WHO'S MANAGING YOUR FUTURE?

An assessment of asset managers' climate action

RECLAIM Finance

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EXECUTIVE SUMMARY

This report, the third annual edition, takes a deep dive into the policies and practices of 30 big asset managers. The aim of our research is to provide an assessment of how these firms manage climate risk - in particular, looking at **how they ensure they manage their assets for the long term and align with a 1.5°C target,[1] assessing whether their activities are aggravating the climate crisis and therefore other associated systemic risks.** For those asset managers claiming to have made net zero commitments, this must imply an immediate change in practice, ending support for fossil fuel expansion and sanctioning polluters who continue with activities that are incompatible with limiting global warming to 1.5°C.

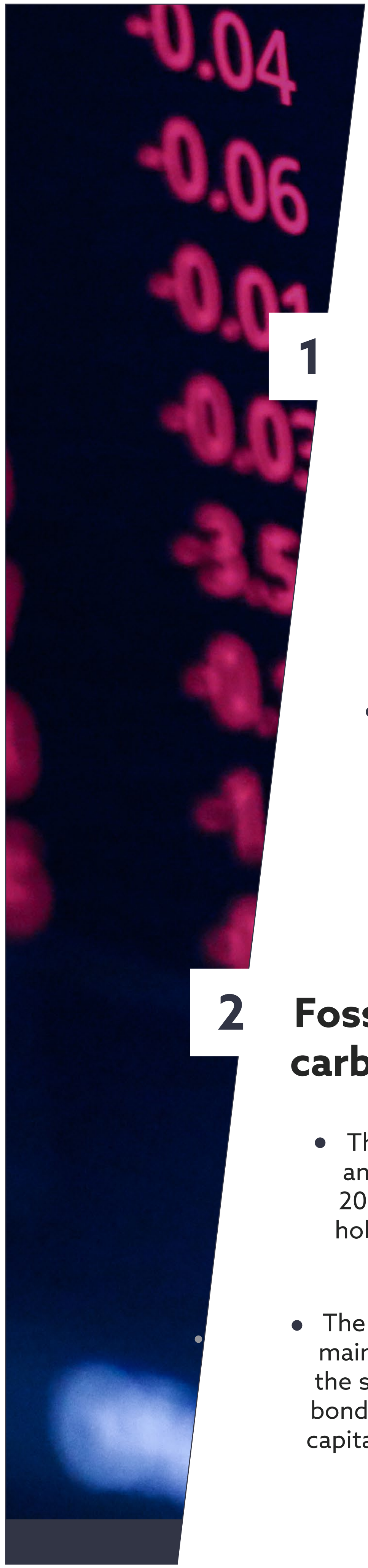
The analysis grid for this report focuses on the primary ways in which asset managers have an impact on the climate: their investment decisions in the bond market and how they act as shareholders. For the first time, **we publish data on investments these asset managers have made in bonds recently issued by fossil fuel developers.** This data sheds light on how when asset managers lend money to fossil fuel companies without any requirement to put an end to their expansion plans, **they are directly and actively contributing to fossil fuel expansion.** This report, based on independent research and a survey of the 30 asset managers, also reveals **how asset managers fail to sanction polluting companies for not acting on decarbonization.** This failure, due to poor policies, undermines the engagement activities of many of these asset managers' biggest clients: institutional investors. We therefore encourage these clients to use our results to question their links with asset managers and the influence they could have on them.

Asset owners must pick asset managers for the long term

The findings of this report must be a wake up call for asset owners, who are entrusting their money to large asset managers working against their interests. Many pension funds, insurance companies, and other asset owners, say that they intend to pick managers that act in line with their long-term interests, including action to mitigate climate change.[2] This is crucial because asset managers "not only allocate assets, but also conduct corporate engagements, cast proxy votes (notably on directors and climate resolutions), and have an important voice in the business community", as explained in the Net Zero Asset Owner Alliance's Future of Engagement paper.

Asset owners must reassess which asset managers they agree to work with and ensure their interests are aligned, as asset managers' short-term considerations often eclipse the long-term interests of their clients. **It's time for asset owners to demand robust default policies** that provide a strict framework for investment practices, including rules for companies involved in fossil fuel expansion, and to publish clear deadlines for shifting their business to fully-aligned asset managers.

We hope this report can be used as a tool to do so.



KEY FINDINGS

1 Asset managers are pouring cash into fossil fuel expansion via the bond market

- At the parent (or group) level, the 30 asset managers included in this report invested at least $3.5 billion in 74 newly issued bond securities[3] from companies actively engaged in fossil fuel expansion.

- The biggest recent bond issuances by fossil fuel developers that we were able to identify on Bloomberg were from Freeport Indonesia PT, China National Petroleum Corp (CNPC), BP, ConocoPhillips and Eni. We identified that 20 of the 30 asset managers are currently invested in at least one of them.

2 Fossil fuel bond holdings are a hidden carbon bomb

- The 30 asset managers analyzed held US$597 bn in bonds and shares in the biggest fossil fuel developers[4] as of January 2023. This is made up of 92% in equity holdings and 8% in bond holdings.[5]

- The bond holdings we report are likely to be heavily underestimated, mainly because of transparency rules.[6] They nevertheless illustrate the strong presence of many big asset managers on the fossil fuel bond market and show how this is helping these companies to raise capital more easily.

Existing engagement activities will not decarbonize the economy 3

- **Of the 20 asset managers that have a coal sector policy** setting out their expectations and restrictions, only 10 restrict investments in companies based on their expansion plans. Of these, only 4 (AXA IM, DWS, M&G, Ostrum) define expansion plans as new projects for the entire coal value chain (mines, plants, infrastructure), while the others focus only on some parts of the value chain.

- **Among the 12 asset managers that have an oil & gas sector policy** setting out their expectations and restrictions, only one (Ostrum) has any measures in place to induce companies to stop their oil and gas expansion plans, although we assess these measures as weak.

- While 25 asset managers set out high level and basic climate-related expectations for portfolio companies, **only 7 go further and describe more precise and strategy-level expectations for fossil fuel companies. While 7 have clear and robust expectations for coal companies,**[7] Ostrum is the only asset manager assessed that has published a clear expectation that companies should stop their oil and gas upstream expansion plans and states that this expectation can lead to defined sanctions.[8] This means that **the majority of these 30 major asset managers do not currently sanction polluting companies for failing to take the right steps for the climate,** because they do not systematically apply sanctions to signal their redlines.

Poor policies mean poor results: the CA100+ example 4

- After five years of intensive dialogue by investors from the CA100+ initiative, **only 20% of the companies from the coal mining and oil and gas sectors that have been engaged have even set an ambition to achieve net zero emissions by 2050**. Only 14% of the companies have set a target for reducing their greenhouse gas (GHG) emissions by 2025 that covers at least 95% of Scope 1 and 2 emissions and the most relevant Scope 3 emissions. Even worse, only two of the companies are working to decarbonize their capital expenditures.

SCOPE AND ANALYSIS GRID

We surveyed 30 major asset managers, headquartered in Europe (25) and in the US (5) and among the biggest institutions worldwide in terms of assets under management.[9] We analyzed their practices regarding climate change, focusing on the fossil fuel sector as the priority sector to tackle. Our analysis has a specific focus on fossil fuel expansion as putting an end to new fossil fuel projects is essential to avoid the worst effects of climate change and to remain on a 1.5°C pathway.[10] We have evaluated the 30 asset managers based on a survey[11] that was sent to them in April 2023.

The analysis grid for this report narrows in on how asset managers have an impact on real-world emissions reductions. This report looks at whether they are taking the most critical steps to deliver on their net zero commitments: **using their power in the bond markets,** especially during capital rounds, and **using their power as shareholders,** with all the tools at their disposal to set and communicate the right expectations to polluting companies. Together these embody the primary ways in which asset managers can credibly affect outcomes that reduce climate impacts on society and reduce the growing systemic risks posed by climate change.

The first part of this report (section 1.) analyzes **the bond holdings of these asset managers, with a focus on investments in bonds that have been recently issued by the world's biggest fossil fuel developers.** The second part (section 2.) evaluates their **fossil fuel sector policies, with a focus on how they set the right expectations for portfolio companies,** communicate them to companies and escalate action.

Key information on the 30 asset managers assessed in this report:

- They represent a total of **€37.5 trillion in assets under management** as of December 2022;
- Almost **40% of these assets are currently passively managed;**
- Ech investor represents at least €200 billion in assets under management. 9 asset managers manage more than €1 trillion;
- This sample consists of **the 25 biggest asset managers headquartered in Europe and the 5 biggest asset managers headquartered in the US.**

1. ASSET MANAGERS POUR CASH INTO FOSSIL FUEL EXPANSION VIA THE BOND MARKET

Time is of the essence. The window of opportunity for a 1.5°C pathway is limited, and the next year and a half will be crucial, as global GHG emissions must peak by 2025. But despite repeated calls from climate scientists and international bodies to decrease fossil fuel production, current production trends are not headed in the right direction. In fact, **most of the companies within the industry still have expansion plans** and will not reduce their overall production levels. **96% of oil and gas companies are still exploring or developing new oil and gas fields** and **490 companies are still planning to expand the coal industry.**[12]

These companies' strategies will only make the climate crisis worse, as it has been clearly established by the Intergovernmental Panel on Climate Change (IPCC) when it indicates that putting an end to new fossil fuel projects is essential to avoid the worst effects of climate change.[13] On the other hand, the International Energy Agency (IEA) states that it is possible to meet the world's energy needs and limit global warming to 1.5°C without them.[14] Fossil fuel expansion is therefore a key driver of systemic climate risk. For financial institutions, this risk is not only a systemic financial risk to portfolios but an existential risk to their fundamental businesses.

a. Investments keep flowing to newly issued bonds

For fossil fuel expansion to stop and production to start decreasing, the financing behind it must stop. And as a significant proportion of this financing comes from bonds,[15] asset managers' role in this financing is clear. Investors' support is crucial to companies, making them a key lever in steering the world away from high-carbon activities. There are many powerful tools they can use to push the largest carbon emitters to change. Investors can use their power as shareholders, that include all the tools that are generally associated with engagement,[16] but **they first and foremost should use their full power in the bond markets, especially considering the growing importance of bonds issuance as a source of financing for fossil fuel companies.[17]** Furthermore, as the vast majority of the largest corporate emitters use the bond market, bonds are another way into companies that are inaccessible or difficult to reach via traditional shareholder mechanisms,[18] as it the case for state-owned fossil fuel companies such as Saudi Aramco.[19] Bonds are used both by listed and non-listed companies, which broadens the scope of companies that can be reached.

