

# Transparency Policy for BGF Climate Action Multi-Asset

## A sub-fund of BlackRock Global Funds

For use with professional, institutional, and qualified investors/professional clients.

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**Capital at risk.** All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

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# Contents

<b>Investment Team Overview</b>	<b>3</b>
<b>Investment Objective</b>	<b>4</b>
<b>Sustainability approach</b>	<b>5</b>
<b>Sustainability Restrictions</b>	<b>6</b>
<b>Important information</b>	<b>8</b>

# Investment Team Overview

The Multi Asset Strategies & Solutions (MASS) Diversified Strategies team focuses on delivering superior returns to clients through active asset allocation decisions and bespoke implementation of research views. As such, it focuses on establishing a “top-down” macro-economic view of the world and building portfolios that have a diversified set of research-driven investment themes and ideas consistent with that view. The MASS Diversified Strategies team believes ESG considerations are a vital component at all stages of the investment process (macro outlook, idea generation, implementation tools, portfolio construction, risk management, ongoing monitoring and reporting) given they point to risks that are often unaccounted for in traditional financial disclosures. In managing the BGF Climate Action Multi-Asset Fund, climate and transition risk considerations are given particular weight given the nature of the strategy.

# Investment Objective

(Please refer to prospectus for full investment objective)

The Climate Action Multi-Asset Fund seeks to maximise total return by investing in issuers globally that are expected to enable, and/or benefit from, the transition to a lower greenhouse gas emissions economy and to net zero carbon emissions.

The Fund will focus on issuers that are driving the reduction of greenhouse gases across all segments of the market and that provide solutions for the mitigation and/or adaptation of climate change, change risk or which are in the process of making their business models more resilient to the long-term risks presented by climate change and resource depletion across multiple sub-themes driven by the climate action theme, including (without limitation) the following: clean power, resource efficiency, sustainable nutrition, biodiversity and clean transport. The issuers are evaluated by the Investment Adviser based on their ability to manage the risks and opportunities associated with the future climate theme and their environmental, social and governance (ESG) risk and opportunity credentials.

The Climate Action Multi-Asset Fund is an SFDR Article 9 Fund. For Article 9 Funds, a majority of the assets will be invested in sustainable investments. In addition to exposure to Sustainable Investments, all holdings within these Article 9 Funds will be assessed as doing no significant harm.

# Sustainability approach

## **1. Clear focus on carbon reduction and alignment with net zero carbon emissions**

The Fund incorporates an explicit objective of reducing the portfolio's current carbon exposure versus the risk benchmark and incorporating a year-on-year decarbonization rate.

## **2. Commit capital to issuers that are driving the reduction of greenhouse gases**

We believe climate investing needs to go further than simply avoiding companies that do not align to an emissions target. As a result, we seek to allocate to strategies that are innovating to create solutions for a lower carbon future and invest in broader climate change themes such as clean power, resource efficiency, sustainable nutrition, biodiversity and clean transport.

## **3. Utilise Exclusionary Screens**

As well as ensuring that we only invest in issuers that are aligned with our clients' values, we also believe that these screens can help to reduce specific controversy risk that can lead to underperformance at the issuer level. The fund applies both value and norm-based screens to holdings in direct securities within equities and credit as detailed below in Investment Restrictions.

### **Additional criteria**

The weighted average ESG rating of the Fund will be higher than the Index after eliminating at least 20% of the least well-rated securities from the Index. The weighted average ESG rating excludes certain asset classes, such as funds, that are not supported by ESG rating providers. In such cases, the Investment Adviser will assess these holdings to ensure they are in line with the Environmental objective of the Fund.

In meeting these goals, we believe it is crucial for us to have a high degree of engagement with the companies in which we invest. We expect companies to have clear policies and action plans to manage climate risks and to realise opportunities presented by the global energy transition. Investors and other stakeholders will look at companies' disclosures to analyze how climate risk is integrated into their long-term strategies and evaluate their preparedness for a transition to a low-carbon economy. We partner closely with the

**BlackRock Investment Stewardship** group to ensure that the companies we own, or are considering owning, are meeting the high standards that we set and/or moving in the right direction to a greener future.

# Sustainability Restrictions

Please note that we may seek to make further portfolio restrictions at our discretion in order to comply with regulations or ESG guidelines, whether internal or external.

