



**EUROPEAN COMMISSION:
CANCEL THE CONTRACT WITH BLACKROCK
OPEN LETTER TO PRESIDENT VON DER LEYEN,
EXECUTIVE VICE-PRESIDENTS DOMBROVSKIS
AND TIMMERMANS**

Brussels, 29 April 2020

Dear President von der Leyen, and Executive Vice-Presidents Dombrovskis and Timmermans,

We, the 92 signatories, write to urge you to cancel the recently concluded contract with BlackRock Investment Management (UK). [1] This company was selected to provide key advice to the Commission on the integration of environmental, social and governance (ESG) risks into EU banking rules and supervision, as well as working to insert ESG objectives into banks' business and investment strategies. We believe that the selection of BlackRock sends an extremely harmful message, one that undermines the credibility and reputation of the European Commission's European Green Deal and sustainable finance policy before it has even begun.

BlackRock has numerous vested interests in this area, and is hence not in a position to offer any kind of credibly neutral expert advice. We believe that the access to information which the investment management company would get through this tender, and the "advice" it would provide, would run an extremely high risk of an early derailment of crucial and much-needed sustainable banking measures in the EU.

As you are aware, the question of finance is key to combating climate change. Your Commission estimates that 260 billion euros a year are needed to fulfill the ambitions put forward in the European Green Deal. To succeed in delivering these ambitions, it is crucial that the EU both discourages the dirty loans and investments that perpetuate climate change, and instead encourages and supports financing activities that are conducive to a sustainable economy. Both of these issues are raised in the European Green Deal.

In order to move forward on this crucial issue, seeking advice is a logical next step. However selecting BlackRock as the adviser is a grave mistake - their position is strongly biased, they have zero credibility and they have an interest in, and a track record of working towards weakening the very ESG rules they are being hired to advise on. For example:

- **Anti-taxonomy lobby:** The EC tender explicitly requires the consultant to take account of the Commission's *"on-going work on sustainable finance with particular regard to the [...] classification system - or taxonomy"*. BlackRock has a long record of lobbying against the same EU taxonomy, as revealed in its own position of January 2020 and in the lobby positions of associations of which it is a member, such as the global banking lobby Institute of International Finance (IIF), the Association for Financial Markets in Europe (AFME), and the European Fund and Asset Manager Association (EFAMA). In fact BlackRock publicly supported the IIF's position which opposed the EU's approach to taxonomy, and argued for a very divergent approach which, coincidentally, resembled BlackRock's own taxonomy.

[1] The EC tender was officially awarded to BlackRock Investment Management (UK), and not to its unregulated Financial Markets Advisory unit. BlackRock Investment Management (UK) is a wholly owned subsidiary of BlackRock, Inc. and the ESG policies and practices of the subsidiary are aligned with those of the parent.

- **Judge and jury:** According to the Commission's tender, BlackRock should also take into account the work of 12 different organisations working on sustainable finance. However, the investment management company can once again not be neutral in this task. It is a member of two of these organisations – the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD) and IIF's Sustainable Finance Working Group (SFWG). Moreover, the company is also involved in lobbying other organisations, such as the Network of Central Banks and Supervisors for Greening the Financial System.
- **The voice of the banks:** The IIF and the European Banking Federation (EBF) have already undertaken their own review of 70 global banks' approaches to climate risk management and disclosure (January 2020), a task which resembles a requirement of the Commission's tender. The IIF has also lobbied to influence the Commission's approach, trying in September 2019 to convince it to delay the use of its own taxonomy for EU regulatory and supervisory work. These initiatives, which BlackRock was a signatory to, aim to undermine timely and ambitious ESG rules.

We are aware that the Commission is seeking advice on banking, and that BlackRock is not itself a bank. It could thus be argued that the company does not have a stake in these issues. However this argument simply cannot be sustained, given the numerous serious conflicts of interest for BlackRock in this regard, which we illustrate in the following examples.

- BlackRock is a major shareholder of most European big banks, including Santander, Deutsche Bank, BNP Paribas, ING and CréditAgricole, all of which invest heavily in fossil fuel projects and companies.
- BlackRock also has a major stake in many global banks, including a 6.77 percent share of JP Morgan Chase, a bank which is known for funding fossil fuels.
- Blackrock is an asset manager, and holds a major stake in coal (\$87.3 bn) oil and gas companies, like Total (6.3%), RWE (7%) and Shell (6.5%). As an asset manager its main purpose, evidently, is to secure a sizeable return on its investments.

