

Dear Larry,

I trust that given our ongoing dialogue you will allow me the opportunity to raise a few issues regarding your recent 2021 CEO letter. This is a continuation of our discussion at the 2020 Annual General Meeting of the As You Sow resolution asking for a plan to implement your commitment as a signatory to the Business RoundTable “New Purpose of a Corporation.” In that discussion, I asked you “how do words become actions?”

**Commented [AB1]:** <https://www.asyousow.org/blog/blackrock-shareholders-annual-meeting-stakeholder-capitalism>

Given that your legal team has filed a no-action request at the SEC to block our resubmitted 2021 resolution, I take that to mean you seek further clarification as to the goal of the proposal which reiterates the question of how BlackRock’s words become actions. Given a true commitment to the idea of a public purpose, we assume that you and your team would welcome the opportunity for shareholders to encourage the integration of the concepts in your Letter more deeply into your corporate constitution. With that goal in mind, I offer a few suggested tweaks to your letter to demonstrate, with greater specificity, how BlackRock can move beyond suggestions and issue the implementation plan that shareholders seek.

**Commented [AB2]:** <https://www.responsible-investor.com/articles/blackrock-moves-to-block-corporate-purpose-proposal-days-after-fink-letter-pushes-investee-firms-to-show-purpose>

**Commented [AB3]:** <https://www.asyousow.org/resolutions/2020/12/10/blackrock-inc-implementation-plan-for-new-business-roundtable-purpose-of-a-corporation>

I appreciate the dialogue we have had with your staff who informed us that you convened your board to discuss our resolutions. However, your boards’ simple parroting of your statement that BlackRock is “fully implemented,” without providing details, is not satisfactory. The edits below to your CEO letter provide exactly what we are hoping to see. The changes are simple. In fact, we both agree on the conceptual framework of what needs to be done. What is missing is an action plan describing how these concepts will be implemented. This is the core of what we request; tell us how BlackRock will use the power of its brand to make material changes that will have a profound and rapid impact, bringing climate change, racial injustice, and other pernicious issues to a swift solution. If your letter were adjusted, as I suggest below, As You Sow would gladly withdraw our resolution, secure in the knowledge that you have a robust implementation plan in place.

Larry, you are in a very unique position. You are one of a handful of people on the planet who has the power to make real change, in the real world, to solve our most dire problems. I urge you to use this power for the good of all -- not just talk about it.

Below is my mark-up.

[Annual Letter to CEOs from BlackRock CEO Larry Fink](#)  
[Edits by Andrew Behar, shareholder advocate and As You Sow CEO](#)

Dear CEO,

BlackRock is a fiduciary to our clients, helping them invest for long-term goals. Most of the money we manage is for retirement – for individuals and pension beneficiaries like teachers, firefighters, doctors, businesspeople, and many others. It is their money we manage, not our own. The trust our clients place in us, and our role as the link between our clients and the companies they invest in, gives us a great responsibility to advocate and take action on their behalf. The

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time for words has passed; the time for action is now. I intend to use the full power of my position and the weight of BlackRock's standing to see that positive change is implemented.

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This is why I write to you each year, seeking to highlight issues that are pivotal to creating durable value – issues such as [capital management](#), [long-term strategy](#), [purpose](#), and [climate change](#). We have long believed that our clients, as shareholders in your company, will benefit if you can create enduring, sustainable value for *all* of your stakeholders.

I began writing these letters in the wake of the financial crisis. But over the past year, we experienced something even more far-reaching – a pandemic that has enveloped the entire globe and changed it permanently. It has both exacted a horrific human toll and transformed the way we live – the way we work, learn, access medicine, and much more.

The consequences of the pandemic have been highly uneven. It sparked the most severe global economic contraction since the Great Depression and the sharpest fall off in equity markets since 1987. While some industries, particularly those that depend on people congregating in person, have suffered, others have flourished. And although the stock market recovery bodes well for growth as the pandemic subsides, the current situation remains one of economic devastation, with unemployment severely elevated, small businesses shuttering daily, and families around the world struggling to pay rent and buy food.

The pandemic has also accelerated deeper trends, from the growing retirement crisis to systemic inequalities. Several months into the year, the pandemic collided with a wave of historic protests for racial justice in the United States and around the world. And more recently, it has exacerbated the political turmoil in the U.S. This month in the U.S., we saw political alienation – fueled by lies and political opportunism – erupt into violence. The events at the U.S. Capitol are a stark reminder of how vulnerable and how precious a democratic system can be.

