STATE OF INDIANA
OFFICE OF THE SECRETARY OF STATE
SECURITIES DIVISION

IN THE MATTER OF:	)	
	)	
BLACKROCK, INC.,	)	
BLACKROCK ADVISORS, LLC,	)	
BLACKROCK CAPITAL	)	
MANAGEMENT, INC.,	)	
BLACKROCK FINANCIAL	)	
MANAGEMENT, INC.,	)	CAUSE NO. 24-0013 CD
BLACKROCK FUND ADVISORS,	)	
BLACKROCK INVESTMENT	)	
MANAGEMENT, LLC,	)	
and BLACKROCK	)	
INVESTMENTS, LLC	)	
	)	
RESPONDENTS.	)	

CEASE AND DESIST ORDER

Pursuant to Ind. Code § 23-19-6-4, the Indiana Securities Commissioner ("Commissioner") may issue a Cease and Desist Order without a hearing whenever it appears to the Commissioner, upon her investigation, that a person has engaged in an act or practice constituting a violation of the Indiana Uniform Securities Act ("IUSA," Ind. Code § 23-19, *et seq.*), the Indiana Uniform Securities Rules ("Rules," 710 Ind. Admin. Code § 4, *et seq.*), or the Commissioner's Administrative Orders ("Administrative Orders"). Based upon the Commissioner's investigation, it appears that BlackRock, Inc., BlackRock Advisors, LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Investment Management, LLC, and BlackRock Investments, LLC (together "Respondents," which collectively conduct business as "BlackRock"), have committed securities fraud in violation of Ind. Code § 23-19-5-1. As such, the Commissioner issues this Cease and Desist Order ("C&D") against Respondents, pursuant to Ind. Code § 23-19-6-4.

BlackRock is the world's largest asset manager, with approximately ten-trillion-six-hundred-fifty billion dollars ($10,650,000,000,000.00) in assets under management as of July 15, 2024. *Exhibit 1.* Founded in 1988, BlackRock claims "[s]ince launching index funds in the 1970's, BlackRock has become a global leader in index solutions." *Exhibit 2*. BlackRock's Exchange-Traded Funds ("ETFs") are commonly marketed under the "iShares" brand, having acquired that brand from Barclays Global Investors in 2009. *Exhibit 3*. Over the past several years, BlackRock has made numerous material misrepresentations about the implementation of environmental, social, and governance engagement standards ("ESG standards") across its investment approach. BlackRock's ESG standards are not clearly defined in one place, but instead entail a variety of commitments, goals, targets, policies, and strategies that have been detailed in different forms over the years.

Since no later than May 2020, BlackRock has held itself out as engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**[,]" that "[a]ll active funds and advisory strategies are expected to fully integrate ESG[,]" and that its "Sustainable Investing Team, in partnership with investment platform leadership, coordinates the firm-wide approach to incorporating ESG into all investment processes." *Exhibit 4*. (Emphasis maintained). To that effect, BlackRock has joined multiple climate advocacy organizations, including Climate Action 100+ ("CA100+"), in January 2020, and the Net Zero Asset Managers Initiative ("NZAM"), in March 2021, which both outline certain ESG standards expected to be implemented and followed by BlackRock. *Exhibits 5* and *6*.

As part of its Sign-on Statement to CA100+, BlackRock stated that it "has been focused on risks associated with climate change for several years now as reflected in our engagement priorities as well as our investment research and the integration of ESG data into our investment platform." CA100+ has three (3) goals for BlackRock and other signatories to ask their portfolio companies to:

> 1. Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk; 2. Take action to reduce greenhouse gas emissions across the value chain, including engagement with stakeholders such as policymakers and other actors to address the sectoral barrier to transition . . . consistent with the Paris Agreement's goal of limiting global average temperature increase . . . [; and] 3. Provide enhanced corporate disclosure and implement transition plans . . . in line with the final recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)[.] *Exhibit 7*.

