**Introductory Statement**

BlackRock (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Principles”).

As of March 2021, this Disclosure Statement applies to the following Covered Assets that align with the Principles:

- BlackRock Global Renewable Power strategy, within BlackRock’s Alternative Investments business;¹
- BlackRock Global Impact strategy, within BlackRock’s Fundamental Active Equity business
- BlackRock Green Bond Index strategy, within BlackRock’s Fixed Income and iShares businesses

The total value of the Covered Assets in alignment with the Principles is US$6.87 billion as of December 31st, 2020.²

Paul Bodnar  
Global Head of Sustainable Investing  
August 30, 2022³

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¹ Within the Global Renewable Power strategy, these Principles apply to all new investments made following the effective date noted above.
² Stated assets under management includes committed and invested capital as of December 31st, 2020.
³ Please note these disclosures were published in 2021 but amended in August 2022 to reflect updates following the independent verification.
Introduction

BlackRock’s purpose is to help more and more people experience financial well-being. We dedicate ourselves to looking after and growing the value of our clients’ assets over the long-term. This includes a focus on sustainability. We have a platform of dedicated sustainable investment solutions that seek to align capital with positive social and environmental outcomes. Across our impact investing solutions specifically, BlackRock is committed to ensuring that impact considerations are integrated throughout the investment lifecycle and aligned with the Operating Principles for Impact Management.

At BlackRock, our impact investing strategies span both the public and private markets, including public equities and renewable power infrastructure specifically. While the private markets have historically been the dominant asset class for impact investing globally, we believe impact investing across both private and public asset classes has the potential to offer much-needed solutions in a space with strong demand but inadequate supply. For developing markets alone, the world faces a shortfall of approximately US$2.5 trillion annually to meet the United Nations Sustainable Development Goals (the “SDGs”) by 2030.4 We believe existing contributions from companies, governments and other organizations are not nearly enough to meet this need, which continues to increase in the wake of the COVID-19 global pandemic.

Given the magnitude of the need and the extraordinary opportunity, we must find ways for public and private markets to scale impact investing with integrity. By offering impact investing through public equities in addition to private markets, we believe a broad new cohort of investors can participate and provide much needed capital, democratizing access to impact investing.

There is much work and exciting innovation to be achieved in order to advance the impact investing ecosystem. The Operating Principles for Impact Management provide a helpful, unified approach to this practice. We strongly believe that for impact investing to help solve the great social and environmental problems that exist today and provide investment solutions that incorporate the risk around such problems, we must support impact investing as an interconnected ecosystem across asset classes, intermediaries, and end beneficiaries.

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Senior Management’s Statement on BlackRock Financial Management Inc’s (the “Company”) description of the policies and processes in place as at March 31, 2021 for the in-scope investment strategies (the “Description”) to address the Operating Principles for Impact Management (the “OPIM Principles”).

As Senior Management of BlackRock Financial Management Inc we confirm that we are solely responsible for the preparation of the Disclosure Statement including this Senior Management’s Statement and for reporting the policies and processes in place as at March 31, 2021 as described on pages 6 to 20 of the BlackRock OPIM Disclosure Statement in accordance with the reporting criteria set out below.

We confirm, to the best of our knowledge and belief, that we have:

- designed, implemented and maintained internal policies, processes and activities over information relevant to the measurement, evaluation and preparation of the Description that is free from material misstatement, whether due to fraud or error;
- established objective reporting criteria for preparing and presenting the Description, including clear definition of the entity’s organizational boundaries, and applied them consistently;
- presented information, including the reporting criteria, in a manner that provides relevant, complete, reliable, unbiased/neutral, comparable and understandable information;
- reported the Description in accordance with the reporting criteria.

In addition, the accompanying Description on pages 6 to 20 fairly presents the company’s policies and processes in place as at March 31, 2021 to address the OPIM Principles for the in-scope investment strategies. The reporting criteria used in making this statement were that the accompanying description:

- addresses key aspects of the company’s processes to align with the OPIM Principles;
- the Description is prepared at a level of detail to provide the intended users with sufficient information to obtain an understanding of our application of the OPIM Principles;
- does not include ambiguous statements or statements where the meaning is unclear;
- does not present information in vague terms that would mislead the reader;
- the Description is prepared in a manner that does not omit or distort information that might affect the decisions of the intended users as a group;
- does not omit information for which there is evidence that suggests it should have been included;
- includes relevant details of changes to the organizational boundaries and any changes to entity’s processes for managing the activities referenced in the Description during the period covered, including clear and reasonable justification for such changes;
- does not omit information relating to a significant subsequent event that would be likely to change the decisions of intended users.

