamate goals are rarely translated into concrete action to phase out coal.

2. Second scorecard category: Coal and active management

13 out of 29 asset managers have a global coal policy or coal exclusion criteria,[27] but only six are excluding companies with coal development plans and only eight apply their exclusions by default to their investments via mandates.[28] **The poor quality of existing policies[29] and absence of any policy for the remaining 16 asset managers show a dangerous gulf between words and actions**. Indeed, only a small portion of assets excludes companies with coal expansion plans, although these companies are one of the biggest threats to climate.[30] This is especially surprising as 13 asset managers in our scorecard have now committed to the Net Zero Asset Manager Initiative. **Vanguard, PIMCO, Schroders and Generali Investments are among the big asset managers that have still not adopted any global coal exclusion policy.** German asset manager PIMCO is particularly in contrast with its parent company Allianz, which has adopted a relatively solid coal policy.

Two asset managers (Ostrum and AXA IM) have a fairly robust coal exit policy, which includes a combination of exclusion criteria and a commitment to fully phase out coal by sector target dates.[31] It should be noted that Ostrum is an affiliate of Natixis IM, which is also the parent company of Loomis Sayles, one of the asset managers with no coal policy. As Natixis IM has not implemented any Group level policy on coal or climate engagement, the results for its affiliates can be quite different.

3. Third scorecard category: Coal and passive management

The overall low quality of coal policies is also reflected in their application scope, as our findings show the criteria apply only to a portion of the asset manager's assets.

Among the asset managers we surveyed, three asset managers, managing rather small amounts of 'passive' investments, apply their coal policy to all or most of their 'passive' investments (APG AM, Aegon AM and Aviva Investors).[32] With the exception of Aegon AM, the policies are very weak. DWS applies a weak coal criterion[33] to all new pooled index products that will be launched in the future.[34]

The remaining 18 asset managers[35] do not have public rules to exclude coal from most of their 'passive' investments. This partly explains why less than 25% of the total combined assets of all managers are currently covered by coal criteria.

Seven asset managers have shared that they apply a coal criterion only to some of their sustainable 'passive' funds. Worryingly, among them, DWS, LGIM and Amundi are the only asset managers applying coal criteria to all their products labeled as sustainable.[36]

But a commitment to restrict coal investments in such funds should be standard, as their investment objectives include sustainability goals. **These restrictions should instead be extended to all funds and products sold by the managers,** as 'ESG' products often represent only a small portion of assets managed.

Two asset managers (BlackRock and LGIM) are currently reviewing some of their default funds to include minimum exclusions relating to coal.[37] This is particularly important, as the amounts flowing into these default options are high.

When it comes to tackling the climate crisis, **'passive' investing is a growing issue**, with 'passive' asset managers' exposure to coal remaining high because of index strategies. **For example, BlackRock and Vanguard's holdings in coal add up to 17% of all institutional investments in the whole coal industry.[38]** A report by Influence Map revealed that the thermal coal intensity of BlackRock's 'passive' funds was twice as high as the intensity of its 'active' funds.[39]

European 'passive' managers are also increasing their 'passive' assets, a recent example being Amundi buying the asset manager Lyxor to become the second-largest player in Europe's fast-growing ETF industry (behind BlackRock). UBS AM and DWS are also big players in the 'passive' market. However, none of these three managers currently apply a policy to all their 'passive' assets.

Overall, **the fact that most of the money managed escapes any restrictions is facilitated by low transparency on the application scopes of climate policies**, with few asset managers clearly disclosing what is and is not covered and the portion of total assets covered. While 'passive' investments are very rarely mentioned in policies or public commitments (and if they are, it is to state they are out of scope), Amundi now clearly discloses the coal criteria it uses for all its 'ESG' passive products.

Given their duty to serve their clients' best interests, more transparency will be a vital tool to allow clients to assess how their money is being managed.[40]

The biggest asset managers analyzed[46] are lagging behind

Asset Managers	Signatory of the Net Zero Asset Manager Initiative	No public policy to restrict investments in coal[47]	Support to companies still expanding their coal activity[48]
BlackRock	✓	Weak restrictions apply but only for active portfolios	YES
Vanguard	✓	NO POLICY	YES
Amundi		A coal policy is applied for active portfolios	Ended support to coal expansion[49]
PIMCO		NO POLICY	YES
Legal & General Investment Management	✓	Weak restrictions apply but only for active portfolios[50]	YES
Invesco	✓	NO POLICY	YES
JP Morgan AM		NO POLICY	YES
State Street Global Advisors		NO POLICY	YES

C/ ANALYSIS: THE MAIN LOOPHOLES IN ASSET MANAGERS' COAL POLICIES

1. Passive investments are not covered

Coal exclusions should be applied systematically to all assets under management. As we outline above, 'passively' managed assets are almost always out of scope of the policies we analyzed. For flagship index funds, which concentrate most assets, it is crucial that asset managers act to progressively revisit their products. This can be done for example by changing the underlying indexes used or by influencing index providers to change the indexes.