With respect to NZAM, BlackRock stated that "we anticipate that by 2030, at least 75% of BlackRock corporate and sovereign assets managed on behalf of clients will be invested in issuers with science-based targets or equivalent," although it disclosed "USD 7.3 trillion [as] currently committed to be managed in line with net zero[,]" which represented approximately "77% of [BlackRock's] total AUM" at the time. *Exhibit 8.* Pursuant to NZAM, BlackRock further committed to:

> a. Work in partnership with asset owner clients on decarboni[z]ation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management ('AUM')[;]
> b. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner[1][; and]
> c. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included[.] *Exhibit 9.*

BlackRock's ESG standards have resulted in its ongoing advocacy for certain corporate policies and actions, as well as outright divestment. BlackRock has stated that it:

> [M]ay vote against the directors we consider responsible for climate risk oversight," i.e., failure "to set short-, medium-, and long-term targets for greenhouse gas reductions" towards net zero emissions and "to issue reports consistent with the Task Force on Climate-related Financial Disclosures (TCFD)," and BlackRock has decided "to exit public debt and equity investments in businesses generating greater than 25% of revenue from thermal coal production[.] *Exhibits 10, 11*, and *8.*

By virtue of being the world's largest asset manager, BlackRock exercises tremendous proxy voting power to implement its ESG standards, including its CA100+ and NZAM commitments. However, BlackRock has often downplayed the extent of its actions, stating instead that:

> BlackRock does not "dictate to companies what specific emission targets they should meet[,]" that "BlackRock has been accused of "boycotting" energy companies. Quite the opposite: BlackRock's clients are some of the largest investors in the energy industry[,]" and "We have not made commitments or pledges to meet environmental standards that constrain our ability to invest our clients' money on their behalf consistent with their objectives." *Exhibits 12* and *13.*

BlackRock has represented its ESG standards as "consistent with [its] fiduciary duty to [its] beneficiaries," and claimed those will "generate better long-term outcomes." *Exhibits 5* and

[1] With respect to "commitment b," BlackRock made additional commitments, including:

> 7. Implement[ing] 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 [and] 8. Engag[ing] with actors key to the investment system including credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner[.] *Exhibit 9.*

14. In fact, BlackRock has stated that "**[w]e see sustainability premia driving returns beyond other fundamental risk premia – equity, interest rate, credit, inflation — over the long transition period"** even though "[t]he lack of historical data linked to sustainability makes it hard to quantify these effects." *Exhibit 14.* (Emphasis maintained). BlackRock's strong emphasis on its ESG standards has caused concerns for investors, especially as BlackRock makes public-facing statements like "the rearview mirror is irrelevant for what's ahead, we believe." *Exhibit 15.* BlackRock has also stated that **"[w]e believe that sustainability should be our new standard for investing**" despite "**[t]he popular notion that tackling climate change comes at a net economic cost**." *Exhibits 16* and *15.* (Emphasis maintained). While BlackRock claims "On behalf of our clients, as long-term investors, we advocate for disclosures aligned with the reporting frameworks developed by the Task Force on Climate related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB)," it does not so readily explain what these specific reporting frameworks are or why they should be a priority for investors who may be more concerned with maximizing their returns rather than implementing specific policy agendas[2]. *Exhibit 10.*

Despite representing to investors that "Countries representing nearly 90% of the world economy now have net-zero commitments, while about half of major companies and financial institutions do . . . They are increasingly turning pledges into concrete targets," BlackRock is faced with the reality that:

> **Collectively, there are limited signs of improvement in the robustness of subnational and corporate net zero targets and strategies . . . Despite having net zero pledges, no major producer countries or companies have committed to phasing out fossil fuels . . . Most global entities have still not set a net zero target consistent with what 195 nations signed up to eight years ago . . . Most entities that have pledged net zero do not meet minimum requirements for what 'good' net zero looks like, including backing up long-term vision with urgent near-term efforts to halve emissions**[.] *Exhibits 15* and *17.* (Emphasis maintained).

Given growing concerns about ESG commitments, the Indiana General Assembly enacted House Enrolled Act No. 1008, which prohibits the Indiana Public Retirement System ("INPRS")

[2] Until its disbandment in 2023, the Task Force on Climate-related Financial Disclosures was chaired by Michael Bloomberg, who has served as Chair of the United States Defense Innovation Board since 2022. Despite BlackRock's claim of having "no exposure . . . in certain sectors with heightened ESG risk, such as controversial weapon systems manufacturers," it continues to rely on ESG standards directly influenced by the same individual who advances controversial weapon systems manufacturers antithetical to ESG guidelines. *Exhibit 16.*

