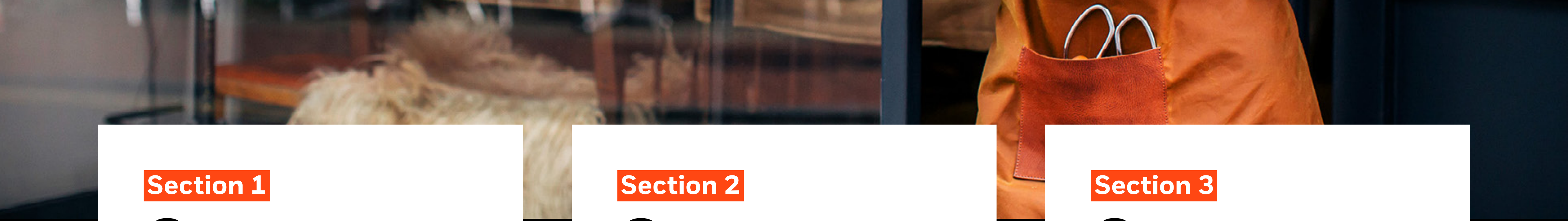
Accelerating positive outcomes

BlackRock Impact Opportunities Fund

Annual Impact Report – Inaugural Edition

BlackRock®



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Our commitment

BIO's mission

BlackRock's purpose

BlackRock's purpose is to help more and more people experience financial well-being.

As investors, fiduciaries, and members of society, we believe it is our duty to combine our investment expertise with a focus on generating long-term prosperity.

MISSION ALIGNMENT

BIO's mission

BIO looks to accelerate positive economic outcomes and create collective wealth for undercapitalized ethnic communities in the U.S.

We aspire to change the way institutional capital flows to communities of color by collaborating with mission-aligned partners to accelerate the growth of high potential companies and projects.

BIO portfolio in numbers[1]

500+
opportunities evaluated

$350mm[2]
capital committed

7
Investments in portfolio

Accelerating growth of high potential companies & projects	Quality jobs for diverse communities	Addressing racial inequities across a number of impact pathways
$1.2bn 2022 revenue	**1,764** Employees at portfolio companies	**5** Impact themes
50% YoY revenue growth	**71%** Employee diversity at portfolio companies	**6** UN SDGs represented

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Dear readers,

We are excited to share with you our inaugural annual impact report.

BlackRock's purpose is to help more and more people experience financial well-being. We know, however, that systemic barriers to wealth creation have prevented diverse business leaders and communities from driving economic growth and creating wealth.

In America today, nearly 70 percent of Black children born to middle-class parents are expected to experience downward economic mobility and fall out of the middle class, twice the rate of white children.[3] This is seen in the sizeable racial wealth gaps in the U.S.; median wealth for white households is $187,300 compared to $14,100 and $31,700 for Black and Latinx households, respectively.[4] If the growing racial wealth gap trends could be reversed, the U.S. could add $1.5 trillion to the economy by 2028 — increasing GDP by four to six percent.[5]

The systemic inequities that create this reality manifest in every sector — from housing to healthcare to education to finance. We aim to help build a better, more equitable and wealthier society. Despite these obstacles, diverse people have been resilient and innovative, building thriving businesses and strong communities. Businesses owned by historically undercapitalized people account for 4.7 million jobs, $700 billion in annual sales, and 50 percent of new U.S.-based businesses.[6]

Black households are 2.4 times more likely than white households to be located in areas where basic needs are not met — food deserts and areas with limited medical services, high housing cost and substantial transportation costs.[7] More than ever before, there is increased demand for better, more relevant products and services that meet rapidly growing consumption needs across diverse consumers. However, conventional approaches to underwriting do not always suit the evaluation of risk related to investing in diverse businesses or projects in undercapitalized communities.

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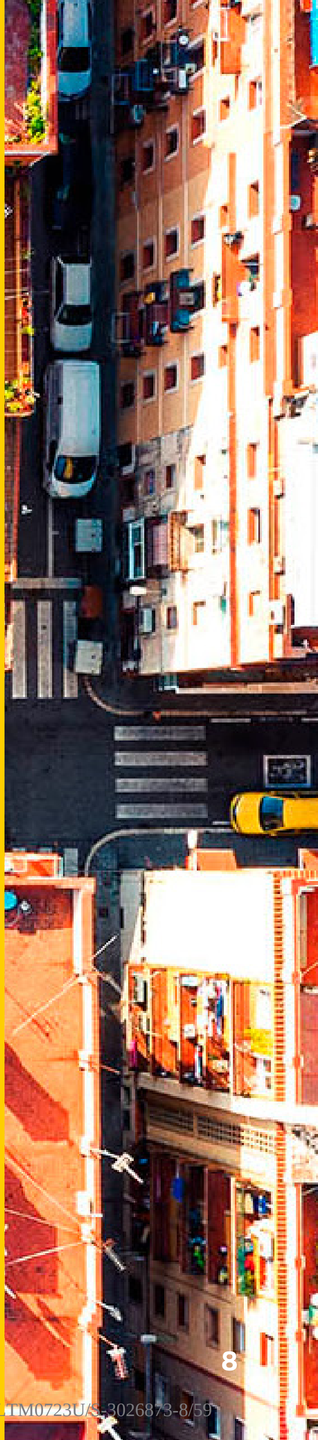
In recognition of the persistent inequities embedded in financial markets and the significant untapped market potential, the BlackRock Impact Opportunities ("BIO") Fund was created to uncover previously untapped opportunities, demonstrate the growth potential of these markets, and in so doing be a leader in changing the way that capital flows to undercapitalized communities.

BIO is a return-seeking strategy to invest in businesses and projects owned and operated by Black, Latinx, and Native American people as well as businesses and projects that drive change in undercapitalized communities. The fund focuses on investment themes that are drivers of economic growth and wealth creation with investments in opportunities that target risk-adjusted market-rate returns.

In our first full year, we have invested $350 million in seven exemplary companies that are owned by, led by, or benefiting diverse communities; it has been the start of an important journey, with five key takeaways to date:

- As we expected, there is a strong pipeline of overlooked and undercapitalized investment opportunities with compelling risk-reward profiles. This has allowed us to review over 500 opportunities since inception with a ~1% selectivity rate.
- The collective expertise of our investors, portfolio companies, partners, the BIO team, and BlackRock staff has enabled the sourcing, diligence, and ongoing support of a world-class portfolio that we believe is well-positioned to achieve double-bottom-line results.
- BIO is charting its own path in the field of impact investing and social equity; remaining open to new ideas and information, monitoring the KPIs of portfolio companies, and engaging in continuous self-assessment will push us to evolve our thinking and approach.
- This work is vital to the economy. We remain committed to lowering the barriers to capital. By investing in opportunities that generate market-rate returns, we will continue to bring more capital to new opportunities through our work.
- We cannot do this alone; we are fortunate to have, and will continue to need, the support of like-



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minded and mission-aligned investors to help galvanize further private funding towards bridging the capital gap and driving change. We are proud to be partners today with several large insurers, corporations, pension funds, family offices, prominent foundations and other investors with strong, existing track records in impact investing.

BIO is a very young fund; many of our investments are new and much of the data and impact is forthcoming, but we are honored to tell the stories and impact potential of a strong cohort of companies we have invested in toward this mission and set the vision for what our investors can expect in the journey to come.

Sincerely,
The BIO Fund Team

Pam Chan	**Ladell Robbins**	**Brian Grossman**	**Joseph Acevedo**
Derrick Weatherspoon	**Aarthi Sowrirajan**	**Brian Mwarania**	**Susie Qian**

Team

Pam Chan

Chair of Investment Committee

Ladell Robbins

Head of BIO

Brian Grossman

Head of Product Strategy

Joseph Acevedo

Senior Portfolio Manager

Derrick Weatherspoon

Senior Portfolio Manager

Aarthi Sowrirajan

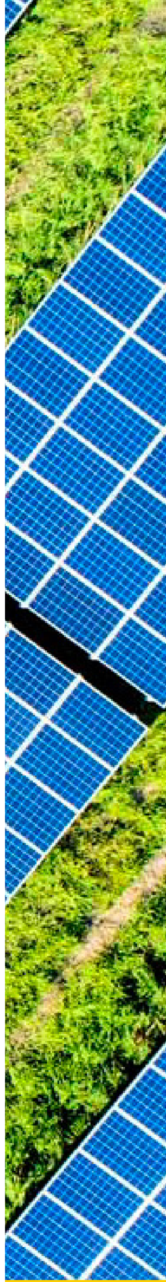
Senior Portfolio Manager

Brian Mwarania

Portfolio Manager

Susie Qian

Portfolio Manager



Theory of change

Changing the way institutional capital flows to narrow the racial wealth gap

Some of our largest clients are seeking ways to shift capital in order to narrow the racial wealth gap. In order to help those clients meet their goals, we believe in offering them a range of products. On behalf of these clients, we aspire to change how institutional capital flows to diverse businesses and communities and put all people on a path towards financial well being. White Americans comprise about 60 percent of the U.S. population, yet they hold 84 percent of the total wealth.[8] Experts have calculated the size of the Black-white racial wealth gap alone at over $10 trillion.[9] As an example, growing demand for diverse products and services in communities of color is an increasingly attractive investment opportunity. Risk-adjusted investments will help bridge this demand and supply gap in the economy. With its untapped growth potential and risk-adjusted market rate returns, we expect this focus area to continue attracting more institutional investors across the ecosystem.

The BlackRock Impact Opportunities (BIO) Fund makes direct investments across private equity, private credit, infrastructure, real estate, and other asset classes — using a wide range of tools seeking to create collective wealth for the businesses and communities in which it invests, and to generate risk-adjusted market-rate returns for the fund's investors. Since inception, BIO has reviewed more than 500 potential investments across different asset classes, demonstrating the opportunity set that exists within the fund's mandate. Thus far, the BIO team has closed seven investments and has committed US$350 million of capital from funds and accounts managed by BlackRock. Our portfolio management team has identified six key (but not exclusive) themes and two impact criteria for our investment strategy that represent the overlap between what research shows are driving forces of the racial wealth gap, opportunities in capital markets, BIO's expertise, relationships, and networks.

