IN THE CIRCUIT COURT OF WILLIAMSON COUNTY, TENNESSEE
FOR THE TWENTY-FIRST JUDICIAL DISTRICT

STATE OF TENNESSEE,
ex rel. JONATHAN SKREMETTI,
ATTORNEY GENERAL and REPORTER

Plaintiff, 23CV-618

vs.

BLACKROCK, INC.,

Defendant

SETTLEMENT AGREEMENT

WHEREAS, on December 18, 2023, the State of Tennessee, ex rel. Jonathan Skrmetti, Attorney General ("Attorney General"), commenced the above-captioned action (the "Action") against defendant BlackRock, Inc. ("BlackRock"), alleging violations of Tenn. Code Ann. §§ 47-18-104(a) and (b)(27) ("TCPA") in connection with BlackRock's disclosures relating to the role of environmental, social, and governance ("ESG") factors in the management of U.S. mutual funds and other U.S. investment companies registered under the Investment Company Act of 1940 (the "BlackRock Funds");

WHEREAS, BlackRock denies the allegations and violations of law alleged in the Complaint and requested to present information to the Attorney General concerning the matters alleged in the Complaint;

WHEREAS, the Court has adjourned, upon the Parties' application, the date for BlackRock's response to the Complaint to afford the Parties an opportunity to discuss the facts;

WHEREAS, based on information provided by BlackRock and adduced in the Attorney General's investigation, the Attorney General believes it is in the public interest to dismiss the Action without prejudice upon the terms and conditions set forth in this Agreement. In particular, the Attorney General has taken into consideration that BlackRock has taken various actions to clarify the role of ESG in BlackRock's investment processes and proxy voting decisions and further agreed to the undertakings provided in this Agreement, which will benefit investors in Tennessee and across the United States.

WHEREFORE, the Parties agree as follows:

<u>The Attorney General's Undertakings</u>

1. <u>Dismissal of Action Without Prejudice</u>: Upon the Parties' execution of this Agreement, the Attorney General shall dismiss this Action without prejudice. The Attorney General agrees not to renew this Action, or assert TCPA, fraud, or other disclosure-based claims based on substantially the same operative facts (the "Dismissed Claims"), so long as BlackRock substantially complies with the terms of the undertakings set forth below (the "BlackRock's Undertakings") during a period of three years following the execution of this Agreement. Nothing in this Agreement prevents the Attorney General from investigating and bringing TCPA, fraud, or other disclosure-based claims for other conduct against BlackRock unrelated to the allegations in this Action.
2. <u>Conditions for Reasserting the Dismissed Claims</u>: As part of any action seeking to renew or relitigate the Dismissed Claims, the Attorney General shall be required to demonstrate as an element of its claims that BlackRock failed to substantially comply with the terms of BlackRock's Undertakings and that BlackRock failed to cure such non-compliance within 60

days (or any other cure period mutually agreed) after having been given notice by the Attorney General of its alleged non-compliance.

BlackRock's Undertakings

3. Definition of In-Scope Funds: In-Scope Funds consist of BlackRock U.S. Funds that do not disclose in their prospectuses or other relevant offering document (i) investment objectives beyond financial performance (which may include sustainability objectives) or principal investment strategies that seek to maintain certain sustainability characteristics in the fund's portfolio; or (ii) specific screens or investment restrictions based on non-financial criteria (which may include sustainability screens). In-Scope Funds shall also not include funds that track indexes with features described in (i) or (ii). All other funds and accounts managed by BlackRock are defined as "Out-of-Scope Funds."
4. Acting Solely to Further the Financial Interests of Investors: Unless otherwise expressly disclosed to investors in In-Scope Funds, or required by law, BlackRock's Investment Stewardship group ("BIS"), or any group that may succeed it by taking over its responsibilities for stewardship of BlackRock's index funds and accounts ("successor"), shall pursue engagement activities with portfolio companies and cast shareholder votes on behalf of In-Scope Funds solely to further the financial interests of investors in those funds. For purposes of this Agreement, to "further the financial interests of investors" means to seek the best long-term financial returns.
5. The following BlackRock Undertakings shall apply to the In-Scope Funds:
    a. Independently Casting Proxy Votes: BIS shall cast all proxy votes for In-Scope Funds based on BlackRock's own independent judgment and without coordinating or communicating its voting plans with any external entity or organization (including a non-

profit, non-governmental organization, or other asset manager). For avoidance of doubt, this provision does not restrict BlackRock from making any public disclosures of its proxy voting plans or stewardship objectives or from disclosing any such information to the management of the portfolio company that is the subject of a proxy vote.