As bonds contribute to fossil fuel expansion, not using their bond market power to drive climate action would mean investors are responding to the climate emergency with one hand tied behind their backs.[20] **Using such power starts with refusing to buy bonds from companies engaged in activities that are clearly incompatible with a 1.5°C pathway,** such as those involved in fossil fuel expansion. Adopting redlines for bond purchases is key to influencing the largest corporate greenhouse gas emitters, as advocated by the Principles of Responsible Investments (PRI).[21]

We extracted the investments of the 30 asset managers at the parent (or group) level in a list of newly issued fossil fuel bonds (issued in the past 18 months). All the bonds we included in this research are issued by fossil fuel developers. We call 'fossil fuel developers' in this report companies developing new coal projects or having oil & gas upstream expansion plans - see Methodology section (Appendix #1) for more details. While these bond investments are not necessarily all primary market financing (for which information is not available on the Bloomberg Terminal), **they are investments in newly-issued bonds and thus contribute to helping these companies raise capital.** Indeed, a company will more easily raise capital if its corporate bonds are easily traded on the secondary markets.[22] Furthermore, as most of the 30 asset managers analyzed have passive funds,[23] these investments in newly issued bonds are more likely to have been primary market investments made through these passive funds. Indeed, as evidenced by research by the Oxford Sustainable Finance Programme, passive funds not only hold fossil fuel assets, but directly finance them by buying large quantities of new bonds as they are issued by fossil fuel companies on the primary market.[24]

New findings show which asset managers are still investing in the newly-issued bonds of the world's biggest fossil fuel developers

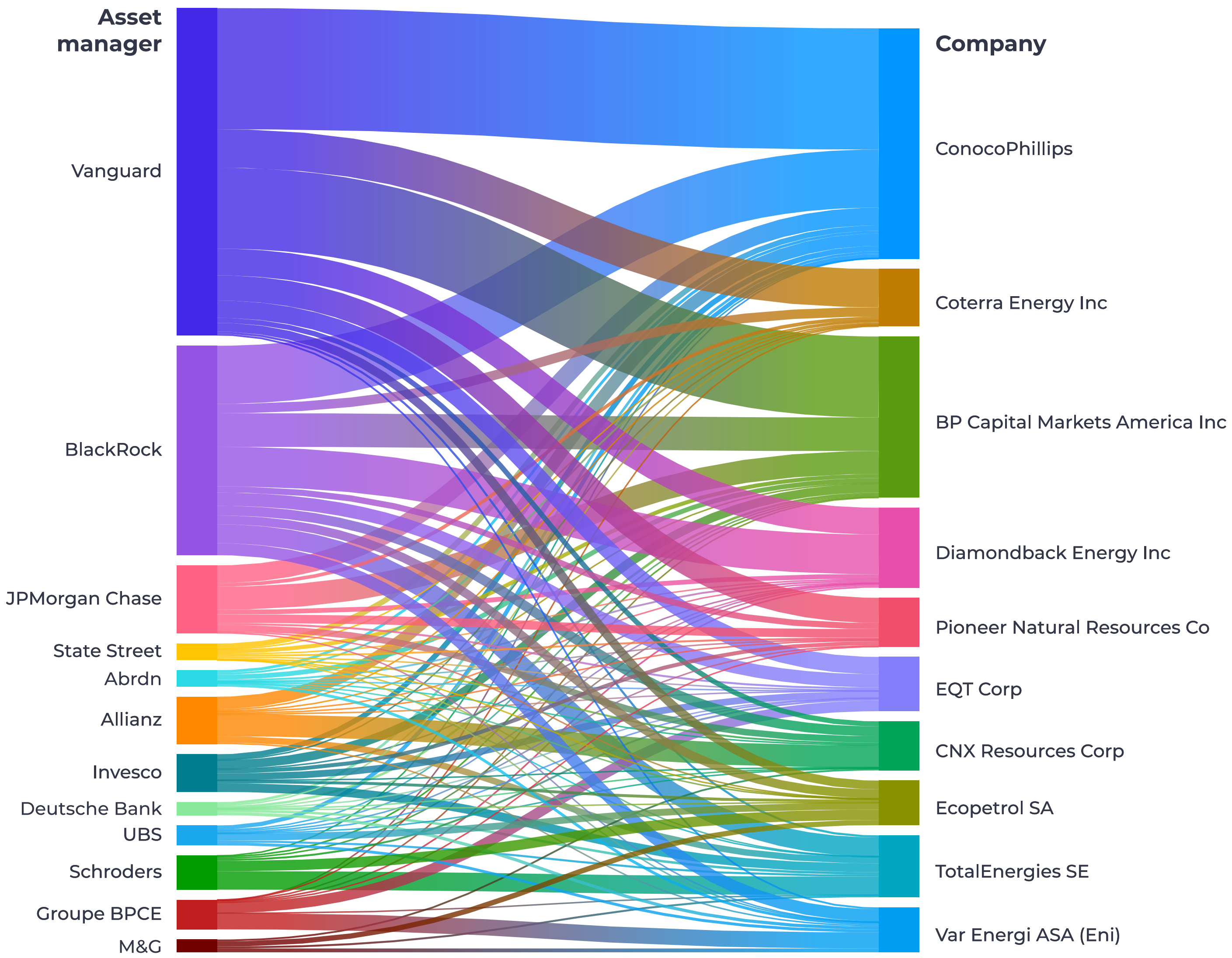
We conducted research on the Bloomberg Terminal to track down investments in bonds that were recently issued by a list of fossil fuel developers (see Methodology section (Appendix #1) for more details). As bond data is highly incomplete on the Terminal, our research is likely to be a stark underestimation of the flows going to newly issued bonds. It is important to note that the data featured below is at the investor parent level (e.g. holdings for DWS are reported under Deutsche Bank and could include holdings from other asset management subsidiaries of the group) as the Bloomberg API does not enable sufficient granularity at the manager and fund level. Nonetheless, it is a good indication and estimation of which asset managers are likely to be directly funding these companies.

- The parent groups of the asset managers in this report invested at least **US$3.5 billion in newly-issued bonds[25] (issued in the past 18 months) from 38 companies actively engaged in fossil fuel expansion.**
- Vanguard is the top investor in such bonds with US$1.2 billion invested in 18 fossil fuel developers, followed by BlackRock with US$851 million in 22 fossil fuel developers.[26]
- BPCE Group (the parent group of Natixis IM and its affiliates Ostrum and Loomis) is the top European investor in such bonds with US$122 million invested in bonds recently issued by 14 fossil fuel developers.[27] Whilst we do not have data at manager level for these recent bonds, as previous research[28] that 84% of BCPE's bond exposure to fossil fuel developers comes from its affiliate Loomis, it is likely that Loomis holds a significant share of the US$122 million.
- The biggest recent bond issuances by fossil fuel developers that we were able to identify on Bloomberg were from Freeport Indonesia PT, China National Petroleum Corp (CNPC), BP, ConocoPhillips and Eni. We identified that 20 of the 30 asset managers are currently invested in at least one of them.

See more bonds data in Appendix #2.

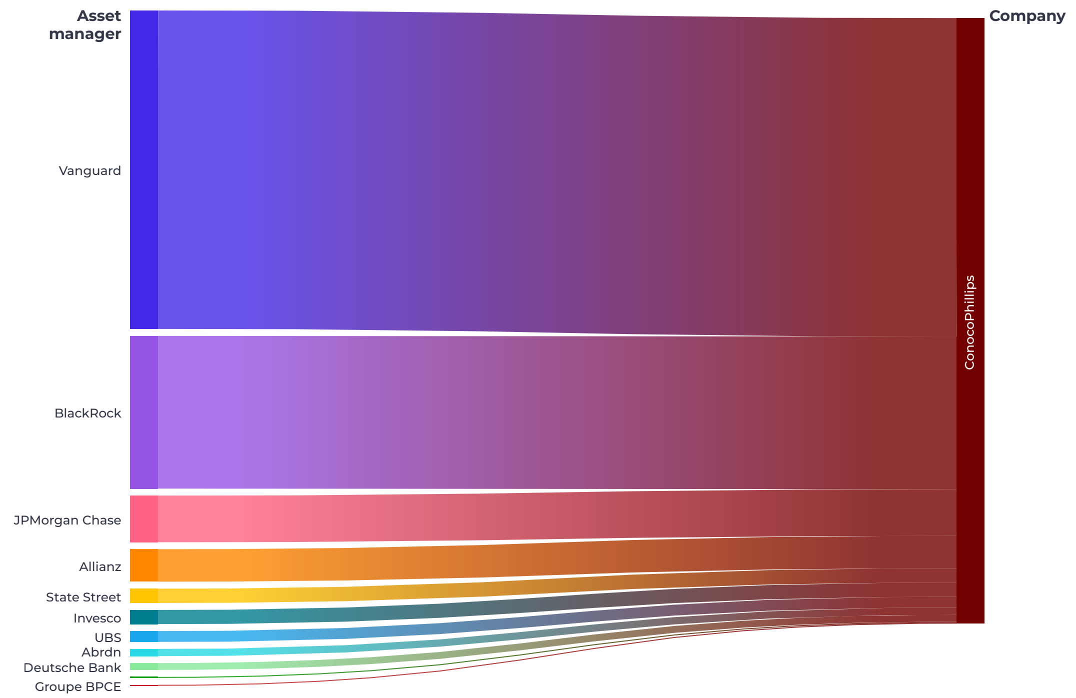
As we show below in the policy analysis section, **these investments, which are essentially fresh cash for a company, are made without any conditions or strings attached.** This strongly questions the credibility and effectiveness of the "dialogue" that ESG engagement specialists at asset managers are leading with companies. The policy analysis section (see section 2.) reveals for example that while 10 of the 30 asset managers deny debt to coal developers, none are doing the same for the oil and gas sector. This means that **asset managers are leaving aside a powerful tool to push big polluters to change.** And beyond missing out on this powerful tool, it might mean that they are exposing their clients to stranded asset risks.[29] Indeed, studies show that the fixed income market does not yet fully incorporate climate risk in oil and gas debt pricing.[30]