We hope our work serves as a catalyst to bring **systems change** and inspires action and capital inflow in these critical focus areas.

U.S. Black-white racial wealth gap

$10tn[9]
Estimated size of the racial wealth gap

$1-1.5tn[9]
Lost annually in economic output

4-6%[9]
Increase in U.S. GDP from closing the wealth gap

Inputs

- BIO fund capital
- Undercapitalized, mission-aligned companies
- BIO expertise, relationships and networks
- Limited Partner expertise, relationships and networks
- Field research

Activities

- Invest
- Create value
- Amplify impact

Outcomes

Businesses and entrepreneurs

Portfolio companies are equipped with the capital and the non-financial resources necessary to execute their strategies and grow their businesses

Investors and potential investors are exposed to market-rate commercial and impact returns

Communities

Wealth creation for diverse entrepreneurs

Improved outcomes for diverse communities across several impact themes

Investors are motivated to direct more capital to diverse businesses and communities

Impact

Systems

Change the way capital flows to undercapitalized communities of color to narrow the racial wealth gap and generate risk-adjusted market rate returns for the fund's investors

While BIO's impact is meaningful, it is still a fraction of what is needed to close the racial wealth gap. We know we are not alone in our mission and acknowledge the ongoing coordination and contributions across all sectors — public, private and philanthropic.

Our portfolio to date

tricolor auto

Q3 2021

Auto finance & retail

Financial inclusion

Doorway 2

BRP

Q1 2022

Commercial real estate

Housing & diverse developers

Doorway 1

Retro Fitness

Q2 2022

Fitness & wellness

Healthcare

Doorway 1 & 2

CADRE

ETHOS

Q2 2022

Commercial real estate

Housing & diverse developers

Doorway 1

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Q3 2022

Infrastructure services

Financial inclusion

Doorway 1 & 2

Q3 2022

Early childhood education

Education & workforce development

Doorway 1 & 2

Q4 2022

Diversified media & entertainment

Financial inclusion & inclusive media

Doorway 1 & 2

Doorway 1: Minority Founded/Owned or Led/Managed, Doorway 2: Serving Minority Communities. Investments as of December 31, 2022.

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Our strategy

How we invest

The BIO Fund draws on the breadth of BlackRock's investment capabilities, considerable global presence and professional network, granting the Fund a distinctive edge to source and execute transactions. We leverage the strength of the BlackRock platform, which manages $320 billion in assets across private equity, private credit, real assets (real estate and infrastructure), hedge funds, and multi-alternative portfolios. BlackRock has 1,100+ professionals dedicated solely to alternatives across more than 50 global investment centers, as of December 31, 2022.

Every potential BIO investment keeps impact at the center of the investment process and is subject to the same rigorous financial and legal underwriting as any non-impact investment made by funds managed by BlackRock. The BIO team has reviewed over 500 opportunities since inception and deployed, as of Q4 2022, $350 million[10] across seven investments, building a strong cohort of business leaders and businesses focused on creating impact in underserved communities.

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Making the right kind of capital work for companies, to create impact

The BIO Fund takes a dynamic approach to addressing the issue of racial inequity through direct investments across alternative asset classes. Our novel approach leverages the widest possible range of tools to create collective wealth for the businesses and communities in which we invest, and to generate returns for our investors.

Private equity

Private credit

Infrastructure

Real estate

Niche assets

BIO's flexible suite of investment strategies ensures that the right capital is available and used to support the needs of our portfolio companies. We provide the capital to scale businesses, the credit to those lacking access, the infrastructure investments to boost a community, and the expertise and relationships to take projects driving change to the next level.

Investment criteria

We ensure that each opportunity is screened both for strong business fundamentals and impact eligibility.

Investment criteria summary

BIO focuses on direct investments in companies and/or projects with the following criteria:

Investment size	• Up to $100 million
Investment themes	• Focused on Housing, Financial Inclusion, Education and Workforce Development, Healthcare, Digital Connectivity and the Inclusive Transition to a Low-Carbon Economy
Asset class	• Private Equity, Private Credit, Infrastructure, Real Estate and Niche Assets
Return target	• Targeted risk-adjusted returns will be at least commensurate with market returns
Geography	• U.S. investments only

Impact diligence

BIO's impact framework is consistent with BlackRock's general approach to impact investing in seeking to generate positive, measurable and additional sustainability outcomes alongside a financial return. BIO anchors our Impact Measurement and Management (IMM) approach to a set of three principles, which we conceived of to signify our set of best practices.

1 First, we seek to ensure that our IMM process is transparent, repeatable and auditable. We see many benefits to this approach, including having a mechanism to hold ourselves accountable, a feedback loop to our impact thesis and theory of change and a path for improving our practice over time.

2 Second, we integrate impact analysis throughout the investment process, including the identification of preliminary impact indicators before investing.

3 Third, our aim is to adopt industry-leading frameworks as much as possible, using what is relevant to, and consistent with, our investment process. This approach increases the comparability of impact measures across investments over time and helps avoid the proliferation of disparate methodologies in the industry.

BIO's integrated impact framework is designed to be rigorous, incorporating globally recognized impact standards, disciplined, such that the Impact Objective is embedded in every stage of the investment process, and flexible, to suit both BIO's multi-alternative approach and to evolve alongside globally recognized best practices.

Among the many measurement methodologies available in the industry, we have specifically chosen four to integrate into our IMM practice:

IMPACT MANAGEMENT PROJECT

GIIN® MEMBER

SUSTAINABLE DEVELOPMENT GOALS

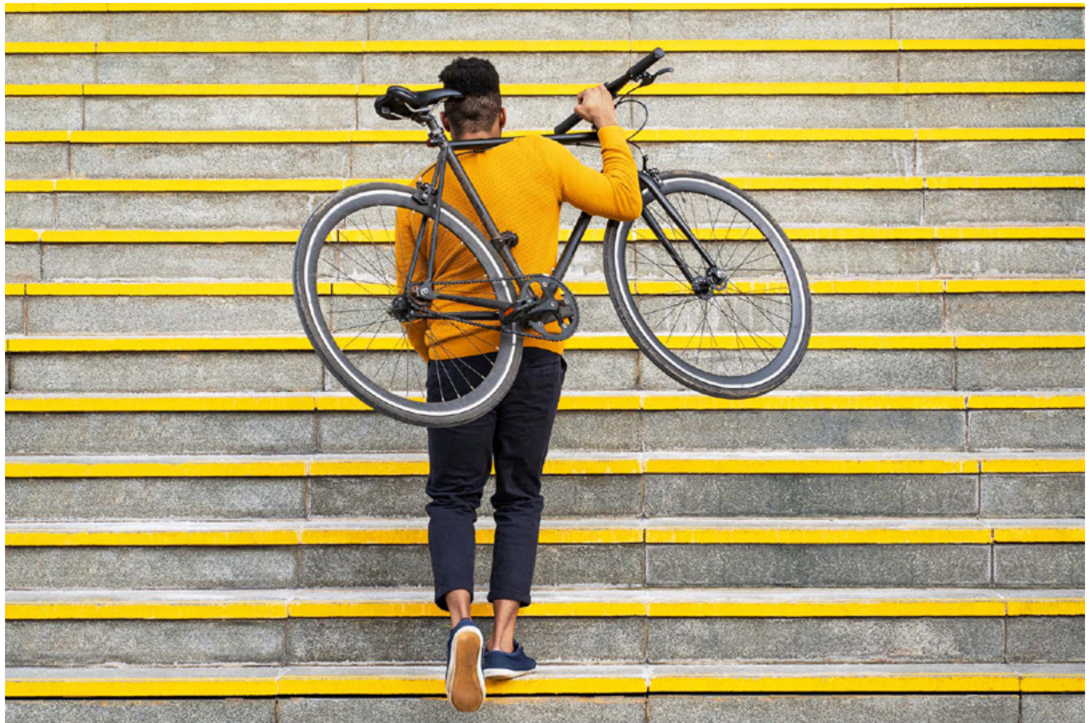
Operating Principles for Impact Management

The reasons why we have selected these frameworks and how we apply them reflect our desire to solve for the more challenging elements of impact measurement that matter to us deeply as impact investors. In addition to measuring positive impact from our portfolio companies, we aim to evaluate:

"Net impact"

Additionality & Intentionality

Our impact theory of change over time



We view the four frameworks as highly complementary to each other, together providing a powerful, unified tool for impact assessment.

Net impact

To evaluate net impact, we take several steps. As a matter of policy, we avoid investing in specific categories such as controversial weapons, producers of tobacco and UN Global Compact (UNGC) violators. We also assess negative externalities and integrate ESG research and engagement into our process of analyzing companies, and we evaluate risk from multiple angles.

Additionality & Intentionality

Our desire to evaluate not only negative externalities and risk, but also our contributions to impact, led us to adopt the Impact Management Project's (IMP)'s Five Dimensions of Impact as a reinforcement of our own philosophy and practice.

Comparability over time

The Five Dimensions provide a consistent framework for impact assessment across different types of companies. The structure is also embedded within the Global Impact Investing Network's (GIIN) IRIS+ System, which gives a standardized approach to impact measurement by themes, such as food security, and by SDGs. In addition, the IRIS+ System provides a common taxonomy with hundreds of standardized metrics and definitions. In terms of impact metrics, we specifically use the IRIS+ Core Metrics Set.

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Using standardized frameworks and taxonomy as much as possible increases the comparability of impact measures across investments, over time, and helps unify methodologies in the industry.

Impact Management Project’s five dimensions of impact

What

What social outcomes do we expect to occur as a result of this investment? What data and research underpin our impact thesis?

Who

Who will benefit? In particular, who are the people and communities of color who will benefit?

How much

How much scale, depth, and/or duration of impact do we expect?

Contribution

What is the contribution that the business or project we are investing in will make to these outcomes relative to ‘the counterfactual’ of what would have happened anyway?

Risk

What is the risk that the impact does not occur as expected? Do we risk negative impacts, particularly for people and communities of color?

Value creation

As an investor, BIO actively supports its portfolio companies throughout their journey of value creation. These supports, in turn, complement and multiply the impact of our capital and the portfolio company.