**Applicable Asset Classes:** Direct investment in Equities and Corporate Bonds

**Asset classes not covered by the below:**

- Derivative based instruments
- Cash
- ETF's

ESG screens are available through the attached link : <https://www.blackrock.com/corporate/literature/publication/blackrock-baseline-screens-in-europe-middleeast-and-africa.pdf>

**Normative screening:**

The fund intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

- **OECD** Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- The UN Human Rights Norms for Business
- **ILO** Conventions, 4 Principles
- Kyoto Protocol to the United Nations Framework on Climate Change
- The United Nations Framework Convention on Climate Change

**Sovereign allocation:**

The fund does not currently and does not intend to invest in any sovereign issues from states that are deemed as "Not Free" by the Freedom House 'Freedom in the World'- survey.

The fund also does not currently and does not intend to invest in any states that have not ratified or have not implemented in equivalent national legislation:

- the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
- at least half of the 18 core International Human Rights Treaties

States which are not party to:

- the Paris Agreement
- the UN Convention on Biological Diversity
- the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF

- States with less than 40/100 on the Transparency International Corruption Perception Index

### **Sector Screens:**

#### **Weapons:**

- **Controversial Weapons:** The Fund intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).
- **Civilian firearms:** The Fund intends to exclude direct investment in securities of issuers which produce firearms intended for retail to civilians or deriving over 5% of revenue from the retail of firearms to civilians.
- **Conventional weapons:** The Fund intends to limit direct investment in conventional weapons by excluding issuers which derive 5% or more revenue from the production of conventional weapons and issuers which derive 5% or more aggregate revenue from weapons systems, components, and support systems and services.

**Thermal Coal:** The fund intends to exclude direct investment in securities of issuers with over 5% of revenue from thermal coal related activities. Exceptions are made for securities of issuers in the thermal coal value chain with appropriate SBTi targets set, or if more than 50% of CapEx is dedicated to contributing activities.

**Unconventional and conventional oil and gas:** The fund intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities. Exceptions are made for securities of issuers with appropriate SBTi targets set, or if more than 50% of CapEx is dedicated to contributing activities, except in the case of oil sands activities.

**Conventional oil and gas:** The fund intends to exclude direct investments in securities of issuers with over 5% of revenue from conventional oil and gas-related activities. Exceptions are made for securities of issuers with appropriate SBTi targets set, or if more than 15% of CapEx is dedicated to contributing activities.

**Power Generation:** The fund intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7d).

**Nuclear power:** In addition to the nuclear power generation limitations mentioned above, the fund intends to exclude direct investment in the securities of issuers deriving 15% or more aggregate revenue from production, supply and mining activities related to nuclear power.

**Energy Sector:** The fund intends to limit direct investments to all companies within the GICS Energy Sector to below 5%.

**Tobacco:** The Fund intends to exclude direct investment in securities of tobacco producers and issuers deriving over 5% of revenue from tobacco retailing, distribution and licensing.

# Important information

## Risks:

**Capital at risk.** All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

## Fund specific risks:

### Fixed income risk

Two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to repay the principal and make interest payments.

### Distressed securities

The fund may invest in securities whereby the issuing company has a high risk of defaulting on their interest payments, capital repayment or both. In the event of default, the value of the investment may reduce.

### Equity risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

### Structured Credit Products

The fund(s) may invest in structured credit products such as asset backed securities ('ABS') which pool together mortgages and other debts into single or multiple series credit products which are then passed on to investors, normally in return for interest payments based on the cash flows from the underlying assets. The stability of returns from ABS are dependent on changes in economic conditions, interest rates (albeit given the floating rate nature of the asset this risk is limited when compared to corporate bonds) and repayments of the underlying loans because of changes in economic conditions or the circumstances of the holder of the loan.

## ESG Investment Statements

This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This is for



illustrative and informational purposes and is subject to change. It has not been approved by any regulatory authority or securities regulator.

The environmental, social and governance (“ESG”) considerations discussed herein may affect an investment team’s decision to invest in certain companies or industries from time to time. Results may differ from portfolios that do not apply similar ESG considerations to their investment process.

### **Emerging Markets**

Emerging market investments are usually associated with higher investment risk than developed market investments. Risks associated with emerging markets include (but are not limited to): i) increased legal risk as certain countries lack a fully-developed legal system; ii) increased risk of bribery, corruption and fraud; iii) increased political and social instability; iv) increased economic instability; and v) increased risk of inflation.

### **Credit risk – government bonds**

Fixed income securities issued by governments can be affected by the perceived stability of the country concerned and proposed or actual credit rating downgrades.

### **Liquidity Risk**

The Fund’s investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

### **Loans – Subordinated Claims**

Although it is intended that the investments will generally be secured, the claims of the Fund against a borrower in respect of an investment may, in some instances, be subordinated to those of other secured creditors. The assets of the portfolio may include first lien senior secured debt and may also include selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital.

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