Global Allocation Team Sustainability Engagement Guidelines

BlackRock Global Funds Sustainable Global Allocation Fund: Philosophy and Process

Investment Objective

The Sustainable Global Allocation Fund seeks to maximise total return in a manner consistent with the principles of environmental, social and governance ("ESG") focused investing. The Fund invests globally in equity, debt and short-term securities, of both corporate and governmental issuers, with no prescribed limits. In normal market conditions the Fund will invest at least 70% of its total assets in the securities of corporate and governmental issuers. The Fund generally will seek to invest in securities that are, in the opinion of the Investment Adviser, undervalued. The Fund may also invest in the equity securities of small and emerging growth companies. The Fund may also invest a portion of its debt portfolio in high yield fixed income transferable securities. Currency exposure is flexibly managed. The Fund seeks to invest in Sustainable Investments and its total assets will be invested in accordance with the ESG Policy described below.

Investment Philosophy

The Strategy embraces the following three key principles in seeking to achieve its investment objective:

High conviction, high quality: The mandate will pursue a book of high conviction equities with an emphasis on high quality ESG categories.

Flexible and diversified: Flexible mandate and broad investment universe enables the team to adapt as markets change. Broadly diversified investment solution that typically invests in over 40 countries and 30 currencies across traditional and non-traditional asset classes, sectors and capital structures.

Risk-aware: Mission to deliver a competitive rate of return with less volatility than a global stock portfolio over a full market cycle.

Investment Process

The Team employs a disciplined process that combines macro regime identification, asset allocation and fundamental, bottom-up security selection augmented by quantitative research and analytics in a manner consistent with the principles of environmental, social and governance ("ESG").

The portfolio managers are responsible for setting the overall investment strategy including the top-down asset allocation, portfolio-level positioning, and risk profile. Macro regime identification informs the top-down asset allocation and takes into account a variety of factors including but not limited to inflation, central bank policies and interest rates.

To ensure ESG considerations are ingrained in every part of the investment process, the

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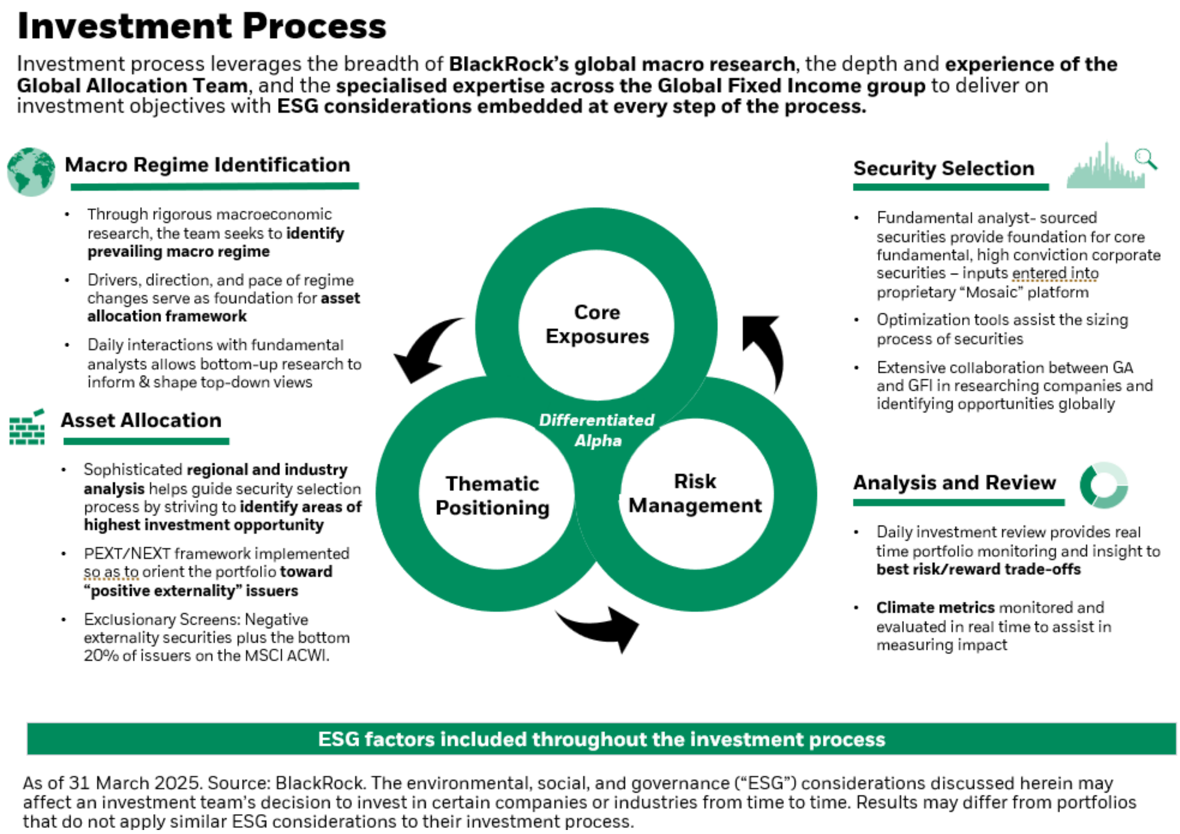
portfolio management team closely coordinates with the Global Fixed Income ESG Investment Team. The ESG Investment Team defines the universe of eligible investments for the PM team, utilizing BlackRock's proprietary PEXT/NEXT framework. Each issuer in the investible universe is defined under this methodology in which the ESG profiles of all issuers are looked at with an emphasis on their externalities. All PEXT/NEXT ratings, and updates to them are captured on Aladdin, along with the team's proprietary research repository, Mosaic.



