

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE  
SECURITIES DIVISION**

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**IN THE MATTER OF:**

**BLACKROCK INC.; BLACKROCK  
INVESTMENTS, LLC; BLACKROCK ADVISORS,  
LLC; AND BLACKROCK FUND ADVISORS;  
ISHARES TRUST**

**ADMINISTRATIVE ORDER  
LS-24-6726**

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**SUMMARY CEASE AND DESIST ORDER AND NOTICE OF INTENT  
TO IMPOSE ADMINISTRATIVE PENALTY**

**WHEREAS**, the Secretary of State of the State of Mississippi (“Administrator”) has the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act (“Act”), codified at Mississippi Code Annotated Sections 75-71-101 to -701 (2020); and

**WHEREAS**, BlackRock Inc.; BlackRock Investments, LLC; BlackRock Advisors, LLC; BlackRock Fund Advisors; AND iShares Trust (collectively “BlackRock” or “Respondents”) have violated provisions of the Act; and

**WHEREAS**, the Securities Division of the Mississippi Secretary of State’s Office (“Division”) is authorized to issue an order to direct any person to cease and desist from engaging in an act, practice, or course of business when the Administrator determines a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act; and

**WHEREAS**, action by the Division in this instance is necessary and appropriate in the public interest and for the protection of investors and is consistent with the purposes fairly intended by the policy and provisions of the Act;

**NOW, THEREFORE**, the Division hereby enters its Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty.

## I. FINDINGS OF FACT

### Parties

1. The Secretary of State of the State of Mississippi has the authority, pursuant to the Act, to administer and enforce the Act and to regulate the offer and sale of securities in Mississippi as well as the firms and persons who offer or sell securities or who provide investment advice regarding securities.
2. BlackRock Inc. is a multinational investment company incorporated in Delaware. Respondent's current business address is 50 Hudson Yards, New York, NY 10001.
3. BlackRock Investments, LLC is a broker-dealer registered in Mississippi with a main address of 50 Hudson Yards, New York, NY 10001. BlackRock Investments, LLC is identified by Financial Industry Regulatory Authority ("FINRA") CRD No. 38642 and is a wholly-owned subsidiary of BlackRock Inc.
4. BlackRock Advisors, LLC is an investment adviser notice filed in Mississippi with a main address of 50 Hudson Yards, New York, NY 10001. BlackRock Advisors, LLC is identified by FINRA CRD No. 106614 and is a wholly-owned subsidiary of BlackRock Inc.
5. BlackRock Fund Advisors ("BFA") is an investment adviser notice filed in Mississippi with a main address of 400 Howard Street, San Francisco, CA 94105. BlackRock Fund Advisors is identified by FINRA CRD No. 105247 and is a wholly-owned subsidiary of BlackRock Inc.
6. iShares Trust is an issuer of BlackRock's exchange-traded funds ("ETFs") and is a subsidiary of BlackRock Inc.

### Events

7. BlackRock is a publicly traded investment management firm and is a provider of ETFs. As of December 31, 2022, BlackRock had \$8.6 trillion of assets under management. BlackRock markets investment services to investors throughout the United States, including in Mississippi.<sup>1</sup>

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<sup>1</sup> See <https://www.blackrock.com/us/individual/resources/customer-service> (stating that consumers can use BlackRock's "Active Investor portal" to "easily . . . place transactions and manage account settings"). Additional relevant information is contained in BlackRock's 2022 10-K at p. 1.

8. BlackRock has made and continues to make untrue statements of material fact, and to omit material facts to make its statements not misleading, to investors and potential investors in Mississippi. These misrepresentations pertain to BlackRock's provision of investment services, especially its involvement in pushing Environmental, Social, and Governance ("ESG") factors on portfolio companies. Additionally, many of BlackRock's acts, practices, and courses of business operate or would operate as a fraud or deceit upon investors and potential investors in Mississippi.

9. BlackRock's untrue and misleading statements fall into two main categories. The first relates to BlackRock's funds that are marketed as non-ESG funds ("non-ESG funds"). Statements in this first category are misleading to investors who are not interested in ESG and who are led to believe that BlackRock's non-ESG funds will be managed for the sole purpose of investors' financial return without regard to ESG criteria. For example, BlackRock claims that its non-ESG funds "do[] not seek to follow a sustainable, impact, or ESG investment strategy." This claim is untrue and deceptive because BlackRock has committed to use all assets under management to advance the environmental agenda of reducing carbon emissions to "net zero."

10. The second category of BlackRock's deceptive statements relates to BlackRock's funds that are marketed as ESG funds ("ESG funds"). BlackRock has claimed and claims that ESG benefits companies' long-term financial prospects and drives financial outcomes for clients. These statements are untrue, or omit to state material facts to make them not misleading, because the consideration of ESG factors does not provide an indication of better financial returns or current or future risk profiles.<sup>2</sup> The statements within

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<sup>2</sup> As of late, the underperformance by ESG or other environmentally motivated investments has accelerated. See, for example, Greg Ip, "Who Will Pay for Green Transition?," Wall Street Journal, November 30, 2023 (The Nasdaq Clean Edge Green Energy Index and the S&P Global Clean Energy Index have declined approximately 50 percent from January 2021 to November 2023 compared to the S&P 500 which has increased 20 percent). See also Bradford Cornell and Aswath Damodaran, "Valuing ESG: Doing Good or Sounding Good?," NYU Stern School of Business, March 20, 2020 [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3557432](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3557432) ("Telling firms that being socially responsible will deliver higher growth, profits and value is false advertising." (p. 22)); Ulrich Atz, Tracy Van Holt, Zongyuan Zoe Liu and Christopher Bruno, "Does Sustainability Generate Better Financial Performance? Review, Meta-analysis, and Propositions," July 29, 2022 [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3708495](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3708495) (This paper surveyed 1,141 primary peer-reviewed papers and 27 meta-reviews (based on ~1,400 underlying studies) published between 2015 and 2020. Aggregate conclusions from a sample suggest that the financial performance of ESG investing has on average been indistinguishable from conventional investing (with one in three studies indicating superior performance.); Samuel M. Hartzmark and Abigail B. Sussman, "Do Investors Value

this second category are misleading to investors who are interested in ESG investing for financial (as opposed to social or political) reasons, and who are led to believe that BlackRock's ESG funds will receive a financial benefit from BlackRock's consideration of ESG criteria. In addition, BlackRock charges higher fees for some of its ESG funds than it does for comparable non-ESG funds.

11. The Administrator is entering this Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty to stop BlackRock from inflicting immediate and irreparable public harm.

### **Deceptive Statements regarding non-ESG Funds**

12. BlackRock offers ETFs that it markets as non-ESG funds. These include, but aren't limited to:
- a. IVV, iShares Core S&P 500 ETF<sup>3</sup>
  - b. IEFA, iShares Core MSCI EAFE ETF<sup>4</sup>
  - c. IJH, iShares Core S&P Mid-Cap ETF<sup>5</sup>
  - d. IWF, iShares Russell 1000 Growth ETF<sup>6</sup>
  - e. IEMG, iShares Core MSCI Emerging Markets ETF<sup>7</sup>
  - f. IJR, iShares Core S&P Small-Cap ETF<sup>8</sup>

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Sustainability? A Natural Experiment Examining Ranking and Fund Flows,” Journal of Finance, Vol.74, No. 6, December 2019, pp. 2789-2837.

Since most ESG funds are heavy on tech company stocks and the performance of tech companies relative to the general market is no longer strong, ESG funds are now almost universally performing worse. The continued unreliability and unpopularity of electric vehicles and the realization by investors that alternative energy hype does not match engineering or financial reality is not helping either. See, for example, Carol Ryan, “The Bill for Offshore Wind Power Is Rising: Prices in Recent Offshore Auctions have Increased by Anywhere from 20% to 70%,” Wall Street Journal, November 24, 2023; David Uberti and Joe Wallace, “Wind Giant's Woes Rattle U.S. Market,” Wall Street Journal, November 21, 2023. See also Carrie McCabe, “Recent ESG Fund Underperformance and Data Inconsistency — And How The US and Europe Differ in Approach,” Forbes, May 11, 2023 <https://www.forbes.com/sites/carriemccabe/2023/05/11/recent-esg-problems-include-fund-underperformance-and-data-inconsistency-and-how-the-us-and-europe-differ-in-esg-fund-approach/?sh=1ca237a663de>; Tommy Wilkes and Patturaja Murugaboopathy, “ESG funds Set for First Annual Outflows in a Decade After Bruising Year, Reuters, December 19, 2022 <https://www.reuters.com/business/sustainable-business/esg-funds-set-first-annual-outflows-decade-after-bruising-year-2022-12-19/>

<sup>3</sup> <https://www.blackrock.com/us/individual/products/239726/ishares-core-sp-500-etf>.

