Transparency policy covering the General Management Principles applied to BlackRock Funds

Updated as of September 2024

For use with professional clients only.

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History of Sustainable Investing at BlackRock

BlackRock has a long history of managing strategies with sustainable objectives.

- **In 2005**, the firm launched its first Sustainable ETF (exchange traded fund).
- We became signatories of the UN's Principles for Responsible Investment **in 2008** and have released multiple transparency reports. https://www.blackrock.com/corporate/sustainability/pri-report
- We established our renewable power investment platform **in 2012.** BlackRock now manages one of the world's largest dedicated renewable power platforms with USD$10+ billion in client assets across over 80 investments globally (As of December 31, 2023). In 2023, we were awarded Global Energy Transition Investor of the Year by Infrastructure Investor[1].
- BlackRock created a dedicated Sustainable Investing platform team **in 2015** to unify BlackRock's approach to sustainable investing and serve investors who seek solutions that deliver targeted sustainability outcomes. Shortly after **in 2016**, we became a founding member of the Task Force for Climate Related Disclosures (TCFD).
- **In 2018,** BlackRock formally documented its practices for integrating financially material E, S, and/or G factors into its firmwide processes through our ESG Integration Statement. https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf
- **In 2020,** BlackRock announced a series of actions on sustainability and began developing Aladdin Climate and publishing sustainable metrics for mutual funds and ETFs on our websites. Read more: https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter
- **In 2021,** we expanded our sustainability offerings further and began incorporating climate-considerations into our Capital Market Assumptions, joined the Net Zero Asset Managers Alliance, and published our first SASB and TCFD aligned reporting. Read more: https://www.blackrock.com/corporate/investor-relations/2021-blackrock-client-letter
- **In 2022,** to strengthen our capabilities and ensure we are meeting client demand and capturing investment opportunities in sustainability, BlackRock established several new central sustainable and transition business units. These included the creation of (1) **Sustainable & Transition Solutions** ("STS"), to lead BlackRock's firmwide sustainability and transition strategy, drive cross-functional change, support client engagements, power product ideation, and embed expertise across the firm; and (2) **Sustainable Investment Research and Analytics** ("SIRA"), within the BlackRock Investment Institute ("BII"), to produce thought leadership and research on the implications of the transition on portfolio construction.
- **As of 30 June 2024**, BlackRock offers over 450+ dedicated sustainable products and solutions across index and active platforms, with a combined USD$916bn in sustainable assets under management.

[1] *https://www.infrastructureinvestor.com/infrastructure-investor-awards-2022-global/ Awards shown herein may not be indicative of BlackRock's investment performance, or any future investment performance or sustainability accomplishments. BlackRock has sourced these awards from third party providers. We have not solicited or paid for any of these awards. The award may not be representative of any client's individual experience.*

BlackRock's Approach to Sustainability

As a fiduciary, we invest on our clients' behalf to help them meet their investment objectives. Our focus is on understanding and managing investment risk, anticipating our clients' needs, and supporting them in achieving their long-term investment goals.

Our investment approach is informed by three principles:
1. Client choice – we start by understanding clients' investment objectives and offering a choice of products and strategies
2. Performance – we seek the best risk-adjusted returns within the mandates clients give us
3. Research – we underpin our work with research, data and analytics

We apply those same principles to sustainability and the low-carbon transition.

1. **Client choice.** Our clients choose their investment objectives. They have a range of goals and preferences, and they look to BlackRock to meet their needs. We offer choices in investment products, portfolio construction, analytics, and stewardship (Voting Choice). This includes 450+ dedicated sustainable products and solutions across index and active investment platforms, with a combined $916bn in sustainable assets under management.[1]
2. **Performance. We seek the best risk-adjusted returns within the mandates clients give us.** As a fiduciary, we manage material risks and opportunities that could impact portfolios. Sustainability can be a driver of investment risks and opportunities, and we incorporate them in our firmwide processes when they are material. We evaluate the extent to which these risks are reflected in current market prices, so that we can identify investment opportunities for our clients. Without exception, our investment decisions are driven by a fiduciary duty to our clients to seek to deliver the best risk-adjusted returns for client portfolios, within the scope of the mandates they give us.
3. **Research. We underpin our work with research, data, and analytics.** We research sustainability as we do any trend shaping the economy, markets, and asset prices. We assess how these trends could affect long-term economic value and how they could unfold over time. We research the transition to a low-carbon economy because we see it having implications on macroeconomic trends, company prospects, and portfolios.

Read more at: https://www.blackrock.com/corporate/insights/our-approach-to-sustainability

[1]*as of 30 June 2024. All values in US$.*

Sustainable Investment Solutions for Our Clients

Our sustainable platform provides clients with choice to invest in line with their specific investment goals and objectives. Across the platform, products use environmental, social and / or governance data as a portfolio construction input and a subset of those products also seek to achieve long-term sustainability outcomes (in line with each product's specific investment objective). As of June 30, 2024 BlackRock offers over 450+ dedicated sustainable products and solutions across index and active platforms, with a combined USD916bn in sustainable assets under management, representing ~5-10% of BlackRock's total AUM.*

These dedicated strategies exist across asset classes, in both index and active, and are categorized as "Screened", "Uplift", "Thematic" or "Impact."

