

# Our 2020 sustainability actions

This January, BlackRock wrote to clients outlining our conviction that sustainability risk – and climate risk in particular – is investment risk. We committed to making sustainability a key component of the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies.

Here are a few highlights from this year:

## Integrating ESG

The firm delivered on its goal of having **100% of our approximately 5,600** active and advisory BlackRock strategies **ESG integrated – covering US\$2.7 trillion in assets**<sup>i</sup>.

## Improving ESG data

BlackRock added **1,200 sustainability metrics** to Aladdin and established data partnerships with Sustainalytics, Refinitiv and Rhodium to help clients better understand ESG and physical climate risks.

## Increasing access

BlackRock introduced **93 new sustainable solutions in 2020**, helping clients allocate **US\$39 billion<sup>i</sup> to sustainable investment strategies**, which helped increase our sustainable assets by **41%** from December 31, 2019.

## Pioneering sustainability

BlackRock pioneered new sustainable strategies with the **first** dedicated ESG solution in Mexico and, in the US, the **first** index-based target-date ESG funds and the **first** suite of single-ticker ESG asset allocation ETFs.

## New climate risk tools

**Aladdin Climate** launched, setting a new standard for assessing environmental risks across asset classes in investment portfolios.

## Intensifying engagement and transparency

**244 carbon-intensive companies risk voting action in 2021** absent significant progress on climate; increased transparency with **more than 50 Vote Bulletins on high-profile votes** and saw a **288% increase in SASB reporters** since our call for SASB and TCFD-aligned reporting<sup>ii</sup>.

Below is a list of our 2020 sustainability actions, and the progress we have made across three key categories to help clients invest sustainably.

## Building sustainable portfolios

## Increasing access to sustainable investing

## Enhancing sustainability in stewardship

### Integrating ESG in investment portfolios

1. Earlier this year, we achieved our goal of having **100% of our approximately 5,600 active and advisory BlackRock strategies** ESG integrated, **covering US\$2.7 trillion in assets<sup>i</sup>**. And all ESG integrated, publicly available active strategies will feature integration statements on our website by year end.

### Reducing ESG risk in active strategies

2. All of our discretionary active portfolios have completely exited any investment in public companies with more than 25% of revenues from thermal coal production and are free from any company with ties to controversial weapons<sup>iii</sup>.

### Enhancing transparency of sustainable characteristics

3. All of our **~1,700 mutual funds and ETFs** in Europe, the Americas and APAC will feature ESG metrics covering **seven distinct MSCI sustainability characteristics** by year's end in addition to transparency on controversial **business involvement exposures**.

### Using ESG building blocks in portfolios

4. Sustainable building blocks have grown exponentially in our global model portfolios, jumping from **US\$450 million in 2019 to US\$23 billion in ESG AUM in 2020<sup>i</sup>**. Our EMEA model portfolios alone **have grown their ESG allocation three-fold** from 8% a year ago to 22% today<sup>i</sup>.
5. As well as being fully ESG integrated, 100% of product-focused teams will have at least one ESG product by 2021 (**85% of our product-focused teams have ESG offerings today<sup>i</sup>**).
6. Our flagship target-date fund in the UK is embarking on the next phase of its ESG integration which is aiming for **50% ESG exposure by mid-2021**.

### Putting ESG at the heart of Aladdin

7. We launched **Aladdin Climate**, a new tool that is underpinned by **Rhodium data**, to help clients better assess physical climate risks across all asset classes in their portfolios.
8. We expanded from **12 key performance indicators (KPIs)** to **1,200 KPIs** to help portfolio and risk managers better identify sustainability-related risks and make informed asset allocation adjustments.
9. We increased the number of data providers where we source sustainability data for Aladdin, adding two new partnerships this year with **Sustainalytics** and **Refinitiv**.

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### Doubling our ESG ETFs

10. We have added **51 new ESG index offerings** to reach **141 globally<sup>iv</sup>**, more than a **50% increase** in our total ESG index solutions line-up – on our way to a **multi-year goal of 150**.
11. We further simplified our line-up by **creating three distinct suites of sustainable ETFs**, one that screens out certain sectors or companies, one that enables clients to balance improved ESG scores while optimizing for close tracking to market-cap indexes, and one that helps clients prioritize higher-rated ESG rated companies while extensively screening out controversial activities.

### Engaging with index providers to expand sustainable indexes

12. We worked with **11 providers to launch sustainable versions of flagship indexes**, including **three new ESG Screened funds with S&P**, and working with FTSE Russell and Markit to create sustainability-integrated alternatives of standard benchmarks.

### Expanding sustainable cash strategies

13. Our suite of environmentally focused cash strategies **added two new solutions**, bringing our global total to six. Managed **sustainable cash assets grew nearly 100% to more than US\$14.5 billion<sup>i</sup>** in the past year.

