

**BlackRock**

# Sustainability-related Website Disclosure

BlackRock for Formue North America Equity Index Fund

Effective Date: 03 April 2024

**This website disclosure provides sustainability-related information about the Fund pursuant to Article 10. of the EU Sustainable Finance Disclosure Regulation (EU) 2019/2088 (“SFDR”).**

**A. Summary**

This Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment. The Fund does not commit to investing in sustainable investments. The Fund is passively managed and seeks to promote the following environmental and social characteristics by tracking the performance of the MSCI North America ex Select Controversies Index, its Benchmark Index: (1) exclusion of issuers involved in certain activities deemed to have negative environmental and/or social outcomes; (2) exclusion of issuers deemed to have violated United Nations Global Compact principles; and (3) exclusion of issuers deemed to be involved in very severe ESG related controversies.

The investment objective of the BlackRock for Formue North America Equity Index Fund (the “Fund” for the purposes of the section of the Supplement entitled “Investment Objectives and Policies” in respect of the BlackRock for Formue North America Equity Index Fund) is to provide a total return, taking into account both capital and income returns, which reflects the total return of the MSCI North America ex Select Controversies Index (the “Benchmark Index”). The binding elements are: Subject to tracking its Benchmark Index as required for the Fund to meet its investment objective, the Fund will promote its environmental and social characteristics by excluding direct investment in issuers excluded by its Benchmark Index for being involved in the following activities: thermal coal extraction and thermal coal power generation; production of tar sands (also known as oil sands); production of controversial weapons (including, but not limited to, cluster munitions, landmines, depleted uranium weapons, biological-chemical weapons, blinding lasers and incendiary weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes); production of nuclear weapons or nuclear weapon delivery platforms or the provision of auxiliary services related to nuclear weapons; production or distribution of firearms intended for retail to civilians; tobacco production and supply of tobacco related products; deemed to be violating the UN Global Compact Principles; and severe controversies (with an MSCI controversy score of 0 based on very severe business controversies as defined by MSCI). 2. The definition of “involved” in relation to each activity may be based on generating or deriving a revenue from the activity that exceeds a percentage of revenue or a defined total revenue threshold, or any exposure to the activity regardless of the amount of revenue received. The activity may relate to production or distribution or both. 3. The thresholds that would apply to the above exclusions are the same as the thresholds set out in the index methodology of the Fund’s Benchmark Index which is available at: <https://www.msci.com/index/methodology/latest/Worldexselectcontroversies>.

The Fund seeks to invest in a portfolio of securities that as far as possible and practicable consists of the component securities of the Benchmark Index. It is expected that at least 80% of the Fund’s assets will be invested in securities within the Benchmark Index. This Fund does not currently commit to investing more than 0% of its assets in investments in environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.

The Fund does not currently commit to invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy, however, these investments may form part of the portfolio.

The Fund seeks to track the performance of the Benchmark Index which incorporates certain ESG criteria in the selection of constituents, according to its methodology. BlackRock monitors the Fund’s adherence

to the environmental and social characteristics which the Fund seeks to promote. The objective of the Fund is to track the performance of the Benchmark Index. The environmental and/or social characteristics of the Fund are embedded into the Benchmark Index methodology and the Fund is monitored in a manner that seeks to identify exceptions to the Fund's sustainable commitments being met as at each rebalance.

BlackRock Portfolio Managers have access to research, data, tools, and analytics to integrate ESG insights into their investment process. ESG datasets are sourced from external third-party data providers and index providers, including but not limited to MSCI, Sustainalytics, Refinitiv, S&P and Clarity AI. BlackRock's internal processes are focused on delivering high-quality standardised and consistent data to be used by investment professionals and for transparency and reporting purposes. Data, including ESG data, received through our existing interfaces, is processed through a series of quality control and completeness checks which seeks to ensure that data is high-quality data before being made available for use downstream within BlackRock systems and applications, such as Aladdin.

BlackRock applies a comprehensive due diligence process to evaluate provider offerings with highly targeted methodology reviews and coverage assessments based on the sustainable investment strategy (and the environmental and social characteristics or sustainable investment objective) of the product. Our process entails both qualitative and quantitative analysis to assess the suitability of data products in line with regulatory standards as applicable.

