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established 1929

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The Honorable Rand Paul, Chairman
Senate Committee on Homeland Security & Governmental Affairs
295 Russell Senate Office Building
Washington, DC 20510

The Honorable James Comer, Chairman
House Committee on Oversight and Government Reform
2410 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Paul and Comer:

I am writing to urge you to investigate whether the Federal Retirement Thrift Investment Board ("FRTIB") is violating its fiduciary duties and risking the retirement savings of millions of federal employees. The FRTIB has contracted with asset managers and proxy advisors that have pursued goals to impose emissions reductions and diversity quotas on companies, rather than focus solely on financial returns as required by the Federal Employees' Retirement System Act ("FERSA"). Furthermore, the asset managers' and proxy advisors' efforts to impose diversity quotas on boards of directors implicate violations of federal civil rights laws. These issues are highly concerning and warrant immediate investigation.

Specifically, the FRTIB continues to allow BlackRock, Inc. ("BlackRock") and State Street Global Advisors ("State Street") to manage Thrift Savings Plan ("TSP") assets, even after it has become increasingly clear that these asset managers have advanced policies that reduce shareholder value. Notably, with reasoning that applies with equal force to State Street, a federal court recently found that the managers of an ERISA plan breached their fiduciary duties by not acting after BlackRock was openly using pension fund assets to advance a net-zero agenda. Another federal court just ruled that States had plausibly alleged that these asset managers violated federal and state antitrust laws. And in an investigation in 2024, the House Judiciary Committee found that BlackRock and State Street both agreed to join climate groups and to support activist proposals with their proxy votes.

As a recent example, BlackRock voted in favor of a 2024 shareholder proposal to require Cracker Barrel to establish and disclose greenhouse gas (GHG) emissions targets and regularly

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disclose its progress against such targets.[1] This vote was part of a pattern where BlackRock voted in favor of similar proposals for Denny's, Jack in the Box, and Wingstop. Simply put, these proposals are not in shareholders' interests but rather are part of a war on agriculture. For example, reaching net zero in agriculture would require cutting U.S. beef consumption in half.[2] Supporting such proposals at restaurants means believing that a Cracker Barrel without meatloaf or roast beef, or a Denny's or Jack in the Box without hamburgers, is in shareholders' financial interests. It clearly is not.

Despite this, the FRTIB continues to entrust billions of dollars in federal employee retirement savings to BlackRock and State Street. As one of the largest asset owners in the world, the votes cast for the TSP play an outsized role in determining whether corporations serve shareholders or ideologues. Further, the FRTIB relies on analyses of BlackRock's and State Street's proxy voting conducted by Institutional Shareholder Services ("ISS"), an organization that is similarly committed to environmental activism and imposing quotas on company boards.

I. Background on the FRTIB's Relationship with BlackRock and State Street

Under FERSA, members of the FRTIB, the Executive Director, and any asset managers for the Thrift Savings Plan ("TSP") are fiduciaries and must act "*solely* in the interest of the [TSP] participants and beneficiaries … and for the *exclusive* purpose of providing benefits to participants and their beneficiaries."[3] The FRTIB also is statutorily required to keep administrative costs low and prudently manage TSP returns.[4]

The investment options available to TSP participants are established by FERSA, but the FRTIB has discretion to select investment managers for certain of those options.[5] Currently, FRTIB contracts with BlackRock and State Street[6] for management of the statutorily-required TSP Fixed Income Index Investment Fund (F Fund) ($34.2 billion),[7] the Common Stock Index Investment Fund (C Fund) ($429.1 billion),[8] the Small Capitalization Stock Index Investment

[1] Page 78, https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2024.pdf; Page 85, https://www.sec.gov/Archives/edgar/data/1067294/000110465924107236/tm2423783d8_defc14a.htm#tP5SP.
[2] https://www.wri.org/insights/6-pressing-questions-about-beef-and-climate-change-answered.
[3] 5 U.S.C. § 8477(b)(1) (emphasis added); see 5 U.S. C. § 8477(a)(3) (defining fiduciary).
[4] *See* 5 U.S.C. §8475; https://sgp.fas.org/crs/misc/R47996.pdf at 10.
[5] *See* 5 U.S.C. § 8472(f).
[6] The specific entities with which FRTIB contracts are BlackRock Institutional Trust Company, N.A., a national banking association and subsidiary of BlackRock, Inc. and State Street Global Advisors Trust Company, a Massachusetts non-depository trust company and subsidiary of State Street Corporation. *See* https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/reports/thrift-savings-plan-audit/state-street-global-advisors-trust-company-tsp-investment-management-operations-2023.pdf; https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/investment-management-operations-2020.pdf.
[7] https://www.tsp.gov/funds-individual/f-fund/.
[8] https://www.tsp.gov/funds-individual/c-fund/.

Fund (S Fund) ($119 billion),[9] and the International Stock Index Investment Fund (I Fund) ($85.7 billion).[10] Combined, as of December 31, 2024, State Street and BlackRock manage over $668 billion in TSP funds.[11]

To avoid political manipulation, FERSA designed the TSP to be passively managed,[12] and it expressly prohibits FRTIB members and the Executive Director from exercising proxy voting rights.[13] With respect to asset managers like BlackRock and State Street, FRTIB has interpreted this statutory prohibition as limiting its role "to ensuring that the fund managers abide by their own proxy voting policies."[14] Accordingly, FRTIB's contracts with State Street and BlackRock delegate proxy voting authority for all voting rights associated with ownership of TSP funds.[15] And although FRTIB requires investment managers to undergo audits and provide the results to the FRTIB, these audits appear to be limited to whether the investment managers are in compliance with their own respective proxy voting guidelines.[16] FRTIB also relies on quarterly audits conducted by the proxy voting analysis firm ISS to ensure that BlackRock and State Street vote proxies in accordance with their respective written guidelines.[17]

The Department of Labor (DOL) Employee Benefits Security Administration ("EBSA") Fiduciary Oversight Program also conducts audits of FRTIB and the TSP, including performance audits of TSP investment management operations.[18] However, DOL's audits restate FRTIB's position that BlackRock and State Street are merely required to vote proxies in accordance with their respective stated guidelines.[19] In other words, for the over $600 billion in assets entrusted to

