REBUTTING BLACKROCK'S ALLEGATIONS **AGAINST** THE TEXAS PERMANENT SCHOOL FUND

BY SFOF STAFF

The Texas Permanent School Fund decided to divest $8.5 billion from BlackRock Inc. due to concerns about the investment company's fossil fuel policies. The decision aligns with a 2021 Texas law prohibiting state agencies from investing with companies boycotting the fossil fuel industry. BlackRock criticized the move in an open letter and on social media, claiming that the divestment could harm Texas schools financially. BlackRock also questioned the internal deliberations of the board regarding this decision. The state's dispute with BlackRock continues.

Legal Background

Texas Senate Bill 13, sponsored by Senator Bryan Hughes, is legislation that addresses state contracts with and investments in companies that boycott energy companies. Enacted on September 1, 2021, the bill requires the Texas Comptroller of Public Accounts to compile a list of financial companies that refuse to deal with, terminate business activities with, or take any action intended to penalize or inflict economic harm on companies engaged in fossil fuel-based energy without an ordinary business purposes.

To boycott a fossil fuel based company means "business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company…"

Comptroller Glenn Hagar is responsible for helping state fiduciary funds ensure that state investment funds, such as the Texas Permanent School Fund, do not invest in these listed companies. He has been actively sending inquiries to financial firms to determine their stance on doing business with the fossil fuel industry.

In the case of BlackRock, the Texas Permanent School Fund divested $8.5 billion from the company. This action was taken because BlackRock's environmental, social, and governance (ESG) investment policies were perceived as being hostile to the Texas oil and gas industry, which could be interpreted as boycotting the fossil fuel industry. However, it's important to note that the decision to divest was also influenced by profit considerations. The application of Senate Bill 13 to BlackRock and similar companies is part of Texas' broader efforts to protect its energy sector from discriminatory investment practices.

BlackRock's Commitment to Decarbonization

This paper explores BlackRock's stance on fossil fuels, its commitment to net-zero goals and decarbonization.

BlackRock, the world's largest asset manager, has taken significant steps to promote decarbonization, claiming that "climate risk is investment risk." In its 2030 net zero statement, BlackRock outlines its vision for our future—by 2030, all issuers should develop and implement robust transition plans. However, the recent Russian invasion of Ukraine underscores the problems which come from an energy transition, including those related to energy security.

BlackRock pledged to achieve net-zero emissions by 2050 across its portfolio. The firm's commitment to transition away from carbon-emitting resources towards "sustainability" is reflected in its global principles and guidelines.

BlackRock is a member of several industry associations related to sustainability and the transition to a low-carbon economy. Some of the groups BlackRock is involved with include:

- ISSB Investor Advisory Group: The International Sustainability Standards Board (ISSB) works to develop and approve IFRS Sustainability Disclosure Standards.[1]
- Taskforce on Nature-related Financial Disclosures (TNFD): TNFD is an initiative to provide a framework for corporates and financial institutions to report and act on evolving nature-related risks.[2]

While recently a number of large asset managers have pulled out of Climate Action 100+, BlackRock has continued in it, but shifted[3] its membership in Climate Action 100+ to BlackRock International, reducing its participation in the US.

In addition to public pledges and high profile advocacy of the transition away from fossil fuels, BlackRock also engages with companies to promote its decarbonization agenda.

Here are some detailed examples:

- **2030 Net Zero Statement:** BlackRock has made a public commitment to support the goal of net-zero greenhouse gas emissions by 2050 or sooner. The firm has outlined steps for investors to prepare their portfolios for a net-zero world.[4]
- **Climate Action 100+:** BlackRock was a signatory to Climate Action 100+, an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. However, in 2024, BlackRock transferred its participation in Climate Action 100+ to BlackRock International rather than dropping out.
- **Investment Strategy:** BlackRock announced initiatives to make climate change and "sustainability" issues a cornerstone of its investment strategy. This includes plans to

[1] https://www.blackrock.com/corporate/insights/our-approach-to-sustainability
[2] https://www.blackrock.com/corporate/insights/our-approach-to-sustainability
[3] https://nypost.com/2024/02/15/business/jpmorgan-blackrock-drop-out-of-massive-un-climate-alliance-in-stunning-move/
[4] https://www.blackrock.com/corporate/sustainability/2030-net-zero-statement

increase offerings of "sustainable" funds, launch investment products that screen fossil fuels, and exit investments in companies with high "sustainability"-related risks.[5]

- **Corporate Disclosures:** BlackRock has been advocating for companies to disclose plans for transitioning to a lower carbon economy, report key stakeholders and business interests.[6]
- **Client Letter on "sustainability":** In its annual letter to clients, BlackRock has emphasized its commitment to "sustainability", outlining actions for the year to support the net-zero transition. This includes measures pressuring for more measurement and reporting regarding energy production and use.[7]

These instances demonstrate BlackRock's very active role in seeking to pressure companies on climate change.

Case Study: Berkshire Hathaway

One notable example of applying pressure to companies is Berkshire Hathaway. BlackRock has engaged with Berkshire Hathaway on climate change through its investment stewardship activities. Here are some detailed instances of their engagement:

- **Voting on Shareholder Proposals:** BlackRock has exercised its shareholder voting rights to influence Berkshire Hathaway's approach to climate change. For example, BlackRock voted in favor of certain shareholder proposals requesting Berkshire Hathaway to provide more disclosure on its efforts to address climate change risks and opportunities.[8]
- **Investment Stewardship Reports:** BlackRock publishes investment stewardship reports that often include details of its engagements with companies on "sustainability"

[5] https://www.jonesday.com/en/insights/2020/01/blackrock-focuses-on-climate-change
[6] https://www.cnbc.com/2020/12/16/blackrock-makes-climate-change-central-to-investment-strategy-for-2021.html
[7] https://www.cnbc.com/2020/12/16/blackrock-makes-climate-change-central-to-investment-strategy-for-2021.html
[8] https://www.investmentnews.com/esg/news/blackrock-voted-against-255-directors-because-of-climate-issues-209078

issues. These reports highlight discussions with Berkshire Hathaway regarding its climate-related strategies and disclosures.[9]

- **Public Statements and Letters:** BlackRock's CEO, Larry Fink, has written annual letters to CEOs, including BH's Warren Buffett, emphasizing the importance of climate risk as an investment risk and the need for companies to demonstrate their preparedness for a net-zero economy.[10]
- **Direct Engagement:** BlackRock engages directly with companies, including Berkshire Hathaway, to discuss their business strategies and how they are managing climate-related risks and opportunities. This engagement is part of BlackRock's broader efforts to encourage companies to align their business models with a low-carbon transition.[11]

BlackRock continues to use investors' money to pressure companies to implement climate change policies. BlackRock's approach combines voting, dialogue, and public communication to apply pressure for corporate action on "sustainability" issues.

