



Attorneys General of the States
Listed as Signatories of the August 4, 2022 Letter
c/o Mark Brnovich, Arizona Attorney General

Re: Attorneys General Letter, dated August 4, 2022

Dear Attorneys General:

We are writing in response to the letter you sent to BlackRock, Inc. (“BlackRock”) on August 4, 2022. We welcome the opportunity to address the questions you raised and clarify misconceptions about BlackRock.

We are deeply committed to helping our clients achieve their investment objectives and are proud of the role we play in enabling over 35 million Americans, including citizens of your states, to experience financial well-being in retirement.¹ One of BlackRock’s most critical tasks as a fiduciary investor for our clients is to identify short- and long-term trends in the global economy that may affect our clients’ investments. We do this across all sectors – from healthcare to technology to energy.

People around the world turn to BlackRock for our unique investment insights and guidance, comprehensive investment solutions, and world-class investment and technology capabilities. It is our duty to provide clients with our perspective on matters that can affect asset prices and to help them navigate constantly evolving industries and markets. Our commitment to our clients’ financial interests is unwavering and undivided.

Given our commitment to those saving for retirement, we are disturbed by the emerging trend of political initiatives that sacrifice pension plans’ access to high-quality investments – and thereby jeopardize pensioners’ financial returns. Open competition, the free flow of information, and freedom of opinions is core to the strength of US capital markets. It is precisely for these reasons that millions of people have been able to build savings during their working years, invest in the capital markets, and live comfortably in their retirement. BlackRock is proud to play our part in that process.

We hope our response illuminates BlackRock’s views on these topics.

¹ See BLACKROCK, *Invested in the future of Americans*, <https://www.blackrock.com/us/individual/about-us/about-blackrock/invested-in-financial-freedom> (last visited Sept. 4, 2022).



BlackRock Is a Leading Fiduciary Asset Manager

BlackRock is a fiduciary that invests and manages capital on behalf of retail and institutional clients in a vast array of public and private asset classes. The money we manage is not our own – it belongs to clients who choose their own investment strategies and products from our broad product offerings. Being a fiduciary to our clients is a foundational principle of BlackRock.² Indeed, we believe that our fiduciary focus is a key differentiating factor, as it enables us to understand and respond to our clients’ needs more effectively and to provide them with the investment options that allow them to realize their financial goals.³

Key to our ability to serve clients is our commitment to our large and diverse investment platform, which helps enable clients to manage risk, plan for the long term, and achieve their financial goals. We offer choice in investments and voting, and provide best-in-class risk management. Our investment capabilities span active, index, alternative, and cash strategies, and we have a long history of expanding choices for our clients. For instance, today, iShares exchange-traded funds (“ETFs”) invest in over 60 markets around the world, and investors in the United States can invest in over 390 iShares ETFs—we offer clients more choice than any other ETF provider.⁴

We are also proud of the role we have played in lowering the barriers of entry to investing. Through our commitment to our clients and investment platform, innovation, and a significant deployment of resources, we make investing more affordable and accessible for millions of Americans. Our index products in particular deliver institutional-grade investments to everyday investors at very low cost, and we have continually lowered fees for our clients. In fact, in the last five years, iShares has helped save investors more than \$500 million globally through fee reductions.⁵

Our investment platform is not only diverse, accessible, and affordable – it is also highly rated. Morningstar, an independent analyst of retail investment funds, designated 51 BlackRock funds – which account for approximately

² BLACKROCK, *Principles*, <https://www.blackrock.com/corporate/about-us/mission-and-principles> (last visited Aug. 26, 2022).

³ BlackRock Inc., Annual Report (Form 10-K) (Feb. 25, 2022).

⁴ SimFund, Markit, as of August 18, 2022.

⁵ SECOND ANNUAL ISHARES REPORT ON INVESTOR PROGRESS (MAR. 30, 2022) (hereinafter ISHARES WHITE PAPER), <https://www.ishares.com/us/literature/whitepaper/our-next-100m-investors.pdf>.

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64% of BlackRock’s US retail assets under management (“AUM”) – with four- or five-star ratings, meaning that those funds outperformed at least two-thirds of their peers on a risk-adjusted basis. Morningstar also designated 49 of BlackRock’s funds, or approximately 79% of our US retail AUM, as medal-rated, which reflects Morningstar’s positive assessment of whether the fund will be able to outperform its peer group or a relevant benchmark on a risk-adjusted basis over a full market cycle.⁶

Because we deliver high-quality, low-cost investment products, more and more people have turned to BlackRock as their asset manager. We have been selected and entrusted to manage approximately \$8.5 trillion in assets and are proud to serve pension funds providing for nurses, teachers, fire-fighters, law enforcement, and other workers in public and private sectors; individuals who are investing for their own retirement or other goals; as well as a range of other clients. More than 120 million people have invested an average of \$50,000 each in our ETF and index capabilities.⁷ BlackRock’s continued success in a highly competitive landscape reflects the extent to which the market appreciates that we excel at what we do.