2. Investment mandates are not systematically[41] coal-free

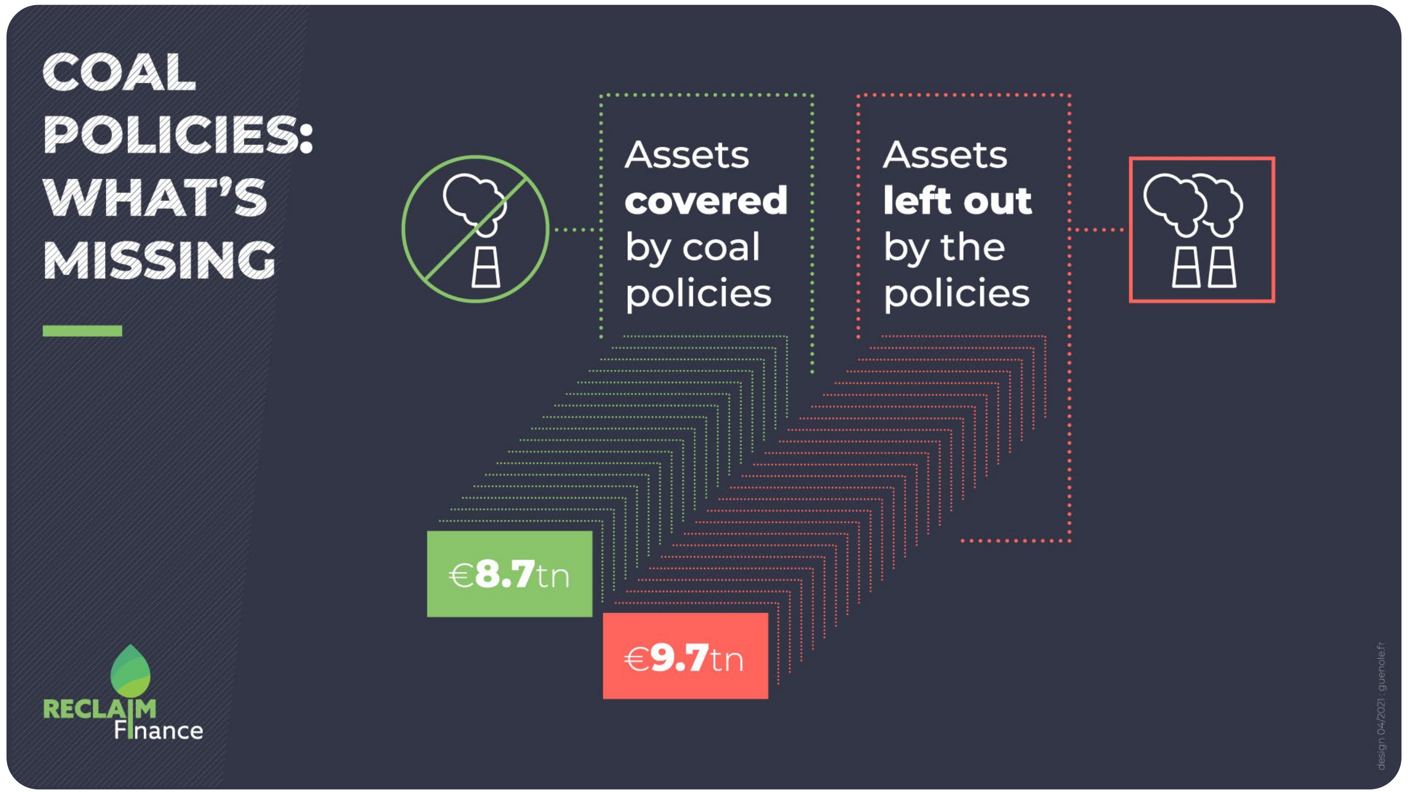
Coal exclusions should be applied systematically in all investment mandates.[42] Whereas the policies are currently often applied to pooled funds, they should be applied by default for all dedicated investment mandates, especially given these investments add up to 55% of the total investments managed by our sample.[43] The policies can be applied immediately for all new mandates and be progressively applied to existing mandates after obtaining client approval. Given the financial case for coal divestment has been widely made,[44] coal-free default options should be systematic.

Good practices:

Ostrum AM's coal policy: "For dedicated funds and mandates, Ostrum Asset Management will apply this new policy (unless clients request otherwise) to take it on board in future portfolio management."

AXA IM's coal policy: "The policy applies in principle to all portfolios under AXA IM's management, including dedicated funds and third-party mandates, unless the client has given different instructions, or the fund has been exempted for Risk Management reasons."

Legal & General Investment Management (LGIM) has moved the equity investments in all its main default funds to apply a minimum revenue threshold for coal companies – even though the threshold is very weak and should be strengthened.[45]



Coal policies analyzed contain many exceptions and often do not apply to a large proportion of assets.