Other past examples of direct pressure applied to companies include:

- **Coal Investment Divestiture:** BlackRock announced it would sell $500 million in coal investments as part of a larger shift to make climate change central to its investment decisions. This was communicated in the annual letter to chief executives of major companies by BlackRock CEO, Laurence Fink.[12]
- **Engagement with ExxonMobil:** BlackRock has defended its environmental record by citing its fund managers' engagement with ExxonMobil and others on the topic of climate change and global risks.
- **Annual Engagements Report:** BlackRock reported having 232 engagements with companies on climate-related matters during the year to June 2018, although only a fifth of these companies responded substantively to requests to disclose climate risks to their businesses.[13]

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[9] https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-berkshire-hathaway-may-2021.pdf
[10] https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2022-blkinc.pdf
[11] https://www.blackrock.com/corporate/literature/publication/blk-climate-focus-universe.pdf
[12] https://www.cbsnews.com/news/blackrock-puts-climate-change-first-in-its-its-investment-strategy/
[13] https://www.theguardian.com/business/2019/may/21/blackrock-investor-climate-crisis-blackrock-assets

- **Support for Climate-Related Disclosures:** BlackRock has engaged with public companies on climate-related disclosure, observing that companies are continually developing and adapting their climate reporting tools, leading to improved quality of disclosure over time.

These engagements demonstrate BlackRock's willingness to use its influence as a major investor to pressure companies to perform even more reporting on fossil fuel use.

Blackrock expends tremendous energy directing influence campaigns against fossil fuels. BlackRock's Investment Stewardship Global Engagement Summary Report for 2023 reports a total of 3,768 engagements with companies on various topics, including climate change1. This report provides a breakdown of these engagements by region and sector, and includes specific topics discussed with each company.

The True Cost of BlackRock

This engagement data is relevant not just because such pressure tactics and political advocacy seem to conform with the law's definition of boycott (in reference to fossil fuel companies): action "intended to penalize, inflict economic harm on, or limit commercial relations with a company."

Furthermore, advocating reductions in fossil fuel production would, if effective, inflict economic harm on the companies. Taking actions to discourage consumption of those fossil fuels hurts that industry. Finally, pressure to decrease the use of energy coming from fossil fuels, if effective, would limit commercial relations with such companies. Later in the report there will be a detailed demonstration that proxy voting advocacy by Blackrock also often takes forms that would inflict harm and limit commercial relations with fossil fuel companies directly, and by defunding their advocates, if companies gave in to the intent of those proposals.

In addition to the legal requirements for divestment from Senate Bill 13, there is also a prima facie case that the Texas Permanent School Fund (PSF) has fiduciary reasons not to allow its assets to be managed by an entity which uses those assets against the fossil fuel industry. The PSF receives a significant portion of its revenues from the fossil fuel industry. In 2023, approximately $1.8 billion of the state and local taxes collected from the fossil fuel industry went into the PSF, which accounts for about 80% of the $2.2 billion annual budget for K-12 schools.[14]

Blackrock has attacked the PSF's position, both directly in a letter to School Board Chairman Aaron Kinsey and accompanying tweets, but also indirectly in the Chairman's Annual Shareholder Letter, which came out shortly afterwards. The letter[15] to Chairman Kinsey argues "BlackRock holds more than $320 billion in global energy investments, including approximately $120 billion in Texas-based, publicly traded energy companies."

However, having a large amount of investment in the energy sector does not demonstrate a lack of boycotting of oil and gas. Blackrock is a very large private asset manager, the largest in the world—whatever it holds, it will tend to hold quite a lot of. But with assets of roughly ten trillion dollars, it is not clear that 320 billion represents a proportionate share compared to the rest of the industry. In addition, investing in the energy sector is not the same as investing in oil and gas.

We looked at data comparing Blackrock's aggregate allocation to the energy sector in comparison with that of the overall industry.

The data suggested a small underweight to the energy sector. This argument is not a slam dunk, but it deserves further investigation, especially in light of the following point.

Blackrock justifies its energy holdings with reference to energy companies' operations that are not oil and gas producing. In other words, it says that the reason it has not divested from energy companies is that they also engage in creating energy alternatives to oil and gas and in decarbonization activities:

Per Blackrock: "The energy market isn't divided the way some people think, with a hard split between oil & gas producers on one side and new clean power and climate tech firms on the other. Many companies, like Occidental, do both, which is a major reason BlackRock has never supported divesting from traditional energy firms. They're pioneers of decarbonization, too."

But the PSF revenues do not come from general energy company profits, but rather from oil and gas extraction, through royalties and land leases. If Blackrock puts its thumb on the scale,

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[14] https://www.btimesonline.com/articles/164919/20240320/texas-schools-pull-8-5-billion-from-blackrock-amid-accusations-of-fossil-fuel-boycott.htm

[15] https://www.blackrock.com/us/individual/literature/press-release/blk-response-texas-state-board-of-education.pdf

shifting its energy portfolio away from oil and gas towards "clean power," it is more likely to harm the schools than help them. It’s not carbon capture and ethanol which are paying for Texas children's school books; it's oil and gas.

A tilt away from oil and gas within the energy sector is at least plausible, according to Blackrock’s own claims.