Global Head of Sustainable Investing
BlackRock
August 30, 2022
Disclosure Statement

PRINCIPLE 1: DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power strategy seeks to invest capital in a diversified portfolio of renewable power projects and platforms as well as climate infrastructure assets which aim to deliver positive and measurable environmental and social impacts, in addition to financial returns. The BlackRock Global Renewable Power Team applies the investment strategy at a portfolio level through capital deployment in the effort to achieve appropriate risk adjusted returns and impact objectives. Increased capital deployed results in increased impact outcomes, demonstrating the size of the investment portfolio is proportionate to overall portfolio impact.

Each potential investment is evaluated with reference to five predefined impacts including carbon dioxide (CO₂) savings, water savings, homes powered by clean energy, job creation and community benefits. These impacts are assessed during the investment process and positive environmental and social impact outcomes are reported back to clients via quarterly investor reports. The positive and measurable environmental and social impacts that the strategy seeks are aligned with a subset of the Sustainable Development Goals (SDGs) as currently set forth by the United Nations. Of the current SDGs, the strategy relates, in particular, to SDG 6 (“Clean Water and Sanitation”), 7 (“Affordable and Clean Energy”), 8 (“Decent Work and Economic Growth”), 11 (“Sustainable Cities and Communities”) and 13 (“Climate Action”), and may align with any future additions or modification to the SDGs.

BlackRock Global Impact Team Approach:

The BlackRock Global Impact Team invests only in companies whose core products and/or services address some of the world’s major social and environmental challenges and advance the United Nations Sustainable Development Goals (SDGs) and Targets. These include improving access to affordable housing, clean water, healthcare, education, and financial services, as well preventing climate change and reversing environmental degradation.

To target a high standard of impact, our impact criteria requires for each company: materiality (that a majority of revenues or business activity advances one or more of the SDGs; additionality (that a company’s offerings address a specific need that is unlikely to be met by other agents), thereby creating impact; and measurability (that the impact a company is achieving over time can be quantified). Intensity of the impact is also addressed through additionality, which means if not for that company, the impact outcome likely would not have occurred, so the intensity would be unlikely otherwise. An active management approach is key in finding companies with impact at their core as it requires forward-looking insight to identify companies that can bring differentiated and scalable impact.
In addition to our impact goals, our investment objective and process seeks to maximize long-term total returns through active investment in companies whose goods and services we believe help solve some of the world’s great social and environmental problems. This strategy also aligns with long-term impact.

**BlackRock Green Bond Index Team Approach:**

The BlackRock Green Bond Index strategy seeks to invest capital in qualifying green bonds selected for inclusion in the Bloomberg Barclays MSCI Green Bond Index.

**Green Bond Definition:** A green bond is a type of fixed income instrument that specifically and solely dedicates its proceeds to financing new or existing projects that advance environmental objectives. Issuers set the qualifying criteria for these green projects and have used the bonds to finance initiatives in fields such as renewable energy, green buildings, wastewater management, energy efficiency and public transportation.

Unlike a debt offering from a company that presents its overall operations as environmentally friendly, green bond proceeds are ring-fenced on the issuer’s balance sheet, set aside for the exclusive purpose of financing one or more projects deemed environmentally beneficial. A green bond’s return, however, is backed by the credit of the issuer as a whole.

**For the indices currently tracked by our green bond index strategies,** securities are independently evaluated by MSCI ESG Research LLC along four dimensions to determine whether a fixed-income security should be classified as a green bond. These eligibility criteria reflect themes articulated in the Green Bond Principles and require clarity about a bond’s:

1. stated use of proceeds; Use of proceeds and project bonds are considered eligible if the use of proceeds falls within at least one of six eligible environmental categories defined by MSCI ESG Research (alternative energy, energy efficiency, pollution prevention and control, sustainable water, green building, climate adaption)\(^5\)
2. process for green project evaluation and selection;
3. process for management of proceeds; and
4. commitment to ongoing reporting of the environmental performance of the use of proceeds.

