



BlackRock ESG Integration Statement

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This document describes how BlackRock assesses risks arising from environmental, social, and/or governance factors (“ESG”) when managing client portfolios. Environmental, social, and governance risks are among the many risks that BlackRock considers in investment processes (see [BlackRock’s Investment Risks Statement](#) for further information). BlackRock’s process for identifying and managing such risks is similar to how we manage other types of risks, in that we incorporate them in our firmwide processes to help us deliver the best risk-adjusted returns for client portfolios, within the scope of mandates they give us. This document details our approach to managing environmental, social, and governance risks across BlackRock products, recognizing that the relevance and financial materiality of such risks varies across those products. This document additionally supports and provides evidence for regulatory disclosures required for the EU SFDR (Sustainable Finance Disclosure Regulation) and SRDII (Shareholder Rights Disclosure).

Introduction

BlackRock's role as a fiduciary to our clients is to help them navigate investment risks and opportunities. The money we manage is not our own – it belongs to our clients, many of whom make their own asset allocation and portfolio construction decisions.

BlackRock considers many investment risks in our processes. In order to seek the best risk-adjusted returns for our clients, we manage material risks and opportunities that could impact portfolios. This includes considering relevant data or information related to financially material Environmental, Social and/or Governance (ESG) factors¹.

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 the client gives us;
- And we underpin our work with research, data, and analytics.

This document focuses on the second of those principles and details BlackRock's approaches to integrating relevant data or information related to financially material environmental, social, and governance factors into our firmwide processes. At BlackRock we define **ESG integration as the practice of incorporating relevant data or information related to financially material² environmental, social, and/or governance factors into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios.**

This document applies across BlackRock's investment divisions and investment teams³ 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 are

¹ Any data or information around financially material environmental, social, and governance factors that could impact a company's ability to perform over time. Companies may self-identify environmental, social, and governance factors as financially material to their business models through external or financial reporting. A portfolio manager may identify environmental, social, and governance factors as financially material to the investment process because they impact company risk, opportunity, performance, volatility, etc. Examples of environmental factors include, but are not limited to, water use or land use (which may be impacted by regulations or climate change), waste management and climate risk. Examples of social factors include, but are not limited to, forced labor issues or human capital management impacts on the communities in which a company operates, customer loyalty and relationships with regulators. Governance factors may include board structure, tax compliance or anti-bribery and corruption practices (or lack thereof) and anything related to the core means by which boards can oversee the creation of durable, long-term financial value.

² For purposes of this statement, the financial materiality of an environmental, social, or governance factor depends on the relevant investment process and may be considered by portfolio managers and investment teams in light of portfolio objectives, client guidelines, investment strategy, asset class, and investable universe.

³ This applies to investment processes where BlackRock exercises significant discretion in the selection and weighting of individual investments. The approach taken by Global Infrastructure Partners, a part of BlackRock (GIP) is set out in GIP's ESG Policy accessible here: <https://www.global-infra.com/responsible-investing/>

committed to applying industry best practice across our investment approach to sustainability and ESG integration in service of our clients⁴.

BlackRock's Approach to ESG Integration

BlackRock's clients have a wide range of perspectives on a variety of issues and investment themes. Given the wide range of unique and varied investment objectives sought by our clients, BlackRock's investment teams have a range of approaches to considering relevant data or information related to financially material environmental, social, and governance factors. As with other investment risks and opportunities, the relevance and financial materiality of these factors may vary by issuer, sector, product, mandate, and time horizon. Depending on the investment approach relevant data or information related to financially material environmental, social, and governance factors may help inform due diligence, portfolio or index construction, and/or monitoring processes of our portfolios, as well as our approach to risk management.

BlackRock's 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 relevant data or information related to financially material environmental, social, and governance factors as well as the combined experience of our investment teams to 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 around three main pillars: **investment processes, data & analytics and transparency** and we support them by equipping our employees with investment relevant environmental, social, and governance data, tools, and education.

Investment Processes

As with all components of the investment process, ESG integration, to the extent applicable, is the responsibility of the investment teams.

The process for assessing and managing relevant data or information related to financially material environmental, social, and governance factors in our active funds and advisory strategies⁵, where applicable, is consistent with our approach to managing other risk criteria. This process includes the following: i) each strategy has a description of how relevant data or information related to financially material environmental, social, and governance factors fits into its investment process, ii) portfolio managers are accountable for managing exposure to these factors, and iii) investment teams are able to provide evidence of how they consider

⁴ BlackRock's Aladdin® platform is a financial technology platform designed for institutional use only and is not intended for end investor use.

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relevant data or information about financially material environmental, social and governance factors in their investment processes.

In index portfolios⁶, our responsibility is to track a predetermined benchmark index, which will reflect the characteristics of the index providers' methodology. BlackRock is restricted from making changes to the Fund's portfolio which would deviate from its underlying index or increase its tracking error unless we are directed to do so by clients. Therefore, an index tracking investment approach creates an investment constraint that does not allow for active management of environmental, social, and governance factors without a change to the underlying index. Where applicable for dedicated sustainable indices, BlackRock considers the suitability of sustainability characteristics and risks of a Fund when designing the Fund and carrying out due diligence on its underlying index as part of index selection.

Data and Analytics

We are continuously expanding access to high quality data and information sources through Aladdin technology for public market securities. 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 appropriate data or information for their unique investment process.

The Aladdin platform also offers a set of analytic tools, including Aladdin Climate, which amongst other analytics, provides investors with scenario analysis capabilities to help identify financially material 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 relevant data or information related to financially material environmental, social, and governance factors relative to public markets, we continue to progress multiple efforts to better collect, aggregate, evaluate and measure data or information on these factors from private companies and third parties.

Transparency

Where relevant we disclose financially material environmental, social, and governance investment and risk management practices in fund documentation and disclose our firm's approach through industry relevant reporting frameworks.

Oversight and Governance

BlackRock employs a three-lines of defense approach to managing material investment 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

⁶ An index portfolio is a type of investment portfolio constructed to replicate the performance of a specific financial market index. Rather than attempting to outperform the market through active management, an index portfolio follows a passive investment strategy, aiming to mirror the composition and returns of its benchmark index as closely as possible. The benchmark index determines which securities are held by the index portfolio.

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 relevant data or information related to financially material environmental, social, and governance factors as part of regular investment risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives. 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.

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 firm's President, Head of Portfolio Management, and Chief Risk Officer as well as global heads or sponsors of all of BlackRock's major investment platforms. The RQA Sustainability Risk team reports on ESG integration to the GEC Investment Sub-Committee at least annually.