<u>Open Letter to Larry Fink, CEO, BlackRock</u>

April 15, 2020

Mr. Lawrence Fink, Chief Executive Officer
BlackRock, Inc.
Park Avenue Plaza
55 East 52nd Street
New York, NY 10055-0003

Dear Mr. Fink,

As the nation stands at the edge of an economic precipice and stares into it bleakly, you and your firm, the largest asset management company in the world, play an important role in calming fears, easing worries, and promising a return to normalcy. This role is exaggerated, in scope and magnitude, by the faith that the Federal Reserve has placed in you to help guide and manage its efforts to alleviate the current stress on the financial system.

In light of all of this, we ask that you reconsider your controversial annual letter from January 14th to the world's largest investors that BlackRock will operate under a "stakeholder" model rather than the well-established "shareholder" primacy model. While we had concerns when this was first announced, the current pandemic has created a health crisis that is in turn creating an unexpected economic crisis.

This economic crisis makes it more important than ever that companies like BlackRock focus on helping our nation's economy recover. BlackRock and others must not add additional hurdles to recovery by supporting unnecessary and harmful environmental, social, and governance (ESG) shareholder proposals.

As an asset manager and a publicly traded company, your job is to act as a steward of investors' capital. By opting to enter into a public market, BlackRock received the benefit of outside investment funds with which to operate and grow. However, the bargain of that benefit is that you must act in good faith and with a fiduciary responsibility to maximize returns for those investors.

Because of your experience and position, your actions influence not only the financial future of millions of Americans but also actions taken by other companies. In light of your influence, we are especially concerned that your support for some ESG shareholder proposals and investor initiatives brings political interests into decisions that should be guided by shareholder interests. Shareholders and society at large benefit when companies are guided by values such as producing quality products and services, having integrity in dealing with customers and vendors, and developing the talents and skills of employees. But when a company's values become politicized, the interests of the diverse group of shareholders and customers are overshadowed by the narrow interests of activist groups pushing a political agenda.

Most ESG shareholder proposals are sponsored by activist groups that abuse the proxy process to achieve social and cultural changes that are entirely unmoored from the interests of corporate shareholders. Environmental nonprofits, labor unions, left-leaning pension funds, ESG-focused asset managers, and left-wing activists are unconcerned with corporate performance. Their goals are societal and political.

Furthermore, these ESG proposals will add an extra-regulatory cost on these companies requiring them to spend their shareholder capital. This may harm everyday Americans who are invested in these companies through pension funds and retirement plans. While this won't affect folks in your income bracket, this may be the difference between affording medication, being able to retire, or supporting a family member's education for many Americans.

There is a financial risk to this tack as well. The *Wall Street Journal* recently reported that "[p]erformance of BlackRock's own iShares range of ESG funds shows that ESG is no guarantee of gold-plated returns. Its two oldest in the U.S., set up in 2005 and 2006 and now tracking the MSCI USA ESG Select index and the MSCI KLD 400 Social index, have both lagged behind iShares' S&P 500 fund."

And while publicly traded companies operate under a legal fiduciary duty to their investors, this is also a moral imperative. Free market capitalism has lifted more people out of poverty than any economic system in world history. That's because, at its simplest level, capitalism operates under the basic rule that all exchanges are voluntary. Therefore, to achieve wealth and create growth in a capitalist system, one must appeal to the self-interest of others.

At this moment especially, all of us — including BlackRock — must be focused on the nation's economic recovery. Investors, many of whom are terrified that their retirement funds have been lost or are at risk, need to be assured that managers of their assets are focused on those facets of business performance that are likely to produce a sustained return on investment and a return to financial normalcy. Extraneous political considerations serve only to sow confusion and exacerbate instability, when instability can least be tolerated. In unsettled environments such as this, true "sustainability" is demonstrated by robustness and resilience, not by highly politicized trends and fads.

It is a major concern that your statements run counter to this basic and well-established model. During the best of times, the purpose of any business is to return a profit for shareholders by providing goods and services that consumers want and need. But especially during times of grave threat to the economic health of the nation, that purpose — and not a political agenda — should be top of mind for businesses and for investors.

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