"Today, BlackRock has more than $300 billion invested in traditional energy firms on behalf of our clients. Of that $300 billion, more than half – $170 billion – is in the U.S.[63] We invest in these energy companies for one simple reason: It’s our clients’ money. If they want to invest in hydrocarbons, we give them every opportunity to do it – the same way we invest roughly $138 billion in energy transition strategies for our clients."

Out of 300 billion in energy investment, 138 billion is "transition". That's almost half. Is the transition sector really roughly half of the energy industry? If not, then that suggests a tilt against oil and gas, which would harm that industry and harm school funding.

Furthermore does Blackrock’s favorable attitude towards energy companies such as Occidental contribute to the capital shortage among emerging oil and gas companies? Large energy conglomerates are more likely to have their politically disfavored fossil fuel operations offset by divisions devoted to wind and solar and carbon capture. But smaller emerging oil and gas companies are more likely to be pure plays in fossil fuels. If Blackrock’s comments about being willing to invest in energy companies because they also have “transition” businesses is to be taken at face value, then it implies that they would be less likely to invest in smaller companies which lack the social credit which comes from decarbonization business lines. This would not be good for the future of oil and gas exploration in Texas, and therefore for future school funding.

We recognize that these data are not a "slam dunk". More disclosure of Blackrock's holdings would help clarify the issues and answer some of these questions.

Is it Non-Fiduciary, Reckless and Irresponsible to Fire Blackrock?

Blackrock appears to be implying that it would violate the law for PSF to fire them as an asset manager.

"We fully comply with Texas law and fundamentally disagree with your assessment based on BlackRock's performance for Texas PSF and our investments in Texas energy companies. Additionally, Senate Bill 13 makes clear divestment is not required when a government entity determines divestment is inconsistent with its fiduciary responsibilities. The outperformance BlackRock has demonstrated shows divestment would not be in the best interest of Texas PSF."

This refers to a fiduciary exemption from the law, which is typical of state level anti-ESG legislation and has been used against the Treasurer of Oklahoma who attempted to fire Blackrock on the basis of a similar law. This aspect of the law allows public entities to refrain from divesting from asset managers which boycott fossil fuels if divesting would conflict with their fiduciary duty. It does not make sense for Blackrock to invoke this exemption unless it is accusing the PSF of violating its fiduciary duties.

How exactly does PSF's action violate its fiduciary duty? In other contexts, Blackrock's allies have argued that firing Blackrock violates fiduciary duty because of the transition costs of selling the investment. But that occurs whenever a portfolio switches from one investment to another. If it's non-fiduciary to incur any transition costs, then it's non-fiduciary almost ever to change investment portfolios. Sometimes it has been suggested that firing Blackrock violates fiduciary responsibility because of Blackrock's low fees. However, there are other large firms with comparably low fees and new entrants willing to match or beat Blackrock's cost of managing money.

Blackrock mentions outperformance against its benchmark in the context of fiduciary responsibility. However, this is an entirely novel idea. Are pension managers legally forbidden from shifting money from one asset manager to another if past results have shown any excess performance, no matter how small and in the past? Past performance, as any compliance officer in the industry knows, is not indicative of future results. For Blackrock to imply that it will hurt the PSF in the future to fire Blackrock because of its performance in the past verges on the promissory. It is an argument which only makes sense if past performance were indicative of future results.

Finally, since Blackrock is supposed to mimic the financial results of its benchmark, the outperformance is likely to be very small, otherwise, it is what is called "tracking error." In other words, it appears that Blackrock is bragging about tracking error. This is odd given the fact that the lack of tracking error has been a brag point for Blackrock in the past and has been invoked as an argument in Oklahoma against firing Blackrock. So, which is it, tracking error is good or is it bad? It seems as though tracking error is good or bad depending on whether it helps Blackrock's case.

Finally, Blackrock's letter ignores volatility, which is the standard definition of risk in modern portfolio theory. The funds being divested from are international and emerging markets funds, which are historically a great deal more volatile than most other asset classes. Emerging market returns are volatile by nature given the dynamics of less developed countries and in addition are subject to the added level of risk that comes from foreign currency exposure. Since PSF is divesting from relatively volatile Blackrock-managed investment portfolios, it is likely that the fund is decreasing risk. It seems to be an overreach for Blackrock to suggest that they are unfireable by customers based merely on the claim that they have achieved small, non-risk adjusted, past outperformance. One also wonders whether those same rules apply when a pension fund attempts to fire a competitor and to hire Blackrock.

Finally, the Blackrock letter[16] takes a decidedly hostile tone with the PSF: "Ending a long, successful partnership that has been a positive force for thousands of Texas schools and families in such a reckless manner is irresponsible."

Usually, when a company loses business it makes a humbler appeal, asking what it can do to change in order to win the business back. Blackrock, on the other hand, publicly attacks its customer, suggests illegality and asks the customer to do the changing. Would it not be simpler (and more fiduciary to its own shareholders) for Blackrock to abandon the ESG approach in everything but its explicitly ESG-branded products, to drop out of membership in groups driven by climate change ideology, to go back to neutral in its proxy voting and engagement, to focus only on well-established corporate governance issues, to refrain from tilting its energy allocation away from fossil towards “renewables”, to seek to win back the customers it lost, and refrain from embroiling itself in the kind of politics which guarantee push-back from energy producing states? Would this not be a better approach than to pick fights with governments and then hire armies of lobbyists and lawyers to "force behaviors" when it comes to stopping dissatisfied customers from taking their business elsewhere?

[16]https://www.blackrock.com/us/individual/literature/press-release/blk-response-texas-state-board-of-education.pdf

One wonders if public fiduciaries when they initially hired Blackrock were adequately informed that they would be publicly castigated and intimidated by suggestions of illegal violations of fiduciary responsibility if they ever decide to sever the relationship. In the future, such fiduciaries may want to consider whether Blackrock is the financial equivalent of Hotel California where you can always check in, but you can't check out.

Now we turn our attention to anti-fossil fuel proxy voting from Blackrock.

