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Via U.S. Mail to the above addresses and email to mdiclemente@stradley.com

Dear BlackRock Fund Directors:¹

We have previously written to some of you to express our concern about various funds for which BlackRock acts as financial advisor, including our concern about the level of oversight you exercise over BlackRock's management of fund assets, your decision to retain BlackRock as an investment advisor, and your independence from BlackRock. Ex. A ("July 6 Letter"). The directors to whom the July 6 Letter was addressed responded through counsel by letter dated August 7, 2023. Ex. B ("August 7 Letter"). Since we sent the July 6 Letter, BlackRock announced that it was dropping its corporate membership in Climate Action 100+ (CA100+), and that only a subsidiary, BlackRock International, would remain a member. We applaud BlackRock's reevaluation of its status, but we also note that BlackRock remains a member of other groups such the Net Zero Asset Managers initiative ("NZAM"), the United Nations Principles for Responsible Investment ("UNPRI"), and Ceres.

We still have questions that we would like answered to better understand BlackRock's past and present actions. For example, the Tennessee Attorney General sued BlackRock, alleging that BlackRock made a number of misrepresentations or misleading omissions to consumers related to certain of its funds.² Because the allegations in the Tennessee Complaint relate to our prior inquiry, we address this letter

¹ A complete list of recipients is set forth in Appendix A. Note that this list also includes trustees for the BlackRock iShares Exchange-Traded Fund Complex.

² *State of Tenn. ex rel. Jonathan Skrmetti v. BlackRock Inc.*, Cir. Ct. of Williamson Cty., TN (Dec. 18, 2023), <https://www.tn.gov/content/dam/tn/attorneygeneral/documents/pr/2023/pr23-59-complaint.pdf> ("Tennessee Complaint").

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both to the independent directors who received our July 6 Letter, as well as the independent directors of BlackRock-managed funds discussed in the Tennessee Complaint.³

The allegations contained in the Tennessee Complaint reinforce three of our concerns regarding your oversight of BlackRock’s management of fund assets: 1) BlackRock’s conflicting statements regarding the financial materiality of ESG factors; 2) BlackRock’s conflicting statements regarding the effect of its membership in NZAM, Ceres, and UNPRI on all assets under management including non-ESG funds; and 3) BlackRock’s conflicts of interest.

Regarding financial materiality, the August 7 Letter asserted that the independent directors “request, receive and review extensive materials reporting on various aspects of the operations and performance” of BlackRock and the relevant funds.⁴ Our investigation seeks to understand whether these “extensive materials” included comparing fund disclosures stating that ESG factors “do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of the fund”⁵ with other disclosures claiming the same factors present “material risks” to a company’s “long-term business model.”⁶ We also seek to understand what, if any, deliberations you engaged in on this 180-degree about face by BlackRock.

The August 7 Letter also stated that BlackRock “actively discussed”⁷ with the independent directors its membership in environmental activist groups such as CA100+, Ceres, and NZAM. Our investigation seeks to understand whether these discussions included comparing BlackRock’s commitments to use all assets under management to achieve net zero greenhouse gas emissions⁸ with fund disclosures stating that ESG is not an investment objective.⁹ In fact, a recent news report states that BlackRock “has been de-emphasizing its ESG business in the U.S.” and “U.S. portfolio managers are no longer required to consider ESG metrics when not using

³ Throughout this letter, the term “independent directors” is used to refer to directors in independent director positions. The term should not be read as agreement that said directors actually are independent, especially in light of concerns expressed below and in the July 6 Letter. Moreover, no distinction is intended between the use of the term “director” and “trustee” of the trusts that are the subject of this letter.

⁴ August 7 Letter at 2.

⁵ Tennessee Complaint ¶ 155.

⁶ *Id.* ¶ 115.

⁷ August 7 Letter at 6.

⁸ Tennessee Complaint ¶¶ 16, 86 (quoting The Net Zero Asset Managers Initiative, *Commitment*, <https://perma.cc/7MAX-HUAT> (hereinafter “*NZAM Commitment*”).

⁹ *Id.* ¶ 81 (quoting BlackRock, *iShares Core S&P 500 ETF*, <https://perma.cc/M5U8-H46D>).

ESG funds.”¹⁰ We would like to understand what materials BlackRock provided you regarding this change and whether any of your discussions included this change in BlackRock policy.

Our investigation also seeks to better understand how you as independent directors oversee and address potential conflicts of interest. BlackRock has made commitments to environmental activist groups that may conflict with the fiduciary duties it owes to clients, and we seek more information about how the independent directors have overseen this. Further, BlackRock’s relationships with certain large institutional clients, especially state pension funds, may unduly influence BlackRock’s overall approach to engaging with companies in which it invests, including investments that have disclaimed any reliance or focus on ESG factors. We seek more information on whether and how BlackRock’s business interest in keeping these large institutional investors as clients conflicts with its fiduciary duties to manage funds solely for the financial benefit of investors, as well as disclosures BlackRock may have made to the independent directors about these issues and any other oversight provided by the independent directors.

BlackRock’s Conflicting Statements

The Tennessee Complaint catalogs various misrepresentations and omissions BlackRock has made over the past several years about the extent to which environmental, social, and governance (“ESG”) considerations inform its management of the funds, and whether and how ESG criteria correlate to the financial performance of fund assets. The alleged misrepresentations include:

Conflicting Statements Regarding the Materiality of ESG

BlackRock makes conflicting statements regarding the extent to which consideration of ESG factors can affect the returns of an investment, something the Tennessee Complaint characterized as “a strategy of telling both sides what they want to hear, in an effort to keep everyone’s business.”¹¹ BlackRock has claimed that focusing on “sustainability” can “provide insight into the effective management and long-term financial prospects of a fund”¹² and that “climate change has become a key factor in

¹⁰ Charlie Gasparino, *BlackRock layoffs coming as firm matures, ESG pullback and Bitcoin ETF approval* FoxBusiness.com (Jan. 6, 2024), available at <https://www.foxbusiness.com/economy/blackrock-layoffs-coming-firm-matures-esg-pullback-bitcoin-etf-approval>.

¹¹ Tennessee Complaint ¶ 65.

¹² *Id.* ¶¶ 20, 153 (quoting BlackRock, *iShares ESG Screened S&P; Small-Cap ETF* (Oct. 11, 2021), <https://web.archive.org/web/20211011144123/https://www.blackrock.com/us/individual/products/315920/ishares-esg-screened-s-p-small-cap-etf>).

many companies' long-term prospects.”¹³ In some documents, BlackRock states that “companies that better manage their exposure to climate risk and capitalize on opportunities will generate better long term financial outcomes” such that BlackRock’s incorporation of ESG factors into its investment decisions “is in the interest of realizing the best long-term financial results for our clients and entirely consistent with our fiduciary duty.”¹⁴ BlackRock believes that it is “better able to assess the long-term performance of our clients’ investments when companies define short-, medium-, and long-term science-based emissions targets . . . and disclose how these targets will affect the long-term economic interests of shareholders.”¹⁵ BlackRock-authored prospectuses for funds claim that BlackRock incorporates in its management “climate-related” issues that present “material risks to [a company’s] long-term business model.”¹⁶ Other prospectuses purport to identify factors that “can lead to substantial costs or opportunities for entities,” including “unexpected costs . . . in the medium- to long-term.”¹⁷ BlackRock has represented that its “focus on climate risk and energy is about driving financial outcomes for clients”¹⁸ because “companies that better manage their exposure to climate risk and capitalize on opportunities will generate better long term financial outcomes.”¹⁹

But this is contradicted by BlackRock’s assertion that sustainability criteria “do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund,”²⁰ a statement contained in the disclosures of the funds you oversee. The former head of fundamental research at BlackRock Sustainable Investing has criticized the current approach to “green finance,” and believes that there needs to be a clearer “distinction between risk-

¹³ *Id.* ¶ 162 (“It is our view that climate change has become a key factor in many companies’ long-term prospects.” (quoting iShares Trust, *Statement of Additional Information A-10* (revised Oct. 13, 2023), <https://tinyurl.com/5abu6p26> (hereinafter “*iShares Prospectus*”))).

¹⁴ *Id.* ¶ 180 (quoting BlackRock, *Energy Investing: Setting the Record Straight*, <https://perma.cc/5Q6G-BH7Y>).

¹⁵ *Id.* ¶ 184 (citing BlackRock, *BlackRock Investment Stewardship: Climate Focus Universe*, <https://perma.cc/6B46-M38V>).

¹⁶ *Id.* ¶ 115 (quoting *iShares Prospectus* at A-10).

¹⁷ *Id.* ¶ 174 (quoting BlackRock, *2023 Prospectus S-3* (June 30, 2023), <https://tinyurl.com/mr382men> (EUSB)). As discussed in the Tennessee Complaint, these statements may also be misleading because they do not tie the alleged risk and opportunity to any investment horizon or maturity date. *Id.* ¶ 175.

¹⁸ *Id.* ¶¶ 20, 179 (quoting BlackRock, *Energy Investing: Setting the Record Straight*, <https://perma.cc/5Q6G-BH7Y>).

¹⁹ *Id.* ¶ 180.

²⁰ *Id.* ¶ 21 (quoting BlackRock, *iShares ESG Screened S&P; Small-Cap ETF*, <https://perma.cc/DYX4-JTDS>).

adjusted financial performance, ethics and the pursuit of impact.”²¹ She further noted that it was an “illusion” to think that financial performance and ESG impact “could always go together.”²² Further, as alleged in the Tennessee Complaint, BlackRock has since deleted its claims that ESG factors related to a fund’s long-term prospects, and now discloses—even for funds that purport to follow an ESG investing strategy—that sustainability characteristics are not indicative of fund performance.²³

BlackRock’s claims that its focus on climate and ESG is motivated by concern about financial return are also undermined by the performance of its ESG-managed funds, which lag behind the performance of non-ESG benchmarks while charging higher fees.²⁴ Moreover, substantial academic and industry research shows that “a focus on sustainability does not increase returns.”²⁵

BlackRock also misrepresents the extent to which world governments are pursuing net zero or complying with the Paris Agreement. This is a key issue for BlackRock, since its ESG strategy is based on its belief that a company’s “long-term value” is in part related to its ability to “navigat[e] the global energy transition in the years ahead.”²⁶ To support this belief, BlackRock-authored prospectuses claim that “governments representing over 90% of GDP have committed to move to net-zero over the coming decades,” but these documents fail to disclose that very few of these governments have converted these aspirational commitments into binding legal requirements.²⁷ BlackRock is creating the misimpression that its focus on ESG issues is a rational reaction to changing legal environments rather than an expression of its (or certain of its clients’) political preferences.

