

# **BlackRock EMEA Baseline Screens Policy & Fundamental Insights Methodology**

## **BlackRock EMEA Baseline Screens**

In EMEA, BlackRock recognises that investors are increasingly using exclusionary screens to avoid exposure to certain companies or sectors that pose reputational risks or are not aligned with their beliefs and values. In order to offer scalable solutions to investors across different asset classes and investment styles, BlackRock has developed a set of exclusionary screens, “BlackRock EMEA Baseline Screens”, that seeks to address a majority of our clients’ requests for exclusions.

Where the BlackRock EMEA Baseline Screens are applied to a BlackRock managed fund, BlackRock will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in their opinion of, have exposure to, or ties with, certain sectors, namely:

<b>Sector</b>	<b>BlackRock EMEA Baseline Screen Policy</b>
<b>Controversial Weapons</b>	Issuers which are engaged in, or are otherwise exposed to, the production of controversial weapons (including, but not limited to, cluster munitions, biological-chemical, landmines, depleted uranium, blinding laser, non-detectable fragments and/or incendiary weapons).
<b>Nuclear Weapons</b>	Issuers deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.
<b>Fossil Fuels</b>	Issuers deriving more than 5% of their revenue from thermal coal extraction and/or thermal coal-based power generation, with the exception of “green bonds”, that are considered to comply with the International Capital Markets Association’s Green Bond Principles, from such issuers.  Issuers deriving more than 5% of their revenue from the production and generation of tar sands (also known as oil sands).
<b>Tobacco</b>	Issuers which produce tobacco products.  Issuers which derive more than 5% of their revenue from the production, distribution, retail and supply of tobacco-related products.
<b>Civilian Firearms</b>	Issuers which produce firearms and/or small arms ammunition intended for retail to civilians.  Issuers which derive more than 5% of their revenue from the distribution (wholesale or retail) of firearms and/or small arms ammunition intended for civilian use.
<b>Controversial Business Practices</b>	Issuers which have been deemed to have failed to comply with UN Global Compact Principles (which cover human rights, labour standards, the environment and anticorruption).

To undertake this analysis, BlackRock may use data generated internally and/or provided by one or more external ESG research providers. Further information about the ESG criteria used by the BlackRock, including information on how the limits and exclusions (as set out in the above paragraph) are applied, can be obtained on request.

## **Indirect Exposure**

Furthermore, each such fund may gain indirect exposure (through, including but not limited to, derivatives and shares or units of collective investment schemes) to issuers with exposures that are inconsistent with the ESG policy used by the BlackRock as described above. Circumstances in which such indirect exposure may arise include, but are not limited to, where a counterparty to a FDI in which the Fund invests posts collateral which is inconsistent with the Fund's ESG criteria or where a CIS in which the Fund invests does not apply any or the same ESG criteria as the Fund and so provides exposure to securities which are inconsistent with the Fund's ESG criteria.

## **Fundamental Insights Methodology**

Certain BlackRock managed funds may apply BlackRock's proprietary Fundamental Insights Methodology, alongside the BlackRock EMEA Baseline Screens, to identify otherwise excluded issuers that are considered appropriate for investment on the basis that they are "in transition" and focused on meeting sustainability criteria over time or are otherwise meeting other criteria as laid out in the table below.

Where the Fundamental Insights Methodology is applied to a BlackRock fund this will be made clear in its investment policy.

The Fundamental Insights Methodology has been designed to capture companies' business activities today as well as their future commitments. This is achieved by coupling the EMEA Baseline Screens with BlackRock's deep fundamental knowledge of the companies considered for investment. As the sustainable investment challenges ahead are complex and will disrupt economies and business in different ways, it is necessary to take a bottom-up approach as well as a top-down view of companies' business involvements and strategy. For example, the transition to net zero has the potential to adversely affect certain businesses, sectors, and societies more than others. To identify and allocate capital to those companies who play a crucial role in the transition, the Fundamental Insights Methodology looks to review companies with stringent forward-looking commitments in line with globally recognized frameworks such as the Science Based Targets initiative ("SBTIs") (<https://sciencebasedtargets.org/>).

