United States Senate

WASHINGTON, DC 20510

June 15, 2020

Larry D. Fink
Chairman and Chief Executive Officer
BlackRock
55 East 52"d Street
New York, NY 10055

Dear Mr. Fink,

In light of your company's central role in helping manage and facilitate the U.S. government's economic response to the Covid-19 disease, we are writing to get a better understanding of BlackRock's investment strategy in the United States and abroad.

Specifically, we are interested in discussing what appears to be a double standard in the way your company treats investments in Chinese companies versus American.

Our concerns are relevant in light of a recent joint statement from the Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) detailing specific issues related to Chinese companies listed on U.S. stock exchanges. The statement highlighted the incomplete disclosure of material information, the inability to enforce financial regulations, limitations on U.S. regulators to bring actions, the inability for the PCAOB to adequately audit in China, , limited shareholder rights and passive investing strategies that fail to take these risks into account.

Blackrock's investments in emerging markets, such as China, contrasts significantly with your statements and actions related to your U.S. investment strategy. In your January letter to CEOs you outlined additional commitments which only punish American companies for not adhering to climate change disclosures well beyond what is required by the SEC.[1] We are concerned your standards are counter to your fiduciary duty to manage your clients' assets in their best interests.

A preliminary examination of data from this proxy season shows Blackrock has voted against management positions at more than 30 percent of meetings and over 500 directors candidates in the first three months of 2020 alone.[2]

There is speculation your 2020 climate commitments are influenced by activist shareholders who introduced a proposal asking for a review of your proxy voting record on climate issues.[3] These activists removed the proposal after your letter, a commitment to join Climate Action 100+, and a promise to exercise your voting power against companies on climate this year.

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[1] https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter
[2] https://www.pionline.com/governance/blackrock-continued-high-level-corporate-engagements-q1
[3] https://www.nationalreview.com/2020/05/activist-investors-pressuring-asset-managers-to-vote-green/

In contrast, BlackRock managed iShares Emerging Markets ETF, which holds over $20,000,000 in assets and includes a portfolio of hundreds of companies from around the world.[4] In fact, nearly 40 percent of the fund is comprised of Chinese companies. The required U.S. audit work of at least 30 of these Chinese based companies cannot be reviewed by the PCAOB.

This lack of oversight can pose significant risk to U.S. investors as, according to the Public Company Accounting Oversight Board, "investors or potential investors in U.S. capital markets who rely on the audit reports of PCAOB-registered firms in these jurisdictions are deprived of the potential benefits of PCAOB inspections of these auditors."

Poor governance is so rampant at some of the companies Blackrock funds invest in, the NASDAQ has launched a process to develop new rules for foreign listings in the U.S. Some of those companies were characterized as being "unprepared for the rigors of operating as a public company."[5]

China's continued flaunting of U.S. financial regulations caused the U.S. Senate to unanimously pass S.945, the Holding Foreign Companies Accountable Act, to force them to play by the same rules as American companies.

It is in the public interest to investigate why BlackRock is not fulfilling its fiduciary responsibility and shining a light of transparency on these poorly-governed, secretive Chinese companies. Instead, you have chosen to be punitive toward American companies to placate a small group of activist investors with a biased political agenda.

These actions seem to contribute to a pattern of appeasement by Blackrock towards Chinese companies and the Chinese Communist Party.

In 2017, you backed resolutions placing the Chinese Communist Party above company boards in large state-owned enterprises – including at the oil and gas major, Sinopec.[6] In the same year, BlackRock attacked American oil and gas companies when you voted against management due to climate change disclosure concerns.

Hopefully you are aware U.S. investor dollars flowing into Chinese companies via passive investments funds raises a number of national security concerns. U.S. investors have no idea their dollars are being used to potentially finance fraud, cyber and other attacks against American interests, or businesses which are extensions of the Chinese Communist Party. Given the apparent financial advantages for BlackRock to appease the Chinese Communist Party and fringe environmental activist investors, it is important to examine your firm's hypocritical approach to investment stewardship.

We respectfully request you answer the following questions to provide greater transparency into your decision-making process regarding investment stewardship and strategy.

- Did the shareholder proposal submitted by Mercy Investment Services impact Blackrock's commitment to vote against director candidates at companies deemed to

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[4] https://www.ishares.com/us/products/239637/ishares-msci-emerging-markets-etf
[5] https://www.ft.com/content/37849c96-a932-43cc-8d0a-77a21675fef6?shareType=nongift
[6] https://www.ft.com/content/e91270a8-9364-11e7-bdfa-eda243196c2c

have made insufficient climate change related disclosures and/or join Climate Action 100+?

- How are these broad climate change commitments translated into company specific voting decisions?
- Did Mercy Investment Services indicate how it would like Blackrock to vote at specific companies during engagement sessions with Blackrock?
- Do you plan on reviewing specific climate-related votes with Mercy Investment Services at your next engagement session this summer? If so, what are you aiming to achieve?
- Why do you believe it is appropriate to ask companies to disclose significantly more climate change information than what is required by the SEC? Do you have any concerns that such disclosure could result in an administrative burden to portfolio companies or unreasonably expose portfolio companies to frivolous lawsuits from hostile actors?

The joint statement from the SEC and PCAOB states that "…investment advisers that are recommending investments in emerging markets may want to consider, as part of their due diligence, whether there are limitations on the quality of financial information with respect to these investments, as well as possible limitations on investors' legal remedies along the lines of those discussed above."

- Please describe your actions as an investment adviser to perform such due diligence.
- How does such due diligence relate to the sustainability commitments outlined in your 2020 letter to CEOs?
    - Do you expect companies in emerging markets to conform climate change disclosures with recommendations laid out by the Sustainable Accounting Standards Board and the Task Force on Climate Related Disclosure? If not, please describe why.
- Why do you believe investments in companies that do not adhere to SEC disclosure requirements are equally sound investments for you clients?
- Do you hold portfolio companies to the same standards world-wide?

Thank you for your consideration and timely response to these important questions. Given the concurrent public health and economic crises caused by Covid-19, a greater understanding of your investment stewardship activities is of the upmost importance.

Kevin Cramer
United States Senator

Martha McSally
United States Senator