<sup>4</sup> <https://www.blackrock.com/us/individual/products/244049/ishares-core-msci-eafe-etf>.

<sup>5</sup> <https://www.blackrock.com/us/individual/products/239763/ishares-core-sp-midcap-etf>.

<sup>6</sup> <https://www.blackrock.com/us/individual/products/239706/ishares-russell-1000-growth-etf>.

<sup>7</sup> <https://www.blackrock.com/us/individual/products/244050/ishares-core-msci-emerging-markets-etf>.

<sup>8</sup> <https://www.blackrock.com/us/individual/products/239774/ishares-core-sp-smallcap-etf>.

- g. IWM, iShares Russell 2000 ETF<sup>9</sup>
  - h. IWD, iShares Russell 1000 Value ETF<sup>10</sup>
  - i. EFA, iShares MSCI EAFE ETF<sup>11</sup>
  - j. ITOT, iShares Core S&P Total U.S. Stock Market ETF<sup>12</sup>
  - k. IVW, iShares S&P 500 Growth ETF<sup>13</sup>
  - l. QUAL, iShares MSCI USA Quality Factor ETF<sup>14</sup>
  - m. IXUS, iShares Core MSCI Total International Stock ETF<sup>15</sup>
  - n. IWB, iShares Russell 1000 ETF<sup>16</sup>
  - o. USMV, iShares MSCI USA Min Vol Factor ETF<sup>17</sup>
13. BlackRock’s website states that the “investment objective” for these non-ESG equity funds is to “track the investment results of an index” that is composed of a particular group of equities.<sup>18</sup> The investment objective of these non-ESG equity funds makes no mention of ESG or sustainable investing criteria.
14. BlackRock also provides non-ESG bond ETFs. These include, but aren’t limited to:
- a. AGG, iShares Core U.S. Aggregate Bond ETF<sup>19</sup>
  - b. LQD, iShares iBoxx \$ Investment Grade Corporate Bond ETF<sup>20</sup>
  - c. IGSB, iShares 1–5 Year Investment Grade Corporate Bond ETF<sup>21</sup>
  - d. IUSB, iShares Core Total USD Bond Market ETF<sup>22</sup>

<sup>9</sup> <https://www.blackrock.com/us/individual/products/239710/ishares-russell-2000-etf>.

<sup>10</sup> <https://www.blackrock.com/us/individual/products/239708/ishares-russell-1000-value-etf>.

<sup>11</sup> <https://www.blackrock.com/us/individual/products/239623/ishares-msci-eafe-etf>.

<sup>12</sup> <https://www.blackrock.com/us/individual/products/239724/ishares-core-sp-total-us-stock-market-etf>.

<sup>13</sup> <https://www.blackrock.com/us/individual/products/239725/ishares-sp-500-growth-etf>.

<sup>14</sup> <https://www.blackrock.com/us/individual/products/256101/ishares-msci-usa-quality-factor-etf>.

<sup>15</sup> <https://www.blackrock.com/us/individual/products/244048/ishares-core-msci-total-international-stock-etf>.

<sup>16</sup> <https://www.blackrock.com/us/individual/products/239707/ishares-russell-1000-etf>.

<sup>17</sup> <https://www.blackrock.com/us/individual/products/239695/ishares-msci-usa-minimum-volatility-etf>.

<sup>18</sup> E.g., <https://www.blackrock.com/us/individual/products/239726/ishares-core-sp-500-etf>.

<sup>19</sup> <https://www.blackrock.com/us/financial-professionals/products/239458/ishares-core-total-us-bond-market-etf>.

<sup>20</sup> <https://www.blackrock.com/us/financial-professionals/products/239566/ishares-iboxx-investment-grade-corporate-bond-etf>.

<sup>21</sup> <https://www.blackrock.com/us/financial-professionals/products/239451/ishares-13-year-credit-bond-etf>.

<sup>22</sup> <https://www.blackrock.com/us/financial-professionals/products/264615/ishares-core-total-usd-bond-market-etf>.

15. BlackRock’s website states that the “investment objective” for these non-ESG bond funds is to “track the investment results of an index” that is composed of a particular group of bonds.<sup>23</sup> The investment objective of these non-ESG bond funds makes no mention of ESG or sustainable investing criteria.

16. BlackRock makes numerous untrue or misleading statements regarding its non-ESG funds. These statements relate to: (1) BlackRock’s investment strategy for the funds; (2) BlackRock’s policies on company disclosures regarding climate risk; (3) BlackRock’s position on matters of public policy and political lobbying; and (4) BlackRock’s objective to establish specific goals for reducing carbon emissions.

***Statements On Fund Webpages Re: Investment Strategy***

17. For each of the non-ESG funds listed in paragraphs 12 and 14, BlackRock makes the following statements on its website: “**This fund does not seek to follow a sustainable, impact or ESG investment strategy.**” It further represents that “there is no indication that a sustainable, impact or ESG investment strategy will be adopted by the fund.”<sup>24</sup>

18. These representations are untrue or misleading because they are contrary to BlackRock’s ESG commitments, ESG-oriented engagement and proxy votes, and other ESG policies that demonstrate BlackRock’s plan to implement “a sustainable, impact, or ESG investment strategy” for all assets under management.

19. “Investment strategy” includes engagement with portfolio companies. In fact, one of BlackRock’s senior managers of investment stewardship stated, with respect to “The Significance of ESG Engagement,” that “the key is to make conscious decisions about whether, and where, engagement fits into the investment strategy.”<sup>25</sup>

20. Third-party publications confirm that engagement is part of an investment strategy. The United Nations Principles for Responsible Investment states, “In Europe alone, engagement (and exercising voting

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<sup>23</sup> E.g., <https://www.blackrock.com/us/financial-professionals/products/239458/ishares-core-total-us-bond-market-etf>.

<sup>24</sup> E.g., <https://www.blackrock.com/us/individual/products/239726/ishares-core-sp-500-etf>; <https://www.blackrock.com/us/financial-professionals/products/239458/ishares-core-total-us-bond-market-etf>.

<sup>25</sup> Michelle Edkins, BlackRock, *The Significance of ESG Engagement*, in *Engagement Strategies* at p.4, available at <https://pcg.law.harvard.edu/wp-content/uploads/2015/12/esg-excerpt.pdf>

rights) is the third most popular responsible investment strategy.”<sup>26</sup> And a Harvard Business School Online webpage titled “7 ESG Investment Strategies to Consider” lists strategy number five as “Shareholder Action,” stating “Shareholder action, also referred to as engagement, is when investors use their power to encourage the companies they invest in to pursue material ESG opportunities.”<sup>27</sup>

21. BlackRock has committed to engagement that is based on a sustainable, impact or ESG investment strategy—directly contrary to what it represents to investors and potential investors in its non-ESG funds. As a signatory of the Net Zero Asset Managers (“NZAM”) initiative, BlackRock has committed to “[i]mplement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with [the] ambition for all assets under management to achieve net zero emissions by 2050 or sooner.”<sup>28</sup> And BlackRock has specifically pledged to implement that strategy “[a]cross all assets under management.”<sup>29</sup>

22. BlackRock has also “commit[ted] to support the goal of net zero greenhouse gas . . . emissions by 2050, in line with global efforts to limit warming to 1.5°C.”<sup>30</sup>

23. The NZAM commitment “sets out a range of actions that asset managers [such as BlackRock] will take forward which are the key components required to accelerate the transition to net zero and achieve emissions reductions in the real economy: Engaging with clients, setting targets for assets managed in line with net zero pathways, corporate engagement and stewardship, [and] policy advocacy.”<sup>31</sup>

24. The NZAM commitment also “ensures that several important actions—such as stewardship and policy advocacy—are comprehensively implemented.”<sup>32</sup>

25. Further, the NZAM commitment specifically requires signatories to do the following:

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<sup>26</sup> <https://www.unpri.org/download?ac=4637>

<sup>27</sup> <https://online.hbs.edu/blog/post/esg-investment-strategies>

<sup>28</sup> <https://www.netzeroassetmanagers.org/commitment/>

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> <https://www.netzeroassetmanagers.org/faq/>.