Our team of portfolio managers, drawing on the resources of all BlackRock, help companies focus on the highest potential products and approaches to strengthen their businesses and communities. We help our portfolio navigate sharp turns with deep subject expertise, facilitating commercial and impact success in ever-changing markets.

We support our companies directly by:

Offering financing at a critical stage of development.
Managing companies that are neither massive institutions nor early-stage startups, our entrepreneurs attest that they often have difficulty raising significant capital. BIO offers financing in the "missing middle."

Leveraging partnerships and networks.
BIO constantly looks for opportunities to build bridges between our portfolio companies and our dynamic community — including experts at BlackRock and LPs. We know our network has the power and expertise to accelerate these companies' growth and impact journeys.

Helping build impact into the core of the business.
We are intentional about impact being measurable and aligned to the business goals of our portfolio. We work with our portfolio companies to keep impact at the center of their ambitions as they grow.

Being thought partners.
In addition to keeping open lines of communication and regular check-ins, we generally serve on the Board of Directors for our portfolio companies. In these settings, we serve as thought partners to our portfolio companies on how to weather new and challenging issues, scale for business and impact and leverage change in market conditions to their advantage.

Exit

Exit decisions for BIO strategy investments will be guided by the financial and impact expectations set out at the time of investment subject to review and approval by the BIO Investment Committee. The BIO strategy will exit investments with due consideration to impact while also remaining committed, first and foremost, to maximizing return. Exits will be consummated consistent with the BIO strategy GP's fiduciary duties, consider the effect the timing, structure, and process of its exit will have on the long-term sustainability of impact. In addition to evaluating the acquirer commitment to impact, the BIO team will also perform a final assessment of total impact generated.

Impact criteria

We developed an impact framework that suits our investment strategy with an aim to deploy capital into investment opportunities where achieving impact is core to the thesis for achieving financial return. We also aim to share the details of our portfolio investments to prove that it is possible to do well and do good. To that end, we have set two initial impact criteria screens that any potential investment must meet:

Doorway 1

Black, Latinx,[11] and Native American -owned, -founded, or -led businesses

As defined by meeting **one** of the following:

- Founder/CEO identifies as Black, Latinx, or Native American
- 50%+ of owners/operators are Black, Latinx, or Native American
- 50%+ of management team or employees are Black, Latinx, or Native American

Doorway 2

Businesses or projects serving and benefiting Black, Latinx, and Native American communities

As defined by meeting **one** of the following:

- Project located or company headquartered in a census tract where the majority of the population is Black, Latinx, and/or Native American
- Project or company provides services to target Black, Latinx, and/or Native American communities

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Doorway 1

Black, Latinx, and Native American business owners are underrepresented relative to the proportion of the total U.S. population. The BIO fund team believes that our investment in these exemplary leaders with strong business fundamentals will not only provide positive financial returns but also drive positive impacts for the communities at large.

BIO's commitment to diversity in the commercial real estate industry

Doorway 1 spotlight: Ethos Real Estate

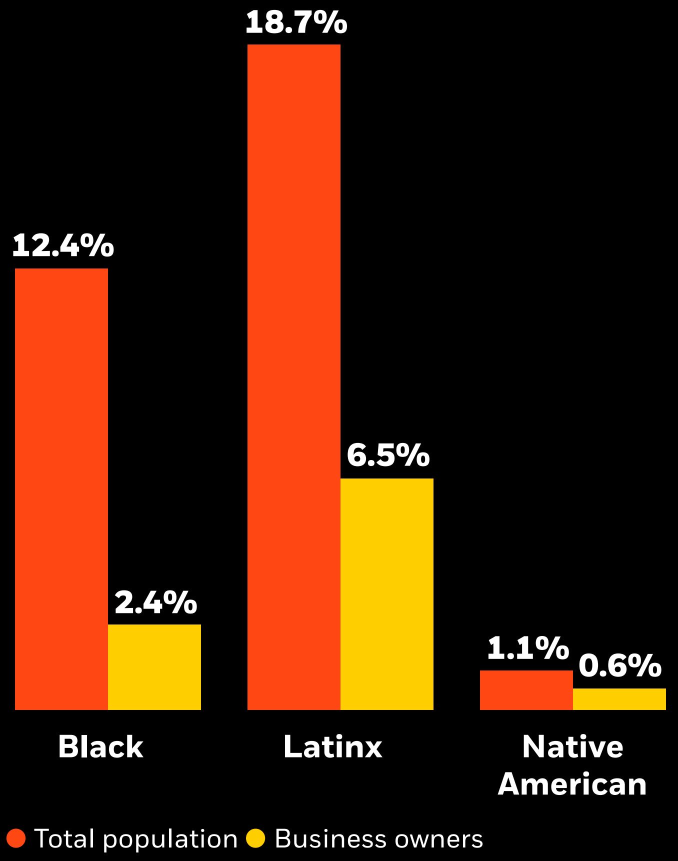
Jennifer McElyea, Co-Founder of Ethos Real Estate, is an experienced and talented entrepreneur in real estate development. With her impressive track record, raising capital should have been less challenging when she launched Ethos Real Estate in 2021, inspired by a mission to address critical housing shortages. As a Black, female co-founder, however, Jennifer's journey was arduous, and unfortunately all too common for entrepreneurs of color.

"Most sponsors of color do not come from generational wealth. It is hard to get the runway to hire people and be in business. The way we solved for this was to borrow a balance sheet, but then it is almost like indentured servitude, and you pay giant fees," reflects Jennifer.

In addition to providing fair, equitable market rate terms, BIO has also differentiated itself by staying true to its commitment to impact. **"They're the only investor we've worked with that continues to hold us accountable on our [social] impact,"** she notes in contrast to many others who have pushed impact to the sideline as market conditions have experienced a downturn. "We named our company Ethos because we want to build a reputation for doing the right thing." In partnership with BIO, Ethos is able to actively pursue financial growth and remain committed to having a positive social impact.

With the BIO investment, Jennifer is seeing other investors and potential partners take notice. **"BlackRock took us to the next level.** You cannot quantify that value." Jennifer has long had the talent and industry expertise to run a thriving, impact-oriented real estate development firm, and now she has access to capital to do so.

% of business owners vs total population



Source: U.S. November 10, 2022 Census.

Doorway 2

We recognize that not everyone is an entrepreneur — in fact, only 500,000 Black, Latinx, and Native Americans are business owners. Compared to the over 100 million Black, Latinx, and Native American people in the U.S. population, it is clear that Doorway 1 investments alone will not fully address the larger racial wealth gap.[12]

To that end, we are also committed to companies that are generating positive impact for communities of color, whether that is through employing diverse staff in high-quality jobs or providing these communities with services and products such as childcare, affordable housing, and healthcare opportunities. The companies in our portfolio take a double-bottom-line approach to running their businesses. While they are generating risk-adjusted financial returns, they are also seeking to provide a strong social impact for their employees, suppliers, customers, and the larger society.

Alternative credit model empowers Latinx community with access to personal transportation

Doorway 2 spotlight: Tricolor Auto

Forty-five million adults in the United States are either "credit invisible" with no credit on file with any major bureau or "unscoreable" with too little recent credit on file to generate a score. For Black and Latinx populations, the rates of credit invisibility and unscored credit are about twice the rate of their white counterparts.[13] Without a FICO credit score, when it comes to securing financing for major purchases, such as a car to drive to work, these borrowers often face sky-high interest rates, large down payments, and low-quality assets — or no credit at all. The system is designed to protect lenders, not empower borrowers.

Tricolor, a used car dealer with in-house financing as a certified Community Development Financial Institution, is rethinking the status quo and has developed an alternative credit model that has allowed them to provide credit invisible and unscoreable borrowers with more favorable interest rates, while also enabling lower interest rates versus its competitors. With 53 retail outlets located in Arizona, California, Nevada, New Mexico, and Texas, Tricolor has used this unique approach to serve its largely Latinx and low-income clientele, helping them purchase high-quality vehicles at lower interest rates and, in many cases, establish credit histories. By comparing interest rates versus industry peers, Tricolor estimates that it has saved their customers over $800 million over the course of its history. With the BIO investment, Tricolor will expand operations into a greater number of predominately Latinx communities to generate savings for more customers and empower them with the ability to purchase a vehicle.

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Doorways 1 & 2

We are continuously learning and evaluating our investment approach. While we believe that Doorways 1 and 2 are each sufficient as standalone screening criteria, we realize that investments that meet both can be truly transformative. To that end, we are intentionally sourcing investment opportunities that provide impact for both the individual leader and business as well as the larger community.

Creating new narratives through investments in media

Doorways 1 & 2 spotlight: MACRO

Discussions of race in the film industry have largely focused on the on-screen talent — the types of roles in which diverse people are cast, the depth and authenticity of diverse characters, and the pay and accolades awarded to diverse actors. It is an important discussion because the media our society consumes on screens shapes the way we see the world in real life — often perpetuating harmful stereotypes.

Increasingly, the conversation is broadening to look at not just the actors but to also see that people behind the scenes — driving the decisions — is a close-knit industry of predominately white producers, directors and writers. Despite increased dialogue, meaningful change has been slow. From MACRO's Founder & CEO Charles King's point of view, "There's a lot of talk… people do not want to create real change. Many decision-makers think they have to cast people of color to appease people rather than thinking it is smart business."[14] MACRO is disrupting that dynamic.

A Black-founded and -led multimedia company with a staff that is more than 90 percent non-white, MACRO is focused on telling authentic stories that represent the voices and perspectives of people of color. Since its founding in 2015, the company has made 16 feature films and two television shows. From this early portfolio, MACRO has earned an impressive 15 Oscar nominations and three wins.

Charles King recounts his journey in the early years of setting up MACRO, struggling to raise capital despite all the evidence pointing to the immense business and impact potential of MACRO's work. Despite the uphill battle, MACRO has successfully challenged and debunked myths that "films starring Black actors don't do as well in crucial overseas markets, or that Hollywood has no bias against women, or that Asian men can't be leading men."[15]

With funding from BIO, MACRO has meaningful growth capital to put an ambitious growth plan into action across media verticals to continue rewriting narratives about diverse talent on and off the screen.

