



August 2, 2023

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c/o Janey Ahn  
Secretary of the Trusts  
50 Hudson Yards  
New York, NY 10001

Dear Directors:

As the financial officers of our respective states, we recently became aware of a letter that you received from numerous state attorneys general concerning your role as directors of certain mutual funds that use BlackRock, Inc. as an investment adviser. In the letter (a copy of which is attached to this correspondence), the attorneys general raise serious concerns about potential conflicts of interest that may affect the integrity of the mutual funds at issue. The conflicts stem both from relationships most of you have to BlackRock as well as from BlackRock's commitments to use invested assets for non-financial purposes. To address their concerns, the attorneys general asked you to explain whether you have adequately investigated these conflicts of interest, and whether you have considered how the conflicts might affect the propriety of continuing to use BlackRock as an investment adviser moving forward.

We write separately to join in these requests for information. As the chief financial officers of our states, we have a fiduciary duty to ensure that state assets are prudently invested and are not jeopardized by potentially harmful conflicts of interest. Your response to the attached letter will help us to fulfill that duty when deciding how to invest public funds for the financial benefit of our states' citizens.

To begin, we are concerned about whether your board is sufficiently independent to supervise BlackRock's performance as an investment adviser. Apparently, most of you are either employed by BlackRock or hold additional positions as board members of publicly traded companies in which BlackRock owns a sizeable share. As a result, for most of you, BlackRock appears to wield significant influence over matters that could directly affect your compensation and your continued status as board members. These personal entanglements with BlackRock could easily impair a director's ability to exercise independent judgment when reviewing possible misconduct by BlackRock.

Many of you also serve as board members on numerous other BlackRock mutual-fund boards. For those members, these additional engagements with BlackRock raise further questions about your ability to serve the appropriate "independent watchdog" function, and they may also impair your ability to give adequate time and attention to the supervision of each particular fund for which you serve as directors. To appropriately invest our states' resources, it is important for us to understand how your relationships with BlackRock affect your ability and your board's ability to objectively evaluate BlackRock's performance and the loyalty they owe as fiduciary to fund investors as the investment adviser.

We are also concerned about your board's potential lack of oversight regarding BlackRock's commitments to use client assets for the purpose of advancing an ideological agenda. As you are now aware, BlackRock has openly vowed to implement the Paris Agreement by pressuring companies to "reduce greenhouse gas emissions across their value chain,"<sup>1</sup> and by using "all assets under management to achieve net zero emissions by 2050 or sooner."<sup>2</sup> Moreover, it appears that BlackRock made these commitments in response to outside pressure from large institutional clients whose political interests do not align with the purely financial interests of BlackRock's many retail investors. Furthermore, given the enormous rise in share prices within the coal industry, BlackRock's ideological commitment to stop investing in coal may have detrimentally impacted the shareholders of some BlackRock mutual funds, including the mutual funds of which you are directors. Finally, BlackRock has poured billions of dollars into China as the first foreign-owned company allowed to offer a set of mutual funds and other investment products for Chinese consumers – a move criticized for its potential financial risks to its clients and damage to national security interests of the U.S. and other democracies.<sup>3</sup> In determining how

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<sup>1</sup> BlackRock, "Climate Action 100+ Sign-On Statement," 1 (Jan. 6, 2020), *available at* <https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf>.

<sup>2</sup> The Net Zero Asset Managers Initiative, "Commitment," *available at* <https://www.netzeroassetmanagers.org/commitment/>.

<sup>3</sup> Soros, George, "BlackRock's China Blunder: Pouring billions into the country now is a bad investment and imperils U.S. national security," (Sept. 6, 2021) *available at* <https://www.wsj.com/articles/blackrock-larry-fink-china-hkex-sse-authoritarianism-xi-jinping-term-limits-human-rights-ant-didi-global-national-security-11630938728>.

to invest our states' assets, it would be helpful to know whether you have considered how BlackRock's activist commitments might impact its ability to act exclusively for the financial benefit of shareholders.

Furthermore, in determining how to invest our states' assets, we need to know whether BlackRock disclosed to you material information regarding its ESG commitment to use its voting and engagement authority to achieve net zero across all assets under management. The Net Zero Asset Managers Initiative's FAQ makes clear that this commitment is not waivable and therefore any side letter BlackRock may have submitted would not exempt BlackRock from this obligation.<sup>4</sup> This commitment appears to directly conflict with the claim in bold letters in the prospectus for many of your funds that the "**fund does not seek to follow a sustainable, impact or ESG investment strategy.**"<sup>5</sup> Furthermore, we wish to understand what information was disclosed to you regarding BlackRock's commitment to "challenge and seek to overcome" its fiduciary and legal duties, and why you chose to renew a contract with any investment advisor that would sign such a statement.<sup>6</sup>

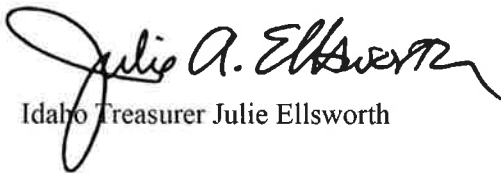
As the attorneys general demonstrated in their letter, the preceding conflicts of interest raise various legal concerns related to consumer protection, commerce, and securities. They also raise practical financial concerns that bear directly on our duty as financial officers to prudently invest our states' financial resources. The information that you provide in response to these concerns, as well as the other concerns and questions discussed in the letter from the attorneys general, will help us decide how to invest the state assets that have been entrusted to us. We therefore respectfully request that you send each of us a copy of your response to the attached letter.



Alaska Commissioner of Revenue Adam Crum



Arizona Treasurer Kimberly Yee



Idaho Treasurer Julie Ellsworth



Indiana Treasurer Dan Elliott

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<sup>4</sup> See The Net Zero Asset Managers Initiative, "FAQ," available at <https://www.netzeroassetmanagers.org/faq/>.

<sup>5</sup> See, e.g., BlackRock, "iShares Core S&P 500 ETF," available at <https://www.blackrock.com/us/individual/products/239726/ishares-core-sp-500-etf>.

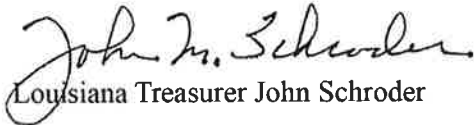
<sup>6</sup> The Net Zero Asset Managers Initiative, "Commitment," available at <https://www.netzeroassetmanagers.org/commitment/>.



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