THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

September 21, 2022

Laurence D. Fink
Chief Executive Officer
BlackRock Inc.
55 East 52nd Street
New York, NY 10055

Re: BlackRock Inc.'s Commitment to Net Zero Emissions

Dear Mr. Fink,

I am writing to you in my capacity as the Comptroller of the City of New York to express my growing concern that BlackRock is backtracking on its climate commitments, to the detriment of its portfolio, New York City's pension funds, and our planet. In particular, BlackRock's current approach to investment and corporate engagement is at odds with its stated commitment to net zero emissions.

As the New York City Comptroller, I am a trustee, the custodian, and the delegated investment advisor to the New York City Retirement Systems. BlackRock is the largest asset manager for the New York City Employees' Retirement System, Teachers' Retirement System of New York City, and the Board of Education Retirement System (together, the "three NYC Funds"), managing approximately $43 billion (about 25%) of their investments.[1] The three NYC Funds rely on BlackRock to help guarantee retirement security for 700,000 New York City retirees and current employees for the long term.

We both recognize that examining, evaluating, and accounting for the systemic investment risk presented by climate change is part of an investment manager's fiduciary duty. As prudent investors considering that systemic risk, the three NYC Funds have already taken significant steps, including divesting from fossil fuel reserve owners, supporting more robust climate disclosures and voting in favor of shareholder resolutions that seek to end loans for new fossil fuel supply projects. The three NYC Funds have made a commitment to achieve net zero portfolios by 2040, and my office is currently working on the implementation plan to achieve that commitment.

[1] As of August 31, 2022

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We cannot achieve that goal without the active alignment of our asset managers, beginning with BlackRock, as our largest manager.

The Attorneys General from Arizona, Nebraska, Kentucky, and 16 other states who wrote to BlackRock on August 4, 2022, are waging a war of political distraction in the hopes of protecting the fossil fuel interests that have captured their states. We recognize the absurdity of Texas Comptroller Hegar's recent directive to boycott BlackRock, which caters to short-sighted oil and gas interests, irresponsibly jeopardizes the returns of Texas pension funds, and potentially raises costs for Texas taxpayers. But political theater cannot and must not guide fiduciary actions.

For fiduciaries of pension funds with long-term retirement obligations, the existential threat of climate change to the global economy is a systemic risk we cannot ignore. In its response to the 19 attorneys general on September 6, 2022, BlackRock recognizes this, expressing how "disturbed" it is by the emerging trend to politicize investment decisions, which jeopardizes pensioners' financial returns.[2]

We couldn't agree more. This is not a matter of politics or whatever ideologues have termed "wokeness"—it is a matter of science and economics. If we do not find a way to dramatically reduce carbon emissions in alignment with the Paris Agreement, the harm will not only be measured in lives lost and people displaced; it will also be measured in trillions of dollars lost in our collective portfolios.

BlackRock has repeatedly and rightly recognized climate change as an investment risk. In your 2020 letter to CEOs, you name climate change as a "defining factor in companies' long-term prospects," and declared your "investment conviction that sustainability- and climate-integrated portfolios can provide better risk-adjusted returns to investors."[3] Your 2021 letter to CEOs committed to "supporting the goal of net zero greenhouse gas emissions by 2050 or sooner"—in line with BlackRock's pledge as a signatory to the Net Zero Asset Managers Initiative (NZAMI)—and asked businesses to disclose how they are integrating their own net zero plans into their long-term business strategies.[4]

Unfortunately, despite these repeated proclamations, in its September 6 response to the attorneys general, BlackRock now abdicates responsibility for driving net zero alignment in its own portfolio by saying that it does not ask companies to set specific emissions targets, and that its participation in NZAMI does not mean BlackRock is setting or meeting any net zero targets.[5] BlackRock even goes so far as to tout its continued investment in fossil fuels—without specific net zero targets or commitments or any plan for a phased transition away from the very investments that increase carbon emissions—as somehow a necessary part of a transition to a green economy.[6] A net zero goal that is not backed by a firm commitment to follow through is at

