BlackRock

August 16, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Submitted online via https://www.sec.gov/rules/submitcomments.htm.

RE: Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices (File Number S7-17-22)

Dear Ms. Countryman:

BlackRock, Inc. (together with its subsidiaries, "BlackRock") respectfully submits the following response to the Securities and Exchange Commission's ("SEC") proposed rule "Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices" ("the proposal").[1] We commend the SEC for taking this step to promote investors' access to consistent, comparable, and reliable information about investment funds' and investment advisers' incorporation of environmental, social, and governance ("ESG") criteria into their investment processes.

EXECUTIVE SUMMARY

We write this letter as a fiduciary to our clients and as an investor in every major asset class around the world. The money we manage belongs to them – it is not our own – and many of our clients make their own asset allocation and portfolio construction decisions. We invest on behalf of clients with a variety of long-term financial objectives, and we offer them a range of investment options, including a suite of sustainable investing solutions. [2] To improve transparency and offer more information to our clients' decision-making process, we have supported and

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1 "Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environment, Social, and Governance Investment Practices", Securities Act No. 11068; Securities Exchange Act No. 94985; Investment Company Act No.34594; and Advisers Act No. 6034, 87 Fed. Reg. 117 (June 17, 2022), 36654 ("Proposing Release").

Our comment letter focuses on a few areas covered by the Proposing Release. In addition, we generally support the more detailed issues raised by the Investment Company Institute and SIFMA Asset Management Group.

2 For simplicity, we have written most of our response with a focus on registered funds. However, as the SEC has extended many parts of its proposal to separately managed accounts and private funds through proposed amendments to Form ADV, our suggestions throughout this letter are also intended to apply to the applicable parts of those amendments.

contributed to efforts that enhance practices around sustainable investing terminology and disclosure.[3]

At BlackRock, we believe that climate risk presents real investment risks and opportunities. We believe that incorporating ESG information helps our portfolio managers and clients make more informed investment decisions, which in turn should improve investment outcomes for our clients. Our portfolio managers utilize ESG information in the investment process alongside traditional risk metrics (e.g. credit risk, interest rate risk, and profitability).

Investment stewardship and proxy voting are core components of fiduciary duty to our clients. BlackRock has invested significant resources to build one of the largest Investment Stewardship teams in the asset management industry. This team partners with our active portfolio managers to engage with companies on a range of issues that are material to the long-term performance of the companies our clients are invested in. We engage with companies and voting proxies occurs across all funds and accounts invested in equities.

We are providing a short list of recommendations below to the SEC's proposal, because we recognize how important ESG integration, stewardship, and fund disclosure is to the overall investment process.

- **Clarifying the definition and associated requirements of the "ESG-Focused Funds" category will aid investor understanding.** Broad definitions of ESG fund categories may create investor confusion, which is why we strongly support the SEC's proposal to specifically define ESG-Focused Funds and set guidance on how funds within that category should provide disclosure on ESG factors. However, in our view the level of detail the proposed rule requires may lead to the disclosure of proprietary information surrounding the fund's ESG investment process over and above what funds are required to disclose for other principal investment strategies. We believe that the definition of ESG-Focused Funds should be revised as we suggest below, and the content and location of the proposed disclosure requirements should be appropriately tailored to helping investors make informed investment decisions.

- **Aligning the definition of "ESG Impact Funds" to industry best practices will provide investors with consistency.** We support the SEC's proposal to carve out a subset of ESG-Focused Funds for more specific disclosure. We note that there is emerging global practitioner consensus[4] on the general definition of

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3 For example, we contributed to the terminology put forward by the Investment Company Institute (ICI) in their whitepaper "Funds' Use of ESG Integration and Sustainable Investing Strategies: An Introduction", released in July 2020, as well as that put forward by the Institute of International Finance (IIF) in their whitepaper "The Case for Simplifying Sustainable Investment Terminology", released in November 2019. We also responded to the Consultation report on Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management (August 13, 2021).