[9] https://www.tsp.gov/funds-individual/s-fund/.
[10] https://www.tsp.gov/funds-individual/i-fund/.
[11] *See* https://www.tsp.gov/funds-individual/f-fund/; https://www.tsp.gov/funds-individual/c-fund/; https://www.tsp.gov/funds-individual/s-fund/; https://www.tsp.gov/funds-individual/i-fund/.
[12] https://sgp.fas.org/crs/misc/R47996.pdf at 11.
[13] *See* 5 U.S.C. §8438(f) ("The Board, other Government agencies, the Executive Director, an employee, a Member, a former employee and a former Member may not exercise voting rights associated with the ownership of securities by the Thrift Savings Fund."); *see also* https://sgp.fas.org/crs/misc/R47996.pdf.
[14] *See* page 7 (response to question 11), https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/public-comments/1210-ZA30/00043.pdf.
[15] https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/reports/thrift-savings-plan-audit/state-street-global-advisors-trust-company-tsp-investment-management-operations-2023.pdf at I.13; https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/investment-management-operations-2020.pdf at I.13.
[16] https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/public-comments/1210-ZA30/00043.pdf (response to question 11).
[17] https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/reports/thrift-savings-plan-audit/state-street-global-advisors-trust-company-tsp-investment-management-operations-2023.pdf at I.13.
[18] https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/public-comments/1210-ZA30/00043.pdf (response to question 9).
[19] https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/investment-management-operations-2020.pdf; https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/reports/thrift-savings-plan-audit/state-street-global-advisors-trust-company-tsp-investment-management-operations-2023.pdf.

BlackRock and State Street, the only restriction on voting authorities appears to be whether BlackRock and State Street vote proxies related to the C, S, F, and I funds in accordance with their respective guidelines.[20]

II. BlackRock and State Street Have an Established Record of Acting to Achieve Environmental and Social (E&S) Goals

Over the past years, BlackRock and State Street have committed to use their vast influence to pursue emissions reductions and racial quotas, raising serious questions as to whether the FRTIB is violating its fiduciary duties with respect to the TSP by continuing its contracts with these entities. Examples of BlackRock's and State Street's harmful conduct include: (1) using proxy voting power to push companies to adopt emissions targets; (2) maintaining commitments to climate-activist organizations in pursuit of Paris Agreement goals; (3) using internal proxy-voting guidelines that require using engagement and voting to pressure companies to align with net zero; (4) using pension fund assets to advance a net-zero agenda; and (5) succumbing to activist pressure to join climate groups and change their proxy voting to support activist proposals.

A. BlackRock and State Street Use Their Proxy Voting Power to Harm Agriculture and Energy Production and to Reduce Shareholder Value

In the 2024 proxy season, BlackRock and State Street used their proxy votes to force companies to self-impose emissions-reduction targets that would harm critical American industries such as agriculture and energy production, as well as prevent the maximization of shareholder value. Take the well-known Cracker Barrel restaurant chain as an example. In 2024, BlackRock voted for an activist proposal at this restaurant.[21] Specifically, this proposal sought to require Cracker Barrel to "disclose any targets it has for reducing its greenhouse gas emissions that are measurable and timebound — or, if no such targets exist, to establish (and publish) them" and to thereafter "regularly disclose[]" progress against such targets.[22] There is no indication that requiring such targets is in the financial interest of Cracker Barrel shareholders.

As another example, BlackRock and State Street voted in favor of a proposal in 2024 to require Jack in the Box to set "short-, medium- and long-term goals for reducing its emissions."[23] Likewise, BlackRock and State Street voted to require Wingstop to set "short-,

[20] https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/public-comments/1210-ZA30/00043.pdf (response to question 11).
[21] Page 78, https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2024.pdf.
[22] Page 85, https://www.sec.gov/Archives/edgar/data/1067294/000110465924107236/tm2423783d8_defc14a.htm#tP5SP.
[23] https://www.sec.gov/ix?doc=/Archives/edgar/data/807882/000114036124004276/ny20010224x1_def14a.htm (Proposal 4).

medium- and long-term targets for measurably reducing" GHG emissions, and to "report annually on its progress toward those targets."[24] BlackRock and State Street also voted to force Denny's to "disclose its current greenhouse gas ('GHG') emissions" and set "targets for further reducing its emissions."[25]

Each of these shareholder proposals cited the net-zero targets of McDonald's as the ideal model for corporate policy. McDonald's targets ask farmers and ranchers to cut their own emissions to achieve net zero. Requiring America's farmers and ranchers to adopt net zero would be nothing short of disastrous. For example, reaching net zero in agriculture would require cutting U.S. beef consumption in half,[26] which is clearly an activist goal not motivated by maximizing the financial returns of shareholders.

At the very least, these proposals were not related to shareholder value. All three proposals were brought by "The Accountability Board," which is run by animal-rights activists. Specifically, the Accountability Board's president and chief operating officer previously worked at People for the Ethical Treatment of Animals (PETA), where he designed the infamous "Holocaust on Your Plate" ad campaign, equating animals in factory farms to Jews in Nazi concentration camps.[27] In these votes, BlackRock and State Street sided with animal-rights activists' intent on attacking America's farmers and ranchers, rather than siding with shareholders. Furthermore, imposing restrictions on suppliers would decrease supply and increase prices, which would also harm the restaurant chains and likely deter customers.

BlackRock and State Street have also cast proxy votes in opposition to affordable and reliable energy. For example, in 2024, a Democratic state treasurer sought to force Berkshire Hathway Energy ("BHE"), a power plant operator, to "disclose" emissions reduction targets and net-zero progress.[28] In opposition to the recommendation of BHE management, BlackRock and State Street voted to force BHE to issue these reports that require changing business operations to meet these targets, even without any government-imposed reporting requirements.[29] In 2023, BlackRock also supported a shareholder proposal for emissions targets at NewMarket

[24] https://www.sec.gov/ix?doc=/Archives/edgar/data/1636222/000119312524086632/d642378ddef14a.htm (Proposal 6).
[25] https://s29.q4cdn.com/169433746/files/doc_financials/2023/ar/DENN-2024-Notice-of-Annual-Meeting-Proxy-Statement.pdf (emphasis omitted) (Proposal 4).
[26] https://www.wri.org/insights/6-pressing-questions-about-beef-and-climate-change-answered.
[27] https://www.linkedin.com/in/matthewaprescott/;
https://www.theguardian.com/media/2003/mar/03/advertising.marketingandpr;
https://thesocietypages.org/socimages/2008/05/05/petas-holocaust-on-your-plate-campaign/.
[28] https://www.sec.gov/ix?doc=/Archives/edgar/data/1067983/000119312524069107/d512828ddef14a.htm (Proposal 3).
[29] *See* https://web.archive.org/web/20241227165751/https://www.blackrock.com/corporate/literature/publication/2024-investment-stewardship-voting-spotlight.pdf (p. 57).