Anti-Fossil Fuel Votes by Blackrock

Voting for Anti-Fossil Fuel Proposals

Anti-Fossil Fuel proposals come in many different forms and anti-energy activists are constantly devising new ways to address the same issues in order to circumvent SEC regulations that put a limit on the excessive repetition of the same themes on corporate proxies. Sometimes management itself puts forward proposals to self-limit carbon emissions beyond what is required by law in order to gauge shareholder interest or because of the management team's own personal and social beliefs. We classify such proposals as follows:

Anti-Fossil Fuels

- Shareholder Proposal Topics

    a. GHG Risk – proposals that seek to get companies to disclose the risk of their greenhouse gas emissions.

    b. Methane Risk - proposals that seek to get companies to disclose the risk of their methane gas emissions with the goal of decreasing them.

    c. Net Zero Alignment - proposals that seek to get companies to disclose whether they are sufficiently aligned with Net Zero carbon targets.

    d. Stranded Assets - proposals that seek to get companies to assume that fossil fuels will lose value eventually and to treat that value loss as a current cost.

e. Estimate future environmental litigation cost - proposals that seek to get companies to estimate the alleged environmental damage they commit and to assign a financial value to the legal losses they will incur.

f. Decarbonize 401(k) plans - proposals that seek to get companies to either exclude fossil fuel companies from employee's 401(k) plans or to set anti-fossil fuel investment funds as the employee default option.

g. Financing fossil fuels - proposals that seek to get financial companies to divest from fossil fuels.

h. Disclose Whether Carbon Offsets are Used to Achieve Emissions Reduction Goals- proposals that seek to deny permission for companies to count their divestment from fossil fuels in estimating their carbon footprint if the divested assets continue to be used by others.

i. Extend decarbonization to Scope 3 - proposals that seek to get companies to widen their decarbonization initiatives to include Scope 3 emissions.

j. Subsidize renewables - proposals that seek to get companies to invest in and utilize more renewable energy.

k. Methane Emissions reporting/limits - proposals that seek to use disclosure of methane emissions and methane limits to decrease methane emissions.

- Management Proposal Topics

  a. Climate Transition Plan – proposals from management to embark on a climate transition plan.

  b. Plan Update – proposals from management to update climate transition plans.

While Blackrock Funds do not currently support every one of these categories of proposals, our analysis shows that one or more Blackrock funds has voted for a proposal of this type 219 times in the last shareholder voting season. That's a 13% support rate, which is significantly higher than the support rate for any other ESG category of proposal. Compare that to only 3 votes in favor of pro-fossil fuel proposals (more on those below), which is a 1.5% support rate.

The pattern holds when looking at iShares funds, which are Blackrock affiliated and managed. One or more iShares funds have voted for a variety of anti-fossil fuel proposals 363 times, which is a 12.4 % support rate, the highest support rate for any category of ESG proposal. Contrast that with 0 votes for pro-fossil fuel proposals (more on those below) and the pattern is undeniable. Blackrock and affiliated companies have given significant support to climate change activists in their proxy voting. To the degree that such proposals limit demand for oil and gas, to that degree they harm the oil and gas industries. The only way these votes do not hurt oil and gas revenues is if they are merely ineffectual gestures to appease the activist community.

Voting Against Pro-Fossil Fuel Proposals

Pro-Fossil Fuel Proposal Topics

- Rescind past carbon limit plan – proposals from anti-ESG groups seeking to rescind past proposals committed to decarbonization.
- Financial risk of decarbonization – proposals from anti-ESG groups seeking to assess the financial risks to shareholders of decarbonization.
- Pro-fossil fuel mandates -proposals from anti-ESG groups seeking to pressure the company to continue investing in fossil fuels due to their importance to the national economy not their importance to the profitability of the company.
- Disclosure of whether climate plans are fiduciary – proposals from anti-ESG groups that call into question whether decarbonization or Net Zero pledges from companies are truly in the fiduciary interest of shareholders.
- Effect of carbon limits on the poor- proposals from anti-ESG groups which ask the company to assess whether its commitment to decarbonization negatively affects the global poor.

While Blackrock Funds generally do not currently support any one of these categories of proposals, our analysis shows that one or more Blackrock funds has voted for a proposal of this type only 3 times in the last shareholder voting season. That's a 1.5% support rate, which is significantly lower than their support rate for other types of ESG proposals. Compare that to 13% support in favor of anti-fossil fuel proposals.

The pattern holds when looking at iShares, which are Blackrock affiliated and managed. One or more iShares funds have voted for a pro-fossil fuel proposals 0 times, which is vastly lower than support for anti-fossil fuel proposals and well below the support rate for ESG proposals in general. In short Blackrock and affiliated companies have given virtually no support to pro-energy shareholder proponents in their proxy voting.

Voting for Proposals to Defund Pro-Fossil Fuel Organizations and Leaders

It is common for left-of-center political activists to file shareholder proposals that seek to pressure companies to defund conservative groups, either by dropping out of trade associations, or ceasing charitable contributions, lobbying or political donations. These are known as "congruency" proposals because they seek to take past general statements of support for human rights, diversity or environmentalism and use them to imply that such commitments are violated when groups disfavored by the activists receive support. In the vast majority of cases, this involves seeking to defund groups that defend fossil fuels.

Interestingly, a new favorite target is the State Financial Officers Foundation, so when Blackrock or others support such resolutions, they are participating in an attempt to silence the opposition through financial warfare. To the degree that such proposals actually have an effect, they harm the oil, gas and coal industries, because they weaken the pro-fossil fuel movement. It is especially relevant that more than several state officials which have sought to sanction Blackrock for its anti-fossil fuel practices are SFOF members, so when Blackrock is supporting such resolutions, it is participating in an attempt to silence the professional association of the leaders of state fiduciary entities which it claims to be helping.

Here are some examples of such proposals that received some support from both Blackrock and iShares:

1. **Walmart:** A proposal[17] by climate change activist pension United Church Funds designed to pressure companies to defund conservative groups, including pro-energy ones: "Walmart is a member of the Chamber of Commerce…Walmart believes in addressing climate change, yet the Chamber undermined the Paris climate accord."

