

#BlackRocksBigProblem

MEMO

To: Financial journalists and interested parties
From: Roberta Giordano, The Sunrise Project - BlackRock's Big Problem
Date: Monday, May 24, 2021

RE: Key Concerns and Questions Ahead of BlackRock's AGM on Wednesday

"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. [...] 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." -- BlackRock CEO Larry Fink's [2021 Letter to CEOs](#)

BlackRock has made big promises on climate. Larry Fink has said again and again he understands what's at stake. Unfortunately, BlackRock's actions so far this year do not rise to its rhetoric. This memo serves to outline the ways that BlackRock has thus far failed to meet its climate commitments and to raise questions that journalists and stakeholders should be asking of BlackRock heading into its Annual General Meeting on Wednesday.

ACCOUNTABILITY FOR SHAREHOLDER SEASON

BlackRock's [Stewardship Report](#) released earlier this month stated that BlackRock has backed 75% of environmental and social shareholder proposals in Q1 of this year - up from 10% a year earlier. That indeed sounds like progress but it's only one small part of the story. And it's prioritizing quantity over quality.

The fact remains that on 6 [key climate votes](#) identified by a wide range of environmental stakeholders and green shareholders before the start of proxy season, BlackRock has failed to vote for the pro-climate position on all but 1 of them.* That's a 16.67% track record -- an "F" by any standard. The vote that BlackRock supported was a management-backed resolution to issue a deforestation report at Bunge Ltd, hardly the toughest of these votes to take. (*Note, in several instances BlackRock did not release publicly how it voted. In those cases, we assume that BlackRock voted for the management recommended position. BlackRock often posts public [explanations](#) of its votes when it deviates from management recommendations.)

While BlackRock has touted its votes on shareholder resolutions widely, so far it has not taken the key votes that matter most in the fight to reverse climate change. We question whether BlackRock is ready to hold the biggest oil and gas polluters - and their financiers - accountable. Anything less is lip service -- and greenwashing.

BlackRock seems particularly hesitant to vote against directors at companies who have failed to implement adequate climate plans. Its votes to retain directors (and lack of transparency) at [Duke Energy](#) and [Wells Fargo](#) were deeply troubling. Notably, BlackRock did oppose a director at Australian company [Woodside Petroleum](#), citing climate concerns, leading us to ask whether BlackRock holds smaller companies to a higher standard than it does industry giants.

Supporting resolutions to bring [BP](#) and [Shell](#) into alignment with the Paris Agreement should have been no-brainers -- and each of those resolutions saw major increases of investor support over previous years, yet BlackRock was nowhere to be found. This year, the resolutions obtained 20.65% support at BP, and 30.47% support at Shell. BlackRock also [abstained](#) on a similar resolution at Barclays.

UPCOMING KEY VOTES -- EXXON & MUFG

There are two key votes remaining: [ExxonMobil](#) and [MUFG](#).

ExxonMobil's AGM is also on Wednesday - the same day as BlackRock's. BlackRock has not yet announced its intentions, but the investment world is [watching closely](#). The director vote at ExxonMobil has been called a "[fight for the soul -- and the future](#)" of the company. We are calling on BlackRock to vote **against** chairman/CEO Darren Woods and lead independent director Kenneth C. Frazier.

At MUFG (June 29 AGM), we are asking BlackRock to **support** the shareholder resolution asking the company to set and publish targets that are consistent with the goal of the Paris Climate Agreement.

IEA REPORT & BLACKROCK'S ADDICTION TO FOSSIL FUELS

On Tuesday, the IEA released a [stunning new report](#) with several major findings, including: 1. A massive investment shift is needed to get to net zero by 2050; 2. Many of the world's net zero pledges "are not yet underpinned by near-term policies and measures"; 3. There is no need for investment in new fossil fuel supply. It's time for energy companies and investors to stop supporting projects looking for new sources of oil and gas.

Judging not only from [our own metrics](#), but also from the IEA's roadmap, it's clear that BlackRock is still not moving quickly enough to align its investments with a net zero economy.

BlackRock holds [\\$3.7 billion](#) in three tar sands pipeline companies and still had [\\$85 billion](#) invested in coal as of October 2020. And a [recent report](#) highlighted extensive ties between BlackRock's Lead Independent Director Murry Gerber and the fossil fuel industry.

In early April, BlackRock launched a new "carbon transition readiness" fund that [broke records](#), drawing \$1.25 billion in investment at launch. But incredibly, the fund is [swimming in Big Oil](#). The fund includes Exxon, Chevron, ConocoPhillips, Marathon Petroleum, and Devon Energy; fossil-fired utilities including Berkshire Hathaway, Consolidated Edison, and UGI; and oil field

services and pipeline companies including Kinder Morgan, Baker Hughes, and Schlumberger. To call a fund like that “carbon transition” is a misnomer at best.

QUESTIONS FOR BLACKROCK AHEAD OF ITS AGM:

- Will BlackRock vote against Darren Woods and Kenneth Frazier at ExxonMobil?
- How did BlackRock vote on the Paris Agreement shareholder resolutions at Shell and BP, which garnered over 30% and 20% of shareholder support, respectively? And if it opposed them, why?
- Why did BlackRock support retaining directors at Duke Energy and Wells Fargo despite failure to implement plans consistent with limiting global warming to 1.5°C?
- Will BlackRock commit to further transparency moving forward so that all of its key climate-related votes at major corporations are announced and explained publicly in real time? How will BlackRock ensure immediate transparency?
- How can we expect BlackRock to follow through on its climate commitments when its board is heavily tied to, and profiting from, fossil fuel industries? How will BlackRock address this conflict of interest?
- Will BlackRock remove Murry Gerber?
- BlackRock recently took credit for meeting with Indigenous leaders to discuss human rights. But meeting with frontline communities is just a first step. What kind of policies will BlackRock adopt to hold companies accountable for Indigenous and human rights abuses and account for the deforestation taking place in critical ecosystems across the globe?
- How can BlackRock define as “carbon transition readiness” a fund that includes the biggest oil companies in the world? Is this the bar that BlackRock is striving to set across the financial industry?
- The new IEA report makes it clear that reaching net zero emissions by 2050 means no new fossil fuel extraction. How will BlackRock decarbonize its entire portfolio (active and index investing) without relying on false climate solutions like carbon offsets? How will BlackRock exceed science-based interim targets aligned with the 1.5°C goal of the Paris Agreement?

We encourage reporters to ask these questions and to incorporate the answers into your coverage of BlackRock’s AGM and its sustainability promises moving forward.