Conflicting Statements Regarding an ESG Investment Strategy

For numerous funds, BlackRock states that the funds “do[] not seek to follow a sustainable, impact, or ESG investment strategy” and that “there is no indication

²¹ *Id.* ¶ 21 (quoting Sophie Robinson-Tillett, *Ex-BlackRock Research Head: ESG’s ‘Biggest Sin’ Is Conflating Finance, Impact and Ethics*, Investment & Pensions Europe (Nov. 7, 2023), <https://perma.cc/MH49-RBQG>).

²² *Id.*

²³ *Id.* ¶ 155 (quoting BlackRock, *iShares ESG Screened S&P Small-Cap ETF* (Aug. 12, 2022), <https://web.archive.org/web/20220812002810/https://www.blackrock.com/us/individual/products/315920/ishares-esg-screened-s-p-small-cap-etf>).

²⁴ *Id.* ¶ 22.

²⁵ *Id.* ¶ 158–159.

²⁶ *Id.* ¶ 170 (quoting BlackRock, *2022 TCFD Report 4*, <https://perma.cc/TJ7Z-VJ4N>).

²⁷ *Id.* ¶¶ 122–129 (quoting *iShares Prospectus* at A-10 n.7); see also *id.* ¶ 171.

that a sustainable, impact or ESG investment strategy will be adopted by the fund.”²⁸ However, BlackRock has committed to use *all* assets under management, to pursuing environmental goals. As discussed in the July 6 Letter and detailed in the Tennessee Complaint, BlackRock has joined a number of environmental organizations, and those organizations require their members to use all assets under management to achieve environmental ends.

For example, BlackRock has joined NZAM. In doing so, it has pledged to “comprehensively implement[]” a “stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with [the] ambition for *all assets under management* to achieve net zero emissions by 2050 or sooner.”²⁹ BlackRock further committed to “work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management.”³⁰ Membership in NZAM also requires that BlackRock work to “achieve emissions reductions in the real economy,”³¹ despite BlackRock’s public statements that it does not seek to “dictate to companies what specific emissions targets they should meet,”³² or “engineer a specific decarbonization outcome in the real economy.”³³ Engagement with a company, including voting shares, is part of an “investment strategy” that BlackRock pursues.³⁴ Thus, there appears to be a substantial conflict between, on the one hand, BlackRock’s representation to certain investors that the funds will not follow an ESG investment strategy, and, on the other, its commitment to environmental activist organizations that it will implement an “engagement strategy” to pursue environmental aims.

Even apart from these commitments, BlackRock has stated an intention to use fund assets for ESG purposes. On a number of occasions BlackRock’s CEO Larry Fink has written to the CEOs of all companies in which BlackRock invests and asked

²⁸ *Id.* ¶¶ 15, 81.

²⁹ *Id.* ¶ 16, 86 (quoting *NZAM Commitment*); see also *id.* ¶¶ 86–91.

³⁰ *Id.* ¶ 88 (quoting *NZAM Commitment*).

³¹ *Id.* ¶ 89 (quoting The Net Zero Asset Managers Initiative, *FAQ*, <https://perma.cc/2JQK-YBS6>).

³² *Id.* ¶ 139 (quoting BlackRock, *Response to Attorneys General Letter 5*, 7–8 (Sep. 7, 2022), <https://perma.cc/5BKV-EVMX> (hereinafter “*Attorneys General Response*”)).

³³ *Id.* ¶ 132 (quoting BlackRock, *BlackRock’s 2030 Net Zero Statement*, <https://www.blackrock.com/corporate/sustainability/2030-net-zero-statement>); see also *id.* ¶ 138 (“engagement and voting around climate risk does not require that companies meet specific emissions standards” (quoting *Attorneys General Response* at 9)).

³⁴ *Id.* ¶ 83 (collecting evidence showing that “BlackRock . . . understand[s] engagement to be part of an ‘investment strategy.’”).

them to set “meaningful” emissions reduction targets.³⁵ This is consistent with Mr. Fink’s stated belief that a company must “serve a social purpose” and “show how it makes a positive contribution to society,” rather than simply “deliver financial performance.”³⁶ To do this, BlackRock centrally manages its engagements with companies in which it invests. This includes having numerous closed-door meetings with company management to discuss, among other things, BlackRock’s views on “climate and natural capital.”³⁷ BlackRock uses these engagements to push companies to “serve a social purpose,” as opposed to being “too focused on annual meetings and proxy votes.”³⁸ While BlackRock’s engagement does not focus exclusively on voting proxies, it does use its proxies to further its environmental goals. BlackRock routinely votes “its shares to push companies to set emissions targets aligned with net zero” or to “pressure companies . . . to align their lobbying with the carbon-emissions goals of the Paris Agreement” regardless of whether the shares BlackRock is voting belong to a fund that has an environmental purpose or whether changing lobbying practices is in the financial interest of the company.³⁹ BlackRock also uses its proxy votes to change conduct at companies that it does not believe are moving to decarbonize fast enough. As discussed in the Tennessee Complaint, BlackRock routinely votes proxies against director candidates and for shareholder proposals based on the company’s purported failure to address climate issues.⁴⁰

Allegations that BlackRock has repeatedly misrepresented the extent to which it incorporates ESG considerations into its management of fund assets, as well as whether and how ESG considerations are relevant to the financial performance of the funds, creates substantial risks to the fund. Our questions below seek documents and information about whether you are aware of these elevated risks and how you manage them.

³⁵ *Id.* This undermines BlackRock’s claim that it does not seek to “dictate to companies what specific emissions targets they should meet.” *Id.* ¶¶ 15, 139.

³⁶ *Id.* ¶ 8 (quoting Larry Fink, *A Sense of Purpose*, Harvard Law School Forum on Corporate Governance (Jan. 17, 2018), <https://perma.cc/6ABP-FQAY> (hereinafter “*A Sense of Purpose*”)).

³⁷ *Id.* ¶ 19.

³⁸ *Id.* ¶ 60 (quoting *A Sense of Purpose*).

³⁹ *Id.* ¶ 17; *see also id.* ¶¶ 83, 145–146 (discussing how ESG-related engagement is an important part of BlackRock’s overall investment strategy).

⁴⁰ *See, e.g., id.* ¶ 102. While the August 7 Letter argues that managers of each fund are independently authorized to vote their own proxies, August 7 Letter at 6, as discussed below, we question whether that is true in practice, and whether the independent directors exercise sufficient oversight over how those proxy votes are cast.

BlackRock May Be Unduly Influenced by Outside Groups

As noted above, BlackRock has joined a number of climate activist groups that are devoted to lowering carbon emissions regardless of the financial implications. The July 6 Letter asked a number of questions about BlackRock's membership in these groups. The August 7 Letter obliquely addressed BlackRock's membership in CA100+ but did not address NZAM at all. August 7 Letter at 7. Among other things, as discussed in the July 6 Letter, as part of its membership in NZAM BlackRock acknowledged the "constraint" (i.e. conflict) between committing to manage all assets for environmental purposes and the fiduciary duty owed to clients.⁴¹ NZAM signatories, including BlackRock, promised to "overcome the constraints [they] face,"⁴² and our investigation focuses on how the independent directors oversaw BlackRock's attempt to reconcile these conflicting commitments.

BlackRock has also been a member of UNPRI since 2008.⁴³ BlackRock represents that as a signatory to UNPRI, it "has committed to the annual effort of supporting PRI's aspirational and voluntary principles, where consistent with our fiduciary duties." And it lists the following six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.

⁴¹ July 6 Letter at 13.

⁴² August 7 Letter at 13; *see also NZAM Commitment* (pledging to "overcome the constraints" imposed by law and clients that would prohibit signatories from fully pursuing the commitments made to NZAM).

⁴³ BlackRock, Principles for Responsible Investment, *available at* <https://www.blackrock.com/corporate/sustainability/pri-report>.

6. We will each report on our activities and progress towards implementing the Principles.⁴⁴

UNPRI also maintains a data portal for its members to “search, group and request access to private Transparency Reports and Assessment Reports from other signatories via the web-based Data Portal platform.”⁴⁵

BlackRock may also be unduly influenced by large public pension funds that wish to use their capital for political purposes rather than maximizing financial return.⁴⁶ As noted in the Tennessee Complaint, a number of domestic and international public pension funds pressured BlackRock to be more activist in its asset management.⁴⁷ The August 7 Letter failed to address this potential conflict.

Director Independence

The August 7 Letter failed to fully address our concerns about director independence, particularly the concern about independent directors of BlackRock mutual funds that also serve as directors of other corporations in which BlackRock controls a substantial percentage of shares and thus has significant influence on director votes. In your own words, a director can be considered an “interested person” under the relevant regulations if he has “a material business or professional relationship with the fund’s investment adviser.” *Id.* Yet you assert, without citation to any legal authority, that “service on a public company board by a fund director is not a relationship with the fund’s advisor.” *Id.*

From a conflict-of-interest perspective, there is a clear risk that service on a public company board creates a dynamic where the director will be hesitant to offend or anger BlackRock, when BlackRock manages, votes, and controls significant shares in that public company.

Moreover, a fiduciary relationship is the paradigmatic “material business or professional relationship” that might undermine independence. BlackRock’s clients

⁴⁴ *Id.*

⁴⁵ UNPRI, *PRI Data Portal: explore signatories’ reporting data*, available at <https://www.unpri.org/signatory-resources/pri-data-portal-explore-signatories-reporting-data/391.article>.