D/ 'PASSIVE' STRATEGIES VERSUS THE CLIMATE

1. 'Passive' investing growing in Europe

'Passive' index investing now makes up more than 33% of the European equity market,[51] meaning that index trackers have doubled their market share in ten years.[52] The share of 'passive' has also doubled in the US equity market and represents more than 50% of all assets.[53] ETFs, a version of index funds, are likely to lead the growth of the asset management market in the coming years.[54]

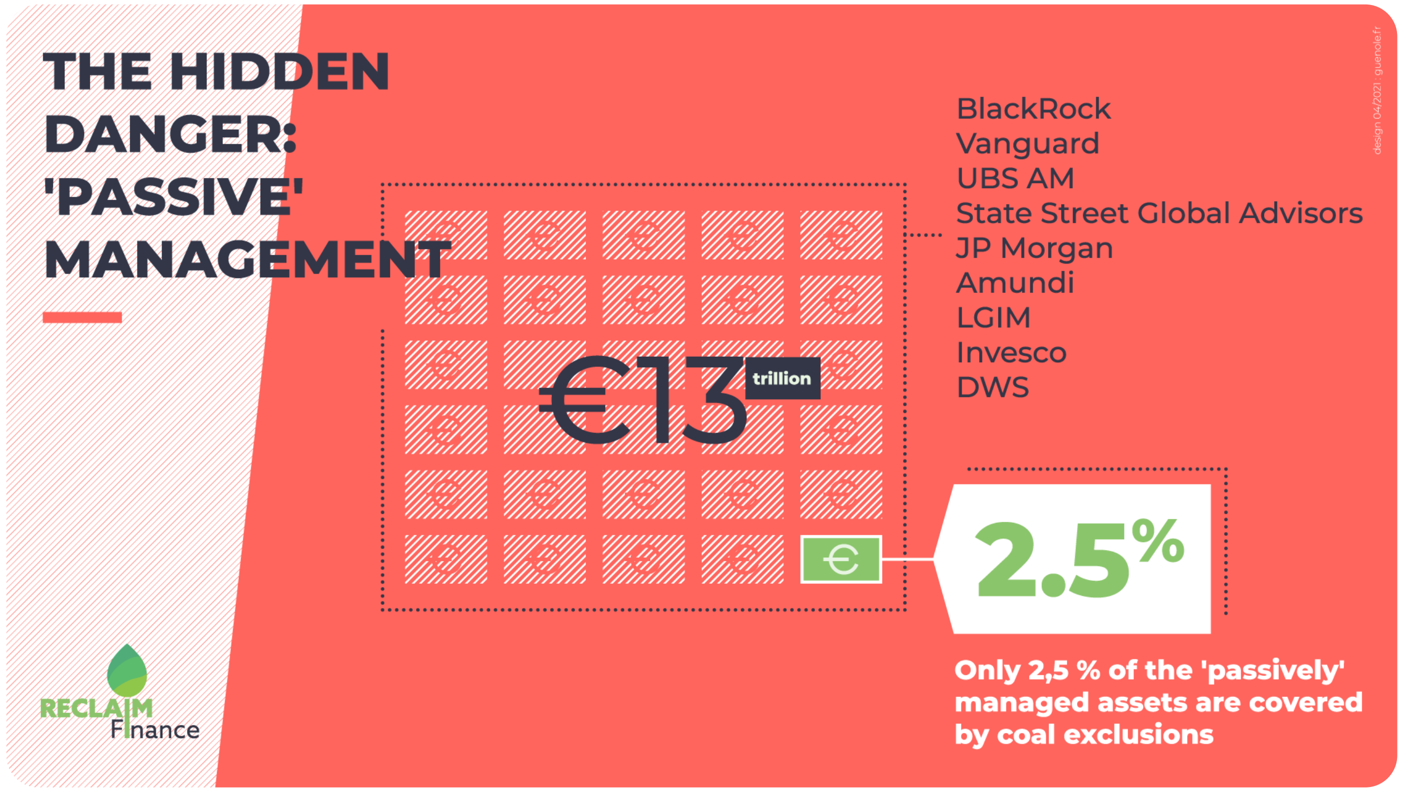
The goal of this investment technique[55] is to generate similar returns to a broad market index, such as the S&P500. An index fund is therefore typically closely aligned with the component securities (e.g. stocks or bonds) of an index.

The major issue around this technique lies in how it is being used by asset managers and asset owners. While there are no legal requirements for index funds to exactly match the underlying index's composition, asset managers are overwhelmingly selling products that 'promise' not to deviate at all from the index's performance. **Thus, when asset managers claim that they cannot be selective about the companies they invest in via their 'passive' funds, this is not entirely true.** They could be, if they chose to worry more about the companies behind the securities and their performance.[56]

2. The myth of the impossibility of acting on 'passive' funds

The common understanding is that asset managers have no ability to choose which company to invest in: they 'passively' follow an index. Based on this assumption, asset managers tend to say that their only option is to change companies through voting action and to make sure companies limit their exposure to climate risk.