Investments flowing into newly issued bonds

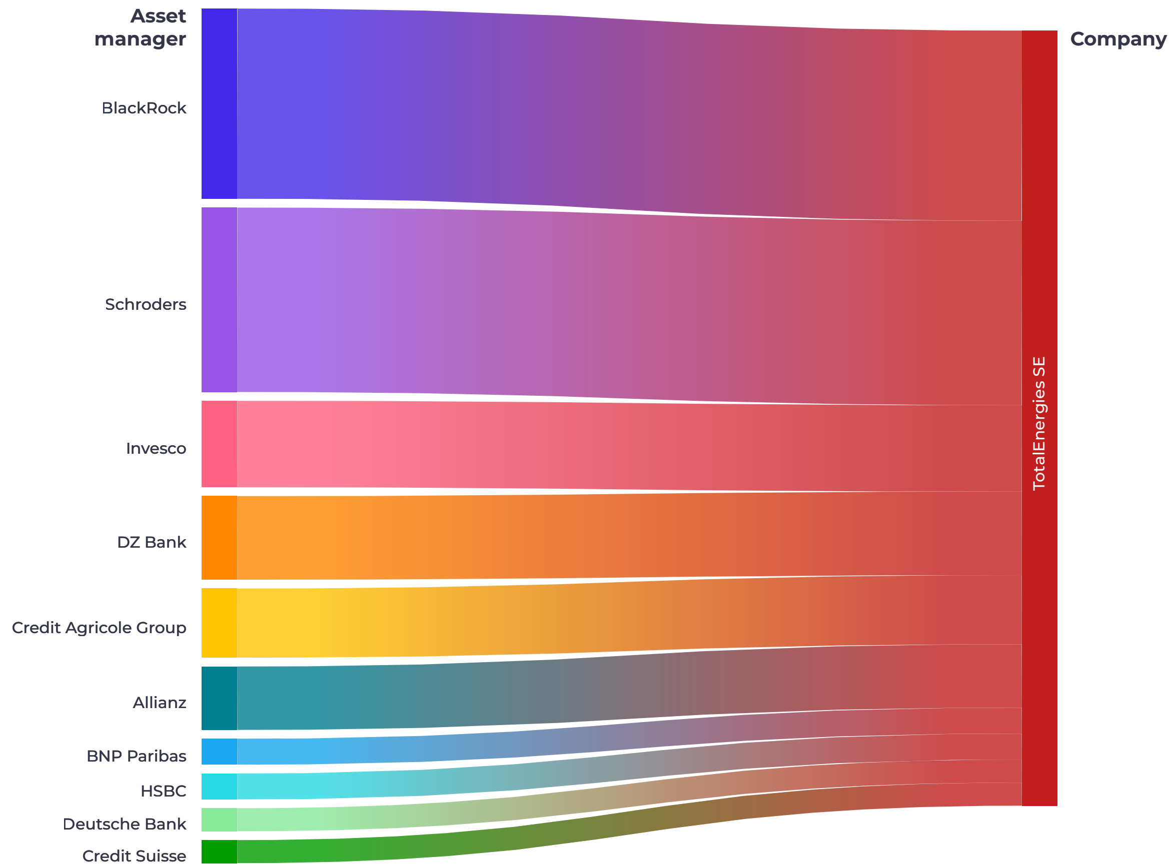


This chart represents the holdings of 12 investors in a selection of newly issued bonds (issued between 01.01.2022 and 19.05.2023) of 10 fossil fuel developers. The financial institutions featured on the left side of the diagram are the 12 investors with the overall biggest holdings in the newly issued bonds we identified on Bloomberg. The companies featured on the right side are the companies that issued the biggest bonds among those that we identified on Bloomberg.

Investments in the latest ConocoPhillips and TotalEnergies bonds



This chart represents the holdings of 11 asset managers in bonds issued recently by ConocoPhillips (between 01.01.2022 and 19.05.2023).



This chart represents the holdings of 10 asset managers in the latest bond issued by TotalEnergies (on 10.01.2022).

How are bonds linked to fossil fuel expansion?

1. Total Energies wants to raise cash for some of its projects

(e.g to open new oil & gas wells)

2. TotalEnergies issues a bond to raise capital on the financial markets

3. A bank like BNP Paribas helps TotalEnergies to issue a bond

(it 'underwrites' the bond)

4. Investors like UBS AM* buy the bond and receive interests each year

5. TotalEnergies receives the money raised via the bond, repays it after several years and uses the money to fund new projects

*21 out of the 30 asset managers have holdings in the bond that TotalEnergies issued in January 2022

b. Fossil fuel bond holdings: a hidden carbon bomb?

Overall, **the 30 asset managers analyzed held US$597 billion in bonds and shares of the biggest fossil fuel developers[31] as of January 2023.** This is made up of 92% in equity holdings and 8% in bond holdings.[32] BlackRock is the top bondholder of the biggest fossil fuel developers (US$13.4 billion) and UBS AM is the top European bondholder (US$1.6 billion), followed closely by Amundi (US$1.2 billion).

While the bond holdings seem relatively small, as bonds are the main source of capital raising for fossil fuel companies,[33] these holdings are far from being incidental. Indeed, if a fossil fuel developer has popular bonds, it will actually be easier for the company to raise capital. **There is a link between demand for a bond in the secondary market and the decision of an issuer to issue new bonds** (if the demand for a bond on secondary markets is high, the company is more likely to be able to issue new bonds).[34] Furthermore, **for passive funds, it has been shown that there is a direct link between portfolio holdings and their investments in newly issued bonds** - including in their primary market investments.[35] With passive funds, investments keep flowing in newly issued bonds because of the existing stocks. For carbon-intensive sectors, a study suggests that new bonds will increasingly be bought by passive funds as active investors avoid riskier carbon-intensive assets.[36] The study concludes that asset owners concerned about financing carbon lock-in should consider the interplay between portfolio holdings and portfolio flows.

Total holdings in fossil fuel developers,[37] as of January 2023

Asset manager	Bondholding (US$ million)	Shareholding (US$ million)	Total (US$ million)
BlackRock	13 364	166 172	179 536
Vanguard	11 906	158 380	170 286
State Street Global Advisors	1 448	84 731	86 179
JP Morgan AM	2 705	23 073	25 778
Invesco Limited	1 308	16 357	17 665
Amundi Asset Management	1 241	14 296	15 537
LGIM	403	11 346	11 749
UBS AM	1 574	9 202	10 776
DWS	883	9 371	10 254
Schroders	972	7 812	8 784
Credit Suisse Asset Management	568	6 871	7 439
HSBC Asset Management	734	4 285	5 019
Fidelity International	1 027	3 661	4 687
Allianz (PIMCO)	3 926	585	4 511
Aviva Investors	964	3 501	4 465
Natixis IM[38]	984	6 328	7 312
M&G Investments	705	3 530	4 235
abrdn	713	3 317	4 031
Allianz (AGI)	1 064	2 825	3 889
Union Asset Management Holding AG	262	2 966	3 228
BNP Paribas Asset Management	287	2 679	2 962
Algemeen Burgerlijk Pensioenfonds (ABP)	142	2 507	2 649
Aegon Asset Management	1 219	727	1 946
Eurizon Capital	438	1 396	1 834
Ostrum Asset Management	4	1 774	1 778
AXA IM	296	716	1 012
Loomis Sayles	923	87	1 009
Nordea Investment Funds - AM	16	426	442
Generali Investments[39]	167	172	338
Insight Investment - BNY Mellon	84	63	147
Total[40]	49 399	547 291	596 691

CASE STUDY

How asset managers help Adani fund its expansion plans

The Indian conglomerate Adani is one of the world's most problematic coal companies. It is involved in 12 GW of new coal power plants in India and in 8 coal mining expansion plans, making it one of the world's biggest coal plant and coal mine developers. Adani's unethical practices have been widely denounced as well as its coal expansion plans, that are destroying the land of indigenous communities in India or Australia. Severe controversies surround the Adani Group subsidiaries activities.[41] Any financial support to the Adani Group is highly incompatible with a net zero commitment or any sustainability claim.

Our data reveals that support to Adani remains unquestioned:

- he 30 asset managers currently hold[42] US$2.5 billion in the Adani entities that have links with coal activities according to the Global Coal Exit List.[43]
- The top investors are BlackRock, Vanguard and State Street Global Advisors which together hold US$2 billion in Adani bonds and shares.
- Of the 13 asset managers for which voting data was available for 2022, 10 voted "for" the reelection of Rajesh S. Adani as Director of Adani Enterprises.[44] All but one approved the allocation of dividends.[45]

Furthermore, the figures above are a stark underestimation of the investments that might be supporting Adani's coal business. Many of the asset managers have holdings in Adani Green Energy (e.g. Amundi, BlackRock, UBS AM and M&G) or in other Adani entities that are not directly linked to the coal expansion plans of Adani. But allegations that the company is moving money between entities are not new, as reported in an investigation from 2019,[46] in a webinar held by Market Forces and Responsible Investor in 2021[47] and more recently the Hindenburg research.[48] Recent public filings also make clear that Adani is using stock from its Green companies as collateral in a credit facility that's helping to finance the Carmichael coal mine in Australia, via Adani Enterprises Ltd.[49]

Investments in the Adani Group are incompatible with the net zero commitments taken by the vast majority of the asset managers. And while many asset managers have excluded, via their coal policies, some Adani subsidiaries from their portfolios, most have not excluded all Adani entities.

