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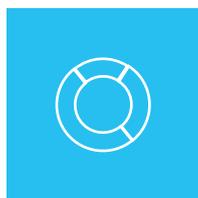
Investing sustainably for the long-term

Investors increasingly recognise that good returns today should not come at the expense of tomorrow's world. Businesses need to be run for the long-term with a focus on good governance, social responsibility and delivering sustainable returns. This is vital for the effective management of risk and generating returns consistently into the future.

At BlackRock, we recognise that long-term wealth generation is served best by investing in companies that take a responsible approach. We aspire to be an industry leader in incorporating sustainability across all aspects of our business:



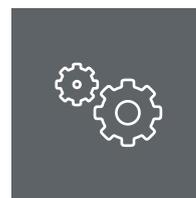
Our investment
processes across
the firm



Stewardship of
client assets



Client
solutions



Operations of our
own business

We engage with all the companies held in our clients' portfolios, encouraging them to adopt robust business practices consistent with sustainable long-term performance. This engagement is ongoing conversation, allowing a transparent and open exchange of views with an explanation of how we evaluate their actions on environmental, social, and governance (ESG) issues. We stand ready to vote against proposals where our standards are not met to safeguard our clients' interests.

Why it matters

As a fiduciary, our firm is built to protect and grow the value of our clients' assets. From BlackRock's perspective, business-relevant sustainability issues can contribute to a company's long-term financial performance. Robust stewardship can enhance long-term risk adjusted returns. Data, insights and learning on material ESG risks and opportunities add depth to our investment processes.

Our approach

The sustainable investing platform team launched in 2015 enables to unify BlackRock's approach to sustainable investing and now offers a global suite of sustainable investment strategies, across a range of asset classes, vehicles, and investment styles. The team also manage the firm-wide ESG integration into all investment processes, and is building out a dedicated research function.

The team partners with BlackRock's global investment teams to provide institutional quality solutions, industry thought leadership, research and tools to make sustainable investing more transparent and accessible to our investors. The team is focused on three key areas:

Insights

Developing the clearest possible picture of how environmental, social and governance issues influence risk and long term return

Integration

Integrating sustainability-related insights and data into BlackRock's investment processes across asset classes and investment styles

Solution

Delivering sustainable investment solutions across asset classes and strategies, enabling clients to achieve their financial objectives

Sustainability reporting

At BlackRock, we are able to provide our clients with a portfolio-level view of their exposure to sustainability-related risks and opportunities. It can deliver analysis of a portfolio's ESG performance, its carbon exposure and enhance the sustainability rating of a portfolio. The charts below outline BlackRock's ESG reporting capabilities:



ESG and carbon exposure

ESG and carbon scores on an absolute basis, weighted by portfolio position, industry-adjusted, at fund or portfolio level compared to benchmark



Business involvement reporting

Proprietary Aladdin risk analytics on exposure to over 2,200 market risk factors (e.g., equities, rates) through various market scenarios



Risk factor decomposition

Portfolio exposure across controversies (e.g., human rights) or commonly screened sectors (e.g., tobacco) compared to benchmark



Investment alternatives comparison

Comparison of current vs. potential screened, ESG or impact investing approaches across relevant sustainability and risk metrics

These analytics and reporting are powered by Aladdin, which currently captures MSCI ESG data. Reporting based on this ESG data is available across equities, corporate debt, and sovereign bonds.

Sustainability in action: The BlackRock New Energy team

ESG considerations are embedded in the New Energy team's investment philosophy and process. The team has a rigorous and systematic approach to reviewing ESG risks at an industry and company level and our site visits provide valuable information to assess objectively quantitative data provided by third parties. Our firm belief is that companies must consider and address ESG issues in order to maintain their social license to operate and therefore they are an important determinant of investment performance.

We are able to draw on a proprietary ESG industry matrix, which identifies the key long-term issues impacting our industries and provides framework for ESG discussions with senior management teams. We use Ethix, a third party system, to run this screen against the 10 UN Global Compact Principles on a quarterly basis. Should any holdings 'flag' during the screen, we then engage the dedicated sustainable investing platform team to understand more ESG risks are assessed on an ongoing basis as part of the fundamental investment process and as part of the engagement activities. We have integrated key ESG metrics, including carbon-related measures, into our investment and risk management platform, Aladdin. Managers are also provided access to the MSCI ESG manager tool where full company level and sector level ESG research is available. As a result, all teams have ESG metrics available to them to take into consideration in their investment analysis.

Important information

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