<sup>32</sup> *Id.*

- a. “[w]ork in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management”;<sup>33</sup>
- b. “[s]et an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner”;<sup>34</sup> and
- c. “review [one’s] interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.”<sup>35</sup>

26. Further, BlackRock’s climate-disclosure reports demonstrate that BlackRock is actively working to fulfill its NZAM obligations by implementing a “sustainable” net-zero investment strategy across “all assets under management.”

27. For example, in its 2021 TCFD report, BlackRock stated that, “[s]ustainability, including climate-related issues—from the integration of ESG factors into the firm’s investment processes, to sustainable investment strategies and investment stewardship priorities—is a critical component of the firm’s overall business strategy and the objectives of senior management over which the Board has oversight.”<sup>36</sup>

28. In its 2022 TCFD report, BlackRock stated that “[s]ustainability, including climate-related issues is a critical component of the firm’s overall business strategy and the objectives of senior management over which the Board has oversight.”<sup>37</sup>

29. BlackRock’s NZAM commitment demonstrates that it is presently “seek[ing] to follow” across all assets under management “a sustainable, impact or ESG investment strategy.” For the same reasons, BlackRock’s NZAM commitment provides a clear “indication” that such a strategy “will be adopted” by

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<sup>33</sup> <https://www.netzeroassetmanagers.org/commitment/>.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> This report is no longer on BlackRock’s website, but it can be viewed at <chrome-extension://efaidnbmninnibpcjpcglclefindmkaj/https://climate-transparency-hub.ademe.fr/wp-content/uploads/2022/07/file/155564/Rapport-TCFD.pdf>.

<sup>37</sup> <https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2022-blkinc.pdf> at 11; *see also* BlackRock’s NZAM “Initial Target Disclosure Report” (May 2022), <https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf> at 28 (stating that BlackRock was “initially” or “currently” committing 77% of total AUM to be managed in conformity with net zero by 2030).



all of BlackRock's funds (that is, "all assets under management") in the future. Accordingly, BlackRock's statements are to the contrary.

30. Next, as a signatory of Climate Action 100+ ("CA100+"), BlackRock has committed to "support the Paris Agreement and the need for the world to transition to a lower carbon economy."<sup>38</sup> BlackRock has also pledged to "secure commitments from the boards and senior management [of those companies in which BlackRock's funds hold investments] to . . . [t]ake action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels."<sup>39</sup> And BlackRock has committed to using "a range of engagement approaches to ensure fulfillment of the abovementioned goals."<sup>40</sup>

31. Although BlackRock made certain disclaimers when joining CA100+, none of those disclaimers suggests that BlackRock will not seek to advance its CA100+ commitments when managing proxy-voting authority and shareholder engagements.<sup>41</sup> Accordingly, BlackRock's statement that it does not use an ESG investment strategy for many of its largest funds is inconsistent with BlackRock's expansive ESG commitments to CA100+.

32. BlackRock's statement that it does not use a sustainable or ESG investment strategy for its non-ESG funds is also inconsistent with BlackRock's use of proxy votes to reduce carbon emissions in line with BlackRock's ESG and sustainability commitments.

- a. BlackRock admits that it takes "voting action against management" of companies that are "making insufficient progress integrating climate risk into their business models or disclosures."<sup>42</sup> BlackRock further states that it is "increasingly disposed to vote against management when companies have not made sufficient progress" toward establishing a "plan

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<sup>38</sup> <https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf>.

<sup>39</sup> *Id.* (emphasis omitted).

<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> <https://www.axios.com/2020/07/15/blackrock-voting-action-climate-change-energy>. *See also* <https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter>; <https://www.politico.com/f/?id=00000177-3f22-da54-a9ff-fff3c0f80000> at 6.

for operating under a scenario where the Paris Agreement’s goal of limiting global warming to less than two degrees is fully realized.”<sup>43</sup>

- b. BlackRock voted against Exxon’s directors based on “Exxon’s failure to have clear, long-term greenhouse gas reduction targets.”<sup>44</sup>
- c. BlackRock voted against re-electing the board chair of Transdigm because of the company’s failure “to adopt quantitative greenhouse gas emissions goals.”<sup>45</sup>
- d. BlackRock voted against a director of Woodside Petroleum because the board did not provide “scope 3 emissions reduction targets.”<sup>46</sup>
- e. BlackRock voted against the directors of Whitehaven Coal because the company’s disclosures did not “include GHG reductions targets or alignment with a global aspiration of net zero GHG emissions by 2050.”<sup>47</sup>

33. Since at least 2020, BlackRock has also made a number of public statements about its company-wide commitment to a “sustainable” or ESG investment strategy:

- a. “Sustainability issues are no longer something that can be addressed after strategic investment decisions have been made—rather, we believe they are indispensable to *making* investment decisions.”<sup>48</sup>
- b. “Because sustainable investment options have the potential to offer clients better outcomes, we are making sustainability integral to the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies. We believe that sustainability should be our new standard for investing.”<sup>49</sup>

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<sup>43</sup> <https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter>.

<sup>44</sup> <https://web.archive.org/web/20230509174733/https://www.blackrock.com/corporate/literature/publication/our-commitment-to-sustainability-full-report.pdf> at 11.

<sup>45</sup> *Id.*

<sup>46</sup> <https://web.archive.org/web/20220901021037/https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-petroleum-apr-2021.pdf>.

<sup>47</sup> <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-whitehavencoal-nov-2021.pdf> at 2.

<sup>48</sup> <https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter>.

<sup>49</sup> <https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter>.

- c. “Last year we wrote to you that BlackRock was making sustainability our new standard for investing. We outlined how we were making sustainability integral to the way we manage risk . . . .”<sup>50</sup>
- d. “Where we have the greatest discretion—in portfolio construction, our active and alternatives platforms, and our approach to risk management—we will employ sustainability across our investment process. Where we serve index clients, we are improving access to sustainable investment options, and we are enhancing our stewardship to make sure that companies in which our clients are invested are managing these risks effectively. We will also work with a broad range of parties—including asset owners, index providers, and regulatory and multilateral institutions—to advance sustainability in finance.”<sup>51</sup>

34. The preceding public comments confirm that BlackRock is committed to a sustainable or ESG investment strategy as an “integral” and “indispensable” component of BlackRock’s role as an investment manager and adviser. That commitment belies BlackRock’s deceptive statement that it “does not seek to follow a sustainable, impact or ESG investment strategy” for many of its largest funds that are ostensibly marketed as non-ESG funds.

***Statements about BlackRock’s policies on climate-risk disclosures***

35. The Statement of Additional Information for the prospectus for each of the funds listed in paragraphs 12 and 14 contains the following statement on BlackRock’s policy regarding company disclosures on “Climate Risk”: “[W]e look for companies to disclose strategies they have in place that mitigate and are resilient to any material risks to their long-term business model associated with a range of climate-related scenarios, including a scenario in which global warming is limited to well below 2°C, considering global ambitions to achieve a limit of 1.5°C. It is, of course, up to each company to define their own strategy: that is not the role of BlackRock or other investors.”<sup>52</sup>

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<sup>50</sup> <https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter>.

<sup>51</sup> <https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter>.

<sup>52</sup> See, e.g., Statement of Additional Information for IVV, IJH, IWF, IJR, IWM, IWD, ITOT, IVW, and IWB (<https://www.blackrock.com/us/individual/resources/regulatory-documents/stream->

36. This statement is untrue or misleading because it states that BlackRock expects companies to adopt and disclose climate-related strategies if those strategies would help mitigate “material risks” that are related to each company’s business. As demonstrated throughout this order, BlackRock has absolutely made it their role to force companies to define a strategy that is suitable to BlackRock. This is in direct contradiction to their statement in paragraph 35.