This case should be a clear reminder to asset managers and their clients that **they must assess companies at the parent group level and question whether investing in a "green" subsidiary is not at risk of supporting the expansion plans of the company.**

2. EXISTING ENGAGEMENT ACTIVITIES WILL NOT DECARBONIZE THE ECONOMY

a. Weak policies fail to influence coal, oil and gas companies

We analyzed the fossil fuel sector policies of the 30 asset managers to understand whether their net zero pledges and targets were associated with specific and public actions – i.e. measures and indicators to ensure a decline of the most polluting activities. We specifically looked at their policies regarding companies developing new fossil fuel projects.

We find that even though 20 out of 30 asset managers now have coal policies[50] and 12 have oil & gas policies, **there are major loopholes and weaknesses that still allow most of the asset managers to provide financial services that are essential to the development of new coal, oil and gas projects.**

- **Among the 20 asset managers that have a coal sector policy** setting out their expectations and restrictions, only 10[51] restrict investments in companies based on their expansion plans. Of these, only 4 (AXA IM, DWS, M&G, Ostrum) define expansion plans as new projects along the entire coal value chain (mines, plants, infrastructure). As such, this means the remaining 6 can still invest in companies with expansion plans in part of the coal sector. Of the 10 others that don't restrict investments in companies based on their expansion plans, most have adopted weak criteria.[52]
- **Among the 12 asset managers that have an oil & gas sector policy** setting out their expectations and restrictions, only Ostrum has any measures in place to induce companies to stop their oil and gas expansion plans, measures that we nonetheless assess as weak. In its assessment of oil and gas companies, LGIM indicates that restrictions on investing in new oil and gas fields is a criteria, but this criteria is not a red line that leads to sanctions. The 10 others do not publicly ask companies to stop their expansion plans or to adopt 2030 oil and gas production reduction targets, while these should be the short term priority commitments that oil and gas majors are pushed to make. Instead, they list more long term or vague expectations, ranging from adopting net zero targets, but rarely asking for short term targets, in absolute terms and including all emission scopes,[53] to improving climate-related disclosures.
- **The blindspot of passive funds:** at least 22 out of the 30 asset managers have passive funds, yet only one (Aviva Investors) applies their fossil fuel exclusion criteria to the majority of these funds (more than 50%).[54] If asset managers are planning to decrease the exposure of their passive funds to fossil fuel expansion through engagement activities, they will need to bring much more evidence that those activities are effective and have short term results and don't open the door to continued and long-term support for the most polluting companies. Especially as passive funds directly finance fossil fuel assets by buying large quantities of new bonds issued by fossil fuel companies,[55] the passive fund problem will only grow bigger.

The full assessment of the 30 asset managers' policies is downloadable in excel format here.

These findings put a sharp focus on the fact that **the expectations laid out don't focus on the priority actions[56] that fossil fuel companies should be implementing** (see actions described below under 1) and 2)). As said above, **only 1 asset manager expects oil and gas companies to put an end to their supply expansion plans.** In contrast, 24 asset managers list more long term, vague or unambitious expectations.[57]

Among these:

- 17 expect companies to align their climate disclosures on existing standards as the Task Force on Climate-Related Financial Disclosures (TCFD). Many present this as a key expectation of their engagement activities.
- 24 expect companies to adopt decarbonization targets and reduce emissions, but only Ostrum mentions the need to adopt targets in absolute terms, including in the short term and all emission scopes.

Disclosure-related expectations can help improve the quality and the quantity of the information published by engaged companies, but they are highly insufficient to ensure alignment of climate strategies

with science-based trajectories. The Net Zero Asset Owners Alliance (NZAOA) warns that *"focused and in-depth engagements on disclosure with each company in a market or portfolio can be an inefficient use of limited investor stewardship resources"*.[58] Investors should prioritize expectations related to greater climate action over expectations related to disclosure. As for expectations related to decarbonization targets, to have an impact they must be precise, **as vague expectations can be taken into account by companies but still go hand in hand with more absolute emissions and significant fossil fuel expansion plans.**

Engagement without clear expectations and escalations can't decarbonize the economy

For many asset managers, engaging with companies is the key strategy for meeting their net zero goals. **Our analysis of their engagement policies calls into question their ability to hit their climate targets,** mostly because these policies are extremely vague or focused on disclosure-related expectations only.

To conduct our analysis, we extracted from their public policies which expectations were laid out for fossil fuel companies. We then assessed the quality of these expectations and especially if certain priority expectations were present and clearly linked to a specific escalation process.

We focused specifically on two priority expectations that should be made to coal, oil and gas companies:

1) Companies should commit to cease their coal / oil & gas supply expansion plans;

2) Companies should adopt a credible and public coal phase-out plan aligned with a 1.5°C scenario / adopt 2030 oil and gas production reduction targets aligned with a 1.5°C scenario.
These milestones are required for the fossil fuel sector to be aligned with the objective of limiting global warming to 1.5°C. Indeed, according to the IPCC, UNEP and the IEA, several conditions must be met for the coal and oil and gas sectors to be aligned with the objective of limiting global warming to 1.5°C.[59]

Findings: what are the asset managers' expectations for portfolio fossil fuel companies?

Six of the asset managers in our sample did not report basic climate-related expectations.[60] 24 asset managers publicly describe high level and basic climate-related expectations for portfolio companies.[61] Among these, **only 7 go further and describe precise and strategy-level expectations** (see table below for details). 7 asset managers (Amundi, Ostrum, AXA IM, BNP Paribas AM, M&G Investments, GIAM and DWS) expect portfolio coal companies to not have any coal expansion plans and to adopt a credible and public coal phase out plan.[62] And just one asset manager, Ostrum, expects portfolio oil and gas companies to cease their oil and gas supply expansion plans.

Findings: is there an escalation process for companies with oil and gas expansion plans?

Ostrum is the only asset manager assessed that has published a clear expectation that companies should stop their oil and gas upstream expansion plans and states that this expectation can lead to defined sanctions. While this remains a weak escalation process because the sanctions are not applied in a systematic way,[63] the expectation is public and clear.

This means that **the majority of the biggest 30 asset managers present in Europe and in the US do not yet sanction polluting companies for failing to take the right steps, because they do not systematically apply sanctions to signal their redlines.** Engagement without time-bound, short term and systematic sanctions cannot push companies to move.[64]

What is each asset manager asking portfolio companies?

Asset manager	Public expectation that companies should have climate disclosures aligned with standards such as the TCFD	Public expectation that companies should adopt decarbonization targets and reduce emissions	Public expectation that coal companies should stop expanding and adopt a credible and public 1.5°C coal phase out plan	Public expectation that O&G companies should cease their O&G supply expansion plans and adopt 2030 O&G production reduction targets	Public commitment to apply pre-defined sanctions if the above expectations are not met
	Yes ✓ No ✗	Request for a short-term target, in absolute terms, including scope 3 emissions ✓ Less ambitious requests ≈	Both expectations ✓ One of them ≈	Both expectations ✓ One of them ≈ None ✗	Coal and oil and gas ✓ Coal only ≈ None ✗
BlackRock	✓	≈	✗	✗	✗
Vanguard	✗	✗	✗	✗	✗
State Street Global Advisors	✓	≈	✗	✗	✗
JP Morgan AM	✓	≈	✗	✗	✗
Invesco Limited	✓	≈	✗	✗	✗
Amundi AM	✗	≈	✓	✗	≈
LGIM	✓	≈	≈	≈ partially[67]	✗
UBS AM	✗	≈	✗	✗	✗
DWS	✓	≈	✓	✗	≈
Schroders	✓	≈	✗	✗	✗
Credit Suisse AM	✗	✗	✗	✗	✗
HSBC AM	✓	≈	≈	✗	≈
Fidelity International	✓	≈	≈	✗	✗
Allianz (PIMCO)	✗	≈	✗	✗	✗
Natixis IM	✗	✗	✗	✗	✗
M&G Investments	✗	≈	✓	✗	≈
abrdn	✓	≈	✗	✗	✗
Allianz (AGI)	✓	≈	✗	✗	✗
Union Investment	✓	≈	≈	✗	≈
BNP Paribas AM	✓	≈	✓	✗	≈
ABP / APG AM	✗	≈	≈	✗	≈
Aegon AM	✗	✗	✗[65]	✗	✗
Eurizon Capital	✗	≈	≈	✗	✗
Ostrum AM	✓	✓	✓	≈[67]	✓
AXA IM	✓	≈	✓	✗	≈
Loomis Sayles	✗	✗	✗	✗	✗
Nordea Investment Funds - AM	✓	≈	✗	✗	✗
Generali Investments/GIAM	✗	≈	✓	✗	≈ partially
Insight Investment - BNY Mellon	✗	✗	≈	✗	✗
Aviva Investors	✓	≈	✗	✗	✗

b. Poor policies mean poor results

As we showed above, asset managers' policies overall still fail to disclose the right expectations for portfolio fossil fuel companies, let alone to link such expectations to a strong escalation process. This calls into question their ability to change corporate behavior.