Source: BlackRock, as at 31 March 2025. For illustrative purposes only. Subject to change.

BGF Sustainable Global Allocation Fund: ESG Considerations Incorporated Within Process

Implementation of ESG Framework

Implementation of the ESG framework within the Fund is a collaborative effort between the Global Allocation Investment Team and the ESG Investment Team, within Fundamental Fixed Income (FFI)

The ESG Investment Team defines the universe of eligible investments for the PM team, utilizing BlackRock's proprietary PEXT/NEXT framework (detailed further in "ESG Integration"). Each issuer in the investible universe is typically defined under this methodology in which the ESG profiles of issuers are looked at with an emphasis on their externalities.

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ESG Framework

ESG factors are integrated into every stage of the investment process – encompassing company evaluations, sustainability, investments in green, social and sustainable bonds, and engagement on ESG issues with certain of the companies in our portfolio. How an issuer manages the ESG risks and opportunities relevant to its business can contribute to its long-term financial performance. As a result, sustainability metrics can provide useful insights to investors as signals of good governance, operational excellence or business model tail risks.

We consider the ESG profiles of issuers with an emphasis on the externalities of these holdings, helping to address the shortcomings of more traditional methods of assigning ESG scores or classic business revenue approaches.

We have therefore built the 'PEXT/NEXT' framework (detailed further below) which we believe more accurately covers the entirety of the Fund's investment universe and ultimately provides a superior tool for integrating ESG into the process.

BGF Sustainable Global Allocation actively seeks to tilt towards securities with positive externalities (PEXT) through this framework, while we screen out a comprehensive set of securities with negative externalities (NEXT) in order to establish a minimum standard of holdings in the Fund.

PEXT/NEXT framework

There are four broad categories in which names are bucketed:

- **PEXT (positive externalities)** – issuers that are highlighted as preferred holdings e.g. best-in-class companies, companies rapidly decarbonizing, green/social bonds or other holdings with associated positive environmental and social impact.

- **BEXT (baseline externalities)** - issuers that are defined as neutral and deemed as acceptable.

- **DEXT (discussion on externalities) –** issuers that are tagged for discussion in our monthly ESG meeting and where the engagement with the companies will happen alongside sector specialists. These are typically issuers that do not fall under PEXT or BEXT, but where the alpha opportunity is deemed compelling enough from the lead PM team to warrant further discussion around the ESG merits.