The BlackRock Green Bond Index strategy enables funding opportunities in projects that contribute to environmental sustainability. Our support for this asset class is evidenced by the creation of this strategy and our involvement in support of the growth of the green bond market. The index follows up with the relevant issuers regarding clarifications on disclosed green projects/project categories to ensure that they are in line with index guidance and have the intended achievement of green and social impact. In addition, as financed projects are tied to environmental KPIs, the index puts issuers on watch 12 months post issuance if no impact reporting is released, and if the issuer does not post an impact report after 6 months on watch, related issuances will be dropped from the index.

In addition to investing in Green bonds, we have contributed to the support of this asset classes in other ways. For three years, we have published a Green Bond Impact report, where we aggregate the quantifiable environmental benefits across our fund’s holdings of green bonds. To do this, we reach out and capture all the different impact reports that are now being published by the issuer community.

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\(^5\) In cases where project categories do not overlap entirely, MSCI ESG Research will consider bonds eligible if at least 90% of the projected use of proceeds falls within eligible categories.
PRINCIPLE 2 – MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power strategy applies impact screening criteria across all portfolio investments. Each investment is evaluated on five predefined impacts including carbon dioxide (CO₂) savings, water savings, homes powered through clean energy generated, job creation and community benefits. The BlackRock Global Renewable Power Team monitors achievement of impact, alongside ESG performance, as a key part of the ongoing management of its portfolio of investments. As impact outcomes are driven by overall portfolio performance, there is alignment between achievement of impact objects and achievement of financial objectives.

The impact management process begins during the early stages of the due diligence process. Each prospective investment’s impact objectives, including contribution to the SDGs and management of ESG considerations alongside the project’s potential to generate commercial returns, serve as key criteria for further due diligence.

In the second stage of diligence, the Investment Team evaluates multiple dimensions of impact by considering the expected positive impacts and impact risks associated with the project.

During the Investment Committee approval process, the key impact metrics are established to be monitored over the holding period. Performance against expectations is evaluated by the Global Renewable Power Management Committee on a quarterly basis and key impact metrics at the portfolio level are communicated to investors via the Quarterly Investor Report.

BlackRock Global Impact Team Approach:

The BlackRock Global Impact Team monitors impact over time, including the measurement of the entire portfolio and formally reporting impact metrics to clients on an annual basis for a diverse selection of companies held in the portfolio. Additionally, the Team anchors our impact management and measurement (IMM) approach to what we believe reflects best practices.

First, we seek to ensure that our IMM process is transparent, repeatable and auditable. We see many benefits to this approach, including having a mechanism to hold ourselves accountable, a feedback loop to our impact thesis and theory of change, and a path for improving our practice over time. Second, we integrate impact analysis throughout the investment process, including the identification of preliminary impact indicators before investing. Third, our aim is to adopt industry-leading frameworks as much as possible, using what is relevant to, and consistent with, our investment process. We believe this approach increases the comparability of impact measures across investments over time and helps avoid the proliferation of disparate methodologies in the industry.

Reflecting these views, we have combined the following four leading, third-party industry frameworks to enable us to provide clients with a robust and multifaceted practice to establish and manage impact on a portfolio basis.
1. The Impact Management Project’s Five Dimensions of Impact

2. The Global Impact Investing Network IRIS+ System and Taxonomy

3. The UN Sustainable Development Goals and Targets

4. The Operating Principles for Impact Management

We also require the companies in which we invest to meet the following criteria for materiality and additionality. Failing to meet either of these criteria will result in removal from the portfolio, which is the responsibility of our Global Impact portfolio management team.

1. To meet the materiality criterion, generally a company must have greater than 50% of its revenues from products and services helping to solve a major social or environmental problem, as represented by our impact themes and the United Nations Sustainable Development Goals (SDGs) and underlying targets. Our minimum requirement of more than 50% of revenues helps ensure that we are investing only in companies that create impact from the core of their business.

2. To meet the additionality criterion, a company’s products or services must address a need that is unlikely to be fulfilled by others (such as competitors or governments). The primary sources of company additionality are the application of innovative technologies or innovative business models, as well as the delivery of a company’s products to underserved populations. By requiring additionality for impact companies, we seek to invest in disruptive innovation helping to meet essential needs where there is strong demand but inadequate supply. Notably, the assessment of additionality requires significant fundamental research.