Corporation, "request[ing that] the company … publish their GHG emissions, and 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."[30] BlackRock also repeatedly voted to pressure large U.S. Companies including Chevron Corporation to align their lobbying with the carbon-reduction goals of the Paris Agreement.[31]

In addition, BlackRock and State Street use the weight of their proxy voting power to threaten company directors that do not support their agenda. This is particularly concerning given the power of this threat. In 2021, for example, BlackRock and State Street helped lead the vote to install directors chosen by climate activists onto Exxon's board, helping to kick off the "Exxon effect," which aimed to pressure directors at other companies to embrace net zero.[32] The role of BlackRock and State Street in the Exxon effect is consistent with State Street's admission that "[v]oting against company directors is 'the most effective tool we have'" and is "much more powerful" than voting for shareholder proposals.[33]

BlackRock also voted against the re-election of the chair of the board of directors at Transdigm, a producer of aircraft components, because of a failure "to adopt quantitative greenhouse gas emissions goals."[34] In addition, BlackRock voted against all directors up for election at 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."[35]

And BlackRock continues to exercise the powerful threat of voting against directors. BlackRock recently reported that in 2024 it did not support "127 proposals at 97 companies globally" based on BlackRock's desire to require "board oversight of climate-related risks," which in plain language means forcing companies to comply with BlackRock's net-zero agenda.[36]

Finally, BlackRock and State Street have used engagements to pressure companies on environmental and social issues. A prime example is BlackRock's engagement with Total Energies. BlackRock in 2021 intensified engagement "to encourage the company to pursue more

[30] This information, which relates to proposal 6 for NewMarket's 4/27/2023 annual meeting, is no longer easily accessible, but this allegation is also contained in paragraph 205 of the Complaint in *Texas v. BlackRock*, available at https://content.govdelivery.com/attachments/IACIO/2024/11/27/file_attachments/3085368/Complaint,%20Doc.%201-%20States%20v.%20BlackRock.pdf.
[31] *See* Complaint, *Texas v. BlackRock* at ¶ 212.
[32] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf (p. ii, v).
[33] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf (p. 23 (citing SSGA-HJC.424879)).
[34] https://perma.cc/F4T5-7Z4A.
[35] https://perma.cc/JBC8-C9RB.
[36] *See* page 77, https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2024.pdf.

ambitious greenhouse gas (GHG) emissions reduction targets." Total Energies eventually issued a joint statement with Climate Action 100+ ("CA100+") members announcing "more aggressive 2020 targets." Similarly, beginning in 2021, State Street announced a "targeted engagement campaign with the most significant emitters in our portfolio to encourage disclosures aligned with our expectations for climate transition plans" and that "[i]n 2023, [it] will hold companies and directors accountable for failing to meet these expectations."[37]

Given all of the foregoing actions, it is not surprising that a federal court just ruled that States plausibly alleged that BlackRock and State Street violated federal antitrust laws with respect to its holding in coal companies.[38]

B. BlackRock and State Street Continue Participating in Activist ESG Organizations

BlackRock's and State Street's ongoing memberships and associated Environmental, Social, and Governance ("ESG") commitments show their unwavering dedication to using their proxy voting power to compel companies to adopt the ESG agenda. State Street remains a member of the Net Zero Asset Managers Initiative ("NZAM") and other climate groups. And despite its departure from two climate activist groups, CA100+ and NZAM, BlackRock remains committed to and involved with other organizations with similar goals.

State Street's NZAM membership requires a commitment to "implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for *all assets under management* to achieve net zero emissions by 2050 or sooner."[39] State Street also has pledged to "[e]ngage with actors key to the investment system including … proxy advisers … to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner."[40] Notably, this NZAM commitment is for "all assets under management,"[41] which would necessarily include any TSP funds managed by State Street.

Despite its formal departure from NZAM, BlackRock remains faithful to the organization's policies. In fact, BlackRock expressly stated that its "departure [from NZAM] doesn't change the way ... we manage [clients'] portfolios."[42] Given that BlackRock was in NZAM for nearly four years and its departure has not changed its policies, it is reasonable to

[37] Page 46, https://web.archive.org/web/20220917192703/https://www.statestreet.com/content/dam/statestreet/documents/esg/SSC-ESG-2021-Final-Full.pdf.
[38] Texas v. Blackrock, No. 24-cv-437, 2025 WL 2201071, at *10-*12 (E.D. Tex. Aug. 1, 2025).
[39] https://web.archive.org/web/20250104092852/https://www.netzeroassetmanagers.org/commitment/ (emphasis added).
[40] https://web.archive.org/web/20250104092852/https://www.netzeroassetmanagers.org/commitment/.
[41] https://web.archive.org/web/20250104092852/https://www.netzeroassetmanagers.org/commitment/.
[42] https://www.esgtoday.com/blackrock-exits-net-zero-coalition-says-move-wont-change-how-it-manages-investments/.

conclude that BlackRock continues to "[i]mplement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with [its] ambition for all assets under management to achieve net zero emissions by 2050 or sooner."[43] As with State Street, the application of this commitment to *all assets under management* would necessarily include any TSP funds managed by BlackRock.

BlackRock and State Street are also current members of the United Nations' Principles for Responsible Investment ("UNPRI"), which requires them to "be active owners and incorporate ESG issues into [their] ownership policies and practices."[44] As UNPRI members, BlackRock and State Street must commit to "incorporat[ing] ESG issues into investment analysis and decision-making processes."[45] Importantly, this mandatory commitment does not contain any exception for passively managed funds and thus would apply to BlackRock's and State Street's management of TSP funds. Finally, both BlackRock and State Street belong to Ceres, Inc., the North American network for CA100+. The House Judiciary Committee found that Ceres pressured BlackRock to join CA100+ and "shift its voting to support climate resolutions,"[46] and this same allegation is contained in the *Texas v. BlackRock* lawsuit.[47]

C. BlackRock's Guidance to Companies Promotes Unrealistic Net-Zero Targets and Erodes Grid Reliability

Even after the Securities and Exchange Commission ("SEC") suspended the Biden administration's "deeply flawed"[48] and harmful climate disclosure rules, BlackRock continues to promote such disclosures in its proxy voting guidelines with a goal of transitioning companies away from affordable and reliable fossil fuels. As evidenced by the 2024 votes discussed above, BlackRock's guidelines push companies to make climate disclosures that require setting emissions reduction targets, and if companies do not do so, BlackRock threatens to "express concerns through our engagement and voting."[49]

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[43] https://web.archive.org/web/20250104092852/https://www.netzeroassetmanagers.org/commitment/ (archived copy) (emphasis added).
[44] https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment (emphasis added).
[45] https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment.
[46] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf (p. ii, citing CERES1561 and BLK-HJC-100207); https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/Appendix_Full.pdf (CERES0001262, p. 460).
[47] Complaint, *Texas v. BlackRock* at ¶¶ 202-04.
[48] https://www.sec.gov/newsroom/speeches-statements/uyeda-statement-climate-change-021025.
[49] https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf (p. 18); https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf (p. 12).