⁴⁶ See Ross Kerber et al., *Climate activists look for a tougher BlackRock in 2020*, Reuters (Dec. 23, 2019) (“BlackRock also faces pressure from some public pension funds that have taken a harder look at the ESG practices of fund managers handling their money.”), available at <https://www.reuters.com/article/us-usa-blackrock/climate-activists-look-for-a-tougher-blackrock-in-2020-idUSKBN1YR15Z>.

⁴⁷ Tennessee Complaint ¶¶ 61–62.

are the shareholders for whom the directors are fiduciaries.⁴⁸ As described in the July 6 Letter, BlackRock is the largest or second-largest shareholder in each public company on whose boards Ms. Egan and Mr. Hubbard sit. July 6 Letter at 7. And it would require a suspension of disbelief to think that Ms. Egan and Mr. Hubbard do not understand that upsetting BlackRock in their role as independent directors for the BlackRock mutual funds could endanger their positions as directors of public companies.

As noted in the July 6 Letter, many of the independent directors receive substantial compensation for their work on a number of BlackRock-managed funds, which itself can call independence into question. But the August 7 Letter's attempt to explain this away raised more questions than it answered.

* * *

We continue to have substantial questions about these issues. Although many of the questions we have relate to statements from the August 7 Letter, which was only sent on behalf of some of you, we request that all recipients of this letter respond to all of the questions to the extent that the questions relate to your role as a director of a BlackRock-managed fund. If you believe that any question does not relate to your role as a director, please affirmatively state that, and further explain how you fulfilled your fiduciary duties even though the question does not relate to you. For example, in the August 7 Letter the independent directors claim that they reviewed documents as part of their oversight of BlackRock, and the below questions ask questions about the documents that were reviewed. To the extent you also reviewed documents, please provide the requested information. To the extent that you did not review documents, please explain how you fulfilled your duties to the funds and their investors while not reviewing documents provided by BlackRock. In addition, for any questions about past actions, please clarify your current policies and processes related to those issues.

- What specific processes did the independent directors take to determine whether BlackRock should remain fund adviser, and what materials did they receive and review?
 - Please provide greater detail about the deliberative process the boards undertook, including how it “assesses . . . the nature, extent, and quality

⁴⁸ See, e.g., *Firefighters' Pension Sys. of City of Kansas City, Missouri Tr. v. Presidio, Inc.*, 251 A.3d 212, 274 (Del. Ch. 2021) (“Directors owe fiduciary duties of care and loyalty to the corporation and its shareholders.” (cleaned up) (quoting *Mills Acquisition Co. v. Macmillan, Inc.*, 559 A.2d 1261, 1280 (Del. 1989)).

of the services provided to the Funds by BlackRock,” including any metrics it evaluates and how it determined “quality” of advisory services.⁴⁹

- What specific oversight or investigation did the independent directors conduct to resolve the apparent contradiction between BlackRock’s commitment on the one hand to use all funds under management to achieve certain environmental goals, and its representation in prospectuses and other communications that specific funds did not seek to follow a sustainable investing strategy on the other?
- What materials, if any, has BlackRock provided you regarding a policy that at one time required U.S. portfolio managers to consider ESG metrics for non-ESG funds, and what deliberations did you have on this policy?⁵⁰
- The August 7 Letter notes that the fund boards review written materials as part of the process.⁵¹ What specific materials are reviewed? Did the independent directors review any materials relevant to the potentially misleading statements identified in the Tennessee Complaint?
- The August 7 Letter also asserts that “throughout the year . . . the Independent Directors request, receive and review extensive materials reporting on various aspects of the operations and performance of the Funds and BlackRock.”⁵²
 - Please provide a catalog of all such requests and responses for calendar year 2023 so we can better understand the nature of these requests and responses.
 - Also, please explain how the independent directors determine what material to request.
 - Have any requests for information ever been denied or only partially answered by BlackRock?

⁴⁹ August 7 Letter at 8.

⁵⁰ See Charlie Gasparino, *BlackRock layoffs coming as firm matures, ESG pullback and Bitcoin ETF approval* FoxBusiness.com (Jan. 6, 2024), available at <https://www.foxbusiness.com/economy/blackrock-layoffs-coming-firm-matures-esg-pullback-bitcoin-etf-approval>.

⁵¹ *Id.*

⁵² *Id.* at 2.

- BlackRock’s material for some funds currently state that sustainability characteristics do not correlate to current or future investment performance.⁵³
 - Do the independent directors believe that this statement is correct? If yes, what is the basis for that belief? What data, documents, or information did the independent directors consider in forming that belief?
 - If the independent directors believe that this statement is correct, how do the independent directors reconcile their (and BlackRock’s) belief that there is no correlation with the statement in the August 7 Letter that the independent directors are “satisfied” that BlackRock “reasonably believes” that incorporating climate issues into its investment practices further the long-term goals of the funds and their investors?⁵⁴ What specific representations were made by BlackRock to engender this satisfaction?
 - If the independent directors believe that this statement is correct, what was the basis for allowing BlackRock to publish statements for other funds claiming that climate-related factors are relevant to the long-term prospects of investments?⁵⁵ What specific oversight do the independent directors exercise of those statements? What data, documents, or information were provided or considered as part of that oversight?
 - The letter further claims that the independent directors discussed with BlackRock public data that underlies BlackRock’s belief that climate risk is investment risk.⁵⁶ But did the independent directors agree?
 - What specific data was reviewed and discussed? Was the data credible?
 - Did the independent directors interrogate the assumptions incorporated into that research, such as the clearly erroneous assumption that the “energy transition” as envisioned by the Paris Climate Accords will be implemented?

⁵³ See, e.g., Tennessee Complaint ¶ 155.

⁵⁴ August 7 Letter at 7.

⁵⁵ See, e.g., Tennessee Complaint ¶ 20.

⁵⁶ August 7 Letter at 7.

- If the independent directors agree that climate risk is investment risk,⁵⁷ could any fund be considered a “Non-ESG Fund”? Why or why not?
- Given these apparently contradictory representations, how can the independent directors be confident that BlackRock is being truthful with them about issues related to ESG factors? Why do the independent directors believe they could trust any representations made by BlackRock on this subject given BlackRock’s numerous inconsistent statements in the past?
- BlackRock has claimed that 90% of global GDP has committed to achieve net zero by 2050.
 - Did BlackRock provide the independent directors with data to support that claim? If so, what specific documents and data were provided?
 - What investigation, if any, did the independent directors conduct into this claim? As noted in the Tennessee Complaint, this claim appears to conflate non-binding commitments with legal requirements.⁵⁸ Were the independent directors aware of this rhetorical sleight-of-hand? Or did the independent directors believe that non-binding commitments would be fully realized by those countries? If yes, what was the basis for that belief? Please provide any documents and data relied on by the independent directors in reaching that conclusion.
- What steps have the independent directors taken to verify that BlackRock exercises proxy powers consistent with the best interests of the funds, rather than the best interest of BlackRock, or consistent with BlackRock’s commitment to manage all assets under management to further environmental goals?
- Specific to the board’s consideration of fall-out benefits BlackRock receives for managing the funds, please provide a detailed description of the process by which the independent directors place a value on those benefits and incorporate that value into a determination of how to adequately compensate BlackRock.
- With regard to BlackRock’s pursuit of climate goals and its membership in climate activist organizations such as NZAM, Ceres, and UNPRI:

⁵⁷ *Id.*

⁵⁸ Tennessee Complaint ¶¶ 122–129.

- By joining NZAM, BlackRock committed to pursuing net-zero goals across “all assets under management.”⁵⁹ Further, BlackRock acknowledged that this goal was “constrained” by its legal duties but vowed to “overcome” such constraints.⁶⁰
 - The August 7 Letter asserts that the independent directors “actively discussed” BlackRock’s membership in various environmental organizations.⁶¹ Please provide more information around these discussions, including specifically the information that was discussed.
 - Did the independent directors express concern that BlackRock had committed to pursuing goals that were irreconcilable with its fiduciary duty?
 - Did the independent directors seek clarity on how exactly BlackRock intended to “overcome” these difficulties?
 - Did the independent directors ask BlackRock to clarify how it could commit to using all assets under management to pursue the decarbonization outcome of net-zero while claiming elsewhere that it was not attempting “to engineer a specific decarbonization outcome in the real economy”?⁶²
- BlackRock joined the UNPRI in 2008. And it presently lists on its website that “where consistent with [its] fiduciary duties,” it aspires to “incorporate ESG issues into investment analysis and decision-making processes”; “be active owners and incorporate ESG issues into our ownership policies and practices” “seek appropriate disclosure on ESG issues by the entities in which we invest”; “promote acceptance and implementation of the Principles within the investment industry”; “work together to enhance our effectiveness in implementing the Principles”; and “each report on our activities and progress towards implementing the Principles.” UNPRI also maintains a data portal for its members to “search, group and request access to private Transparency Reports and Assessment Reports from other signatories via the web-based Data Portal platform.”⁶³

⁵⁹ *NZAM Commitment*

⁶⁰ *Id.*

⁶¹ August 7 Letter at 6.

⁶² Tennessee Complaint ¶ 99 (quoting BlackRock, *Climate Action 100+ Sign-on Statement 1* (Jan. 6, 2020), <https://perma.cc/BLL8-QDEV>).

⁶³ UNPRI, *PRI Data Portal: explore signatories’ reporting data*, available at <https://www.unpri.org/signatory-resources/pri-data-portal-explore-signatories-reporting-data/391.article>.

- What information did BlackRock provide to you as independent directors relating to its involvement in UNPRI, and what steps did you take to determine that such involvement was in fact consistent with its fiduciary duties?
- What information did BlackRock provide to you regarding the UNPRI data portal, and what steps did you take to ensure that usage of such portal was consistent with applicable laws and regulations?
- What information was provided to the independent directors about BlackRock’s representation that data related to sustainability does not have an impact on the financial performance of a company?⁶⁴
- The August 7 Letter asserts that although BlackRock provides the non-ESG fund investment managers with ESG-related data, “whether and how such [ESG] data is used is within the discretion of each portfolio management team.”⁶⁵ This assertion lacks any discussion of how the independent directors monitored the actual use of that data.
 - What steps did the independent directors take to ensure that the fund was being adequately managed, that fund management decisions were made consistent with fund goals stated in the fund prospectus, and that BlackRock was acting only in the best interest of the fund participants rather than in the interest of BlackRock management or large institutional investors who were not active in the fund?
 - Also, please explain how use of ESG data in making investment decisions would be consistent with the representation that these funds do “not seek to follow” an ESG investment strategy.
- What steps and actions are you taking to monitor engagements by BlackRock investment stewardship and other managers related to funds for which you are trustees?
- With regard to any influence large pension funds may have on BlackRock’s investing activity:
 - What disclosure did BlackRock make, if any, to the independent directors about this issue?