We do not explicitly assign a percentage of compensation to a quantified level of impact achieved, which would imply false precision among other assumptions; however, the team's compensation structure is heavily skewed on long-term performance and evaluated by senior management on the integrity of the investment process, which for Global Impact, includes integrity of impact analysis built into the governance process.

**BlackRock Green Bond Index Team Approach:**

Our process for establishing and monitoring impact performance in the portfolio begins with our efforts to ensure the investible universe consists of best-in-class bonds from an impact perspective. In this regard, the BlackRock Green Bond Index portfolio management team encourages better green bond issuance in the market by engaging with participants in the green bonds ecosystem and by engaging with index provider on the ongoing construction of the Green Bond Index.

For instance, we serve on the Executive Committee of the Green Bond Principles and we engage with MSCI on specific issuers’ impact qualifications. On an ongoing basis, we are actively engaged in a feedback loop on the evolution of the MSCI Green Bond Index. Specifically, we engage directly with MSCI when we disagree that an issuer should not have been included in the index; we share our views on whether new and innovative themes in the broader market should be captured in the green bond index; and we engage directly with issuers if we feel disclosure is not sufficient. Issuers that lose their green bond status are rejected from the index on a monthly basis. We have developed a portfolio-level impact reporting framework, reporting on criteria such as carbon emissions avoided, renewable capacity installed, and energy savings alongside investment.
PRINCIPLE 3 – ESTABLISH THE MANAGER’S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial channels (e.g., improving cost of capital, specific financial structuring, offering innovative finance instruments) and/or non-financial channels (e.g., active shareholder engagement, assisting with resource mobilization, providing technical advice or capacity building, helping investees meet higher operational standards). The narrative should be stated in clear terms and supported, as much as possible, by evidence.

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power strategy contributes to the achievement of impact through financial channels which include providing development and construction capital for projects as well as engagement and active asset management through the ownership period. Further, the reduction of risk at the investment and portfolio level has the potential to attract lower cost of capital. The Investment Team, together with the Global Renewable Power Technical and Operations Teams, which are comprised of professionals with in-depth knowledge of the technological aspects of a potential investment, are involved in leading some of the key deal contractual arrangements to help ensure that projects are built to standard, on time and on budget. Technical expertise and commercial experience are used to help drive additional value to each renewable power investment (e.g., potential repowering, which may result in greater generation capacity, and therefore greater potential impact). Each investment is evaluated on a “buy and hold” basis alongside the Fund hold base case to help ensure a long-term view of the viability and impact.

The BlackRock Global Renewable Power strategy further aims to achieve impact through non-financial channels by working closely with asset management teams to identify opportunities to contribute to and donate to local communities where relevant.

BlackRock Global Impact Team Approach:

Investor contribution is achieved through the collective execution of these five activities, which we have created as a set and believe are best practices in public equities:

1. Invest with a long-term, ownership mindset
2. Engage with companies to help enhance their lasting impact
3. Create a better marketplace for Impact companies seeking a responsible exit from private equity
4. Invest capital when an impact company needs to raise more capital
5. Bring much needed visibility to undervalued Impact companies

With these five tools in our strategy toolkit, we deploy any combination of these mechanisms to help drive impact. Our long-term, ownership mindset is critical in our constructive and strategic engagement efforts. Through engagement, we seek to help our invested impact companies deliver impact outcomes through their disruptive products and services. We believe our experience investing globally has afforded us valuable insights that we can, in turn, bring to the companies with which we engage. At the same time, we are keenly aware that the solutions to seemingly similar social and environmental issues often must be tailored to the company’s regions, social norms, target demographics and policy contexts, among other considerations.

In addition to our long-term horizon and impact engagement strategy, we strive to create a better marketplace for impact companies seeking a responsible exit from private equity. We seek anchor investments in their initial public offerings (IPOs), and aim to provide patient capital and long-term investment partnerships.
We recognize that a company’s need for capital continues throughout its business lifecycle. A company can seek to raise more capital over time by issuing additional shares of public equity and bonds. We regularly engage with companies and have seen that their need for additional capital can easily come at inopportune times. As impact investors, we believe our willingness to participate in a capital raise aligns with the dual objective of achieving long-term impact and financial success. Moreover, capital raise transactions often take place in private institutional deals that are not available to individual investors; thus our participation reflects our investor contributions as an institutional impact investor. Lastly, we bring much needed visibility to impact companies. These enterprises are often overlooked and misunderstood by mainstream investors.