BlackRock's guidelines for companies specifically reference the International Sustainability Standards Board standards IFRS S1 and S2,[50] which aim to "usher[] in a new era of sustainability-related disclosures in capital markets worldwide,"[51] and require the disclosure of any information that "could reasonably be expected to affect a company's … access to finance or cost of capital over the short, medium or long term."[52] By pressuring companies to adopt the IFRS standards that are based on the same TCFD standards as the SEC's former climate rule, BlackRock is essentially using the leverage provided by its assets under management, including TSP funds, to implement the Biden SEC's discredited and abandoned climate rules.

In addition to potentially harmful disclosures, BlackRock's proxy voting guidelines (published in January 2025, *after* President Trump's election) push companies to adopt targets that are "ideally science-based ... for scope 1 and 2."[53] But "science-based" is simply a euphemism for targets in line with the net-zero 1.5°C goal.[54] BlackRock's stated justification for demanding net-zero 1.5°C targets as its "ideal[]" is that this "Paris Agreement temperature goal" was "recently reaffirmed by G20 members as part of the 2024 Leader's Declaration"[55] shortly before the U.S. election. The suggestion that government leaders will deliver on these aspirations, or even that stated governmental goals would actually lead to a net-zero 1.5°C outcome, is far from reality. And, the U.S., which has the world's largest economy and the second-most emissions, has once again left the Paris Agreement,[56] making BlackRock's citation to the G20 declaration even more misleading. The idea that the Biden Administration's support of this declaration would bind the Trump Administration is so naïve that BlackRock is either being willfully obtuse or lacks rudimentary knowledge of American politics. Either should be disqualifying in an asset manager.

Further, pursuit of net zero in the energy sector would require moving from reliable and affordable energy sources (like natural gas) to intermittent sources that are incapable of providing dispatchable power. For example, net-zero targets require slashing natural gas

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50 https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf (p. 18); https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf (p. 12).
51 https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/.
52 https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s1/s1-deep-dive-webinar-presentation-transcript.pdf (p. 4).
53 https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf (p. 19-20).
54 *See, e.g.*, https://sciencebasedtargets.org/how-it-works.
55 https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf (p. 19 & n.17); https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf (p. 13).
56 https://www.whitehouse.gov/presidential-actions/2025/01/putting-america-first-in-international-environmental-agreements/.

electricity generation 90% between 2020 and 2040,[57] and these cuts would devastate the U.S. electric grid, which relies on natural gas more than twice as much as any other source.[58]

D. BlackRock and State Street Adopted Proxy Voting Policies that Impose Race-Based Consideration on Companies

State Street has previously maintained board quotas and threatened voting action against boards that do not have "at least 30-percent female directors" and "at least one director from an underrepresented racial/ethnic community."[59] State Street has removed the express reference to those quotas, but it continues to state that part of its evaluation of "board quality" depends on "board diversity," and that board diversity "may include a range of characteristics such as skills, gender, race, ethnicity, and age."[60] BlackRock similarly had a provision in its prior proxy voting policy for boards of directors to have "at least 30% diversity of membership."[61] BlackRock's policy also stated that "having at least two women and a director who identifies as a member of an underrepresented group" is an "informative indicator of diversity."

The effect of these policies was to inject race- and sex-based considerations into State Street's and BlackRock's engagement and proxy voting and to create legal risk for target companies. Employment contracts by portfolio companies that are based on race likely violate the prohibition on discrimination in 42 U.S.C. § 1981.[62]

Ignoring this, BlackRock CEO Fink previously stated his philosophy that companies need to "force behaviors" to increase diversity.[63] Consistent with this, BlackRock's policy stated that it "may vote against members of the nominating/governance committee" for companies that have not "adequately explained their approach to diversity in their board composition."[64] And BlackRock's 2022 Voting Spotlight showed that in the Americas, "board diversity" represented

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[57] https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf (p. 198).

[58] https://www.eia.gov/tools/faqs/faq.php?id=427&t=3 (natural gas made up 43.1% of the total electricity generation in 2023, followed by nuclear at 18.6%).

[59] https://web.archive.org/web/20241226122512/https://www.ssga.com/library-content/assets/pdf/global/asset-stewardship/proxy-voting-and-engagement-policy.pdf (p. 10).

[60] https://www.ssga.com/library-content/assets/pdf/global/asset-stewardship/proxy-voting-and-engagement-policy.pdf (p. 4, 6).

[61] Policy at p. 9: https://www.sec.gov/Archives/edgar/data/890196/000119312524231917/d881774dex99uscorpgov.htm; *see also* https://www.esgdive.com/news/state-street-drops-board-diversity-proxy-requirement-dei-retreat-vanguard-blackrock/741780/.

[62] The Eleventh Circuit recently held that a contract (in the form of a grant contest) that was only open to Black women likely violated Section 1981. *See Am. All. for Equal Rts. v. Fearless Fund Mgmt., LLC*, 103 F.4th 765 (11th Cir. 2024).

[63] https://www.foxbusiness.com/politics/blackrock-ceo-slammed-force-behaviors-dei-initiatives.