All of these examples demonstrate that BlackRock has **a serious and tangible conflict of interest in the area of ESG Regulation.** This clearly undermines the company's credibility as a neutral adviser, and disqualifies it from being able to provide consultancy to the European Commission on the issues in question.

Lastly, we would like to voice a more general concern. We hope that this case is not an indication of the Commission's intended approach to its future initiatives on climate change and finance. The Commission has asked for commitment from 'all stakeholders' in the development of the plan to implement the European Green Deal. And yet such a request seems strikingly at odds with the kind of one-sided approach to external advice that appointing BlackRock as consultant shows. The EC tender also does not require BlackRock to consult civil society, only financial sector representatives and experts, even though the banking sector has a crucial impact on EU societies and economies, and indeed the very future of the planet.

The Commission has a long track record of extensive consultation with the financial sector when preparing new legislative proposals that would govern it. We see several signs that this tradition will not change in the EU's crucial work to prepare the next steps on sustainable finance. If that were to be the case, the Commission would risk allowing financial companies with a vested interest in oil, gas and coal, to exert undue influence once again. This would put any strategy to avert catastrophic climate change, something people across the EU are calling for, in serious peril.

We request,

1. that the contract with BlackRock Investment Management (UK) be cancelled – based on EC tender rules on conflict of interest,
2. that all (draft) reports from any future successful tenderer be made publicly available, to allow civil society and other non-financial social and environmental stakeholders to view and comment on them before they are finalised,
3. that the Commission consider how it can work to avoid undue influence being exerted on its decisions by the fossil fuel industry and its financiers, and how the voice of civil society can be heard, including by revising its procedures and approach to external advice and consultation.

We hope for a clear sign from the Commission that the financial sector will not be allowed to exert undue influence on the integration of ESG criteria into the risk assessments and investment strategies of financial companies in the EU. The cancellation of the contract with BlackRock would be an appropriate first step.

We sincerely hope you will consider the issues above and reply.

SIGNATORIES

92 Civil Society Organisations

350.org, Action from Ireland (Afri), ActionAid Denmark, ActionAid International, ACV Puls, Alliance of Lithuanian Consumer Organizations, Amigas de la Tierra, Anticapitalista Canarias, ANTICOR, Attac Acordem, Attac Austria, Attac Charleroi, Attac Germany, Attac España, Attac France, Attac Ireland, Attac Madrid, Attac Wallonie Bruxelles, BankTrack, Biofuelwatch, Borneo Orangutan Survival (BOS) Deutschland, Both ENDS, Bretton Woods Project, Committee for the Abolition of Illegitimate Debt (CADTM), Change Finance, CODEPINK: Women for Peace, Comitato Rodotà, Confederación Intersindical, Confederación Sindical de Comisiones Obreras (CCOO), Corporate Europe Observatory (CEO), Debt Observatory in Globalisation (ODG), Ecologistas en Accion, Entrepueblos, erlassjahr.de, Estwatch, etika, EuroMemo Group, European Federation of Public Service Unions (EPSU), Facing Finance, Fair Finance Guide Netherlands (Eerlijke Geldwijzer), Fair Finance India, Fair Finance Institute, Fair Finance International, FoodFirst Information and Action Network - FIAN International, Finanzwende, Fondazione Finanza Etica, Food & Water Action Europe, Fracking Free Clare, France Nature Environnement, Friends of the Earth Europe, Friends of the Earth Finland, Friends of the Earth Germany (BUND), Friends of the Earth Netherlands (Milieudefensie), Friends of the Earth Sweden (Jordens Vänner), Fund Our Future, Fundacja Rozwój TAK - Odkrywki NIE, German NGO Forum on Environment and Development, Gestos, Global Policy Forum Europe, Green Course, Green Finance Observatory, Greenpeace European Unit, Guerrilla Foundation, Institut für Gesellschaftsanalyse, Institut Rousseau, Instituto de Investigaciones Economicas (UNAM), Intersindical Valenciana, Iraqi Journalists Rights Defense Association (IJRDA), Les Amis de la Terre France, LITA.co., London Mining Network, Observatori DESC, Oxfam International, Partnership for Policy Integrity, Plataforma Afectados Hipoteca Madrid (PAH), Reclaim Finance, Red Ecofeminista, Sciences Citoyennes, ShareAction, Society for International Development (SID), Centre For Research On Multinational Corporations (SOMO), Stamp Out Poverty, Talousdemokratia - Economic Democracy Finland, Tax Justice Network, Transnational Institute (TNI), UNI Europa Finance, Upper Valley Affinity Group, urgewald, Veblen Institute for Economic Reforms, World Economy, Ecology & Development (WEED), WikiPolitiks.org, Zukunftskonvent Germany