Fortunately, a few asset managers seem to recognize that the climate crisis is a game changer and that the current fund management system needs to change.[57] **Seven of the asset managers we surveyed have shared that they are discussing with index providers to find solutions regarding implementing minimum exclusions on**



We analyzed the €13 trillion of 'passively' managed assets of leading asset managers. Only 2.5% was covered by coal criteria.

standard indexes (BlackRock, LGIM, Aberdeen SI, Amundi, DWS, UBS AM and BNP AM). The time for small steps is over, however. Now we must see significant exclusion results. Blindly following broad market indexes means greatly contributing to climate change.

3. 'Passive' management is a combination of active choices

'Passive' index investing is an active investment choice, the first one being for the asset manager to decide which funds to put on the market (and which indexes to track) and which funds to push forward. Another active decision is when the asset manager decides how loosely a fund will track its underlying index. **Ultimately, and given their growing power, passive asset managers can sell and use the threat of divestment.**[58] Without taking action, they will become the holders of last resort for coal assets.[59]

4. How are asset managers currently tackling the passive problem?

Currently, very few asset managers have put in place the multiple measures available to manage the climate impacts of their 'passive' portfolios. We have asked them how they were tackling the need to phase out coal. The results are quite concerning. **Less than 3% out of the €13 trillion managed 'passively' by the giants in the industry is currently covered by coal exclusion criteria** (see graphic p.12).

Outlined below a few of the actions currently being implemented by 'passive' asset managers[9] **to try to solve the problem caused by such management techniques.** These actions include implementing minimum coal exclusions by default to all investment mandates and committing to not launch any more products in the future that would not comply with their minimum standards on coal. Given the size of the 'passive' market, however, a lot more will need to be done to tackle the 'passive' issue, including finding ways to apply exclusions to all existing funds (and repositioning standard funds).

5. The road to tackling the passive problem

Several asset managers have shared through our questionnaire the actions they are taking to start restricting their investments in coal companies via their 'passive' products. This is only the beginning of the road and very few of these commitments have been made publicly. As outlined above, seven asset managers have shared that they apply coal criteria to all or some of their 'ESG' or 'sustainable" products. Only one of them has committed to systematically apply coal criteria (but with a weak exclusion threshold) to all new segregated 'passive' funds (LGIM).

The most important measure required is to apply a robust coal policy to all 'passive' funds (including existing ones). Only one asset manager has shared that they intend to apply such criteria to all of their 'passive' products (DWS) – although the timeline for doing so has not been communicated or disclosed.

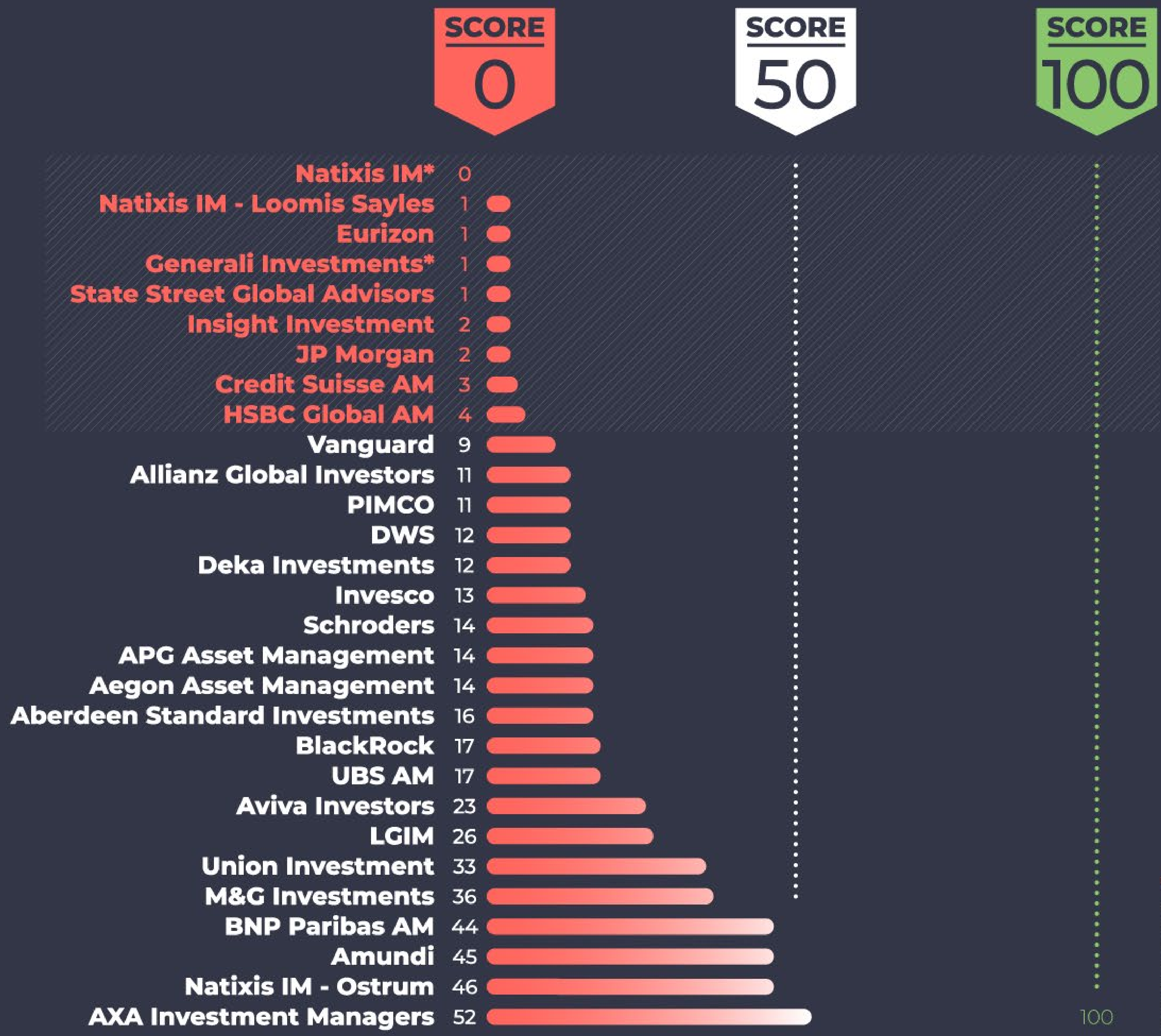
The asset managers analyzed for this report