Screened: Screened strategies constrain investments by avoiding issuers or business activities with certain environmental, social and / or governance characteristics. These strategies may also be enhanced with active engagement with specific issuers.

Uplift: Uplift strategies have a commitment to investments with improved environmental, social and / or governance characteristics versus a stated universe or benchmark. For these strategies, environmental, social and / or governance data may drive portfolio construction and security selection with some strategies leveraging to target a specific objective. Examples include having an improved ESG score versus a benchmark, and best-in-class stock selection based on ESG scores.

Thematic: Thematic strategies target investments in issuers whose business models may not only benefit from but also may drive long-term sustainability outcomes. These strategies may have construction determined by focused exposure to the specific environmental or social theme. Examples include strategies that may focus on the theme of the circular economy or the transition to a low-carbon economy.

Impact: Impact investing at BlackRock includes strategies committed to generating positive, measurable, and additional sustainability outcomes. For these strategies, the investment process must showcase "additionality" or "intentionality" in line with Operating Principles for Impact Management. BlackRock offers impact strategies across both public and private markets.

ESG Data Landscape

At BlackRock, investors rely on both internal and external ESG research sources.

Internal Research

BlackRock has developed a proprietary sustainability scoring framework, BSI Intel, to capture companies' likelihood of mitigating risks and capturing opportunities associated with sustainability factors.

BSI Intel is a research-driven framework that combines quantitative and qualitative research using a systematic data driven approach to deliver unique sustainability investment insights. It leverages multiple sources of data, including proprietary BlackRock information, and takes over 100+ individual KPIs that capture the sustainable characteristics of companies across environmental, social, and governance themes.

The framework brings together BlackRock's fundamental views with SASB's Materiality Map to determine the weights of the 15 descriptors across the market. These descriptors are then combined to produce a unique BSI Intel score per company. BSI Intel strategies are designed to overweight companies that will deliver strong risk-adjusted returns in the long run by capturing sustainability risks and opportunities through forward-looking indicators.

More information available upon request.

External Research

We are continuously expanding access to high quality data and information sources through Aladdin for public market securities. BlackRock's investment teams have access to a range of third-party data sets and internal materiality-focused ratings across core Aladdin tools, allowing investors to identify appropriate data or information for their unique investment process. Examples of third-party data providers we leverage include MSCI ESG, Sustainalytics, and Clarity AI.

The Aladdin platform also offers a set of analytic tools, including Aladdin Climate, which amongst other analytics, provides investors with scenario analysis capabilities to help identify financially material investment risks and opportunities associated with the physical impacts of a changing climate and the uncertain transition to a low-carbon world.

In private markets, which inherently have less availability and standardization of financially material E, S and/or G metrics relative to public markets, we continue to progress multiple efforts to better collect, aggregate, evaluate and measure financially material E, S and/or G data or information from private companies and third parties.

BlackRock's ESG Integration Philosophy

BlackRock's role as a fiduciary to our clients is to help them navigate investment risks and opportunities. The money we manage is not our own – it belongs to our clients, many of whom make their own asset allocation and portfolio construction decisions. BlackRock considers many investment risks in our processes. In order to seek the best risk-adjusted returns for our clients, we manage material risks and opportunities that could impact portfolios, including financially material Environmental, Social and/or Governance (ESG) data or information, where available.

BlackRock's clients have a wide range of perspectives on a variety of issues and investment themes. Given the wide range of unique and varied investment objectives sought by our clients, BlackRock's investment teams have a range of approaches to considering financially material E, S, and/or G factors. As with other investment risks and opportunities, the relevance of E, S and/or G considerations may vary by issuer, sector, product, mandate, and time horizon. Depending on the investment approach, this financially material E, S and/or G data or information may help inform due diligence, portfolio or index construction, and/or monitoring processes of our portfolios, as well as our approach to risk management. For additional information see our full ESG integration statement:

https://www.blackrock.com/corporate/literature/publication/blk-esg-investment-statement-web.pdf

Sustainability reports:

2023 TCFD Report: BlackRock's Taskforce on Climate-Related Financial Disclosures (TCFD) report provides a comprehensive overview of our approach to managing climate risk. https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2023-blkinc.pdf

2023 SASB Disclosure: Our firmwide Sustainable Accounting Standards Board (SASB) sustainability disclosure for 2023. https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/blackrock-2023-sasb-disclosure.pdf

Recent publications:

Within BII, the Sustainable Investing Research and Analytics Team (SIRA) leads on researching the investment risks and opportunities of the sustainability transition. In doing so, SIRA evaluates the investment implications of a range of sustainability dynamics, translates sustainability insights into investment and portfolio implications, and crafts innovative investment solutions that address clients' sustainability objectives alongside their financial objectives. The team is continuously evolving their research priorities, please see below a snapshot of research that has been released:

Climate Resilience: An Emerging Investment Theme
In December 2023, BII published 'Climate resilience: an emerging investment theme'. This paper focused on moving beyond risk assessments to climate resilience as an investment theme.
https://www.blackrock.com/corporate/literature/whitepaper/bii-megaforces-december-2023.pdf

Emerging markets: financing the transition
In November 2023, BlackRock released our emerging markets focused transition paper. Emerging markets are pivotal to the global transition to a low-carbon economy. Reforms to plug the shortfall in investment could present both opportunities and risks for investors.
https://www.blackrock.com/institutions/en-zz/literature/whitepaper/bii-investment-perspectives-sustainability-november-2023.pdf