[64] Policy at p. 9: https://www.sec.gov/Archives/edgar/data/890196/000119312524231917/d881774dex99uscorpgov.htm.

the number one factor in board votes at 648 votes, with the second most significant factor (compensation) accounting for only 246 votes.[65] Similarly, in 2021, BlackRock also identified "diversity" as the number one factor for board votes at 816, with the second highest factor being "independence," accounting for only 213 votes.[66] Blackrock still casts a high number of votes—570 in 2024 for the Americas—on what it terms "board composition."[67] It's global voting principles in turn make clear that board composition includes whether a board "ha[s] a mix of professional and personal characteristics that is comparable to market norms," and personal characteristics include "gender; race/ethnicity; disability; veteran status; LGBTQ+; and national, Indigenous, religious, or cultural identity."[68]

BlackRock also supported shareholder proposals such as voting in favor of a proposal for Charter Communications in 2022 to publish a "diversity, equity, and inclusion" report with "quantitative data on workforce composition, and recruitment, retention, and promotion rates of employees by gender, race, and ethnicity."[69]

BlackRock's attempts to "force behaviors" went even further. In 2021, BlackRock reached a $4.4 billion financing deal with a group of banks that based BlackRock's lending costs on its ability to achieve certain targets for its "Black, African American, Hispanic and Latino Employment Rate" and its "Female Leadership Rate."[70] The effect of this provision is that BlackRock stood to gain or lose millions of dollars per year depending on whether it met specified race- and sex-based targets. Given that it is extremely odd for a company to agree to pay a higher interest rate based on a factor that does not reflect repayment risk to the lender, it appears that this contract term was instead intended to set a precedent that BlackRock could use to push racial quotas—i.e. "force behaviors"—on its portfolio companies.[71]

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[65] *See* page 19, https://web.archive.org/web/20220729055620/https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf.
[66] *See* page 20, https://web.archive.org/web/20210729102339/https://www.blackrock.com/corporate/literature/publication/2021-voting-spotlight-full-report.pdf.
[67] Page 17, https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2024.pdf.
[68] *See* page 9, https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf.
[69] *See* As You Sow, *Charter Communications, Inc. Shareholder Resolution* (2022), https://www.asyousow.org/resolutions/2021/18/11-charter-communications-greater-disclosure-of-material-corporate-diversity-equity-and-inclusion-data.
[70] *See Amendment No. 10 to Five-Year Revolving Credit Agreement*, at 7, 33, 43, 100–03, Annex B, https://www.sec.gov/Archives/edgar/data/1364742/000119312521107747/d113222dex101.htm.
[71] In fact, in February of 2025, after this odd agreement started receiving scrutiny, BlackRock disclosed that it amended that credit facility to "update the sustainability-linked pricing mechanics to remove existing metrics." *See* https://www.wsj.com/finance/investing/blackrock-a-diversity-pioneer-distances-itself-from-dei-24839d6c. There does not appear to be further public information about this concerning action by BlackRock, but it warrants the Committees' close scrutiny given the civil rights issues implicated by a racial quota and the immense power BlackRock exercises over federal employees' retirement savings.

E. A Federal Court Recently Found that BlackRock is not Solely Focused on Financial Returns

The FRTIB's decision to continue to entrust BlackRock with billions in TSP funds is even more concerning in light of a federal court's recent ruling that BlackRock acted for non-financial reasons over multiple years and that fiduciaries breached their duty of loyalty by ignoring BlackRock's actions and continuing to place pension plan assets in BlackRock funds. Specifically, in *Spence v. American Airlines, Inc*., a federal district court concluded that American Airlines and key employees breached their duty of loyalty by offering BlackRock funds while "doing nothing to ensure BlackRock acted in the best financial interests of the Plan," despite public evidence that BlackRock was pursuing ESG investment strategies instead.[72] Notably, the court highlighted BlackRock's published proxy voting and stewardship policies that require companies to disclose a plan for aligning their business model with net zero.[73] And the court rejected BlackRock's claims that ESG investing was based on financial considerations, finding that although "BlackRock couched its ESG investing in language that superficially pledged allegiance to an economic interest[,] BlackRock never gave more than lip service to show *how* its actions were actually economically advantageous to its clients."[74]

The court's reasoning, which applies with equal force to State Street given State Street's membership in the same climate organizations, raises the question of whether FRTIB is fulfilling its fiduciary duties while continuing to entrust TSP funds to asset managers that remain devoted to pursuing an ESG investment strategy.

F. Another Federal Court Recently Found that States Plausibly Alleged that BlackRock and State Street Violated Antitrust Laws

In Texas v. BlackRock, the Court ruled that States alleged a valid antitrust claim by alleging that BlackRock and State Street (as well as Vanguard) "acquired and used [coal company] shares in a way that is reasonably likely to have the effect of substantially lessening competition, and [that their] acquisition and use of the shares has already substantially lessened competition."[75] This raises serious concerns about whether FRTIB should continue to entrust assets to these asset managers.

Indeed, ESG has always tried to restrict coal, oil, and gas so that consumers would be forced to switch to wind and solar. In fact, the States had "dozens of specific examples of Defendants' conduct supporting their theory."[76] For example, the Court noted that in the thermal

[72] *Spence v. Am. Airlines, Inc.*, No. 4:23-CV-00552-O, 2025 WL 225127, at *29 (N.D. Tex. Jan. 10, 2025).
[73] *Am. Airlines*, 2025 WL 225127, at *15.
[74] *Am. Airlines*, 2025 WL 225127, at *17 (emphasis in original).
[75] Tesas, 2025 WL 2201071, at *8.
[76] *Id.* at *1.

coal market between 2019-2022, the average market price *increased* by 25.5%, but the public coal companies *decreased* output by 19.2%.[77] Those stats suggest antitrust violations, and it is an understatement this type of conduct is not appropriate for asset managers retained by FRTIB.

This isn't just a BlackRock problem. One of the allegations the Court highlighted is the "R-Factor" score that State Street used to create an ESG score that it claimed would soon "be as important as [the company's] credit rating," and State Street threated voting action to enforce its ESG actions.[78]

G. The House Judiciary Committee Found, and Shifts in Voting and Engagement Patterns Confirm, that Climate Activists Successfully Pressured BlackRock and State Street to Change Their Conduct to Align with Climate Goals

Further, a recent investigation by the House Judiciary Committee revealed that BlackRock and State Street succumbed to pressure from climate activists, indicating a mixed motive that conflicts with fiduciary duty. The investigation demonstrated that the effort to force the asset managers to join Climate Action 100+ "included the climate cartel threatening BlackRock and State Street Global Advisors to join Climate Action 100+ even after both asset managers expressed concerns that the initiative's 'collusion' and 'collaborative engagement' may violate federal law."[79]

For example, CA100+ Global Steering Committee meeting minutes from shortly after BlackRock joined document that "BlackRock understands that by joining CA100+, it is expected to shift its voting to support climate resolutions."[80] And consistent with this "understand[ing]," BlackRock in fact shifted its voting patterns and shareholder engagements in line with its CA100+ commitment. In 2019-20, BlackRock supported 6% of environmental proposals.[81] In 2020-21, it supported 64% of such proposals, which represents a *ten-fold increase*.[82] Similarly, in 2019-20, BlackRock voted against 55 directors on climate-related issues, but in 2020-21 it voted against 255 directors, which represents a *five-fold increase*.[83] This occurred in the face of

