

Dear Mr Larry Fink,

In your annual letter sent to the directors of companies in which BlackRock has invested, you challenge them on how substantial their efforts are and on how they promote their support for sustainable growth and profitability. We would like to thank you on behalf of the Institute for Responsible Capitalism, which brings together the directors of very large global companies, leading investors, academics and advisory bodies, on the one hand, and operates in close collaboration with public authorities, on the other.

Generally speaking, in France, just like in other global economic powers, the main listed companies have significantly moved in this direction in recent years, under pressure from the regulators, civil society, consumers, activists and investors, as shown by a number of particularly significant indicators.

For instance, 80% of SBF 120 companies in France have incorporated at least one CSR criterion into the annual variable salary for their corporate officers¹ in 2019. On average (still within this index), the proportion of long-term indexed variable salary has risen above 50%. The number of reports included which combine the same level of financial performance and social, societal and environmental challenges has increased fourfold since 2016. Almost half of these reports devote a chapter to value sharing.

Finally, more than one in four companies in the CAC 40 have published a *raison d'être*, an initiative which you recommended in your letter on 17 January 2019 and is set out in the Law on Company Growth and Development (the "Loi Pacte"), which was approved this year. As you can see, our French companies are steadfastly and definitively committed to respecting all of their stakeholders (customers, investors, employees, suppliers, partners and civil society). The changes to the salary structure for our directors are a reflection of this paradigm shift in particular.

Admittedly, as you already mentioned in your letter from January, it has been a challenging period. *"Companies are grappling with a financial environment in which the economy is coming to the end of its cycle, with increased volatility in particular, which could mean that priority is given to short-term yields, at the expense of long-term growth."* The global picture is worsening year by year, and political and economic instability is continuing to increase. At the same time, demographic, technological, geopolitical, commercial, social, and industrial changes are continuing to unfold more quickly.

We are also grappling with a paradox. On the one hand, we have a real threat to our "Earth" capital (which is still called living capital in a broad sense), which also includes social and societal challenges; on the other hand, we have an unprecedented abundance of liquidity, our financial capital. There are vast resources, yet vast needs too. We have reached a critical point. Discussions on the future of capitalism are now raising the issue of collective responsibility for economic and financial players. Against this backdrop, the College of Experts for the Institute for Responsible Capitalism has spearheaded work to explore ways of promoting far more widespread investment in assets and companies which help to regenerate our living capital.

Members of the College of Experts believe that investment decisions by management companies must align with the horizon for asset owners² commitments, which are often long-term, in the interests of their end

¹ [Analysis of directors' salaries: what are the trends for 2019?](#) – Deloitte

² Asset owners are represented by (national, corporate and public) pension funds, insurance companies, sovereign funds, family offices and more.

beneficiaries and savers in particular. We strongly believe that this involves urgently and radically transforming investment policies and managers' financial incentives. These salary policies must line up with the horizon for their investments.

If not, the planet will begin to deteriorate more quickly and we will all share joint responsibility for it.

Both asset managers and companies have also experienced many encouraging changes.

The more than 2,300 investors who have signed up to the PRI, committing to incorporating ESG criteria into their investment decisions, now account for 86,300 billion dollars' worth of assets under management. Investors from the Climate Action 100+ Coalition, which account for 35,000 billion dollars' worth of assets under management, have secured commitment from the largest greenhouse gas emitters to improve their climate performance and ensure transparency in their emissions. These efforts have secured substantial climate commitments from major companies, such as Shell, Glencore, PetroChina and even Volkswagen³.

However, we still have not reached anywhere near the level of commitment required to deal with the situation. Thus far, during roadshows, too many companies have been saying very little, or investors have not even been asking them questions about issues of responsibility. However, at the same time, investors have been complaining that companies are not providing ESG information or that it is of poor quality. This is evidence that deeper integration between extra-financial and financial aspects has still not happened, meaning that performances rewarded or penalised by financial markets are still essentially only siloed financial performances.

In order to support engaged companies, managers and asset owners must strengthen their involvement by increasing their level of stringency and transparency over the environmental social/societal impact of their investment decisions. There have also been many advances in Europe in this area.

For instance, Article 173 of the 2015 law on the energy transition requires the largest investors to be transparent about how they incorporate climate risk and, more generally, environmental, social and governance (ESG) risks into their management.

Another possible example is the Shareholder Rights Directive II (SRDII, Directive (EU) 2017/828), which has just been transposed and emphasises the commitment by investors to play a role in improving companies' financial and non-financial performances, and to improve the alignment of investors' interests in order to support longer-term investment strategies. Finally, we have to mention the European Commission's action plan for sustainable finance, which sets out to redirect capital flows towards a more sustainable economy.

Mr Fink, we need to harness the power of all the asset managers in order to take over from companies, public authorities and (not to mention, of course), the driving force representing our citizens, savers, which trust you with adopting practices which, in the long term, foster sustainable growth and profitability.

BlackRock manages 7,000 billion dollars' worth of assets, making it the global leader on its market, with just under 10% of global assets under management. As a result, it can be argued that the world is relying on your ability to align your investment policies and their ability to take into account the crucial issues facing our planet. During this period of great uncertainty and major anxiety, your leadership will be vital.

We would like to encourage you to implement our recommendations relating to greater transparency and stringency in extra-financial criteria (ESG criteria, in particular) in investment decisions, and relating to giving them greater prominence in these decisions. We would encourage you to start aligning investment decisions,

³ Climate Action 100+, <https://climateaction100.files.wordpress.com/2019/10/progressreport2019.pdf>

the horizon for your financial commitments and your voting policy for general meetings more quickly. We would recommend that you explain how investors' salaries line up with their investments more clearly.

Finally, we would like to invite all of the largest asset owners and asset managers in France and across the world to join us in this movement. We would like to see you get involved in these discussions with us.

Can we count on you?

The members of the College of Experts
Institut du Capitalisme Responsable