Scaling access to high-quality early childhood education

Doorways 1 & 2 spotlight: Acelero Learning

“Things that once seemed impossible, aren’t anymore,” reflects Acelero’s CEO Henry Wilde about the impact of not just the BIO investment but also the support the BIO team has provided. **“BIO creates that possibility in a way that other investors do not.”** With BIO’s investment, Acelero is poised to scale its impact in a financially sustainable way that supports investors and stakeholders alike.

Acelero Learning is a high-quality and equity-centered Head Start operator serving more than 5,000 children and families across four states, 93 percent of whom are Black and Latinx. Despite scarce resources in the field of early education, Acelero’s lean and relentlessly outcomes-focused team has created and scaled one of the leading models for early childhood education. **The data-driven approach to early childhood education and family engagement has led to record learning gains for their students relative to other Head Start programs** — students tested after two years in Acelero’s programs reached gains that are nearly double those of the best national sample on the Peabody Picture Vocabulary Test.[16]

Having developed and refined a replicable model for quality early childhood education, Acelero has launched an affiliate company, Shine Early Learning, to disseminate its knowledge and innovations through intensive technical assistance and training to other Head Start and Early Head Start programs, as well as state agencies. Currently, Shine reaches 150,000 children enrolled in Head Start and Early Head Start programs. However, there are nearly **1 million low-income children** enrolled in these programs and another 1.6 million children enrolled in state-funded pre-K programs who could also benefit from Shine’s approach.[17]

The sense of the new possibilities now within reach is spreading. **“There is a fundamental shift in board room conversations, and there is excitement around amplifying and measuring Acelero’s impact on families, teachers and children”** says Lydia Carlis, Acelero’s Chief Program and People Officer.

Acelero has long known they are uniquely positioned to achieve great impact for underserved children and families of color while also running a financially sustainable business. However, prior to the BIO investment, their options for obtaining the capital needed to grow operations seemed to be selecting between imperfect sources — private equity groups that would likely hollow their staff who are key to their impact or philanthropic organizations that were less aligned with Acelero’s need to scale impact in a for-profit model. Financing would be easy “if we were 10 times smaller or 10 times larger,” explains Wilde. Fortunately, BIO helps to close that gap, working in the missing middle. And on the spectrum of caring about just impact or just financial returns, Wilde thinks BIO is unique, **“I experience BIO as caring equally about the impact and financial results.”**

Investment themes

Housing and diverse developers

Homeownership is a key driver of wealth creation and financial security in the United States.[18] However, historical and modern redlining policies restricting access to housing and related financing for diverse people have led to homeownership rates of just below 50 percent for Black and Latinx families compared to 76 percent for white families.[19] Diverse homeowners also face a number of discriminatory practices and major challenges that result in an unequal accumulation of wealth. For example, they have more mortgage debt than white homeowners despite purchasing homes that are on average lower-priced, driven in large part by being charged higher interest rates;[20] one study showed that Black homeowners with incomes between $75,000-$100,000 had higher interest rates than white homeowners with household incomes of $30,000 or less.[21] In addition to costs being higher, the value of the underlying asset is also negatively impacted by inequitable appraisals. One study has identified $156 billion in lost home equity for homeowners in majority-black neighborhoods due to systemic undervaluation.[22]

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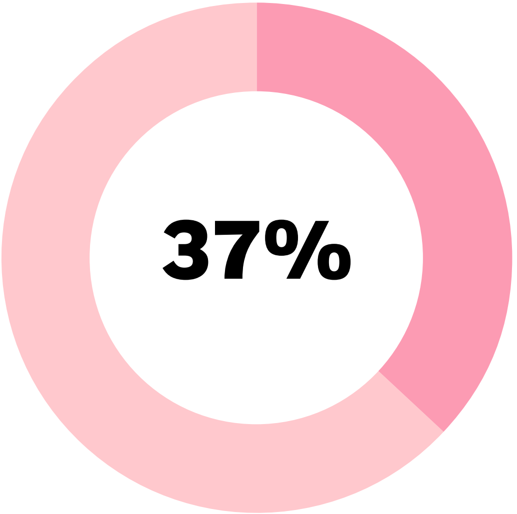
Now that many urban areas are experiencing a resurgence in population growth, the lack of housing supply, especially housing that is affordable, safe, and conveniently located to jobs and public transit hubs, is resulting in skyrocketing home prices and rents which only the wealthy (often white) can afford. In 2019, demand for affordable housing in the U.S. far exceeded supply; for every 100 low-income renters, there were approximately 37 affordable housing units — a national shortage of 7 million units.[23]

The affordable housing problem in the rental market has only worsened following COVID-19 and rising inflation. In certain geographies, particularly the Southeast, where there are high concentrations of diverse people, rents increased by upwards of 10 percent.[23] Currently, more than half of diverse households are spending more than 30 percent of their income on housing.[24] This rent burden makes it difficult to cover other essential expenses like food and transportation and limits what renters can save, putting home ownership or other investment opportunities further out of reach.

Further, the real estate development industry lacks diversity with structural barriers that limit people of color — less than 1% of the commercial real estate industry is composed of Black or Hispanic developers — and one that has shut out these operators from pursuing compelling opportunities.[25] Standing at the intersection of real estate ownership and business ownership, the real estate development industry has the potential to be a powerful engine for Black and Latinx to build wealth. Removing these constraints and making the industry more diverse could create more than 50,000 new Black and Hispanic developers, almost two million new jobs, and more than $100 billion in new business revenue. Additionally, these new developers could build the millions of houses and apartments needed to address the nation's housing shortage.[25]

Some ways to narrow the racial wealth gap within the housing sector are through investments that seek to address bias and discrimination in the home buying, appraisal, and mortgage experience and increase the supply of affordable rental units, especially in diverse communities. Specific investments aligned with this theme could include real estate developers that are building or improving the quality of housing, especially in communities with large numbers or high concentrations of Black, Latinx, and Native American populations;[26] companies using alternative construction methods such as modular construction, 3D printing, and repurposed materials to decrease the cost of new construction;[27] technology-enabled platforms that use unconventional appraisals to minimize racial bias;[28] and institutions that are providing personal and commercial loans and financial supports for housing in predominantly low-income areas.[29]

Only 37% of low-income renters have access to affordable housing units



Financial inclusion

Diverse people and businesses face a number of challenges in accessing the financial products and services they need to create a path to financial well-being.

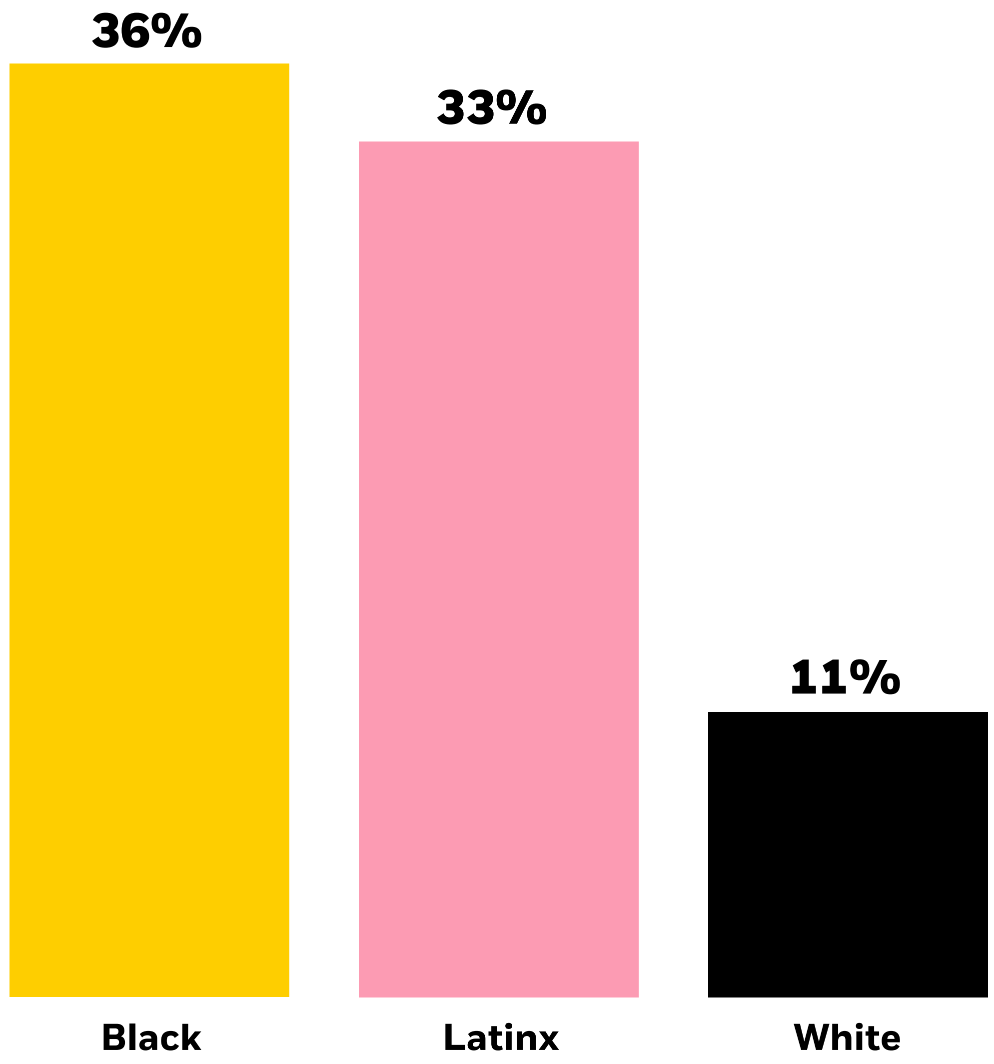
Many diverse consumers are un- or underbanked, meaning that they have no bank account or have a bank account but still rely on nonbank transactions or credit (money orders, check cashing, or payday loans);[30] 36 percent of Black households and 33 percent Latinx households are un- or underbanked compared to only 11 percent of white households.[30]

Similarly, people of color are less likely to have credit scores. Nearly 30 percent of Black and Latinx adults are either credit invisible or have unscored credit, twice the rate of white adults.[31] Because essential transactions, like renting a home and securing an auto loan, require having a credit score, this is a significant barrier that shuts diverse people out from economic opportunities. These consumers have few options for accessing financial services, and their options — payday lenders, check cashing, and rent-to-own stores — often exacerbate financial troubles by charging outrageous interest rates. In 2017, it is estimated that those cut off from mainstream financial services spent more than $173 billion in fees and interest for alternative financial services.[32]

~30%

of Black and Latinx adults are either credit invisible or have unscored credit, twice the rate of white adults.