Despite the darkness of the past 12 months, there have been signs of hope, including companies that have worked to serve their stakeholders with courage and conviction. We saw businesses rapidly innovate to keep food and goods flowing during lockdowns. Companies have stepped up to support non-profits serving those in need. In one of the great triumphs of modern science, multiple vaccines were developed in record time. Many companies also responded to calls for racial equity, although much work remains to deliver on these commitments. And strikingly, amid all of the disruption of 2020, businesses moved forcefully to confront climate risk.

**I believe that the pandemic has presented such an existential crisis – such a stark reminder of our fragility – that it has driven us to confront the global threat of climate change more forcefully and to consider how, like the pandemic, it will alter our lives.** It has reminded us how the biggest crises, whether medical or environmental, demand a global and ambitious response.

In the past year, people have seen the mounting physical toll of climate change in fires, droughts, flooding and hurricanes. They have begun to see the direct financial impact as energy companies take billions in climate-related write-downs on stranded assets and regulators focus on climate risk in the global financial system. They are also increasingly focused on the significant

economic opportunity that the transition will create, as well as how to execute it in a just and fair manner. No issue ranks higher than climate change on our clients' lists of priorities. They ask us about it nearly every day.

## A Tectonic Shift Accelerates

In January of last year, I wrote that climate risk is investment risk. I said then that as markets started to price climate risk into the value of securities, it would spark a fundamental reallocation of capital. Then the pandemic took hold – and in March, the conventional wisdom was the crisis would divert attention from climate. **But just the opposite took place, and the reallocation of capital accelerated even faster than I anticipated.**

From January through November 2020, investors in mutual funds and ETFs invested \$288 billion globally in sustainable assets, a 96% increase over the whole of 2019.<sup>1</sup> I believe that this is the beginning of a [long but rapidly accelerating transition](#) – one that will unfold over many years and reshape asset prices of every type. **We know that climate risk is investment risk. But we also believe the climate transition presents a historic investment opportunity.**

Essential to this transition has been the growing availability and affordability of sustainable investment options. Not long ago, building a climate-aware portfolio was a painstaking process, available only to the largest investors. But the creation of sustainable index investments has enabled a massive acceleration of capital towards companies better prepared to address climate risk.

Today we are on the cusp of another transformation. Better technology and data are enabling asset managers to offer customized index portfolios to a much broader group of people – another capability once reserved for the largest investors. As more and more investors choose to tilt their investments towards sustainability-focused companies, the tectonic shift we are seeing will accelerate further. And because this will have such a dramatic impact on how capital is allocated, every management team and board will need to consider how this will impact their company's stock.

Alongside the shift in investor behavior, we have seen a landmark year in the policy response to climate change. In 2020, the EU, China, Japan, and South Korea all made historic commitments to achieve net zero emissions. With the U.S. commitment last week to rejoin the Paris Agreement, 127 governments – responsible for more than 60% of global emissions – are considering or already implementing commitments to net zero. Momentum continues to build, and in 2021 it will accelerate – with dramatic implications for the global economy.

## The Opportunity of the Net Zero Transition

There is no company whose business model won't be profoundly affected by the transition to a net zero economy – one that emits no more carbon dioxide than it removes from the atmosphere by 2050, the scientifically-established threshold necessary to keep global warming well below 2°C. As the transition accelerates, companies with a well-articulated long-term strategy, and a

clear plan to address the transition to net zero, will distinguish themselves with their stakeholders – with customers, policymakers, employees and shareholders – by inspiring confidence that they can navigate this global transformation. But companies that are not quickly preparing themselves will see their businesses and valuations suffer, as these same stakeholders lose confidence that those companies can adapt their business models to the dramatic changes that are coming.

It's important to recognize that net zero demands a transformation of the entire economy. Scientists agree that in order to meet the Paris Agreement goal of containing global warming to "well below 2 degrees above pre-industrial averages" by 2100, human-produced emissions need to decline by 8-10% annually between 2020 and 2050 and achieve "net zero" by mid-century. The economy today remains highly dependent on fossil fuels, as is reflected in the carbon intensity of large indexes like the S&P 500 or the MSCI World, which are currently on trajectories substantially over 3°C.<sup>2</sup>

That means a successful transition – one that is just, equitable, and protects people's livelihoods – will require both technological innovation and planning over decades. And it can only be accomplished with leadership, coordination, and support at every level of government, working in partnership with the private sector to maximize prosperity. Vulnerable communities and developing nations, many of them already exposed to the worst physical impacts of climate change, can least afford the economic shocks of a poorly implemented transition. We must implement it in a way that delivers the urgent change that is needed without worsening this dual burden.

