

ESG Overview

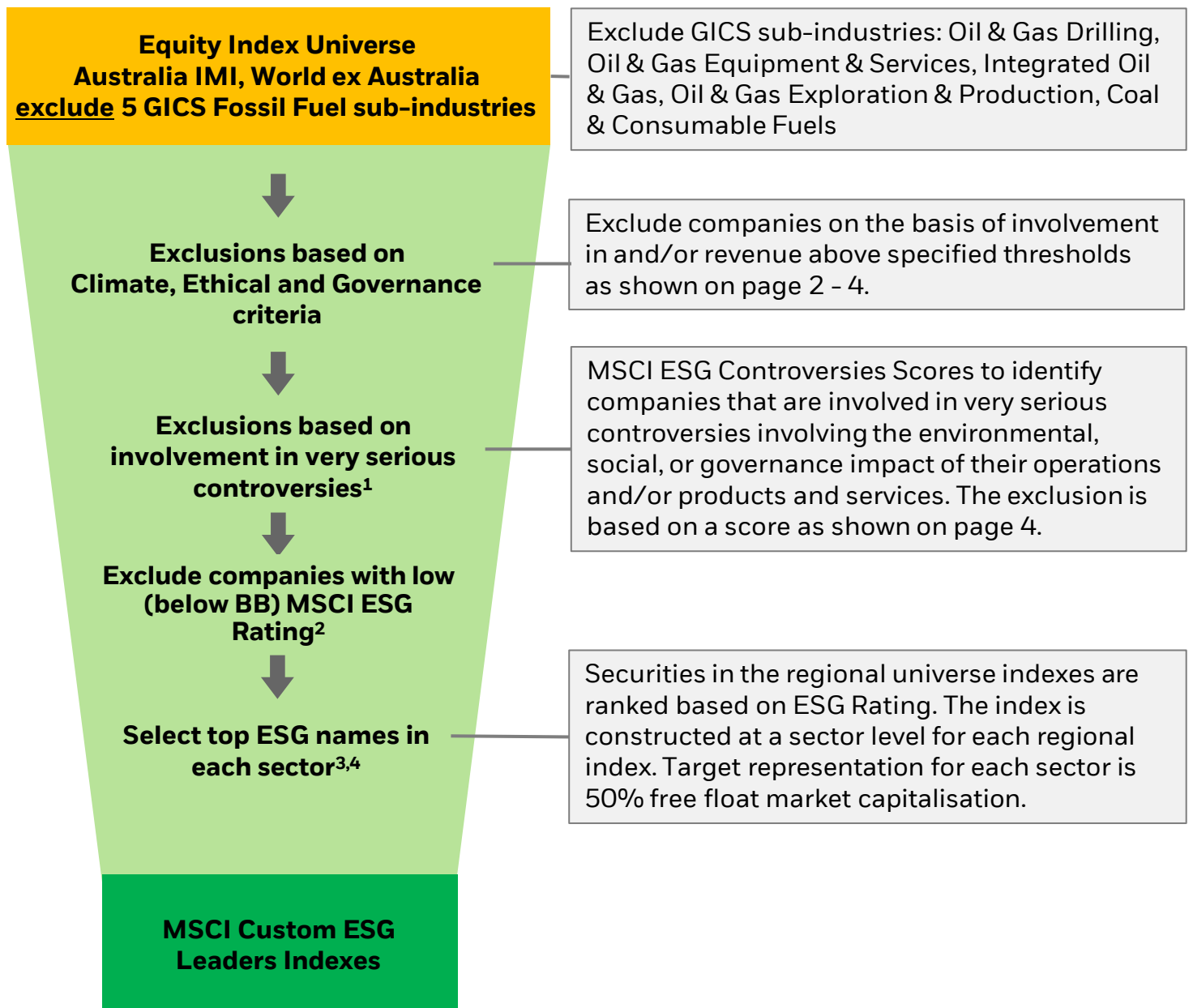
iShares Core MSCI Australia ESG ETF (IESG)

iShares Core MSCI World ex Australia ESG ETF (IWLD)

iShares Core MSCI World ex Australia ESG (AUD Hedged) ETF (IHWL)

Index Methodology

The MSCI Custom ESG Leaders Indexes tracked by IESG, IWLD and IHWL are designed to represent the performance of companies that have high Environmental, Social and Governance (ESG) ratings relative to their sector peers, to ensure the inclusion of the best-in-class companies from an ESG perspective.



