

'Anti-woke' reaction? Fund giant Vanguard quits net-zero climate alliance

Last Updated: Dec. 7, 2022 at 3:14 p.m. ET

First Published: Dec. 7, 2022 at 1:13 p.m. ET

By [Rachel Koning Beals](#) [Follow](#)


Vanguard says it will track its environmental progress independent of the NZAM alliance as an effort to provide 'clarity' to investors; critics say it's caving to an 'anti-woke' movement



Fund giant Vanguard has dropped its membership in the Net Zero Asset Managers (NZAM) alliance, a group launched in late 2020 to encourage asset managers to hit a net-zero greenhouse gas emission target by 2050 and help keep a rise in global temperature to 1.5 degrees Celsius.

GETTY IMAGES

CL00 -2.37% NG00 +6.03% BLK -0.16% STT +8.19%

 Listen to article
6 minutes

Vanguard, the world's second-largest mutual and exchange-traded fund manager, is pulling out of a major financial-sector alliance intended to help tackle climate change, the firm announced Wednesday.

Vanguard, in a statement, said it will track its progress independent of the alliance, as an effort to provide “clarity” to its investors.

Some environmental groups who follow pledges toward net-zero greenhouse emissions from the lifeblood of the economy – the financial services and banking sector – called the exit a major blow to the effort. These groups argued that such a move is kowtowing to “anti-woke” sentiment that claims investments focused on the impending clean-energy transition and other pro-climate actions only come at the expense of investment returns.

The alliance, called the Net Zero Asset Managers (NZAM), was launched in late 2020 to encourage asset managers to hit a net-zero emission target by 2050 and help keep a rise in global temperature to 1.5 degrees Celsius. That’s a voluntary temperature goal agreed to at the pivotal 2015 Paris climate meetings and is seen as the marker key to slowing atmospheric warming, calming acidifying oceans, preventing coastal erosion, and limiting severe droughts and other deadly and expensive environmental changes.

Plus, the NZAM pact ostensibly means that members would have to be more transparent and align goals within the peer group, its proponents argue.

Read: [Here’s where the big U.S. banks stand up and fall down on climate change](#)

NOW PLAYING:

MarketBrief - Your



[Visit our Video Center](#)

“We have decided to withdraw from NZAM so that we can provide the clarity our investors desire about the role of index funds and about how we think about material risks, including climate-related risks,” Vanguard [said](#) in a statement on its website.

“Such industry initiatives can advance constructive dialogue, but sometimes they can also result in confusion about the views of individual investment firms. That has been the case in this instance, particularly regarding the applicability of net zero approaches to the broadly diversified index funds favored by many Vanguard investors,” the statement continued.

Related : [Biodiversity Is Rising on the ESG Agenda. How to Invest.](#)

The Biden administration has also tried to steer the U.S. economy as a whole toward net-zero emissions by 2050, as have most major industrial economies. Net-zero can be reached by burning less fossil fuels like coal, oil **CL00**, **-2.37%** and natural gas **NG00**, **+6.03%**, but also by offsetting greenhouse gas emissions with carbon-sucking tree planting or carbon capture and storage at the point of combustion.

Cyber Monday Sale

Understand how today's business practices, market dynamics, tax policies and more impact you with real-time news and analysis from MarketWatch.

SUBSCRIBE NOW: \$1 PER WEEK

"This change in NZAM membership status will not affect our commitment to helping our investors navigate the risks that climate change can pose to their long-term returns," Vanguard said, adding it will continue to provide investors the information and products seen nudging the U.S. toward net zero emissions in coming decades.

Along with BlackRock **BLK**, **-0.16%** and State Street **STT**, **+8.19%**, Vanguard, with roughly \$8.1 trillion under management, is considered one of the Big Three index fund managers that dominate much of American retail investing and retirement planning.

"Vanguard has long lagged even its own industry peers in mitigating climate risks, but at least it claimed to be moving in the right direction," said Casey Harrell, senior strategist at climate policy group Vanguard S.O.S.

"Now, with its decision to walk away from NZAM, the firm is dropping any pretext," Harrell said. "Vanguard is bowing to right-wing political pressure instead of serving its customers' best interests. It's now clear that investors who are concerned about climate risk should take their investments elsewhere."

Lara Cuvelier, sustainable investment campaigner with advocacy Reclaim Finance, said she believed Vanguard's participation in NZAM to date was more publicity stunt and less pragmatic action.

"The initiative will no longer be held back by the lack of action by such a large player and can move ahead and push its members to deliver net zero and stop driving us towards climate chaos," she said.