4 Best practices set forth by organizations such as the GIIN, IFC Operating Principles for Impact Management and Impact Management Project have helped drive this growing consensus.

impact investing as aligned with the Global Impact Investing Network's ("GIIN") definition, "*making investments with the intention to generate positive, measurable social and environmental impact alongside a financial return*." The SEC's use of a definition that is broader than this emerging consensus could lead to investor confusion, and even greenwashing. In our view, the SEC's proposed quantitative disclosure requirements for ESG Impact Funds are only appropriate for funds that meet the narrower definition.

- **Creating an "ESG Integration Fund" category could create investor confusion and the risk of "greenwashing":** As the SEC recognizes in the Proposing Release, "ESG factors may be considered in the investment selection process but are *generally not dispositive* compared to other factors."[5] Therefore, funds that merely integrate ESG factors alongside other even more critical investment considerations that are core to a fund's stated investment objective, should not be considered ESG investments.[6] Given that, we respectfully request that the Commission eliminate the "ESG Integration Fund"[7] category. The proposed requirements would increase the potential for greenwashing and lead to investor confusion. In addition, the overly complex and prescriptive requirements do not appear to be calibrated to the well-established definition of materiality.[8]

- **Recognize that engagement and proxy voting are standard parts of asset management.** Engagement and proxy voting are a standard part of asset management, for both active and index products, and are not definitive characteristics of an ESG-Focused Fund, or even definitive characteristics of ESG integration. Engagement is a mechanism for investors to seek clarity and provide feedback to companies on governance[9] topics; particularly for index funds, it is not done to exert power over a company's management team's decision-making or engineer specific outcomes. It is crucial to note that stewardship engagement and proxy voting are at their core about encouraging transparency and enabling investment managers to hold company leadership to account where board directors or executive management seem not to have acted in long-term shareholders' interests. As the bedrock of engagement is governance, which is the "G" of "ESG", all engagement has an ESG component and indeed nearly 90% of our engagements in 2021 covered a governance

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5 *See* Proposing Release *supra* n. 1 at 36657 (emphasis added).

6 For purposes of this letter, ESG funds seek to follow a sustainable, impact or ESG investment strategy as disclosed in its fund prospectus.

7 Of note, the Proposing Release uses "ESG Integration Fund" and "Integration Fund" interchangeably. We've used "ESG Integration Fund" throughout our letter.

8 *See TSC Industries, Inc. v. Northway, Inc.*, 426 U. S. 438 (1976) (holding that a fact is material "if there is a substantial likelihood that a reasonable shareholder would consider it important" in making an investment decision or if it "would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available" to the shareholder).

9 While there are numerous ways to explain governance, in essence, it is a system of rules, policies, and practices that determine how a company's board of directors advises and oversees management in the operation of a company.

topic.[10] When "E and "S" topics are raised in engagement meetings, the intent is to seek greater transparency for our investors on those issues to make informed investment decisions not to dictate a specific outcome to company management. Additionally, the detailed nature of the disclosure required on both engagement and proxy voting is unnecessary, potentially misleading and, particularly in relation to voting, duplicative of already existing disclosure in Form N-PX and the fund's annual shareholder report.

- **Index providers and other third-parties should be responsible for disclosing their methodologies.** We respectfully disagree with requiring fund documents to include extensive details of an index provider's methodologies as we do not believe fund documents are the appropriate venue for such disclosures. Instead, if the SEC believes that more detail on index providers is helpful, it would be more reasonable for fund documents to provide information about where shareholders can find the latest version of methodologies on the index provider's websites. Active funds use a myriad of third-party providers for ESG ratings, frameworks, and other information to supplement their own internal analysis. Requiring the naming of each of these third parties and the disclosure of their potentially proprietary methodologies is also concerning for the same reason.