**BlackRock Green Bond Index Team Approach:**

BlackRock has contributed to the early development and continued growth of the green bonds market. As a founding member of the Green Bond Principles and as a member of its Executive Committee since its inception, we meet regularly with issuers, underwriters, and public regulators to support the standards, integrity, and growth of green bonds as an asset category.

In addition to our standard setting work, we collaborated with MSCI on the criteria for green bonds in the development of the Bloomberg Barclays MSCI Green Bond Index. MSCI independently finalized the index methodology, and we intentionally selected this specific index to launch our Green Bonds Index strategy because MSCI’s Green Bonds assessment framework leverages the Green Bond Principles, which principally aligns with BlackRock’s views on green bonds.

On an ongoing basis, we are actively engaged in a feedback loop on the evolution of the Bloomberg Barclays MSCI Green Bond Index. Specifically, we engage directly with MSCI/Bloomberg when we disagree that an issuer should not have been included in the index; we share our views on whether new and innovative themes in the broader market should be captured in the green bond index; and we engage directly with issuers if we feel disclosure is not sufficient. Issuers that lose their green bond status are rejected from the index on a monthly basis.

To further support the integrity and growth in the green bonds market, we recognize the need for measurability and have developed a proprietary green bond taxonomy that shades each BlackRock-labelled green bond on a scale of Very Light Green to Dark Green, based on the bond’s intended use of proceeds, associated environmental benefits, and its issuers’ ongoing commitment to allocation and impact reporting. We have built and actively maintain a BlackRock labelled and shaded green bond universe and readily share our shading taxonomy with issuers and underwriters.
For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment’s expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager’s strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

**BlackRock Global Renewable Power Team Approach:**

During the due diligence process, the expected impact of the investment is assessed through a results measurement framework that includes the nature and size of expected impact, parameters for measurement, and the identification of risks to delivering impact with proposed mitigation strategies. Impacts are assessed at the global and local level and impact metrics are aligned with the GIIN’s IRIS+ System and Taxonomy and the UN SDGs.

The Investment Team prepares impact projections that outline an investment’s expected impact over time and presents it to the Investment Committee. Moreover, the Investment Team outlines in the Investment Committee paper the plan to deliver the impact of the investment and identifies any risk factors to achieving the intended impact.

As part of the ongoing tracking of impact performance, the Renewable Power Portfolio Operations team is in regular dialogue with the projects’ asset management teams to identify potential risk mitigation strategies and to evaluate the likelihood of delivering on intended impacts at the portfolio level. The team also considers opportunities identified by the asset managers for increasing the core impacts and for additional indirect impacts. The Renewable Power Operations Committee then monitors and reports on the activity at each operational investment during its meetings throughout the year.

**BlackRock Global Impact Team Approach:**

The Global Impact Team selects companies for inclusion in our portfolios by drawing upon holdings from a large and proprietary universe of companies globally whose core products or services address some of the world’s major social and environmental challenges. Each analyst assesses how significant is the intended impact in their impact thesis when they are evaluating a company for the impact universe. The impact case includes identifying the social or environmental problem, how the company addresses that problem and the additionality offered by the company. Our impact universe is not static, but rather consists of an open architecture for ideas from colleagues in other investment teams, which creates a continuous feedback loop to our team and provides fresh ideas for the universe. We require all impact companies to meet our criteria for additionality and materiality, as discussed under Principle 2. Failing to meet these either criterion will result in removal from the universe and portfolio.

For all holdings in a Global Impact portfolio, we apply the Impact Management Project’s Five Dimensions framework and evaluate each dimension: Who, What, How Much, Contribution, and Risk. We based our impact metrics on the GIIN’s IRIS+ System and Taxonomy, and we tag our holdings to not
only the UN Sustainable Goals, but also the underlying targets, where possible. Notably, the IRIS+ taxonomy and UN SDG targets cover most, but not all, relevant impact metrics that we have uncovered through our active management research; in the event where such standardized metrics fall short, we use our bespoke metrics and indicate so for full transparency.

