Some of the steps we are taking include:

• Making ESG funds the standard building blocks in multi-asset solutions such as model portfolios.
• Strengthening sustainability integration in active portfolios and our investment process.
  - Reducing ESG risk, including by exiting investments with high ESG risk in active portfolios. For example, we are in the process of removing from our discretionary active investment portfolios the public securities (both debt and equity) of companies that generate more than 25% of their revenues from thermal coal production, which we aim to accomplish by the middle of 2020.
• Launching new ESG-oriented investment products, as well as those that screen fossil fuels.
• Strengthening our commitment to sustainability and transparency in our investment stewardship activities.

What does “Sustainable is our Standard in Solutions” mean?
Over the past several years, BlackRock has deepened the integration of sustainable risk management and product choice for clients across the firm. We are now accelerating those efforts consistent with client objectives and preferences. We intend wherever possible to make sustainable funds the standard building blocks in investment solutions that combine different funds to help investors achieve their investment objectives.

What sustainability commitments did BlackRock make in the letters?
We are making sustainability integral to how we invest, manage risk, construct portfolios, build products and engage with companies. Everything we do will be consistent with client objectives and preferences and any applicable regulations.

Why does Larry Fink write an annual letter to CEOs of other companies? Why are you sending a letter to clients as well?
Each year, Larry’s letter to CEOs emphasizes different themes important to long-term value creation. The central theme to all of them is that companies need to be managed with a long-term mindset so they can deliver strong returns to their shareholders over time.
This year, Larry wrote about the importance of sustainability and climate change to investment outcomes. We also are sending a second letter, from our Global Executive Committee to our clients, that explains a set of actions we are taking to integrate sustainability more deeply into our investment and risk management processes.

Why do this year’s letters focus on sustainability and climate change?
Our investment conviction is that sustainability-integrated portfolios can provide better risk-adjusted returns to investors. And with the impact of sustainability on investment returns increasing, we believe that all investors need to consider sustainability in their portfolios.

What does “sustainability” mean in the investment context?
Sustainability in the investment context means understanding and incorporating environmental, social and governance (ESG) factors into investment analysis and decision-making.

What is the investment basis for BlackRock’s conviction that sustainability can provide better risk-adjusted returns for investors?
Our conviction is straightforward – in order to achieve better risk-adjusted returns, investors need to take into account the full set of risks and opportunities facing a company or an issuer - and that includes sustainability-related issues. That is why we are integrating sustainability into our investment process, performing research on how climate risk and other factors can impact asset prices, and developing proprietary signals to improve investment decision-making.
We believe that in many cases, the risks and opportunities associated with ESG factors, including physical risks associated with climate change and impacts from a transition to a low-carbon economy, are not fully reflected in asset prices. Furthermore, the momentum behind sustainable investing is itself resulting in capital reallocation away from issuers that exhibit negative externalities and that will have an increasingly large impact on asset prices and returns.

You can read more about our research on the implications of physical climate risk here, and our research on how ESG indexes can provide equal or better risk-adjusted returns than traditional indexes here.

7. Will there be changes to investment processes?

Currently, every active investment team at BlackRock has articulated its approach to integrating sustainability considerations into its investment process. By the end of 2020, all active portfolios and advisory strategies will be fully ESG integrated — meaning that, at the portfolio level, our portfolio managers will be accountable for appropriately managing exposure to ESG risks and documenting how those considerations have affected investment decisions. This integration will be overseen by BlackRock’s Risk and Quantitative Analysis Group (RQA), which is responsible for evaluating all investment, counterparty, and operational risk at the firm. This integration means BlackRock will consider ESG risk with the same rigor that it analyzes traditional measures such as credit and liquidity risk.

8. When will any changes take effect?

All aspects of this transition will be executed over time and in consultation with our clients.

9. Will there be a change in portfolio managers?

There are currently no changes in portfolio managers.

10. Does BlackRock believe that ESG investing can deliver better performance than traditional investing?

Our investment conviction is that sustainability-integrated portfolios can provide better risk-adjusted returns over time to investors. And with the impact of sustainability on investment returns increasing, we believe that sustainable investments will be a critical foundation for client portfolios going forward.

11. What is BlackRock’s responsibility with respect to clients when it comes to sustainability?

Because we believe that sustainability-integrated portfolios can provide better risk-adjusted returns to investors, we believe that it is our responsibility to provide that advice to our clients. The choice, however, is the client’s. The investments we make on their behalf will always represent their preferences, timelines and objectives.

This material is intended for information purposes only, and does not constitute investment advice, a recommendation or an offer or solicitation to purchase or sell any securities to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. The opinions expressed are as of January 2020 and are subject to change without notice. Reliance upon information in this material is at the sole discretion of the reader. Investing involves risk.

In the UK and inside the EEA: Issued by BlackRock Investment Management (UK) Limited, authorized and regulated by the Financial Conduct Authority. Registered office: 200 Bishopsgate, London, EC2M 3YB. Tel: +44 (0)20 7743 3000. Registered in England and Wales No. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. Please refer to the Financial Conduct Authority website for a list of authorized activities conducted by BlackRock. In the event where the United Kingdom leaves the European Union without entering into an arrangement with the European Union which permits firms in the United Kingdom to offer and provide financial services into the European Union (“No Deal Brexit Event”), the issuer of this material is: BlackRock Investment Management (UK) Limited for all outside of the European Economic Area; and BlackRock (Netherlands) B.V. for in the European Economic Area, however, prior to a No Deal Brexit Event and where the United Kingdom leaves the European Union without entering into an arrangement with the European Union which permits firms in the United Kingdom to offer and provide financial services into the European Union (“No Deal Brexit Event”), the issuer of this material is: BlackRock Investment Management (UK) Limited. Please refer to the Financial Conduct Authority website for a list of authorized activities conducted by BlackRock. In the event where the United Kingdom leaves the European Union without entering into an arrangement with the European Union which permits firms in the United Kingdom to offer and provide financial services into the European Union (“No Deal Brexit Event”), the issuer of this material is: BlackRock Investment Management (UK) Limited. Please refer to the Financial Conduct Authority website for a list of authorized activities conducted by BlackRock.

In Latin America: No securities regulator has confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services is a regulated activity in Mexico thus is subject to strict rules. For more information on the Investment Advisory Services offered by BlackRock Mexico please refer to the Investment Services Guide available at www.blackrock.com/mx.

In Singapore, this is issued by BlackRock (Singapore) Limited (Co. registration no. 200010143N). This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. In Hong Kong, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. In South Korea, this material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations). In Taiwan, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 28F., No. 100, Songoen Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600. In Japan, this is issued by BlackRock Japan, Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No.315, Association Memberships: Japan Investment Advisers Association, the Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association.) In Australia, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975 AFSL 230 523 (BIMAL). The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. In China, this material may not be distributed to individuals resident in the People’s Republic of China (“PRC”, for such purposes, excluding Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

© 2020 BlackRock, Inc. All Rights Reserved. BLACKROCK is a registered trademark of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

BlackRock