Fiduciary Duty and ESG

Your letter makes several inaccurate statements about BlackRock’s motive for participating in various ESG-related initiatives. In managing our clients’ assets, BlackRock seeks to realize the best long-term financial results consistent with each client’s investment guidelines. Our participation in these initiatives is entirely consistent with our fiduciary obligations.

Governments representing over 90% of global GDP have committed to move to net-zero in the coming decades.⁸ We believe investors and companies that take a forward-looking position with respect to climate risk and its implications for the energy transition will generate better long-term financial outcomes. These opportunities cut across the political spectrum; notably, as Bloomberg recently reported, Republican districts are well ahead of

⁶ Morningstar, as of July 2022.

⁷ ISHARES WHITE PAPER, *supra* note 5.

⁸ As of June 2022. Net Zero Tracker, <https://zerotracker.net> (last visited Aug. 26, 2022).

their Democratic counterparts in advancing clean-energy projects and deploying clean-energy technology.⁹

Climate risk and the economic opportunities from the energy transition have become a top concern for many of our clients. BlackRock clients representing more than \$3.3 trillion in assets have committed to support that transition through investments in their portfolios.¹⁰ Our role is to offer them data and analytics, investment insights, and thought leadership about the impacts of the energy transition on their portfolios.

Contrary to the claim in your letter, we do not “assume that the Paris Agreement will be implemented within the United States, and by all of its signatories, on time and in full by 2050.” Rather, as we have previously stated, the speed and shape of this transition are unclear.¹¹ What is clear, on the other hand, is that there are investment risks and opportunities associated with a transition to a low-carbon economy. As the recent historic floods across the country as well as the droughts and wildfires throughout the West and around the world this past year have shown, climate change is testing the resilience of many industries and businesses.¹²

⁹ See Francis Schwartzkopff, *GOP Fury Over ESG Triggers Backlash With US Pensions at Risk*, BLOOMBERG, Aug. 25, 2022, <https://www.bloomberg.com/news/articles/2022-08-25/esg-pros-say-republican-anti-woke-bashing-hurts-regular-savers?sref=Di4n07xu#xj4y7vzkg>.

¹⁰ BLACKROCK, POLICY SPOTLIGHT, BLACKROCK SUPPORTS CONSISTENT CLIMATE-RELATED DISCLOSURES; URGES GLOBAL COORDINATION (June 2022), <https://www.blackrock.com/corporate/literature/whitepaper/spotlight-blk-supports-consistent-climate-related-disclosures-urges-global-coordination-june-2022.pdf>.

¹¹ See BLACKROCK, MANAGING THE NET-ZERO TRANSITION at Introduction (Feb. 2022), <https://www.blackrock.com/corporate/literature/whitepaper/bii-managing-the-net-zero-transition-february-2022.pdf>.

¹² See, e.g., Christopher Flavelle, Rick Rojas, Jim Tankersley and Jack Healy, *Mississippi Crisis Highlights Climate Threat to Drinking Water Nationwide*, NY TIMES, Sept. 1, 2022, <https://www.nytimes.com/2022/09/01/us/mississippi-water-climate-change.html>; Matthew Cappucci, *Five 1,000-year rain events have struck the U.S. in five weeks. Why?*, WASH. POST, Aug. 23, 2022, <https://www.washingtonpost.com/climate-environment/2022/08/23/flood-united-states-climate-explainer/>; Matthew Dalton et al., *Droughts Hurt World's Largest Economies*, WALL STREET J., Aug. 21, 2022, https://www.wsj.com/articles/droughts-hurt-worlds-largest-economies-11661087554?mod=Searchresults_pos3&page=1; Saul Elbein, *Dried up: Texas cattle industry faces existential crisis from historic drought*, THE HILL, Aug. 18, 2022, <https://thehill.com/policy/equilibrium-sustainability/3602717-dried-up-texas-cattle-industry-faces-existential-crisis-from-historic-drought/>.