We integrate impact analysis throughout the investment process, including the identification of preliminary impact metrics before investing. In addition, we believe our adoption of frameworks by the GIIN, Impact Management Project, and SDGs, increases the comparability of impact measures across investments over time and helps avoid the proliferation of disparate methodologies in the industry. Additionally, we engage with companies strategically to enhance impact outcomes.

**BlackRock Green Bond Index Team Approach:**

The transparency afforded to green bond investors via impact reporting is a unique feature of the instrument. All green bonds must report the environmental metrics of the projects funded by their proceeds on an annual basis. Historically, it has been challenging to capture the aggregated impact from multiple green bond holdings, as reporting is not standardized, and projects may fund improvements across multiple metrics.

BlackRock is one of the few asset managers to offer portfolio level impact reporting for a green bond strategy (iShares Green Bond Index strategy), helping investors to track and understand the tangible impact of an investment. The ESG team reaches out to each issuer held in the strategy directly to help ensure that we have a comprehensive picture of impact reporting provided for the investment included in the fund. That data is collected, cleaned, categorized, and stored in our BlackRock Aladdin® system, enabling us to correctly assign the appropriate impact for any certain holding size in the fund. We have provided the following publications on this process and the resulting impact report.

https://www.blackrock.com/us/individual/insights/how-green-is-your-bond


In our review of the impact reporting and annual update, we evaluate impact reporting provided by issuers and report on what the intended impact is, who experiences/benefits from the intended impact, and how significant the intended impact is. Reporting is monitored and bonds can be removed if the issuer fails to report at least annually. An eligible green bond’s prospectus or supporting documentation (such as a green bond framework) must clearly identify the specific criteria and process for determining eligible projects or investments, and a formal process to ring-fence net proceeds must be disclosed.

The BlackRock team is collaborating among those directly involved in the market such as issuers, investors, and asset managers to work towards harmonized green bond reporting practices, such as the Green Asset Wallet and the Nasdaq Sustainable Bond Network. We are also represented on the Impact Reporting working group at the ICMA Green Bond Principles. Our participation in the market and our engagements relay opportunities for credible green bonds from existing issuers and new issuers in the market.
PRINCIPLE 5 – ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power Team recognizes the environmental, social and governance impacts of our investments and is committed to managing these impacts in a responsible manner, ensuring compliance with applicable laws and regulations. Given the long term and physical nature of our renewable power investments, we consider effective ESG assessment and management to be a fundamental component of risk management.

During the due diligence phase, the Investment Team assesses the ESG risks of a prospective investment in the form of the Real Assets Investment ESG Questionnaire (“ESG Questionnaire”). The ESG Questionnaire provides a comprehensive framework to the Investment Teams across BlackRock’s Global Real Assets platform, to assist with identifying and collating information on potential ESG risks associated with all new investments.

The ESG Questionnaire is a list of questions on potential ESG risks and opportunities to support the wider due diligence being undertaken by the Investment Team. The findings of the questionnaire aim to identify any key risks associated with each investment and enable greater due diligence, and ultimately improve investment decision making. The completed questionnaire is included in the Investment Committee paper for each investment.

In the post-investment phase, the Investment Team works collaboratively with the project’s asset manager or management team to closely monitor ESG characteristics and engages as needed to address any unexpected events. Highlighted ESG risks are monitored and reviewed by the Management Committee on a quarterly basis via the ESG Risk dashboard.

BlackRock Global Impact Team Approach:

In addition to documenting positive impact performance, our investment processes include the evaluation of negative externalities that matter deeply to us as impact investors. To evaluate “net impact,” we focus on the IMP’s risk dimension, which is one of the IMP’s five dimensions.

Here, we incorporate ESG analytics into our research, engage with companies based on our proprietary ESG research and insights, and seek a holistic view of a business’ net impact. In addition, as a matter of policy, we avoid investing in specific categories, including controversial weapons, tobacco producers, and all UN Global Compact violators. Based on our research on negative externalities, depending on the issue and the result of any engagement with the company, we can either avoid holding the company, change our position size, or maintain the position size, while engaging further with company management on our specific concerns.
BlackRock Green Bond Index Team Approach:

There are two areas that BlackRock focuses on when evaluating the negative impacts of investments in the green bond space. The first is around the “ringfenced use of proceeds”. BlackRock is keen that the use of proceeds from a green bond follows globally accepted norms around Do No Significant Harm (DNSH), whether that is environmental or social. As we rely and encourage adherence to the ICMA Green Bond Principles, we highlight language that is embedded in the 2021 Green Bond Principles under the second pillar “Process for Project Evaluation and Selection”:

The issuer of a Green Bond should clearly communicate to investors:

- Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).