To ensure that we address this crisis in a timely manner, and to reduce risk to our customers, beginning December 1, 2021, BlackRock's actively managed funds will only invest in companies that: 1) Adopt a climate transition plan aligned with the Climate Action 100+ benchmarks; 2) Provide annual reporting of progress against the benchmark; and 3) Conduct an annual shareholder vote to provide feedback to management on progress. Collectively, these actions are also known as "Say on Climate."

BlackRock will also exclude from our actively managed funds all companies involved in rainforest destruction. This is defined as those companies flagged on the As You Sow Deforestation Free Funds site as well as companies involved in production of wood pellets intended to be burned for energy production.

BlackRock will create variations of each of our indexes to underweight non-compliant Say on Climate companies and those involved in rainforest destruction. We will clearly state this in the prospectus and will name these indexes with their current name followed by "+Climate."

BlackRock will vote our proxies in support of all shareholder resolutions asking for: transparent disclosure of carbon emissions; setting net-zero targets; reporting on stranded assets; disclosing supply chain deforestation activities; and reducing single use plastics.

BlackRock will disclose the minutes of all company engagement dialogues to enable all shareholders to benefit from these direct interactions.

Finally, at companies that do not provide full transparency on Scope 1, 2, and 3 emissions and do not meet the “Say on Climate” provisions noted above, BlackRock will commit to voting no-confidence for each director up for election at each such company.

While the transition will inevitably be complex and difficult, it is essential to building a more resilient economy that benefits more people. **I have great optimism about the future of capitalism and the future health of the economy – not in spite of the energy transition, but because of it.**

Of course, investors cannot prepare their portfolios for this transition unless they understand how each and every company is prepared both for the physical threats of climate change and the global economy’s transition to net zero. They are asking managers like BlackRock to accelerate our data and analysis capabilities in this area – and we are committed to meeting their needs.

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## Why Data and Disclosure Matter

Assessing sustainability risks requires that investors have access to consistent, high-quality, and material public information. This is why last year, we asked all companies to report in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB), which covers a broader set of material sustainability factors. We are greatly encouraged by the progress we have seen over the past year – a 363% increase in SASB disclosures and more than 1,700 organizations expressing support for the TCFD. (BlackRock issued [our own](#) inaugural TCFD and SASB reports last year.)

TCFD reports are the global standard for helping investors understand the most material climate-related risks that companies face, and how companies are managing them. Given how central the energy transition will be to every company’s growth prospects, **we are also demanding that companies disclose a plan for how their business model will be compatible with a net zero economy – that is, one where global warming is limited to well below 2°C, consistent with a global aspiration of net zero greenhouse gas emissions by 2050. We are demanding that you disclose how this plan is incorporated into your long-term strategy and reviewed by your board of directors.**

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We appreciate that disclosure can be cumbersome and that the variety of reporting frameworks creates further complexity for companies. **We strongly support moving to a single global standard; the CA100+ benchmark, which is supported by over \$52 trillion in assets under management (including BlackRock) which will enable investors to make more informed decisions about how to achieve durable long-term returns.** Because better sustainability disclosures are in companies’ as well as investors’ own interests, I urge companies to move quickly to issue them rather than waiting for regulators to impose them. **In addition, this standard** should not just be adopted by public companies. If we want these disclosures to be truly effective – if we want to see true societal change – they should be embraced by large private companies as well.

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Further, it is not just companies that face climate-related risk. For example, we believe that issuers of public debt also should be disclosing how they are addressing climate-related risks.

But measurement and disclosure are not the only challenges. Governments around the world, under severe fiscal strain from the pandemic, also need to undertake massive climate infrastructure projects, both to protect against physical risk and to deliver clean energy. These challenges will require creative public-private partnership to finance them, as well as better disclosures to attract capital.

## BlackRock's Net Zero Commitment

The world is moving to net zero, and BlackRock believes that our clients are best served by being at the forefront of that transition. We are carbon neutral today in our own operations and are committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. No company can easily plan over thirty years, but we believe all companies – including BlackRock – must begin to address the transition to net zero today. We are taking a number of steps to help investors prepare their portfolios for a net zero world, including capturing opportunities created by the net zero transition.

We are outlining these actions in greater detail in [a letter](#) we sent today to our clients. They include: publishing a temperature alignment metric for our public equity and bond funds, where sufficient data is available; incorporating climate considerations into our capital markets assumptions; implementing a “heightened-scrutiny model” in our active portfolios as a framework for managing holdings that pose significant climate risk (including flagging holdings for potential exit); launching investment products with explicit temperature alignment goals, including products aligned to a net zero pathway; and using stewardship to ensure that the companies our clients are invested in are both mitigating climate risk and considering the opportunities presented by the net zero transition.