As prudent risk managers and stewards of our clients' assets, it is imperative that we seek to understand and assess how these risks and opportunities will impact the companies in which we invest on our clients' behalf. Consequently, BlackRock encourages companies to provide investors with high-quality, globally comparable climate-related disclosures. That is why we have encouraged wider adoption of the recommendations of the Taskforce on Climate-Related Financial Disclosures ("TCFD"). TCFD does not mandate any environmental target or strategy; it is a framework for disclosure that takes a principles-based approach developed with input from investors and companies. In fact, we recently reiterated our preference for a principles-based approach to ESG disclosure in our comment to proposed SEC rule-making on this topic.¹³

BlackRock's engagement process with the companies in which we invest on behalf of clients is focused on enhancing transparency. We ask companies to provide disclosures on material issues that impact their businesses so that investors can make informed decisions and better understand, quantify, and mitigate their risks, including climate risk. We do not, as suggested in your letter, dictate to companies what specific emission targets they should meet or what type of political lobbying they should pursue. That is the role of the company's management team and the board of directors – it is not the responsibility of minority investors such as BlackRock. Indeed, we have voted against shareholder proposals that, in our assessment, are intended to micromanage companies. This includes proposals that are unduly prescriptive and constraining on the decision-making of the board or management or address matters that are not material to how a company delivers long-term shareholder value.¹⁴

BlackRock's belief that climate risk poses investment risk is backed by our publicly-available research.¹⁵ This research reflects that, even with short-term shocks to the energy sector (including shocks due to the war in

¹³ Letter from Paul Bodnar et al., BlackRock, to Vanessa A. Countryman, Sec'y, U.S. Sec. & Exch. Comm'n (June 17, 2022), <https://www.blackrock.com/corporate/literature/publication/sec-enhancement-and-standardization-of-climate-related-disclosures-for-investors-061722.pdf>.

¹⁴ BLACKROCK, 2022 VOTING SPOTLIGHT at 48, <https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf> (last visited Aug. 26, 2022).

¹⁵ See, e.g., BLACKROCK, SEEKING OUTPERFORMANCE THROUGH SUSTAINABLE INSIGHTS, <https://www.blackrock.com/corporate/literature/investor-education/sustainable-data-insights-research.pdf> (last visited Aug. 26, 2022).

Ukraine), the longer-term shift towards a less carbon-intensive economy is likely to continue.¹⁶

BlackRock's views on the investment risks and opportunities posed by climate change and the low-carbon transition are by no means unique.¹⁷ As recently noted in a comment letter many of you submitted to the SEC on August 16, 2022, adoption of voluntary frameworks regarding ESG has accelerated in recent years, and such frameworks are now widespread.¹⁸ In 2020, 92% of the S&P 500® and 70% of the Russell 1000® published sustainability reports.¹⁹

We also understand, however, that these views are not universal. For this reason, we offer clients a broad choice of investment products that are designed to help them meet their varied goals, priorities, and risk tolerances. These include products that allow clients to gain broad market exposure, including to energy companies, and to make energy-specific investments. Your letter implies BlackRock has full discretion over where and how public pension fund investments and votes are directed. That is not the case. As a fiduciary, we are bound to adhere to our clients' investment guidelines and objectives, including those specified by the pension funds in your states.

We also have been an industry leader in offering clients choice in how proxies are voted. In January 2022, BlackRock pioneered Voting Choice, which expanded institutional clients' ability to participate in voting decisions where legally and operationally viable, including for many pooled funds and separately managed accounts. Launching this program took considerable effort

¹⁶ BLACKROCK, TAKING STOCK OF THE ENERGY SHOCK (Mar. 2022), <https://www.blackrock.com/corporate/literature/whitepaper/bii-macro-perspectives-march-2022.pdf>.

¹⁷ See, e.g., The BROOKINGS INST., GLOBAL ECONOMIC IMPACTS OF CLIMATE SHOCKS, CLIMATE POLICY AND CHANGES IN CLIMATE RISK ASSESSMENT (Mar. 27, 2021), https://www.brookings.edu/wp-content/uploads/2021/03/20210331_CEEP_FernandoLiuMcKibbin_ClimateRisk_FINAL.pdf; STATE STREET, CLIMATE COMPENDIUM (Oct. 2021), <https://www.statestreet.com/content/dam/statestreet/documents/esg/climate-compendium.pdf>.

¹⁸ Letter from Patrick Morrissey, Att'y Gen., W. Va., to Vanessa A. Countryman, Sec'y, Sec. & Exch. Comm'n at 16 (Aug. 16, 2022), <https://www.azag.gov/sites/default/files/docs/press-releases/2022/letters/2022.08.16%20ESG%20Funds%20Comment.pdf>.