2. **Facebook/Meta:** A proposal[18] by climate change activist pension United Church Funds designed to pressure companies to defund conservative groups including pro-energy ones. "Meta has set ambitious goals to reduce its carbon footprint but continues to contribute to the Competitive Enterprise Institute (CEI), a strong critic of climate science and climate legislation. And Meta says that it cares about the "environmental and social issues of the day" with attention to diversity and inclusion but also supports the Chamber, NetChoice and National Taxpayers Union, which all sit on ALEC's Private Enterprise Advisory Council and ALEC is attacking so called 'woke capitalism.'"

3. **JPMorgan Chase:** A proposal[19] by a climate activist designed to pressure companies to defund conservative groups including pro-energy ones: "Similarly, while Chase claims that supporting ESG is a core tenet of its political engagement, Chase sponsors the State Financial Officers Foundation ("SFOF"), an organization that works to prevent investor consideration of climate risk and other ESG factors."

4. **Home Depot:** A proposal[20] by a climate activist designed to pressure companies to defund conservative groups including pro-energy ones: "However, The Home Depot's politically focused expenditures appear to be misaligned with its public statements of its views and operational practices. For example, The Home Depot has committed to achieving a 50% reduction in carbon emissions by 2035, yet is a member of the U.S. Chamber of Commerce, which has long and consistently lobbied to constrain US climate regulations."

5. **Mastercard:** A proposal[21] by a climate activist designed to pressure companies to defund conservative groups including pro-energy ones "(Mastercard) has drawn

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[17] https://d18rn0p25nwr6d.cloudfront.net/CIK-0000104169/316d5b03-f800-4f26-8f94-e766fd216a05.pdf
[18] https://d18rn0p25nwr6d.cloudfront.net/CIK-0001326801/77945fb3-4081-4b3a-9fc6-ccf9b4ea37c9.pdf
[19]https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/investor-relations/documents/proxy-statement2023.pdf
[20]https://ir.homedepot.com/~/media/Files/H/HomeDepot-IR/2023/Proxy-AGM/2023%20Proxy%20Statement.pdf
[21] https://s25.q4cdn.com/479285134/files/doc_financials/2022/AR/Mastercard-proxy-courtesy-PDF.pdf

attention for funding the controversial nonprofit State Financial Officers Foundation, which is attacking so-called woke capitalism… Mastercard's lack of disclosure presents reputational risk when its lobbying contradicts company public positions. Mastercard supports addressing climate change, yet the Business Roundtable lobbied against the Inflation Reduction Act and the Chamber opposed the Paris climate accord."

6. **Coca-Cola:** A proposal[22] by a climate activist fund designed to pressure companies to defund conservative groups including pro-energy one: "The Company and its investors would benefit by strengthening its policies and reporting systems to avoid future missteps in corporate electioneering and political spending that contrast with its stated diversity and environmental policies."

7. **Comcast:** A proposal[23] by a climate activist fund designed to pressure companies to defund conservative groups including pro-energy ones: "Comcast has committed to achieving carbon neutrality in its Scope 1 and 2 emissions across global operations by 2035. However, Comcast is a member of the U.S. Chamber of Commerce, which has long and consistently lobbied to constrain U.S. climate regulations."

8. **Disney:** A proposal[24] by a climate activist fund designed to pressure companies to defund conservative groups including pro-energy ones: "Disney is working toward a science-based climate emissions reduction goal, yet has donated to a state attorney general suing to keep the federal government from creating a metric necessary to estimate the total cost of greenhouse gases."

9. **Wells Fargo:** A proposal[25] by a climate activist fund designed to pressure companies to defund conservative groups including pro-energy ones: "Yet, Wells Fargo supports organizations working against ESG investing and climate related financial risk management, including the State Financial Officers Foundation (SFOF) and the Republican Attorneys General Association. SFOF has advanced model legislation in at least five states directing state lawmakers and treasurers to cancel state contracts with companies that address climate risk, stating those institutions are 'boycotting' fossil fuel

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[22]https://investors.coca-colacompany.com/filings-reports/proxy-statements/content/0001308179-23-000117/0001308179-23-000117.pdf

[23] https://www.cmcsa.com/static-files/1ff08d99-880f-4385-9dc5-6b04c7bbe1a3

[24] https://thewaltdisneycompany.com/app/uploads/2023/02/2023-Proxy-Statement.pdf

[25]https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2023-proxy-statement.pdf

companies.4 Evident conflict for our Company has not gone unnoticed. Congressman Casten and Senator Schatz wrote our CEO, requesting confirmation of Company plans to withdraw its sponsorship of SFOF, emphasizing SFOF's approach misrepresents valid steps banks and asset managers are taking to minimize exposure to climate risks."

10. **Wells Fargo:** Another similar proposal[26] on the ballot, dedicated exclusively to "climate change lobbying". This proposal also singled out funding for SFOF.
11. **Boeing:** A proposal[27] very similar to #9 above, which was on the Wells Fargo proxy.
12. **Boeing:** A proposal[28] very similar to #10 above, which was on the Wells Fargo proxy, entirely devoted to ending lobbying at odds with climate change activists' viewpoint.
13. **Cintas:** Doesn't explicitly mention climate change, but the proponent[29] is a labor union with a history of climate change proxy activism, which suggests that the intent includes defunding climate change skeptics: note a shareholder proposal regarding a report on political contributions, if properly presented at the meeting.
14. **Caesars:** A proposal[30] at Caesars Entertainment of a similar nature: "election-related spending aligns or conflicts with its policies on climate change and sustainability."
15. **Charter Communications:** A proposal[31] at Charter Communications pressuring the company to defund conservative groups, including the pro-energy ALEC. The proponent was the SEIU which is committed to "climate justice."
16. **UnitedHealth Group:** A proposal[32] by a climate activist foundation designed to pressure companies to defund conservative groups including pro-energy ones. "UHG has stated 'Reducing carbon emissions has been a long-standing priority for our company.' Yet it is