- **Final rules on corporate GHG disclosures should be implemented before requiring fund level disclosures.** Climate risk is financial risk and as a fiduciary to our clients, we have taken a number of steps to address climate-related financial risk, including by providing greater transparency. However, climate metrics continue facing methodological and data challenges. Corporate level disclosure requirements should precede requirements for fund level disclosures to provide market participants with climate-related information, including greenhouse gas ("GHG") metrics. We also respectfully disagree with the SEC's proposal for funds to resort to "best efforts" when disclosure of GHG emissions is not available. Locating and estimating information that is not required to be publicly available is an undue burden and likely to lead to disclosure across funds that is not comparable or consistent across funds, negating the purpose of the SEC's proposed amendments. Moreover, in the absence of mandatory GHG emissions reporting across the public and private markets, the proposed rule would force funds to step into what we believe is an inappropriate role of policing their portfolio investments through negotiating for and monitoring data needed for their own disclosures. Further, as we noted in our response to The Enhancement and Standardization of Climate-Related Disclosures for Investors, we respectfully request that the SEC consider its approach with respect to Scope 3 emissions which is distinct from Scope 1 and 2, given the higher degree of estimation and methodological complexity in the former.

[10] *See* our 2021 Annual Report and 2022 Voting Spotlight.

ESG INTEGRATION

Integration is becoming an increasingly common practice by which investment managers consider ESG factors alongside more traditional factors within an investment process. At BlackRock, we specifically do not consider funds that integrate ESG factors into their investment process as ESG products. Non-ESG funds have different investment guidelines and goals – they do not have an ESG investment objective or principal strategy, and therefore the ESG factors, while informative, are not necessarily material to the investment process.[11] Moreover, the current fund disclosure framework for funds does not mandate prescriptive disclosures for investment processes and we do not believe ESG integration should be singled out, particularly when it is not the determinative factor, as recognized by the SEC. Formally labelling funds as "ESG Integration Funds" and requiring prominent disclosure could mislead investors and raise greenwashing concerns.

Placement of ESG Integration Disclosure

We appreciate the SEC's view that a more direct requirement could be helpful in providing investors with a better understanding of ESG integration. One way of accomplishing this would be through the introduction of a new requirement under Item 16 of the Statement of Additional Information in Form N-1A[12], which we propose could read as follows:

> *NEW ITEM 16 (h). ESG Integration Classification. A fund must describe how it incorporates ESG factors into its investment selection process if it considers one or more ESG factors alongside other, non-ESG factors in its investment decisions, but those ESG factors are generally no more significant than other factors in the investment selection process, such that ESG factors may not be determinative in deciding to include or exclude any particular investment in the portfolio.*

This would more cleanly fit with our understanding of integration than the proposed requirements in several ways:

- First, even if the SEC believes ESG integration is a strategy rather than a process, it is not a principal investment strategy, per the definition of the term in the instructions.[13] In integration, ESG factors are assessed equally to other risk and return characteristics as part of the investment process and are generally not *determinative* in investment decision-making.

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11 Note that many of our active funds have included integration disclosure within their Statements of Additional Information ("SAIs") since mid-2020.

12 We note the proposing release has parallel requirements between Form N-1A and Form N-2 for closed-end funds. For simplicity, we refer to Form N-1A throughout this letter

13 *See* 17 CFR § 274.11A - Form N-1A. "In determining what is a principal investment strategy, consider, among other things, the amount of the Fund's assets expected to be committed to the strategy, the amount of the Fund's assets expected to be placed at risk by the strategy, and the likelihood of the Fund's losing some or all of those assets from implementing the strategy". Note this same instruction is also in Form N-2 for closed end funds.

- Second, given that ESG Integration is not a principal investment strategy of a fund, it is not appropriate disclosure for sections that focus on the fund's principal investment strategies and risks (Items 4 and 9). Accordingly, the proposed requirement to discuss this one aspect of a fund's investment process seems inconsistent with the current form requirement, particularly as other aspects of the investment process may be more important, and therefore may be misleading.