Investment perspectives – Tracking the low-carbon transition
We introduce the BlackRock Investment Institute Transition Scenario. This is our framework for tracking the transition to a low-carbon economy to help assess the investment opportunity and risks it may bring.
https://www.blackrock.com/corporate/literature/whitepaper/bii-investment-perspectives-sustainability-july-2023.pdf

Investment implications of U.S transition policy
In January 2023, the BlackRock investment Institute published 'Investment implications of U.S transition policy. This paper focused on the U.S Inflation Reduction Act, passed in August 2022, containing a range of measure to spur the transition.
https://www.blackrock.com/corporate/insights/blackrock-investment-institute/publications/us-transition-policy-implications

Transition Centres of Expertise

In addition, we launched our Transition Centres of Expertise in 2023 to bring together the knowledge of our sustainability and transition specialists across the firm, as well as external experts and industry associations. These 'centres', organized by sector technology, encompass expert views throughout the capital stack and across industry value chains. These then contribute to the assumptions used in our BlackRock Investment Institute Transition Scenario (BIITS) and help source new opportunities for our clients. A snapshot of these outlooks can be found below:

Transition Centre of Expertise: Batteries
Electrification is an essential element of the transition to a low-carbon economy – and batteries are a vital part of the shift. As an opportunity set, batteries are driven by rapid technological advances, falling costs, regulatory tailwinds and accelerating adoption, with opportunities to invest across both private and public markets:
https://www.blackrock.com/institutions/en-zz/literature/whitepaper/transition-center-of-expertise-batteries-gls-submission-stamped.pdf

Transition Centre of Expertise: Renewable Power
Renewable power technologies are the draft horses of global emissions reductions – and most of them are just entering their prime. In the BlackRock Investment Institute Transition Scenario, we see global electricity demand growing two-and-a-half times by 2050, as the electrification of energy demand across industries accelerates.
https://www.blackrock.com/ch/professionals/en/literature/whitepaper/transition-center-of-expertise-renewable-power-stamped.pdf

Transition Centre of Expertise: Mobility – Land
The electrification of road transport will be central in the transition to a low-carbon economy.
https://www.blackrock.com/institutions/en-gb/literature/article-reprint/transition-center-of-expertise-mobility-land-stamped.pdf

Resources dedicated to Sustainable Investment

Governance

Board oversight
BlackRock's Board engages with senior management on near- and long-term business strategy and reviews management's performance in delivering on BlackRock's framework for long-term, financial value creation on behalf of clients. Sustainability, including climate-related issues is a critical component of the firm's overall business strategy and the objectives of senior management over which the Board has oversight.

The Nominating, Governance & Sustainability Committee of the Board ("NGSC") oversees investment stewardship, public policy, corporate sustainability, and social impact activities. The NGSC periodically reviews corporate and investment stewardship-related policies and programs, as well as significant publications relating to environmental (including climate), social, and other sustainability matters.

BlackRock's Board is responsible for overseeing risk management activities. The Risk Committee of the Board ("Risk Committee") assists the Board in overseeing, identifying, and reviewing enterprise, fiduciary, and other risks, including those related to climate and other sustainability risks, that could have a material impact on the firm's performance.

Management oversight

BlackRock's senior management oversees progress towards BlackRock's strategic objectives, including climate- and sustainability-related objectives. The below management committees that share responsibility for management of various climate and other sustainability-related risks and opportunities.

- Global Executive Committee (GEC): Led by the CEO and consisting of BlackRock's senior leadership team, the GEC sets the strategic vision and priorities of the firm and drives accountability at all levels. It is actively involved in the development of, and receives updates on, BlackRock's sustainability strategy.
- The Investment Sub-Committee of BlackRock's Global Executive Committee (GEC) oversees firm wide investment processes, including ESG integration. Members of the Sub-Committee include the firm's President, Head of Portfolio Management and Chief Risk Officer as well as global heads or sponsors of all of BlackRock's major investment platforms. The RQA Sustainability Risk team reports on ESG integration to the GEC Investment Sub-Committee at least annually.

BlackRock employs a three-lines of defense approach to managing material investment risks in client portfolios.

1. BlackRock's investment teams and business management are the primary risk owners, or first line of defense.
2. BlackRock's risk management function, the Risk and Quantitative Analysis (RQA) group is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defense along with BlackRock Legal and Compliance. RQA evaluates investment risks, including financially material E, S and/or G risks as part of regular investment risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.
3. The third line of defense, BlackRock's Internal Audit function, operates as an assurance function. The mandate of Internal Audit is to objectively assess the adequacy and effectiveness of BlackRock's internal control environment to improve risk management, control, and governance processes

Sustainability Teams

Teams with sustainability-related areas of focus:

Sustainable & Transition Solutions team leads BlackRock's sustainability and transition strategy, drives cross-functional change, supports client and external engagement, powers product ideation, and embeds sustainable expertise across the firm in partnership with other teams.

Sustainable Investment Research & Analytics within the BlackRock Investment Institute produces thought leadership and research on the implications of the transition on portfolio construction. They produce macro and portfolio research, including integrating climate into BlackRock's Capital Market assumptions ("CMAs").