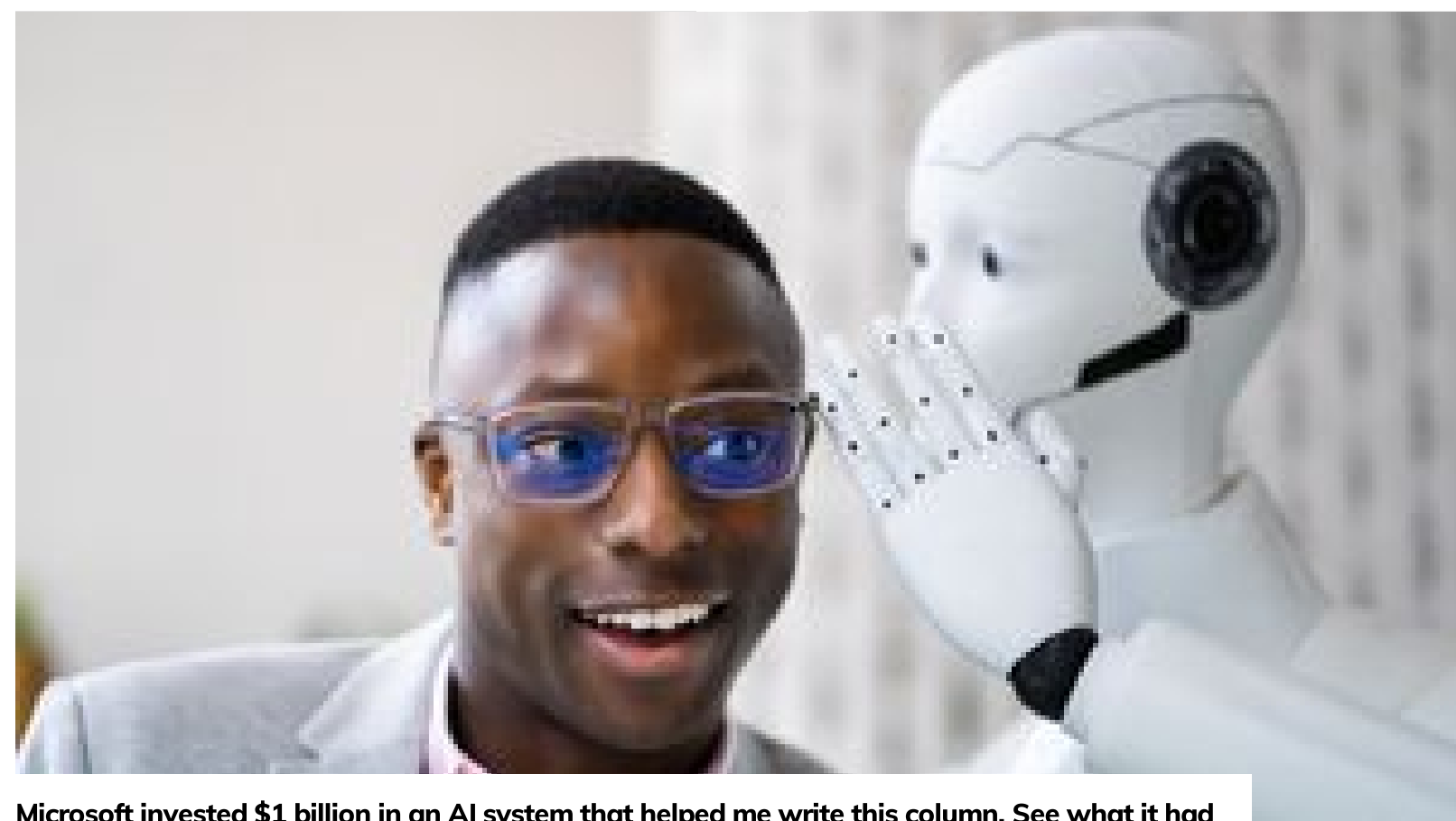
BlackRock also made headlines in recent days after Florida said it is moving \$2 billion in taxpayer assets from accounts with the fund manager, whose leader Larry Fink has declared fighting climate change a major investment theme of his lifetime and beyond. Florida's Republican chief financial officer said big asset managers should focus on delivering returns rather than on promoting environmental, social and governance (ESG) principles.

"As a fiduciary, everything we do is with the sole goal of driving returns for our clients," [BlackRock said in response](#). "We are surprised by the Florida CFO's decision given the strong returns BlackRock has delivered to Florida taxpayers over the last five years. Neither the CFO nor his staff have raised any performance concerns."

BlackRock [joined the NZAM initiative](#) as a signatory in March 2021.

Vanguard's withdrawal from the pact also comes within weeks of a U.S. Department of Labor ruling [that explicitly permits retirement-plan fiduciaries to consider climate change and other ESG features](#) when selecting investments or meeting shareholder demands, as long as economic considerations remain top of mind. And the regulations clear the way for more 401(k) employment retirement plans to offer ESG and so-called [sustainable funds](#).

The rule, first proposed in October 2021, essentially reverses [two actions advanced under the Trump administration](#) that would have restricted the consideration of ESG.



Microsoft invested \$1 billion in an AI system that helped me write this column. See what it had to say about Tesla.



Rachel Koning Beals

Rachel Koning Beals is a MarketWatch news editor in Chicago.

Compare Bank Accounts ⁱ

Initial Deposit



\$25,000

ONLINE SAVINGS

SPONSORED



APY

3.60%

Min Balance for APY

\$1,000

[Get Details](#)

FDIC Insured

Earn over 17x the national savings average. New money only. FDIC insured.

ONLINE SAVINGS ACCOUNT

SPONSORED



APY

3.60%

Min Balance for APY

\$1

[Get Details](#)

FDIC Insured

Grow Your Savings 15x the National Average With Our High Yield Savings Account

SAVINGS CONNECT

SPONSORED



APY

3.60%

Min Balance for APY

\$100

[Get Details](#)

FDIC Insured

Open an Account & Earn 15x the National Average, with Easy, 24/7 Online Access

BASIC SAVINGS

SPONSORED



APY

3.15%

Min Balance for APY

\$0

[Get Details](#)

As of: 12/07/2022

[Ad Disclosure](#)

SMARTASSET.COM