- Third, we believe that disclosing ESG Integration in the prospectus would overemphasize the importance of integration, with the unintended consequence of greenwashing.[14] Notably, the SEC acknowledges this risk as part of its rationale for requiring less extensive disclosures in the summary prospectus.[15] In our view, instead of requiring integration disclosure in the prospectus, funds should be required to place such disclosure in the SAI.[16]

Content of ESG Integration Disclosure

Should funds disclose how they integrate ESG factors, they should continue to include (or not) details on ESG integration based on materiality within a fund's investment process and the existing disclosure regime, rather than be required to address specific ESG integration items mandated by the SEC. In particular, funds should not be required to disclose specific factors that are considered as part of ESG integration, including GHG emissions and associated methodologies, unless a fund deems it material to its strategy. Additionally, we do not think funds should be required to provide examples of ESG integration,[17] as this is inconsistent with disclosure requirements for other similar considerations.

ESG-FOCUSED FUNDS

We agree there is a need to formalize a distinction for ESG-Focused Funds to help investors make informed investment decisions to best meet their unique investment goals. To further clarify the parameters of this category, we would recommend the SEC revise the definition of ESG-Focused Funds, as it is unclear what is meant by ESG factors being a "significant or main"[18] consideration. Our suggestion would be to define as follows: *"ESG-Focused Fund" is a fund that includes ESG or sustainability as a principal strategy in selecting investments.*

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14 Note that per SFDR, funds marketed in the EU are required to locate integration statements in their prospectus, but in our view that does not make the prospectus the right location for these statements across all US funds.

15 *See* Proposing Release *supra* n. 1 at 36660.

16 We recognize circumstances may exist where based on the unique nature of a product, a fund may not be classified as an ESG-Focused Fund, but the sponsor may nevertheless believe it is appropriate to include such language in the statutory prospectus.

17 *See* Proposing Release *supra* n. 1 at 36661.

18 *See* Proposing Release *supra* n. 1 at 36657.

We note that this simpler definition of ESG-Focused Fund more closely aligns to the Form N-1A instructions of a "principal strategy" being central to a fund. Doing so would reduce potential for fund managers to inflate the centrality of ESG factors in their investment considerations, reducing the likelihood that funds will misuse the ESG-Focused Fund label and thereby engage in greenwashing.[19]

Impact Funds

We further agree with the need to define Impact Funds as a subcategory.[20] However, we believe the SEC's definition of "impact" is too broad. Today there is a growing consensus around best practices for "impact strategies" as put forward by organizations like the GIIN, the Impact Management Project, and Operating Principles for Impact Management. We therefore recommend that the SEC tailor its definition of Impact Funds to better align with the narrower definitions put forward by the aforementioned organizations. As one example, the GIIN definition of an Impact Fund is as follows: "*investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return*." We use that definition as the starting point for our own assessment of which of our proprietary products are "Impact" funds. Additionally, while the proposed enhanced disclosure requirements[21] for this Impact Funds category is appropriate for funds that meet the narrower global definition, these requirements would not be appropriate for all funds captured by the proposal's current broader definition. In particular, how the fund measure progress against an impact goal, time horizons over which progress is measured, and the relationship between a stated impact objective and financial returns should only be disclosed when an impact is measurable.

Disclosure of investment methodology, third-party data, and outcomes

Regarding the selection of investments[22], the SEC states that ESG-Focused Funds with similar strategies could have different views on investments[23] which is used as a justification for overly granular disclosure of investment methodologies. However, the SEC does not require granular disclosure of investment methodologies for any other principal investment strategies, and we are unclear why a heightened level of transparency is necessary only for ESG-focused principal strategies. Selection methodology of specific investments does indeed vary between actively managed products with similar overall desired outcomes, and investment outperformance is

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19 In keeping with the purpose of a summary prospectus, we suggest only ESG Focused-Funds (inclusive of Impact Funds) fill out the ESG Summary Overview, which we suggest be a short qualitative statement rather than a table as we do not see the utility of the "check the box" given the overly broad choice set and do not think the detailed requirements in rows 2 and 3 belong in a summary prospectus.

20 *See* Proposing Release *supra* n. 1 at 36657.

21 *See* Proposing Release *supra* n. 1 at 36668.

22 *See* Proposing Release *supra* n. 1 at 36665.