[2] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.
[3] Fink, Larry. (2020). *Larry Fink's 2020 Letter to CEOs: A Fundamental Reshaping of Finance*. BlackRock. https://www.blackrock.com/corporate/investor-relations/2020-larry-fink-ceo-letter
[4] Fink, Larry. (2021). *Larry Fink's 2021 Letter to CEOs*. BlackRock. https://www.blackrock.com/us/individual/2021-larry-fink-ceo-letter
[5] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.
[6] BlackRock. (February 2020). *Climate risk and the global energy transition*. https://www.blackrock.com/corporate/literature/publication/blk-commentary-climate-risk-and-energy-transition.pdf

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odds with the path our economy must take to limit global temperature rise below 1.5°, or even 2.0°C.

The fundamental contradiction between BlackRock's statements and actions is alarming. BlackRock cannot simultaneously declare that climate risk is a systemic financial risk *and* argue that BlackRock has no role in mitigating the risks that climate change poses to its investments by supporting decarbonization in the real economy. As a fiduciary cognizant of the risks of inaction, BlackRock must demonstrate a plan to use its position as the world's largest asset manager, with all the corporate governance responsibilities that go along with that position, to move its portfolio companies to get their businesses in line with a net zero economy.

Our Commitment to Net Zero

The three NYC Funds have already taken significant steps to confront the climate crisis head on. We have divested from companies that own fossil fuel reserves that threaten our global climate. We are prudently investing in companies that are leading the way toward a just transition to a low-carbon economy. In fact, we have surpassed our initial goal of doubling our investments in climate solutions, with $5.5 billion[7] from the three NYC Funds' portfolios invested in renewable energy, energy efficiency, pollution prevention, and other sustainable technologies and resilient infrastructure. We are also playing an active role as shareholders to advocate for high greenhouse gas-emitting companies in our portfolio to substantially reduce their carbon footprints, end the financing of new fossil fuel supply projects, and disclose climate-related political lobbying.

As a proud signatory to the Paris-Aligned Investment Initiative[8] (PAII), my office has committed to working with the three NYC Funds to achieve a Paris-aligned net zero portfolio by 2040. We are following through on that commitment with a net zero implementation plan that details how we intend to achieve our targets, and the metrics we will use to hold ourselves accountable to our goals. This plan will:

- assess all of the publicly traded assets in the three NYC Funds' portfolio for Scopes 1, 2, and 3 emissions;
- set benchmarks with specific dates to reduce our net emissions, identify concrete steps to achieve those targets, and report on them regularly;
- identify strategies to dramatically increase prudent investments in climate solutions;
- lead and join shareholder engagement and action with high-emitting companies in our portfolio to ensure that they reduce their carbon footprint, including at banks and insurance companies, with the goal that they cease lending to and insuring new fossil fuel supply projects; and
- call for science-based targets with regular reporting from high-emitting companies in our portfolio, and from all our asset managers.

I believe these elements are necessary for any genuine net zero commitment plan that will ensure the sustainability of investments and the planet. As the world's largest asset manager, BlackRock

[7] As of December 31, 2021
[8] Ceres. (n.d.). *Paris Aligned Investment Initiative*. https://www.ceres.org/climate/paris-aligned-investment-initiative

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has the world's largest responsibility to promulgate a net zero commitment plan that measures up to them.

Our Ask to BlackRock

The three NYC Funds cannot reach our net zero goals without the active support of all of our asset managers, starting with BlackRock, as our largest manager. Our net zero plan puts forward ambitious actions for us to take as investors to reach science-based emission reduction targets, and we need BlackRock to do the same.