Source: BlackRock based on MSCI index methodology January 2024.

Please refer to the index methodology documents for more details on the indexes tracked by [IWLD](#) and [IHWL](#) and [IESG](#). The index is reviewed quarterly with an annual index review in May.

- For further information on MSCI's ESG Controversy Score methodology, please click [here](#).
- For more details on MSCI ESG Ratings, please refer to: <https://www.msci.com/esg-ratings>
- Securities in the regional universe indexes (MSCI Pacific ex Australia Index, MSCI Europe & Middle East Index, MSCI Canada Index, MSCI USA Index) are ranked based on ESG Rating and ESG Controversy Score. The index is constructed at a sector level for each regional index. Target representation for each sector is 50% free float market capitalization.
- To reduce concentration, issuers within the MSCI Australia IMI Custom ESG Leaders Index are capped at a maximum weight of 10%, or 2.5% in excess of the issuer's weight in the MSCI Australia IMI, whichever is higher.
- For more details on screens please refer to [MSCI Business Involvement Screening Research](#)

Exclusion Screens

Companies whose activities meet the following criteria, as determined by MSCI ESG Research, are excluded from the new custom-created ESG indexes tracked by IESG, IWLD and IHWL.

Exclusions	Exclusion Criteria
Adult Entertainment	<ul style="list-style-type: none"> • All companies classified as a ‘Producer’ • All companies deriving 5% or more aggregate revenue from the production, distribution and retail of adult entertainment materials
Alcohol	<ul style="list-style-type: none"> • All companies deriving 5% or more revenue from the production of alcohol-related products • All companies deriving 15% or more aggregate revenue from the production, distribution, retail and supply of alcohol-related products
Civilian Firearms	<ul style="list-style-type: none"> • All companies classified as “Producer” of firearms and small arms ammunitions for civilian markets. It does not cover companies that cater to the military, government, and law enforcement markets • All companies deriving 5% or more aggregate revenue from the production and distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use
Controversial Weapons	<ul style="list-style-type: none"> • 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 Global Ex-Controversial Weapons Indexes available at https://www.msci.com/index-methodology
Conventional Weapons	<ul style="list-style-type: none"> • All companies deriving 10% or more revenue from the production of conventional weapons and components
Gambling	<ul style="list-style-type: none"> • All companies those own or operate gambling facilities such as casinos, racetracks, bingo parlors, or other betting establishments, including: horse, dog, or other racing events that permit wagering; lottery operations; online gambling; pari-mutuel wagering facilities; bingo; pachislot and pachinko parlors; slot machines; Jai-alai; mobile gambling; and sporting events that permit wagering • All companies deriving 5% or more aggregate revenue from gambling-related business activities
Nuclear Power	<ul style="list-style-type: none"> • All companies generating 5% or more of their total electricity from nuclear power in a given year • All companies that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year • All companies deriving 15% or more aggregate revenue from nuclear power activities