⁶⁴ *Id.* ¶ 155 (quoting BlackRock, *iShares ESG Screened S&P Small-Cap ETF* (Aug. 12, 2022), <https://web.archive.org/web/20220812002810/https://www.blackrock.com/us/individual/products/315920/ishares-esg-screened-s-p-small-cap-etf>).

⁶⁵ August 7 Letter at 6.

- What investigation, if any, did the independent directors undertake to ensure that BlackRock was acting in the best interests of the funds, rather than in the non-financial interests of these large pension funds?
- Are there any situations where, in your opinion, a person could not serve as an independent director of a fund because of a conflict involving serving as a director of a public company board and the fund's advisor owning shares in the public company?
 - If yes, how are those situations different from the situation presented here, where BlackRock controls and votes shares representing over 5% of the shares of various public companies where independent directors of BlackRock funds also serve as corporate directors?

* * *

Thank you for your attention to this important matter of public policy and sound fiscal management of our state's finances. We look forward to receiving your responses no later than **March 26, 2024**. This response should include production of all documents referenced in or relied on by you in preparing either the August 7 Letter or your forthcoming response. Please feel free to contact Anna Schneider, Bureau Chief, Consumer Protection, anna.schneider@mt.gov if you have any questions.

Sincerely,



AUSTIN KNUDSEN
Attorney General of Montana



STEVE MARSHALL
Attorney General of Alabama



TIM GRIFFIN
Attorney General of Arkansas



CHRISTOPHER M. CARR
Attorney General of Georgia



TODD ROKITA
Attorney General of Indiana



BRENNA BIRD
Attorney General of Iowa



LIZ MURRILL
Attorney General of Louisiana



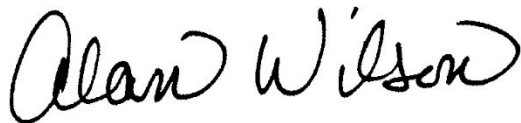
LYNN FITCH
Attorney General of Mississippi



ANDREW BAILEY
Attorney General of Missouri



MIKE HILGERS
Attorney General of Nebraska



ALAN WILSON
Attorney General of South Carolina



MARTY JACKLEY
Attorney General of South Dakota



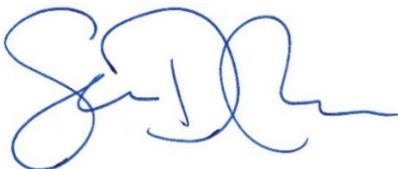
KEN PAXTON
Attorney General of Texas



JASON MIYARES
Attorney General of Virginia



PATRICK MORRISEY
Attorney General of West Virginia



SEAN REYES
Attorney General of Utah

APPENDIX A

- Matthew R. DiClemente, attorney for directors of BlackRock Fixed-Income Complex
- R Glenn Hubbard, director of BlackRock Fixed-Income Complex
- W. Carl Kester, director of BlackRock Fixed-Income Complex
- Cynthia L. Egan, director of BlackRock Fixed-Income Complex
- Frank J. Fabozzi, director of BlackRock Fixed-Income Complex
- Lorenzo A. Flores, director of BlackRock Fixed-Income Complex
- Stayce D. Harris, director of BlackRock Fixed-Income Complex
- J. Phillip Holloman, director of BlackRock Fixed-Income Complex
- Catherine A. Lynch, director of BlackRock Fixed-Income Complex
- John E. Kerrigan, trustee of Exchange-Traded Fund Complex⁶⁶
- Jane D. Carlin, trustee of Exchange-Traded Fund Complex
- Richard L. Fagnani, trustee of Exchange-Traded Fund Complex
- Cecilia H. Herbert, trustee of Exchange-Traded Fund Complex
- Drew E. Lawton, trustee of Exchange-Traded Fund Complex
- John E. Martinez, trustee of Exchange-Traded Fund Complex
- Madhav V. Rajan, trustee of Exchange-Traded Fund Complex

⁶⁶ See, e.g., BlackRock, iShares Trust, Statement of Additional Information at PDF pages 60-61 (Aug. 1, 2023), available at <https://www.blackrock.com/us/individual/resources/regulatory-documents/stream-document?stream=reg&product=I-SP500&shareClass=NA&documentId=925833%7E926358%7E926348%7E2151974%7E2047267&iframeUrlOverride=%2Fus%2Findividual%2Fliterature%2Fsai%2Fsai-ishares-trust-3-31.pdf>.

Exhibit A

AUSTIN KNUDSEN



STATE OF MONTANA

July 6, 2023

R. Glenn Hubbard
W. Carl Kester
Cynthia L. Egan
Frank J. Fabozzi
Lorenzo A. Flores
Stayce D. Harris
J. Phillip Holloman
Catherine A. Lynch
Robert Fairbairn
John M. Perlowski
c/o Janey Ahn
Secretary of the Trusts
50 Hudson Yards
New York, NY 10001

Dear Directors:

The undersigned attorneys general are the chief legal officers of our respective States. We have authority under state laws prohibiting deceptive and unfair acts and practices, state securities laws, and state common law to act for the protection of our States' residents and the integrity of the marketplace, and many of us have authority to represent state entities that hold mutual funds.¹ We are inquiring into potential issues related to mutual funds for which you serve as a director and BlackRock, Inc. through affiliate(s) (collectively, "BlackRock") serves as the investment adviser. Examples of the mutual funds in question are listed in the definitive proxy statement for 44 mutual funds dated May 23, 2023 (the "BlackRock Mutual Funds" or "Mutual Funds").² We write to request information about whether the Mutual Fund boards

¹ See generally Mont. Code § 30-14-103 (consumer protection act); *People v. Merkin*, 907 N.Y.S.2d 439 (Table), 2010 WL 936208, at *9-*10 (N.Y. Sup. Ct. Feb. 8, 2010) (internal quotation marks omitted) (holding that the New York Attorney General had standing as *parens patriae* to bring common law claims—including a breach of fiduciary duty claim—against an asset manager and his investment management company).

² See BlackRock Closed-End Funds, 2023 Joint Proxy Statement (DEF 14A), at 1–2, <https://www.sec.gov/Archives/edgar/data/835948/000119312523151865/d505157ddef14a.htm> [hereinafter "BlackRock Funds' Proxy Statement"].

DEPARTMENT OF JUSTICE

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PO Box 201401
Helena, MT 59620-1401

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have conducted a sufficiently thorough inquiry into both BlackRock's potential conflicts of interest and whether BlackRock should continue as an investment adviser to the Mutual Funds. The information you provide in response to our letter will help us determine the future course of our actions.

First, we are inquiring into financial relationships that could undermine director independence and over-boarding. Six of the nine Mutual Fund directors have a relationship with BlackRock as either a BlackRock employee or a board member of a company where BlackRock owns more than a 5% stake and in many cases is the first or second largest shareholder.³ That financial entanglement between the Mutual Fund directors and BlackRock undermines the principles of independence undergirding the Investment Company Act of 1940 (the "ICA"), 15 U.S.C. § 80a-1, *et seq.*, as well as state law principles of independence. In addition, the same mutual fund directors serve on at least 44 BlackRock Mutual Fund boards (just focusing on the one set of Mutual Funds discussed above), and that level of board commitment ironically exceeds by a factor of ten the ESG standards for over-boarding that BlackRock imposes on other companies. Serving on this many different boards also results in compensation totaling \$400,000–\$500,000 or more for many of the directors.⁴ We are also inquiring into whether financial relationships and over-boarding reinforce each other to threaten the board's independence and ability to give proper attention to each fund—which is the board's fundamental role and duty.

Second, we are inquiring into whether there has been sufficient disclosure, oversight, and investigation by the board into potential conflicts of interest by BlackRock as investment adviser to the Mutual Funds. A mutual fund adviser must make "full disclosure . . . in every area where there was even a possible conflict of interest." *Tannenbaum v. Zeller*, 552 F.2d 402, 418 (2d Cir. 1977).⁵ BlackRock and its CEO Larry Fink have made commitments to use Mutual Fund assets for non-financial purposes by joining groups that engage with companies to "accelerate" the global achievement of net zero greenhouse gas emissions. It has been publicly reported that these commitments were made in the face of "mounting concerns" by environmental activists,⁶ and BlackRock has previously admitted that "[c]lients representing more

³ Where BlackRock directly or indirectly owns, controls, or holds with power to vote at least 5% of the shares in a company, the company becomes an "affiliated person" of BlackRock for purposes of the Investment Company Act. 15 U.S.C. § 80a-2(a)(3)(B). As discussed *infra*, this is the case for at least one company for six of the nine directors.

⁴ BlackRock Funds' Proxy Statement at B-2.

⁵ See also *Moses v. Burgin*, 445 F.2d 369, 376-77 (1st Cir. 1971); *Cambridge Fund, Inc. v. Abella*, 501 F. Supp. 598, 619-23 (S.D.N.Y. 1980).

⁶ Sinead Cruise et al., *BlackRock vows tougher stance on climate after activist heat*, Reuters (Jan. 14, 202), available at <https://www.reuters.com/article/us-blackrock-fink/blackrock-vows-tougher-stance-on-climate-after-activist-heat-idUSKBN1ZD12B>

than \$3.3 trillion in assets entrusted to BlackRock have made net zero commitments as their own investment objective.”⁷ Yet many retail investors have no interest in ESG investing and simply want the best financial return on their investments.⁸ This appears to present a conflict-of-interest. BlackRock also makes representations that certain Mutual Funds do not “seek to follow a sustainable, impact or ESG investment strategy.” BlackRock’s commitments and obfuscation of the role of ESG in its activities is problematic for ordinary investors. Under the *Tannenbaum* standard, these facts and circumstances should have been evaluated by you as the directors to determine whether they indicate a potential conflict of interest warranting further investigation and potentially resulting in the board voting to stop continuing BlackRock as the Mutual Funds’ investment adviser.