I therefore ask BlackRock to address the contradictions between your climate commitments and your investment actions by taking the following steps:

1. **Publish an implementation plan that makes clear BlackRock's commitment to achieving net zero across its entire portfolio, with concrete steps that detail how it intends to reach science-based targets on a specific timeframe, and clear mechanisms to regularly report on Scopes 1, 2, and 3 emissions for all assets in BlackRock's portfolio.**

   BlackRock has carefully crafted its so-called net zero commitment so nebulously that it alludes to having a 2050 portfolio-wide net zero goal, but maintains that it does not include any obligation to set or attain net zero targets.[9]

   BlackRock has, to date, provided little detail on how it will reach its net zero target. BlackRock's Net Zero statement "anticipates" that 75% of its assets will be invested in corporate and sovereign issuers with science-based targets or equivalent by 2030.[10] Yet, 10% of BlackRock's assets alone are responsible for 85% of its portfolio emissions.[11] If these highest-emitting 10% are not in the 75% with science-based targets by 2030, as your commitment would currently allow, that commitment is not worth the paper it's written on.

   BlackRock has adopted a Science-Based Target Initiative (SBTi) framework, which calls on financial institutions to achieve science-based targets for 100% portfolio coverage by 2040.[12] However, BlackRock not only strategically omits part of its portfolio from its net zero target, potentially letting its highest emitters off the hook, but also relies on mere anticipation that the rest of its holdings will somehow become net zero-aligned without needing to take actions to reach that target. This begs the question: how will BlackRock hold its highest emitters accountable?

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[9] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.
[10] BlackRock. (n.d.). *BlackRock's 2030 net zero statement*. Sustainability at BlackRock. https://www.blackrock.com/corporate/about-us/our-2021-sustainability-update/2030-net-zero-statement
[11] Universal Owner. (November 2021). *Missing the Target: Why Asset Managers Have Not Committed to Net Zero*. https://aae3a3a4-223a-4abf-a8f5-690b8f339311.filesusr.com/ugd/4e1fd6_e306644e021745128931429971a2fc09.pdf
[12] BlackRock. (2021). *2021 TCFD report: BlackRock's climate-related disclosures*. https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2021-blkinc.pdf

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BlackRock's net zero goal will not magically materialize. BlackRock must articulate the timeline and steps it will take to reach net zero, with science-based targets and regular reporting for *all* assets in its portfolio, and verified by an independent validator.

This reporting should include Scope 1, 2, *and* 3 emissions. While there is an appropriate debate about whether the SEC has the legal authority to compel reporting on Scope 3 emissions, and while there is work to be done to make Scope 3 emissions reporting more accurate (work that BlackRock could substantially contribute to), there is nothing to prevent BlackRock from estimating or insisting on Scope 3 reporting from portfolio companies. And there is no debate about this: Scope 3 emissions, including from some of the largest financial and insurance companies in BlackRock's portfolio, are responsible for an enormous impact on the climate. According to CDP analysis, the Scope 3 emissions associated with financial institutions' investing, lending, and underwriting activities are, on average, *more than 700 times higher* than their direct emissions.[13]

We are eager to see a net zero implementation plan from BlackRock that addresses emissions, including Scope 3, across its entire portfolio and demonstrates BlackRock's commitment to demand net zero-aligned plans or science-based targets from all its assets under management, as is needed to meet BlackRock's own commitments.

2. **Provide a detailed approach to keeping fossil fuel reserves in the ground and phasing out high-emitting assets.**

BlackRock, like many in the financial sector, has touted investments in climate solutions as the silver bullet for achieving net zero. Indeed, the outpouring of investments[14] in climate solutions has dramatically reduced the cost of renewable energy in a matter of decades.[15] We are enthusiastic participants in these efforts, and are especially optimistic about their expansion in light of passage of the Inflation Reduction Act, which will provide substantial new subsidies and incentives for a wide array of renewable energy, clean technology, and other climate solutions.