"from making an ESG commitment with respect to system assets" and requires the INPRS Board to "discharge its duties solely in the financial interest of the participants and beneficiaries of the system." Ind. Code § 5-10.2-14-8(b); § 5-10.2-14-9(a). *Exhibit 18*. BlackRock, which manages some funds for INPRS and "more than 415,000 Indiana residents," has been placed on a state watchlist by Indiana Treasurer Daniel Elliott. *Exhibit 19*. As part of a panel discussion on ESG, BlackRock's Chairman and Chief Executive Officer Larry Fink stated that he was "ashamed of being part of this conversation" and further stated "I'm not going to use the word ESG because it's been misused by the far left and the far right." *Exhibit 20*. In February 2024, BlackRock, Inc. withdrew from CA100+, transferring "its participation [sic] to BlackRock International;" its involvement in NZAM had already been conditioned from the start. *Exhibits 21* and *5*.

BlackRock's investors have been left in a precarious position given uncertainty about how their assets have been managed over the years. Despite representations that it has broadly implemented ESG standards across its funds, material changes about those same ESG standards. have been made to BlackRock's product pages for many of its iShares ETFs. Representations like "**This fund does not seek to follow a sustainable, impact or ESG investment strategy** . . . and there is no indication that a sustainable, impact or ESG investment strategy will be adopted by the fund" cannot be reconciled with BlackRock's representations concerning "the firm-wide approach to incorporating ESG into all investment processes" and ongoing focus "on risks associated with climate change [sic] as reflected in our engagement priorities." *Exhibits 22*, *4*, and *5*. Accordingly, BlackRock has made various untrue statements of material fact about its ESG standards as well as the extent that those ESG standards have been implemented and generated "better long-term outcomes," necessitating the instant Cease and Desist Order for the protection of Indiana investors.

II. JURISDICTION AND AUTHORITY

1. The Indiana Securities Division ("Division") is part of the Office of the Indiana Secretary of State with jurisdiction over matters relating to securities, as provided by the IUSA.
2. Pursuant to Ind. Code § 23-19-6-1, the Commissioner is responsible for the direction and supervision of the Division and the administration of the IUSA under the direction and control of the Indiana Secretary of State.

3. The Commissioner brings this action pursuant to the authority conferred upon her by Ind. Code § 23-19-6-4, wherein the Commissioner has the authority to conduct a hearing to enforce the provisions of the IUSA, Rules, and Orders.

4. The acts and practices constituting violations of the IUSA as alleged herein occurred in Indiana.

5. The Commissioner reserves all rights to file an Administrative Complaint to reflect information developed as part of an ongoing investigation.

III. RESPONDENTS

BlackRock, Inc.

1. BlackRock, Inc. is an asset management corporation with a principal office address of 50 Hudson Yards, New York, New York 10001.

2. BlackRock, Inc. is not registered with the Financial Industry Regulatory Authority ("FINRA") although it is both the namesake and *de facto* parent company for various "BlackRock" investment adviser and broker-dealer entities.

BlackRock Advisors, LLC

3. BlackRock Advisors, LLC ("BA") is an investment advisory firm with a principal office address of 50 Hudson Yards, New York, New York 10001.

4. BA maintains FINRA Central Registration Depository ("CRD") No. 106614.

5. BA has been registered as an investment adviser with the Securities and Exchange Commission ("SEC") since November 1, 1994, and notice filed as an investment adviser with the Division since no later than March 29, 2018.

6. Pursuant to its disclosures filed with FINRA, BA conducts business as "BlackRock." *Exhibit 23*.

BlackRock Capital Management, Inc.

7. BlackRock Capital Management, Inc. ("BCM") is an investment advisory firm with a principal office address of 100 Bellevue Parkway, Wilmington, Delaware 19809.

8. BCM maintains FINRA CRD No. 108069.

9. BCM has been registered as an investment adviser with the SEC since December 13, 1999, and notice filed as an investment adviser with the Division since no later than January 8, 2003.

10. Pursuant to its disclosures filed with FINRA, BCM conducts business as "BlackRock." *Exhibit 24*.

BlackRock Financial Management, Inc.

11. BlackRock Financial Management, Inc. ("BFM") is an investment advisory firm with a principal office address of 50 Hudson Yards, New York, New York 10001.

12. BFM maintains FINRA CRD No. 107105.

13. BFM has been registered as an investment adviser with the SEC since February 28, 1995, and notice filed as an investment adviser with the Division since no later than March 31, 2006.