b. Maintaining Records of Why Votes Further the Financial Interests of Investors: Commencing within 90 days of the execution of this Agreement, when voting on behalf of In-Scope Funds on matters for issuers with securities registered in the United States, BIS shall make and keep records that describe its rationale for declining to vote with management's recommendation on any environmental or social shareholder proposals or for voting against any of management's nominated directors based in whole or in part on any environmental or social factors. For purposes of this Agreement, "social" shall include the ways in which a portfolio company interacts with its employees and the communities in which it operates. The vote rationale shall include a description of how the vote is consistent with Paragraph 4, above.

c. Disclosure of Proxy Votes and Rationale: Commencing within 90 days of the execution of this Agreement, BlackRock shall disclose on its website a record of all proxy votes cast by BIS on behalf of BlackRock In-Scope Funds for the previous quarter on at least a quarterly basis, rather than annually as required by U.S. Securities and Exchange Commission ("SEC") regulations. The disclosure shall include the rationale for any votes against the recommendation of management on environmental or social shareholder proposals or against the election of any members of a board of directors based in whole or in part on an environmental or social factor. BlackRock shall continue quarterly disclosures as provided in this paragraph throughout the term of this Agreement.

6. Disclosures to Portfolio Companies: Within 90 days of the execution of this Agreement, if BIS or any successor is engaging for a purpose other than to further the financial interests of investors (as defined *supra* in paragraph 4) with a portfolio company whose securities are held by any In-Scope Fund, it shall make reasonable efforts to specify the general magnitude as of the prior quarter-end of the shares for which it is acting and disclose that: (i) it is not communicating on behalf of all shares under its management; (ii) it is pursuing in whole or in part an objective other than seeking the best long-term financial returns for investors; and (iii) certain clients or funds may have different investment objectives.
7. Removing ESG Ratings from In-Scope Funds' U.S. Product Pages: Within 90 days of the execution of this Agreement, BlackRock shall remove from the main U.S. product pages of In-Scope Funds data concerning the "sustainability characteristics" of such Funds, including ESG ratings of MSCI or other third-party ESG rating agencies; provided, however, that BlackRock may make such data available to interested investors, including via a link on its product pages.
8. Clarifying Terminology: When communicating with investors in Tennessee concerning investments or transactions in securities, BlackRock shall use the terms "financially material" or "financial materiality" consistent with the definition of "material" under U.S. securities law—namely, a fact is material if there is "a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote" or if there is a substantial likelihood that the fact would be viewed by a reasonable investor as having significantly altered the "total mix" of information made available.

9. Disclosing Membership in Climate-Focused Organizations: Within 90 days of the execution of this Agreement, BlackRock shall publish on its corporate website in a location easily accessible to consumers information concerning membership of BlackRock, Inc. or any of its U.S. subsidiaries in Net Zero Asset Managers Initiative, Ceres Investor Network, and UN PRI, or any organization principally devoted to achieving climate-focused investment or stewardship objectives and having written terms of membership. The webpage shall link to the terms and conditions of each such membership, including any sign-on statements or disclaimers made by BlackRock. For avoidance of doubt, the disclosures undertaken pursuant to this Agreement do not limit BlackRock's duty under the TCPA or other law to make non-misleading product and prospectus disclosures.

Mutual Undertakings

10. Audit:

    a. For each of the three proxy seasons beginning with the 2024-2025 proxy season, a mutually agreeable third-party service with experience in the field shall conduct an audit at BlackRock's expense following the conclusion of the proxy season of BlackRock's compliance with the recordkeeping obligations set forth in paragraph 5.b of this Agreement. The audit shall cover up to a maximum of 50 U.S. companies for which proxy votes were cast by BIS on behalf of In-Scope Funds (i) against management recommendation on proposals relating to environmental or social subjects; or (ii) against the election of any member of a board of directors based in whole or in part on an environmental or social factor. The audited companies will be selected as follows: (1) up to 25 selected by the Attorney General; and (2) up to 25 randomly selected from the BlackRock Climate Focus Universe (or any successor document). If BlackRock discontinues the Climate Focus Universe, the Parties will work in good faith to identify a comparable universe. BlackRock or the auditor will notify the Attorney General of the companies that were randomly selected.