Exclusions	Exclusion Criteria
Nuclear Weapons	<ul style="list-style-type: none"> • All companies that manufacture nuclear warhead and/or whole nuclear missiles • All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warhead and missiles) • All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons • All companies that provide auxiliary services related to nuclear weapons • All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warhead and missiles) but can be used in nuclear weapons • All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons • All companies that manufacture components for nuclear-exclusive delivery platforms • All companies that manufacture nuclear weapons, including nuclear warhead, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warhead • All companies that manufacture key nuclear weapons components • All companies that are 50 percent or more owned by a company with nuclear weapons involvement • All companies that own 20 to 49.99 percent of a company with nuclear weapons involvement
Fossil Fuel Extraction and Reserves	<ul style="list-style-type: none"> • All companies deriving 5% or more aggregate revenue (either reported or estimated) from thermal coal mining and unconventional oil and gas extraction <ul style="list-style-type: none"> • Thermal Coal Mining: Revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It does not cover revenue from metallurgical coal; coal mined for internal power generation (e.g., in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading • Unconventional Oil & Gas Extraction: Revenue from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane. It does not cover all types of conventional oil and gas production including Arctic onshore/offshore, deep water, shallow water and other onshore/offshore • All companies with evidence of owning oil and/or natural gas reserves, and deriving at least 15% revenue (either reported or estimated) from the extraction and production of oil and gas • All companies with evidence of owning thermal coal reserves, and deriving at least 15% revenue (either reported or estimated) from the mining of thermal coal and its sale to external parties • IESG only: All companies with an industry tie to thermal coal, in particular reserve ownership, production and power generation
Oil Sands	<ul style="list-style-type: none"> • All companies deriving 5% or more revenue from oil sands extraction, which own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. Companies that derive revenue from non-extraction activities (e.g. exploration, surveying, processing, refining) or intra-company sales are not excluded. Additionally, companies that own oil sands reserves with no associated revenue are also not excluded
Thermal Coal Based Power Generation	<ul style="list-style-type: none"> • All companies deriving 5% or more revenue (either reported or estimated) from thermal coal-based power generation

Exclusions	Exclusion Criteria
Tobacco	<ul style="list-style-type: none"> • All companies classified as a “Producer” • Tobacco products include nicotine-containing products, including traditional and alternative tobacco smoking products. • All companies deriving 5% or more aggregate revenue from the production, distribution, retail, supply and licensing of tobacco-related products.
Global Norms – United Nations Global Compact Compliance	<ul style="list-style-type: none"> • All companies that fail to comply with the United Nations Global Compact principles
Controversies Score	<ul style="list-style-type: none"> • All companies are required to have an MSCI ESG Controversies Score of 3 or above to be eligible for inclusion in the Index. Thereafter, existing constituents of the Index must maintain a score of 1 or above.

Source: BlackRock based on MSCI index methodology

MSCI ESG Controversies Score falls on a 0-10 scale, with “0” being the most severe controversy. For more details on MSCI ESG Controversies, please refer to: [MSCI ESG Controversies and Global Norms Methodology](#)

The treatment of subsidiaries is generally based on a 50% ownership unless otherwise stated. Please refer to the [MSCI ESG Business Involvement Screening Research, Global Sanctions, and Sustainable Impact Metrics Methodology Summary Guide for Corporate Issuers methodology document for more details.](#)

The descriptions of the exclusion criteria in the table are a summarised version of the actual exclusions applied. For comprehensive descriptions of the ESG selection and screening by the index provider, see: [MSCI Business Involvement Screening Research Methodology.](#)

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IMPORTANT INFORMATION

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IMPORTANT INFORMATION CONT.

The environmental, social and governance (“ESG”) considerations discussed herein may affect an investment team’s decision to invest in certain companies or industries from time to time. Results may differ from products that do not apply similar ESG considerations to their investment process. ESG considerations are generally evaluated by investment teams alongside a number of other considerations.

Please note:

- Exclusionary screens typically exclude companies or issuers based on revenue thresholds and sector involvement. Companies or issuers may not be screened out if insufficient data is available in relation to them.
- Exclusionary screens apply screening in some sectors but not others, and so as result, an index may hold assets that have exposure to activities that may be considered controversial, sensitive, or to have an adverse ESG impact.
- Exclusionary screens, their related methodologies and ESG standards are a developing area. The exclusionary screens, methodologies and ratings (if any) applied by the index provider may evolve and change over time due to evolutions of market practice, availability of further regulatory guidance or other reasonable justifications. Screening of the index against its screening criteria is generally carried out by the index provider only at index rebalances. Evolutions and changes may result in companies or issuers meeting or failing to meet the index providers’ screening criteria from time to time. Companies or issuers which have previously met the screening criteria of the index, and have therefore been included in the index may unexpectedly or suddenly be impacted by an event of serious controversy which negatively impacts their price.
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