BlackRock Investment Stewardship serves as an important link between clients and the companies they invest in, engaging with investee company leadership and proxy voting at shareholder meetings when authorized by clients to do so. Where appropriate, BIS engages with companies on climate-related issues.

Corporate Sustainability leads efforts to drive operational sustainability, establish sustainable business programs and policies, and engage key stakeholders on BlackRock's contribution towards the low-carbon transition and establish BlackRock's operational sustainability goals.

Sustainability incorporated into broader functional responsibilities:

Investment Divisions: BlackRock investment divisions include Portfolio Management Group, Global Markets & Index Investments, and Equity Private Markets. Active portfolio teams manage exposure to financially material E, S, and/or G risks, and consider financially material E, S, and/or G information in their investment processes, as applicable and consistent with client goals. Investment teams can often have sustainability-focused units (e.g. Fixed Income ESG Investment Team), as well as investment themes dedicated to sustainable funds (e.g Decarbonization Partners, and Climate Infrastructure)

Risk & Quantitative Analysis Group (RQA) is BlackRock's risk management function. The group is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defense along with BlackRock Legal and Compliance. RQA evaluates investment risks, including financially material E, S and/or G risks as part of regular investment risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.

Global Product Solutions leads sustainable product innovation and development, governance, and strategy across the global product platform.

Government Affairs and Public Policy (GAPP) strives to engage constructively in financial services public policy dialogue, including in relation to climate risk and sustainability disclosures, through participation in industry initiatives, engagement with regulators and standard setters around the world, and through the whitepapers, comment letters and consultation responses regularly published on BlackRock's website.

Aladdin makes available climate and ESG data and physical and transition risk analytics into investors' workflows, regulatory reporting, and decarbonization/temperature alignment analysis delivered through Aladdin. The Aladdin Sustainability Lab oversees Aladdin's sustainability-, transition-, and climate-related data, analytics and innovation, including BlackRock's Aladdin Climate platform.

Enterprise Services includes the Health & Safety team which monitors adherence to local environmental regulations. The Corporate Real Estate, Space Planning, Critical Infrastructure and Workplace Experience teams work alongside key stakeholders such as the employee-run Green Team Network ("GTN") to plan and implement sustainability efforts in offices. The Business Continuity Management team manages disaster recovery planning, strategy, and crisis management activities.

Engagement and Community Initiatives

BlackRock is a member of several industry associations, including those that are related to sustainability and the transition to a low-carbon economy, so that we can participate in dialogue with governments, companies, and financial institutions on matters important to many of our clients. By being part of these forums, we are able to represent clients' interests and engage in conversations on their behalf. We have made it clear publicly that we do not coordinate our votes or investment decisions with any external group or organization. BlackRock's investment decisions are governed strictly by our fiduciary duty to clients. We do not make commitments to meet environmental standards that constrain our ability to invest our clients' money on their behalf consistent with their objectives. Similarly, we do not make any commitment or pledge that would interfere with our independent determination on how to engage with issuers and vote proxies in the best long-term economic interest of our clients.

BlackRock is a member of the Glasgow Financial Alliance for Net Zero ('GFANZ') and the Net Zero Asset Managers Initiative ('NZAMI'). In 2022, BlackRock issued its 2030 net zero statement, which it also submitted to NZAMI.

BlackRock also participates in the Taskforce on Nature-related Financial Disclosures ('TNFD'), which aims to create a disclosure framework for nature-related risks and opportunities. BlackRock has contributed to the TNFD since its launch in summer 2021. BlackRock's goal in participating in the TNFD is to encourage consistent and comparable nature-related disclosures for a better assessment of how companies are managing and mitigating these risks, to the extent they are material for an issuer, while positioning their strategy appropriately to account for the use of and reliance on natural capital.

Including those referenced above, BlackRock participates in the sustainability-related initiatives listed below. Please note, this list (As of February 2024) is illustrative and subject to change of the main initiatives that BlackRock engages in and should not be considered exhaustive.

- Ceres Investors Network on Climate Risk and Sustainability
- Climate Action100+[1]
- Climate Bonds Initiative Partnership

- Corporate Governance Forum
- Ellen McArthur Foundation
- Glasgow Financial Alliance for Net Zero
- Global Impact Investing Network
- Global Real Estate Sustainability Benchmark
- International Capital Markets Authority Green Bond Principles
- Impact Investing Institute
- Institutional Investors Group on Climate Change
- International Corporate Governance Network
- Net Zero Asset Managers Initiative
- One Planet Asset Manager initiative
- Partnership for Carbon Accounting Financials
- United Nations Global Compact
- UN Principles for Responsible Investing
- Sustainable Markets Initiative Asset Managers and Asset Owners Taskforce
- Taskforce on Climate-related Financial Disclosures
- Taskforce on Nature-related Financial Disclosures
- The Equity Collective
- Transition Pathway Initiative

BlackRock has also been a member of the French *Institut de la Finance Durable* since 2022, as well as a member of sustainable investment forums and associations in countries such as Denmark, Germany, Italy, the Netherlands, Spain, Sweden, and Switzerland.

[1]BlackRock has transferred its membership in CA100+ to our international business, BlackRock International, and BlackRock Inc. is no longer a member of CA100+.