14. Pursuant to its disclosures filed with FINRA, BFA conducts business as "BlackRock." *Exhibit 25*.

BlackRock Fund Advisors

15. BlackRock Fund Advisors ("BFA") is an investment advisory firm with a principal office address of 400 Howard Street, San Francisco, California 94105.

16. BFA maintains FINRA CRD No. 105247.

17. BFA has been registered as an investment adviser with the SEC since November 15, 1984[3], and notice filed as an investment adviser with the Division since no later than March 29, 2018.

18. Pursuant to its disclosures filed with FINRA, BFA conducts business as "BlackRock." *Exhibit 26*.

BlackRock Investment Management, LLC

19. BlackRock Investment Management, LLC ("BIM") is an investment advisory firm with a principal office address of 1 University Square Drive, Princeton, New Jersey 08540.

20. BIM maintains FINRA CRD No. 108928.

21. BIM has been registered as an investment adviser with the SEC since November 9, 1999, and notice filed as an investment adviser with the Division since no later than August 9, 2005.

22. Pursuant to its disclosures filed with FINRA, BIM conducts business as "BlackRock." *Exhibit 27*.

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[3] This entity previously conducted business as "Barclays Global Fund Advisors."

BlackRock Investments, LLC

23. BlackRock Investments, LLC ("BI") is a broker-dealer firm with a principal office address of 1 University Square Drive, Princeton, New Jersey 08540.

24. BI maintains FINRA CRD No. 38642.

25. BI has been registered as a broker-dealer with the SEC as well as FINRA since July 19, 1995, and registered as a broker-dealer with the Division since no later than February 19, 1997.

26. Pursuant to its disclosures filed with FINRA, BlackRock, Inc. appears to own BI. *Exhibit 28*.

IV. VIOLATIONS OF THE INDIANA UNIFORM SECURITIES ACT

27. This section incorporates by reference all preceding sections and paragraphs.

28. Pursuant to Ind. Code § 23-19-5-1:

> It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:
> 1. to employ a device, scheme, or artifice to defraud;
> 2. to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading; or
> 3. to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

Counts 1 to 51

29. BlackRock has materially changed its disclosures for certain iShares ETFs over the years with respect to matters concerning its ESG standards.

30. BlackRock has held itself out as engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**[,]" that "[a]ll active funds and advisory strategies are expected to fully integrate ESG[,]" and that its "Sustainable Investing Team, in partnership with investment platform leadership, coordinates the firm-wide approach to incorporating ESG into all investment processes." *Exhibit 4*. (Emphasis maintained).

31. In 2020, BlackRock published "Sustainability Characteristics" for its iShares ETFs, including IVV, IVW, QUAL, IXUS, and USMV. *Exhibits 29*, *30*, *31*, *32*, and *33*.

32. These Sustainability Characteristics provided a graded rating ("MSCI ESG Rating"), a quality score ("MSCI ESG Quality Score"), and a "MSCI ESG % Coverage," as well as a statement that reads in relevant part:

> ESG metrics help investors evaluate companies based on environmental, social, and governance risks and opportunities – and the companies' ability to manage them. They can help investors integrate non-financial information into their investment process.
>
> . . .
>
> Inclusion of Sustainability Characteristics is not indicative of a fund's investment objective, nor is it an implication that a fund employs an ESG-related portfolio management strategy. *Id.*

33. In 2021, BlackRock published "Sustainability Characteristics" for its iShares ETFs, including IVV, IJH, EMG, IJR, QUAL, IXUS, IWB, USMV, and IUSB. *Exhibits 34, 35, 36, 37, 38, 39, 40, 41*, and *42*.

34. These Sustainability Characteristics provided a graded rating ("MSCI ESG Fund Rating AAA-CCC"), a quality score ("MSCI ESG Quality Score 0-10"), and a "MSCI ESG % Coverage," as well as a statement that reads in relevant part:

> Sustainability Characteristics can help investors integrate non-financial, sustainability considerations into their investment process. These metrics enable investors to evaluate funds based on their environmental, social, and governance (ESG) risks and opportunities. *This analysis can provide insight into the effective management and long-term financial prospects of a fund.*
>
> The metrics below have been provided for transparency and informational purposes only. The existence of an ESG rating is not indicative of how or whether ESG factors will be integrated into a fund. **The metrics are based on MSCI ESG Fund Ratings and, unless otherwise stated in fund documentation and included within a fund's investment objective, do not change a fund's investment objective or constrain the fund's investable universe, and there is no indication that an ESG or Impact focused investment strategy or exclusionary screens will be adopted by a fund.** *Id.* (Emphasis maintained; italicized emphasis added).