37. However, as a signatory to NZAM and CA100+, BlackRock has pledged to manage assets in order to advance environmental policies without regard to any material risks to any company’s business. For example, BlackRock has specifically committed to implement an “engagement strategy” for “all assets under management to achieve net zero emissions by 2050 or sooner.”<sup>53</sup> It has also committed to use “a range of engagement approaches” to “secure commitments” ensuring that portfolio companies “[t]ake action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement’s goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.”<sup>54</sup> BlackRock’s statement deceptively omits any mention of BlackRock’s conflicting commitments to NZAM and CA100+.

38. In the Statement of Additional Information for the funds that are listed in paragraphs 12 and 14, BlackRock further states that “governments representing over 90% of GDP have committed to move to net-zero over the coming decades.”<sup>55</sup> In context, this statement is used to support or serve as justification to

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[document?stream=reg&product=IUS-XVV&shareClass=NA&documentId=1829884%7E1829734%7E926348%7E1887395%7E1845371&iframeUrlOverride=%2Fus%2Findividual%2Fliterature%2Fsai%2Fsai-ishes-trust-3-31.pdf](https://www.blackrock.com/us/individual/resources/regulatory-documents/stream-document?stream=reg&product=IUS-XVV&shareClass=NA&documentId=1829884%7E1829734%7E926348%7E1887395%7E1845371&iframeUrlOverride=%2Fus%2Findividual%2Fliterature%2Fsai%2Fsai-ishes-trust-3-31.pdf) at A-10.

<sup>53</sup> <https://www.netzeroassetmanagers.org/commitment/>.

<sup>54</sup> <https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf>.

<sup>55</sup> *E.g.*, Statement of Additional Information for IVV, IJH, IWF, IJR, IWM, IWD, ITOT, IVW, and IWB, <https://www.blackrock.com/us/individual/resources/regulatory-documents/stream-document?stream=reg&product=IUS-XVV&shareClass=NA&documentId=1829884%7E1829734%7E926348%7E1887395%7E1845371&iframeUrlOverride=%2Fus%2Findividual%2Fliterature%2Fsai%2Fsai-ishes-trust-3-31.pdf> at A-10 n.7; AGG, LQD, and IGSB, the Statement of Additional Information is available at <https://www.blackrock.com/us/financial-professionals/resources/regulatory-documents/stream-document?stream=reg&product=ISHAGG&shareClass=NA&documentId=985985%7E987034%7E926213%7E1539662%7E1604605&iframeUrlOverride=%2Fus%2Ffinancial-professionals%2Fliterature%2Fsai%2Fsai-ishes-trust-2-28.pdf> at A-10 n.7.

BlackRock's expectation that companies will disclose their climate strategy to address a "scenario in which global warming is limited to well below 2°C, considering global ambitions to achieve a limit of 1.5°C."

39. BlackRock's statements in paragraph 38 are untrue or deceptive because they omit material facts regarding the limited impact of countries' climate commitments as well as the improbability of actually reaching "a scenario in which global warming is limited to well below 2°C."

40. In particular, BlackRock fails to mention that, among those countries (representing "over 90% of GDP") that have made a net zero commitment, only a small fraction (around 15%) have made their commitments legally enforceable.<sup>56</sup>

41. BlackRock also fails to mention that the countries that have committed to net zero are not following through on their commitments. For example:

- a. "Despite having net zero pledges, no major producer countries or companies have committed to phasing out fossil fuels." And "[m]ost global entities have still not set a net zero target consistent with what 195 nations signed up to eight years ago[.]"<sup>57</sup>
- b. "In countries with national targets, the lack of corresponding sub-national and private sector targets creates a significant barrier to implementation of national climate policies and undercuts the credibility of national pledges."<sup>58</sup>
- c. "Most entities that have pledged net zero do not meet minimum requirements for what 'good' net zero looks like, including backing up long-term vision with urgent near-term efforts to halve emissions[.]"<sup>59</sup>

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<sup>56</sup> Net Zero Stocktake 2023, [https://ca1-nzt.edcdn.com/Reports/Net\\_Zero\\_Stocktake\\_2023.pdf?v=1696255114](https://ca1-nzt.edcdn.com/Reports/Net_Zero_Stocktake_2023.pdf?v=1696255114) at 16; *see also* Renee Cho, Net Zero Pledges: Can They Get Us Where We Need to Go?, Columbia Climate School (Dec. 16, 2021), <https://news.climate.columbia.edu/2021/12/16/net-zero-pledges-can-they-get-us-where-we-need-to-go/> ("Only a few of the countries that have made net zero pledges, representing 10 percent of global emissions and including Sweden, Denmark, France, Germany, the U.K., and New Zealand, have legally binding pledges.").

<sup>57</sup> *Id.* at 6.

<sup>58</sup> *Id.* at 38.

<sup>59</sup> *Id.* at 6.

- d. “On the country side, existing research and analysis indicate that none of the top 10 producers of coal, gas and oil have committed to phasing out production . . . .”<sup>60</sup>
- e. According to the United Nations: “[C]ommitments made by governments to date fall far short of what is required. Current national climate plans—for 193 Parties to the Paris Agreement taken together—would lead to a sizable increase of almost 11% in global greenhouse gas emissions by 2030, compared to 2010 levels. Getting to net zero requires all governments—first and foremost the biggest emitters—to significantly strengthen their Nationally Determined Contributions (NDCs) and take bold, immediate steps towards reducing emissions now.”<sup>61</sup>
- f. The International Energy Agency (IEA) has reported that “[c]limate pledges by governments to date—even if fully achieved—would fall well short of what is required to bring global energy-related carbon dioxide (CO<sub>2</sub>) emissions to net zero by 2050 and give the world an even chance of limiting the global temperature rise to 1.5 °C . . . .”<sup>62</sup>
- g. The United Nations Environment Programme (UNEP) and several other organizations have concluded that “[g]overnments, in aggregate, still plan to produce more than double the amount of fossil fuels in 2030 than would be consistent with limiting warming to 1.5°C.”<sup>63</sup>
- h. The Climate Action Tracker, which assesses each country’s climate policies and targets, finds that not a single country in the world is aligned with the 1.5°C goal as of September 2023.<sup>64</sup> Two of the three largest emitters globally—China and India—are rated highly insufficient. Also in the top ten emitters are Russia and Iran, whose policies are “critically insufficient,” or on track for a 4°C+ world.

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<sup>60</sup> *Id.* at 25.

<sup>61</sup> <https://www.un.org/en/climatechange/net-zero-coalition>.

<sup>62</sup> IEA Press Release (May 18, 2021), <https://www.iea.org/news/pathway-to-critical-and-formidable-goal-of-net-zero-emissions-by-2050-is-narrow-but-brings-huge-benefits>.

<sup>63</sup> Stockholm Environment Institute (SEI), Climate Analytics, E3G, International Institute for Sustainable Development (IISD), and United Nations Environment Programme (UNEP), *The Production Gap: Phasing down or phasing up? Top fossil fuel producers plan even more extraction despite climate promises* at 2 (2023), available at <https://doi.org/10.51414/sei2023.050> and <https://productiongap.org/2023report/>.

<sup>64</sup> <https://climateactiontracker.org/countries/>

- i. The New York Times recently reported that “[n]one of the world’s biggest emitters—China, the United States, the European Union and India—have reduced their emissions enough to meet the Paris Agreement goals.”<sup>65</sup> Further, researchers have warned that “the world remains on track to produce around 110 percent more oil, gas and coal through 2030 as would be allowable if governments wanted to limit warming to 1.5 degrees Celsius.”<sup>66</sup>
- j. Russia (which is included within the “over 90% of GDP” that is referenced in BlackRock’s fund statements) has said that it opposes any plans that “call for a phaseout of any specific energy source or fossil fuel type.”<sup>67</sup>
- k. “OPEC heavyweights [Energy ministers from Saudi Arabia, the United Arab Emirates and Iraq] said on [October 8, 2023, that] oil and gas should not be stigmatised in the climate debate and that the industry had a role to play in an orderly energy transition.”<sup>68</sup>
- l. On November 8, 2023, the New York Times reported that “[i]n 2030, if current projections hold, the United States will drill for more oil and gas than at any point in its history. Russia and Saudi Arabia plan to do the same.” It also reported “[T]he world remains on track to produce around 110 percent more oil, gas and coal through 2030 as would be allowable if governments wanted to limit warming to 1.5 degrees Celsius, the researchers warned. The world was also set to overshoot, by 69 percent, the amount of fossil fuels consistent with limiting warming to 2 degrees Celsius.” Hiroko Tabuchi, *Nations That Vowed to Halt Warming Are Expanding Fossil Fuels, Report Finds*, New York Times (Nov. 8, 2023), available at <https://www.nytimes.com/2023/11/08/climate/fossil-fuels-expanding.html>

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<sup>65</sup> <https://www.nytimes.com/interactive/2022/11/08/climate/cop27-emissions-country-compare.html>.