Sustainable investing and understanding of sustainability is evolving along with the data environment. Industry participants, including index providers face challenges in identifying a single metric or set of standardized metrics to provide a complete view on a company or an investment. ESG data sets are constantly changing and improving as disclosure standards, regulatory frameworks and industry practice evolve. There may be some circumstances where data is unavailable, incomplete, or inaccurate. Despite reasonable efforts, information may not always be available in which case an assessment will be made by the index provider based on their knowledge of the investment or industry. In certain cases, data may reflect actions that issuers may have taken only after the fact, and do not reflect all potential instances of significant harm.

The Investment Manager carries out due diligence on the index providers and engages with them on an ongoing basis with regard to index methodologies including their assessment of good governance criteria set out by the SFDR which include sound management structures, employee relations, remuneration of staff and tax compliance at the level of investee companies.

The Investment Manager does not perform direct engagement with the companies / issuers within the Benchmark Index as part of the investment strategy of the Fund. The Investment Manager will engage directly with the index and data providers to ensure better analytics and stability in ESG metrics. Engagement with companies in which we invest our clients' assets occurs at multiple levels within BlackRock. Where investment teams choose to leverage engagement, this can take a variety of forms but, in essence, the portfolio management team would seek to have regular and continuing dialogue with executives or board directors of engaged investee companies to advance sound governance and sustainable business practices targeted at the identified ESG characteristics and principal adverse indicators, as well as to understand the effectiveness of the company's management and oversight of activities designed to address the identified ESG issues. Engagement also allows the portfolio management team to provide feedback on company practices and disclosures.

The Benchmark Index is designated as a reference benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics that it promotes.

### **B. No sustainable investment objective**

This Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.

The Fund does not commit to investing in sustainable investments.

### **C. Environmental or social characteristics of the financial product**

The Fund promotes environmental characteristics related to the reduction of non-renewable natural resource utilisation and pollution by excluding direct investments in companies involved in, for example, thermal coal extraction, thermal coal based power generation, production of tar sands (also known as oil sands) and involved in severe controversies relating to, for example, biodiversity and land use, and water stress, in line with the Fund's Benchmark Index.

The Fund promotes social characteristics related to (a) reduction of the availability of weapons by excluding direct investment in companies involved in the production of controversial weapons (including, but not limited to, cluster munitions, landmines, depleted uranium weapons, biological-chemical weapons, blinding lasers and incendiary weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes), or involved in the production of nuclear weapons or nuclear weapon delivery platforms or the provision of auxiliary services related to nuclear weapons, or involved in the production or distribution of firearms intended for retail to civilians, (b) better health and well-being by excluding direct investment in companies involved in, for example, tobacco production and supply of tobacco related products, and (c) support for human rights, labour standards, the environment and anti-corruption by excluding direct investment in issuers deemed to have failed to comply with the UN Global Compact Principles, each in line with the Fund's Benchmark Index.

The definition of "involved" in relation to each activity may be based on generating or deriving a revenue from the activity that exceeds a percentage of revenue or a defined total revenue threshold, or any exposure to the activity regardless of the amount of revenue received. The activity may relate to production or distribution or both.

In order to attain the exclusionary screens, the Fund invests in the constituents of the Benchmark Index, which applies such exclusionary screens. Further detail on the exclusions applied to promote environmental and/or social characteristics can be found in the index methodology of the Benchmark Index.

### **D. Investment strategy**

The investment objective of the BlackRock for Formue North America Equity Index Fund (the "Fund" for the purposes of the section of the Supplement entitled "Investment Objectives and Policies" in respect of the BlackRock for Formue North America Equity Index Fund) is to provide a total return, taking into account both capital and income returns, which reflects the total return of the MSCI North America ex Select Controversies Index (the "Benchmark Index").

In order to achieve this investment objective and, subject to the investment restrictions in Appendix D of the Prospectus, the investment policy of the Fund is to invest in a portfolio of equity securities that as far as possible and practicable consists of the component securities of the Benchmark Index. The Fund intends to use optimisation techniques in order to achieve a similar return to the Benchmark Index and it is therefore not expected that the Fund will hold each and every underlying constituent of the Benchmark Index at all times or hold them in the same proportion as their weightings in the Benchmark Index.