Percentage households unbanked



$173 billion in fees

It is estimated that those cut off from mainstream financial services spent more than $173 billion in fees and interest for alternative financial services.

Only an estimated 2%

of corporate spending goes to minority-suppliers, and only 1% of private companies in the U.S. with more than $1 billion in sales are Black-owned.

Diverse-owned businesses were three times as likely to be denied a loan, receive lower loan amounts, and are charged higher interest rates than similar businesses owned by their white counterparts. As a result, there are fewer diverse-owned businesses, and they face more financial hardships. Consider that though Black people are 14 percent of the U.S. population, only 2.2 percent of employer businesses (firms with more than one employee) are owned by a Black person.[33] White-owned firms are also less likely to be in financial risk or distress; prior to the pandemic (which had outsized impacts on businesses led by diverse people), 58 percent of Black-owned businesses were in financial distress or at-risk compared to 27 percent of white-owned businesses.[34]

And even when a person of color has overcome these hurdles toward building a thriving business, many diverse entrepreneurs find it challenging to access the capital they need to truly scale. As a result, only an estimated two percent of corporate spending goes to minority suppliers, and only one percent of private companies in the U.S. with more than $1 billion in sales are Black-owned.[35]

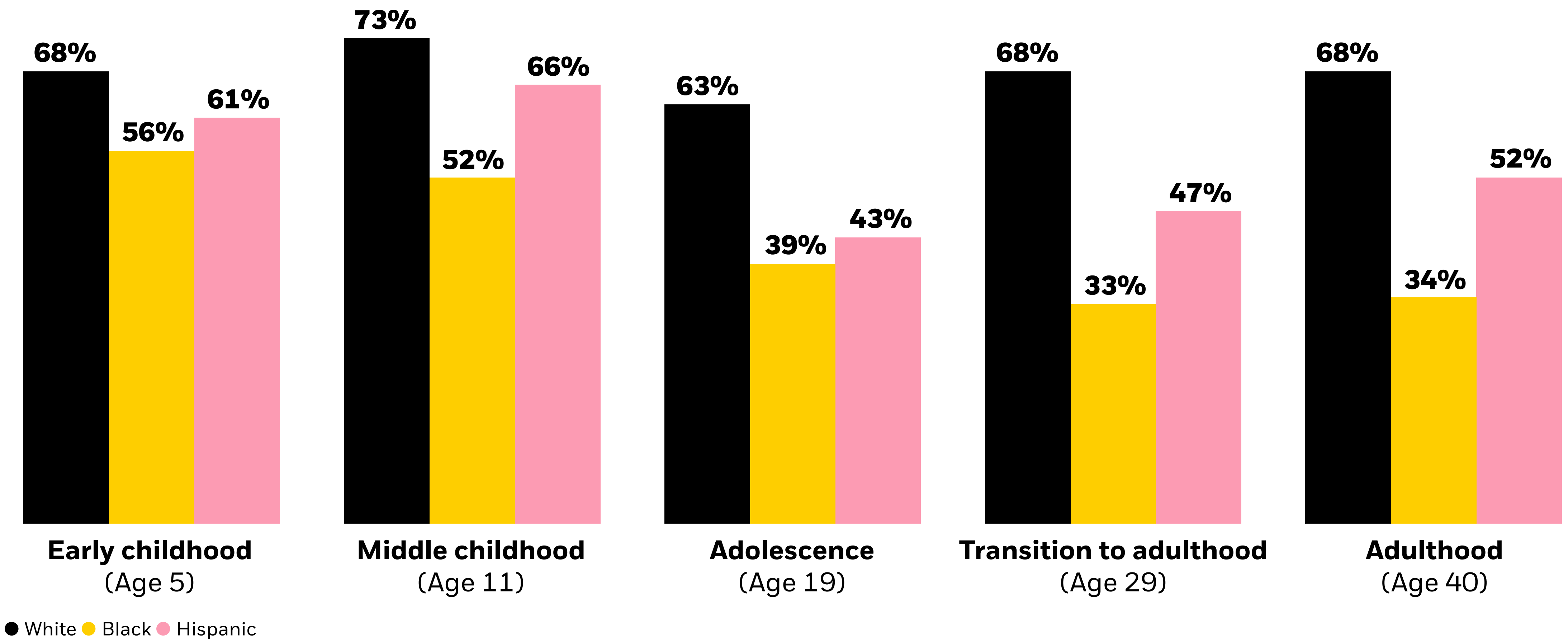
Strategies to narrow the racial wealth gap within the financial sector include investments that seek to increase access to and usage of banking services, expand access to credit scores, and reduce bias in loan approvals and decisions. Specific investments aligned with this theme could include mobile phone-based banking and financial services;[36] firms leveraging technology and data to create alternative credit models that are transparent and opt-in for consumers and businesses;[37] and growth capital for diverse-owned small- and medium-sized enterprises.

Education and workforce development

Across the cradle-to-career continuum, key milestones are essential for continued progression toward high-quality employment. Unfortunately, starting with early childhood and continuing throughout the educational journey, children of color experience worse learning outcomes at each stage.[38]

Percent succeeding at each life stage by race

Percent meeting benchmark



Source: Pathways to the Middle Class: Balancing Personal and Public Responsibilities Isabel V. Sawhill, Scott Winship, and Kerry Searle Grannis September 20, 2012.

At the heart of these structural inequities is a lack of access and capital to a quality education system. Public education funding is chronically unequal: despite serving the same number of students nationwide, school districts that serve predominantly diverse students receive $23 billion less than districts with predominately white students.[39] Without proper funding, schools are ill-equipped to provide the resources — transportation, technology, professional development and support, and academic enrichment opportunities — that lead to high-quality education and learning. Public funding for early childhood education, which a growing body of research shows has tremendous impacts on both child development and family earnings, is also inadequate. Young families, who are in their lowest earning years, cannot afford reliable, high-quality childcare; in over half of the states, average childcare prices are higher than average in-state tuition at public four-year universities.[40]

Diverse students who overcome these barriers and obtain what many see as the benchmark for success — a college degree — may still not thrive financially. When graduation rates are considered alongside the likelihood of defaulting on student loans, Black and Latinx students' "true success rate" is 20-30 percentage points lower than white peers, experiencing default rates that are 2.5-5 times higher.[41] This is partly driven by Black and Latinx students having to take on more debt as a result of a lack of family wealth. However, another major factor is that diverse graduates earn lower incomes relative to white graduates;[42] racial gaps in the labor market have resulted in a total annual wage disparity of $220 billion.[43]

Digital skill requirements are also becoming more common across employment opportunities. Mirroring the trends in other educational achievement gaps, diverse youth and young adults ages 16-24 have more limited digital skills and fewer opportunities to develop and apply these skills.[44] If these disparities are not addressed, many will be shut out of jobs as the economy moves in a digital direction. To narrow the gaps within the education and workforce sectors, investments could seek to increase access to affordable, high-quality education starting from early childhood that leads to student improvement, reduce bias in educational experiences, and increase access to family-sustaining jobs for diverse people. Specific investments aligned with this theme could include high-quality and equity-centered childcare facilities, especially in communities with large numbers or high density of diverse families;[45] education technology companies with demonstrated student improvement;[45] education and training programs that utilize "success share agreements" that charge tuition fees after the training program is complete and is based on finding relevant employment;[45] and companies that are employing Black, Latinx, and Native Americans and offering fair wages and benefits such as equity stakes.[46]

Investments to narrow the gaps within the education and workforce sectors could seek to increase access to affordable, high-quality education starting from early childhood that leads to student improvement, reduce bias in educational experiences, and increase access to family-sustaining jobs for diverse communities

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Healthcare

The Kaiser Family Foundation reports that Black and Latinx people fared worse than white people on most health measures.[47] While good physical and mental health are outcomes to strive for on their own merit, both also have economic benefits — reducing medical expenses and supporting active engagement in the workforce.[48] Behind these poor health outcomes are several contributing factors, including racial bias from healthcare providers, lower rates of healthcare insurance and utilization, and negative social determinants of health such as limited access to affordable healthy food options, public outdoor spaces, and safe housing.

Racial and cultural biases in the healthcare sector exist in many forms. Consider that Black women's concerns are not given equal weight by healthcare professionals and can lead to untreated medical issues.[49] Even when controlling for social and economic factors, women and infants of color are more likely to die during childbirth and pregnancy than white women, underscoring that the quality of care they receive is influenced by their race.[50] Language is another barrier in the healthcare system; the number of people in the U.S. who speak a language other than English at home has tripled since the 1980s, but the healthcare system has not responded adequately; many healthcare providers are unable to communicate fully with their non-native English-speaking patients, resulting in poor quality of care and low satisfaction.[51]

2.5x

more likely to live in a healthcare desert

2x

more likely to live in a food desert

73%

of white people have health insurance provided by their employer compared to only about half of Black and Latinx people.[52]

2X

Black Americans are nearly twice as likely to live in a food desert and 2.5 times more likely to live in a healthcare desert.[54]

In addition to inequitable treatment and outcomes, diverse communities who utilize the healthcare system also face inequitable access to health insurance and usage. Because employer-provided health insurance is heavily skewed towards full-time and salaried positions, disparities in coverage rates exist between racial groups. Seventy-three percent of white people have health insurance provided by their employer compared to only about half of Black and Latinx people.[52] Even with Medicaid and other public programs, diverse people are still more likely to be uninsured. This leads to underutilization of preventative and routine healthcare and the potential for massive bills from emergency services.

Health disparities are also the result of social and economic factors, known as social determinants of health; many diverse communities lack physical access to healthful options like grocery stores, healthcare providers, recreation and gym facilities, and safe housing.[53] To illustrate this point, consider that Black Americans are nearly twice as likely to live in a food desert and 2.5 times more likely to live in a healthcare desert.[54] This makes it costly, in time and resources, to access the essentials of a healthy life.