SCORING

Asset managers have been rated according to three main categories:

1. Climate alignment and engagement: what commitments have asset managers made publicly?
2. Dealing with coal in active management: does the asset manager have a public global coal policy?
3. Dealing with coal in 'passive' management:[69] does the asset manager have a public global coal policy?

THE ASSET MANAGER REALITY CHECK ON COAL



*Generali Investments and Natixis IM are multi boutique platforms or use an affiliate model. Therefore, their affiliates may have coal policies or public commitments. Only Group level policies have been considered here.

RECLAIM Finance

Asset managers were rated based on their commitments. Scores range from 0 to 52 points out of 100.

RECOMMENDATIONS

A/ OUR DEMANDS

1. Immediately divest from companies developing coal projects and start divesting now from coal companies for a complete exit by 2030/2040. Divestment should cover all assets under management and be applied by default.

- **Active management**: The exclusion rules should be applied across all portfolios and for new and existing investments.
- **'Passive' index management**:
  - As a minimum, commit to not launch any new product without robust coal exclusion criteria.
  - Offer climate-friendly funds with robust coal exclusion criteria as the default option for all clients across all product offerings. Existing default funds can be switched to climate-friendly equivalents.
  - For existing funds, identify fossil fuel developers, starting with coal developers identified by the GCEL[61] and vote against the company as soon as this year; engage with other asset managers to ask index providers to identify and exclude coal laggards from all standard indexes; publish commitments to offer incentives for asset owners to switch funds; reposition standard funds.

2. Align investment activities with a pathway compatible with the goal of limiting average global temperature increases to 1.5°C. This will require a transition from all fossil fuels to sustainable renewable energy companies worldwide by 2050 and starts with putting an end to fossil fuel expansion: companies in portfolio should commit to no new fossil fuel project.[62]

3. Bring stewardship activities to align with a 1.5°C pathway. This entails setting clear demands that include adopting short- and medium-term objectives to reduce absolute emissions and put an end to fossil fuel expansion. For companies not excluded based on the criteria described above,[63] the asset manager should commit to a time-bound escalation process, ending with divestment if there is no clear action in the short term. The threat of divestment should be added for all assets under management, including for 'passive' investments.

B/ TO GO FURTHER

1. The need to change investment benchmarks and tackle indexes

The overall and deeper problem with 'passively' managed investments is that they track market indexes. As long as asset owners use these broad market indexes as benchmarks to evaluate asset managers' performance, investments will continue to flow to climate laggards.

Furthermore, asset managers' current actions are clearly insufficient: the CA100+ initiative, an investor-led coalition, published a progress report showing 99 per cent of the companies with which it engages have failed to set a target to significantly reduce their emissions by 2025. Asset managers' engagement strategies very rarely put forward systematic voting or divestment sanctions linked to time- bound and ambitious requests. Without the threat of divestment, such strategies lead to extremely slow changes and focus on a handful of companies.

Therefore, the challenge in the coming years will be for investors to progressively take into account long-term considerations and change the benchmarks they refer to (both internally and externally to evaluate their fund managers). Asset managers should not leave them the choice: Paris-aligned benchmarks will need to be defined and become classic references.[64]

2. ESG should not become deadly distraction

The huge rise in the number of 'ESG' products[65] in the past years (and the massive marketing around it) can be confusing when trying to figure out which asset manager is making progress. **Particularly in Europe, 'ESG' is in vogue: European ESG funds inflows account for the majority of global ESG inflows.** Sustainable 'passive' funds are also gaining momentum, accounting for 25% of the ESG market in Europe in 2020.