The Fund's direct investments will, at the time of purchase, comply with the ESG requirements of the Fund's Benchmark Index. The Fund may hold securities which do not comply with the ESG requirements of the Fund's Benchmark Index until such time as the relevant securities cease to form part of the Benchmark Index and it is possible and practicable (in the Investment Manager's view) to liquidate the position.

The Fund's investments will normally be listed and traded on Regulated Markets in the United States and Canada but may alternatively be listed and traded on other Regulated Markets as set out in Appendix F of the Prospectus.

Where an equity security which forms part of the Benchmark Index is not available or a market for such equity security does not exist or where acquiring or holding such security is not as cost or tax efficient as acquiring a depository receipt, the Fund may instead invest in depository receipts to gain exposure to the relevant securities. Depository receipts are instruments issued by financial institutions which give exposure to underlying equity securities.

In addition, the Fund may, subject to the restrictions set out in Appendix D of the Prospectus, for liquidity and other ancillary purposes, invest in cash and/or cash equivalents (such as term deposits and bank certificates). [During an initial period of no more than one month from the launch date of the Fund (the "Initial Period"), the Fund may hold a significant proportion of its assets in cash and cash equivalents, money market instruments (including certificates of deposit, commercial paper and bankers acceptances) and money market funds though it is expected that the Fund's relative exposure to these assets will decrease over the course of the Initial Period. As a result, there may be a higher than usual tracking difference between the Fund and the Benchmark Index during the Initial Period.]

In order to assist in achieving its investment objective, the Fund may also, subject to the restrictions set out in Appendix D of the Prospectus, invest up to 10% of its Net Asset Value in other CIS, which may include money market funds for liquidity management purposes, and/or CIS which are exposed to investments that are similar to the Fund's investments, where investing in such CIS may be more efficient from a cost and timing perspective than direct investment in fixed income and fixed income-related securities. These CIS may be listed or traded on the Regulated Markets set out in Appendix F of the Prospectus.

The Fund may hold some securities which are not underlying constituents of the Benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the Benchmark Index. However, from time to time the Fund may hold all constituents of the Benchmark Index.

In cases where the Investment Manager invests in securities that are not constituents of the Benchmark Index, these will be selected by the Investment Manager based on its determination, in light of current market conditions and taking due account of its assessment of liquidity, of the most cost-effective manner of generating a return that tracks the return of the Benchmark Index.

Subject to tracking its Benchmark Index as required for the Fund to meet its investment objective, the Fund will promote its environmental and social characteristics by excluding direct investment in issuers excluded by its Benchmark Index for being involved in the following activities:

- Thermal coal extraction and thermal coal power generation;
- Production of tar sands (also known as oil sands);
- Production of controversial weapons (including, but not limited to, cluster munitions, landmines, depleted uranium weapons, biological-chemical weapons, blinding lasers and incendiary weapons as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes);
- Production of nuclear weapons or nuclear weapon delivery platforms or the provision of auxiliary services related to nuclear weapons;
- Production or distribution of firearms intended for retail to civilians;
- Tobacco production and supply of tobacco related products;
- Deemed to be violating the UN Global Compact Principles; and
- Severe controversies (with an MSCI controversy score of 0 based on very severe business controversies as defined by MSCI).

The definition of “involved” in relation to each activity may be based on generating or deriving a revenue from the activity that exceeds a percentage of revenue or a defined total revenue threshold, or any exposure to the activity regardless of the amount of revenue received. The activity may relate to production or distribution or both.

The thresholds that would apply to the above exclusions are the same as the thresholds set out in the index methodology of the Fund’s Benchmark Index which is available at: <https://www.msci.com/index/methodology/latest/Worldselectcontroversies>.

#### Consideration of principal adverse impacts (PAIs) on sustainability factors

The Fund takes into consideration principal adverse impacts on sustainability factors by tracking the Benchmark Index which incorporates certain ESG criteria in the selection of index constituents. The Investment Manager has determined that those principal adverse impacts (PAIs) listed below are considered as part of the selection criteria of the Benchmark Index at each index rebalance:

- Share of investments in companies active in the fossil fuel sector.
- Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.
- Share of investments in investee companies involved in the manufacture or selling of controversial weapons.

The Fund's annual report will include information on the principal adverse impacts on sustainability factors.