35. In 2022, BlackRock published "Sustainability Characteristics" for its iShares ETFs, including IVV, IEFA, IJH, IEMG, QUAL, IXUS, and USMV. *Exhibits 43, 44, 45, 46, 47, 48*, and *49*.

36. These Sustainability Characteristics provided a graded rating ("MSCI ESG Fund Rating AAA-CCC"), a quality score ("MSCI ESG Quality Score 0-10"), and a "MSCI ESG % Coverage," as well as a statement that reads in relevant part:

> Sustainability Characteristics provide investors with specific non-traditional metrics. Alongside other metrics and information, these enable investors to evaluate funds on certain environmental, social and governance characteristics. Sustainability Characteristics do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund. They are provided for transparency and for information purposes only. Sustainability Characteristics should not be considered solely or in isolation, but instead are one type of information that investors may wish to consider when assessing a fund.
>
> . . .
>
> The metrics are not indicative of how or whether ESG factors will be integrated into a fund. **Unless otherwise stated in fund documentation and included within a fund's investment objective, the metrics do not change a fund's investment objective or constrain the fund's investable universe, and there is no indication that an ESG or Impact focused investment strategy or exclusionary screens will be adopted by a fund.** *Id.* (Emphasis maintained).

37. In 2023, BlackRock published "Sustainability Characteristics" for its iShares ETFs, including IVV, IEFA, IJH, IEMG, IVW, QUAL, IXUS, USMV, IGSB, and IUSB. *Exhibits 50*, *51*, *52*, *53*, *54*, *55*, *56*, *57*, *58*, and *59*.

38. These Sustainability Characteristics provided a graded rating ("MSCI ESG Fund Rating AAA-CCC"), a quality score ("MSCI ESG Quality Score 0-10"), and a "MSCI ESG % Coverage," as well as a statement that reads in relevant part:

> Sustainability Characteristics provide investors with specific non-traditional metrics. Alongside other metrics and information, these enable investors to evaluate funds on certain environmental, social and governance characteristics. Sustainability Characteristics do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund. They are provided for transparency and for information purposes only.
> Sustainability Characteristics should not be considered solely or in isolation, but instead are one type of information that investors may wish to consider when assessing a fund.
>
> . . .

> **This fund does not seek to follow a sustainable, impact or ESG investment strategy.** The metrics do not change the fund's investment objective or constrain the fund's investable universe, and there is no indication that a sustainable, impact or ESG investment strategy will be adopted by the fund. *Id.* (Emphasis maintained).

39. In 2024, BlackRock published "Sustainability Characteristics" for its iShares ETFs, including IVV, IEFA, IJH, IWG, IEMG, IJR, IWM, IWD, EFA, ITOT, IVW, QUAL, IXUS, IWB, USMV, AGG, LQD, IGSB, and IUSB. *Exhibits 22, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76,* and *77.*

40. These Sustainability Characteristics provided a graded rating ("MSCI ESG Fund Rating AAA-CCC"), a quality score ("MSCI ESG Quality Score 0-10"), and a "MSCI ESG % Coverage," as well as a statement that reads in relevant part:

> Sustainability Characteristics provide investors with specific non-traditional metrics. Alongside other metrics and information, these enable investors to evaluate funds on certain environmental, social and governance characteristics. Sustainability Characteristics do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund. They are provided for transparency and for information purposes only.
> Sustainability Characteristics should not be considered solely or in isolation, but instead are one type of information that investors may wish to consider when assessing a fund.
>
> . . .
>
> **This fund does not seek to follow a sustainable, impact or ESG investment strategy.** The metrics do not change the fund's investment objective or constrain the fund's investable universe, and there is no indication that a sustainable, impact or ESG investment strategy will be adopted by the fund. *Id.* (Emphasis maintained).