To narrow the racial wealth gap within the healthcare sector, investments can seek to increase access to and usage of healthcare services, reduce bias and provide culturally competent healthcare experiences, and improve underlying social determinants of health. Specific investments aligned with this theme could include healthcare providers, accessible fitness options, grocery stores and other businesses essential to health that are looking to serve communities with higher representation of diverse demographic; online translation tools designed for use in health care settings;[55] technologies that use predictive analytics to detect the potential for disease and health complications earlier;[56] and businesses that are providing equitable access to health insurance to employees.

Inclusive transition to a low-carbon economy

Without proper representation and voice in business and government, Black, Latinx, and Native communities have been deprioritized when it comes to environmental concerns such as the location of hazardous facilities, extraction and degradation of local natural resources and toxic waste disposal. For example, research documents a clear and deliberate pattern of placing environmental hazards in low-income and non-white communities.[57] Living in environments with high air and water pollution levels puts diverse communities at higher risk for cancer and other bad health outcomes.[58] For Native American tribal communities, challenges include the acidification of ocean ecosystems on which many rely for food and commerce and the inappropriate use of these communities' natural resources by others.[59]

Our research suggests that companies positioning themselves to benefit from changes in government policy, technology, and consumer and investor preferences can improve their earnings outlook relative to others. If past experiences are indicative of the future, diverse communities and businesses may be overlooked in investments and new jobs in clean energy.

The sums at stake are considerable: experts estimate that the U.S. transition to low-carbon will cost $14.5 trillion.[60] Additionally, the recently passed *Inflation Reduction Act and Infrastructure and Jobs Act* offer incentives for private action. This once-in-a-generation level of public-private investment provides considerable wealth-building opportunities for BIO's target communities, including an opportunity for the creation of quality jobs aligned with the transition.

While there are massive economic opportunities for entrepreneurs and businesses in the clean energy industry, we recognize that the majority of people will experience this transition as consumers. In this light, we see that communities of color are not reaping the same cost savings and climate benefits as white communities. There are large switching costs for adopting energy-efficient products, with cost savings incurring over time. The upfront cost to purchase an efficient appliance, move to a "green" apartment building, or buy an electric vehicle can be an obstacle for those without the wealth and income to do so.[61]

Investments in an inclusive transition should seek to reduce the negative environmental impacts, especially in diverse communities, equitably invest in Black-, Latinx- and Native American-owned businesses in this sector, enable these communities to participate in the quality employment opportunities that emerge, and increase adoption of clean energy products.

Specific investments aligned with this theme could include dense workforce housing in high-resource urban neighborhoods that reduce travel demands and reliance on personal vehicles;[62] urban infrastructure projects with sustainable design elements such as green roofs and electric vehicle charging stations;[62] technologies to monitor or reduce pollution in heavily diverse urban areas;[63] and renewable infrastructure projects on Native American land and owned by Native American proprietors.[64]

Experts estimate that the U.S. transition to low-carbon will cost $14.5 trillion. Investments in an inclusive transition should seek to reduce the negative environmental impacts, especially in diverse communities, equitably invest in Black-, Latinx- and Native American-owned businesses in this sector, and increase adoption of clean energy products.

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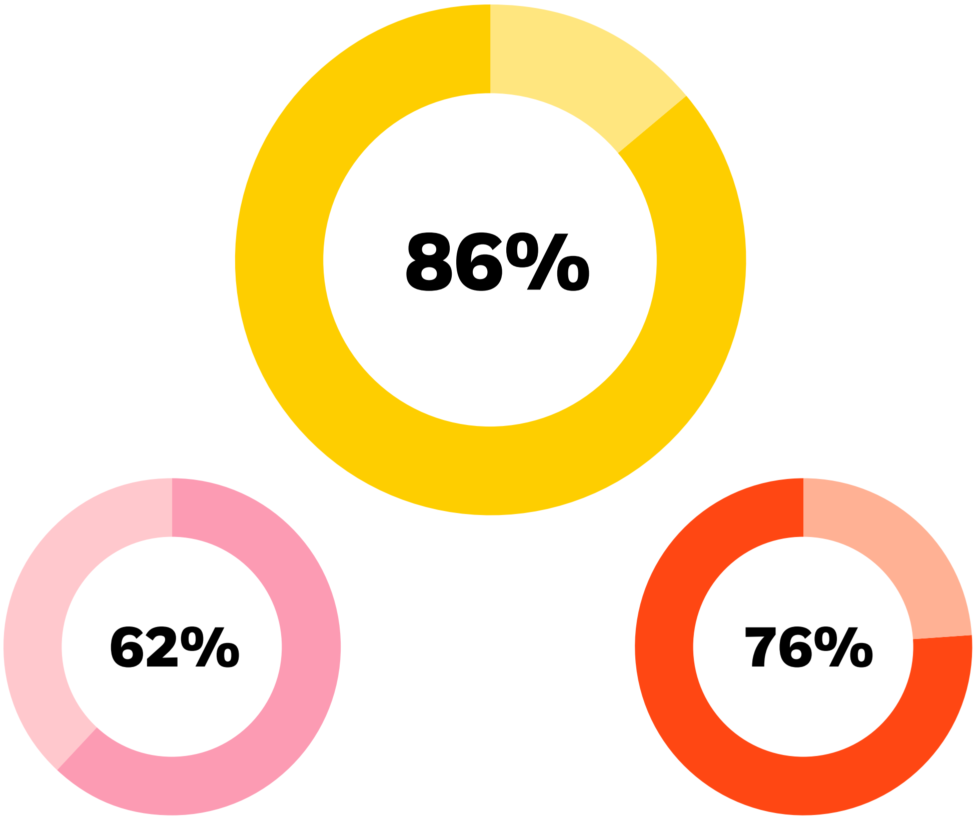
Digital connectivity

Job applications and interviews, healthcare dashboards, schools, banking, and bills payments increasingly operate on digital platforms. For many, the lack of access to computers and the internet at home has left them unable to fully participate in these essential economic activities. By one estimate, 76 percent of Black adults and 62 percent of Latinx adults could be shut out or underprepared for 86 percent of jobs in the U.S. by 2045 due to the skills gap and lack of digital connectivity.[65]

The average cost of broadband is $68 per month,[66] an inexpensive phone plan may be about $30 per month,[67] and basic devices like phones and computers may start around $300 each — meaning that for many households who earn lower wages, the cost is too high.[68] As a result, diverse households are less likely to have broadband access and computers at home. While smartphone ownership is more equal, the use cases are very different: a quarter of Latinx adults only have access to the internet via a smartphone, more than twice the rate of white adults.[69] The combination of having less digital and physical access to many of these essential businesses is an added cost and burden for diverse people.

To narrow the gap in digital connectivity, investments should seek to increase access to broadband internet and devices and improve digital skills and literacy. Specific investments aligned with this theme could include broadband internet at home, schools, and public spaces in communities with large numbers or high concentrations of diverse people; and digital literacy training programs or companies actively "upskilling" their employees.[70]

Black and Latinx workforce could be shut out or underprepared for 86% of jobs in the U.S. by 2045 due to the combination of the skills gap and lack of digital connectivity



62% Latinx adults will not have the skills for the jobs available

76% Black adults will not have the skills for the jobs available

Additional areas of investment

During our first year of operation, there have been many lessons. We continue to learn about how systemic racism and the structure of our economy impacts the well-being of communities of color. We have also learned that there is a tremendous opportunity set with great diverse businesses, developers, executives and deal-makers in diverse communities. We have also been heartened by the opportunities to co-invest with others that are like-minded. In summary, we are more confident than before about the ability to find profitable investments while also promoting social equity.

A great example of this is our recent investment in MACRO Media. In early 2022, we began exploring research about diversity in the media and entertainment sector. We learned that one of the fastest growing areas is content focused on diverse audiences globally. Our research kept leading us to MACRO as a strong, Black-founded company with great growth prospects. In late 2022, we closed the investment alongside other partners including diverse and non-diverse led firms. We aim to achieve compelling returns with this investment while also addressing authentic diverse narratives in the media.

Other impacts investment themes we've been reviewing in our pipeline include:

Diverse women-owned and/or led business

Diverse-founded consumer goods companies

Programmatic JV with diverse, emerging managers and sponsors

Maternal and women's health platforms

We appreciate and welcome input from our knowledgeable group of Limited Partners (LPs), partners, and communities to push our thinking and expand our portfolio.

Our impact

We are pleased to present our first cohort of investments. Each company successfully meets one or both of BIO’s Doorway 1 and 2 screening criteria. In this section, we offer our investment overview, impact thesis, and initial impact performance indicators.

To maintain its focus on impact, BIO works with each portfolio company to articulate the impact framework and identify impact KPIs to be monitored and tracked over the investment period. In addition to holding ourselves and our investees accountable to impact, we also use these metrics to inform discussions with our portfolio companies as they make strategic choices and operational decisions.

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Portfolio to date

Arboretum

February 2022 | Real Estate | Housing & Diverse Developers

BIO made an equity commitment towards the development of the Arboretum at Farmingville alongside BRP Companies.

- This new multi-family, 292-unit real estate development in Suffolk County of Long Island, New York includes a mix of apartments, townhomes and single-family homes.
- BRP is a Black-owned and -led real estate firm seeking to expand beyond its primary historical focus on affordable, New York City-based developments to a new suburban, single-family home profile with Arboretum. Founded by Meredith Marshall and Geoff Flournoy in 2003, BRP pursues a long-held mission of "providing quality housing for people of all income levels."

Investment Thesis

I. Attractive risk/return profile for project located in a highly supply-constrained sub-market in NY with high barriers to entry for new development.

II. Experienced operator with local market and asset-level expertise.

Core Impact Thesis

I. **Accelerate the growth of BRP, which is undercapitalized relative to its significant success to date,** helping reduce racial inequalities in the real estate industry. BIPOC-owned real estate investment firms only own 1.2% of assets under management in the United States.[71]

II. Encourage BRP to **continue its practice of working with diverse partners, including minority-owned suppliers and vendors, and offering a positive ripple effect** of wealth-building opportunities for local communities of color.