### Creating sustainable active strategies

14. We **more than doubled our platform of active sustainable products**, with **40 new solutions<sup>i</sup>** in 2020, taking our global total to **71 strategies across equity, fixed income and alternatives**. This includes six new Active Equity Impact strategies for institutional and retail clients in select markets, including the US, Canada, APAC, EMEA and LatAm.

### Private markets

15. A BlackRock fund raised **US\$5.1 billion** designed to invest client capital in infrastructure assets that **support the global energy transition**, like natural gas and renewables.
16. We invested client capital in **18 onshore wind projects in Europe** and built **the largest ever floating solar project in Taiwan**, which has helped provide land for agriculture and local housing.

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### Raising expectations and setting priorities on sustainability

17. We **updated 2020 engagement priorities and proxy voting guidelines** across nine markets to reflect intensified focus and dialogue with companies on material sustainability-related risks.
18. For the first time, we **mapped our engagement priorities to specific UN Sustainable Development Goals**. We also incorporated KPIs in our engagement priorities to make clear how we expect to hold boards accountable.
19. We **completed a comprehensive review of our global principles and 2021 proxy voting guidelines**, with publication planned in December 2020.

### Intensified our approach to engagement and voting

20. Our January 2020 sustainability commitments have resulted in engagements increasing to a record level. Engagements grew from **2,050 to 3,040 (a 48% increase YoY)**. We engaged with more companies, from **1,458 to 2,020 (a 39% increase YoY)**, in more markets (from 42 to 54), and across more of our clients' AUM (from 50% to 61%)<sup>v</sup>. Within this, **environmental engagements increased 299% YoY** and **social engagements increased 173% YoY**.
21. We ramped up our **engagement with 440 carbon-intensive companies<sup>v</sup>**, representing approximately 60% of the global scope 1 and 2 emissions<sup>vi</sup> of the companies in which our clients invest. Of these 440 companies, **244 companies risk voting action** in 2021 absent significant progress on climate.
22. **We voted against management when companies made insufficient progress integrating climate risk** into their business models or disclosures. We have taken voting action on climate-related issues at 62 companies<sup>viii</sup>, up from 53 companies in H1 2020. This includes **votes against 62 directors/discharge due to climate-related issues<sup>vii</sup> at 55 companies<sup>viii</sup>**.

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### Transformed the transparency of our stewardship work

23. We published more than **50 Vote Bulletins** year to date (five times the previous three years combined) to explain the rationale for how we have voted and to provide insight into our engagements.
24. We **moved from annual to quarterly voting disclosure** and provided rationales for key votes.
25. We initiated a global quarterly engagement summary listing every company engaged and topics discussed.
26. We published **eight position papers** explaining our approach to a number of sustainability issues, including Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD)-aligned reporting, climate risk reporting, transition to a low-carbon economy, and sustainable business practices in the agricultural sector.
27. We also published **two key reports on our activities and related outcomes**: a special report on **Our Approach to Sustainability** in July and our **2020 Annual Report** in September.

### Active participation in private sector initiatives and the public policy debate

28. In January 2020, **BlackRock joined Climate Action 100+**, an investor-led corporate engagement initiative encouraging companies to improve climate risk disclosure and align business strategies with the goals of the Paris Agreement. Currently, we are a lead investor on engagement at China Steel Corporation in Taiwan, and an active member of the Asia Advisory Group focused on the engagement strategy for APAC companies.
29. Following BlackRock's ask in January, for companies to publish SASB- and TCFD-aligned disclosures, there has been a **288% increase in unique companies reporting aligned with SASB<sup>ii</sup>** and **1,500 organizations support the TCFD**. BlackRock will publish its own TCFD-aligned disclosure by year end.
30. In October 2020, we **called for convergence of the different private sector reporting frameworks** and standards to establish a globally recognized and adopted approach to sustainability reporting.

- i As of September 30, 2020
- ii Data is January 1, 2020 to October 31, 2020. Global Use of SASB Standards. Available at: <https://www.sasb.org/global-use/>
- iii All companies with any tie to Controversial Weapons (cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons), as defined by the methodology of the MSCI Ex-Controversial Weapons Indexes
- iv As of November 23, 2020
- v Reporting period is July 1, 2019 to June 30, 2020, representing the Securities and Exchange Commission's (SEC) 12-month reporting period for U.S. mutual funds, including iShares
- vi By convention, emissions in most companies' disclosures, and the databases that aggregate these, are reported in tonnes CO2 equivalent (GHG emissions in tCO2e). They include carbon dioxide (CO2) but may also include methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). All these gases contribute to climate change. Instead of reporting them separately, the convention is to convert and disclose them as a single figure
- vii Refers to votes against management on director-related items for insufficient progress on climate disclosures. Director-related items includes management proposals to elect directors or supervisors, as well as discharge and election of board chairman proposals
- viii Data is January 1, 2020 to November 20, 2020

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