¹⁹ GOVERNANCE & ACCOUNTABILITY INST., INC., *2021 Sustainability Reporting in Focus*, <https://www.ga-institute.com/research/ga-research-collection/sustainability-reporting-trends/2021-sustainability-reporting-in-focus.html> (last visited Aug. 26, 2022).



and resources, including developing new technology and working with industry partners over the past several years. As a result of this effort, **all U.S. public pension funds, including the pension funds in your respective states, are now able, in many of our investment products, to determine for themselves how to vote proxies.** By creating Voting Choice, we have enabled clients, including your state pension funds, to decide on how to vote proxies for \$2.3 trillion in equity assets.²⁰ Consistent with our ongoing emphasis on providing client choice, we are committed to a future where every investor – even individual investors – can have the option to participate in voting decisions.

BlackRock Makes Independent Decisions on Behalf of Our Clients

Your letter also suggests that BlackRock’s participation in climate-related working groups reflects either coordinated activity implicating the antitrust laws or “mixed motives” inconsistent with BlackRock’s duty to act solely in its clients’ interests. Neither is the case.

While BlackRock participates in a wide variety of organizations on topics of interest to our clients, we have made it clear that we do not coordinate our votes or investment decisions with external groups or organizations. Rather, we make such decisions independently and in the long-term economic interests of our clients. For example, when we joined Climate Action 100+ (“CA100+”), BlackRock submitted a memorandum to CA100+ explicitly stating that our participation is not an informal or formal agreement to (i) buy, sell, hold, or vote our shares together with any other CA100+ signatory, or (ii) act in concert with any other signatory to acquire or consolidate control over any company or its board.²¹

Similarly, BlackRock’s 2030 Net Zero Statement, which we recently published as part of our membership in the Net Zero Asset Managers initiative (“NZAMI”), emphasizes that our participation would not dictate any particular investment strategy for our clients. We explicitly state that “[o]ur role is to help [clients] navigate investment risks and opportunities, not to engineer

²⁰ As of March 31, 2022. BLACKROCK, *BlackRock empowers more investors with Voting Choice*, <https://www.blackrock.com/corporate/about-us/investment-stewardship/blackrock-voting-choice> (last visited Sept. 4, 2022).

²¹ Mem. of Understanding Between BlackRock, Inc. and the Climate Action 100+ Steering Committee (Jan. 6, 2020), <https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf>.

a specific decarbonization outcome in the real economy. The money we manage is not our own – it belongs to our clients, many of whom make their own asset allocation and portfolio construction decisions.” We further state that clients’ portfolios will “reflect the regulatory and legislative choices governments make to balance the need for reliable and affordable energy, and orderly decarbonization.”²²

Because we aim to be transparent stewards of our clients’ investments, we are open about our voting priorities, engagements, and voting record.²³ We also provide a detailed rationale for many of the high-profile votes we cast to spotlight how our stated priorities impact our decision-making process. Together with the launch of the Voting Choice initiative, this transparency allows our clients to make more informed decisions about how they want their shares to be voted, including exercising the choice to control their own voting.

BlackRock Does Not Boycott Energy Companies

Finally, we believe America’s retirees deserve access to the full range of investment options that help them meet their retirement goals, and we are troubled by recent efforts to use “anti-boycott” statutes to limit retirees’ options in meeting those goals.

BlackRock does not boycott energy companies or any other sector or industry. As we have noted previously, BlackRock, on behalf of our clients, is among the largest investors in public energy companies, and has hundreds of billions of dollars invested in these companies globally, with approximately \$170 billion invested in US companies.²⁴ In the past few years alone, we have invested in a broad range of energy ventures around the world and

²² BLACKROCK, *BlackRock’s 2030 net zero statement*, <https://www.blackrock.com/corporate/about-us/our-2021-sustainability-update/2030-net-zero-statement>. Significantly, NZAMI specifically acknowledges that not all members are in a position to set net zero commitments because of their fiduciary obligations: “We also acknowledge that the scope for asset managers to invest for net zero and to meet the commitments set forth above depends on the mandates agreed with clients and clients’ managers’ regulatory environments.” NET ZERO ASSET MANAGERS, *The Net Zero Asset Managers Commitment*, <https://www.netzeroassetmanagers.org/commitment/> (last visited Aug. 26, 2022).

²³ See BLACKROCK, *BlackRock Investment Stewardship*, <https://www.blackrock.com/corporate/about-us/investment-stewardship> (last visited Aug. 26, 2022).