III. Support the **diverse leadership of BRP and spur more significant investment in their own organization's diversity**, including growing its majority-BIPOC employee base.

Impact monitoring

Accelerating growth of diverse RE developers/operators

7,585
multifamily housing units developed or in pipeline

4,269
affordable housing units developed

$3.8B
in completed and current transactions by BRP Companies

Supporting diverse ecosystem within Real Estate

~20-30%
of total spend for Arboretum expected to be with minority-owned vendors/suppliers

Quality jobs for diverse employee base

50%
senior management identify as people of color

56%
employee base identify as Black or Brown

Source: Portfolio company data.

Tricolor Auto Group

September 2021 | Auto Finance & Retail | Financial Inclusion

BIO invested in Tricolor Auto Group, a "buy here, pay here" used-auto retailer and finance company that operates 53 retail locations across five states.

- Tricolor uses its proprietary underwriting model to assess the creditworthiness of its customers, eschewing traditional documentation requirements, some of which its customers do not typically have, to "score the unscoreable." This allows the company to provide its customers with quality financing to purchase vehicles from its dealerships, enabling critical credit access to an underserved client base.[72]

Investment Thesis

I. Technology-driven "buy here-pay here" structure to potentially generate attractive risk-adjusted returns, serving a vast Latinx addressable market with favorable tailwinds.

II. High-growth business that has performed through business cycles.

Core Impact Thesis

I. Provides **economic value to its diverse customer base by offering higher quality used vehicles** versus comparable companies. Additionally, all Tricolor cars have warranties, which is atypical for this segment of the industry. As many as 99% of Tricolor's customers use the company's financial products (loans) to purchase their vehicles, **producing savings for customers through comparably lower interest rates**.

II. Enabling **customers to establish credit** by accepting customers without a FICO score and reporting their payment history to credit bureaus, a practice that is not common in the "buy here, pay here" market. In addition, the majority of the company's customers that already have FICO scores experience increases post car purchase.

III. Provides **high-quality employment to its overwhelmingly Latinx employee base**. Employees earn more than demographically and educationally similar peers.

Impact monitoring

Economic savings to customers

88%
Latinx consumers

80%
consumers low or very low income

$15k
est. customer savings vs used car alternatives

Enabling customers establish credit

61%
of customers did not have FICO scores at purchase

65%
of customers w/o FICOs established after purchase

71%
of customers w/ FICOs experience score increase after purchase

Quality jobs for diverse employee base

88%
of employee base is Latinx

$6-$38k
higher annual avg. compensation vs Latinx peers with same education level

Source: Portfolio company data.

Harvest at Marmalade

May 2022 | Real Estate | Housing & Diverse Developers

ETHOS

BIO established a joint venture with investment partners, Cadre and Ethos, to acquire a newly constructed 252-unit multi-family apartment complex in Salt Lake City, Utah.

- Founded by Jennifer McElyea, Ethos is a Black- and women-owned real estate platform with a deep belief in "positive change and a new narrative for residents, communities and the housing system" and a commitment to building "at all income levels."
- Cadre is a Black-owned and -led investment manager investing in U.S. commercial real estate projects. Harvest at Marmalade is the first investment under BIO and Cadre's programmatic joint venture.
- We invested in Harvest at Marmalade with the aim of supporting two Black-owned organizations, Ethos and Cadre, in a largely homogenous real estate industry.

Investment Thesis

I. Property benefits from attractive market fundamentals, high-quality construction and underwritten to a premium versus comparable value-add multi-family without development risk.

II. Partnership with an experienced operator with local market and asset-level expertise to execute a straight-forward business plan with upside via an accelerated lease-up.

Core Impact Thesis

I. **Accelerate the growth of two companies that have faced unwarranted barriers to capital**, helping reduce racial inequalities in opportunity and spurring lending from other sources.[73]

II. Encourage Cadre and Ethos to **continue their practice of working with diverse partners**, including minority-owned suppliers and vendors, offering a positive ripple effect of wealth-building opportunities for local communities of color.

III. **Support the diverse leadership of both Cadre and Ethos and spur more significant investment in their own organizations' diversity**, including growing a diverse employee base and offering high-quality employment to local Black and Latinx populations.

Impact monitoring

Accelerating growth of diverse RE developers/operators

345

housing units delivered by Ethos & Cadre in 2022

2,100

housing units under dev by Ethos & Cadre in 2022

$202M

of real estate equity capital deployed by Ethos & Cadre in 2022

Supporting a diverse ecosystem within Real Estate

Citizen's Trust Bank

a Minority Depository Institution serves as the venture's bank

30%

of 2022 spend at the property with diverse suppliers and vendors

Quality Jobs for Diverse Employee Base

26%

YoY increase in headcount across Ethos & Cadre

33%

diversity in senior management

12%

diversity across entire Ethos & Cadre staff

Source: Portfolio company data.

Retro Fitness

June 2022 | Healthcare | Healthcare

BIO invested in the franchise roll-out of high-value, low-price gyms focused on bringing affordable health and fitness solutions to Black/Latinx communities under the Retro Fitness brand.

- The investment was made alongside Eastwood Capital Partners, LLC, a Black-founded and led financial sponsor with extensive experience in consumer and retail franchise sector.
- Retro Fitness offers gym services in over 120 locations across the United States. Project Lift seeks to roll out ~70 gyms focused on bringing affordable health and fitness solutions to diverse communities.
- Retro Fitness' CEO, Andrew Alfano, strongly believes that health clubs "are an extension of healthcare" and serves diverse communities, who tend to experience worse health outcomes than their white counterparts, including disproportionate rates of obesity and diabetes.[74]

Investment Thesis

I. Strong management team with deep franchise and industry experience operating in $30bn fitness industry, projected to grow 20% over the next 5 years.

II. High-value, low-price gyms are positioned to capture a significant portion of the industry growth due to attractive pricing and appeal to value-oriented consumers.

Core Impact Thesis

I. Retro Fitness positively impacts social determinants of health by **increasing access to physical activity opportunities, mental health wellness offerings, and nutritional guidance** in diverse zip codes that are "fitness deserts."

II. **Provides well-paying jobs to diverse franchisees and employees** with pathways for upward mobility and equity options for employees. Incentive plans for management are not typical in the franchise fitness space and offer greater opportunities for wealth generation. Project Lift has structured a management incentive plan to thoughtfully recruit and retain Black employees at all levels.

III. Retro Fitness **meaningfully engages the community** by offering free Friday classes, donating a share of profits to local community initiatives, and creating awareness for issues that are important to the community.

Impact monitoring

Increase access to physical activity opportunities

6
new gyms acquired

7
signed leases in fitness deserts

Economic opportunity for diverse employees base

4
'fitness desert' entry markets

100%
Senior Management are racially diverse

Meaningful engagement with local community

Weekly
free Friday community classes

4
monthly free nutritional sessions

Source: Portfolio company data.

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Acelero Learning

September 2022 | Education | Education & Workforce Development

BIO made an equity investment in Acelero Learning alongside the Builders Fund and A-Street Ventures.

- Acelero Learning is an early childhood education provider serving low-income children of color. The company runs educational centers for the Head Start program, a federal program providing comprehensive early childhood education to children from low-income families. The company primarily seeks to scale Shine, its platform for technical assistance, to other Head Start programs.
- We invested in Acelero with the primary aim of creating value for diverse communities. As Acelero co-founder and CEO Henry Wilde notes, "high-quality early childhood education, regardless of a child's race or income, is critical to dismantling inequity." Acelero's services are leveling the playing field and helping youth live up to their inherent potential.

Investment Thesis

I. Expert management team with 20+ years of operational track record scaling a service platform. Supported by highly engaged investor syndicate with extensive expertise in education.

II. Strong public funding support for early childhood education impacting children from low-income families and lengthy contracts with favorable renewal rates create highly visible, recurring revenue.

Core Impact Thesis

I. Acelero aims to close the gap **between achievement and potential by increasing kindergarten** readiness. Historically, Acelero's students have achieved nearly double the national average in early literacy and math gains. More than 90% of Acelero students are diverse, with more than 70% from low-income households.

II. Bolsters student outcomes through a **research-based approach to family services** facilitating greater family engagement in student learning. This approach has already demonstrated significant positive effects on executive functioning and expressive language. Acelero reports ~95% of students showed developmentally appropriate executive functioning skills.

III. Acelero offers **high-quality employment to a diverse workforce:** 75% of senior management and the employee base are people of color. Diverse employees earn $3,000-$8,000 more than comparable peers on average.

Impact monitoring

Increasing kindergarten readiness

93% students of color[75]

77% students with high CT scores for Adult Language

93.5 average TOPEL-PK score for literacy assessment

Bolster student outcomes through family engagement

5 family interactions per year

5,000+ low-income families served

98.8% children with medical homes[76]

Increase wages for diverse employee base

79% employees of color

95% staff receiving career coaching

$3-$8k higher annual avg. compensation vs peers with same education level

Source: Portfolio company data.

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MACRO

December 2022 | Media | Inclusive Media

BIO led an equity investment in MACRO alongside other investors including Harbourview Equity Partners and funds managed by Goldman Sachs Asset Management.

- MACRO is an award-winning media company that develops and finances high-quality, premium content featuring diverse stories, casts, and production teams.
- Founded in 2015 by Charles D. King, MACRO's work spans roles in media production (including film and television development, film financing, talent representation, and brand marketing) and centers around empowering BIPOC talent and creators in the media industry.

Investment Thesis

I. Attractive risk-return profile due to highly structured senior security in capital stack with no debt. The investment benefits from strong downside and minority protections.

II. Operates in most attractive segment of the media ecosystem given demand for high-quality content by streamers so they can attract and retain subscribers, with robust near-term contracted TV & Film development content with a broad array of blue-chip distribution partners (e.g., Netflix, Apple, Amazon) coupled with demonstrated execution capability across project size.

Core Impact Thesis

I. MACRO provides **high-quality opportunities for diverse talent** in media in front of and behind the camera, helping reduce racial inequality in the entertainment industry.