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[26]https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2023-proxy-statement.pdf
[27]https://materials.proxyvote.com/Approved/097023/20230217/NPS_527282/HTML1/the_boeing_company-proxy2023_0088.htm
[28]https://materials.proxyvote.com/Approved/097023/20230217/NPS_527282/HTML1/the_boeing_company-proxy2023_0088.htm
[29]https://www.sec.gov/Archives/edgar/data/723254/000072325422000025/proxyfy22.htm#ife9fd3a8e3bd4f97b99d240cb549c12a_1046
[30] https://investor.caesars.com/static-files/e23c48fb-3809-4d42-aa01-63def3f38ab1
[31] https://ir.spectrum.com/static-files/d84c9967-9352-4506-9def-f334c04ce3ff
[32]https://www.unitedhealthgroup.com/content/dam/UHG/PDF/investors/2023/UNH-Proxy-Statement-2023.pdf

a member of the U.S. Chamber of Commerce, which has consistently lobbied to roll back climate regulations and promote regulatory frameworks that would slow the transition towards a lower-carbon economy. Additionally, a Bloomberg analysis found that between 2018 and 2020, for every dollar UHG contributed to climate-friendly members of Congress, it donated $1.67 to members characterized as '.ardent obstructionists' of proactive climate policy."

Any support for proposals such as those listed above is inconsistent with claims that Blackrock has been falsely accused of being anti-fossil fuels. Attempts to defund the other side of the debate, including the professional association which serves financial officers who are skeptical about ESG is hard to reconcile with claims that Blackrock is politically neutral on hydrocarbon energy and shows its willingness to impose its settled views on companies using the voting powers which oil and gas producing states entrust to it.

Appendices

Appendix I: Blackrock/iShares Funds Voting for Anti-Fossil Fuels Proposals

- BlackRock Advantage Global Fund
- BlackRock Advantage Large Cap Core Fund
- BlackRock Advantage Large Cap Core VI Fund
- BlackRock Advantage Large Cap Value Fund
- BlackRock Advantage Large Cap Value VI Fund
- BlackRock Advantage SMID Cap Fund
- BlackRock Defensive Advantage US Fund
- BlackRock Enhanced Capital and Income Fund
- BlackRock Exchange Portfolio
- BlackRock Future US Themes ETF
- BlackRock GA Disciplined Volatility Equity Fund
- BlackRock Global Allocation Fund
- BlackRock Global Allocation VI Fund
- BlackRock Managed Volatility VI Fund
- BlackRock S&P 500 Index VI Fund
- BlackRock Series Fund: BlackRock Advantage Large Cap Core Portfolio
- BlackRock Series Fund: BlackRock Global Allocation Portfolio
- BlackRock Series Fund: BlackRock Sustainable Balanced Portfolio
- BlackRock Sustainable Advantage Large Cap Core Fund
- BlackRock Tactical Opportunities Fund
- BlackRock US Carbon Transition Readiness ETF
- BlackRock US Equity Factor Rotation ETF
- Master Investment Portfolio: Diversified Equity Master Portfolio
- Master Investment Portfolio: Large Cap Index Master Portfolio
- Master Investment Portfolio: S&P 500 Index Master Portfolio
- iShares Total US Stock Market Index Fund
- iShares Core S&P 500 ETF
- iShares Core S&P Total US Stock Market ETF
- iShares Core S&P US Value ETF
- iShares Dow Jones US ETF

- iShares ESG Aware MSCI USA ETF
- iShares ESG Aware MSCI USA Value ETF
- iShares ESG Screened S&P 500 ETF
- iShares Global Equity Factor ETF
- iShares Global Financials ETF
- iShares MSCI ACWI ETF
- iShares MSCI ACWI Low Carbon Target ETF
- iShares MSCI Global Min Vol Factor ETF
- iShares MSCI Kokusai ETF
- iShares MSCI USA Equal Weighted ETF
- iShares MSCI USA Min Vol Factor ETF
- iShares MSCI World ETF
- iShares Morningstar US Equity ETF
- iShares Paris Aligned Climate MSCI USA ETF
- iShares Russell 1000 ETF
- iShares Russell 1000 Value ETF
- iShares Russell 3000 ETF
- iShares Russell Top 200 ETF
- iShares Russell Top 200 Value ETF
- iShares S&P 100 ETF
- iShares S&P 500 Value ETF
- iShares US Financials ETF
- BlackRock Capital Allocation Term Trust
- BlackRock ESG Capital Allocation Term Trust
- BlackRock Energy and Resources Trust
- BlackRock EuroFund
- BlackRock GA Dynamic Equity Fund
- BlackRock Natural Resources Trust
- BlackRock Resources and Commodities Strategy Trust
- BlackRock World ex US Carbon Transition Readiness ETF
- Master Investment Portfolio: International Tilts Master Portfolio
- Master Investment Portfolio: Total International ex US Index Master Portfolio
- iShares MSCI EAFE International Index Fund

- iShares Core MSCI EAFE ETF
- iShares Core MSCI Europe ETF
- iShares Core MSCI International Developed Markets ETF
- iShares Core MSCI Total International Stock ETF
- iShares ESG Aware MSCI EAFE ETF
- iShares Europe ETF
- iShares Global 100 ETF
- iShares Global Energy ETF
- iShares International Equity Factor ETF
- iShares International Select Dividend ETF
- iShares MSCI ACWI ex US ETF
- iShares MSCI EAFE ETF
- iShares MSCI EAFE Min Vol Factor ETF
- iShares MSCI EAFE Value ETF
- iShares MSCI Eurozone ETF
- iShares MSCI France ETF
- iShares MSCI Global Energy Producers ETF
- iShares MSCI Intl Momentum Factor ETF
- iShares MSCI Intl Quality Factor ETF
- iShares MSCI Intl Size Factor ETF
- iShares MSCI Intl Value Factor ETF
- iShares MSCI United Kingdom ETF
- iShares Global Consumer Staples ETF
- iShares Russell Mid Cap Index Fund
- iShares Core Dividend Growth ETF
- iShares Core S&P Mid Cap ETF
- iShares Core S&P US Growth ETF
- iShares ESG Screened S&P Mid Cap ETF
- iShares Focused Value Factor ETF
- iShares MSCI USA Value Factor ETF
- iShares Morningstar Growth ETF
- iShares Morningstar Mid Cap ETF
- iShares Morningstar Mid Cap Growth ETF