However, climate solutions alone will not be enough to keep the Earth's temperature below 1.5°C, or even 2°C, in the time we have left to prevent catastrophic damage to the planet. We have less than 30 years—until 2050—to achieve net zero emissions according to global scientific consensus.[16] The International Energy Agency unequivocally states that achieving

[13] CDP. (2020). *The Time to Green Finance.* https://cdn.cdp.net/cdp-production/cms/reports/documents/000/005/741/original/CDP-Financial-Services-Disclosure-Report-2020.pdf?1619537981

[14] BloombergNEF. (January 16, 2020). *Late Surge in Offshore Wind Financings Helps 2019 Renewables Investment to Overtake 2018*. https://about.bnef.com/blog/late-surge-in-offshore-wind-financings-helps-2019-renewables-investment-to-overtake-2018/

[15] Marcacci, Silvio. (January 21, 2020). *Renewable Energy Prices Hit Record Lows: How Can Utilities Benefit from Unstoppable Solar and Wind?* Forbes. https://www.forbes.com/sites/energyinnovation/2020/01/21/renewable-energy-prices-hit-record-lows-how-can-utilities-benefit-from-unstoppable-solar-and-wind/?sh=4c062ee2c84e

[16] Rogelj, J., D. et al. (2018). *Mitigation Pathways Compatible with 1.5°C in the Context of Sustainable*

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global net zero emissions by 2050 requires stopping "investment in new fossil fuel supply projects," while rapidly curtailing the current use of coal, oil, and gas.[17]

Investments in new coal, oil, and gas projects are simply incompatible with achieving net zero. Yet, although BlackRock co-led a Glasgow Financial Alliance for Net Zero (GFANZ) working group on managing the phaseout of high-emitting assets,[18] BlackRock has not provided a plan to do so for its own portfolio. Instead, as eight of the largest oil and gas companies undertake 200 new projects in the next three years,[19] BlackRock proclaims that continued investment in fossil fuels is "required to maintain a reliable, affordable supply of fossil fuels during the transition."[20]

Keeping fossil fuels in the ground is not just essential to reaching science-based global emissions reductions, it is also consistent with fiduciary duty. BlackRock recognizes that "investors and companies that take a forward-looking position with respect to climate risk…will generate better long-term financial outcomes."[21]

However, BlackRock then absolves itself of any role that its investments play in propping up the fossil fuel industry, claiming that it has no role in "engineering a specific outcome in the real economy."[22] Whether BlackRock (or the attorneys general) like it or not, BlackRock is not a neutral spectator. As the largest asset manager with trillions of dollars of assets under management, its continued investments in fossil fuels impede global decarbonization efforts. BlackRock must commit to concrete steps for phasing out high-emitting assets and ending support for new fossil fuel supply projects.

3. **Support climate action through transparent corporate engagement that requires disclosure of climate-related lobbying, works to end lending and insurance for new fossil fuel supply projects, and pushes for science-based targets at portfolio companies.**

People pay attention when the world's largest asset management company acts. BlackRock's annual communications to shareholders and portfolio companies play an important role in influencing global financial decisions. BlackRock has a meaningful track

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Development. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf

[17] International Energy Agency. (2021). *Net Zero by 2050*. https://www.iea.org/reports/net-zero-by-2050

[18] Glasgow Financial Alliance for Net Zero. (June 2022). *The Managed Phaseout of High-emitting Assets*. https://assets.bbhub.io/company/sites/63/2022/06/GFANZ_-Managed-Phaseout-of-High-emitting-Assets_June2022.pdf

[19] Oil Change International. (May 2022). *Big Oil Reality Check: Updated Assessment of Oil and Gas Company Climate Plans*. https://priceofoil.org/content/uploads/2022/05/big_oil_reality_check_22_final.pdf?utm_source=tri-city%20news&utm_campaign=tri-city%20news%3A%20outbound&utm_medium=referral

[20] BlackRock. (February 2020). *Climate risk and the global energy transition*. https://www.blackrock.com/corporate/literature/publication/blk-commentary-climate-risk-and-energy-transition.pdf

[21] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.

[22] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.

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record of exercising the corporate governance responsibilities that your investment position brings, through corporate engagement and proxy voting. We appreciate, for example, that BlackRock joined the New York City Retirement Systems earlier this year in voting against the re-election of an Amazon director who had failed to exercise the necessary leadership over workforce issues.