[77] *Id.* at *8.
[78] *Id.* at *7.
[79] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf (p. ii, citing CERES1561 and BLK-HJC-100207).
[80] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/Appendix_Full.pdf (CERES0001262, p. 460).
[81] https://web.archive.org/web/20201102062130/https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf (p. 17).
[82] https://web.archive.org/web/20210720072532/https://www.blackrock.com/corporate/literature/publication/2021-voting-spotlight-full-report.pdf (p. 15).
[83] *Compare* https://web.archive.org/web/20201102062130/https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf (p. 13) *with*

BlackRock's public promise that it would "independently" determine how to "vote proxies" and "prioritize engagements."[84]

The investigation further revealed that State Street also was a primary target of CA100+.[85] And though State Street previously had cautioned that activists' objectives may differ from shareholder value,[86] by 2021 it was conducting hundreds of ESG engagements with companies each quarter.[87] Particularly after the findings of this congressional investigation and other public evidence, it is clear that BlackRock and State Street use their proxy voting power—some of which is derived from TSP assets—and their shareholder engagements to push an agenda aligned with blue-state policy goals, rather than focusing solely on financial return.

H. FRTIB Relies on Proxy Voting Reports Conducted by ISS

Finally, FRTIB purports to fulfill its fiduciary duty to monitor BlackRock and State Street in part by relying on quarterly reports from ISS that assess whether the asset managers have voted proxies in accordance with their respective written guidelines.[88] Reliance on ISS is contrary to FERSA's sole interest standard, as ISS pursues an agenda that is incompatible with shareholder value and has made commitments to incorporate ESG into its processes. Contracting with ISS also raises concerns about ISS's role in recommending votes that would inject race- and sex-based considerations into companies' practices, which potentially violates federal and state civil rights laws.

As an initial matter, ISS's benchmark policy has recommended votes in favor of proposals that would improperly seek to inject race- and sex-based considerations into companies' policies. For example, ISS recommended voting in favor of a proposal at Walmart that called for a "third-party, independent racial equity audit" that would include "input from ... racial justice, labor, and civil rights organizations."[89] ISS did not explain how it would enhance or protect shareholder value to have Walmart conduct a racial equity audit that likely would criticize the company and push Walmart to adopt unpopular and financially damaging DEI policies. ISS also recommended voting in favor of a proposal to force The Travelers Companies

https://web.archive.org/web/20210720072532/https://www.blackrock.com/corporate/literature/publication/2021-voting-spotlight-full-report.pdf (p. 15).

[84] https://www.blackrock.com/corporate/literature/publication/our-participation-in-climate-action-100.pdf.

[85] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf.

[86] https://corpgov.law.harvard.edu/2016/10/17/protecting-the-interests-of-long-term-shareholders-in-activist-engagements/.

[87] https://corpgov.law.harvard.edu/2022/05/19/stewardship-activity-report.

[88] https://www.dol.gov/sites/dolgov/files/EBSA/about-ebsa/our-activities/resource-center/reports/thrift-savings-plan-audit/state-street-global-advisors-trust-company-tsp-investment-management-operations-2023.pdf at I.13; https://www.dol.gov/sites/dolgov/files/ebsa/pdf_files/investment-management-operations-2020.pdf at I.14.

[89] https://www.sec.gov/ix?doc=/Archives/edgar/data/104169/000010416924000078/wmt-20240424.htm.

to undergo a third-party racial equity audit that would evaluate "the racial impacts" of Travelers' "policies, practices, products, and services."[90] Travelers explained in its proxy statement that the audit would violate "the insurance laws of the vast majority of states," which prohibit the consideration of race in underwriting and pricing decisions.[91] Travelers also stated in its formal letter to the SEC that the proponent of this proposal "candidly admitted that it would be unlawful to alter insurance underwriting criteria or pricing based on race."[92] Despite this, ISS recommended that its clients vote for the proposal.

ISS's benchmark policy also contains multiple provisions that are expressly race- or sex-based, including the policies: to "[g]enerally vote against" relevant directors of companies "where there are no women on the company's board";[93] to "generally vote against" relevant directors of companies "where the board has no apparent racially or ethnically diverse members";[94] and to consider "[t]he degree of existing gender and racial minority diversity on the company's board and among its executive officers" and "[t]he level of gender and racial minority representation that exists at the company's industry peers" when evaluating "proposals asking a company to increase the gender and racial minority representation on its board."[95] These race- and sex-based vote recommendations and policies implicate federal and state civil rights laws for the same reasons discussed above related to BlackRock and State Street.

ISS has also made activist commitments on environmental issues, particularly net zero by 2050. As a signatory to the United Nation's Principles for Responsible Investing,[96] ISS has committed to "incorporate ESG issues into investment analysis and decision-making processes," and to "work together to enhance our effectiveness in implementing the Principles."[97] Deutsche Börse, the largest exchange group in Europe and owner of ISS, is also a member of the UNPRI.[98] In addition, ISS is an affiliate member of the Interfaith Center on Corporate Responsibility ("ICCR").[99] ICCR states under "Climate Change and Environmental Justice" that "[t]hrough a combination of dialogue and the filing shareholder resolutions, ICCR's members are pressing companies to phase out of fossil fuels, and transition to low-carbon, renewable energy sources."[100]

Beyond its problematic commitments, ISS is pushing the market to align with its desired

[90] https://www.sec.gov/ix?doc=/Archives/edgar/data/86312/000008631223000025/trv-20230406.htm.
[91] https://www.sec.gov/ix?doc=/Archives/edgar/data/86312/000008631223000025/trv-20230406.htm.
[92] https://www.sec.gov/divisions/corpfin/cf-noaction/14a-8/2023/trilliumtravelers011723-14a8-incoming.pdf.
[93] *See* page 12, https://www.issgovernance.com/file/policy/active/americas/US-Voting-Guidelines.pdf?v=2025.2.
[94] *Id.* at 13.
[95] *Id.* at 72.
[96] https://www.unpri.org/signatory-directory/institutional-shareholder-services-iss/1334.article.
[97] https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment.
[98] https://www.unpri.org/signatories/signatory-resources/signatory-directory.
[99] https://www.iccr.org/member-directory/.
[100] https://www.iccr.org/climate-change-environmental-justice/.