<sup>66</sup> Hiroko Tabuchi, *Nations That Vowed to Halt Warming Are Expanding Fossil Fuels, Report Finds*, New York Times (Nov. 8, 2023), available at <https://www.nytimes.com/2023/11/08/climate/fossil-fuels-expanding.html>.

<sup>67</sup> Attracta Mooney and Aime Williams, *Russia says it will oppose plan to phase out fossil fuels* (Oct. 4, 2023), [https://www.ft.com/content/299c3ec6-cbbe-4970-a874-](https://www.ft.com/content/299c3ec6-cbbe-4970-a874-af53916e769d?accessToken=zWAGB0uWANrgkc8pnD7Gy75JcNOodK9TkW52nQ.MEUCIQCbJLAtWdnX-qzGRQocTqvU17XuBMAAt0poB06K_bLCFkQIgrZ1a7HGcx5lmYDyg7ZOJYt-ZwONI65H3E95LXWzbuLY&sharetype=gif&token=8e6d8425-addb-44ef-a76c-a59c8c987a76)

[af53916e769d?accessToken=zWAGB0uWANrgkc8pnD7Gy75JcNOodK9TkW52nQ.MEUCIQCbJLAtWdnX-qzGRQocTqvU17XuBMAAt0poB06K\\_bLCFkQIgrZ1a7HGcx5lmYDyg7ZOJYt-ZwONI65H3E95LXWzbuLY&sharetype=gif&token=8e6d8425-addb-44ef-a76c-a59c8c987a76](https://www.ft.com/content/299c3ec6-cbbe-4970-a874-af53916e769d?accessToken=zWAGB0uWANrgkc8pnD7Gy75JcNOodK9TkW52nQ.MEUCIQCbJLAtWdnX-qzGRQocTqvU17XuBMAAt0poB06K_bLCFkQIgrZ1a7HGcx5lmYDyg7ZOJYt-ZwONI65H3E95LXWzbuLY&sharetype=gif&token=8e6d8425-addb-44ef-a76c-a59c8c987a76).

<sup>68</sup> <https://www.reuters.com/business/environment/adaptation-must-be-front-centre-climate-agenda-uaes-cop28-president-designate-2023-10-08/>

m. In a report issued in November 2023 the UNEP and several organizations found that “[g]overnments, in aggregate, still plan to produce more than double the amount of fossil fuels in 2030 than would be consistent with limiting warming to 1.5° C.” Stockholm Environment Institute (SEI), Climate Analytics, E3G, International Institute for Sustainable Development (IISD), and UNEP, *The Production Gap: Phasing down or phasing up? Top fossil fuel producers plan even more extraction despite climate promises* at 2 (2023), available at <https://doi.org/10.51414/sei2023.050> and [https://productiongap.org/wp-content/uploads/2023/11/PGR2023\\_web.pdf](https://productiongap.org/wp-content/uploads/2023/11/PGR2023_web.pdf). The following chart from that report (at p. 3) shows the “production gap,” which is “the difference between governments’ plans and projections and levels consistent with limiting warming to 1.5°C and 2°C, as expressed in units of greenhouse gas emissions from fossil fuel extraction and burning.”

42. BlackRock’s statements in paragraph 38 are misleading because they fail to show that the commitments BlackRock represents to investors regarding net zero are not actually leading to net zero; that the reductions in greenhouse gas emissions called for by the Paris Agreement are unlikely based on the objective data currently available; and that BlackRock itself is taking an active role (in accordance with its climate commitments) in driving the net zero agenda.

***Statements regarding public policy and political lobbying***

43. In its Statement of Additional Information for each of the non-ESG funds that are listed in paragraphs 12 and 14, BlackRock states that it does not expect companies to address public-policy issues: “In determining how to vote on behalf of clients who have authorized us to do so, we look to companies only to address issues within their control and do not anticipate that they will address matters that are the



domain of public policy.”<sup>69</sup> Along the same lines, BlackRock has publicly stated that it does not tell companies “what type of political lobbying they should pursue.”<sup>70</sup>

44. These statements are untrue or misleading because they fail to mention BlackRock’s efforts to pressure companies to align their political lobbying with the climate-related public-policy agenda that BlackRock has committed to advance.

45. In particular, BlackRock has repeatedly exercised its voting authority—over the opposition of company management—to support proposals pressuring companies to align their political lobbying with the public-policy goals of the Paris Agreement.<sup>71</sup> These proposals ask companies to explain: (i) how their “lobbying activities” align with the Paris Agreement’s “goal of limiting average global warming to well below 2 degrees Celsius”; and (ii) how they plan to “mitigate risks” resulting from any “misaligned lobbying.”<sup>72</sup>

46. By voting for these proposals, BlackRock has set an expectation for companies to “address matters” pertaining to the Paris Agreement—a UN-negotiated climate accord that indisputably falls within the “domain of public policy.” BlackRock has also made it clear that it expects companies to align their “political lobbying” with the Paris Agreement’s climate goals. BlackRock’s statements to the contrary (in paragraph 43) are false or deceptive.

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<sup>69</sup> E.g., Statement of Additional Information for IVV, IJH, IWF, IJR, IWM, IWD, ITOT, IVW, and IWB, <https://www.blackrock.com/us/individual/resources/regulatory-documents/stream-document?stream=reg&product=IUS-XVV&shareClass=NA&documentId=1829884%7E1829734%7E926348%7E1887395%7E1845371&iframeUrlOverride=%2Fus%2Findividual%2Fliterature%2Fsai%2Fsai-ishes-trust-3-31.pdf> at A-10 n.7.

<sup>70</sup> BlackRock’s Response Letter to Attorneys General (Aug. 4, 2022), <https://www.blackrock.com/corporate/literature/press-release/blackrock-response-attorneys-general.pdf> at 5.

<sup>71</sup> See, e.g., <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search ticker cvx; click on May 27, 2020; proposal is Item #6); <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search ticker psx; click on May 12, 2021; proposals are Item #6); <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search ticker ual; click on May 26, 2021).

<sup>72</sup> See <https://www.sec.gov/Archives/edgar/data/93410/000119312520100407/d838093ddef14a.htm> at 78–79; [https://www.sec.gov/Archives/edgar/data/1534701/000114036121010999/nc10021503x3\\_def14a.htm](https://www.sec.gov/Archives/edgar/data/1534701/000114036121010999/nc10021503x3_def14a.htm) at 70; <https://ir.united.com/static-files/768915d1-2c04-4343-835e-1f39997eb3bd> at 129.

### *Statements about reducing carbon emissions*

47. On its website, BlackRock denies that it has any intention of achieving a “specific decarbonization outcome”: “BlackRock’s role in the transition is as a fiduciary to our clients. Our role is to help them navigate investment risks and opportunities, not to engineer a specific decarbonization outcome in the real economy.”<sup>73</sup>

48. The statements in paragraph 47 are false or deceptive because BlackRock has expressly committed to the “specific decarbonization outcome” of net zero carbon emissions by 2050.

49. As a signatory of CA100+, BlackRock has committed to take action to “reduce greenhouse gas emissions . . . consistent with the Paris Agreement’s goal of limiting global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.”<sup>74</sup>

50. And as a signatory of NZAM, BlackRock has committed to take actions to “accelerate the transition to net zero and achieve emissions reductions in the real economy.”<sup>75</sup> These reductions are geared toward the specific outcome of achieving “net zero emissions by 2050 or sooner across all assets under management.”<sup>76</sup>

51. Through these commitments, BlackRock has pledged to work toward a “specific decarbonization outcome in the real economy.” BlackRock’s statements to the contrary (in paragraph 47) are false or deceptive.