23 *See* Proposing Release *supra* n. 1 at 36666.

partially dependent on a manager's ability to take positions based on proprietary analyses and better understanding of a particular market issue than peers. The granular nature of requirements will inevitably lead to the disclosure of proprietary information about these strategies, reducing the competitive advantage of those unique insights. In response, managers may simplify their methodologies which would flatten access to unique market insights and understandings that produce a fund's alpha.[24] We believe limiting the level of detail provided is necessary to mitigate the potential for competitive concerns, including intellectual property considerations.[25]

We are also concerned with the proposed requirement to include the name and detailed information on the methodology of third-party providers in fund documents, as we do not think that fund documentation is an appropriate mechanism for this disclosure. Providing detailed information about a third-party's methodology in a fund's prospectus or SAI may potentially expose the fund to liability concerns related to a third party's practices. Outside of ESG considerations, third-party providers are routinely used to inform a fund's decision-making and there are no requirements to name or provide detailed information about those providers in fund documents. [26] That said, we support providing summary level information [27] which we believe should be limited to simple, high-level overviews of the categories of data used to prevent investor confusion and avoid unnecessary operational burdens.

We broadly support the proposal to require that a fund identify the index tracked and basic high-level information about how that index's provider uses ESG factors to determine index constituents.[28] However, we believe this information should be limited to summary information of methodologies due to the same concerns about providing substantial information on a third party's processes exposing the fund to liability concerns related to a third party's practices. Therefore, we suggest amending the instructions to Item 9 of Form N-1A as follows: "*A summary of the index methodology for any index the fund tracks, including a summary of key criteria or methodologies for selecting or excluding components of the index that are based on ESG factors.*"

Metrics for funds with a focus on environmental factors

Within the ESG-Focused Funds category, we note the SEC's enhanced disclosure requirements for funds that focus on environmental factors which would be

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24 Note, we are concerned with the proposed addition of new sub-item 8.D in Form ADV for similar reasons.

25 Note we are concerned with the proposed amendments to Item 10.C in Form ADV for the same reasons.

26 In some cases, there could be contractual impediments to naming third-party providers without their permission. Importantly, naming a third party could infer a more material role for such provider in the fund's investment process than appropriate.

27 *See* Proposing Release *supra* n. 1 at 36666.

28 *See* Proposing Release *supra* n. 1 at36666.

required to disclose two GHG emissions metrics for the portfolio. The SEC states that this information is designed to provide investors focused on climate risk with climate-related quantitative metrics. The SEC further notes that this would provide such investors with "verifiable data from which to evaluate environmental claims."[29]

We find this approach challenging for several reasons:

- First, while we appreciate the SEC's focus on environmental factors, we note that different aspects, of E, S, and G are important to different funds. We question the need for the SEC to elevate environmental factors over social and governance factors, without regard to which factors are material to the fund.

- Second, within funds that focus on environmental factors the SEC appears to elevate GHG emissions as the only metric to verify environmental claims. While GHG emissions are certainly a key metric for funds that have a decarbonization aim or a net zero commitment, there are other environmental funds where this would not be the most relevant metric. As an example, we encourage the SEC to consider one of the more well-known climate themes in the marketplace: Clean Energy. Clean energy funds generally seek to invest in companies that produce energy from solar, wind and other renewable energy sources. However, verifying the environmental claims of a clean energy fund through looking at GHG emissions would not be particularly informative. Global clean energy funds on aggregate report relatively high carbon emission metrics, as by nature the manufacturing process to produce clean energy products like wind turbines and solar is itself energy intensive. A much more relevant metric for evaluating the environmental nature of a clean energy fund would be to look at the percent of revenue sourced from the manufacture of products that clearly supporting the low carbon transition.

- Third, even where GHG emissions are relevant, accessing underlying data on GHG emissions for each investment within a fund is challenging without issuer level disclosure. We do not believe that funds should be in the position of sourcing and reporting this information on a "best efforts" basis in their regulatory documents if the underlying data is not publicly available. This is particularly relevant as the requirements for public issuers to disclose GHG emissions are not yet final, and there are no currently proposed requirements for private issuers to disclose GHG emissions. We are concerned that the current proposal will put funds in the position of needing to negotiate with many issuers to source data for disclosure in fund documents. We also view Scope 3 emissions differently to Scope 1 and 2 and feel treating them in the same manner ignores the higher degree of estimation and increased methodological complexities inherent in Scope 3 calculations. We would respectfully suggest that the SEC require fund reporting only after issuer level reporting is finalized. Further, any final amendments should not require funds to source information that is not publicly available.