social and environmental goals. For example, one analysis found that ISS's recommendations could swing votes up to *30%*.[101] A recent report found that over the last few years, ISS's benchmark policy recommended voting for more than half of all ESG proposals flagged by the activist group Ceres. And contrary to ISS's claim that its benchmark policy "reflects the marketplace,"[102] out of the 192 ESG proposals that ISS recommended and management opposed, the market only supported *17%* of those proposals.[103] ISS also has supported individual pro-ESG proposals that management opposed and that the market overwhelmingly rejected. For example, the Walmart racial equity audit that ISS supported last year only received 15% of the investor vote.[104] Indeed, it appears that ISS has never supported an *anti*-ESG proposal opposed by management.[105]

ISS also has conflicts of interest related to its consulting services. The House Judiciary Committee recently expressed its concern that "ISS [ ] appear[s] to leverage [its] influence in the proxy advisory market to pressure U.S. companies to buy [its] affiliated corporate consulting services, a conflict of interest that the duopoly [of ISS and Glass Lewis] itself has recognized."[106] These consulting services not only present a financial conflict of interest but they also provide additional leverage for ISS to drive companies toward ESG.

For all of the foregoing reasons, FRTIB's dependence on ISS is a dubious way to fulfill its fiduciary duty to monitor BlackRock and State Street.

I. There Are Important Questions on Whether FRTIB is Breaching its Fiduciary Duty to the TSP

In light of the above, there are serious questions whether FRTIB's engagement of asset managers that pursue an activist agenda is consistent with its duty to act "*solely* in the interest of the [TSP] participants and beneficiaries … and for the *exclusive* purpose of providing benefits to participants and their beneficiaries."[107] The following questions would be informative:

[101] https://corpgov.law.harvard.edu/2018/06/14/the-big-thumb-on-the-scale-an-overview-of-the-proxy-advisory-industry/.
[102] https://www.youtube.com/watch?v=lmrcc1YYkcI (3:14:30).
[103] https://consumersresearch.org/wp-content/uploads/2024/07/CR-ISS-Analysis.pdf.
[104] https://www.sec.gov/ix?doc=/Archives/edgar/data/104169/000010416924000103/wmt-20240605.htm.
[105] *See, e.g.*, https://treasury.ms.gov/2023/10/27/a-problem-for-every-household/.
[106] https://aboutblaw.com/bhHw (p. 2-3).
[107] 5 U.S.C. § 8477(b)(1) (emphasis added); *see* 5 U.S. C. § 8477(a)(3) (defining fiduciary).

1. For any proxy vote within the last five years on a shareholder proposal or director vote relating to or based upon environmental or social issues in which BlackRock or State Street did not vote in accordance with a company's management, provide copies of any analysis of how such a vote would result in an increase in financial returns. In particular, provide such analysis including but not limited to the following votes:

- The 2024 vote to require Cracker Barrel to "disclose any targets it has for reducing its greenhouse gas emissions that are measurable and timebound — or, if no such targets exist, to establish (and publish) them."[108]
- The 2024 vote to require Jack in the Box to set "short-, medium and long-term goals for reducing its emissions."[109]
- The 2024 vote to require Wingstop to set "short-, medium- and long-term targets for measurably reducing" GHG emissions and to "report annually on its progress toward those targets."[110]
- The 2024 vote to require Denny's to "disclose its current greenhouse gas emissions" and set "targets for further reducing its emissions."[111]
- The 2024 vote to require Berkshire Hathway Energy to disclose greenhouse gas emissions and net-zero progress.[112]
- The 2023 vote to require NewMarket Corporation to "publish their GHG emissions, and 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."[113]
- The 2021 vote related to directors at Exxon Mobil Corp. [114]
- The 2020 vote related to the chair of the board of directors at Transdigm.[115]

[108] Page 85, https://www.sec.gov/Archives/edgar/data/1067294/000110465924107236/tm2423783d8_defc14a.htm#tP5SP.
[109] https://www.sec.gov/ix?doc=/Archives/edgar/data/807882/000114036124004276/ny20010224x1_def14a.htm (Proposal 4).
[110] https://www.sec.gov/ix?doc=/Archives/edgar/data/1636222/000119312524086632/d642378ddef14a.htm (Proposal 6).
[111] https://s29.q4cdn.com/169433746/files/doc_financials/2023/ar/DENN-2024-Notice-of-Annual-Meeting-Proxy-Statement.pdf (emphasis omitted) (Proposal 4).
[112] https://www.sec.gov/ix?doc=/Archives/edgar/data/1067983/000119312524069107/d512828ddef14a.htm (Proposal 3).
[113] This information, which relates to proposal 6 for NewMarket's 4/27/2023 annual meeting, is no longer easily accessible, but this allegation is also contained in paragraph 205 of the Complaint in *Texas v. BlackRock*.
[114] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf (p. ii, v).
[115] https://perma.cc/F4T5-7Z4A.

2. Please explain how it is consistent with the sole-interest fiduciary duty under FERSA, as well as federal civil rights laws such as 42 U.S.C. § 1981,[116] for BlackRock and State Street to cast shareholder votes based on race- and sex-based criteria, including:

- BlackRock established a provision in its proxy voting policy for portfolio company boards of directors to have "at least 30% diversity of membership."[117]
- BlackRock used "board diversity" as the number one factor in board votes at 648 votes for the Americas in 2021[118] and 816 votes for the Americas in 2020.[119]
- BlackRock continues to cast a large number of votes—570 in 2024 for the Americas—based on "board composition"[120] and defines board composition to include personal characteristics such as "gender; race/ ethnicity; disability; veteran status; LGBTQ+; and national, Indigenous, religious, or cultural identity."[121]
- State Street previously maintained board quotas and threatened voting action against boards that do not have "at least 30-percent female directors" and "at least one director from an underrepresented racial/ethnic community."[122]

3. In light of the recent decision in *Spence v. American Airlines* that failure to monitor a fiduciary's ESG activities constitutes a breach of fiduciary duty, explain FRTIB's position that merely requiring BlackRock and State Street to adhere to their respective proxy voting guidelines satisfies FRTIB's fiduciary duties.