52. BlackRock has also publicly stated that its “engagement and voting around climate risk does not require that companies meet specific emissions standards,”<sup>77</sup> and that BlackRock does not tell companies “what specific emission targets they should meet.”<sup>78</sup> These statements are false or deceptive because

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<sup>73</sup> BlackRock’s 2030 net zero statement, <https://www.blackrock.com/corporate/sustainability/2030-net-zero-statement>.

<sup>74</sup> <https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf> (emphasis omitted).

<sup>75</sup> <https://www.netzeroassetmanagers.org/faq/>.

<sup>76</sup> <https://www.netzeroassetmanagers.org/commitment/>.

<sup>77</sup> BlackRock’s Response Letter to Attorneys General (Aug. 4, 2022), <https://www.blackrock.com/corporate/literature/press-release/blackrock-response-attorneys-general.pdf> at 9.

<sup>78</sup> *Id.* at 5.

BlackRock has repeatedly pressed companies to set specific emissions targets that are in line with BlackRock's climate commitments.

53. For example, BlackRock has said that it expects companies “to set short-, medium-, and long-term targets for greenhouse gas reductions,”<sup>79</sup> and to “disclose scope 1 and scope 2 emissions and accompanying GHG reduction targets.”<sup>80</sup>

54. To ensure compliance with these targets, BlackRock threatens that it is “increasingly unlikely to support directors[.]” whose companies “have not provided scope 1 and 2 emissions disclosures and meaningful short-, medium-, and long-term targets.”<sup>81</sup>

55. Moreover, BlackRock has exercised its proxy-voting authority to get companies to adopt specific emission-reduction targets that conform to the climate goals of the Paris Agreement.

56. For instance, BlackRock recently supported shareholder proposals prompting large companies to: (i) set “short-, medium- and long-term emission reduction targets to align business activities with net zero emissions by 2050 in line with the Paris Climate Agreement”; and (ii) explain what steps the companies are taking to “reduce . . . GHG emissions in alignment with the Paris Climate Agreement’s 1.5 degree goal requiring net zero emissions by 2050.”<sup>82</sup>

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<sup>79</sup> <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>.

<sup>80</sup> BlackRock Investment Stewardship, *Climate Risk and the Transition to a Low-Carbon Economy*, available at <https://corpgov.law.harvard.edu/2021/03/02/climate-risk-and-the-transition-to-a-low-carbon-economy/>. (This document has been removed from BlackRock's website, but its text is still available at the preceding URL.)

<sup>81</sup> BlackRock Investment Stewardship, *Climate Focus Universe*, available at <https://perma.cc/6B46-M38V> (This document has been removed from BlackRock's website, but its text is still available at the preceding URL.)

<sup>82</sup> See, e.g., <https://www.newmarket.com/wp-content/uploads/2023/03/NewMarket-2023-Proxy-Statement.pdf> (p. 48 of printed PDF shows proposal 6);

<https://www.sec.gov/Archives/edgar/data/1067983/000119312523073948/d362436ddef14a.htm> (p. 15, relating to Proposal 6); <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search for May 6, 2023 vote regarding Berkshire Hathaway); <https://corporate.dollartree.com/investors/sec-filings/content/0001104659-22-062246/0001104659-22-062246.pdf> (Proposal 5, p. 103-104);

<http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search for June 30, 2022 vote regarding Dollar Tree); [https://materials.proxyvote.com/Approved/61174X/20220421/NPS\\_502186/INDEX.HTML?page=66](https://materials.proxyvote.com/Approved/61174X/20220421/NPS_502186/INDEX.HTML?page=66) (p.61, proposal 4); <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search June 14, 2022 vote regarding Monster Beverage Corporation); [https://s201.q4cdn.com/471466897/files/doc\\_financials/2022/ar/2022-Chubb-Proxy-Statement.pdf](https://s201.q4cdn.com/471466897/files/doc_financials/2022/ar/2022-Chubb-Proxy-Statement.pdf) (p. 49); <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search for May 19, 2022 vote regarding Chubb Ltd.); [https://s26.q4cdn.com/410417801/files/doc\\_financials/annual/2021/2022-Proxy-Statement-04-14-2022.pdf](https://s26.q4cdn.com/410417801/files/doc_financials/annual/2021/2022-Proxy-Statement-04-14-2022.pdf) (Item 5, page 72); <http://vds.issproxy.com/SearchPage.php?CustomerID=10228> (search for May 25, 2022 vote regarding The Travelers Companies, Inc.).

57. In short, BlackRock has persistently pressured companies to set “specific emissions targets” (or “specific emissions standards”) that BlackRock has separately committed to advance. BlackRock’s statements to the contrary are false or deceptive.

### **BlackRock’s Deceptive Statements Regarding ESG Funds**

58. In addition to the deceptive statements that BlackRock has made about its non-ESG funds, BlackRock has also made and continues to make deceptive statements regarding its ESG funds. These statements lead investors to believe that BlackRock’s ESG strategy provides a financial benefit to its ESG funds—when in fact BlackRock has admitted elsewhere that the use of ESG metrics does not lead to improved financial returns.

59. BlackRock offers several equity funds that are marketed as ESG funds, including, but not limited to.

- a. XVV, iShares ESG Screened S&P 500 ETF<sup>83</sup>
- b. XJH, iShares ESG Screened S&P Mid-Cap ETF<sup>84</sup>
- c. XJR, iShares ESG Screened S&P Small-Cap ETF<sup>85</sup>

60. For all of the ESG equity funds that are listed in paragraph 59, BlackRock’s website states that the “investment objective” is to “track the investment results of an index . . . while applying screens for company involvement in controversies and controversial business activities.”<sup>86</sup>

61. BlackRock also offers bond funds that are marketed as ESG funds, including, but not limited to.

- a. EAGG, iShares ESG Aware U.S. Aggregate Bond ETF<sup>87</sup>
- b. SUSC, iShares ESG Aware USD Corporate Bond ETF<sup>88</sup>
- c. SUSB, iShares ESG Aware 1-5 Year USD Corporate Bond ETF<sup>89</sup>

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<sup>83</sup> <https://www.blackrock.com/us/individual/products/315917/ishares-esg-screened-s-p-500-etf>.

<sup>84</sup> <https://www.blackrock.com/americas-offshore/en/products/315914/ishares-esg-screened-s-p-mid-cap-etf-fund>.

<sup>85</sup> <https://www.blackrock.com/us/individual/products/315920/ishares-esg-screened-s-p-small-cap-etf>.

<sup>86</sup> E.g., <https://www.blackrock.com/us/individual/products/315917/ishares-esg-screened-s-p-500-etf>.

<sup>87</sup> <https://www.blackrock.com/us/financial-professionals/products/305252/ishares-esg-aware-u-s-aggregate-bond-etf>.

<sup>88</sup> <https://www.blackrock.com/us/financial-professionals/products/288488/ishares-esg-aware-usd-corporate-bond-etf>.

<sup>89</sup> <https://www.blackrock.com/us/financial-professionals/products/288490/ishares-esg-aware-1-5-year-usd-corporate-bond-etf>.

d. EUSB, iShares ESG Advanced Total USD Bond Market ETF<sup>90</sup>

e. BGRN, iShares USD Green Bond ETF<sup>91</sup>

62. For the ESG bond funds that are listed in subparagraphs 61a through 61d, BlackRock's website states that the "investment objective" is to "track the investment results of an index" that is composed of bonds whose issuers (i) are "evaluated for favorable environmental, social and governance practices,"<sup>92</sup> (ii) have "positive environmental, social and governance characteristics,"<sup>93</sup> or (iii) have "a favorable environmental, social and governance rating."<sup>94</sup> The investment objective of the USD Green Bond ETF (listed in subparagraph 61e) is to "track the investment results of an index composed of . . . bonds that are issued . . . to fund environmental projects."<sup>95</sup>

63. BlackRock has made many statements indicating that its use of ESG criteria (or "sustainability" criteria) is financially beneficial to its ESG funds.

a. On the fund websites for the ESG funds listed in paragraphs 59 and 61, BlackRock previously indicated that "Sustainability Characteristics" are helpful in determining a fund's financial prospects: "Sustainability Characteristics can help investors integrate non-financial, sustainability considerations into their investment process. These metrics enable investors to evaluate funds based on their environmental, social, and governance (ESG) risks and opportunities. This analysis can provide insight into the effective management and long-term financial prospects of a fund."<sup>96</sup>

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<sup>90</sup> <https://www.blackrock.com/us/financial-professionals/products/314499/ishares-esg-advanced-total-usd-bond-market-etf>.