## Sustainability and Deeper Connections to Stakeholders Drives Better Returns

In 2018, I wrote urging every company to articulate its purpose and how it benefits all stakeholders, including shareholders, employees, customers, supply chain, and the communities in which they operate. Over the course of 2020, we have seen how purposeful companies, with better environmental, social, and governance (ESG) profiles, have outperformed their peers. During 2020, 81% of a globally-representative selection of sustainable indexes outperformed their parent benchmarks.<sup>3</sup> This outperformance was even more pronounced during the first quarter downturn, another instance of sustainable funds’ resilience that we have seen in prior downturns.<sup>4</sup> And the broader array of sustainable investment options will continue to drive investor interest in these funds, as we have seen in 2020.

But the story goes deeper. It’s not just that broad-market ESG indexes are outperforming counterparts. It’s that within industries – from automobiles to banks to oil and gas companies – we are seeing another divergence: companies with better ESG profiles are performing better than their peers, enjoying a “sustainability premium.”<sup>5</sup>

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It is clear that being connected to stakeholders – establishing trust with them and acting with purpose – enables a company to understand and respond to the changes happening in the world. Companies ignore stakeholders at their peril – companies that do not earn this trust will find it harder and harder to attract customers and talent, especially as young people increasingly expect companies to reflect their values. **The more your company can show its purpose in delivering value to its customers, its employees, its communities, and supply chain, the better able you will be to compete and deliver long-term, durable profits for shareholders.** Because of this I ask all companies to adopt the stakeholder capitalism purpose as stated by the World Economic Forum and the Business RoundTable as an amendment to your bylaws. I commit that BlackRock will do the same by the end of 2021.

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I cannot recall a time where it has been more important for companies to respond to the needs of their stakeholders. We are at a moment of tremendous economic pain. We are also at a historic crossroads on the path to racial justice – one that cannot be solved without leadership from companies. A company that does not seek to benefit from the full spectrum of human talent is weaker for it – less likely to hire the best talent, less likely to reflect the needs of its customers and the communities where it operates, and less likely to outperform.

While issues of race and ethnicity vary greatly across the world, we expect companies in all countries to have a talent strategy that allows them to draw on the fullest set of talent possible. **As you issue sustainability reports, we ask that your disclosures on talent strategy fully reflect your long-term plans to improve diversity, equity, and inclusion, as appropriate by region.** We hold ourselves to this same standard. Specifically, this means going beyond the simple EEO-1 (Equal Employment Opportunity) disclosure to also provide shareholders with detailed information on recruitment, promotion, and retention rates by gender, race, and ethnicity.

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Questions of racial justice, economic inequality, or community engagement are often classed as an “S” issue in ESG conversations. But it is misguided to draw such stark lines between these categories. For example, climate change is already having a disproportionate impact on low-income communities around the world – is that an E or an S issue? What matters is less the category we place these questions in, but the information we have to understand them and how they interact with each other. Improved data and disclosures will help us better understand the deep interdependence between environmental and social issues.

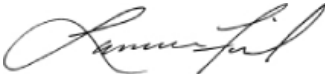
I am an optimist. I have seen how many companies are taking these challenges seriously – how they are embracing the demands of greater transparency, greater accountability to stakeholders, and better preparation for climate change. I am encouraged by what I have seen from businesses. And now, business leaders and boards will need to show great courage and commitment to their stakeholders. We need to move even faster – to create more jobs, more prosperity, and more inclusivity. I have great confidence in the ability of businesses to help move us out of this crisis and build a more inclusive capitalism.

Before 2020, vaccines typically took 10 to 15 years to develop. The fastest ever developed was for the mumps – it took four years. Today, we have multiple companies across the globe delivering vaccines that they developed in under a year. They are demonstrating the power of

companies – the power of capitalism – to respond to human needs. As we move forward from the pandemic, facing tremendous economic pain and inequality, we need companies to embrace a form of capitalism that recognizes and serves all their stakeholders.

The vaccine is a first step. The world is still in crisis and will be for some time. We face a great challenge ahead. The companies that embrace this challenge – that seek to build long-term value for their stakeholders – will help deliver long-term returns to shareholders and build a brighter and more prosperous future for the world.

Sincerely,



Larry Fink  
Chairman and Chief Executive Officer