Green Horizon Summit:
The Pivotal Role of Finance

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Hello, everyone, it is a pleasure to be with you all today. I would like to thank the Lord Mayor of the City of London, William Russell, and my friend Mark Carney for the kind invitation to join this summit. And I applaud the City of London Corporation, and the Green Finance Institute for pressing on with this event, despite the obvious difficulties and circumstances of this year. I would like to also like to thank Alok Sharma, COP26, president and Secretary of State for Business, Energy and Industrial Strategy for his leadership ahead of the UN Climate Change Conference in Glasgow next year. I look forward to partnering with you and your government as well as the government of Scotland as the UK prepares to host this important summit at such an important time for the entire world.

The unfortunate reality is that climate change isn't slowing down because there's a global pandemic. As investors we need to be addressing both crises with urgency. And I welcome the announcement yesterday by Chancellor Rishi Sunak that the UK will issue its first green gilts next year. We see clear demand for such assets from investors worldwide, and other speakers have pointed out the ambition towards a climate resilient net zero carbon economy is accelerated as we head into the COP26 next year. We believe the financial community has a critical role to play in driving this transition. And that includes asset managers like BlackRock.

You often hear our industry talking about credit risk, liquidity risk, in emerging markets risk. And in recent years, our industry has come slowly around to understand how climate risk is also investment risk. We see these risks in a variety of ways. Physical impact, transition risk, and the negative impact of climate change on global growth. This escalating risk cannot be ignored. Investors who are agnostic to climate change are making an active bet, a highly risky one. As fiduciaries that invest other people's money, we have an obligation to understand and to help our clients navigate climate risk in their investment portfolios. Growing awareness of climate risk as an investment risk is driving a tectonic shift in capital, and with it asset valuations. Consider, for example, that net flows are that reallocation of asset owners capital into sustainable investment strategy is up over 275% in the nine months to September, compared to all of last year. The investment industry now has the opportunity to further accelerate this phenomenon and demonstrate that we can be a catalyst for change. We can help bridge the financing gap supporting the reallocation of flows towards sustainable development. For us at BlackRock this means doing a number of things.

First, it means to fully integrate sustainability related risk analytics into all our active investment processes. This means that at the portfolio level, our portfolio managers are accountable for approximately managing all exposures to sustainability related risks and documenting how those considerations have affected investment decisions. BlackRock is on track to reach that goal we set in January to have 100% of our active portfolio teams ESG integrated by year end.

Second, we are working to democratise access to sustainable investing by making it easier for our clients to go sustainable. This year alone, we've launched over 50 new sustainable strategies, including index mutual funds, fixed income products, active equities and ETFs, so that all people can have low cost easy access to diversified sustainable funds. We're also moving to make sustainable building blocks the standard offering in all our solutions and all models.

BlackRock is investing billions in renewable power, and we'll be extending our renewable investment capabilities to emerging markets in 2021. Along with Oxford University Endowment Management, we're announcing today the development of a fund to help realise their commitment to divest from fossil fuels. We're also working with one of the largest states in the United States to do the same with their pension fund. A little over a month ago, we launched a climate transition fund, with Scottish Widows serving their 2 million pension scheme members in the UK.

Third, we are investing in data and analytics necessary to help our clients and our investors understand climate risk, how it affects our investments. Clients often tell us that one of the biggest challenges they face in sustainable investing is the quality and availability of good data and climate risk analytics. And we have recently partnered with Rhodium to build a technology that measures the physical risk of climate change in ways that the investment industry has never done before. Better data analytics will help more investors account for these risks in their investments they're making, and it will deepen the world's understanding of climate change's vast impact on our economy and the global economy.

Fourth, we have also wrapped up our engagement with companies unsustainable related risks, most keenly focused on companies that face material financial risk in the transition to a low carbon economy. In January, BlackRock asked companies to publish, SASB and TCFD aligned disclosures to provide a better view into ESG risk factors. Since that call for increased transparency, we have witnessed a dramatic increase in companies filing disclosures aligned to those two standards. In the case of TCFD, for example, we have seen a 400% increase in reporting. These standards help investors understand how companies are going to meet the goals that a majority of the world's government, including the United Kingdom has committed, namely, the goal of zero net carbon emissions by 2050.

Because we are taking a long term approach, and take the time to actually engage with more companies than any other firm in our industry, we may sometimes give companies more time to make changes than some other people would like. We will support the management of companies that are making progress in addressing climate risk. But at companies that are not, we will vote against their directors, we will support shareholders proposals that will increase long term value. For example, since the main proxy season ended in June, there have been eight climate and other environmental proposals on corporate proxies. BlackRock's corporate stewardship team has supported seven of those proposals that would create long term value for our clients invested in those companies.

As we continue to advance our stewardship efforts, accelerating progress on strong standardised disclosures will be essential. Here in the UK, we've urged the government and the FCA to go further and introduce mandatory TCFD reporting for all issuers as soon as the next year. And so we welcome the UK Chancellor's announcement yesterday, mandatory with TCFD reporting.

The United States for its part should move faster so that we can achieve greater global coordination. The FCC can require a clear standardised climate risk information from companies consistent with TCFD. The Department of Labour can make it easier not harder for fiduciaries like BlackRock to integrate sustainability into our investment strategies and for the Federal Reserve, and central banks globally should use a template that Mark and others have pioneered, to bring climate risk into their Prudential and supervisory oversight processes.

As companies accelerate, it will be even more critical that we can achieve global convergence, and with a goal of establishing a globally recognised and adopted approach to sustainable related disclosure. We've been reminded in 2020, that sustainability is much more than dealing with the effects of climate change. The tremendous toll of COVID-19 prices on health, economic well being and everyone's daily activity has precipitated a widespread reassessment of the way and how we live our lives every day. For governments, for businesses, for consumers and for investors, things have to change very quickly. We've seen this virus has disproportionate effects on different segments of the population around the world. The financial consequences of the pandemic has exasperated and exposed greater income inequality, while people in minority ethnic communities have been found to be at greater risk of suffering the effects of COVID. These significant issues will have long term consequences for our society.

Yet we have seen that regardless of industries or companies with strong sustainably characteristics, companies focus on all other stakeholders have weathered the crisis more effectively.

Knowing this, what's the best way forward for financial firms and asset managers? Asset managers have to play a role in helping to make the global economy more resilient, more transparent, and a lot more efficient. We have a role to play in making capitalism work for more people. These are several avenues for us to do this. The first is for making and making investing available for more people. We live in a world where the benefits of financial markets are not evenly shared. And we have a real opportunity to address barriers to access and participation in financial markets for individuals.

Second, we must make sure that companies focus on the long term, operating sustainably and serve all of their stakeholders, addressing issues like diversity, fair treatment of workers in their supply chains, and climate preparedness. And third, we must accelerate sustainable investments to help create a resilient net zero economy. We are 12 months away from COP26, asset managers must play an active role in engaging with companies, engaging with governments and the public to help accelerate this transition to a climate resilient future. It's better for our clients, better for the planet, better for the resilience of the economy, and gosh better for individual companies as a manager own risk. Individuals gathered here today are making these aspirations a reality. It is a real privilege to be part of this work. And I truly want to thank you for the opportunity to speak today.