<sup>91</sup> <https://www.blackrock.com/us/financial-professionals/products/305296/ishares-usd-green-bond-etf>.

<sup>92</sup> <https://www.blackrock.com/us/financial-professionals/products/305252/ishares-esg-aware-u-s-aggregate-bond-etf>.

<sup>93</sup> <https://www.blackrock.com/us/financial-professionals/products/288488/ishares-esg-aware-usd-corporate-bond-etf>.

<sup>94</sup> <https://www.blackrock.com/us/financial-professionals/products/314499/ishares-esg-advanced-total-usd-bond-market-etf>.

<sup>95</sup> <https://www.blackrock.com/us/financial-professionals/products/305296/ishares-usd-green-bond-etf>.

<sup>96</sup> E.g.,

<https://web.archive.org/web/20211011144123/https://www.blackrock.com/us/individual/products/315920/ishares-esg-screened-s-p-small-cap-etf>.

- b. Similarly, in its Statement of Additional Information corresponding to the prospectus for each of those same ESG funds, BlackRock states that, “[i]t is our view that climate change has become a key factor in many companies’ long-term prospects.”<sup>97</sup>
- c. In addition, BlackRock’s prospectuses for its EAGG, SUSC, and SUSB bond funds (listed at subparagraphs 61a through 61c) state that ESG research “identifies key ESG issues,” such as “climate change, resource scarcity, [and] demographic shifts,” that “can lead to substantial costs or opportunities” for companies.<sup>98</sup>
- d. On its website, BlackRock also states that its “focus on climate risk and energy is about driving financial outcomes for clients.”<sup>99</sup>
- e. BlackRock has further stated that it “believe[s] that companies that better manage their exposure to climate risk . . . will generate better long term financial outcomes,”<sup>100</sup> that “integrating sustainability can help investors build . . . achieve better long-term, risk-adjusted

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<sup>97</sup> See Statement of Additional Information for XVV, XJH, XJR (<https://www.blackrock.com/us/individual/literature/sai/sai-ishares-trust-3-31.pdf> at A-10); Statement of Additional Information for EAGG, SUSB, and SUSC (available at <https://www.blackrock.com/us/financial-professionals/literature/sai/sai-ishares-trust-2-28.pdf> A-10); Statement of Additional Information for BGRN (available at <https://www.blackrock.com/us/financial-professionals/literature/sai/sai-ishares-trust-10-31.pdf> at A-10).

<sup>98</sup> <https://www.blackrock.com/us/financial-professionals/resources/regulatory-documents/stream-document?userType=intermediaries&stream=reg&product=ISHEAGG&shareClass=NA&documentId=1602752%7E1602751%7E926213%7E1696185%7E1743416&iframeUrlOverride=%2Fus%2Ffinancial-professionals%2Fliterature%2Fprospectus%2Fp-ishares-esg-us-aggregate-bond-etf-2-28.pdf> at S-3; <https://www.blackrock.com/us/financial-professionals/resources/regulatory-documents/stream-document?userType=intermediaries&stream=reg&product=ISHSUSC&shareClass=NA&documentId=1408659%7E1408558%7E926213%7E1696185%7E1743416&iframeUrlOverride=%2Fus%2Ffinancial-professionals%2Fliterature%2Fprospectus%2Fp-ishares-esg-usd-corporate-bond-etf-2-28.pdf> at S-3; <https://www.blackrock.com/us/financial-professionals/resources/regulatory-documents/stream-document?userType=intermediaries&stream=reg&product=ISHSUSB&shareClass=NA&documentId=1408671%7E1408669%7E926213%7E1696185%7E1743416&iframeUrlOverride=%2Fus%2Ffinancial-professionals%2Fliterature%2Fprospectus%2Fp-ishares-esg-1-5-year-usd-corporate-bond-etf-2-28.pdf> at S-3. See also <https://www.blackrock.com/us/financial-professionals/resources/regulatory-documents/stream-document?userType=intermediaries&stream=reg&product=ISHEUSB&shareClass=NA&documentId=1807779%7E1807776%7E926213%7E2144659%7E2040208&iframeUrlOverride=%2Fus%2Ffinancial-professionals%2Fliterature%2Fprospectus%2Fp-ishares-esg-advanced-total-usd-bond-market-etf-2-28.pdf> (EUSB prospectus stating that “key ESG issues,” including “climate change, resource scarcity, [and] demographic shifts,” can lead to “unexpected costs for entities in the medium- to long-term”).

<sup>99</sup> <https://www.blackrock.com/corporate/newsroom/setting-the-record-straight/energy-investing>; <https://web.archive.org/web/20221219195652/https://www.blackrock.com/corporate/newsroom/setting-the-record-straight/energy-investing>.

<sup>100</sup> <https://www.blackrock.com/corporate/newsroom/setting-the-record-straight/energy-investing>.

returns.”<sup>101</sup> and that BlackRock’s “consideration of the risks and opportunities of a transition to a low-carbon economy is in the interest of realizing the best long-term financial results for our clients.”<sup>102</sup>

f. In addition, BlackRock has stated that it is “better able to assess the long-term performance of . . . clients’ investments when companies define short-, medium-, and long-term science-based emissions targets, where available for their sector, and disclose how these targets will affect the long-term economic interests of shareholders.”<sup>103</sup>

64. The preceding statements are false or deceptive because BlackRock itself has admitted elsewhere that the consideration of “sustainability characteristics”—including characteristics related to climate change—is not an indicator of financial performance.

65. In fact, the webpages for the ESG funds that are listed in paragraphs 59 and 61 no longer include BlackRock’s earlier statement that the analysis of ESG criteria and sustainability characteristics “can provide insight into the effective management and long-term financial prospects of a fund.” Instead, the webpages for those same funds now state that “Sustainability Characteristics do not provide an indication of current or future performance, nor do they represent the potential risk and reward profile of a fund.”<sup>104</sup>

66. In addition, empirical studies have demonstrated that “sustainable” investing is not financially beneficial for investors.<sup>105</sup> These studies further demonstrate the falsity of BlackRock’s representations that a focus on ESG and sustainability criteria provides a financial benefit to a fund’s management.

67. Finally, in its Statement of Additional Information for the funds listed in paragraphs 59 and 61, BlackRock repeats the misleading statements that “governments representing over 90% of GDP have

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<sup>101</sup> <https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter>.

<sup>102</sup> <https://www.blackrock.com/corporate/newsroom/setting-the-record-straight/energy-investing>.

<sup>103</sup> BlackRock Investment Stewardship, *Climate Focus Universe*, available at <https://perma.cc/6B46-M38V> (This document has been removed from BlackRock’s website, but its text is still available at the preceding URL.)

<sup>104</sup> E.g., <https://www.blackrock.com/us/individual/products/315917/ishares-esg-screened-s-p-500-etf>; <https://www.blackrock.com/us/financial-professionals/products/305252/ishares-esg-aware-u-s-aggregate-bond-etf>.

<sup>105</sup> See, e.g., Declaration of Professor Sanjai Bhagat, Motion for Preliminary Injunction, Dkt. No. 39 at p. 81, *Utah v. Walsh*, No. 2:23-cv-000016-z (N.D. Tex.) (citing studies).

committed to move to net-zero over the coming decades,”<sup>106</sup> and that BlackRock does not expect companies to “address matters that are the domain of public policy.”<sup>107</sup> These statements are false or deceptive because they misrepresent countries’ commitments to net zero, and they also falsely suggest that BlackRock does not take an active role in advancing the public policies that are embodied in the Paris Agreement.

