ESG investing

BlackRock and Vanguard halt meetings with companies after SEC cracks down on ESG

Regulator's rules are part of broader effort to rein in power of largest fund managers

BlackRock has significant holdings in nearly every large listed American company © Michael Nagle/Bloomberg

Patrick Temple-West, **Amelia Pollard** and **Eric Platt** in New York FEBRUARY 19 2025

BlackRock and Vanguard have cancelled meetings with companies in the middle of shareholder battles because they fear it could violate guidance on investor activism that the US Securities and Exchange Commission issued last week.

Large asset managers typically talk with companies about voting ahead of activism campaigns and also about routine proxy ballot issues at annual shareholder meetings.

But that practice has been called into question by the SEC's guidance, which has been widely interpreted as an attack on using environmental, social and governance factors in investing. The change imposes more onerous regulatory requirements on fund managers that may be seeking to influence corporate behaviour.

“This guidance exploded like a grenade in the middle of pending proxy fights last week,” said Kai Liekefett, a partner at Sidley who is representing companies in activist fights that will vote imminently.

BlackRock, the world’s largest asset manager, temporarily paused “stewardship” meetings to assess what the SEC rule change meant, one person familiar with the matter said. Semafor first reported on BlackRock’s move to halt the meetings.

Vanguard also cancelled meetings, according to two people familiar with the matter.

“We are analysing the new guidance from SEC staff to determine what, if any, modifications to the Vanguard funds’ passive approach to investment stewardship activities may be warranted,” Vanguard said.

BlackRock declined to comment.

The move by the SEC is part of a larger regulatory effort by state and federal officials to rein in the power of the largest fund managers, which often hold as much as 10 per cent of most US companies because of the sheer size of their index-tracking funds.

Until February 11, the SEC said fund managers that owned more than 5 per cent of a company were not deemed to be “influencing” corporate behaviour when they prodded businesses on issues ranging from executive compensation to environmental policies. As such, they were allowed to file a relatively short form about their holdings, known as a 13-G, which is only for “passive investors”.

Under the new rules, the criteria that would trigger a more onerous 13-D filing has broadened. Traditionally, 13-D filings have been largely reserved for activist investors such as hedge funds or investment managers looking to influence control.

The guidance complicates the common practice among large fund managers of pressing companies to disclose climate risks, diversify their boards and take other steps that they say are in the interest of long-term shareholders.

While some of these issues are closely tied to the US’s culture wars, the rules also undermine efforts to eliminate companies’ poison pill plans and other routine corporate governance matters that have little to do with environmental and social issues.

The 13-D form requires detailed explanations of why and how an investor acquired its stake and its purpose for investing. Activist investors also face tighter deadlines to file updates on share purchases or sales with the SEC.

While “this is an anti-ESG change”, said a lawyer who advises big managers, its knock-on effects would span the investment industry. “The practical effect of this will make it harder to engage on ESG topics, and it’s going to put more pressure on managers when they think about how they both directly and informally engage.”

BlackRock, which has more than $11tn of assets under management, has come under intense pressure from conservative US lawmakers over its influence on corporate America, given its significant holdings in nearly every large listed US company.

The SEC change came amid a flurry of actions by the agency to move away from the Biden administration’s policies. They were adopted while Paul Atkins, President Donald Trump’s nominee for SEC chair, waits for Senate confirmation.

The SEC declined to comment.

Stefania Palma contributed reporting from Washington

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