Brussels, 30 April 2020

Subject: Appointment of Blackrock Investment Management to undertake the study "Development of tools and mechanisms for the integration of ESG factors into EU banking prudential framework and into Banks Business Strategies and investment policies"

Dear Ms Berger,

The Financial Services Users' Group (FSUG) is seriously concerned with the recent decision of the EU Commission to award Blackrock Investment Management (Blackrock) with a contract to provide DG FISMA with input to facilitate the achievement of the following objectives:

- integrating environmental, social and governance (ESG) risks into EU banks' risks management processes,
- integrating ESG risks into EU prudential supervision,
- integrating ESG objectives into EU banks' business strategies and investment policies.

The FSUG has serious concerns about this decision for the following reasons:

- Blackrock is an US asset manager with widespread financial interests in sectors that could be directly impacted by new environmental rules, e.g. Blackrock is a top-10 investor in the 12 most systemically important banks in the world. Consequently, any decision taken by the EU Commission or supervisory authorities on ESG issues in the banking sector may have significant effects on the companies Blackrock is invested in and thus on the business of Blackrock. We therefore see a strong risk of conflicts of interest on the side of Blackrock.
- According to recent research, Blackrock has not yet proven to be very progressive on environmental issues, quite the contrary. Data from ProxyInsight found that BlackRock opposed or abstained on 82% of climate-related shareholder resolutions at the companies whose shares it managed between 2015 and 2019, far lower than many of its competitors. In addition, BlackRock is one of the harshest critics of the EU approach to sustainable finance, and in particular of its cornerstone Taxonomy regulation and has always defended the single-materiality approach to climate change which conflicts with

the EU Commission's double-materiality approach. The FSUG is concerned that the EU Commission's ambitious leadership on sustainable finance could be harmed by the appointment of Blackrock for this study.

- Even if the Blackrock study would only be one of the many reports and consultations that will inform the Commission's policy on sustainable finance, it is expected to have an impact – otherwise it would be a waste of EU taxpayers' money.

Because it is more than ever necessary to build consumers' trust in green finance, the FSUG urges the Commission to put in place additional checks and balances to ensure that Blackrock is not allowed to influence the development of this particular policy In such a way that it would serve the sector interests and its own. We suggest to set up a monitoring committee composed of independent academics and stakeholder representatives including financial services users, to oversee the work performed by Blackrock and to validate ex ante the methodology used for this study and/or the ongoing monitoring of the work.

Lastly, we kindly ask you to publicly explain the logic behind the Commission's award decision to properly inform financial services users and taxpayers across the EU.

Looking forward to hearing from you, we remain

Yours sincerely,

The FSUG

c.c.: Sebastijan Hrovatin, Fabio Fiorello, Elena Brolis, Marco La Marca

The Financial Services Users' Group (FSUG) was set up by the European Commission (DG FISMA and DG JUST) in order to involve users of financial services in policy-making. Its 20 members represent the interests of consumers, individual investors or micro-enterprises, and also include individual experts with expertise in financial services from the consumer perspective.