Other key ESG issues

Biodiversity & Natural Capital

Natural capital refers to the living and non-living components of ecosystems that contribute to the provision of goods and services. Some forms of natural capital have market value, including natural resource stocks, such as oil and gas, minerals, and timber. The management of nature-related risks and opportunities is a component of the ability to generate long-term financial returns for companies whose strategies or supply chains are materially reliant on natural capital.

BlackRock incorporates financially material environmental, social, and/or governance data or information, alongside other information into firmwide processes; this may include issues related to natural capital and biodiversity. BlackRock has a framework for ESG integration that permits a range of approaches across different investment teams, strategies, and particular client mandates. BlackRock's investment teams consider natural capital-related risks where financially material, where data is available, and where relevant to the given strategy and investment style. For example, select private market's teams takes a proactive approach to identifying, analyzing, and documenting applicable sustainability factors – from initial deal sourcing and screening, through detailed due diligence and investment committee review and approval. Within investment strategies where BlackRock is investing in physical assets and/or active development and construction projects, such as within BlackRock's Real Estate and Infrastructure strategies, investment teams may consider any material issues and risk exposure during the asset review and due diligence processes. This may include a detailed review of environmental factors, including those relating to environmental protection, pollution prevention, and/or the conservation of local habitats and biodiversity. Environmental risk assessments are undertaken for new investments in Real Estate and Infrastructure projects. Where appropriate, BlackRock's Real Estate and Infrastructure teams will also partner with specialist environmental and natural capital consultants to undertake such reviews. For greenfield projects, or those comprising new construction and major development, environmental considerations are factored into the design process and project planning and are regularly monitored throughout the duration of the construction activity.

While natural capital is a broad term, there are three key components — land use, water, and biodiversity — which BlackRock believes can affect the long-term financial returns of companies with material exposure to nature-related impacts and dependencies. For the purpose of private funds, due diligence is performed in respect of these matters to a varied extent, depending on the materiality of the sector to which the investment relates.

- **Land use.** Given the growing pressures on the land and forests from which many companies depend for their products and other services, companies with material impacts and dependencies on land and forests may face financial risks associated with the depletion of these resources. For example, governments may impose tariffs or import bans on consumer goods and agricultural products that are not certified as sustainably sourced. Conversely, there could be material business opportunities in demonstrating responsible and regenerative practices.
- **Water.** A number of economic sectors — such as agriculture, pharmaceuticals, manufacturing, technology, apparel, food, and beverage production — are heavily dependent on fresh water. Companies for whom water is essential to their business operations may need to demonstrate that they use this scarce natural resource efficiently. Overexploitation, increased demand, pollution, drought, or other factors may result in governmental regulations that restrict water availability and usage. For companies with material dependencies on water, this may impact their ability to deliver long-term financial performance.
- **Biodiversity**. Biodiversity refers to the variety and abundance of life on earth and it is essential to a healthy ecosystem and the services it provides. Biodiversity loss is a potential risk to the future financial performance of companies in certain sectors as biodiversity is a critical component of ecosystem health, which is required to allow for sustainable use of natural capital inputs.

While nature-related disclosures have historically been limited and difficult to compare across companies, private-sector initiatives, such as the TNFD, are working on frameworks to guide disclosure on material, nature-related impacts and dependencies, alongside associated risks and opportunities. BlackRock has contributed to the TNFD since its launch in summer 2021. BlackRock's goal in participating in the TNFD is to encourage consistent and comparable nature-related disclosures for a better assessment of how companies are managing and mitigating these risks, to the extent they are material for an investee company, while positioning their strategy appropriately to account for the use of and reliance on natural capital.

Engagement

When BlackRock engages with companies on natural capital, disclosure of the following matters is sought, when relevant and appropriate:

- The natural capital-related risks, opportunities, impacts, and dependencies that management has identified as financially material to the company's business model, and how these have been evaluated in anticipation of increasing levels of stress on essential natural capital factors.
- The board's role in overseeing material natural capital risks and opportunities.
- Whether and how the company sets short-, medium-, and long-term targets for managing material natural capital factors, and how the company monitors progress against stated goals, and how these efforts might contribute to process and resource efficiencies.
- Whether the company has corporate policies or codes of conduct addressing natural capital practices, including whistle-blower protections, and mechanisms to oversee compliance and remedy breaches.
- The company's supply chain due diligence processes, including how the company is working with key stakeholders or participating in industry-specific initiatives, and how the company identifies and protects against adverse impacts across the supply chain.
- Any material investments in strategic initiatives or research and development to develop products and/or enhance operations to reduce natural capital dependencies and impacts, including contributions to programs that protect natural capital and/or participation, as appropriate, in industry collaborations aligned with addressing pervasive issues.
- Efforts to engage with local communities directly impacted by company operations and use of natural capital.
- Any independent third-party assessments of the data and/or approach taken to manage natural capital-related risks including the benchmarking of policies, practices, and performance.

BlackRock's Diversity, Equity, & inclusion strategy

In March 2021, the firm launched a global DEI strategy for its own operations and set in motion a series of commitments to drive forward progress across three pillars:

(i) Talent and culture across the globe where the firm focuses on attracting, hiring, developing, and retaining a diverse talent pipeline, and cultivating an inclusive and equitable work environment.
(ii) Activities to support BlackRock's clients which focus on expanding investment choices and business partnership opportunities related to DEI, where consistent with the firm's fiduciary duty
(iii) Impact on underserved communities which focuses on philanthropic efforts to contribute to and invest in the long-term success of these communities. Beyond articulating BlackRock's ambitions, the firm has committed to regularly assess its progress to determine where to deepen and expand its focus.