[116] The Eleventh Circuit recently held that a contract (in the form of a grant contest) that was only open to Black women likely violated Section 1981. *See Am. All. for Equal Rts. v. Fearless Fund Mgmt., LLC*, 103 F.4th 765 (11th Cir. 2024).
[117] Policy at p. 9: https://www.sec.gov/Archives/edgar/data/890196/000119312524231917/d881774dex99uscorpgov.htm; *see also* https://www.esgdive.com/news/state-street-drops-board-diversity-proxy-requirement-dei-retreat-vanguard-blackrock/741780/.
[118] *See* page 19, https://web.archive.org/web/20220729055620/https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf.
[119] *See* page 20, https://web.archive.org/web/20210729102339/https://www.blackrock.com/corporate/literature/publication/2021-voting-spotlight-full-report.pdf.
[120] Page 17, https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2024.pdf
[121] *See* page 9, https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf.
[122] https://web.archive.org/web/20241226122512/https://www.ssga.com/library-content/assets/pdf/global/asset-stewardship/proxy-voting-and-engagement-policy.pdf (p. 10).

4. Provide substantiation for FRTIB's conclusion that State Street's and BlackRock's proxy voting policies or guidelines are consistent with the fiduciary duties imposed by FERSA.

- The FRTIP states that it "contractually obligates each TSP fund manager to have a proxy voting policy."[123] Provide documents showing the process by which the FRTIB evaluated the voting policies submitted by BlackRock and State Street, as well as any communications with BlackRock and State Street related to their voting policies.
- For BlackRock, please explain and provide all documents relating to how you concluded that BlackRock's policies related to disclosure of emissions targets was consistent with the duty to act "*solely* in the interest of the [TSP] participants and beneficiaries … and for the *exclusive* purpose of providing benefits to participants and their beneficiaries."[124] This includes the following:
    - In 2020, BlackRock stated, "[w]e are asking companies to publish SASB- and TCFD-aligned disclosures, and as expressed by the TCFD guidelines, this should include the company's plan for operating under a scenario where the Paris Agreement's goal of limiting global warming to less than two degrees is fully realized. … [W]e will be increasingly disposed to vote against management when companies have not made sufficient progress."[125]
    - BlackRock's current guidelines for companies specifically reference the International Sustainability Standards Board standards IFRS S1 and S2.[126] Those standards aim to "usher[] in a new era of sustainability-related disclosures in capital markets worldwide."[127]
- For State Street, please explain and provide all documents relating to how you concluded that State Street's policies related to disclosure of emissions targets was consistent with the duty to act "*solely* in the interest of the [TSP] participants and beneficiaries … and for the *exclusive* purpose of providing benefits to participants and their beneficiaries."[128] This includes the following:
    - State Street's position that "[s]tarting in the 2022 proxy season, we will begin taking voting action against directors at portfolio companies in major indices in the US,

[123] *See* page 7 (response to Question 11), https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/public-comments/1210-ZA30/00043.pdf.
[124] 5 U.S.C. § 8477(b)(1) (emphasis added); *see* 5 U.S. C. § 8477(a)(3) (defining fiduciary).
[125] https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter.
[126] https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-guidelines-us.pdf (p. 18); https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf (p. 12).
[127] https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/.
[128] 5 U.S.C. § 8477(b)(1) (emphasis added); *see* 5 U.S. C. § 8477(a)(3) (defining fiduciary).

Canada, UK, Europe, and Australia that fail to align with climate-related disclosures requested by TCFD."[129]

- State Street's position that beginning in 2022 it "will launch a targeted engagement campaign with the most significant emitters in our portfolio to encourage disclosures aligned with our expectations for climate transition plans," and that "[i]n 2023, we will hold companies and directors accountable for failing to meet these expectations."[130]
- State Street's current policy that "[f]or companies that have adopted a net zero ambition and/or climate transition plan and that receive a related proposal," it will assess the proposal against the criteria of general climate-related disclosures, ambition, targets, decarbonization strategy, capital allocation, climate policy engagement, climate governance, physical risk, and stakeholder engagement.[131]

5. Explain how FRTIB's review of proxy guidelines and quarterly reports prepared by ISS can meaningfully fulfill FRTIB's fiduciary duty to monitor BlackRock and State Street, when ISS has openly and publicly committed to advancing an ESG agenda and to make recommendations based on race- and sex-based criteria. This includes:

- ISS's role as a signatory to the United Nation's Principles for Responsible Investing ("UNPRI") through which it has committed to "incorporat[ing] ESG issues into investment analysis and decision-making processes." [132]
- ISS's membership in the Interfaith Center on Corporate Responsibility ("ICCR"), which involves "pressing companies to phase out of fossil fuels, and transition to low-carbon, renewable energy sources."[133]
- The fact that ISS's benchmark policy recommended supporting environmental proposals opposed by company management that the overall market only supported *17%* of the time.[134]
- The fact that ISS recommended voting in favor of a proposal to force The Travelers Companies to undergo a third-party racial equity audit that would evaluate "the racial impacts" of Travelers' "policies, practices, products, and services,"[135] even after Travelers explained that the audit would violate "the insurance laws of the vast majority of states," which prohibit the consideration of race in underwriting and pricing decisions.[136]

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[129] Page 26, https://web.archive.org/web/20220917192703/https://www.statestreet.com/content/dam/statestreet/documents/esg/SSC-ESG-2021-Final-Full.pdf.
[130] *Id.* at 46.
[131] Pages 17-18, https://www.ssga.com/library-content/assets/pdf/global/asset-stewardship/proxy-voting-and-engagement-policy.pdf.
[132] https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment.
[133] https://www.iccr.org/climate-change-environmental-justice/.
[134] https://consumersresearch.org/wp-content/uploads/2024/07/CR-ISS-Analysis.pdf.
[135] https://www.sec.gov/ix?doc=/Archives/edgar/data/86312/000008631223000025/trv-20230406.htm.
[136] https://www.sec.gov/ix?doc=/Archives/edgar/data/86312/000008631223000025/trv-20230406.htm.

- The fact that ISS's benchmark policy contains multiple provisions that are expressly race- or sex-based, including the policies: to "[g]enerally vote against" relevant directors of companies "where there are no women on the company's board";[137] to "generally vote against" relevant directors of companies "where the board has no apparent racially or ethnically diverse members";[138] and to consider "[t]he degree of existing gender and racial minority diversity on the company's board and among its executive officers" and "[t]he level of gender and racial minority representation that exists at the company's industry peers" when evaluating "proposals asking a company to increase the gender and racial minority representation on its board."[139]

Sincerely,

Will Hild

Will Hild
Executive Director

[137] *See* page 12, https://www.issgovernance.com/file/policy/active/americas/US-Voting-Guidelines.pdf?v=2025.2.
[138] *Id.* at 13.
[139] *Id.* at 72.