## II. APPLICABLE LAW

68. Miss. Code Ann. Section 75-71-102 sets forth:

### Definitions.

(1) “Administrator” means the Secretary of State.

....

(15) "Investment adviser" means a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation.

....

(28) "Security" means a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest

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<sup>106</sup> E.g., <https://www.blackrock.com/us/individual/literature/sai/sai-ishares-trust-3-31.pdf> at A-10 n. 7; <https://www.blackrock.com/us/financial-professionals/literature/sai/sai-ishares-trust-2-28.pdf> at A-10 n.7.

<sup>107</sup> E.g., E.g., Statement of Additional Information for IVV, IJH, IWF, IJR, IWM, IWD, ITOT, IVW, and IWB, <https://www.blackrock.com/us/individual/resources/regulatory-documents/stream-document?stream=reg&product=IUS-XVV&shareClass=NA&documentId=1829884%7E1829734%7E926348%7E1887395%7E1845371&iframeUrlOverride=%2Fus%2Findividual%2Fliterature%2Fsai%2Fsai-ishares-trust-3-31.pdf> at A-10 n.7; AGG, LQD, and IGSB, the Statement of Additional Information is available at <https://www.blackrock.com/us/financial-professionals/resources/regulatory-documents/stream-document?stream=reg&product=ISHAGG&shareClass=NA&documentId=985985%7E987034%7E926213%7E1539662%7E1604605&iframeUrlOverride=%2Fus%2Ffinancial-professionals%2Fliterature%2Fsai%2Fsai-ishares-trust-2-28.pdf> at A-10 n.7.



or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term includes both a certificated and an uncertificated security. The term does not include an insurance or endowment policy or annuity contract under which an insurance company promises to pay a sum of money either in a lump sum or periodically for life or other specified period; or an interest in a contributory or noncontributory pension or welfare plan subject to the Employee Retirement Income Security Act of 1974. An "investment contract" includes, among other contracts, an investment in a limited partnership, an interest in a limited liability company, an investment in a viatical settlement or similar agreement, and an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.

69. Miss. Code Ann. Section 75-71-501 sets forth:

**General fraud.** It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

70. Miss. Code Ann. Section 75-71-502 sets forth:

- (a) Fraud in providing investment advice. It is unlawful for a person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities:
  - (1) To employ a device, scheme, or artifice to defraud another person; or
  - (2) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

71. The Division may employ remedies set out in Miss. Code Ann. Section 75-71-604 of the Act:

**Administrative enforcement.**

(a) **Issuance of an order or notice.** If the administrator determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aided, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the Administrator may:

(1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter . . . .

. . . .

(d) **Civil penalty.** In a final order under subsection (c), the administrator may impose a civil penalty in an amount set forth in Section 75-71-613 for each violation shall be considered a separate offense in a single proceeding or a series of related proceedings.

72. Miss. Code Ann. Section 75-71-613(d)(1) sets forth:

. . . .

(d) **Amount of civil penalty and further civil penalty under Section 75-71-604 – administrative enforcement.**

(1) The amount of the civil penalty described in Section 75-71-604(d) is a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each violation, provided that an additional civil penalty may be imposed up to a maximum of Fifteen Thousand Dollars (\$15,000.00) for violations of the chapter committed against elders or disabled persons.

73. Based upon the foregoing Findings of Fact, the Division makes the following:

**III. CONCLUSIONS OF LAW**

1. The Division re-alleges and incorporates by reference all paragraphs of this order as if fully set forth herein, and further alleges as follows.

2. The Administrator, after consideration of the facts set forth above, finds and concludes that the Secretary of State of the State of Mississippi has jurisdiction over the Respondents in this matter and that the following is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by the Act.

3. BlackRock made untrue statements that certain of its funds do not incorporate ESG considerations. As detailed extensively in this order, BlackRock stated on multiple occasions either expressly through publications or by action that the company does in fact incorporate ESG considerations into its non-ESG funds. Each material misrepresentation and omission constitute a violation of Miss. Code Ann. Section 75-71-501(2). Additionally, many of the above-mentioned acts, practices, or courses of business operate or would operate as a fraud or deceit upon another person in violation of Miss. Code Ann. Section 75-71-501(3).

4. BlackRock made express and implied material misrepresentations and omissions about its investment strategies related to ESG. As detailed extensively in this order, BlackRock has overstated the extent to which its ESG aims bear on companies' financial positioning and performance. These statements lead investors to believe that BlackRock's ESG strategy provides a financial benefit to its ESG funds. However, BlackRock itself has admitted elsewhere that the consideration of "sustainability characteristics"—including characteristics related to climate change—is not an indicator of financial performance. Each material misrepresentation and omission constitute a violation of Miss. Code Ann. Section 75-71-501(2). Additionally, many of the above-mentioned acts, practices, or courses of business operate or would operate as a fraud or deceit upon another person in violation of Miss. Code Ann. Section 75-71-501(3) and 75-71-502(a)(2).

5. For each of the above-mentioned acts, practices, or courses of business that operate or would operate as a fraud or deceit upon another person, BlackRock is in violation of Miss. Code Ann. Section 75-71-502(a)(2). As the investment adviser to the funds mentioned in this order, BlackRock violated Section 75-71-502(a)(2) by continually operating in a way that would deceive Mississippi investors as to BlackRock's investment strategies regarding both its non-ESG and ESG funds. Each fraudulent or deceptive act, practice, or course of business constitutes a separate violation under the Act.

6. Respondents' conduct, acts, and practices threaten immediate and irreparable harm.

7. Pursuant to Miss. Code Ann. Section 75-71-604, if the Administrator determines that a person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this

chapter or any rule or order hereunder, the Administrator is authorized to issue a cease and desist order, without a prior hearing, against any person engaged in any act or practice constituting a violation of the Act.

8. Pursuant to Miss. Code Ann. Sections 75-71-604 and 75-71-613, if the Administrator determines that a person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order hereunder, the Administrator may impose a \$25,000 penalty for each violation. The Division has uncovered thousands of potential violations and will continue to investigate before issuing a final order to impose an administrative penalty. A \$25,000 penalty may be imposed for each of these violations.

9. Due to the above alleged facts, Respondents are engaging in fraud in connection with the offer for the sale of securities.

10. The foregoing violations constitute the basis for the issuance of an Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty pursuant to Section 75-71-604 of the Act.

#### **IV. ORDER**

IT IS HEREBY ORDERED:

11. That Respondents immediately **CEASE AND DESIST** from making fraudulent statements, omissions, and other misrepresentations that operate or would operate as a fraud upon investors; and

12. That Respondents immediately **CEASE AND DESIST** from offering securities in or from Mississippi through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

#### **V. RIGHT TO AN ADMINISTRATIVE HEARING**

If the Respondents wish to contest the allegations set forth above or offer evidence and arguments to mitigate the allegations, then the Respondents must file a request for hearing. Such request shall be made in writing to Eric S. Slee, Assistant Secretary of State, Securities Division, Mississippi Secretary of State's Office, Post Office Box 136, Jackson, MS 39205, within thirty (30) days from the date of receipt of this Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty. Within fifteen

(15) days after the request, the matter will be scheduled for a hearing. In the event such a hearing is requested, the Respondents may appear, with or without the assistance of an attorney, on a date and at a time and place to be specified and cross-examine witnesses, as well as present testimony, evidence, and argument relating to the matters contained herein. Upon request, subpoenas may be issued for the attendance of witnesses and for the production of books and papers on the Respondents' behalf at the hearing relating to the matters contained herein. If an administrative hearing is requested, written notice of the date, time, and place will be given to all parties by certified mail, return receipt requested. Said notice will also designate a Hearing Officer. If a request for hearing is not timely filed, this Order becomes final, without any further action, by operation of law.

#### **VI. RIGHT TO AMEND**

The Secretary of State hereby reserves the right to amend this Summary Cease and Desist Order and Notice of Intent to Impose Administrative Penalty.

ISSUED, this the 26th day of March 2024.

Michael Watson  
Secretary of State

BY: \_\_\_\_\_

Eric S. Slee  
Assistant Secretary of State  
Securities Division