Together, these issues raise questions about whether you are sufficiently independent and active to conduct the appropriate inquiry into the propriety of BlackRock serving as the Mutual Funds’ investment adviser and whether you have in fact received the requisite disclosures and conducted inquiries based on such disclosures. We outline our inquiry in more detail below and request information through questions at the end of this letter.

Background Regarding Mutual Fund and Investment Adviser Structure and State Law Duties

As you know, a mutual fund is a pool of assets, consisting primarily of a portfolio of securities and belonging to the individual investors holding shares in the fund. *Burks v. Lasker*, 441 U.S. 471, 480 (1979). Typically, a separate entity called an investment adviser creates the mutual fund, which may have no employees of its own. *See Kamen v. Kemper Financial Services, Inc.*, 500 U.S. 90, 93 (1991); *Daily Income Fund, Inc. v. Fox*, 464 U.S. 523, 536 (1984); *Burks*, 441 U.S. at 480–81. As a typical example, the

⁷ *BlackRock Supports Consistent Climate-Related Disclosures; Urges Global Coordination*, available at <https://corpgov.law.harvard.edu/2022/08/17/blackrock-supports-consistent-climate-related-disclosures-urges-global-coordination/#:~:text=Clients%20representing%20more%20than%20%243.3.to%20inform%20their%20investment%20decisions>.

⁸ *See, e.g., Consumers’ Research Comment on SEC’s Proposed Rule on Climate Disclosures*, <https://www.sec.gov/comments/s7-10-22/s71022-20132345-302910.pdf> (discussing a recent survey in which “[m]ore than half of retail investors ranked ESG as the least important factor when making decisions about their investments,” and in which “70% of retail investors indicate[d] that the primary use of their investment income is to save for retirement or supplement their income, as opposed to the 3% who are seeking to drive sustainability and the 2% seeking to drive social change”); *The Proposed SEC Climate Disclosure Rule: A Comment from Twenty-Two Professors of Law and Finance*, <https://corpgov.law.harvard.edu/2022/07/06/the-proposed-sec-climate-disclosure-rule-a-comment-from-twenty-two-professors-of-law-and-finance/> (noting that a “recent survey of individual investors co-sponsored by FINRA indicates that most do not share the institutional enthusiasm for ‘ESG investing’ and that “many are unfamiliar with it”).

BlackRock Utilities, Infrastructure, & Power Opportunities Trust is a Delaware statutory trust, established pursuant to an agreement and declaration of trust.⁹ The trust is then governed by its board of trustees.¹⁰ The board subsequently approves BlackRock as the investment adviser.¹¹

Investment advisers exert substantial control over mutual funds, including managing the fund's investments, and providing other services. *See Burks*, 441 U.S. at 481. Because of the relationship between a mutual fund and its investment adviser, “the forces of arm's-length bargaining do not work in the mutual fund industry in the same manner as they do in other sectors of the American economy.” *Id.* (citation omitted). Before becoming S.E.C. chair, Gary Gensler noted that “mutual fund boards fire their advisers with about the same frequency that racehorses fire their jockeys.”¹² This functional dependence and potential for conflicts of interest highlights the importance of actual director independence and vigilance on mutual fund boards.

Because trusts are created by state law, trustees of those trusts have duties of loyalty and care. *See, e.g., Smith v. Van Gorkom*, 488 A.2d 858, 873 (Del. 1985) (setting forth the general standard applicable to the duty of care). A corporate director has a conflict of interest “where a corporate decision will have a materially detrimental impact on a director, but not on the corporation and the stockholders. In such circumstances, a director cannot be expected to exercise his or her independent business judgment without being influenced by the adverse personal consequences resulting from the decision.” *Rales v. Blasband*, 634 A.2d 927, 936 (Del. 1993). Also, in certain circumstances, state attorneys general have authority as *parens patriae* to protect their citizens, including from breach of fiduciary duties. *See People v. Merkin*, 907 N.Y.S.2d 439 (Table), 2010 WL 936208, at *9–*10 (N.Y. Sup. Ct. Feb. 8, 2010) (internal quotation marks omitted) (holding that the New York Attorney General had standing as *parens patriae* to bring common law claims—including a breach of fiduciary duty claim—against an asset manager and his investment management company).

⁹ BlackRock Utility and Infrastructure Trust, Prospectus at page 18 (Nov. 23, 2011), available at <https://www.sec.gov/Archives/edgar/data/1528988/000095012311100255/y93113ee497.htm#Y93113113>.

¹⁰ *Id.* at page A-25 (“The Board has overall responsibility for the oversight of the Trust.”).

¹¹ See BlackRock, Certified Shareholder Report of Registered Management Investment Companies at page 120 (July 2, 2012), available at <https://www.sec.gov/Archives/edgar/data/1528988/000119312512292082/d366920dncsrs.htm>

¹² Testimony of Gary Gensler, Hearing before the U.S. House of Representatives Committee on Financial Services, Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, 108th Cong., 1st Sess. (Mar. 12, 2003).

Independence of Mutual Fund Directors and Their Ability to Give Each Fund Sufficient Attention

Our first inquiry to you relates to both potential conflicts of interest for directors of mutual fund boards and also the apparent over-boarding of directors on dozens of BlackRock Mutual Funds.

Inquiry Into Potential Lack of Independence, Given BlackRock's Holdings in Other Public Companies on Which Mutual Fund Directors Serve

We question the practical independence of a director that is also a director of a publicly traded company where the investment adviser owns at least 5% of the shares in that publicly traded company. As will be explained below, such share ownership gives the adviser power over the public company's directors and may limit the independence of the person serving as a mutual fund director for fear of reprisals in their role as a public company board member. This appears to conflict with the overall purpose of the ICA's independent director requirement.

Congress passed the ICA to protect mutual fund shareholders from the potential divergence of interest between the fund and its investment adviser. *Daily Income Fund, Inc. v. Fox*, 464 U.S. 523, 536–38 (1984). The ICA requires that at least 40% of a mutual fund's board are not "interested persons" of the fund. 15 U.S.C. § 80a-10(a). It also requires investment adviser contracts and fees to be reviewed and approved by the unaffiliated board members and/or the shareholders, *id.* at § 80a-15. This responsibility serves an "independent watchdog" function. *See, e.g., In re BlackRock Mut. Funds Advisory Fee Litig.*, 327 F. Supp. 3d 690, 711 (D.N.J. 2018).

An "interested person" in a mutual fund can mean multiple things, one of which is an "interested person" in the fund's investment adviser or principal underwriter. *Id.* at § 80a-2(a)(19)(A)(iii). An "interested person" in the fund's investment adviser includes "any affiliated person of such investment adviser," *id.* at § 80a-2(a)(19)(B)(i), which in turn is defined to include "any person 5 per centum or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by" the investment adviser, as well as any officer, director, or employee of the investment adviser, *id.* at § 80a-2(a)(3)(B), (D). Other examples of when someone is an interested person include being an immediate family member of an affiliated person or serving as legal counsel to the investment adviser. *Id.* § 80a-2(a)(19)(B)(i), (iv). All of these examples in the statute show that Congress intended the ICA to require actual independence by directors.

In addition to these specific categories, the SEC also has the authority to find that someone is an interested person in the investment adviser if the "natural person" has had "a material business or professional relationship with such investment adviser."

Id. at § 80a-2(a)(19)(B)(vii). SEC staff guidance has described these relationships as those that “might tend to impair the independence of [a] director.” Interpretive Matters Concerning Indep. Directors of Inv. Companies, Release No. IC-24083, 64 Fed. Reg. 59877, 59879 (Oct. 14, 1999) (hereinafter “SEC Staff Guidance”) (citation omitted).

Some of the mutual fund directors that serve on funds where BlackRock is the investment adviser also serve on boards of publicly traded companies, receiving (on information and belief) substantial compensation and prestige for those roles. As one example, on May 25, 2023, forty-four BlackRock mutual funds filed their definitive proxy statement for their 2023 annual meeting and identified nine board members/nominees.¹³ **Only 3 of the 9 (less than 40%)** of the directors are not an employee of BlackRock or a director of at least one company/entity where BlackRock owns at least 5% of the shares,¹⁴ making that company/entity an “affiliated person” of BlackRock under 15 U.S.C. § 80a-2(a)(3)(B). Serving as a director of an “affiliated person” raises important questions about independence as a practical matter. We believe this warrants further consideration by you in your role as director of a mutual fund that owes fiduciary duties to its shareholders. In fact, being a director of an affiliate—whose position depends on BlackRock’s votes—is clearly a much closer financial relationship than simply being an immediate relative of an affiliated person of BlackRock. *See* 15 U.S.C. § 80a-2(a)(19)(B)(i).

For example, Cynthia L. Egan and R. Glenn Hubbard are listed as two of the “Independent Board Members/Nominees,” and they each serve as directors of multiple public companies where BlackRock owns more than 5% of the shares.

Ms. Egan serves as the Chair of the Board of Directors and Independent Presiding Director of The Hanover Insurance Group,¹⁵ the Vice Chair of the Board of Directors and Lead Independent Director of the Huntsman Corporation,¹⁶ and a member of the Board of Directors of Unum Group.¹⁷ BlackRock is the second largest shareholder of

¹³ *See* BlackRock Funds’ Proxy Statement, *supra* note 1, at 9.

¹⁴ *See id.* at 9–11.

¹⁵ The Hanover Ins. Grp., 2023 Proxy Statement (DEF 14A), at 9, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0000944695/0ea64993-a9a8-41dd-8f4f-754fd9ec97c0.pdf>.

¹⁶ The Huntsman Corp., 2023 Proxy Statement (DEF 14A), at 14, https://d1lio3yog0oux5.cloudfront.net/7c02939aeabc705d25c793b069d8e290/huntsman/db/800/6904/proxy_statement/0001104659-23-034590.pdf.