For more information, please see page 18-21 of our 2023 SASB Report, linked.

Human rights & Labour Standards

As defined by the United Nations Universal Declaration of Human Rights, human rights are inherent to all human beings and include the right to life, health and well-being, privacy, fair wages, and decent working conditions; freedom from discrimination, slavery, and torture; and freedom of association

BlackRock approaches human rights from two main perspectives:

1. As an **asset manager** with a responsibility to manage material risks to client portfolios, including how the firm engages with companies on their human rights risks; and
2. As a **corporate entity** that seeks to support and respect the protection of international human rights in the management of BlackRock's employees, operations, and supply chain.

For more detail on our approach as a corporate entity and asset manager, please see pages 24 – 26 of our 2023 SASB Report.

BlackRock's Investment Stewardship Approach

BlackRock Investment Stewardship Team Overview

As part of our fiduciary duty to our clients, we consider it one of our responsibilities to promote sound corporate governance as an informed, engaged shareholder on their behalf. At BlackRock, this is the responsibility of the BlackRock Investment Stewardship (BIS) team.

The BIS team focuses on promoting effective corporate governance through engagement, proxy voting, and participation in market-level dialogue. These three activities are the main components of the stewardship toolkit and are performed all year long. The team aims to take a globally consistent approach, while recognizing the unique markets and sectors in which companies operate.

The BIS team is one of the largest stewardship teams in the industry and is comprised of approximately 70 members as of October 31, 2023. Team members bring diverse skills and life experiences to their work, with professional expertise developed in legal, financial, advisory, consulting, technology, corporate, and governance roles. With 25+ professional certifications, 30+ academic disciplines, and 18+ languages spoken by team members, BIS has an incredible depth and breadth of expertise. The stewardship team operates across nine offices globally (Delaware, New York, San Francisco, and Washington, D.C., in the Americas, London in EMEA; and Hong Kong, Singapore, Sydney, and Tokyo in APAC) and engages locally with companies, enabling more frequent and better-informed dialogue, often in the local language. The BIS team primarily engages public companies on behalf of client assets invested in index strategies, and the team makes its company analysis and engagement meeting notes available to BlackRock's active portfolio managers. The team's diverse perspectives enhance BlackRock's effectiveness as a trusted partner to clients and a constructive investor on their behalf.

The BlackRock Investment Stewardship team primarily engages public companies on behalf of client assets invested in index strategies. Other teams across BlackRock also may engage with companies to help inform their work on a broad spectrum of risk and value drivers at the companies in their investible universe. Portfolio managers in actively managed strategies also retain the final decisions on how to vote proxies for companies in which they invest. That said, the BlackRock Investment Stewardship team works closely with these other teams in order to share insights, as appropriate. For example, the stewardship team's company analysis and engagement meeting notes are made available to BlackRock active portfolio managers. Where BlackRock Investment Stewardship and a BlackRock active portfolio manager are interested to engage a company on the same topics, both teams may jointly engage with company representatives to hear how they are positioning the company to deliver durable profitability.

A global reach and local presence

- **Global corporate governance and engagement principles with market-specific voting guidelines**
- **One of the largest stewardship teams in the industry**
- **Regional presence with sector focus and local markets/regulatory expertise**
- **4,000+ engagements with 2,600+ public companies in 49 markets in the 2022-23 proxy season[1]**
- **Voted at 18,000+ meetings on 171,500+ proposals in the 2022–23 proxy season[1]**
- **Sharing of unique engagement insights with investment teams globally through Aladdin®**
- **Speaking engagements at 460+ industry events globally[2]**

66 member team[3]

69 voting markets[1]

18 languages[3]

25 professional certifications[3]

31 academic disciplines[3]

50+ organizational affiliations[3]

Leveraging the global expertise of our:

Investment analysts | Specialists | Researchers | Active investors

[1] Source: BlackRock. Reflects data from July 1, 2022, to June 30, 2023.
[2] Source: BlackRock. Reflects data from January 1, 2022, to December 31, 2022.
[3] Source: BlackRock. As of October 31, 2023

BlackRock's Approach to Investment Stewardship

BIS' policies are the foundation for the team's voting and engagement activities. The policies are comprised of published BIS Global Principles, regional voting guidelines, and engagement priorities that provide clients, companies, and other external stakeholders, visibility and clarity into the team's areas of focus and the factors considered in engagement and voting. Each year, the team reviews and updates its policies in order to ensure that the BIS policies are aligned with encouraging practices at companies that support their ability to deliver long-term financial returns for BlackRock's clients.

The BIS toolkit:

- **Engaging with companies:** When the stewardship team engages with a company, it grounds the dialogue in relevant BIS policies, from the perspective of a long-term investor. The stewardship team seeks to have regular and continuing dialogue with investee company executives and, as necessary, board directors, on issues related to corporate governance and business practices aligned with long-term financial value creation.

  Engagement provides BIS with an opportunity to hear directly from company boards and management on how they are addressing business risks and opportunities that impact their ability to deliver durable, long-term financial performance. Similarly, it is an important mechanism for providing feedback on company practices and disclosures, particularly when, in the team's professional judgment, a company does not seem to be appropriately managing material risks that could potentially impact financial returns.