- iShares Russell Mid Cap ETF
- iShares S&P Mid Cap 400 Growth ETF
- iShares US Basic Materials ETF
- iShares US Infrastructure ETF
- BlackRock Advantage SMID Cap VI Fund
- BlackRock Dynamic High Income Portfolio
- BlackRock Multi Asset Income Portfolio
- iShares ESG MSCI USA Leaders ETF
- iShares Global Infrastructure ETF
- iShares MSCI USA Momentum Factor ETF
- iShares North American Natural Resources ETF
- iShares Russell 1000 Growth ETF
- iShares Russell Mid Cap Growth ETF
- iShares S&P 500 Growth ETF
- iShares US Energy ETF
- iShares US Oil and Gas Exploration and Production ETF
- iShares US Small Cap Equity Factor ETF
- BlackRock International Index VI Fund
- BlackRock Advantage International Fund
- BlackRock Sustainable Advantage Global Equity Fund
- iShares ESG Advanced MSCI EAFE ETF
- iShares MSCI EAFE Growth ETF
- iShares MSCI Spain ETF
- BlackRock Future Climate and Sustainable Economy ETF
- BlackRock Utilities Infrastructure and Power Opportunities Trust
- iShares Global Industrials ETF
- iShares International Dividend Growth ETF
- BlackRock Enhanced Global Dividend Trust
- BlackRock Global Dividend Portfolio
- BlackRock Managed Income Fund
- iShares Global Clean Energy ETF
- iShares Global Utilities ETF
- BlackRock Strategic Global Bond Fund

- BlackRock Strategic Income Opportunities Portfolio
- iShares Core Dividend ETF
- iShares Core High Dividend ETF
- iShares Factors US Value Style ETF
- iShares MSCI USA Quality Factor ETF
- iShares Core MSCI Pacific ETF
- iShares MSCI Australia ETF
- iShares MSCI Pacific ex Japan ETF
- iShares Russell Small/Mid Cap Index Fund
- iShares ESG Advanced MSCI USA ETF
- iShares ESG MSCI USA Min Vol Factor ETF
- iShares MSCI KLD 400 Social ETF
- iShares MSCI USA Mid Cap Multifactor ETF
- iShares Russell 2500 ETF
- iShares US Consumer Discretionary ETF
- iShares US Transportation ETF
- BlackRock Mid Cap Value Fund
- iShares US Industrials ETF
- iShares Global Materials ETF
- iShares MSCI Global Metals and Mining Producers ETF
- BlackRock Global Equity Absolute Return Fund
- BlackRock International Fund
- BlackRock International VI Fund
- iShares MSCI Canada ETF
- iShares MSCI Europe Financials ETF

Appendix II: Blackrock/iShares Funds Voting Against Pro-Fossil Fuels Proposals

- BlackRock Advantage Global Fund
- BlackRock Advantage Large Cap Core Fund
- BlackRock Advantage Large Cap Core VI Fund
- BlackRock Advantage Large Cap Growth Fund
- BlackRock Advantage Large Cap Value Fund
- BlackRock Advantage Large Cap Value VI Fund
- BlackRock Advantage SMID Cap Fund
- BlackRock Defensive Advantage US Fund
- BlackRock Future US Themes ETF
- BlackRock GA Disciplined Volatility Equity Fund
- BlackRock Global Allocation Fund
- BlackRock Global Allocation VI Fund
- BlackRock Managed Volatility VI Fund
- BlackRock S&P 500 Index VI Fund
- BlackRock Series Fund: BlackRock Advantage Large Cap Core Portfolio
- BlackRock Series Fund: BlackRock Global Allocation Portfolio
- BlackRock Series Fund: BlackRock Sustainable Balanced Portfolio
- BlackRock Sustainable Advantage Large Cap Core Fund
- BlackRock Tactical Opportunities Fund
- BlackRock US Carbon Transition Readiness ETF
- BlackRock US Equity Factor Rotation ETF
- Master Investment Portfolio: Diversified Equity Master Portfolio
- Master Investment Portfolio: Large Cap Index Master Portfolio
- Master Investment Portfolio: S&P 500 Index Master Portfolio
- iShares Total US Stock Market Index Fund
- iShares Core Dividend ETF
- iShares Core Dividend Growth ETF
- iShares Core S&P 500 ETF
- iShares Core S&P Total US Stock Market ETF
- iShares Core S&P US Growth ETF
- iShares Dow Jones US ETF
- iShares ESG Advanced MSCI USA ETF

- iShares ESG Aware MSCI USA ETF
- iShares ESG Aware MSCI USA Value ETF
- iShares ESG MSCI USA Leaders ETF
- iShares ESG MSCI USA Min Vol Factor ETF
- iShares ESG Screened S&P 500 ETF
- iShares Factors US Value Style ETF
- iShares Global 100 ETF
- iShares Global Consumer Staples ETF
- iShares MSCI ACWI ETF
- iShares MSCI ACWI Low Carbon Target ETF
- iShares MSCI Global Min Vol Factor ETF
- iShares MSCI KLD 400 Social ETF
- iShares MSCI Kokusai ETF
- iShares MSCI USA ESG Select ETF
- iShares MSCI USA Equal Weighted ETF
- iShares MSCI USA Min Vol Factor ETF
- iShares MSCI USA Momentum Factor ETF
- iShares MSCI Water Management Multisector ETF
- iShares MSCI World ETF
- iShares Morningstar Growth ETF
- iShares Morningstar US Equity ETF
- iShares Morningstar Value ETF
- iShares Russell 1000 ETF
- iShares Russell 1000 Growth ETF
- iShares Russell 1000 Value ETF
- iShares Russell 3000 ETF
- iShares Russell Top 200 ETF
- iShares Russell Top 200 Growth ETF
- iShares Russell Top 200 Value ETF
- iShares S&P 100 ETF
- iShares S&P 500 Growth ETF
- iShares US Consumer Staples ETF
- iShares US Equity Factor ETF