#### Good governance policy

Good governance checks are incorporated within the methodology of the Benchmark Index.

The index provider excludes companies from the Benchmark Index based on an ESG controversy score (which measures an issuer's involvement in ESG related controversies to identify issuers which may not have satisfactory governance practices in relation to key performance indicators (KPIs) related to sound management structure, employee relations, remuneration of staff and tax compliance) and excludes companies that are classified as violating United Nations Global Compact principles (see What environmental and/or social characteristics are promoted by this financial product? above).

The Investment Manager carries out ex-post reviews of the good governance criteria after index rebalances are carried out by the Index Provider and should the Investment Manager identify any concerns with the rebalanced Benchmark Index, the Investment Manager would raise this with the Index Provider for the Index Provider to resolve.

### **E. Proportion of Investments**

The Fund seeks to invest in a portfolio of securities that as far as possible and practicable consists of the component securities of the Benchmark Index.

It is expected that at least 80% of the Fund's assets will be invested in securities within the Benchmark Index. As such, at each index rebalance (or as soon as reasonably possible and practicable thereafter), the portfolio of the Fund will be rebalanced in line with its Benchmark Index so that at least 80% of the Fund's assets will be aligned with the ESG characteristics of the Benchmark Index (as determined at that rebalance).

In the event that any investments cease to comply with the ESG requirements of the Benchmark Index, the Fund may continue to hold such investments until such time as the relevant securities cease to form part of the Benchmark Index (or as soon as reasonably practicable thereafter) and it is possible and practicable (in the Investment Manager's view) to liquidate the position.

The Fund may invest up to 20% of its assets in other investments.

The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management in connection with the environmental or social characteristics promoted by the Fund. Where the Fund uses derivatives for promoting environmental or social characteristics, any ESG rating or analyses referenced above will apply to the underlying investment.

This Fund does not currently commit to investing more than 0% of its assets in investments in environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.

The Fund does not currently commit to invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy, however, these investments may form part of the portfolio.

This Fund does not currently commit to investing more than 0% of its assets in investments in transitional and enabling activities within the meaning of the Taxonomy Regulation.

The Fund does not commit to investing in sustainable investments with an environmental objective.

This Fund does not currently commit to investing more than 0% of its assets in investments in socially sustainable investments.

Other holdings may include cash, money market funds and derivatives. Such investments may only be used for the purpose of efficient portfolio management, except for derivatives used for currency hedging for any currency hedged share class.

Any ESG rating or analyses applied by the index provider will apply only to the derivatives relating to individual issuers used by the Fund. Derivatives based on financial indices, interest rates, or foreign exchange instruments will not be considered against minimum environmental or social safeguards.

## **F. Monitoring of environmental or social characteristics**

### Ongoing product integrity monitoring

BlackRock monitors the Fund's adherence to the environmental and social characteristics which the Fund seeks to promote. The objective of the Fund is to track the performance of the Benchmark Index. The environmental and/or social characteristics of the Fund are embedded into the Benchmark Index methodology and the Fund is monitored in a manner that seeks to identify exceptions to the Fund's sustainable commitments being met as at each rebalance.

BlackRock monitors Fund and index-level data to track the Fund's adherence to these characteristics as at each rebalance.

BlackRock also monitors the tracking error of the Fund and reports this to investors as part of the annual and semi-annual report and accounts. Information on the anticipated tracking error is also published in the Fund's prospectus.

## **G. Methodologies**

The Fund seeks to track the performance of the Benchmark Index which incorporates certain ESG criteria in the selection of constituents, according to its methodology (outlined above in Section C and detailed in section L).

### Methodologies

In addition, the following methodologies are used to measure how the social or environmental characteristics promoted by the Fund are met:

The Benchmark Index uses MSCI Business involvement and UNGC screens. For further information, [https://www.msci.com/documents/1296102/1636401/MSCI\\_ESG\\_BIS\\_Research\\_Productsheet\\_April+2015.pdf/babff66f-d1d6-4308-b63d-57fb7c5ccfa9](https://www.msci.com/documents/1296102/1636401/MSCI_ESG_BIS_Research_Productsheet_April+2015.pdf/babff66f-d1d6-4308-b63d-57fb7c5ccfa9).