- **NEXT (negative externalities)** – issuers that are restricted from purchase, including all screened names e.g. worst rated ESG names (MSCI CCC), issuers with severe controversies, UNGC violators, thermal coal (5% rev threshold), tobacco, controversial weapons, civilian firearms, oil sands, fossil issuers with maturities >2030, gambling, adult entertainment, unconventional oil & gas names, amongst others.

The implementation of this framework can be summarized in the chart below:

Source: BlackRock, as at 31 March 2025.

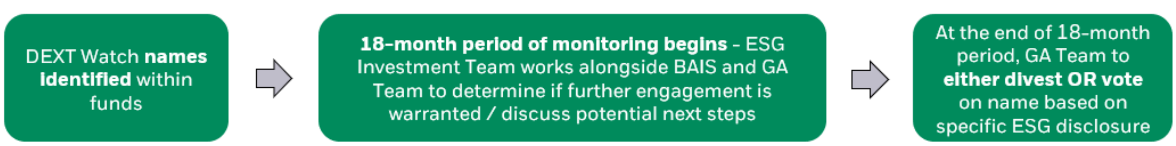
Global Allocation Team: Approach to Engagement

While staying true to the tenants of broader FFI's approach to engagement as outlined above, the **Global Allocation Team's unique process** builds upon this foundation with a more detailed three-pronged approach:

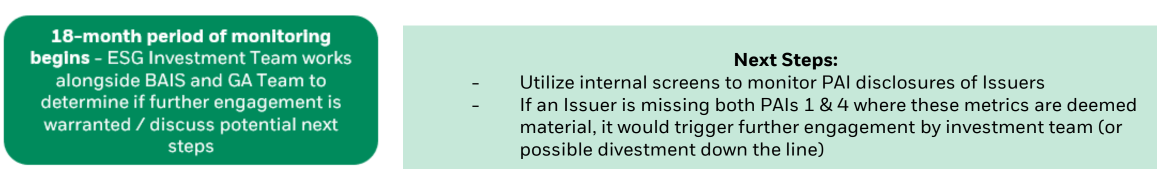
- Monitoring of a subset of DEXT names (labeled as "DEXT Watch")
- Monitoring of PAI 1 (GHG Emissions) and PAI 4 (Exposure to companies active in the fossil fuel sector)
- Monitoring of exposure to High Impact Sectors as described in the Delegated Regulation (EU) 2022/1288. The sector to which an issuer belongs is defined on the basis of the NACE code of its main activity.

Further information on each of these process elements is outlined below:

Monitoring of DEXT Watch Names



Monitoring of PAI disclosure for Issuers



Monitoring of exposure to High Impact Sectors

18-month period of monitoring begins - ESG Investment Team works alongside BAIS and GA Team to determine if further engagement is warranted / discuss potential next steps

Next Steps:

- If aggregate exposure to High Impact Sector issuers with a credible transition plan is >35%, no further requirement for SRI-specific engagement regarding issuers that fall within the High Impact Sectors bucket
- If aggregate exposure to High Impact Sectors is <35%, this would trigger further engagement on the specific names that have a climate score < 3 (as defined by issuers in a high impact sector that are not *at least* committed to Net Zero**)** to ensure we have at least 15% of names with a robust transition plan AND that we are engaging with 20% of issuers if they do not have a credible transition plan – note the latter will also include those issuers with a robust transition plan above the

Global Allocation Team: Ownership of Engagement

Global Allocation Portfolio Management will monitor exposures, engage with certain issuers, track engagement on fund-specific issuers and related escalations for specific funds.

The FI ESG Investing team is responsible for the framework identifying engagement candidates (via DEXT Watch classification), coordination, and oversight of meetings, as well as building workspaces for monitoring of exposures (specifically for PAI Disclosures and High Impact Sectors). Will partner with PM team in engagement dialogue and leads certain engagements. This team also supports documentation models and alongside Product Strategy, related client reporting.