But there is no consensus on what constitutes an ESG fund and this often simply means that risks related to environmental, social or governance issues are taken into account in investment decisions. This does not mean the fund is green or the asset manager considers the impacts of its investments. **As a result, the link between more ESG and a shift in investment from unsustainable to green assets is far from clear.[66]** Recent research[67] even shows a parallel between the rise of 'passive' assets and the rise of 'ESG' assets. **Given our findings in this report showing that basic coal exclusions are rarely applied to 'passive' assets, the quality of such 'ESG' products is questionable.** Furthermore, launching new 'ESG' products does not reduce asset manager's exposure to high-polluting industries like coal.[68] **Without global fossil fuel exclusion policies applying to all assets under management, ESG will become a deadly distraction for the energy transition that needs to be planned.**

CONCLUSION

With COP26 due to be held in Glasgow in November 20201, the real test for asset managers' credibility in climate action is straightforward. **While coal is taken as an example in this report, it will be necessary to plan for a rapid phase-out of fossil fuel companies, starting with companies that still have fossil fuel expansion plans.** With 90% of pension savers' money ending up in default options offered by asset managers, the potential for impact is huge. **The willingness of these managers to radically change their default options** is key and will be a test of their understanding of their role in relation to clients. Furthermore, there is an urgent need to take action to exclude coal **companies and fossil fuel developers from standard indexes**, which are linked to tremendous quantities of assets.

Will asset managers join their forces to influence index providers? Will they implement incentives to channel more flows to climate friendly products? Just as the planet faces an existential challenge, so too does the asset management industry: carry down the same path of coal-fueled environmental destruction, or start taking responsibility.

METHODOLOGY

- **How have we chosen participants?**

Asset managers were selected based on the size of their assets under management (AUM) and their geographical zone (Europe) with adjustment to include five US asset managers that focus on 'passive investing'.

- **How have we collected the information?**

A questionnaire was sent to 29 asset managers, of which 70% decided to participate. We provided data on asset managers that declined to answer based on publicly available information, however it should be noted that we may have missed some elements.
All asset managers were subsequently provided with the opportunity to review their response.
Information was collected between February and March 2021.

- **What are we rating in the 'Engagement' section?**

This section does not rate the effectiveness and results of the asset manager's engagement activities. We have attributed points here to publicly made recommendations or requests made to investee companies. We have also assessed disclosures on the escalation process related to such recommendations.

- **Where to find detailed ratings of asset managers' coal policies?**

Reclaim Finance has created the Coal Policy Tool to assess and compare coal policies on financial institutions worldwide.

- **How have we rated participants?**

The questionnaire is based on three categories: Climate alignment and engagement, coal policies in active management, coal policies in passive management. This third category is taken into account for the final rating only when applicable (asset managers with less than 1% of their total AUM managed 'passively' were not rated in this category). The final rating shown in the graph above is a weighted score. The first category represents one third of this final score and the second and third categories on coal policies represent the other two thirds. The scoring has been weighted to account for the share of 'passive' investing in total AUM. The final score is given out of 100.

Asset managers that participated in the exercises and answered our questionnaire	Asset managers that have not participated in the questionnaire
Amundi - AXA IM - Natixis IM - Ostrum - BlackRock BNP Paribas AM - Legal and General IM - Invesco Schroder Investment Management - Aviva Investors Aberdeen Standard Investments - Aegon AM UBS AM - Credit Suisse AM - PIMCO - DWS Group Allianz GI - Union Investment - M&G Investments	Vanguard - State Street Global Advisors - JP Morgan AM Eurizon - Generali Investments - Natixis IM Loomis Sayles Deka- HSBC Global AM - Insight Investment APG AM (has provided a few elements) Allianz GI (has provided a few elements)

DETAILED SCORING

The detailed scores per category and of each asset manager can be downloaded here.

Asset manager	Country	Score - basis 100	Ranking
AXA Investment Managers	France	52	1
NIM - Ostrum	France	46	2
Amundi	France	45	3
BNP Paribas AM	France	44	4
M&G Investments	UK	36	5
Union Investment	Germany	33	6
LGIM	UK	26	7
Aviva Investors	UK	23	8
UBS AM	Switzerland	17	9
BlackRock	US	17	10
Aberdeen Standard Investments	UK	16	11
Aegon Asset Management	Netherlands	14	12
APG Asset Management	Netherlands	14	13
Schroders	UK	14	14
Invesco	US/UK	13	15
Deka Investments	Germany	12	16
DWS	Germany	12	17
PIMCO	US/Germany	11	18
Allianz Global Investors	Germany	11	18
Vanguard	US	9	20
HSBC Global AM	UK	4	21
Credit Suisse AM	Switzerland	3	22
JP Morgan	US	2	23
Insight Investment	UK	2	23
State Street Global Advisors	US	1	25
NIM - Loomis Sayles	France/US	1	25
Generali Investments[70]	Italy	1	25
Eurizon	Italy	1	25
Natixis IM[71]	France	0	29

