

BlackRock ESG Integration Statement

Effective Date: 27 July 2018

Revised: 19 May 2021

Introduction

As long-term investors on behalf of our clients, accounting for environmental, social, and governance (ESG) risks and opportunities helps us provide sustainable value to our clients. In his 2021 letter to CEOs, Chairman and CEO Larry Fink refers to the historic investment opportunity presented to our clients by the climate transition and how we are at the beginning of a **long but accelerating transition**, in which sustainability has become a critical factor in determining companies' long-term value.

This document details our firm-wide commitment to integrate ESG information into our investment processes, and outlines the foundation, ownership, and oversight mechanisms which underpin our approach. **ESG integration is the practice of incorporating material ESG information into investment decisions with the objective of improving the long-term financial outcomes of our clients' portfolios, consistent with our clients' objectives. We are doing this across all our active portfolios in both public and private markets seeking to enhance risk-adjusted returns. In index portfolios, we engage with companies on ESG issues to enhance long-term value for our clients.**

This Statement applies to all of BlackRock's investment divisions and investment teams and is reviewed at least annually to reflect changes within our business. Given the breadth of our investment platform, this statement is written to cover the full spectrum of investment styles and asset classes at BlackRock. To supplement this Statement, each investment team has its own ESG integration approach. Tailored descriptions of team practices are available upon request.

As a large asset manager, we recognize our responsibility to contribute to a resilient financial market system. We aspire to be an industry leader in how we incorporate sustainability into our investment research and management, our **stewardship** of clients' assets, our sustainable investment solutions, and the operations of our own business. More detailed information about these efforts is included in our **approach to sustainability** on [blackrock.com](https://www.blackrock.com).

BlackRock's approach to ESG integration

At BlackRock, we have always focused on helping our clients try to reach their long-term investment goals by providing resilient and well-constructed portfolios. Our investment conviction is that sustainability- and climate-integrated portfolios can provide better risk-adjusted returns to investors over the long-term, and that sustainability-related data provides an increasingly important set of tools to identify unpriced risks and opportunities within portfolios. BlackRock's active investors are responsible for integrating material sustainability-related insights, consistent with their existing investment process, with the objective of improving long-term risk-adjusted returns. BlackRock's firm-wide investment process is structured to identify ESG risks and opportunities alongside traditional measures within our active investment processes.

ESG integration is part of both our active investment process and index investment processes and oversight. BlackRock has a consistent framework for ESG integration that also permits a diversity of approaches across different investment teams and strategies. ESG considerations that are material will vary by client objectives, investment style, sector, and market trends. Sustainability measures help inform the due diligence, portfolio construction, and monitoring processes of our active and alternatives platforms, as well as our approach to risk management. In our index investments business, we work with index providers to expand and improve the universe of sustainable indexes, and our investment stewardship processes encourage the companies in which our clients are invested to manage and disclose material sustainability risks effectively.

We structure our ESG integration efforts around three main themes: **investment processes, material insights, and transparency**; these pillars drive ESG integration at BlackRock, and we support them by equipping our employees with useful ESG data, tools, and education.

Investment processes

ESG integration is a core part of the investment process, and as with all other components of the investment process, is the responsibility of our investment teams. In 2020, BlackRock raised the bar for how investment teams will accomplish this. All active funds and advisory strategies are expected to fully integrate ESG, meaning that: i) each strategy has a description of how ESG fits into its investment

process, ii) portfolio managers are accountable for managing exposure to material ESG risks, and iii) investment teams are able to provide evidence of how ESG considerations inform investment decisions in each portfolio. BlackRock's Risk and Quantitative Analysis team (RQA) reviews ESG risk alongside traditional investment risks with the investment teams in regular portfolio reviews.

Material insights

For our public market strategies, we are continuously expanding access to high quality ESG data sources through Aladdin, our core risk management and investment technology platform. Today, BlackRock's investors have access to two broad third party data sets across core Aladdin tools and over 10 unique ESG data providers across different parts of our research environment. This data ranges from broad ESG scores and rankings to indicators of physical climate risk, reputational risk or employee sentiment.

investors' understanding of material ESG risks. For example, our **Carbon Beta** tool allows us to stress test equity issuers and portfolios for different carbon pricing scenarios. Our proprietary materiality-based ESG assessment capability leverages a research-based quantitative/qualitative methodology to provide a backward- and forward-looking assessment of material ESG key performance indicators. We built these for Aladdin, to allow all portfolio managers at BlackRock to use in their ESG investment analyses.

In addition to third party data, we have developed proprietary measurement tools to deepen our

For our private market strategies, we continue to develop and evolve proprietary tools to underpin investment team ESG due diligence so that they remain robust. These tools are tailored by asset class and by industry.

The goal of our ESG integration process is to make our investors the most informed investors in the industry. We leverage material ESG data as well as

Transparency

Investors at BlackRock believe well-managed companies balance business-relevant ESG issues alongside traditional financial objectives. Consistent with this expectation, we strive to provide market-leading transparency for how we incorporate ESG in our investment products.