The Benchmark Index uses MSCI ESG controversy data. For further information, <https://www.msci.com/documents/10199/acbe7c8a-a4e4-49de-9cf8-5e957245b86b>.

## H. Data sources and processing

### Data Sources

BlackRock Portfolio Managers have access to research, data, tools, and analytics to integrate ESG insights into their investment process. Aladdin is the operating system that connects the data, people, and technology necessary to manage portfolios in real time, as well as the engine behind BlackRock's ESG analytics and reporting capabilities. BlackRock's Portfolio Managers use Aladdin to make investment decisions, monitor portfolios and to access index information that informs the investment process to attain ESG characteristics of the Fund.

ESG datasets are sourced from external third-party data providers and index providers, including but not limited to MSCI, Sustainalytics, Refinitiv, S&P and Clarity AI. These datasets may include headline ESG scores, carbon emissions data, business involvement metrics or controversies and have been incorporated into Aladdin tools that are available to Portfolio Managers and employed in BlackRock investment strategies. Such tools support the full investment process, from research, to portfolio construction and modelling, to reporting.

### Measures taken to ensure Data Quality

BlackRock applies a comprehensive due diligence process to evaluate provider offerings with highly targeted methodology reviews and coverage assessments based on the sustainable investment strategy (and the environmental and social characteristics or sustainable investment objective) of the product. Our process entails both qualitative and quantitative analysis to assess the suitability of data products in line with regulatory standards as applicable.

We assess ESG providers and data across five core areas outlined below:

1. **Data Collection:** this includes but is not limited to assessing the data providers underlying data sources, technology used to capture data, process to identify misinformation and any use of machine learning or human data collection approaches. We will also consider planned improvements.
2. **Data Coverage:** our assessment includes but is not limited to the extent to which a data package provides coverage across our investible universe of issuers and asset classes. This will include consideration of the treatment of parent companies and their subsidiaries as well as use of estimated data or reported data.
3. **Methodology:** our assessment includes but is not limited consideration of the third-party providers methodologies employed, including considering the collection and calculation approaches, alignment to industry or regulatory standards or frameworks, materiality thresholds and their approach to data gaps.
4. **Data Verification:** our assessment will include but is not limited to the third-party providers approach to verification of data collected and quality assurance processes including their engagement with issuers.
5. **Operations:** we will assess a variety of aspects of a data vendors' operations, including but not limited to their policies and procedures (including consideration of any conflicts of interest) the size

and experience of their data research teams, their training programs, and their use of third-party outsourcers.

Additionally, BlackRock, actively participates in any relevant provider consultations regarding proposed changes to methodologies as it pertains to third party data sets or index methodologies and submits comprehensive feedback and recommendations to data provider technical teams. BlackRock often has ongoing engagement with ESG data providers including index providers to keep abreast of industry developments.

#### How data is processed

At BlackRock, our internal processes are focused on delivering high-quality standardised and consistent data to be used by investment professionals and for transparency and reporting purposes. Data, including ESG data, received through our existing interfaces, and then processed through a series of quality control and completeness checks which seeks to ensure that data is high-quality data before being made available for use downstream within BlackRock systems and applications, such as Aladdin. BlackRock's integrated technology enables us to compile data about issuers and investments across a variety of environmental, social and governance metrics and a variety of data providers and make those available to investment teams and other support and control functions such as risk management.

#### Use of Estimated Data

BlackRock strives to capture as much reported data from companies via 3rd party data providers as practicable, however, industry standards around disclosure frameworks are still evolving, particularly with respect to forward looking indicators. As a result, in certain cases we rely on estimated or proxy measures from data providers to cover our broad investible universe of issuers. Due to current challenges in the data landscape, while BlackRock relies on material amount of estimated data across our investible universe, the levels of which may vary from data set to data set, we seek to ensure that use of estimates is in line with regulatory guidance and that we have necessary documentation and transparency from data providers on their methodologies. BlackRock recognizes the importance in improving its data quality and data coverage and continues to evolve the data sets available to its investment professionals and other teams. Where required by local country-level regulations, funds may state explicit data coverage levels. BlackRock seeks to understand the use of estimated data in index methodologies and ensure that their approaches are robust and in line with applicable regulatory requirements and index methodologies.