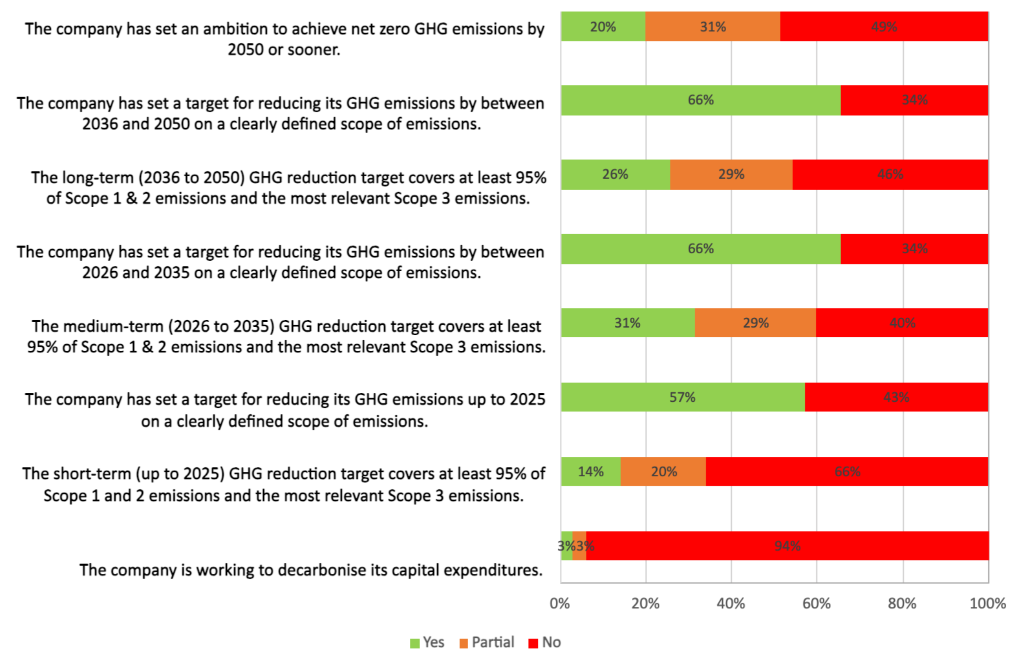
28 of the 30 asset managers in this report are members of the ClimateAction 100+, an investor alliance with a combined $68 trillion of assets. Launched in 2017, this shareholder group focuses on 166 companies that are critical to the net-zero emissions transition and "establishes a common high-level agenda for company engagement to achieve clear commitments". Member investors are leading engagement on these focus companies.

To assess whether these collective efforts, often presented by the asset managers as crucial elements of their engagement strategies, are efficient, **we used CA100+'s own benchmark[68] to evaluate the 35 companies from the coal mining sector (2 companies) and from the oil and gas sector (33 companies)** that are among the initiative's focus companies since 2017.

After five years of intensive dialogue by the CA100+ initiative, only 20% of the companies engaged have set an ambition to achieve net zero emissions by 2050. In the shorter term, **while 57% of the companies have set a target for reducing their GHG emissions up to 2025 on a clearly defined scope of emissions, only 14% have set such a target that covers at least 95% of Scope 1 and 2 emissions and the most relevant Scope 3 emissions.** Even worse, **only two of the companies are working to decarbonize their capital expenditures.**

If there is so little progress among the companies that are critical to the net-zero emissions transition according to investors themselves, **this strongly questions how engagement is currently being led by the individual members and if it can change corporate behavior.** As most of the biggest asset managers do not have robust sector policies that lay out the right expectations, clear escalation strategies and publicly stated systemic sanctions, it is still extremely unclear what is actually being communicated to companies and how. Analysis of their voting even shows that CA100+ members rarely flex their muscles to pressure the worst polluters.[70]

CA100+ focus companies from the coal mining and oil & gas sectors[69] that meet the criteria of the CA100+ framework



A call to asset owners

As the United Nations and the Intergovernmental Panel on Climate Change (IPCC) have warned, delayed action on climate increases the chances of a disorderly climate transition and decreases our chances of remaining on a 1.5°C aligned pathway.

Despite these warnings, **most asset managers are not serving their clients' long-term interests when exercising their stewardship and voting or when deciding to buy new bonds.** For asset owners that are willing to invest their assets for the medium and long term, this misalignment with their asset managers should be one of their biggest worries. It is crucial they engage these very strategic partners to ensure they understand the extent of their climate related concerns. Asset owners hold power when they renew their mandates and they must use it.

"Recently, we have noticed a growing misalignment between long term interests of pension savers and asset managers' actions, which is noticeable in the recent voting patterns" Maria Nazarova-Doyle, head of responsible investments and stewardship at Scottish Widows.

Focus on asset owner engagement activities: why they need to target asset managers as well as companies

Many institutional investors, that we will call here asset owners, engage companies that they co-own to encourage them to address risks. On specific issues such as mine tailings dam safety, or board diversity, investors often achieve impact. They can also achieve impact by collectively exercising pressure and being public about escalating engagement. As an example, the Votes Against Slavery coalition of 122 asset owners and asset managers, coordinated by Rathbones, successfully engaged 39 of its 44 target companies on forced labor and similar abuses in their supply chains. They achieved this by threatening to escalate through AGM voting. This case, winner of the PRI's 2022 stewardship award shows what is possible with strategic, escalating engagement by asset owners and managers acting together.

But **asset owners have made much less impact on climate change, a systemic issue that will affect all companies' futures, and investors' overall portfolios.** A case study is Climate Action 100+ (CA100+). The recent CA100+ Progress Report records (p.13) that: *"despite continued progress on some disclosure indicators, real world activities do not yet demonstrate any meaningful shifts in business models to align with the Paris Agreement".* As we show in section 2.b., the progress made by companies engaged is still a long way off. As described in a 2021 review by Bloomberg Energy Finance, it seems that most of the 166 companies targeted by investors via the CA100+ initiative satisfied investors via managing *"pressure with a mixture of greenwash and strategic thinking".*

So why is engagement failing here? An analysis in the Net Zero Asset Owner Alliance (NZAOA) paper 'The Future of Engagement' points out that *"while corporate engagement plays a valuable role in addressing acute ESG issues in investor portfolios, **it is limited in its ability to address systemic problems like climate change when conducted in isolation from other engagement approaches".***

They set out limits to engagement[71] and conclude that **asset owners committed to real-world decarbonization should complement their corporate engagement programs with engagement across sectors and value chains, as well as on public policy and with asset managers.**

Several senior asset owners have made similar points after seeing how asset managers voted at company Annual General Meetings in 2023. As an example, Adam Matthews, Chief Responsible Investment Officer, Church of England Pensions Board (and board member of IIGCC) said that *"oil and gas companies chasing short-term profit maximisation has caused a fundamental break with the long-term interests of pension funds... oil & gas companies have clearly said they are being encouraged down this short-term path by their largest fund managers."*

3. ASSET MANAGER EVALUATION TABLE[72]

	Sets credible public expectations for fossil fuel companies?[1]	**Denies debt** to coal developers?	**Denies debt** to O&G developers?	Has a **robust escalation process** for O&G developers?	**Total exposure** to the biggest fossil fuel developers (shares & bonds)[2]	Number of newly issued **fossil fuel bonds** invested in (#)[3]
Abrdn	✗*	✗	✗	✗	**$4 bn**	**29**
Aegon AM	✗*	✗[4]	✗	✗	**$1.9 bn**	**10**
Allianz GI	✗*	✗	✗	✗	**$3.9 bn**	**32** (Allianz Group level)
Amundi	~**	✓	✗	✗	**$15.5 bn**	**9**
APG AM	✗*	✓	✗	✗	**$2.6 bn**[5]	Data not available
Aviva Investors	✗*	✗	✗	✗	**$4.5 bn**	Data not available
AXA IM	~**	✓	✗	✗	**$1 bn**	**10**
BlackRock	✗*	✗	✗	✗	**$179.5 bn**	**48**
BNP Paribas AM	~**	✓	✗	✗	**$3 bn**	**13**
Credit Suisse AM	✗*	✗	✗	✗	**$7.4 bn**	**25**
DWS	✗*	✓	✗	✗	**$10.3 bn**	**24**
Eurizon	✗*	✗	✗	✗	**$1.8 bn**	**10**
Fidelity International	✗*	✗	✗	✗	**$4.7 bn**	Data not available
GIAM	✗*	✓	✗	✗	**$0.3 bn**[6]	**7**
HSBC AM	~**	✓	✗	✗	**$5 bn**	**8**
Insight Investment	✗*	✗	✗	✗	**$0.1 bn**	**20**
Invesco	✗*	✗	✗	✗	**$17.7 bn**	**37**
JP Morgan AM	✗*	✗	✗	✗	**$25.8 bn**	**35**
LGIM	~**	✗	✗	✗	**$11.7 bn**	**5**
Loomis	✗*	✗	✗	✗	**$1 bn**	**22** (BPCE Group level)
M&G Investments	~**	✓	✗	✗	**$4.2 bn**	**6**
Natixis IM	✗*	✗	✗	✗	**$7.3 bn**	**22**
Nordea AM	✗*	✗	✗	✗	**$0.4 bn**	**3**
Ostrum	~****	✓	✗	✗	**$1.8 bn**	**22** (BPCE Group level)
PIMCO	✗*	✗	✗	✗	**$4.5 bn**	**32** (Allianz Group level)
Schroders	✗*	✗	✗	✗	**$8.8 bn**	**11**
SSGA	✗*	✗	✗	✗	**$86.2 bn**	**31**
UBS AM	✗*	✗	✗	✗	**$10.8 bn**	**26**
Union Investment	~**	✓	✗	✗	**$3.2 bn**	**5**
Vanguard	✗*	✗	✗	✗	**$170.3 bn**	**38**

1 The details of the expectations published by the asset managers are available in the full assessment of asset managers' policies and is downloadable below.

2 Data as of most recent filing date, January 2023. See Methodology section for more details (Appendix #1).

3 See Methodology section for more details (Appendix #1) and Appendix #2 for details on the data. Data is at the investor parent level and not at the asset manager level. The number given in the table is the number of securities (i.e. tranches of bonds). It is important to note that we did not find any holdings on the Bloomberg Terminal for 6 parent groups out of the 30 asset managers - this could be because of data availability or of no exposure.

4 Aegon AM has different coal exclusions for different scope of its assets under management, making it impossible to properly analyse them at the group level.

5 These figures are at the ABP level, as data for APG AM is not available publicly.

6 These figures are at the Generali Investments level.

* vague and/or long term expectations.

** for the coal sector but vague and/or long term expectations for the oil & gas sector.

*** for the coal sector and the oil and gas sector (although very weak).

**** for the coal sector and the oil & gas sector (although weak for the oil and gas sector).

4. OUR RECOMMENDATIONS TO ASSET MANAGERS

We describe below some of the key actions that are needed to close the gap between asset managers' net zero commitments and how they are currently managing their business. These priority actions must be taken in addition to any portfolio decarbonization targets.