REFERENCES

1. Limiting global heating to 1.5°C will only be possible if we put a complete end to coal-fired power generation by 2030 in Europe and OECD countries and 2040 worldwide. This means that substantial action needs to start now.
2. Throughout the report, the term 'passive' investing is used to refer to index fund management, which is a management technique described below.
3. Including Generali Investments and Natixis IM are multi boutique platforms or use an affiliate model. Therefore, their affiliates may have coal policies or public commitments. Only Group level policies have been considered here.
4. Based on latest available data
5. Estimation based on the data available and/or communicated by the asset managers. Information was not available for 8 out of the 29 participants to the questionnaire thus this percentage has been calculated for 21 asset managers.
6. For the 13 asset managers that have adopted a public coal policy, these policies apply to only 47% of their total assets.
7. Such as commitments to align investments with Paris aligned objectives / net zero commitments by 2050
8. Only BNP AM, Amundi, AXA IM, Ostrum, Aegon AM and M&G Investments exclude all or some companies planning on developing new coal projects. It should be noted that for M&G this criteria will be applied fully only in three years.
9. Vanguard, DWS, Allianz GI, Schroders, Aberdeen SI, Invesco
10. Investments in funds tracking an underlying financial index, such as the S&P500.
11. We considered here asset managers with at least 150 billion € of 'passively' managed assets. Combined, these 8 asset managers represent 95% of total 'passively' managed assets of the 29 asset managers.
12. Any kind of coal criteria has been considered, even those of very low ambition. The 9 asset managers considered here are: BlackRock, Vanguard, State Street Global Advisors, JP Morgan AM, Amundi, LGIM, Invesco, UBS AM and DWS.
13. Only 2 asset managers out of the 29 analyzed have robust coal policies applying to the big majority of their assets (Ostrum and AXA IM)
14. Increasingly, holdings in fossil fuel companies are at risk of becoming stranded assets. Climate laggards, such as companies with fossil fuel expansion plans, are already facing significant risks. Regarding coal, the picture is even clearer, with more than 50% of the global coal capacity bound to be loss-making in 2030.
15. Data from October 2020
16. A study by Influence Map, 'Who Owns the World's Fossil Fuels?' published in 2018 and updated in 2019, reveals which asset managers are the biggest holders of fossil fuel companies, including the coal sector.
17. https://www.economist.com/special-report/2020/11/12/passive-attack
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19. https://www.unpri.org/pri-blog/financial-markets-are-mispricing-climate-risk/5135.article
20. https://www.economist.com/special-report/2020/11/12/passive-attack
21. https://sunriseproject.org/wp-content/uploads/2020/01/Sunrise-Project-Report-The-Passives-Problem-and-Paris-Goals.pdf
22. https://racetozero.unfccc.int/
23. The questionnaire is based on three categories: Climate alignment and engagement, coal policies in active management, coal policies in passive management (this 3rd category being taken into account only when applicable). The final rating has been weighted to account for the share of 'passive' investing in total AUM. The final score is given on a basis 100.
24. Less than 5 points on a basis 100
25. And 5 out of 29 are recommending companies to set short, medium and long term targets or to set targets aligned with the SBTi
26. Time bound requests linked to a clear sanction
27. We do not include coal exclusion criteria applying only to products labelled or marketed as ESG/sustainable, unless these products represent the majority of assets under management
28. An investment mandate is a set of instructions laying out how a pool of assets should be invested.
29. 4 asset managers among the 13 that have adopted coal policies have simply introduced a relative revenue threshold criterion regarding coal mining (for example excluding only companies with more than 30% of their revenues from thermal coal mining). This kind of criteria often covers only a small portion of the coal industry.
30. While the case for the need to immediately stop launching new coal projects has been made since 2015, many companies are still expanding their coal power or mining capacity. More than 1,000 new coal-fired power generation units are currently being planned, mainly in Asia, increasing capacity by nearly 40%.
31. 2030 for EU and OECD countries and 2040 globally
32. Aviva Investors applies the coal policy of Aviva Group to the assets it passively manages for the Group (which represent more than ¾ of its total assets under management) but the criteria set are very weak. APG AM has the biggest amount in 'passive' products, with 20% of its total AUM managed passively.
33. https://etf.dws.com/en-gb/AssetDownload/Index/c90c541f-b3d0-45ee-964f-3fd6e97b5da0/ESG-Integration-Policy-for-Passive-Investment-Management.pdf/
34. For mandates, the criteria is applied only if the client 'opts in' to the suggested option
35. We do not consider here asset managers with only 'active' investments.
36. BlackRock, UBS AM and Credit Suisse apply coal criteria only to some of their products labeled as sustainable.