b. By December 1st of each year during the audit period, or as soon thereafter as practicable, the auditor shall issue a draft confidential report to BlackRock that contains the auditor's assessment of whether BIS is in compliance with its obligations under paragraph 5.b of this Agreement. BlackRock shall have 60 days from the issuance of the draft report to consult with the auditor regarding the auditor's findings. The auditor shall provide BlackRock with a final report following this consultation process.

c. BlackRock shall cooperate with reasonable requests for information that the auditor believes are necessary to carry out the audit. The auditor also may make reasonable recommendations to BlackRock for additional training or other suggested actions going forward, which BlackRock shall either implement or explain to the Attorney General its basis for not implementing.

d. Within 45 days of the auditor's completion of its final report, BlackRock shall make the final report available to the Attorney General. If the auditor's final report makes a finding that BlackRock is not in substantial compliance with its obligations under paragraph 5.b of this Agreement, the Attorney General may request information provided to the auditor by BlackRock related to that finding. BlackRock shall retain all materials provided to the auditor for at least 2 years following the completion of the audit.

e. The Attorney General shall maintain the confidentiality of materials provided to it by BlackRock in connection with this Agreement (including, but not limited to, the audit report, audit backup material, and any materials provided in response to reasonable requests made pursuant to Paragraph 12 below) and shall not disclose such information to third parties unless required by law. The Attorney General agrees that this information shall be used by the persons or entities receiving them only for the purposes of determining whether Blackrock is in substantial compliance with the terms of BlackRock's Undertakings, and not for any other purpose whatsoever.

11. Compliance Procedures: BlackRock shall establish procedures and training reasonably designed to achieve compliance with its Undertakings herein. BlackRock shall disclose these procedures to the Attorney General within 90 days of executing this Agreement. If BlackRock subsequently amends the procedures initially disclosed to the Attorney General, it shall provide notice of those amendments within 30 days of such amendment. The Attorney General may provide comments regarding the compliance procedures or amendments, and BlackRock agrees to consider such comments.

12. Cooperation: BlackRock shall comply with reasonable requests posed by the Attorney General concerning its compliance with the Undertakings contained in the Agreement and the Attorney General reserves the right to serve pre-suit investigative demands under the TCPA on BlackRock relating to matters that are not based on substantially the same operative facts as the Dismissed Claims.

13. Dispute Resolution: In the event that either Party believes there has been a breach of this Agreement, such Party shall provide written notice to the other Party. Following such notice, the Parties shall meet in good faith in an attempt to reach agreement on remedial measures that will bring the breaching Party back into compliance with the Agreement. When meeting and conferring, the Parties will specifically consider alternatives to filing claims in court, but if the Parties cannot resolve the dispute, then either Party may file an action in Tennessee Circuit

Court in Williamson County. Such action may include claims by the Attorney General for violations of the TCPA. However, the Parties agree that any such claim under the TCPA cannot be resolved against BlackRock without a finding by the court hearing the TCPA claim that BlackRock did not substantially comply with the terms of BlackRock's Undertakings, as described in Paragraph 1 above.

14. Choice of Law: The Agreement shall be interpreted under the laws of the State of Tennessee.
15. Third Party Rights: The Agreement does not confer any rights to a third party.
16. Drafter: Neither Party shall be considered the drafter for purposes of the Agreement.
17. Confidentiality: The Attorney General shall keep confidential all documents and information provided to the Attorney General by BlackRock in connection with the Agreement and shall not disclose them to third parties except as required by law. The Attorney General shall provide BlackRock 30 days' prior notice, or as much prior notice as practicable, of any subpoena or other process (including a public records request) seeking such documents or information and assert that the documents and information are made confidential by agreement. The Attorney General also shall not oppose intervention or other involvement by BlackRock to maintain the confidentiality of its documents and information.

Dated: Jan. 17, 2025

Jonathan Skrmetti,
Attorney General
State of Tennessee

BY: Jonathan Skrmetti ______________________

BlackRock, Inc.

BY: ______________________