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[29] *See* Proposing Release *supra* n. 1 at 36659, 36676-36682.

- Fourth, placing GHG emissions data within fund documents attaches undue liability to the fund, particularly if that data is not sourced from a public regulatory filing. We acknowledge that many fund managers, including BlackRock, have begun to provide estimated WACI calculations on funds' websites as a service to clients who may be looking for the information to evaluate how a fund advances the clients' net zero commitments. While we strive to estimate that data as accurately and completely as possible, we acknowledge on our websites that many estimates and assumptions inform the calculation. Requiring the same information, assuming lack of issuer level mandatory disclosure, to be included in fund regulatory filings would inappropriately heighten the fund's liability. We encourage the SEC to consider the appropriate level of liability.

STEWARDSHIP ENGAGEMENT AND PROXY VOTING[30]

Stewardship engagement and proxy voting are core parts of how a fund delivers on its fiduciary duty to its clients. This is true for all funds, whether actively managed or indexed, and regardless of whether a fund has an ESG focus or not. Specifically, asset managers engage with companies to understand how those companies are positioned to deliver long-term value for investors, and vote proxies accordingly.[31] Broadly speaking, proxy voting by asset managers is not optional; they are required to vote when authorized to do so by their institutional investor clients or by fund boards. It is crucial to note that stewardship engagement and proxy voting are at their core about encouraging transparency and enabling investment managers to hold company leadership to account where board directors or executive management seem not to have acted in long-term shareholders' interests. Particularly for index funds, it's not about exerting power over a company's management team's decision-making.

As part of our fiduciary duty to our clients, we have determined that it is generally in their best long-term economic interests that we promote sound corporate governance as an informed, engaged shareholder. The bedrock of any engagement is a focus on corporate governance, the core structure by which company boards can oversee management and the creation of durable long-term value. Appropriate risk oversight of E and S considerations material to a company's business model is a component of good governance, and accordingly is raised in engagements. The links between material E and S factors and long-term financial performance have become increasingly clear, in part due to enhanced corporate disclosure which enabled more holistic analysis of the drivers of risk and value creation. When E- and S-related shareholder proposals are on the ballot for a shareholder meeting, it is incumbent on asset managers to engage on the substance of those proposals and to vote in their clients' long-term economic interests.

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30 Note, we additionally urge the SEC to reconsider its proposed amendments to Item 17 of Form ADV as those changes are also inconsistent with our views on engagement and proxy voting.

31 *See* BlackRock Investment Stewardship's "Global Principles".

Like most asset managers, BlackRock centralizes its engagement and proxy voting functions to a specialist stewardship team working on behalf of all our funds. The stewardship team votes and engages on behalf of clients invested in index funds. It works closely with active portfolio managers on engagement and voting in relation to companies held in active equity funds. Active portfolio managers may also engage according to their own fund mandates and objectives. Accordingly, they may also take their own voting decisions, which may differ from those taken or recommended by the stewardship team. Across all funds, our stewardship team engages consistently on ESG issues and it does not engage separately on behalf of our ESG funds. Engagement improves our understanding of the business risks and opportunities that are material to the companies in which our clients invest. Engagement also informs our voting decisions when our clients authorize us to vote proxies on their behalf.

We recognize that some of our clients may have different positions on key voting matters, and that more of our clients are interested in having a say in how their index holdings are voted. Accordingly, we launched BlackRock Voting Choice in January 2022.[32] Through this initiative, institutional investors in separate accounts and certain pooled vehicles are able to vote their shares in line with their preferences, either following their own policy, voting specific resolutions or companies, or choosing from a menu of policies provided by third parties.