Issuers are also encouraged to:

- Have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.

Additionally, within the MSCI guidelines for Green Bond Index, bonds are excluded if they have negative potential environmental or social externalities for certain categories. For example,

- Due to their potential environmental and social externalities, large-scale hydroelectric projects are only eligible if they satisfy one of the following international sustainability best practices:
  - Hydropower Sustainability Protocol – published assessment report and score of 3 or above (i.e., in line with “Good Practices”) on all relevant pillars; or
  - International Finance Corporation (IFC) Performance Standards – publicly stated commitment to meet the requirements outlined by all eight IFC performance standards.

In addition to the monitoring of “Use of Proceeds”, BlackRock also engages with issuers holistically. Our global stewardship team consists of 65+ people across 8 offices who have regional presence and local expertise across 57 voting markets. This globally coordinated team enables us to better understand the context within which a company is operating. We engage companies on such topics as climate and natural capital, human capital and human rights, and inclusion and diversity amongst others.

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8. https://www.ifc.org/wps/wcm/connect/Topics.Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards
PRINCIPLE 6 – MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT EXPECTATIONS AND RESPOND APPROPRIATELY

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes (i.e., short-term and medium-term effects of an investment’s outputs, which are the products, capital goods, and services).

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power Team has developed reporting to monitor progress towards achieving impact performance over the short and medium term. These dynamic reports track key performance indicators for each investment through data compiled from monthly reports provided to our team by our asset managers. The key impact metrics are defined for all of our strategy’s investments to capture tangible outputs. When impact is significantly different from expectations, portfolio team members engage with the appointed third-party asset manager to determine the appropriate action to pursue.10

The team has governance processes in place to ensure effective communication between appointed third-party asset managers and the BlackRock Renewable Power Technical and Operations teams which enables performance updates to be delivered to the Team via a monthly reporting framework.

BlackRock Global Impact Team Approach:

The Global Impact Team identifies preliminary impact indicators before investing in a company and evaluates the company’s impact over time. The investment and impact analysts meet weekly to review impact outcomes. On an annual basis for our clients, we conduct our deepest dive on impact achievements and formally report impact metrics for companies’ calendar year or fiscal year period.

We evaluate and assess impact along the IMP Five Dimensions, utilize the GIIN’s IRIS+ System and taxonomy, and obtain data based on publicly available company documents, including company annual reports and regulatory filings, as well as through our research and engagement efforts with each company. We also monitor companies for its adherence to our criteria on materiality and additionality.

Our data sources are documented, auditable, and transparent, providing a feedback loop to our impact thesis and theory of change and a path for improving our practice over time. If a company falls short of our expectations and impact criteria, we will engage with the company to better understand the shortcoming, to learn about any new directions of the business, and to help us build a better long-term picture of future impact. If the business no longer meets our material, additional, and measurable

10 From the strategy inception to the disclosure date (March 2021) there were no such periods of impact performance significantly different than expectations.
criteria for impact, we eliminate the company from both the portfolio and the universe of impact companies.

**BlackRock Green Bond Index Team Approach:**

We engage and follow-up with issuers on an annual basis when we follow up with updating the green bond strategy’s impact report to ensure that we as investors are comfortable with each green bond and green bond program’s use of proceeds. We chose the Bloomberg Barclays MSCI global green bond index as the green bond index because as a part of the index schema, for an issuance to be classified as a green bond, a security’s use of proceeds must fall within one of MSCI’s defined environmental categories: alternative energy, energy efficiency, pollution prevention & control, sustainable water, green building, climate adaptation. At issuance, issuers must report on eligible projects or state its commitment to report within one year of issuance. Reporting will be monitored, and bonds can be removed if the issuer fails to report at least annually. An eligible green bond’s prospectus or supporting documentation (such as a green bond framework) must clearly identify the specific criteria and process for determining eligible projects or investments, and a formal process to ring-fence net proceeds must be disclosed. This ensures a dual tracking of allocation and impact reporting follow up.