1. Stop supporting coal

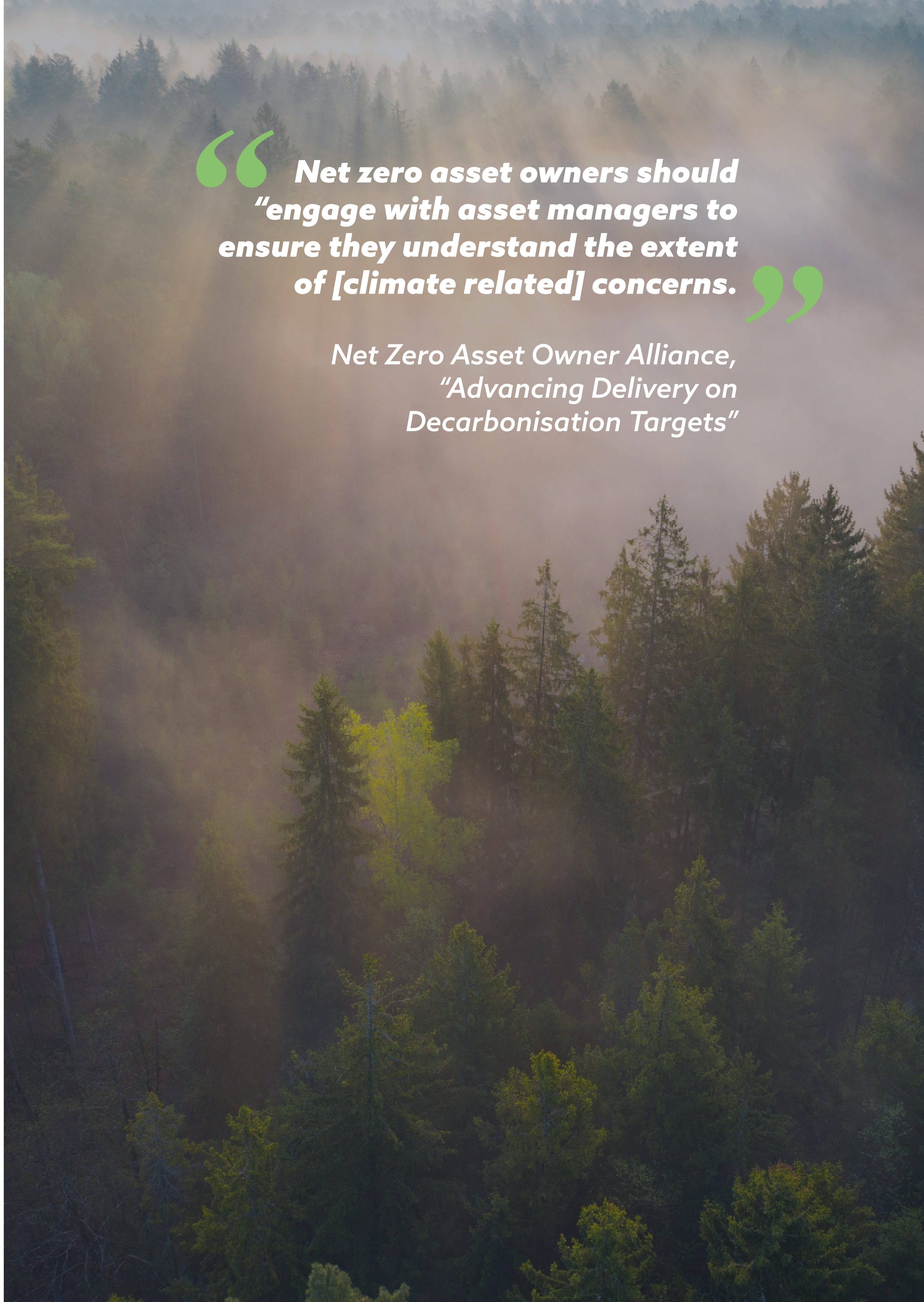
- Immediately drop all forms of direct support for companies developing new coal projects. This should especially include halting new bond purchases on the primary and secondary markets.
- Beyond the requirement to stop expansion, set the expectation that all coal companies in the portfolios have facility-by-facility closure plans by 2030 in the OECD and European countries, and by 2040 worldwide. Immediately commit to exclude all portfolio companies that would not have such plans by 2025 at the latest.

2. Withdraw support from companies expanding oil and gas production

- Adopt investment restrictions on a growing number of oil and gas companies, with a focus on halting new upstream and midstream oil and gas projects, as well as initiating a controlled decline in oil and gas production aligned with a 1.5°C scenario. This implies halting new bond purchases of oil and gas developers.
- Engage with portfolio companies to clearly communicate that they must cancel any plans to develop new oil and gas upstream and midstream projects by a predefined time frame and adopt 2030 oil and gas production reduction targets aligned with a 1.5°C scenario. Implement a progressive and time-bound escalation strategy that describes the sanctions implemented in case the expectations are not met. Immediately commit to exclude all portfolio companies that are still involved in new upstream and midstream oil and gas projects by 2025 at the latest.

3. Adopt robust engagement policies

- Adopt meaningful policies for engagement with investees and clients. Robust engagement approaches include clearly defined public demands, a time-bound escalation strategy ending with meaningful financial sanctions, and, in the case of equity investors, transparent criteria for shareholder votes, and disclosure on voting records. Escalate engagement with companies pursuing or facilitating fossil fuel expansion by voting against their directors. Vote in favor of all pro-climate shareholder resolutions, particularly those which constrain companies' involvement in new fossil fuel projects.
- Report at least annually on the concrete results (or lack thereof) of any engagement strategies. Reporting and assessment of progress will push engagement policies to improve and get more efficient. Using vague claims of "engagement" should be considered as greenwashing.



"Net zero asset owners should "engage with asset managers to ensure they understand the extent of [climate related] concerns."

Net Zero Asset Owner Alliance, "Advancing Delivery on Decarbonisation Targets"

APPENDIX #1 METHODOLOGY

1. Financial research

Where does the financial data on asset managers' exposure come from?

a. Newly issued bonds data[73]

This report features data on the exposure of the 30 asset managers, at their parent group level, to newly issued bonds of fossil fuel developers. The list of fossil fuel developers was extracted from the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL) and comprises a list of 590 parent companies that are either coal developers or in the top 100 of upstream oil and gas developers. Blomberg equity tickers were taken at both the parent and subsidiary level, provided that the company is a fossil fuel developer according to the above definition AND that the company has a ticker identified by Urgewald. Bond issuances that occurred between 01/01/022 and 19/05/2023 were identified on Bloomberg for 94 companies. All bonds marked as «green instruments» in Bloomberg were removed from the analysis.

The number of bond issuances identified is only indicative and is underestimated because a company's bond was only considered if that company has a direct equity ticker in the coal and O&G databases (e.g. newly created SPVs are outside the scope of this analysis). Furthermore, as bond holdings data is incomplete on the Terminal, our research is a stark underestimation of the flows going to newly issued bonds. It is important to note that the data featured in the report is at the investor parent level (e.g. holdings for DWS are reported under Deutsche Bank and could include holdings from other asset management subsidiaries of the group) as the Bloomberg Terminal does not provide accurate identification of the investor at the asset management level.

b. Overall exposure data (share and bond holdings)

This report features the exposure of the 30 asset managers to fossil fuel expansion. The list of fossil fuel developers was extracted from the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL) and comprises a list of 590 parent companies that are either coal developers or in the top 100 of upstream oil and gas developers.

Coal

Our research is based on the Investing in Climate Chaos research,[74] which includes data on the institutional investors which hold bonds and shares in selected fossil fuel companies. For this report, the research comprises of:

- The selected companies that are flagged in the GCEL as developing new coal projects.
- The asset manager level data, which means that this is a subset of the institutional investors holdings featured in the Investing in Climate Chaos research. For example, data is displayed here at the level of Allianz Global Investors and PIMCO, versus at the Allianz Group level. The names of the asset management entities that we attached to each asset manager were based on information available in Refinitiv/Bloomberg and sent to each asset manager by email asking for verification. These names were then used to calculate the exposure of the group to GCEL and GOGEL developers.

The data comprises both bond and share holdings, as of January 2023, and was extracted by research institute Profundo.

Oil and gas

Our research is based on the Investing in Climate Chaos research,[75] which includes data on the institutional investors which hold bonds and shares in selected fossil fuel companies. For this report, the research comprises of:

- The selected companies that are flagged in the GOGEL as having new upstream oil and gas expansion plans (top 100 companies in terms of resources under development and extraction, as measured by mmboe). The research then includes the exposure of the 30 asset managers to these companies.

- The asset manager level data, which means that this is a subset of the institutional investors holdings featured in the Investing in Climate Chaos research.

The data comprises both bond and share holdings, as of January 2023, and was extracted by research institute Profundo.

2. Policy analysis section

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 big US asset managers that are present in the European market.

This sample consists of:

- The 25 biggest asset managers headquartered in Europe: Natixis IM, Ostrum, Loomis Sayles, AXA IM, Amundi, BNP Paribas AM, LGIM, Generali Insurance Asset Management (GIAM), Nordea AM, M&G Investments, Union Investment, Aviva Investors, Eurizon, UBS AM, Fidelity International, Aegon AM, Allianz Group - AGI, APG AM, Schroders, Abrdn, Deutsche Bank - DWS, HSBC AM, Allianz Group - PIMCO, BNY Mellon - Insight, Credit Suisse AM;
- 5 asset managers headquartered in the US: BlackRock, State Street Global Advisors, JP Morgan AM, Invesco, Vanguard.

How have we collected the information?

A questionnaire was pre-filled and sent to 30 asset managers. We received an answer from 24 of them.[76] The assessment is based only on publicly available information - policies published after April 2023 were not taken into account. All asset managers were subsequently provided with the opportunity to review the assessment and respond. Information was collected between April and May 2023.

Where to find detailed ratings of asset managers' fossil fuel policies?

The full assessment of asset managers' policies is downloadable here.

Reclaim Finance, in coordination with dozens of NGOs, tracks, assesses and compares fossil fuel policies adopted by financial institutions worldwide. Visit the Coal Policy Tool and the Oil and Gas Policy Tracker.

How have we evaluated participants?