¹⁷ *Board of Directors*, Unum Grp., <https://investors.unum.com/governance/board-of-directors/default.aspx#Cynthia-L.-Egan>.

The Hanover Insurance Group, owning 9.3% of its shares.¹⁸ BlackRock is the largest shareholder of the Unum Group, owning 12.5% of its shares.¹⁹ And BlackRock is the second largest shareholder of the Huntsman Corporation, owning 7.2% of its shares.²⁰ Moreover, BlackRock voted for the retention of Ms. Egan as director for each of these public companies.²¹

Professor Hubbard serves as the Chairman of the Board of the Metropolitan Life Insurance Company.²² BlackRock is MetLife's second largest shareholder, owning 7.1% of the company.²³ Professor Hubbard also serves on the Board of Directors of TotalEnergies SE.²⁴ BlackRock appears to be one of the largest shareholders of Total, owning 6.6% of the company.²⁵ And BlackRock voted for the retention of Professor Hubbard as director of MetLife and on the director remuneration policy for Total.²⁶

As noted, serving as a director of an "affiliated person" does not automatically make the director "interested" under the specific per se examples in 15 U.S.C. § 80a-

¹⁸ Hanover Ins. Grp., *supra* note 15, at 6.

¹⁹ Unum Grp., 2023 Proxy Statement (DEF 14A), at 104,

https://s201.q4cdn.com/630564768/files/doc_financials/2023/Unum-Group-2023-Proxy-Statement.pdf.

²⁰ Huntsman Corp., *supra* note 16, at 88.

²¹ This can be confirmed by visiting <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> and searching by company name or ticker for The Hanover Insurance Group (THG), Huntsman Corporation (HUN), and Unum Group (UNM). Based on this searching, BlackRock voted for Ms. Egan as Director for the Hanover Insurance Group at the May 11, 2021 annual meeting; it voted for her as director of Huntsman Corporation at the March 25, 2022 proxy contest involving Starboard, and April 28, 2021 annual meeting; and it voted for her as director of Unum Group at the May 26, 2022, May 27, 2021, and May 28, 2020 annual meetings.

²² MetLife, 2023 Proxy Statement (DEF 14A), at 24,

https://s201.q4cdn.com/280976757/files/doc_financials/2023/ar/2023-Proxy-Statement.pdf.

²³ *Id.* at 122.

²⁴ 2023 Shareholders' Meeting, TotalEnergies, at 11,

https://totalenergies.com/sites/g/files/nytnzq121/files/documents/2023-06/TotalEnergies_2023_Shareholders_Meeting_Presentation.pdf.

²⁵ See *Share ownership structure*, TotalEnergies, <https://totalenergies.com/investors/shares-and-dividends/ownership-structure>.

²⁶ This can be confirmed by visiting <http://vds.issproxy.com/SearchPage.php?CustomerID=10228>, and searching by company name or ticker for Metropolitan Life Insurance (MET) and TotalEnergies SE (TTE). Based on this searching, BlackRock voted for Professor Hubbard as Director for Metropolitan Life Insurance at the June 21, 2022, June 15, 2021, and June 16, 2020 annual meetings; and voted to approve the remuneration policy of directors for TotalEnergies SE at the May 25, 2022 annual/special meeting.

2(a)(19)(B). But it may well establish for each “a material business or professional relationship with such investment adviser.” 15 U.S.C. § 80a-2(a)(19)(B)(vii). The SEC may therefore find that the dual roles of mutual fund director and director of an “affiliated person” of BlackRock create “a material business or professional relationship with [the] investment adviser” resulting in a finding that a director is an “interested person.” See 15 U.S.C. § 80a-2(a)(19)(B)(vii). The SEC Staff Guidance identified a situation where “a fund director who serves as a chief executive officer of any company for which the chief executive officer of the fund’s adviser serves as a director also may be treated as ‘interested.’” SEC Staff Guidance, 64 Fed. Reg. at 59880. The same concerns are present here. BlackRock, for example, “has the power to vote on matters that affect” the director’s “compensation and status” as a director of these other publicly traded companies. This creates the same independence concerns that the SEC found in its Staff Guidance about a hypothetical CEO.

In addition, a corporate director has a conflict of interest “where a corporate decision will have a materially detrimental impact on a director, but not on the corporation and the stockholders. In such circumstances, a director cannot be expected to exercise his or her independent business judgment without being influenced by the adverse personal consequences resulting from the decision.” *Rales*, 634 A.2d at 936 (Del. 1993). Accordingly, the dual role of director of mutual funds and director of public companies that are affiliated persons of the mutual fund’s adviser may present impermissible conflicts-of-interest under state law.

We therefore would like to understand why you believe it is not only lawful but also appropriate to have 6 of 9 directors of Mutual Funds also serve as either an employee of the investment adviser or a director of another company that is an “affiliated person” of the investment adviser. This is particularly true where over the past few years BlackRock has adopted an activist approach that by default applies to all assets under management as it relates to ESG. For example, in 2021, BlackRock CEO Larry Fink stated, “[l]ast year we wrote to you that BlackRock was making sustainability our new standard for investing.”²⁷ Mr. Fink went on to say that BlackRock is “explicitly asking that all companies disclose a business plan aligned with the goal of limiting global warming to well below 2°C, consistent with achieving net zero global greenhouse gas emissions by 2050.”²⁸ Given this activist approach and BlackRock’s extensive reach to every public company, it strains credulity that a director of a mutual fund would not feel pressure against standing up to BlackRock’s ESG agenda—even when it is not in the financial interests of the fund’s shareholders—for fear of risking loss of the directorship in the “affiliated person” for which BlackRock is a greater than 5% shareholder.

²⁷ *Net zero: a fiduciary approach* (2021), BlackRock, <https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter>.

²⁸ *Id.*

Another useful analogy regarding independence in the unique situation of a mutual fund and its investment advisor, when the investment advisor is one of the largest asset managers in the world, is the analysis applied by courts to the position of a special litigation committee. For example, then-Vice Chancellor Strine in *In re Oracle Corp. Derivative Litig.*, found that “[t]he notion that anyone in Palo Alto can accuse Ellison of insider trading without harboring some fear of social awkwardness seems a stretch [This] is merely an acknowledgement of the simple fact that accusing such a significant person in that community of such serious wrongdoing is no small thing.” 824 A.2d 917, 945 (Del. Ch. 2003). Similarly, for an independent director of a mutual fund to exercise sufficient oversight of conflicts of interest presented by BlackRock’s embrace of ESG investing (as discussed more below), there must be true independence, and board members who also serve on boards of publicly traded companies may feel the same type of hesitation, if not outright voting action by one of the world’s most powerful asset managers.

Inquiry into Potential Over-commitment of Directors Who Serve on Dozens of Mutual Fund Boards

We are also trying to understand whether directors of the Mutual Funds have the time to properly carry out their duties when, in addition to all their other commitments, they are serving on *dozens* of BlackRock Mutual Fund boards. This is evident from multiple sources, including the definitive proxy statement filed for 44 BlackRock-affiliated mutual funds on May 23, 2023.²⁹

Service on 44 or more boards ironically is far in excess of BlackRock’s own ESG policy, which states that it will consider voting against a director who serves on more than *four* public boards. According to BlackRock: “Where a director serves on an excessive number of boards, [this] may limit their capacity to focus on each board’s needs,” and BlackRock “may vote against that individual.”³⁰ BlackRock considers a director to be overcommitted if they are a public company executive and serve on more than one other public company board than the company for which they are an executive. BlackRock also considers a director to be overcommitted if they are not a public company executive and serve on more than three other public company boards.

We question how BlackRock can, on the one hand, claim that service on four boards is an overcommitment, and at the same time, sanction the directors of its own mutual

²⁹ See BlackRock Funds’ Proxy Statement, *supra* note 1, at 9.

³⁰ See BlackRock, BlackRock Investment Stewardship (2023), at 5,

<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf>.

funds to serve on dozens of boards in addition to their other commitments. We are also trying to better understand how you, as directors, can agree to such a structure if you subscribe to BlackRock Investment Stewardship's principles as accurately reflecting sound corporate governance. Serving on this many different boards also results in compensation totaling \$400,000–\$500,000 or more for many of the directors, and we would like to understand your position about how that compensation interacts with board independence undergirding the ICA and state law, as this amount appears to make your compensation similar to that of many high-paid, full-time employees.³¹

Whether Mutual Fund Directors Are Being Provided All Material Information Related to Conflicts-of-Interest and Benefits by BlackRock Serving as Investment Adviser

Our second main area of inquiry relates to whether BlackRock is providing you, as directors, all material information regarding potential conflicts of interest, particularly information regarding BlackRock and its CEO Larry Fink's commitments to use Mutual Fund assets for non-financial purposes and also to divest actively managed funds from coal assets. Related to this, we would like to better understand whether you, as directors, are considering all benefits to BlackRock from its role as investment adviser to the various mutual funds and properly investigating these issues as part of making your decision to continue BlackRock as the investment adviser for the Mutual Funds. Our understanding is that you have power to prevent continuance of the investment management agreement, or even to terminate the agreement.³² Therefore, these are issues that you can and must consider, and we would like to understand what steps you have taken to do so.

As discussed above, directors of trusts are governed by state law duties. Under the duty of loyalty, one of the responsibilities of directors includes “to exercise oversight’ and to monitor the corporation’s operational viability, legal compliance, and financial performance.” *Marchand v. Barnhill*, 212 A.3d 805, 809 (Del. 2019) (discussing *Caremark* claims). This requires that “a board make a good faith effort to put in place a reasonable system of monitoring and reporting about the corporation’s central compliance risks.” *Id.* at 824. Here, one of the central compliance risks of a trust such as the Mutual Funds is that the investment advisor it appoints carries out its duties to manage funds properly. We would like to understand what processes you have in place as the directors of the mutual funds to ensure against conflicts of interest by your investment adviser. How did you change or modify your processes when Mr.

³¹ BlackRock Funds’ Proxy Statement at B-2.

³² See, e.g., BlackRock Utility and Infrastructure Trust, *Prospectus* at page A-18 (Nov. 23, 2011), available at <https://www.sec.gov/Archives/edgar/data/1528988/000095012311100255/y93113see497.htm#Y93113113>.