If an issuer has not published a report within 15 months of issuance, or 15 months of the prior use of proceeds report, it will be flagged as “On Watch” in the next monthly green bond technical note, with details provided on the conditions, timing, and process for removal of the bond from the index. If the issuer has not published a report within 18 months from issuance or the last annual report, its bond(s) will be removed from the index upon the next index rebalance. If use of proceeds deviates from the eligible use of proceeds categories, the bond will be removed from the index during the next rebalance as well.
PRINCIPLE 7 – CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power investment strategy is intrinsically impactful as renewable power projects have inherent positive impacts through clean energy generation. Moreover, the team continuously seeks to optimize the positive impact of each investment during its holding period which may enhance the likelihood that a future buyer of the renewable power project or platform will be able to procure an impactful investment. During the sale process, relevant impact and ESG documentation produced for the investment is clearly presented to the potential buyer to enable the impact objectives of the investment to be continued and further enhanced.

BlackRock Global Impact Team Approach:

We may need to trim or eliminate a company from the portfolio due to financial or risk management considerations. When exiting a position, we aim to continue our engagement with the company to help enhance its impact through our strategic, impact-outcomes oriented recommendations. Such companies remain in our impact universe for future consideration to re-enter the portfolio.

If a business no longer meets our material, additional, and measurable criteria for impact, we eliminate the company from both the portfolio and the universe.

BlackRock Green Bond Index Team Approach:

We may need to trim or eliminate an issuance from the portfolio due to financial or risk management considerations. As an asset manager, BlackRock is a fiduciary to our clients, and we want to be sure that the green bonds we invest in deliver their intended environmental benefits. Thus, we will also exit a position if a green bond ends up losing its green label either due to failure to report on use of proceed in line with green bond principles or failure to disclose impact reporting metrics. When exiting a position, we aim to continue our engagement with the issuer to help enhance its impact through our strategic, impact-outcomes oriented recommendations. If an issuance no longer meets our material, additional, and measurable criteria for impact, we eliminate the issuance from the portfolio.
PRINCIPLE 8 – REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

BlackRock Global Renewable Power Team Approach:

The BlackRock Global Renewable Power Team’s investment strategy was established to invest in renewable power projects and platforms as well as climate infrastructure assets that seek to deliver positive and measurable environmental and social impacts, in addition to financial returns. A review of the impact performance of our investments is a critical aspect of how value is created for our investors.

The expected financial returns and impact metrics of each investment are documented in the Investment Committee papers as part of our due diligence process. This serves as a benchmark, relative to which impact performance is evaluated during the term of our investments.

Insights from the review process are used by management to adjust and/or enhance our investment strategy and operational due diligence as well as refine our investment priorities.

BlackRock Global Impact Team Approach:

Our Global Impact Team reviews our progress on impact outcomes regularly such as in our weekly and quarterly meetings and discussions. We also review the impact of our strategic impact engagements with companies, assessing milestones, progress, and further challenges to be addressed. More formally, we conduct our deepest dive on impact achievements on an annual basis. In addition to our own internal review, we discuss our progress with an independent, external board of advisors, meeting on a semi-annual basis. This process allows us to reflect deeply on our processes, achievement of impact, and lessons learned, with the goal of improving over time.

BlackRock Green Bond Index Team Approach:

Our core portfolio management, product strategy and GFI ESG Investment teams review new issuances and updates on existing issuances daily meetings and discussions. We conduct a monthly rebalancing review that goes through issuance by issuance all of the current pending issuances for index inclusion, follow up with issuers to dig into allocations and project expenditures for raised bond proceeds, review all new included and excluded issuances, and feedback to the index our views and thoughts. We also conduct our deepest dive on each bond’s impact metrics on an annual basis. We also publish a monthly report to our clients that discusses updates to the index monthly. This process allows us to reflect deeply on our processes, achievement of impact, and lessons learned, with the goal of improving over time.

11 BlackRock Global Impact Team’s external Board of Advisors inaugural meeting was held in June 2021.
PRINCIPLE 9 – PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE ALIGNMENT

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Robust impact management processes are an essential component of BlackRock’s impact investing strategies and we commit to annually disclosing on our alignment with the Principles going forward. BlackRock’s disclosures received independent verification in 2022.