

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



11 January, 2019

**Re: Proxy Season 2019**

Dear Mr. Fink,

In anticipation of your annual letter to CEOs, we the undersigned 12 organizations who work on shareholder advocacy and accountability write to you to advocate shareholder voting practices by BlackRock in its role as a fiduciary that we believe will maximize long-term value creation for the investments BlackRock manages on behalf of millions of people around the world.

The IPCC Special Report on 1.5°C warming highlights the importance and urgency of aligning investment portfolios with the goals of Articles 2.1(a) and 4.1 of the Paris Agreement (the ‘Paris Goals’). The IPCC report states with “high confidence” that the window for restricting warming to 1.5°C will close in just over 11 years.

Investors including BlackRock should publicly state their expectation that carbon intensive sectors move rapidly towards adopting business strategies compliant with the Paris Goals and specifically in-line with limiting temperature increases as close as possible to 1.5°C . Investors need to publicly set out timelines for progress and the milestones they expect companies to meet within those timelines. Investors must use their voting rights when such milestones are not met.

The persistent lack of meaningful progress to address climate risk will see shareholder proposals filed at companies in a number of jurisdictions for the 2019 shareholder meeting season. While they do not represent the entire scope of shareholder action required to address climate change, how BlackRock’s votes on these issues will serve as a useful proxy for assessing the company’s commitment to tackling climate risk.

We welcome BlackRock's votes for some shareholder resolutions focused on climate disclosure and 2°C scenario stress tests. However, BlackRock consistently votes against shareholder climate proposals and has a worse track-record than other large global asset managers in this regard. BlackRock also continues to vote for the reappointment of all directors at many companies that are failing to address climate risk.<sup>ii</sup> Although BlackRock has cited ongoing engagement as a reason for not voting in favor of some such resolutions, given the lack of transparency on the engagement process, it is difficult to assess its progress and impact.<sup>iii</sup>

We note BlackRock's preference for an 'engagement first' process and that its stewardship team considers voting against the re-election of directors and for shareholder proposals as an escalation of BlackRock's dialogue with companies.<sup>iv</sup> In the context of the IPCC report, the systemic financial risks posed by climate change<sup>v</sup>, and the ongoing failure of most climate risk vulnerable companies to develop and implement business strategies compliant with the Paris Goals, we believe that such an escalation by BlackRock is necessary at many companies in the 2019 proxy season.<sup>vi</sup>

### **2019 proxy season**

As such, we have set out below a number of actions on shareholder proposals and other proxy items that we would like to see BlackRock take in 2019.

#### **Align business strategy with the Paris Goals**

Building on your call to CEOs in 2018 "*to publicly articulate your company's strategic framework for long-term value creation and explicitly affirm that it has been reviewed by your board of directors*",<sup>vii</sup> we believe BlackRock should publicly state its expectation that portfolio companies demonstrate in sufficient detail and with clear milestones and implementation timelines how they will align business strategy (including capital expenditure) with the Paris Goals. Portfolio companies should also set out how they will responsibly manage the employee and community issues arising from this alignment.

We believe BlackRock should vote in favor of shareholder proposals requesting companies move towards aligning capital expenditure and business strategy with the Paris Goals. This would include the shareholder proposals filed at Wells Fargo<sup>viii</sup>, and at J.B. Hunt.<sup>ix</sup>

We believe BlackRock should vote against the (re)appointment of the relevant directors of companies which refuse to align business strategy with the Paris Goals.

#### **Scope 3 emissions reduction targets**

We would like to see BlackRock publicly state an expectation that carbon intensive companies set Scope 3 absolute carbon emissions reduction targets that are aligned with the Paris Goals. BlackRock should vote in favor of shareholder proposals calling for scope 3 emissions reduction targets. This would include the shareholder proposal filed at ExxonMobil.

#### **Corporate lobbying and political spending**

We believe BlackRock should vote in favor of shareholder proposals requesting greater transparency on a company's political spending and direct and indirect corporate climate lobbying, and

for shareholder proposals requesting that companies review and/or withdraw membership of trade associations where positions taken conflict with those of the company and from trade associations which work to undermine the Paris Goals. This would include the shareholder proposals filed at Duke Energy Corporation<sup>x</sup> at JPMorgan Chase and at ExxonMobil.<sup>xi</sup>

### **Auditors' and directors' climate competency**

In line with BlackRock's expectation that for those "*companies most directly impacted by climate change, we expect the whole board to have demonstrable fluency in how climate risk affects the business*",<sup>xii</sup> we would like to see BlackRock publicly state that auditors of such companies must demonstrate 'climate fluency' and that they are robustly testing management's key accounting assumptions and risk management and reporting procedures<sup>xiii</sup>. We believe BlackRock should vote against the appointment of directors and the auditors where such climate fluency and testing of management have not been demonstrated. We believe BlackRock should also vote against the reappointment of the Chair of the Audit Committee where a nominated auditor cannot satisfy these requirements.