### **I. Limitations to methodologies and data**

#### Limitations to Methodology

Sustainable investing is an evolving space, both in terms of industry understanding but also the regulatory frameworks on both a regional and global basis. BlackRock continues to monitor developments in the EU's ongoing implementation of its framework for sustainable investing and its investment methodologies seeking to ensure alignment as the regulatory environment changes. As a result, BlackRock may update these disclosures, and the methodologies and sources of data used, at any time in the future as market practice evolves or further regulatory guidance becomes available.

Screening of a Benchmark Index against its ESG criteria is generally carried out by an index provider only at index rebalances. Companies which have previously met the screening criteria of a Benchmark Index and

have therefore been included in the Benchmark Index and the Fund, may unexpectedly or suddenly be impacted by an event of serious controversy which negatively impacts their price and, hence, the performance of the Fund. Where these companies are existing constituents of the Benchmark Index, they will remain in the Benchmark Index and therefore continue to be held by the Fund until the next scheduled rebalancing (or periodic review) when the relevant company ceases to form part of the Benchmark Index and it is possible and practicable (in the Investment Manager's view) to liquidate the position. A Fund tracking such Benchmark Index may therefore cease to meet the ESG criteria between index rebalances (or index periodic reviews) until the Benchmark Index is rebalanced back in line with its index criteria, at which point the Fund will also be rebalanced in line with its Benchmark Index. Similarly index methodologies that commit to investing in a minimum percentage of Sustainable Investments may also fall below that level in between rebalances but will be brought back into line at the point of rebalance (or as soon as practicable thereafter).

Limitations in relation to the data sources are noted below.

#### Limitations to Data

ESG data sets are constantly changing and improving as disclosure standards, regulatory frameworks and industry practice evolve. BlackRock continues to work with a broad range of market participants to improve data quality.

Whilst each ESG metric may come with its own individual limitations, data limitations may broadly be considered to include, but not be limited to:

- Lack of availability of certain ESG metrics due to differing reporting and disclosure standards impacting issuers, geographies, or sectors.
- Nascent statutory corporate reporting standards regarding sustainability leading to differences in the extent to which companies themselves can report against regulatory criteria and therefore some metric coverage levels may be low.
- Inconsistent use and levels of reported vs estimated ESG data across different data providers, taken at varied time periods which makes comparability a challenge.
- Estimated data by its nature may vary from realized figures due to the assumptions or hypothesis employed by data providers.
- Differing views or assessments of issuers due to differing provider methodologies or use of subjective criteria.
- Most corporate ESG reporting, and disclosure takes place on an annual basis and takes significant time to produce meaning that this data is produced on a lag relative to financial data. There may also be inconsistent data refresh frequencies across different data providers incorporating such data into their data sets.
- Coverage and applicability of data across asset classes and indicators may vary.
- Forward looking data, such as climate related targets may vary significantly from historic and current point in time metrics.

For more information about how metrics that are presented with sustainability indicators are calculated, please see the Fund's annual report.

### Sustainable Investments and Environmental and Social criteria

Sustainable investing and understanding of sustainability is evolving along with the data environment. Industry participants, including index provider face challenges in identifying a single metric or set of standardized metrics to provide a complete view on a company or an investment. BlackRock has therefore established a framework to identify sustainable investments, taking into account the regulatory requirements and index provider methodologies.

BlackRock leverages third-party index provider methodologies and data in assessing whether investments cause significant harm and have good governance practices. There may be some circumstances where data is unavailable, incomplete, or inaccurate. Despite reasonable efforts, information may not always be available in which case an assessment will be made by the index provider based on their knowledge of the investment or industry. In certain cases, data may reflect actions that issuers may have taken only after the fact, and do not reflect all potential instances of significant harm.

BlackRock undertakes thorough due diligence on index provider sustainable investment methodologies to ensure that they align with BlackRock's views on Sustainable Investments.

#### **J. Due Diligence**

The Investment Manager carries out due diligence on the index providers and engages with them on an ongoing basis with regard to index methodologies including their assessment of good governance criteria set out by the SFDR which include sound management structures, employee relations, remuneration of staff and tax compliance at the level of investee companies.