Unfortunately, during the 2022 shareholder season, BlackRock's voting record and public stance against climate shareholder resolutions spoke volumes. BlackRock voted against resolutions calling on Alphabet, Honeywell, and UPS to disclose climate lobbying activities, and asking banks and insurers to stop financing new fossil fuel projects.[23]

BlackRock claims that these resolutions were too prescriptive, and that it does not "dictate to companies what specific emission targets to meet or what type of lobbying to pursue."[24] BlackRock also downplays itself as a mere "minority" investor, minimizing the role that it has to play in advancing the net zero goals that BlackRock has set for its portfolio companies.[25]

The fact is, most shareholder resolutions are nonbinding. Contrary to BlackRock's claims, the proposals that BlackRock voted against do not dictate a company's specific action, but rather provide an opportunity for shareholders to put forward an expectation of transparency for management's consideration. Asset managers need not hold majority positions in order to wield influence; that is why all shareholders vote on the resolutions put forward.

If BlackRock's arguments here were true, it would belie the entire model of corporate governance, in which shareholders have a shared responsibility to elect corporate boards and provide guidance about the stewardship we expect as investors. Given high levels of concentration of asset management in public equities, the largest asset managers have a special responsibility to provide that guidance, especially on systemic risks.

As the largest asset manager in the world, Blackrock is often one of the largest owners of equity in publicly traded companies. As such, BlackRock has both the power and the responsibility to support companies in moving forward toward adopting science-based net zero targets. Because BlackRock's net zero target is dependent upon its portfolio companies adopting science-based targets, it must follow through with engaging portfolio companies to set them.

BlackRock has emphasized the importance of engaging companies outside the proxy voting process but does not consistently articulate what happens as a result of the engagement. Transparency and accountability are integral to a net zero commitment. We seek to understand the goals and approaches that guide BlackRock's corporate engagement, and urge BlackRock's Investment Stewardship team to support shareholder resolutions to stop investing in new fossil fuel supply projects, to push for science-based targets and regular reporting, and to disclose climate-related political lobbying, in alignment with a world of

[23] BlackRock Proxy Voting Search. (n.d.). http://vds.issproxy.com/SearchPage.php?CustomerID=10228
[24] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.
[25] Blass, Dalia. (September 6, 2022). BlackRock Letter to Attorneys General of the States.

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1.5°C temperature rise.

These actions would signal to investors that BlackRock is taking seriously the long-term implications of climate change.

The scale of the climate crisis surpasses the ability of any one person, company, or country to address alone, and none of us will be spared its financial impacts. The global finance community has a critical role to play in addressing the climate crisis, and BlackRock, as the world's largest asset manager, must begin to lead in deeds, not simply words. The fact that building and operating renewable energy has now become cheaper than burning fossil fuels is a testament to what the financial industry can achieve when it mobilizes its resources to address climate change.[26] We must now take the next steps necessary to fulfill that potential and responsibility.

This fall, New York City is observing the one-year anniversary of Hurricane Ida, and the ten-year anniversary of Superstorm Sandy, each of which stole the lives of New Yorkers and caused billions of dollars of damage. For the City of New York, it is not only our retirement portfolios that are at risk, but the social and financial well-being of our city itself. There is no time to delay.

That's why we have made these net zero commitments. That's why we take them seriously. That's why we will be prudently reassessing our business relationships with all of our asset managers, including BlackRock, through the lens of our climate responsibilities.

I look forward to your response, to a continued dialogue about meeting our shared climate obligations, and hopefully to working in partnership to ensure the long-term health of our pension funds and our planet.

Sincerely,

Brad Lander
New York City Comptroller

[26] Mathis, Will. (June 23, 2021). *Building New Renewables is Cheaper Than Burning Fossil Fuels*. https://www.bloomberg.com/news/articles/2021-06-23/building-new-renewables-cheaper-than-running-fossil-fuel-plants