BlackRock Active Investment Stewardship (BAIS) is a specialist team within the Portfolio Management Group (PMG) and manages BlackRock's stewardship engagement and voting on behalf of clients invested in active strategies globally. BAIS is also responsible for engagement with issuers in index fixed income strategies, where appropriate. Our activities are informed by these Global Engagement and Voting Guidelines ("the Guidelines") and insights from active investment analysts and portfolio managers, with whom we work closely in engaging companies and voting at shareholder meetings.

Global Allocation Team: Cadence of Engagements and Touchpoints

There is not a fixed number of engagements required annually by the Global Allocation Team, nor is there a set number of touchpoints required per engagement.

The Global Allocation Team monitors issuers and live engagements on an ongoing basis, with screening for new names occurring monthly. Engagements may be treated as closed if the topic of engagement is resolved or if the investment team decides to exit a holding.

As outlined above, engagements require a long-term approach which may span many months.

Global Allocation Team: Engagement Escalation in the BGF Sustainable Global Allocation Fund

Measuring success in the Team's engagement process focuses on improved practices over the long-term, as these types of changes do not happen in a single quarter and possibly not even in one year. Company boards and management determine the strategic and operational priorities that in their judgment will best serve the interests of all the investors in the company.

Should a company not be responsive to the Global Allocation Team's engagement or concerns, the **Portfolio Management Team**, in consultation with the **FI ESG Investment Team**, will determine when and how to escalate, which may include voting against directors at the next annual shareholder meeting.

Voting action may be considered at the company's annual general meeting in the year following engagement and may involve not supporting director elections or not supporting management's voting recommendation on a shareholder proposal. Escalation does not involve filing shareholder proposals, proposing candidates for director elections, nor engaging in public campaigns.

Whether to divest or vote against following an engagement for a given issuer will depend on the specifics of the issuer and its overall ESG posture and engagement. In its thinking, the Team makes reference to the Principles for Responsible Investing (PRI) research "Discussing Divestment: Developing an Approach When Pursuing Sustainability Outcomes in Listed Equities"[1], which highlights: "There are different considerations that may lead divestment or engagement to be more effective in shaping sustainability outcomes". The research further cautions that "divestment reduces investors' ability to directly influence the sustainability performance of investees" and calls out voting against relevant directors as one possible escalation lever as an alternative to divestment.

Further details outlined below for each tenant of the process:

1. **<u>Monitoring of DEXT Watch Names</u>**

If no changes or upgrade to a DEXT Watch name (to DEXT Approve, BEXT or PEXT) has been made at the end of the 18-month period, the Global Allocation Team will seek to vote against the board (at next annual proxy vote opportunity) or divest from name for a three (3) year period or until name is upgraded, whichever occurs first, at which time it would again be an eligible investment. The 18-month period will initially begin on January 1, 2025 for DEXT Watch names held within the portfolio as of this date; for holdings acquired after that date, the 18-month period will begin on the date of acquisition of the security (i.e. post-January 1, 2025).

The Portfolio Management Team has final decision on whether to divest or vote against based on findings by ESG Investment Team.

2. **<u>Monitoring of PAI disclosure for Issuers</u>**

If monitoring of the performance indicators (which we receive from 3rd party data providers) highlights missing data for issuers where these performance indicators are deemed material in view of ESG issues identified the Global Allocation team will work to identify alternative sources for the performance indicators and/or look to trigger an engagement action.

The Portfolio Management Team has final decision on whether to divest or vote against the name.

[1] https://www.unpri.org/stewardship/discussing-divestment-developing-an-approach-when-pursuing-sustainability-outcomes-in-listed-equities/9594.article

3. Monitoring of exposure to High Impact Sectors

The Team monitors its exposure to High Impact Sectors. If aggregate exposure to High Impact Sector issuers with a credible transition planis >35%, there will not be a requirement to engage on this basis. If aggregate exposure to High Impact Sector issuers with a credible transition plan in the BGF Sustainable Global Allocation Fund is <35%, the Global Allocation Team would seek to engage with the specific issuers that have a climate score < 3, to ensure that within the Fund at least 15% of issuers in High Impact Sectors have a credible transition plan and there is engagement to ensure at least 35% either have a credible transition plan or have been engaged..

The Portfolio Management Team has final decision on whether to divest or vote against the name.