- BlackRock Commodity Strategies Fund
- BlackRock Emerging Markets ex-China Fund
- BlackRock Energy and Resources Trust
- BlackRock Exchange Portfolio
- BlackRock Natural Resources Trust
- BlackRock Resources and Commodities Strategy Trust
- BlackRock Systematic Multi Strategy Fund
- iShares Core High Dividend ETF
- iShares Global Energy ETF
- iShares Global Equity Factor ETF
- iShares MSCI Global Energy Producers ETF
- iShares North American Natural Resources ETF
- iShares Select Dividend ETF
- iShares US Energy ETF
- BlackRock Dynamic High Income Portfolio
- BlackRock Multi Asset Income Portfolio
- iShares Core S&P US Value ETF
- iShares Global Infrastructure ETF
- iShares Global Utilities ETF
- iShares S&P 500 Value ETF
- iShares US Infrastructure ETF
- iShares US Utilities ETF
- iShares ESG Aware MSCI USA Growth ETF
- iShares Global Industrials ETF
- iShares Paris Aligned Climate MSCI USA ETF
- iShares US Industrials ETF
- BlackRock Enhanced Global Dividend Trust
- BlackRock Global Dividend Portfolio
- BlackRock Managed Income Fund
- BlackRock Utilities Infrastructure and Power Opportunities Trust
- BlackRock World ex US Carbon Transition Readiness ETF
- iShares Core MSCI International Developed Markets ETF
- iShares Core MSCI Total International Stock ETF

- iShares Global Financials ETF
- iShares International Equity Factor ETF
- iShares MSCI ACWI ex US ETF
- iShares MSCI Canada ETF
- iShares MSCI Intl Size Factor ETF
- iShares Russell Mid Cap Index Fund
- iShares Morningstar Mid Cap ETF
- iShares Morningstar Mid Cap Value ETF
- iShares Russell Mid Cap ETF
- iShares Russell Mid Cap Value ETF

Appendix III: Blackrock/iShares Funds Voting to Defund Conservative Speech, Including Pro-Fossil Fuel Political Speech/Lobbying Spending

- BlackRock Tactical Opportunities Fund
- BlackRock Capital Allocation Term Trust
- BlackRock ESG Capital Allocation Term Trust
- BlackRock GA Dynamic Equity Fund
- BlackRock Global Allocation VI Fund
- BlackRock S&P 500 Index VI Fund
- BlackRock Series Fund: BlackRock Global Allocation Portfolio
- Master Investment Portfolio: Large Cap Index Master Portfolio
- iShares Total US Stock Market Index Fund
- iShares Core S&P 500 ETF
- iShares Core S&P Total US Stock Market ETF
- iShares Core S&P US Value ETF
- iShares Dow Jones US ETF
- iShares ESG Aware MSCI USA Growth ETF
- iShares ESG Screened S&P 500 ETF
- iShares Global Comm Services ETF
- iShares MSCI ACWI ETF
- iShares MSCI ACWI Low Carbon Target ETF
- iShares MSCI Kokusai ETF
- iShares MSCI USA Equal Weighted ETF
- iShares MSCI USA Min Vol Factor ETF
- iShares MSCI World ETF
- iShares Morningstar Growth ETF
- iShares Morningstar US Equity ETF
- iShares Paris Aligned Climate MSCI USA ETF
- iShares Russell 1000 ETF
- iShares Russell 1000 Growth ETF
- iShares Russell 3000 ETF
- iShares Russell Top 200 ETF
- iShares Russell Top 200 Growth ETF
- iShares S&P 100 ETF

- iShares S&P 500 Value ETF
- iShares US Equity Factor ETF
- iShares US Telecommunications ETF
- BlackRock Advantage SMID Cap Fund
- BlackRock GA Disciplined Volatility Equity Fund
- BlackRock Global Allocation Fund
- BlackRock Managed Volatility VI Fund
- BlackRock Sustainable Advantage Large Cap Core Fund
- Master Investment Portfolio: Diversified Equity Master Portfolio
- Master Investment Portfolio: S&P 500 Index Master Portfolio
- iShares Global 100 ETF
- iShares Global Equity Factor ETF
- iShares MSCI Global Min Vol Factor ETF
- iShares US Consumer Focused ETF
- BlackRock Advantage Large Cap Core Fund
- BlackRock Advantage Large Cap Core VI Fund
- BlackRock Advantage Large Cap Growth Fund
- BlackRock Advantage Large Cap Value Fund
- BlackRock Advantage Large Cap Value VI Fund
- BlackRock Global Long/Short Credit Fund
- BlackRock Multi-Sector Opportunities Trust
- BlackRock Multi-Sector Opportunities Trust II
- BlackRock Series Fund: BlackRock Advantage Large Cap Core Portfolio
- BlackRock Strategic Income Opportunities Portfolio
- BlackRock US Carbon Transition Readiness ETF
- Master Total Return Portfolio
- iShares Russell Mid Cap Index Fund
- iShares ESG Aware MSCI USA ETF
- iShares Global Consumer Discretionary ETF
- iShares Morningstar Mid Cap ETF
- iShares Morningstar Mid Cap Growth ETF
- iShares Russell 1000 Value ETF
- iShares Russell Mid Cap ETF

- iShares Russell Mid Cap Growth ETF
- iShares US Consumer Discretionary ETF
- BlackRock Advantage Global Fund
- BlackRock Mid Cap Growth Equity Portfolio
- BlackRock US Equity Factor Rotation ETF
- iShares Core Dividend ETF
- iShares Core Dividend Growth ETF
- iShares Core S&P US Growth ETF
- iShares ESG Advanced MSCI USA ETF
- iShares Global Industrials ETF
- iShares MSCI USA Quality Factor ETF
- iShares S&P 500 Growth ETF
- iShares US Industrials ETF