The questionnaire is based on two categories: the coal policy section and the oil and gas policy section. These sections are focused on public sectoral policies and take into account any public policy that details the expectations and restrictions applied to portfolio companies (e.g. the engagement policy of the asset manager will be considered if it details the set of expectations and related escalation process for energy companies). Policies that do not cover the majority of the asset manager's AuM will not be considered. These sections focus specifically on key asks that should be made to coal, oil and gas companies for the fossil fuel sector to be aligned with the objective of limiting global warming to 1.5°C. According to the IPCC, UNEP and the IEA, several conditions must be met for the coal and oil and gas sectors to be aligned with the objective of limiting global warming to 1.5°C. Please refer to our Asset Manager Recommendations for more details and sources (https://reclaimfinance.org/site/en/recommendations/).

"One of the most impactful ways for asset owners to enact policy advocacy is to engage with their most important strategic partners – their asset managers. In fact, asset owners with net-zero commitments will find that meeting their commitment will become increasingly challenging without such engagement."

Net Zero Asset Owner Alliance, "Aligning Climate Policy Engagement with Net-Zero Commitments"

APPENDIX #2
FINANCIAL RESEARCH DETAILS

Asset manager holdings in newly issued bonds by fossil fuel developers[77]

Investor / asset manager	Issuers of newly issued bonds that have been bought by the investor (based on information from the Bloomberg platform)
Vanguard	ConocoPhillips, BP Capital Markets America Inc, Coterra Energy Inc, Diamondback Energy Inc, Pioneer Natural Resources Co, EQT Corp, Range Resources Corp, Ecopetrol SA, CNX Resources Corp, TotalEnergies SE, Var Energi ASA, Freeport Indonesia PT, Transnet SOC Ltd, POSCO, Bayport Polymers LLC, Sumitomo Corp, Mitsui & Co Ltd, JERA Co Inc.
BlackRock	ConocoPhillips, Diamondback Energy Inc, BP Capital Markets America Inc, TotalEnergies SE, EQT Corp, Var Energi ASA, CNX Resources Corp, Coterra Energy Inc, Ecopetrol SA, Freeport Indonesia PT, POSCO, Pioneer Natural Resources Co, Glencore Funding LLC, Matador Resources Co, Bayport Polymers LLC, Range Resources Corp, JERA Co Inc, Korea Hydro & Nuclear Power Co Ltd, Peabody Energy Corp, Sasol Financing USA LLC, Sumitomo Corp.
JPMorgan Chase	BP Capital Markets America Inc, ConocoPhillips, Pioneer Natural Resources Co, CNX Resources Corp, Range Resources Corp, Diamondback Energy Inc, Coterra Energy Inc, Korea Midland Power Co Ltd, Bayport Polymers LLC, EQT Corp, Var Energi ASA, Ecopetrol SA, Freeport Indonesia PT, POSCO, Transnet SOC Ltd, Glencore Funding LLC
Allianz	CNX Resources Corp, ConocoPhillips, TotalEnergies SE, Freeport Indonesia PT, Range Resources Corp, Coterra Energy Inc, Pioneer Natural Resources Co, Var Energi ASA, Matador Resources Co, Diamondback Energy Inc, Bayport Polymers LLC, BP Capital Markets America Inc, EQT Corp, Korea Hydro & Nuclear Power Co Ltd, POSCO
Invesco	TotalEnergies SE, BP Capital Markets America Inc, EQT Corp, ConocoPhillips, Freeport Indonesia PT, Pioneer Natural Resources Co, POSCO, Ecopetrol SA, REC Ltd, Power Finance Corp Ltd, Diamondback Energy Inc, Coterra Energy Inc, Sasol Financing USA LLC, NTPC Ltd, Bayport Polymers LLC, CNX Resources Corp, Range Resources Corp, Huaibei Mining Holdings Co Ltd
Groupe BPCE	Var Energi ASA, EQT Corp, Freeport Indonesia PT, POSCO, Diamondback Energy Inc, Range Resources Corp, Bayport Polymers LLC, Coterra Energy Inc, ConocoPhillips, TotalEnergies SE, Pioneer Natural Resources Co, BP Capital Markets America Inc, Glencore Funding LLC, Matador Resources Co
Schroders	TotalEnergies SE, Ecopetrol SA, EQT Corp, BP Capital Markets America Inc, Diamondback Energy Inc, ConocoPhillips
UBS	Ecopetrol SA, ConocoPhillips, Var Energi ASA, TotalEnergies SE, Pioneer Natural Resources Co, State Power Investment Corp Ltd, Diamondback Energy Inc, BP Capital Markets America Inc, EQT Corp, Huaibei Mining Holdings Co Ltd, CNX Resources Corp, Freeport Indonesia PT, Range Resources Corp
State Street	ConocoPhillips, BP Capital Markets America Inc, Pioneer Natural Resources Co, CNX Resources Corp, Matador Resources Co, EQT Corp, Range Resources Corp, Diamondback Energy Inc, Sasol Financing USA LLC, Coterra Energy Inc, Freeport Indonesia PT, TotalEnergies SE, Korea Midland Power Co Ltd, Var Energi ASA, Ecopetrol SA
Abrdn	BP Capital Markets America Inc, Var Energi ASA, ConocoPhillips, Bayport Polymers LLC, Coterra Energy Inc, Diamondback Energy Inc, CNX Resources Corp, China National Petroleum Corp, Ecopetrol SA, TotalEnergies SE, Pioneer Natural Resources Co, Mitsui & Co Ltd, Sumitomo Corp, JERA Co Inc, EQT Corp
Deutsche Bank	Var Energi ASA, ConocoPhillips, TotalEnergies SE, BP Capital Markets America Inc, Coterra Energy Inc, Sasol Financing USA LLC, Matador Resources Co, Range Resources Corp, CNX Resources Corp, Ecopetrol SA, Transnet SOC Ltd, EQT Corp, Diamondback Energy Inc
M&G	Ecopetrol SA, Var Energi ASA, TotalEnergies SE, CNX Resources Corp
DZ Bank	TotalEnergies SE, BP Capital Markets America Inc, Ecopetrol SA, Sasol Financing USA LLC
Credit Suisse	TotalEnergies SE, BP Capital Markets America Inc, ConocoPhillips, Var Energi ASA, Ecopetrol SA, Diamondback Energy Inc, EQT Corp, Coterra Energy Inc, Sumitomo Corp, Sasol Financing USA LLC, Mitsui & Co Ltd, Pioneer Natural Resources Co, Bayport Polymers LLC
Credit Agricole Group	TotalEnergies SE, Ecopetrol SA, Freeport Indonesia PT, ConocoPhillips, Diamondback Energy Inc, Pioneer Natural Resources Co, BP Capital Markets America Inc
Axa	Var Energi ASA, TotalEnergies SE, China Huadian Corp Ltd, ConocoPhillips, Diamondback Energy Inc, BP Capital Markets America Inc, Freeport Indonesia PT
Aegon	Essence Securities Co Ltd, ConocoPhillips, Freeport Indonesia PT, CNX Resources Corp, Diamondback Energy Inc, Var Energi ASA
BNP Paribas	TotalEnergies SE, Power Finance Corp Ltd, Hindustan Petroleum Corp Ltd, REC Ltd, Var Energi ASA, YPF SA, YPF Energia Electrica SA
Bank of New York Mellon	BP Capital Markets America Inc, ConocoPhillips, Var Energi ASA, EQT Corp, CNX Resources Corp, Range Resources Corp, Bayport Polymers LLC, TotalEnergies SE, Coterra Energy Inc, Diamondback Energy Inc, Pioneer Natural Resources Co
HSBC	TotalEnergies SE, BP Capital Markets America Inc, ConocoPhillips, Ecopetrol SA, Diamondback Energy Inc, Coterra Energy Inc
Assicurazioni Generali	Coterra Energy Inc, EQT Corp, BP Capital Markets America Inc, Ecopetrol SA, TotalEnergies SE
Nordea	Diamondback Energy Inc, Coterra Energy Inc, Ecopetrol SA
Intesa Sanpaolo	TotalEnergies SE, Diamondback Energy Inc, Sasol Financing USA LLC, Ecopetrol SA, Var Energi ASA, Matador Resources Co, CNX Resources Corp
Legal & General	Ecopetrol SA, CNX Resources Corp, Diamondback Energy Inc, TotalEnergies SE, ConocoPhillips Co