41. In 2020, BlackRock held itself out as engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**" and identified its "firm-wide approach to incorporating ESG" but also published "Sustainability Characteristics" wherein the "Inclusion of Sustainability Characteristics is not indicative of a fund's investment objective, nor is it an implication that a fund employs an ESG-related portfolio management strategy." *Exhibits 4, 29, 30, 31, 32,* and *33.* (Emphasis maintained).

42. In 2021, BlackRock represented that its Sustainability Characteristics "can provide insight into the effective management and long-term financial prospects of a fund" but:

> **Unless otherwise stated in fund documentation and included within a fund's investment objective, do not change a fund's investment objective or constrain the fund's investable universe, and there is no indication that an ESG or Impact focused investment strategy or exclusionary screens will be adopted by a fund**. *Exhibits 34*, *35*, *36*, *37*, *38*, *39*, *40*, *41*, and *42*. (Emphasis maintained).

43. In 2022, BlackRock admitted that its "Sustainability Characteristics do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund" and reiterated that:

> **Unless otherwise stated in fund documentation and included within a fund's investment objective, the metrics do not change a fund's investment objective or constrain the fund's investable universe, and there is no indication that an ESG or Impact focused investment strategy or exclusionary screens will be adopted by a fund.** *Exhibits 43*, *44*, *45*, *46*, *47*, *48*, and *49*. (Emphasis maintained).

44. In 2023, BlackRock reiterated that "Sustainability Characteristics do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund" and stated that iShares ETFs, including IVV, IEFA, IJH, IEMG, IVW, QUAL, IXUS, USMV, IGSB, and IUSB do "**not seek to follow a sustainable, impact or ESG investment strategy**." *Exhibits 50*, *51*, *52*, *53*, *54*, *55*, *56*, *57*, *58*, and *59*. (Emphasis maintained).

45. In 2024, BlackRock reiterated that "Sustainability Characteristics do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund" and stated that iShares ETFs, including IVV, IEFA, IJH, IWF, IEMG, IJR, IWM, IWD, EFA, ITOT, IVW, QUAL, IXUS, IWB, USMV, AGG, LQD, IGSB, and IUSB do "**not seek to follow a sustainable, impact or ESG investment strategy**." *Exhibits 22*, *60*, *61*, *62*, *63*, *64*, *65*, *66*, *67*, *68*, *69*, *70*, *71*, *72*, *73*, *74*, *75*, *76*, and *77*. (Emphasis maintained).

46. By engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**" and identifying BlackRock's "firm-wide approach to incorporating ESG" but proceeding to publish "Sustainability Characteristics" in 2020

that imply IVV, IVW, QUAL, IXUS, and USMV were not implementing ESG standards, Respondents violated Ind. Code §23-19-5-1.

47. By engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**" and identifying BlackRock's "firm-wide approach to incorporating ESG" but proceeding to publish "Sustainability Characteristics" in 2021 that imply IVV, IJH, EMG, IJR, QUAL, IXUS, IWB, USMV, and IUSB were not implementing ESG standards, Respondents violated Ind. Code §23-19-5-1.

48. By misrepresenting that BlackRock's Sustainability Characteristics "can provide insight into the effective management and long-term financial prospects of a fund" in 2020 then admitting in 2021 that BlackRock's Sustainability Characteristics "do not provide an indication of current or future performance nor do they represent the potential risk and reward profile of a fund," Respondents violated Ind. Code § 23-19-5-1.

49. By engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**" and identifying BlackRock's "firm-wide approach to incorporating ESG" but proceeding to publish "Sustainability Characteristics" in 2022 that imply IVV, IEFA, IJH, IEMG, QUAL, IXUS, and USMV were not implementing ESG standards, Respondents violated Ind. Code §23-19-5-1.

50. By engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**" and identifying BlackRock's "firm-wide approach to incorporating ESG" but proceeding to publish "Sustainability Characteristics" in 2023 that state IVV, IEFA, IJH, IEMG, IVW, QUAL, IXUS, USMV, IGSB, and IUSB do "**not seek to follow a sustainable, impact or ESG investment strategy**," Respondents violated Ind. Code §23-19-5-1.

51. By engaging in **"ESG integration . . . across all our active portfolios in both public and private markets**" and identifying BlackRock's "firm-wide approach to incorporating ESG" but proceeding to publish "Sustainability Characteristics" in 2024 that state IVV, IEFA, IJH, IWG, IEMG, IJR, IWM, IWD, EFA, ITOT, IVW, QUAL, IXUS, IWB, USMV, AGG, LQD, IGSB, and IUSB do "**not seek to follow a sustainable, impact or ESG investment strategy**," Respondents violated Ind. Code §23-19-5-1.