#### **K. Engagement Policies**

##### The Fund

The Fund does not use engagement as a means of meeting its binding commitments to environmental or social characteristics or sustainable investment objectives. The Investment Manager does not perform direct engagement with the companies / issuers within the index but does engage directly with the index and data providers to ensure better analytics and stability in ESG metrics.

##### General

Engagement with companies in which we invest our clients' assets occurs at multiple levels within BlackRock.

Where engagement is specifically identified by a particular portfolio management team as one of the means by which they seek to demonstrate a commitment to environment, social and governance issues within the context of SFDR, the methods by which the effectiveness of such engagement policy and the ways in which such an engagement policy may be adapted in the event that they do not achieve the desired impact (usually expressed as a reduction in specified principal adverse indicators) would be described in the prospectus and website disclosures particular to that fund.

Where investment teams chooses to leverage engagement, this can take a variety of forms but, in essence, the portfolio management team would seek to have regular and continuing dialogue with executives or board directors of engaged investee companies to advance sound governance and sustainable business practices targeted at the identified ESG characteristics and principal adverse indicators, as well as to understand the effectiveness of the company's management and oversight of activities designed to address the identified ESG issues. Engagement also allows the portfolio management team to provide feedback on company practices and disclosures.

Where a relevant portfolio management team has concerns about a company's approach to the identified ESG characteristics and/or principal adverse indicators, they may choose to explain their expectations to the company's board or management and may signal through voting at general meetings that they have outstanding concerns, generally by voting against the re-election of directors they view as having responsibility for improvements in the identified ESG characteristics or principal adverse indicators.

Separate from the activities of any particular portfolio management team, at the highest level, as part of its fiduciary approach, BlackRock has determined that it is in the best long-term interest of its clients to promote sound corporate governance as an informed, engaged shareholder. At BlackRock, this is the responsibility of BlackRock Investment Stewardship. Principally through the work of BIS team, BlackRock meets the requirements in the Shareholder Rights Directive II ("SRD II") relating to engagement with public companies and other parties in the investment ecosystem. A copy of BlackRock's SRD II engagement policy can be found at <https://www.blackrock.com/corporate/literature/publication/blk-shareholder-rights-directiveii-engagement-policy-2022.pdf>.

BlackRock's approach to investment stewardship is outlined in the BIS Global Principles and market-level voting guidelines. The BIS Global Principles set out our stewardship philosophy and our views on corporate governance and sustainable business practices that support long-term value creation by companies. We recognize that accepted standards and norms of corporate governance differ between markets; however, we believe there are certain fundamental elements of governance practice that are intrinsic globally to a company's ability to create long-term value. Our market-specific voting guidelines provide detail on how BIS implements the Global Principles – taking into consideration local market standards and norms – and inform our voting decisions in relation to specific ballot items for shareholder meetings. BlackRock's overall approach to investment stewardship and engagement can be found at: <https://www.blackrock.com/uk/professionals/solutions/shareholder-rights-directive> and <https://www.blackrock.com/corporate/about-us/investment-stewardship>.

In undertaking its engagement, BIS may focus on particular ESG themes, which are outlined in BlackRock's voting priorities <https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf>.

### **I. Designated reference benchmark**

This Fund seeks to achieve the environmental and social characteristics it promotes by tracking the performance of the MSCI North America ex Select Controversies Index, its Benchmark Index, which incorporates the index provider's ESG selection criteria.

At each index rebalance, the index provider applies the ESG selection criteria to the Parent Index to exclude issuers that do not meet such ESG selection criteria.

At each index rebalance (or as soon as reasonably possible and practicable thereafter), the portfolio of the Fund is also rebalanced in line with its Benchmark Index.

The Benchmark Index excludes issuers that do not meet its ESG selection criteria from its Parent Index, which is a broad market index. The ESG selection criteria that is excluded is set out above see 'Section C - Environmental or social characteristics of the financial product.'

The methodology of the Fund's Benchmark Index can be found by copying and pasting the following link into your web browser: <https://www.msci.com/index/methodology/latest/Worldexselectcontroversies>.

The methodology of the Fund's Benchmark Index can also be found on the index provider's website at <https://www.msci.com/index-methodology>.

**This website disclosure (“Disclosure”) is for distribution to Professional Clients (as defined by the FCA or MiFID rules) and Qualified Investors only and should not be relied upon by any other persons.**

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