Fink announcing to CEOs in 2020 that he “believe[s] we are on the edge of a fundamental reshaping of finance.”³³

The board of directors of a mutual fund must also engage under the ICA in a review process regarding the adviser’s compensation and continuation as the adviser for compensation. A board’s review is deficient where “an investment adviser fails to disclose material information to the board,” or where the board fails to consider the “relevant factors.” *Jones v. Harris Assocs. L.P.*, 559 U.S. 335, 351–52 (2010). Importantly, the adviser must make “**full disclosure** . . . in every area where there was even a possible conflict of interest.” *Tannenbaum v. Zeller*, 552 F.2d 402, 418 (2d Cir. 1977).³⁴ When this issue arises in the context of investment adviser compensation, courts (as well as the SEC) generally look to certain factors. *See Jones*, 559 U.S. at 344–45 (citing *Gartenberg v. Merrill Lynch Asset Mgmt., Inc.*, 694 F.2d 923, 929–32 (2d Cir. 1982)). The *Gartenberg* court held that a board should consider (1) “the adviser-manager’s cost in providing the service,” (2) “the nature and quality of the service,” (3) “the extent to which the adviser-manager realizes economies of scale as the fund grows larger,” (4) “the volume of orders which must be processed by the manager,” (5) the adviser’s profitability, (6) “fall-out” benefits the adviser realizes from managing the fund,³⁵ and (7) the fee structure compared to other funds. *Jones*, 559 U.S. at 344 & 344 n.5 (citing *Gartenberg*, 694 F.2d at 929–32). Reviewing courts may also consider “the expertise of the independent trustees . . . and the extent of care and conscientiousness with which they perform their duties.” *Gartenberg*, 694 F.2d at 930.³⁶

We have fundamental questions about the information BlackRock has disclosed to you, what you have considered, and any follow-up inquiry you have made. *First*, we would like to understand whether BlackRock felt pressure that some of its larger institutional clients wanted it to join activist organizations, and whether BlackRock undertook sufficient analysis to conclude that joining these activist organizations

³³ Larry Fink, 2020 Letter to CEOs, available at <https://www.blackrock.com/us/individual/larry-fink-ceo-letter>.

³⁴ The ICA imposes a fiduciary duty on investment advisers. 15 U.S.C. § 80a-35. Specifically, for purposes of the ICA, “the investment adviser of a registered investment company shall be deemed to have a fiduciary duty with respect to the receipt of compensation for services, or of payments of a material nature.” 15 U.S.C. § 80a-35(b). An adviser violates this fiduciary duty if it “charge[s] a fee that is so disproportionately large that it bears no reasonable relationship to the services rendered and could not have been the product of arm’s length bargaining.” *Jones*, 559 U.S. at 345–46 (citing *Gartenberg*, 694 F.2d at 928).

³⁵ *Kasilag v. Hartford Inv. Fin. Servs., LLC*, 2016 WL 1394347, at *17 (D.N.J. Apr. 7, 2016) (“Fall-out benefits are those which accrue to the mutual fund adviser as a result of its work on behalf of the mutual fund.”).

³⁶ The SEC requires funds to disclose similar information in communicating with shareholders. 17 C.F.R. §§ 239.15A, 240.14a-101, 274.11.

would help, harm, or be neutral toward other clients, such as the retail investors in the Mutual Funds for which you are directors. We also would like to better understand what disclosure you received from BlackRock and investigation you undertook on this issue, and whether BlackRock has any other potential conflicts because of its relationship with domestic or foreign pension-funds that pursue non-financial objectives.

In particular, BlackRock has previously admitted that “[c]lients representing more than \$3.3 trillion in assets entrusted to BlackRock have made net zero commitments as their own investment objective.”³⁷ It has also been reported that in 2020, BlackRock came under mounting pressure from certain activists to adopt ESG policies.³⁸ By aligning its investment practices with the climate commitments and ESG preferences of some of its biggest institutional investors, BlackRock stood to maintain (and expand) its control of trillions of dollars of assets under management. By contrast, BlackRock has many retail-investor clients who have no interest in ESG investing and who simply want the best financial return on their investments.³⁹ But these retail investors apparently do not carry nearly the same influence or leverage as the large institutional clients that favor ESG. Accordingly, BlackRock may have an incentive to implement the ESG practices favored by its large institutional investors, even if that means acting against the interests and preferences of BlackRock’s many retail investors. This appears to present a conflict-of-interest and also fall-out benefits to BlackRock. We would like to understand what was disclosed to you and what analysis you undertook in your role as directors of BlackRock Mutual Funds.

³⁷ *BlackRock Supports Consistent Climate-Related Disclosures; Urges Global Coordination*, available at <https://corpgov.law.harvard.edu/2022/08/17/blackrock-supports-consistent-climate-related-disclosures-urges-global-coordination/#:~:text=Clients%20representing%20more%20than%20%243.3,to%20inform%20their%20investment%20decisions>.

³⁸ Sinead Cruise et al., *BlackRock vows tougher stance on climate after activist heat*, Reuters (Jan. 14, 2022), available at <https://www.reuters.com/article/us-blackrock-fink/blackrock-vows-tougher-stance-on-climate-after-activist-heat-idUSKBN1ZD12B>

³⁹ See, e.g., *Consumers’ Research Comment on SEC’s Proposed Rule on Climate Disclosures*, <https://www.sec.gov/comments/s7-10-22/s71022-20132345-302910.pdf> (discussing a recent survey in which “[m]ore than half of retail investors ranked ESG as the least important factor when making decisions about their investments,” and in which “70% of retail investors indicate[d] that the primary use of their investment income is to save for retirement or supplement their income, as opposed to the 3% who are seeking to drive sustainability and the 2% seeking to drive social change”); *The Proposed SEC Climate Disclosure Rule: A Comment from Twenty-Two Professors of Law and Finance*, <https://corpgov.law.harvard.edu/2022/07/06/the-proposed-sec-climate-disclosure-rule-a-comment-from-twenty-two-professors-of-law-and-finance/> (noting that a “recent survey of individual investors co-sponsored by FINRA indicates that most do not share the institutional enthusiasm for ‘ESG investing’ and that “many are unfamiliar with it”).

Second, we are inquiring into your actions as Mutual Fund directors related to BlackRock’s public commitments to use client assets for the purpose of advancing ESG goals rather than for the sole purpose of maximizing shareholder value. For example, as a signatory of Climate Action 100+, BlackRock vowed to pressure companies to “[t]ake action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement’s goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.”⁴⁰ Similarly, as a signatory of the Net Zero Asset Managers (NZAM) initiative, BlackRock expressly committed to “[i]mplement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with [its] ambition for *all assets under management* to achieve net zero emissions by 2050 or sooner.”⁴¹ NZAM is clear that, “[t]he commitment also ensures that several important actions – such as stewardship and policy advocacy – are comprehensively implemented,” in other words it is non-waivable.⁴² BlackRock appears to acknowledge that its net-zero commitments are “constrained” by its “legal duties to clients.”⁴³ Yet, rather than promise to uphold those duties, BlackRock apparently promises to “overcome” them.⁴⁴ BlackRock’s ESG commitments thus raise questions regarding conflict of interest and BlackRock’s duty to act exclusively for the financial benefit of its shareholders. Because BlackRock’s commitments extend to “all assets under management,” they clearly implicate BlackRock’s management of the Mutual Funds for which you are a director.

Third, despite its climate commitments to the contrary, BlackRock repeatedly states that it does not invest all assets sustainably. For instance, many BlackRock funds contain express disclaimers averring that “[t]his fund does not seek to follow a sustainable, impact or ESG investment strategy,” and that “there is no indication that a sustainable, impact or ESG investment strategy will be adopted by the fund.”⁴⁵ These disavowals of “sustainable” investing are inconsistent with BlackRock’s public

⁴⁰ <https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf>. BlackRock is also a member of the Glasgow Financial Alliance for Net Zero, which is the “world’s largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions.” <https://www.gfanzero.com/about/>.

⁴¹ <https://www.netzeroassetmanagers.org/commitment/> (emphasis added).

⁴² See NZAM, FAQ, available at <https://www.netzeroassetmanagers.org/faq/>

⁴³ *Id.*

⁴⁴ *Id.*; see also <https://www.netzeroassetmanagers.org/faq/> (noting that NZAM “provides a forum to . . . overcome barriers to aligning investments to th[e] net zero goal”).

⁴⁵ See, e.g., BlackRock Utilities, Infrastructure, & Power Opportunities Trust, <https://www.blackrock.com/us/individual/products/240173/blackrock-utility-and-infrastructure-trust-fund> (emphasis omitted); Enhanced Equity Dividend Trust, <https://www.blackrock.com/us/individual/products/240225/blackrock-enhanced-equity-dividend-trust-usd-fund> (emphasis omitted).

commitments to use “all assets under management” to achieve net zero, and to make “sustainability” its “new standard for investing.”⁴⁶ We would like to understand what if anything you did to investigate and evaluate whether these and other conflicting representations about BlackRock’s use of client funds to advance ESG-related policy goals had the tendency and capacity to mislead retail investors or presented other issues related to BlackRock remaining as the Mutual Funds’ investment adviser.

Fourth, we would like to understand whether BlackRock disclosed to you all material information related to pledges to divest from coal, and any steps you took to review if BlackRock’s ESG commitments may have cost any Mutual Funds returns. To take just one example, in 2020 BlackRock CEO Larry Fink “pledged that the company’s actively managed funds would divest from any company that makes more than 25% of its revenue from thermal coal.”⁴⁷ BlackRock’s decision to divest from coal was apparently based on activist concerns rather than maximizing shareholder value, since it is beyond question that coal investments have been extremely profitable from a purely financial perspective. Indeed, the 7 largest coal companies in the United States have averaged a share price increase of 981% since July 2020.⁴⁸ You are the directors of certain funds that are actively managed by BlackRock, including the BlackRock Enhanced Equity Dividend Trust; the BlackRock Utilities, Infrastructure & Power Opportunities Trust; and others.⁴⁹ BlackRock’s activist commitment to divest from coal may have adversely affected these funds and others like them. At the very least, BlackRock’s failure to *increase* its investments in coal may have caused these funds to forgo substantial growth. We seek to understand whether BlackRock disclosed material information and whether you analyzed that information.