By referencing engagement in the definition of "ESG-Focused Fund", the SEC has opened that label to any fund that directly engages with companies, either through the portfolio manager of the fund or via an asset manager's stewardship overlay function.[33] In our view, this is unnecessary as any active funds where engagement specifically on E and S issues is a principal strategy and done in a more intense manner than would be done by a firmwide stewardship program would already be captured by our proposed revised definition. Capturing a broader set of funds within the ESG-Focused Funds category solely due to their routine engagement activities would lead to greenwashing.

Given that, like most asset managers, BlackRock's stewardship team is a firmwide resource, we disclose our approach to stewardship activities on behalf of our clients at the aggregate portfolio level across all our equity holdings[34] and do not believe that providing extensive disclosure on these engagements within fund documents is particularly useful to investors. We provide significant disclosure on our website, including an annual recap,[35] as well as direct client reporting. Investors interested in specific votes within specific funds can also find this information on the SEC website within our annually filed Form N-PX.

Regarding proxy voting in particular, it is our view that our fiduciary duty to the investors in all our funds requires us to consider each ballot item on its merits

32 *See* BlackRock's whitepaper "It's All About Choice".

33 *See* Proposing Release *supra* n. 1 at 236664, Question 13.

34 *See* "2021 BlackRock Investment Stewardship Annual Report".

35 *See* our 2022 Voting Spotlight.

before voting in a manner most aligned with our clients' long-term financial interests. An identically worded proposal may be supportable at one company but not at another, based on the management practices and disclosures of each. This precludes us from having blanket proxy voting policies that would require us to always vote one way on a certain topic, which would be counter to the SEC's guidance regarding proxy voting responsibilities of an investment adviser. [36] Requirements to count the number of proxy votes in a certain direction on a certain topic would seem to eschew our merit-based approach to voting. In our experience, most asset managers have voting guidelines and some, like BlackRock, publish these to their websites.[37] Not all ballot proposals are of equal quality, and this disparity is particularly evident in shareholder proposals where many sustainability issues come to a vote. This can result in voting in different directions on proposals of differing quality on the same topic.[38]

IMPLEMENTATION TIMELINE

We respectfully request that the SEC to ensure that any implementation of fund level ESG disclosure requirements is delayed until after the implementation of the SEC's proposed corporate issuer level climate rule.[39] Funds should not be required to source ESG metrics and data that is not already publicly available. In the absence of mandatory GHG emissions reporting across the public and private markets, the proposed rule would put funds in the position of needing to negotiate with many issuers to source data for disclosure in fund documents. Aside from the cost to fund shareholders of this requirement, we do not believe it will result in comparable, reliable, high-quality disclosure if there is lack of (1) uniform disclosure across the public and private markets and (2) guidance across and within industries to provide clarity on what GHG emissions to disclose by whom and along what timeline.

Additionally, given the extensive nature of the changes that may be required, we respectfully submit that the SEC extend the compliance period from one year to two years after the implementation date of the issuer level climate rule. The new rule may require many funds to adopt material changes that would require both approval by the funds' boards and a 60-day SEC review. In some cases, a shareholder vote on the changes to a fund might even be required which can be a lengthy process.

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36 *See* "Commission Guidance Regarding Proxy Voting responsibilities of Investment Advisers (effective date September 10, 2019)".

37 *See* "Stewardship policies" in BlackRock Investment Stewardship's website.

38 As we explained in a commentary released May 2022, we observed a marked increase in the number of E and S shareholder proposals of varying quality coming to a vote in the 2021-2022 proxy year (covering the period July 1, 2021 through June 30, 2022). *See* "2022 climate-related proposals more prescriptive than 2021".

39 *See* BlackRock's response to The Enhancement and Standardization of Climate-Related Disclosures for Investors

In conclusion, we broadly support the SEC's efforts to provide clarity to the disclosure of ESG information in fund documents. We thank you for taking the time to review our input and are happy to be of further assistance if helpful. Should you have any questions about our views, please reach out to Nick Mizaur [redacted].

Sincerely,

Paul Bodnar
Managing Director, Global Head of Sustainable Investing

Elizabeth Kent
Managing Director, Global Public Policy Group