II. **MACRO employs a wide range of diverse vendors and suppliers**, especially in majority-BIPOC cities, boosting local economies with considerable production spending.

III. Storytelling through MACRO's TV and film content has ripple effects on society by **providing new narratives and norms that promote higher inclusivity and diversity**, helping build a stronger and fairer society.

Impact monitoring

Opportunities for diverse talent in media

91%
BIPOC Employees

154
# of BIPOC talent represented by MACRO's talent agency

100%
productions with BIPOC lead role

Diversifying media production ecosystem

85%
production spend in BIPOC-centric cities

4
BIPOC-centric cities with productions in 2022

$154M
spent producing in BIPOC-centric cities

Increasing the volume of authentic diverse content

6
projects in production featuring BIPOC themes/talent

53
projects under development featuring BIPOC themes/talent

8
award nominations in 2022 for diverse content

Source: Portfolio company data.

Synergy Infrastructure

July 2022 | Industrials | Financial Inclusion

BIO made an equity investment in Synergy Infrastructure in partnership with Avance Capital Partners, a Latinx-owned and -led private equity firm.

- Synergy Infrastructure is a Latinx-founded and -led equipment rental provider based in the Southeastern United States.
- We invested in Synergy Infrastructure with both the aim of backing a Latinx-owned and -led organization and to stimulate economic opportunity in communities of color across the Southeast. Synergy serves diverse SME contractors and is dedicated to "partnering with its employees, customers, vendors and community to make a positive impact in the markets" it serves.

Investment Thesis

I. Attractive risk-return profile due to favorable equipment industry growth outlook and strong performance in current macroeconomic climate with meaningful insulation against inflation.

II. Seasoned management team with deep experience with proven playbook in recessionary environments, leading to impressive recent business performance, well ahead of peers and projections.

Core Impact Thesis

I. Synergy's customers **work in diverse areas**; 80% of Synergy's customers are in locations with high concentrations of diverse populations, below-average income populations, and housing shortages. Additional projects enabled by Synergy will bring new business and needed development to diverse communities.

II. **Quality jobs for Synergy's employee base, which will become more diverse**: The investment will seek to increase diversity within the company, making jobs available to more Black and Latinx employees as the company scales.

III. **Accelerate the growth of a minority-owned company in the construction business.** Despite representing one in every three employees in the construction industry, diverse people only own about 10% of firms, a disparity driven in part by unequal access to capital.

Impact monitoring

Support for customers in diverse, LMI areas

80%
customers located in locations with high concentrations of diverse lower income populations

59%
of areas have average incomes below U.S. median

34%
less construction equipment rental shops available in these areas compared to U.S. median

Quality jobs for increasingly diverse employee base

75%
BIPOC at the board level

8%
BIPOC in senior management

19%
BIPOC in total employee base

Accelerating growth of a minority-owned company

9%
BIPOC ownership of companies in construction industry

40%
annual EBITDA growth for Synergy in 2022

Source: Portfolio company data.

Impact risks

We acknowledge the potential risk of lower-than-expected impact in our portfolio. We carefully assess, monitor, and mitigate these risks throughout the life of each investment. As we look across the portfolio, there are a handful of impact risks that we see as the most material and, therefore, important to monitor and mitigate.

Managing portfolio risk

The risk of non-inclusive growth

As our companies grow and need larger suppliers, they tend to move into an increasingly racially homogenous market segment. As a result, our portfolio companies will need to take extra caution to source vendors and suppliers from diverse networks. We are conscious of this potential reality and are committed to helping our portfolio companies foresee these challenges and invest where needed to ensure they grow inclusively.

The risk of impact dropping off

Our portfolio companies have the potential to make a real difference for their target groups, but we acknowledge that people may face outside barriers that prevent this impact from lasting. To help mitigate this, we support our portfolio companies in identifying ways to engage communities over as long a period of time as possible.

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The risk of disruption from external changes

Our portfolio companies are operating in a volatile macroeconomic environment with rapid changes in market conditions and government policy. In theory, these changes could threaten the social impact and commercial success of our portfolio — and we have seen this volatility affect some of our companies' work. Fortunately, the firms in our portfolio are operated by nimble managers and run with resilient business models. Paired with the research engine of BlackRock and the Multi-Alternatives Platform, we hope these companies are well positioned to weather the storm.

The risk of mission creep away from impact

Powered by capital from BlackRock and BIO, our portfolio companies are growing and evolving rapidly. This change may force the managers of these companies to make difficult choices, often quickly and under pressure; in these circumstances, these companies could begin to treat continued impact as secondary to commercial returns. Fortunately, we believe this alignment risk is minimal. Our portfolio companies were screened on the seriousness of their impact. Given our regular engagement with these companies and our monitoring of impact KPIs, we will be able to detect any mission creep early and work to address it.

The risk of poor execution of planned activities

An entrepreneur's planned activities and good intentions may not always be carried out as planned. For many of our companies, poor execution would endanger their impact. For example, intended ripple effects in sourcing from diverse vendors and suppliers may be lost if internal practices lack structure and intentionality. We believe that execution risk is limited because our portfolio companies are led by seasoned entrepreneurs and businesses with track records of delivering on intended impact. Serving on the Board of most of the portfolio companies, BIO also has oversight capabilities on practices and ensures appropriate systems are in place.

Looking ahead

As BIO looks ahead to the following year, we are pleased with the resilience our investments have shown this past year and are optimistic that our investments will further realize their intended impact potential. In the coming year, that resilience will be challenged by a continuously uncertain and complex environment, and we have been actively monitoring and working with our portfolio companies to ensure they are well positioned for the road ahead.

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Buoyed by a robust deal pipeline, the BIO fund team is particularly optimistic about the opportunity to expand our pipeline:

In fast-growing markets with high-impact stakes: Namely the inclusive transition to a low-carbon economy space, helping accelerate progress towards racial equity to the forefront of the urgent transformational shift and healthcare, recognizing that quality, affordable care has deep implications for our target populations.

With strategies that will protect our investors from macroeconomic and market volatility: Especially private credit, infrastructure, and structured equity.

In new communities: Including companies led by and serving Native American communities.

In new regions: Namely the American heartland, recognizing that our desire for national impact requires more investments beyond the coasts.

With diverse sponsors: Employing diverse investment sponsors has already provided important secondary impacts, helping to diversify real estate and finance; we hope to further progress on this strategy going forward.

We are proud of our initial set of portfolio companies — how they are executing against our plans so far and we look forward to what they will achieve in the coming years. At BIO, we continue to learn from and be inspired by our communities, operators, stakeholders and LPs. We resolve to refine our approach to impact over the life of the fund, learning from successes and shortcomings alike.

We want to bring along more partners with us. We have a long way to go to balance out the systemic gaps in access to capital for diverse communities.

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Partnerships and industry engagement

BlackRock's diversity, equity and inclusion strategy

As vocal advocates for increased accountability and transparency, BlackRock has publicly disclosed our representation and other DEI efforts in our Global DEI Annual Report, SASB and EEO-1 disclosures. At BlackRock, Diversity, Equity and Inclusion (DEI) is a business imperative. Our One BlackRock Principle recognizes a diverse workforce as indispensable to our success, and that an inclusive, equitable environment makes us thrive.

We engage external partners that support our DEI strategy through building diverse recruiting pipelines, engaging talent in development and networking opportunities, and providing thought leadership. A selection of our partnerships are displayed below.

- We've signed on to the MLT Black Equity at Work Certification, a comprehensive standard for Black representation at every level in the U.S. population of the firm and have received "Plan Approved" status. This means that our multi-year plan to address racial equity for our Black employees meets the program's standards for rigor and achievability.
- We are a founding member of the World Economic Forum's Partnering for Racial Justice in Business Initiative.

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Our commitment and progress has been recognized by several industry bodies:[77]

#1 award America's Most JUST Companies[78]

BlackRock was once again included in Bloomberg's Gender Equality Index[79]

Either 5 or 4 stars across almost all modules from the Principles for Responsible Investment[80]

BlackRock has now achieved MLT BEW Bronze Certification[81]

Included by Dow Jones in its index of the most sustainable companies in North America in 2022[82]

Supporting SDG 17 – partnerships for the goals

BlackRock believes that by supporting industry practitioners and contributing to improvements in market practices, collectively we will move closer to achieving the UN Sustainable Development Goals, drive adoption of best practices and promote transparency on impact and sustainable investing and reporting.

A partial list of our industry engagement and contributions:

Operating Principles for Impact Management
Impact principles signatory
BlackRock's impact principles
Disclosure statement

Global Steering Group (GSG) for Impact Investment
Leadership group member

Impact Management Project
Advisory Board member & Impact Frontiers working group member

The Global Impact Investing Network
Network member
Listed equities working group member

Impact Investing Institute
Founding supporter
Advisory council member

Ellen MacArthur Foundation
Circular economy research partnership

UN Global Compact
Member

UN Principles for Responsible Investing (PRI)
PRI signatory

Green Bond Principles
Founding member
Executive committee member

Climate Action 100+
Member

Task Force on Climate-related Financial Disclosures (TCFD)
Founding member
Blackrock 2021 TCFD Report

Focusing Capital on the Long Term (FCLT)
Founding member
Strategic advisor

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Endnotes

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79 Bloomberg includes publicly traded companies in the Gender Equality Index if they score above a global threshold score, established by Bloomberg, reflecting a high level of disclosure and performance across five dimensions: leadership & talent pipeline, equal pay & gender pay parity, inclusive culture, anti-sexual harassment policies and external brand.

80 BlackRock's 2021 Assessment Report, released by PRI in 2022, reflects the 2020 reporting period. Across almost all modules, BlackRock scored either 5 or 4 stars. For a full breakdown of BlackRock's report and details see the firm's PRI Report web page. In 2021, the UN PRI new Pilot Reporting Framework methodology introduced a significant change to the grading system from an alphabetical (A+ to E) system to a numerical (1 to 5 stars) system, such that the 2021 reporting cycle cannot be compared to previous years. https://www.blackrock.com/corporate/literature/publication/blk-awards-and-recognition-web.pdf.

81 MLT measures progress across five key areas: representation, compensation, workplace culture, business practices and contributions and investments.

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