### **Remuneration linked to climate risk mitigation**

We would like to see BlackRock publicly state an expectation that company remuneration policies include specific Key Performance Indicators for management personnel related to climate risk mitigation and scope 3 emissions reduction targets. We believe BlackRock should vote against remuneration policies where companies do not agree to link incentives to climate risk.

### **Climate Action 100+**

The Climate Action 100+ (CA100+) collaborative engagement initiative, launched in December 2017, which now has the support of 310 investors representing more than US\$32 trillion of assets under management has publicly stated it will use shareholder resolutions to achieve its goals and we would expect to see BlackRock vote for such resolutions.

In all cases, we believe BlackRock should consider disclosing its voting intentions in advance of company shareholder meetings.

We would welcome the opportunity to meet with BlackRock to discuss these issues further and look forward to receiving your response.

Yours,

Lauren Compere  
Managing Director  
**Boston Common Asset Management**

Yola Biedermann, PhD  
Head of Corporate Governance and Responsible Investment  
**Ethos Fund**

Jonas Kron  
Senior Vice President & Director

## **Trillium Asset Management**

Danielle Fugere  
President  
**As You Sow**

Brynn O'Brien  
Executive Director  
**Australasian Centre for Corporate Responsibility**

James Thornton  
Chief Executive Officer  
**ClientEarth**

Joshua Humphreys, Ph.D.  
President and Senior Fellow  
**Croatian Institute**

Tracey Davies  
Executive Director  
**Just Share**

Eli Kasargod-Staub  
Executive Director  
**Majority Action**

Julien Vincent  
Executive Director  
**Market Forces**

Dr. Raj Thamotheram  
Founder & Chair  
**Preventable Surprises**

Catherine Howarth,  
Chief Executive  
**ShareAction**

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<sup>i</sup> <https://5050climate.org/wp-content/uploads/2018/03/AM-Report-3-13-FINAL.pdf>

<sup>ii</sup> <https://5050climate.org/wp-content/uploads/2018/09/FINAL-2018-Climate-Scorecard-1.pdf>

<sup>iii</sup> [https://shareaction.org/wp-content/uploads/2017/10/InvestorReport-ProxyVoting2017updated.pdf?utm\\_medium=email&utm\\_source=email&utm\\_campaign=NewAODP-proxyvoting](https://shareaction.org/wp-content/uploads/2017/10/InvestorReport-ProxyVoting2017updated.pdf?utm_medium=email&utm_source=email&utm_campaign=NewAODP-proxyvoting)

<sup>iv</sup> <https://www.blackrock.com/corporate/literature/publication/blk-commentary-engaging-on-climate-risk-march2018.pdf>

<sup>v</sup> Additional information on financial risks of climate change:

“Investors, Climate Risk and Forceful Stewardship: An agenda for Action,” Preventable Surprises, (2015), [http://fairimpact.nl/esg/wp-content/uploads/Forceful-Stewardship-Report\\_Sept2015.pdf](http://fairimpact.nl/esg/wp-content/uploads/Forceful-Stewardship-Report_Sept2015.pdf)

And Economist Intelligence Unit, “The cost of inaction: Recognising the value at risk from climate change,” 2015, p.2, <https://www.aviva.com/content/dam/aviva-corporate/documents/socialpurpose/pdfs/thoughtleadership/EIU-cost-of-inaction.pdf>

And <https://nca2018.globalchange.gov>

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vi Fossil fuel exploration and development continues to grow. Industry analysts' projections show growth in capex on exploration and production across the globe. This continued expansion continues to directly negatively impact the human rights of local communities and Indigenous people where projects are undertaken without the Free Prior and Informed Consent of all potentially impacted communities.

vii <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

viii <https://www.asyousow.org/resolutions/2018/11/14/wells-fargo-company-reduce-climate-impact>

ix <http://www.trilliuminvest.com/shareholder-proposal/j-b-hunt-greenhouse-gas-emissions-2019/>

x <http://www.mercyinvestmentservices.org/socially-responsible-investing/corporate-engagement/current-shareholder-resolutions>

xi [https://engagements.ceres.org/ceres\\_engagementdetailpage?recID=a011H00000CEemhQAD](https://engagements.ceres.org/ceres_engagementdetailpage?recID=a011H00000CEemhQAD)

xii Op cit. no.1

xiii [http://www.iigcc.org/files/publication-files/IIGCC\\_2018\\_Voting\\_and\\_Climate\\_Risk\\_v11.pdf](http://www.iigcc.org/files/publication-files/IIGCC_2018_Voting_and_Climate_Risk_v11.pdf)