The Fundamental Insights Methodology seeks to apply a rigorous fundamental analytical approach to business involvement exclusions in recognition of the complexity of corporate relationships and value chains.

<b>Sector</b>	<b>Funds will not invest in:</b>	<b>Funds may invest in:</b>
<b>Nuclear Weapons</b>	Issuers deriving any revenue from direct involvement in the production of nuclear warheads.	Issuers deriving less than 5% of their revenue from direct involvement in the production of nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons; and <ul style="list-style-type: none"><li>• that only supply countries signed up to the non-proliferation treaty; and</li><li>• have no significant controversies</li></ul>

Sector	Funds will not invest in:	Funds may invest in:
<b>Fossil Fuels</b>	<p>Issuers deriving more than 25% of their revenue from thermal coal extraction and/or thermal coal-based power generation, with the exception of “green bonds”, that are considered to comply with the International Capital Markets Association’s Green Bond Principles, from such issuers.</p> <p>Issuers deriving more than 25% of their revenue from the production of tar sands (also known as oil sands).</p>	<p>Issuers deriving less than 25% of their revenue from thermal coal extraction and/or thermal coal-based power generation and whose thermal coal extraction and/or thermal coal-based power generation capacity is not structurally increasing* and:</p> <ul style="list-style-type: none"> <li>• have credible transition or net-zero plans/SBTi-approved targets set at least at “Well Below 2°C” or have an SBTi “Business Ambition for 1.5°C” commitment ; and</li> <li>• have responsible reserve management plans; or</li> <li>• generate more than 50% of their revenue from renewable power sources or EU taxonomy-aligned activities</li> </ul> <p>Issuers deriving less than 25% of their revenue from the production of tar sands and whose production of or capacity for tar sands, is not structurally increasing* and have credible transition or net-zero plans.</p> <p>*Issuers growing through acquisition must have specific plans for transition and/or closure.</p>
<b>Tobacco</b>	<p>Issuers which produce tobacco products.</p> <p>Issuers which derive more than 5% of their revenue from the wholesale distribution and supply of tobacco-related products.</p>	<p>Issuers which supply products that are not exclusively tobacco related.</p> <p>Issuers that derive less than 10% of their revenue from the production, distribution, retail, and supply of tobacco-related products</p>
<b>Civilian Firearms</b>	<p>Issuers domiciled in the United States which produce firearms and/or small arms ammunition intended for retail to civilians.</p> <p>Issuers which derive more than 5% of their revenue from the production or retail distribution of firearms and/or small arms ammunition intended for civilian use.</p>	<p>Issuers not domiciled in the United States which produce firearms and/or small arms ammunition intended for retail to civilians and such firearms are:</p> <ul style="list-style-type: none"> <li>• only hunting or official sports weapons; and</li> <li>• are not automatic weapons</li> </ul>
<b>Controversial Business Practices</b>	<p>Issuers which have been deemed to have failed to comply with UN Global Compact Principles (which cover human rights, labour standards, the environment and anticorruption).</p>	Not applicable

Any exemptions requests under the Fundamental Insights Methodology require approval from BlackRock’s Investment Sustainability Committee. Any issuers granted such an exemption will continue to be monitored by the Committee to ensure they remain eligible in the future.