²⁴ As of June 30, 2022. “Energy companies” refers to corporations classified as belonging to the GICS-1 Energy Sector.

across the United States, including in some of your states. These projects involve a diverse mix of energy sources, including natural gas and renewable sources of energy, as well as decarbonization technology that needs capital to scale.²⁵ Such a significant investment in, and cooperation with, energy industry companies, ranging from international corporations to entities dedicated to serving local communities in your states, is completely at odds with any notion of a boycott.

Nevertheless, your letter suggests that voting against management on climate-related issues could fit within certain states' statutory definitions of boycotting because it may constitute "an action to penalize" an issuer for "failing to meet emissions standards beyond what is required by law." But our votes are not cast to "penalize" companies. Quite the opposite: our votes are cast with a view to achieving the best long-term value for those companies and their shareholders. Moreover, as noted above, BlackRock's engagement and voting around climate risk does not require that companies meet specific emissions standards. Rather, our engagement is focused

²⁵ See, e.g., *Valero and BlackRock Partner with Navigator to Announce Large-Scale Carbon Capture and Storage Project*, BUSINESSWIRE, Mar. 16, 2021, <https://www.businesswire.com/news/home/20210316005599/en/Valero-and-BlackRock-Partner-with-Navigator-to-Announce-Large-Scale-Carbon-Capture-and-Storage-Project> (Texas); *Monolith Raises More Than \$300 Million in Latest Funding Round Led by TPG Rise Climate, Decarbonization Partners*, PR NEWSWIRE, Jul 14, 2022, <https://www.prnewswire.com/news-releases/monolith-raises-more-than-300-million-in-latest-funding-round-led-by-tpg-rise-climate-decarbonization-partners-301586430.html> (Nebraska); Nephele Kirong, *BlackRock-managed partnership gets approval to buy stake in 945-MW gas plant*, S&P GLOB. MKT. INTEL., Dec. 14, 2020, <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/blackrock-managed-partnership-gets-approval-to-buy-stake-in-945-mw-gas-plant-61732809> (Georgia); Ambrogio Visconti, *Guernsey Power Project's \$1.075 Billion Financing*, GLOB. LEGAL CHRON. <https://globallegalchronicle.com/guernsey-power-projects-1-075-billion-financing/> (Ohio); see also *NextEra Energy Partners, LP announces definitive agreement to acquire Meade Pipeline Co LLC*, PR NEWSWIRE, Sept. 30, 2019, <https://www.prnewswire.com/news-releases/nextera-energy-partners-lp-announces-definitive-agreement-to-acquire-meade-pipeline-co-llc-300927536.html>; *ADNOC closes \$4 billion pipeline deal with KKR and BlackRock*, REUTERS, June 27, 2019, <https://www.reuters.com/article/us-adnoc-blackrock/adnoc-closes-4-billion-pipeline-deal-with-krk-and-blackrock-idUSKCN1TS15C>; Saeed Azhar, *BlackRock, Saudi asset manager Hassana sign deal for Aramco's gas pipelines*, REUTERS, Dec. 6, 2021, <https://www.reuters.com/business/energy/blackrock-led-consortium-signs-deal-saudi-aramcos-gas-pipelines-2021-12-06/>; *Carbon Direct, Inc. raises \$60 million to expand science-backed end-to-end carbon management*, BUSINESSWIRE, Aug. 24, 2022, <https://www.businesswire.com/news/home/20220824005140/en/Carbon-Direct-Inc.-raises-60-million-to-expand-science-backed-end-to-end-carbon-management>.

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on companies disclosing how climate risks and opportunities might impact their business models and sectors.²⁶

When BlackRock does decide to oppose a position supported by the company's management, we are driven by a business purpose; that is, to prudently manage investments for our clients. In furtherance of that purpose, BlackRock seeks to maximize returns and minimize risk in accordance with our clients' long-term investment objectives. Our analysis may consider the risks and opportunities of investing in various companies with the goal of generating sustainable short, medium, and long-term returns for clients. In any event, to the extent our US pension fund clients – including the pension funds in your states – disagree with our analysis, we have now given them the choice to vote their shares differently in many of our investment products.

In sum, BlackRock takes pride in our role as a fiduciary. We do this by putting client needs first; by providing clients with a wide range of high-quality, low-cost investment options from which they can select to meet their own objectives; and by advocating for greater transparency around the risks and opportunities inherent to investing.

Regards,

A handwritten signature in black ink, appearing to read 'Dalia Blass', with a long horizontal line extending to the right.

Dalia Blass, Senior Managing Director, Head of External Affairs

²⁶ BLACKROCK, *2022 climate-related shareholder proposals more prescriptive than 2021* (May 2022), <https://www.blackrock.com/corporate/literature/publication/commentary-bis-approach-shareholder-proposals.pdf>.