37. BlackRock and LGIM have started to apply minimum ESG standards to their default funds. It should be noted that BlackRock has started doing so only for a small part of its core portfolios. It should also be noted that the coal criteria currently applied by LGIM is very weak and excludes only a portion of the coal sector.
38. https://reclaimfinance.org/site/en/2021/02/25/revealed-the-leading-financiers-of-the-coal-industry/
39. Data from 2018.
40. While the EU Disclosure regulation (SFDR) is aimed at bringing more clarity in financial products disclosures, it will become mandatory for asset managers only in 2022
41. By default, meaning the investor client needs to "opt out" of the option offered.
42. Asset managers have two main ways to manage their clients' money: via mutual pooled funds and via investment mandates (for institutional investors)
43. This is an estimation, as the information was provided or available publicly for 16 out of the 29 asset managers analyzed.
44. https://ieefa.org/ieefa-update-coal-finance-is-heading-to-its-logical-terminal-conclusion/
45. 30% of revenues from thermal coal mining (power generation and infrastructure are not included)
46. Asset managers above 1000 bln € of assets under management are BlackRock, Vanguard, Amundi, PIMCO, LGIM, Invesco, JP Morgan and SSGA.
47. Policies applying only to 'ESG' or 'Sustainable' products are not considered, unless these products represent the bulk of the asset manager's total assets
48. This refers to companies with expansion plans related to coal power, coal mining or coal infrastructure. Companies contributing to expanding the coal sector have strategies that are in complete contradiction with the Paris Agreement objectives.
49. Amundi's criteria to exclude companies expanding in coal does not apply to its 'passively' managed investments
50. And for new segregated 'passive' funds with an opt out option
51. https://www.institutionalinvestor.com/article/b189f5r8g9xvhc/passive-investing-rises-still-higher,-morningstar-says
52. https://www.ft.com/content/0b5325da-585f-41ad-8267-0741e9693a7a
53. In the long term fund industry
54. BCG-Global-Asset-Management-2020-May-2020-r_tcm9-247209.pdf
55. 'Passive' investing is revolutionizing asset management as it has dramatically contributed to cutting management costs. Asset managers do not pick securities anymore and try to beat the market, they create products that are on autopilot mode.
56. https://www.economist.com/special-report/2020/11/12/passive-attack
57. Asset managers currently act mainly via 'engagement' activities and voting. Passive investors' poor record on voting on climate-related shareholder proposals is an example of why this is ineffective.
58. Holders of Last Resort: The Role of Index Funds and Index Providers in Divestment and Climate Change by Patrick Jahnke :: SSRN
59. This is already starting to be the case with the top four asset managers of our scorecard collectively holding more than $215 billion in the coal sector.
60. As all the actions listed are not necessarily publicly disclosed by the asset managers, we have decided to not communicate their names.
61. https://coalexit.org/
62. New oil and gas expansion projects are defined as those that result in an increase in developed reserves, or infrastructure projects that drive expanded extraction.
63. Companies developing coal projects and coal pure players should be excluded immediately, as their strategies are clearly not compatible with transition pathways. Detailed criteria to be used and already in place for a few asset managers are described further here.
64. https://reclaimfinance.org/site/en/2020/11/27/climate-benchmarks-european-union/
65. https://www.ft.com/content/e0237f69-a8c8-4bfc-9ccc-c466fb11f401
66. https://www.common-wealth.co.uk/reports/doing-well-by-doing-good-examining-the-rise-of-environmental-social-governance-esg-investing
67. https://www.common-wealth.co.uk/reports/doing-well-by-doing-good-examining-the-rise-of-environmental-social-governance-esg-investing#chapter-5
68. https://reclaimfinance.org/site/en/2021/02/25/revealed-the-leading-financiers-of-the-coal-industry/
69. Throughout the report, the term 'passive' investing is used to refer to index fund management, which is a management technique described below.
70. It should be noted that Generali Investments and Natixis IM are multi boutique platforms or use an affiliate model. Therefore, their affiliates may have coal policies or public commitments. Only Group level policies have been considered here.
71. It should be noted that Generali Investments and Natixis IM are multi boutique platforms or use an affiliate model. Therefore, their affiliates may have coal policies or public commitments. Only Group level policies have been considered here.

Credits

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SLOW BURN:
The asset managers betting against the planet

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to to bend existing practices to ecological imperatives.

Urgewald is a non-profit environmental and human rights organization. For 25 years, Urgewald has been fighting against environmental destruction and for the rights of people harmed by corporate profit interests.

Re:Common carries out campaigns and investigations againsts corruption and environmental destruction caused by corporations and their financiers.

The Sunrise Project grows social movements to drive the transition from fossil fuels to renewable energy as fast as possible.

contact@reclaimfinance.org

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