Finally, we are seeking to better understand what investigation you have undertaken related to potential conflicts of interest arising from BlackRock’s promotion of its

⁴⁶ See <https://www.netzeroassetmanagers.org/commitment/>; <https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter>.

⁴⁷ <https://www.cnn.com/2020/01/15/one-of-blackrocks-biggest-critics-on-larry-finks-climate-letter.html>

⁴⁸ A list of the largest coal companies by market cap is available here: <https://companiesmarketcap.com/coal-mining/largest-companies-by-market-cap/>. The share prices for each of the seven largest companies can be found by going to the price history tab for each company’s website: <https://companiesmarketcap.com/peabody-energy/marketcap/>; <https://companiesmarketcap.com/alliance-resource-partners/marketcap/>; <https://companiesmarketcap.com/arch-resources/marketcap/>; <https://companiesmarketcap.com/consol-energy/marketcap/>; <https://companiesmarketcap.com/alpha-metallurgical-resources/marketcap/>; <https://companiesmarketcap.com/warrior-met-coal/marketcap/>; <https://companiesmarketcap.com/hallador-energy-company/marketcap/>.

⁴⁹ See <https://www.blackrock.com/us/individual/products/240173/blackrock-utility-and-infrastructure-trust-fund>; <https://www.blackrock.com/us/individual/products/240225/blackrock-enhanced-equity-dividend-trust-usd-fund>.

higher-priced ESG products. Investment managers tend to charge significantly more for ESG-themed funds (or other ESG-specific investments) than for standard exchange-traded funds that are not overtly focused on ESG.⁵⁰ As a result of this price discrepancy, BlackRock may have an incentive to advance the activist goals of its more expensive ESG funds over the strictly financial goals of its less lucrative non-ESG funds. Moreover, by touting its ESG strategy across all assets under management—which includes non-ESG funds—BlackRock may receive significant “fall-out” benefits, such as increased popularity with investors that favor more expansive ESG investment practices. Once again, this presents a potentially serious conflict of interest. We believe that facts on these topics should be disclosed by BlackRock and considered by the boards of the relevant mutual funds when determining if BlackRock’s fee is reasonable and whether to continue retaining BlackRock as a mutual fund’s investment adviser. We would like to understand what actions, if any, you took with respect to this issue.

* * *

In addition to responding to the concerns raised in this letter, we also request that you provide a written response that includes answers to the following questions. We will review these answers to assist us in determining the future course of our actions. We would ask that you provide a detailed response to the above three topics by August 7, 2023.

1. What percentage of your annual income comes from serving as a director of the boards of BlackRock Mutual Funds? Related to this, what percentage of your professional time do you presently devote to serving on the boards of these mutual funds?
2. If you are a director of a public company in which BlackRock owns more than 5% of the shares, please describe your interactions with BlackRock in your role at these other companies, including whether BlackRock Investment Stewardship has had any engagement with you and specifically what issues they have brought up in those engagements?
3. What has BlackRock disclosed to you regarding any potential conflict of interest stemming from the ESG preferences of its large institutional investors? What systems have you established, information have you considered, and actions have you taken to ensure that BlackRock is not favoring the ESG preferences of these investors at the expense of its smaller retail investors who do not support ESG investing and who simply want the best return on their investments?

⁵⁰ See <https://www.wsj.com/articles/tidal-wave-of-esg-funds-brings-profit-to-wall-street-11615887004>.

4. Has BlackRock disclosed to you what it is doing to overcome the “constraints” that hinder its ability to advance its NZAM climate commitment? What have you done to ensure that BlackRock’s ESG commitments (such as its NZAM and CA100+ commitments) are not adversely affecting assets belonging to the many clients who do not support those commitments and who simply want the best return on their investments?
5. In light of BlackRock’s statements regarding the use of client funds to advance the ESG agenda, have you considered whether BlackRock should be your funds’ investment adviser moving forward? What actions have you taken to warn investors about these potential misrepresentations?
6. Did BlackRock disclose to you its 2020 pledge to divest from coal and all other material information regarding its coal policies and actions? Did you analyze this pledge’s financial implications on your respective funds? To the best of your knowledge, has there been any analysis and has anyone been held accountable for the substantial loss of profits that may have resulted from the decision to divest from coal, or at least to refrain from increasing investments in coal? Were these decisions disclosed to the many investors who have placed their money into your funds for the sole purpose of maximizing their financial returns?
7. In assessing the compensation that you pay BlackRock for its advisory services, have you considered the value that BlackRock receives, including fall-out benefits in addition to direct financial benefits, from promoting its use of all assets under management to achieve ESG policy goals such as net zero? Have you investigated the financial impact that these practices have on BlackRock’s non-ESG funds?

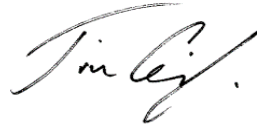
Sincerely,

A handwritten signature in blue ink, appearing to read "Austin Knudsen".

AUSTIN KNUDSEN
Attorney General of Montana



Steve Marshall
ATTORNEY GENERAL OF ALABAMA



Tim Griffin
ATTORNEY GENERAL OF ARKANSAS



Christopher M. Carr
ATTORNEY GENERAL OF GEORGIA



Brenna Bird
ATTORNEY GENERAL OF IOWA



Theodore E. Rokita
ATTORNEY GENERAL OF INDIANA



Kris Kobach
ATTORNEY GENERAL OF KANSAS



Jeff Landry
ATTORNEY GENERAL OF LOUISIANA



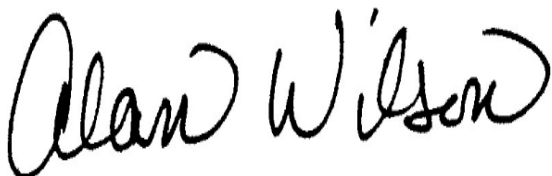
Andrew Bailey
ATTORNEY GENERAL OF MISSOURI



Lynn Fitch
ATTORNEY GENERAL OF MISSISSIPPI



JOHN M. FORMELLA
ATTORNEY GENERAL TO NEW HAMPSHIRE



Alan Wilson
ATTORNEY GENERAL OF SOUTH CAROLINA



Marty Jackley
ATTORNEY GENERAL OF SOUTH DAKOTA



Sean Reyes
ATTORNEY GENERAL OF UTAH



Jason Miyares
ATTORNEY GENERAL OF VIRGINIA

Exhibit B

ATTORNEY GENERAL'S OFFICE
HELENA, MONTANA

AUG 15 2023

SCANNED

RECEIVED

AUG 14 2023

ATTORNEY GENERAL'S OFFICE
HELENA, MONTANA

August 7, 2023

Attorneys General of the States
Listed as Signatories of the July 6, 2023 Letter
c/o The Honorable Austin Knudsen
Montana Attorney General
215 North Sanders St.
P.O. Box 201401
Helena, MT 59620-1401

Re: Attorneys General Letter, dated July 6, 2023

Dear Attorneys General:

We write on behalf of two directors, Robert Fairbairn and John M. Perlowski (the "Interested Directors"), in response to your letter dated July 6, 2023 (the "Letter") to the members of the boards of directors/trustees of the registered investment companies advised by certain affiliates of BlackRock, Inc. (collectively, "BlackRock") that comprise the BlackRock Fixed Income Complex (the "Board").

As you may know, the Interested Directors are senior executives employed by BlackRock, the investment adviser to the BlackRock funds identified in the Letter (the "Funds"). Because of their affiliation with BlackRock, the Interested Directors—who comprise two members of the ten-member Board—are "interested persons" under the Investment Company Act of 1940 (the "1940 Act"). Accordingly, we do not believe your inquiries regarding independence are directed to them, and we respectfully refer you to the letter being delivered to you by the independent counsel to the directors of the Funds who are not "interested persons" of the Funds under the 1940 Act (the "Independent Directors").

Even though they are affiliated with BlackRock, the Interested Directors are very much aware of their fiduciary duties to the Funds and their shareholders, including duties to act with due care, in good faith, and in the Funds' best interests. The Interested Directors are keenly focused on and have complied with those duties by, among other things, providing prudent oversight of the Funds as the Funds seek to achieve their stated investment objectives consistent with the investment strategies disclosed in the Funds' prospectuses.

The Letter also inquired about certain potential conflicts of interest between the Funds and BlackRock. From our perspective, the Independent Directors are effective and zealous advocates for the interests of

August 7, 2023

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shareholders, including with respect to the oversight of the relationship between the Funds and BlackRock. The Interested Directors confirm that the Independent Directors continue to provide robust and active oversight of the Funds to identify and address any conflicts that may arise.

As to Environmental, Social and Governance (“ESG”) matters, the Interested Directors would like to underscore that BlackRock has been open and transparent with the Independent Directors regarding its approach to ESG matters. BlackRock has provided full disclosure—both to the Independent Directors and to shareholders—of relevant information regarding its involvement with environmental organizations and other corporate commitments, and BlackRock’s policies regarding ESG investing and stewardship are publicly available on its website. As you acknowledge in the Letter, BlackRock has repeatedly and expressly advised that any such corporate commitments do not affect the management of the Funds, which are managed consistent with the specific investment objectives and strategies set forth in each Fund’s prospectus. Indeed, the Independent Directors regularly request, receive and review information from BlackRock in order to assure themselves that the Funds are being managed in this manner. Moreover, the Interested Directors serve as a liaison between the Independent Directors and BlackRock’s most senior management and are well positioned to facilitate responses to inquiries from the Independent Directors.

The Interested Directors understand that the money invested in the Funds belongs to millions of hardworking retail and other investors who have chosen investment products from BlackRock’s broad array of offerings. The Interested Directors are committed to helping those investors achieve their investment objectives, build savings, and invest in the capital markets through the Funds. The Interested Directors believe that they have acted consistently with their fiduciary duties at all times, and they will continue to do so.

Very truly yours,

/s/ Tariq Mundiya

Tariq Mundiya