References

1. 25 of the 30 asset managers currently have net zero pledges via their membership to the Net Zero Asset Manager Initiative (NZAM) and are "committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.
2. See NZAOA's Future of Engagement paper.
3. Bonds issued between 01/01/2022 and 19/05/2023. Holdings as of most recent filing data, May 19th 2023.
4. Data is at asset manager level. The list of fossil fuel developers was extracted from the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL): a list of 590 parent companies that are either coal developers or in the top 100 of upstream oil and gas developers.
5. It is important to note that bond holdings data is highly incomplete on the Bloomberg Terminal because of disclosure rules. Thus, our research is a stark underestimation of bond holdings.
6. Bond holder data generally represents less than 50% of the total outstanding bond issuance. The Bloomberg help desk explained that they ingest portfolio holdings data either through direct data feeds from fund houses or publicly available sources. The considerable amount of missing data arises from fund houses being unwilling to share their portfolio holdings or due to private mandates.
7. By robust expectations we mean expecting portfolio coal companies to not have any coal expansion plans and to adopt a credible and public coal phase out plan.
8. Although these sanctions are not applied in a systematic way.
9. Refer to the methodology section for more details.
10. The IPCC indicates that putting an end to new fossil fuel projects is essential to avoid the worst effects of climate change. The International Energy Agency (IEA) states that it is possible to meet the world's energy needs and limit global warming to 1.5°C without them.
11. The complete assessment of asset managers' policies based on the questionnaire is downloadable below. All asset managers were given a few weeks to provide input on this assessment.
12. Source: Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL).
13. https://www.iisd.org/articles/press-release/new-analysis-what-ipcc-energy-pathways-tell-us-about-paris-aligned-policies
14. Building on these conclusions, the United Nations now qualifies as greenwashing any climate pledges made by financial institutions that are yet to put an end to their support for fossil fuel expansion.
15. Fossil fuel fundraising across asset classes. Source: Cojoianu et al. (2022) and Cojoianu, T.F. et al, (2021). *Regional Studies*. The city never sleeps: but when will investment banks wake up to the climate crisis?
16. Such as filing resolutions and voting at shareholders' meetings
17. Fossil fuel fundraising across asset classes. Source: Cojoianu et al. (2022) and Cojoianu, T.F. et al, (2021). *Regional Studies*. The city never sleeps: but when will investment banks wake up to the climate crisis?
18. Out of the largest 100 emitters – responsible for almost 75% of global greenhouse gas emissions – only 30 are listed on equity (stock) markets, but all are dependent on bond markets for their financing.
19. Other examples include Gazprom, Abu Dhabi National Oil Co, PEMEX.
20. https://reclaimfinance.org/site/en/2020/12/03/will-investors-use-their-bond-power/
21. https://www.responsible-investor.com/pri-asks-its-bondholder-signatories-to-get-behind-ca100-engagement/
22. Anticipated liquidity of a corporate bond can significantly lower the cost of capital for the issuer of the bond. See Goldstein, M.A.; Hotchkiss, E.S.; Pedersen, D.J. Secondary Market Liquidity and Primary Market Pricing of Corporate Bonds. J. Risk Financial Manag. 2019, 12, 86. https://doi.org/10.3390/jrfm12020086
23. 23 of the 30 asset managers have passively managed assets. Vanguard, SSGA and BlackRock are by far the biggest passive managers, with each more than US$ 2.5 trillion passively managed.
24. https://www.smithschool.ox.ac.uk/news/exchange-traded-funds-are-directly-financing-fossil-fuel-companies-large-scale
25. Bonds issued between 01/01/2022 and 19/05/2023. Holdings were extracted as of most recent filing data, May 19th 2023. It is important to note that holdings were available only for 24 parent groups, thus our research is a stark underestimation of investments into newly issued bonds.
26. Holdings as of most recent filing data, May 19th 2023.
27. Holdings as of most recent filing data, May 19th 2023.
28. Source: Investing in Climate Chaos, data as of January 2023.
29. And while asset managers might argue that they could sell the bonds right before assets get stranded, the difficulty to predict the rapidity at which the energy transition will happen might mean that asset managers will find a lack of buyers for their fossil fuel bonds.
30. https://img1.wsimg.com/blobby/go/946d6aac-e6cc-430a-8898-520cf90f5d3e/AFII_Oil_and_gas_sector_Jan23_v8_jo_v2.pdf
31. Extracted from the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL): a list of 590 parent companies that are either coal developers or in the top 100 of upstream oil and gas developers.
32. It is important to note that bond holdings data is highly incomplete on the Bloomberg Terminal because of disclosure rules. Thus, our research is a stark underestimation of bond holdings.
33. Fossil fuel fundraising across asset classes. Source: Cojoianu et al. (2022) and Cojoianu, T.F. et al, (2021). *Regional Studies*. The city never sleeps: but when will investment banks wake up to the climate crisis?
34. Anticipated liquidity of a corporate bond can significantly lower the cost of capital for the issuer of the bond. See Goldstein, M.A.; Hotchkiss, E.S.; Pedersen, D.J. Secondary Market Liquidity and Primary Market Pricing of Corporate Bonds. J. Risk Financial Manag. 2019, 12, 86. https://doi.org/10.3390/jrfm12020086
35. Wilson, C. & Caldecott, B. (2021). Breaking the Bond: Primary Markets and Carbon-Intensive Financing. University of Oxford Smith School of Enterprise and the Environment Working Paper 21-05.
36. Wilson, C. & Caldecott, B. (2021). Breaking the Bond: Primary Markets and Carbon-Intensive Financing. University of Oxford Smith School of Enterprise and the Environment Working Paper 21-05.
37. The list was extracted from the Global Coal Exit List (GCEL) and Global Oil and Gas Exit List (GOGEL) and includes 590 parent companies that are either coal developers or in the top 100 of upstream oil and gas developers.
38. Includes holdings from Ostrum and Loomis
39. Data at Generali Insurance Asset Management (GIAM) level was not available in our research.
40. Loomis and Ostrum investments are already included in BPCE Group (Natixis IM) investments, as they are NIM affiliates.
41. Severe allegations by Hindenburg Research of widespread systemic corporate fraud, stock manipulation and money laundering which saw the Adani Group lose over $150billion USD in a month this year. Since then, many of these key allegations have been corroborated and further explored in multiple ongoing media investigations included below, including allegations of breaching India's rule for promotor entities and free float status of subsidiary companies. The Adani Group is planning to develop more new thermal coal mining capacity than any other private company globally. Many of its projects have destroyed unique ecosystems with devastating impacts on local communities who depend on them. Adani's projects are violating Indigenous land rights in Australia and India, displacing thousands of vulnerable people and destroying their livelihoods. Today, the Adani Group's ongoing business relationship with the Myanmar military junta and the military conglomerate Myanmar Economic Corporation (MEC) was further exposed linking the Adani Group's business activities to genocide and severe crimes against humanity.
42. Extraction on Bloomberg as of most recent filing data, May 19th 2023.
43. See https://www.coalexit.org/methodology.
44. Source: Insightia. DWS, Amundi and LGIM voted against the reelection.
45. Source: Insightia. DWS voted against the resolution on dividends.
46. Scroll.in investigation: From 2014 to 2019: How the Adani Group funded its expansion (May 2019)
47. Market Forces held a webinar with Responsible Investor which reported allegations of the company moving money between entities (Sept 2021)
48. https://hindenburgresearch.com/adani/
49. https://www.bnnbloomberg.ca/adani-credit-facilities-expose-collateral-web-full-of-red-flags-1.1885715 and https://adanitoxicbonds.org/wp-content/uploads/2023/06/Adani-Green-Briefing.pdf
50. Defined as policies presenting both expectations to companies and restrictions applied (investment restrictions or other sanctions like voting).
51. Amundi, APG AM, AXA IM, BNP Paribas AM, DWS, HSBC AM, M&G Investments, Ostrum, Union Investment, GIAM
52. For more details on our analysis of these other criteria, see our Coal Policy Tool.
53. Only 4 among the 10 ask for net zero targets in absolute terms (Ostrum, Amundi, BNP Paribas AM and Abrdn). Among these, only Ostrum asks for short term targets, in absolute terms, and including scope 3 emissions.
54. Amundi applies its fossil fuel exclusion criteria to about 30% of its passive assets and BNP Paribas AM to almost 30% of its passive assets.
55. Wilson, C. & Caldecott, B. (2021). Breaking the Bond: Primary Markets and Carbon-Intensive Financing. University of Oxford Smith School of Enterprise and the Environment Working Paper 21-05
56. Companies should commit to cease their coal / oil & gas supply expansion plans. Companies should adopt a credible and public coal phase-out plan aligned with a 1.5°C scenario / adopt 2030 oil and gas production

reduction targets aligned with a robust 1.5°C scenario. By robust 1.5°C scenario, we mean aligned with a 1.5°C scenario with no or low overshoot (and without excessive reliance on negative emissions).

57. Expectations made by the asset managers can be found in the downloadable excel file.
58. Net Zero Asset Owner Alliance, 2022, The future of investor engagement: A call for systematic stewardship to address systemic climate risk
59. Please refer to our Asset Manager Recommendations for more details and sources (https://reclaimfinance.org/site/en/recommendations/).
60. Our analysis of their policies has not identified any clear expectations made to companies on climate related grounds. The asset managers were sent our analysis and have not highlighted a gap in our analysis or sent comments on this conclusion.
61. These expectations can all be found in the downloadable excel available below.
62. Aligned with a 1.5°C scenario. To be noted: 10 other asset managers expect one of these two asks but not both.
63. Failure to meet Ostrum's demands do not lead to systematic / automatic voting sanctions. Voting sanctions are applied on a case by case basis.
64. Quigley, E.C., E. Bugden, and A. Odgers. 2020. "Fossil Fuel Divestment: Advantages and Disadvantages for the University of Cambridge." Cambridge, UK. https://www.cam.ac.uk/system/files/sm6_divestment_report.pdf., Available at SSRN: https://ssrn.com/abstract=3849513
65. Aegon AM has different coal exclusions for different scopes of its assets under management, making it impossible to properly analyse them at the group level.
66. Ostrum has a clear expectation for oil and gas companies : "Companies included in Ostrum Asset Management's portfolios will be assessed on the basis of: A halt to new unconventional/controversial oil and gas production projects, and a plan to exit unconventional/controversial activities by 2030 at the latest; A halt to approval for new conventional oil and gas exploration or production projects. New projects are defined as having a final investment date after the end of 2021, in line with IEA recommendations." - see its Oil and Gas Policy.
67. LGIM only partially has this expectation. LGIM indicates "Does the company place restrictions on investing in the exploration of new greenfield sites?" in its climate expectations for oil and gas companies and indicates "we will use active and escalating engagement with the aim of ensuring [...] no further oil sand resources are exploited" in its Coal Policy.
68. https://www.climateaction100.org/net-zero-company-benchmark/
69. The 35 companies under coal mining and oil and gas sectors that were engaged since 2017.
70. https://www.reuters.com/sustainability/investors-biggest-climate-pressure-group-dont-like-pressure-2023-06-12/
71. Including the "significant resources needed", "the inefficiencies of focusing on voluntary, company-by-company, disclosure", "an uneven focus across companies and asset classes" and the boundaries set by public policy.
72. As bond data is highly incomplete on the Bloomberg Terminal, our research is a stark underestimation of bond holdings.
73. Data on investments in bonds issued between 01/01/202 and 19/05/2023.
74. See https://investinginclimatechaos.org/.
75. See https://investinginclimatechaos.org/.
76. We have received no answer from Vanguard Group, Insight Investment, Invesco, Schroders, abrdn. M&G Investments was willing to participate but because of a communication issue, this was after the deadline.
77. See Methodology section for more details.

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WHO'S MANAGING YOUR FUTURE?
An assessment of asset managers' climate action

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.

The Sierra Club is America's largest and most influential grassroots environmental organization, with millions of members and supporters.

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