We disclose ESG integration practices in fund documentation 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 on our [website](#).

the combined experience of our investment teams to efficiently and effectively identify investment opportunities and investment risks. We use our history as a firm founded on the principle of thorough and thoughtful risk management and our Aladdin platform to achieve an integrated ESG risk management system.

With respect to transparency in all BlackRock products, we want investors to be able to access clear information on the sustainability risks associated with their investments. For example, we provide data on our website for all iShares funds, displaying ESG scores and carbon footprints, among other measurements, where available. In 2021 we have extended this practice to BlackRock mutual funds, including adding disclosures on exposure to sustainability characteristics. We will make this information available to all our clients in order to help investors choose the best investment option for their portfolio.

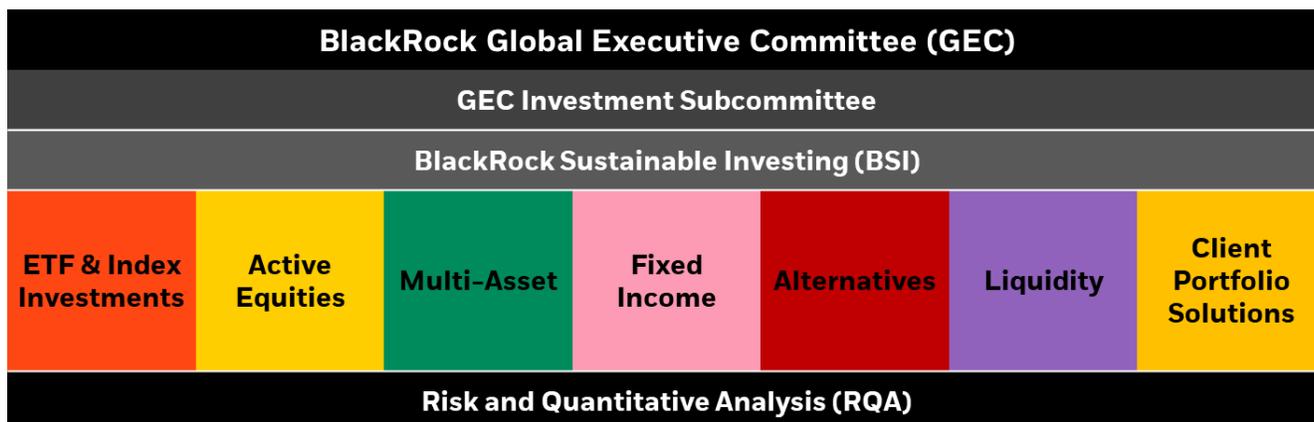
Oversight and governance

The Investment Sub-Committee of BlackRock's Global Executive Committee (GEC) oversees investment process consistency across the firm's investment groups. Members of the Sub-Committee include the global heads or sponsors of all of BlackRock's major investment verticals: ETFs and Index Investments, Active Equities, Multi-Asset Strategies, Global Fixed Income, BlackRock Alternative Investors, Trading & Liquidity Strategies (Cash Management), and Client Portfolio Solutions.

In partnership with the GEC Investment Sub-Committee, the Sustainable Investing Team sets standards and procedures to drive a consistent approach across the firm. The Sustainable Investing Team, in partnership with investment platform leadership, coordinates the firm-wide approach to incorporating ESG into all investment processes, developing the firm's sustainable investment procedures, and seeking to ensure consistency and quality in the firm's sustainable investment products and solutions. BlackRock Sustainable Investing reports on ESG integration progress to the GEC Investment Sub-Committee at least annually.

Investment platform leadership, including heads of sustainable and responsible investing within BlackRock's seven investment divisions, oversees ESG integration into the investment processes for each business, including determining appropriate methodologies for underlying investment teams. RQA is responsible for developing a framework for evaluating investment, counterparty, and operational risk and conducts regular reviews with portfolio managers using that framework to ensure that ESG risks are considered relative to the potential investment and expected rewards.

BlackRock Sustainable Investing, RQA, the BlackRock Investment Stewardship team, and individuals across BlackRock’s technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts.



Further information

- BlackRock Investment Institute, April 2019. “Getting physical: Scenario analysis for assessing climate-related risks.” <https://www.blackrock.com/us/individual/literature/whitepaper/bii-physical-climate-risks-april-2019.pdf>
- BlackRock Investment Institute, May 2018. “Sustainable investing: a ‘why not’ moment.” <https://www.blackrock.com/corporate/literature/whitepaper/bii-sustainable-investing-may-2018-international.pdf>
- BlackRock Global Executive Committee, January 2021. “Net zero: a fiduciary approach (2021 Client Letter).” <https://www.blackrock.com/corporate/investor-relations/blackrock-client-letter>