**Summary for comparison purposes only**

Sector	BlackRock EMEA Baseline Screen Policy	Fundamental Insights methodology	
		Funds will not invest in:	Funds may invest in:
<b>Controversial Weapons</b>	Issuers which are engaged in, or are otherwise exposed to, the production of controversial weapons (including, but not limited to, cluster munitions, biological-chemical, landmines, depleted uranium, blinding laser, non-detectable fragments and/or incendiary weapons).	Issuers which are engaged in, or are otherwise exposed to, the production of controversial weapons (including, but not limited to, cluster munitions, biological-chemical, landmines, depleted uranium, blinding laser, non-detectable fragments and/or incendiary weapons).	Not applicable
<b>Nuclear Weapons</b>	Issuers deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.	Issuers deriving any revenue from direct involvement in the production of nuclear warheads.	<p>Issuers deriving less than 5% of their revenue from direct involvement in the production of nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons; and:</p> <ul style="list-style-type: none"> <li>• only supply countries signed up to the non-proliferation treaty; and</li> <li>• have no significant controversies.</li> </ul>
<b>Fossil Fuels</b>	<p>Issuers deriving more than 5% of their revenue from thermal coal extraction and/or thermal coal-based power generation, with the exception of “green bonds”, that are considered to comply with the International Capital Markets Association’s Green Bond Principles, from such issuers.</p> <p>Issuers deriving more than 5% of their revenue from the production and generation of tar sands (also known as oil sands).</p>	<p>Issuers deriving more than 25% of their revenue from thermal coal extraction and/or thermal coal-based power generation, with the exception of “green bonds”, that are considered to comply with the International Capital Markets Association’s Green Bond Principles, from such issuers.</p> <p>Issuers deriving more than 25% of their revenue from the production of tar sands (also known as oil sands).</p>	<p>Issuers deriving less than 25% of their revenue from thermal coal extraction and/or thermal coal-based power generation and whose thermal coal extraction and/or thermal coal-based power generation capacity is not structurally increasing* and:</p> <ul style="list-style-type: none"> <li>• have credible transition or net-zero plans/SBTi-approved targets set at least at “Well Below 2°C” or have a SBTi “Business Ambition for 1.5°C” commitment; and</li> <li>• have responsible reserve management plans; or</li> <li>• generate more than 50% of their revenue from renewable</li> </ul>

Sector	BlackRock EMEA Baseline Screen Policy	Fundamental Insights methodology	
		Funds will not invest in:	Funds may invest in:
			<p>power sources or EU taxonomy-aligned activities</p> <p>Issuers deriving less than 25% of their revenue from the production of tar sands and whose production of or capacity for tar sands, is not structurally increasing* and have credible transition or net-zero plans.</p> <p>*Issuers growing through acquisition must have specific plans for transition and/or closure.</p>
<b>Tobacco</b>	<p>Issuers which produce tobacco products.</p> <p>Issuers which derive more than 5% of their revenue from the production, distribution, retail and supply of tobacco-related products.</p>	<p>Issuers which produce tobacco products.</p> <p>Issuers which derive more than 5% of their revenue from the wholesale distribution and supply of tobacco-related products.</p>	<p>Issuers which supply products that are not exclusively tobacco related.</p> <p>Issuers which derive less than 10% of their revenue from the production, distribution, retail and supply of tobacco-related products</p>
<b>Civilian Firearms</b>	<p>Issuers which produce firearms and/or small arms ammunition intended for retail to civilians.</p> <p>Issuers which derive more than 5% of their revenue from the distribution (wholesale or retail) of firearms and/or small arms ammunition intended for civilian use.</p>	<p>Issuers domiciled in the United States which produce firearms and/or small arms ammunition intended for retail to civilians.</p> <p>Issuers which derive more than 5% of their revenue from the production or retail distribution of firearms and/or small arms ammunition intended for civilian use.</p>	<p>Issuers not domiciled in the United States which produce firearms and/or small arms ammunition intended for retail to civilians and such firearms are:</p> <ul style="list-style-type: none"> <li>• only hunting or official sports weapons; and</li> <li>• are not automatic weapons</li> </ul>
<b>Controversial Business Practices</b>	Issuers which have been deemed to have failed to comply with UN Global Compact Principles (which cover human rights, labour standards, the environment and anticorruption).	Issuers which have been deemed to have failed to comply with UN Global Compact Principles (which cover human rights, labour standards, the environment and anticorruption).	Not applicable