

BlackRock ESG Integration Statement

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Introduction

This document details BlackRock's approach to integrating Environmental, Social and Governance (ESG) data or information¹ into our firmwide processes, and outlines the foundation, ownership, and oversight mechanisms which underpin our approach. At BlackRock we define **ESG integration to be the practice of incorporating financially material ESG data or information into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective.**

This statement applies across BlackRock's investment divisions and investment teams and is reviewed at least annually to reflect changes within our business. Building on the firm's strengths across risk management and our Aladdin technology capabilities, we aspire to be an industry leader in how we apply our investment approach to sustainability and ESG integration.

As a fiduciary, our approach to investing is grounded in three principles:

- We start by understanding the client's investment objectives and provide choice to meet their needs;
- We seek the best risk-adjusted returns within the scope of the mandate they give us;
- And we underpin our work with research, data, and analytics.

BlackRock considers many investment risks in our firmwide processes. In order to seek the best risk-adjusted returns for our clients, we manage material risks and opportunities that could impact portfolios, including financially material ESG-related data or information.

¹ Any data or information around E, S and/or G issues that could impact a companies' ability to perform over time. Companies may self-identify ESG issues as financially material to their business models through external or financial reporting. A portfolio manager may identify ESG issues as financially material to the investment process because they impact company risk, opportunity, performance, volatility, etc. Examples of environmental issues include, but are not limited to, water use, land use, waste management and climate risk. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates, customer loyalty and relationships with regulators. Governance issues are anything related to the core means by which boards can oversee the creation of durable, long-term value.

BlackRock's Approach to ESG Integration

At BlackRock, we have always focused on helping our clients try to reach their long-term investment goals through resilient and well-constructed portfolios. We incorporate into our firmwide processes relevant, financially material information, including financially material data and information related to ESG. Our investment view is that doing so can provide better risk-adjusted returns for our clients over the long term.

BlackRock has a framework for ESG integration that permits a diversity of approaches across different investment teams, strategies and particular client mandates. As with other investment risks and opportunities, the financial materiality of ESG considerations may vary by issuer, sector, product, mandate, and time horizon. As such our ESG integration framework needs to allow for flexibility across investment teams. Depending on the investment approach, financially material ESG data or information may help inform the due diligence, portfolio or index construction, and/or monitoring processes of our portfolios, as well as our approach to risk management.

Our ESG integration framework is built upon our history as a firm founded on the principle of thorough and thoughtful risk management. Aladdin, our core risk management and investment technology platform, allows investors to leverage financially material ESG data or information as well as the combined experience of our investment teams to effectively identify investment opportunities and investment risks. Our heritage in risk management combined with the strength of the Aladdin platform enables BlackRock's approach to ESG integration.

We structure our approach to ESG integration around three main pillars: **investment processes, material insights and transparency**. These pillars underpin ESG integration at BlackRock, and we support them by equipping our employees with investment relevant ESG data, tools, and education.

Investment Processes

ESG integration is a part of the investment process, and as with all other components of the investment process, is the responsibility of our investment teams.

ESG integration for active funds and advisory strategies, where applicable, means: i) each strategy has a description of how financially material ESG data or information fits into its investment process, ii) portfolio managers are accountable for managing exposure to financially material ESG risks, and iii) investment teams are able to provide evidence of how they consider financially material ESG data or information in their investment processes.

In index portfolios, the investment objective is to track a predetermined benchmark index. BlackRock engages with third-party index providers to provide input on the design of their benchmark indexes, including benchmark indexes that take into account sustainability-related characteristics, in order to meet client demands and regulatory requirements.

In addition, the BlackRock Investment Stewardship team engages with investee companies on material risks and opportunities to enhance long-term value for our clients, including, when relevant, material sustainability-related risks and opportunities.

Material Insights

For our public market strategies, we are continuously expanding access to high quality ESG data and information sources through Aladdin. BlackRock's investment teams have access to a range of

third-party data sets and internal materiality-focused ratings across core Aladdin tools, allowing investors to identify financially material ESG data or information for their unique investment process where appropriate.

The Aladdin platform also offers a set of analytic tools to assess material ESG-related risks and opportunities. This includes Aladdin Climate, which amongst other analytics, provides scenario analysis capabilities to help investors identify investment risks and opportunities associated with the physical impacts of a changing climate and the uncertain transition to a low-carbon world.

In private markets, which inherently have less availability and standardization of ESG metrics relative to public markets, we continue to progress multiple efforts to better collect, aggregate, evaluate and measure financially material ESG data or information. In addition to leveraging a growing range of third-party data providers, where appropriate, certain alternative investment teams seek to enhance their understanding of financially material ESG considerations by collecting data directly from private companies through ESG questionnaires.

Transparency

Where relevant we disclose ESG integration practices in fund documentation and on product pages, and disclose our firm's approach to ESG integration through comparable industry relevant reporting frameworks, such as the Principles for Responsible Investment (**PRI**). For greatest transparency, these reports are publicly available in full on our [website](#).

We provide ESG data on our website for iShares funds and BlackRock Index mutual funds, displaying ESG scores and carbon footprints, among other measurements, where data is available to enable client choice.

Oversight and Governance

BlackRock employs a three-lines of defense approach to managing risks, including ESG risks, in client portfolios. BlackRock's investment teams and business management are the primary risk owners, or first line of defense. BlackRock's risk management function, the Risk and Quantitative Analysis (RQA) group is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defense along with BlackRock Legal and Compliance. RQA evaluates investment risks, including financially material ESG risks, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.

The third line of defense, BlackRock's Internal Audit function, operates as an assurance function. The mandate of Internal Audit is to objectively assess the adequacy and effectiveness of BlackRock's internal control environment to improve risk management, control, and governance processes, including those relevant to sustainability.

The Investment Sub-Committee of BlackRock's Global Executive Committee (GEC) oversees firm wide investment processes, including ESG integration. Members of the Sub-Committee include the global heads or sponsors of all of BlackRock's major investment platforms and the firm's Chief Risk Officer. The RQA Sustainability Risk team reports on ESG integration to the GEC Investment Sub-Committee at least annually.