In the 12 months prior to June 30, 2023, the BIS team held 4,000 engagements with more than 2,600 unique companies in 49 markets, effectively covering more than 75% of the value of clients' equity assets managed by BlackRock. The stewardship team held multiple engagements with 879 companies.

- **Voting in clients' financial interests:** When authorized to do so by clients, BIS votes to formally communicate support for, or concerns about, how companies are managing material governance or business risks and opportunities. When the stewardship team determines it is in clients' financial interests to signal concern to companies through voting, the team typically does so in two forms: 1) it might not support the election of directors or other management proposals, or 2) it might not support management's voting recommendation on a shareholder proposal. Voting to elect directors to the board is a near-universal right of shareholders globally and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.

  In the 12 months prior to June 30, 2023, BIS voted at more than 18,000 shareholder meetings on more than 171,500 management and shareholder proposals in 69 markets. The vast majority of matters that the stewardship team voted on were routine. The team generally supported management's recommendation because, in its assessment, the company was appropriately governed and managed; less than 1% of votes were on shareholder proposals.

  While BIS may reference data and analysis produced by proxy research firms, the team does not rely solely on this information in taking voting decisions, nor does it follow any proxy research firm's voting recommendations.

- **Participating in market-level dialogue:** BIS participates in market-level dialogue to share the team's perspectives with clients, policymakers, and others in the corporate governance ecosystem, on topical and emerging stewardship issues that, in its view, may impact clients' financial interests as long-term investors. BIS also benefits from hearing from clients, policymakers, and others, on their perspectives on emerging issues. For example, the team may participate in market-level industry discussions on behalf of clients or respond to public policy consultations to offer its perspective on the value of better disclosures for long-term investors.

BIS' Engagement Priorities

BIS aims to build constructive relationships with public companies, engaging in continuing dialogue with company leadership on factors that may be material to a company's ability to generate the long-term financial returns on which BlackRock's clients depend. These conversations extend well beyond proxy season and form the bedrock of open communication, better understanding, and clarity that are essential to making informed stewardship decisions on clients' behalf. Through engagement, the stewardship team may also communicate its views on material risks and opportunities when the team's analysis – which is guided by the BIS Global Principles, regional voting guidelines, and engagement priorities – indicates company leadership may not be acting in the financial interests of long-term investors, like BlackRock's clients.

The stewardship team prioritizes engagement based on its assessment of the value to the team or the company of direct dialogue. Either a company or the stewardship team can initiate engagement. The stewardship team assesses which companies to engage, and on what, based on the team's engagement history, analysis of a company's governance, material business risks and performance, or recent developments including those related to proxy voting. Companies seeking to engage usually propose an agenda of topics, which helps BIS determine whether direct dialogue would be mutually productive. In engagement with a specific company, the conversation will be informed by the questions the stewardship team may have about the company's approach to material, business-relevant risks and opportunities, which may be driven by the sector in which they operate or unique to their circumstances or business model.

BIS' five engagement priorities are: **board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with financial value creation; climate and natural capital; and company impacts on people.** The BIS engagement priorities reflect the themes on which the team most frequently engages companies, where they are relevant, as these can be a source of material business risk or opportunity.

A summary of the each of the BIS engagement priorities is outlined below, including links to thematic commentaries that provide more detail about BIS' approach to each of these topics:

- **Board quality and effectiveness:** BIS' efforts have always started with the board and executive leadership. In the team's experience, the performance of the board is critical to the financial success of a company and the protection of shareholders' interests over the long-term.

  Access to the BIS full commentary is available here:
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-engaging-on-board-quality.pdf.

- **Strategy, purpose, and financial resilience:** As one of many minority shareholders, BlackRock cannot – and does not try to – direct a company's strategy or its implementation. BIS engages on long-term corporate strategy, purpose, and financial resilience, to understand how boards and management are aligning their business decision-making with the company's purpose and adjusting strategy and/or capital allocation plans as necessary as business dynamics change.

  Access to the BIS full commentary is available here:
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-strategy-purpose-financial-resilience.pdf.

- **Incentives aligned with financial value creation:** Appropriate and transparent compensation policies are a focus in many of BIS' engagements with the companies in which the team invests on behalf of clients. BlackRock Investment Stewardship looks to a company's board of directors – typically a relevant committee – to put in place a compensation policy that incentivizes and rewards executives against appropriate and stretching goals tied to relevant strategic metrics, especially those measuring operational and financial performance.

  Access to the BIS full commentary is available here:
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-incentives-aligned-with-value-creation.pdf.

- **Climate and natural capital:** BIS engages with companies to better understand their approach to, and oversight of, material climate-related risks and opportunities, as well as how they manage material natural capital impacts and dependencies, in the context of their business model and sector.

  Access to the BIS full commentaries is available here:
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-climate-risk-and-energy-transition.pdf
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-natural-capital.pdf

- **Company impacts on people:** In BIS' experience, companies that invest in the relationships that are critical to their ability to meet their strategic objectives are more likely to deliver durable, long-term financial performance. By contrast, poor relationships may create adverse impacts that could expose companies to legal, regulatory, operational, and reputational risks. This is particularly the case with regard to a company's workforce, as a significant number of companies acknowledge the importance of their workers in creating long-term financial value.