Counts 51 to 54

52. BlackRock offers several ESG-screened counterparts to its traditional iShares ETFs.

53. BlackRock has represented that "Sustainable investing extends the best approaches of traditional investing by integrating insights about society, corporate behavior, climate and other non-traditional data to generate better long-term outcomes." *Exhibit 14.*

54. Nevertheless, historical returns reflect that several of BlackRock's ESG-screened counterparts have failed to generate better long-term outcomes for investors, when compared with traditional offerings.

55. Such has been the case for the iShares 1-5 Year Investment Grade Corporate Bond ETFs (i.e., "IGSB" has better long-term outcomes than the ESG-screened "SUSB"), iShares Core US Aggregate Bond ETFs (i.e., "AGG" has better long-term outcomes than the ESG-screened "EAGG") and iShares Core S&P Mid-Cap ETFs (i.e., "IJH" has better long-term outcomes than the ESG-screened "XJH"), as documented below[4]:

TICKER	YTD	2023	2022	2021	2020	2019	2018	5Y RETURN[5]
IGSB	3.34%	6.40%	-5.63%	-0.56%	5.37%	7.11%	1.25%	2.08%
SUSB (ESG)	3.13%	5.98%	-5.73%	-0.76%	4.96%	7.02%	0.55%	1.85%
AGG	1.71%	5.65%	-13.02%	-1.77%	7.48%	8.46%	0.10%	0.16%
EAGG (ESG)	1.61%	5.57%	-13.63%	-1.30%	7.40%	8.69%	[redacted]	0.08%
IJH	12.30%	16.42%	-13.10%	24.71%	13.58%	26.10%	11.18%	11.22%
XJH (ESG)	11.61%	16.75%	-14.36%	23.43%	[redacted]			NA

56. By representing that "sustainable investing . . . generate[s] better long-term outcomes for investors" despite the inferior, long-term performance of SUSB when compared with IGSB, Respondents violated Ind. Code § 23-19-5-1.

57. By representing that "sustainable investing . . . generate[s] better long-term outcomes for investors" despite the inferior, long-term performance of EAGG when compared with AGG, Respondents violated Ind. Code § 23-19-5-1.

58. By representing that sustainable investing . . . generate[s] better long-term outcomes for investors" despite the inferior, long-term performance of XJH when compared with IJH, Respondents violated Ind. Code § 23-19-5-1.

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[4] See: *Exhibits 78*, *79*, *80*, *81*, *82*, and *83*.

[5] This is a trailing return.

VI. ORDER AND RIGHT TO HEARING

THE COMMISSIONER THEREFORE ORDERS that Respondents **immediately** Cease and Desist from engaging in **<u>any</u>** act that violates the IUSA, Rules, or Administrative Orders, including offering securities in Indiana through offering materials that contain untrue statements of material fact or omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading. The Commissioner hereby determines that this Cease and Desist Order ("Order") is in the public interest and is necessary for the protection of Indiana investors.

This is an agency action. Pursuant to Ind. Code § 23-19-6-4(b), upon request by a party, this Order will be scheduled for a hearing by the Commissioner. Review of this agency action may be initiated by completing and signing the attached "Request for Hearing" form and either: 1) mailing the form; or 2) hand delivering the form to the Office of the Indiana Secretary of State, Securities Division, located at 302 W. Washington St, Rm E-111, Indianapolis, Indiana 46204.

This Order is effective upon date of issuance. Pursuant to Ind. Code §23-19-6-4(b), if a person subject to this Order requests a hearing in the manner set forth above, this matter will be scheduled for a hearing within fifteen (15) days after receipt of such request.

If a person subject to this Order does not request a hearing within forty-five (45) days after the date of service of this Order, and no hearing is otherwise ordered by the Commissioner, this Order becomes final by operation of law, pursuant to Ind. Code § 23-19-6-4(d).

ORDERED at Indianapolis, Indiana this 22nd day of August 2024.

DIEGO MORALES
INDIANA SECRETARY OF STATE

Marie Castetter
MARIE CASTETTER
INDIANA SECURITIES COMMISSIONER