  Access to the BIS full commentary is available here:
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-human-capital.pdf
  https://www.blackrock.com/corporate/literature/publication/blk-commentary-engagement-on-human-rights.pdf

BIS tracks its engagement activities in a database, which portfolio managers can also access to deepen their understanding of a company's governance profile. Features in the database allow BIS to record if a company is in line with the team's global governance standards (as outlined in the BIS Global Principles and regional voting guidelines), track developments at the companies engaged, and define and note engagement outcomes. This tracking and monitoring mechanism enable the stewardship team to measure improvements over time, especially as many of the engagements are long-term and ongoing.

A detailed approach to the team's engagement priorities is available here:
https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

BIS also publishes a quarterly engagement summary to provide transparency into the range of topics the team discusses with the companies in which BlackRock invests on behalf of clients. The quarterly engagement summary is available here: https://www.blackrock.com/corporate/literature/press-release/investment-stewardship-global-quarterly-engagement-summary.pdf

Corporate engagement and/or shareholder action as a general strategy

In the case of concerns, BIS generally prefers to first engage with a company and give management time to address the issue. BIS will vote in favor of management proposals where the team supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them.

Should a company not be responsive to BIS' engagement or concerns, the stewardship analyst, in consultation with senior team members as appropriate, determines when and how to escalate, which may include voting against management. Voting action may be considered at the company's annual general meeting in the year following engagement and may involve not supporting director elections or not supporting management's voting recommendation on a shareholder proposal. Escalation does not involve filing shareholder proposals, proposing candidates for director elections, nor engaging in public campaigns.

BlackRock Investment Stewardship generally engages individual companies independently, rather than alongside other asset managers or asset owners. In the team's experience, this approach enables BlackRock Investment Stewardship to have the most constructive dialogue on material risks and opportunities that in the team's assessment may impact a company's ability to deliver long-term financial performance. In addition, BlackRock adheres to regulatory limits on collaborative engagement, particularly with respect to U.S. companies and companies with U.S.-listed securities.

BlackRock Investment Stewardship may participate in collaborative engagements with other shareholders in limited instances outside the U.S., where permissible under local regulations and market norms, and where the team believes that BlackRock's clients' long-term financial interests could be more productively advanced through joint dialogue. When BlackRock Investment Stewardship does engage collaboratively, the team determines its engagement objectives independently, including with whom and how best to partner.

As mentioned above, when authorized to do so by clients, BIS votes to formally communicate support for or concerns about how companies are serving the financial interests of BlackRock's clients as long-term investors. The vast majority of matters that the stewardship team votes on are routine and it is generally supportive of management.

When exercising voting rights, BlackRock will normally vote on specific proxy issues in accordance with the guidelines for the relevant market. Market-specific voting guidelines reflect the stewardship team's overarching global corporate governance principles, as well as local market rules and norms. In certain markets, proxy voting involves logistical issues which can affect BlackRock's ability to vote, as well as the desirability of voting. Therefore, BlackRock votes on a "best efforts" basis. In addition, BIS may determine that it is generally in the economic interests of BlackRock's clients not to vote if the costs associated with exercising a vote are expected to outweigh the benefit the client would derive by voting on the proposal.

BlackRock does not disclose its vote intentions in advance of shareholder meetings as the team does not see it as its role to influence other investors. BlackRock's role is to send a signal to the company about how, in the team's view, a company's board and management is addressing material business risks and opportunities that may impact such company's ability to deliver long-term financial value.

When BIS determines that it is in clients' financial interests to signal concern to companies through voting, the team does so in two forms: 1) it might not support the election of directors or other management proposals; or 2) it might not support management's voting recommendation on a shareholder proposal. Voting to elect directors to the board is a near-universal right of shareholders globally and an important signal of support for, or concern about, the performance of the board in overseeing and advising management.
BIS' voting record on behalf of clients is available on the BIS website through the Global Vote Disclosure tool, which provides a quarterly update of its vote instructions on behalf of clients for all proposals voted at individual meetings globally. When votes cast differ from a company board's voting recommendation, BIS provides a voting rationale. Additionally, the BIS Quarterly Stewardship Statistics report is updated and posted to the BIS website on a quarterly basis.

More information related to how BIS engages and makes voting decisions on behalf of clients can be found on the BlackRock website available here: https://www.blackrock.com/corporate/insights/investment-stewardship as well as the BIS 2023-24 Global Voting Spotlight, available here:
https://www.blackrock.com/corporate/literature/publication/2024-investment-stewardship-voting-spotlight.pdf

Additional links to Formal Engagement and/or Voting policy documents

BlackRock Investment Stewardship's full suite of publications includes the BIS Global Principles, regional voting guidelines, and engagement priorities that provide clients, companies, and other external stakeholders, visibility and clarity into the team's areas of focus and the factors considered in engagement and voting— all of which are updated annually. Along with its Annual Report, Investment Stewardship also publishes its Global Voting Spotlight, focusing on voting on behalf of clients during the proxy year. BIS also continues to disclose the list of companies it meets with, engagement topics discussed and the votes it casts on clients' behalf on a quarterly basis.

The BlackRock Investment Stewardship Global Principles can be accessed here:
https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf

The BlackRock Investment Stewardship regional voting guidelines can be accessed here:
https://www.blackrock.com/corporate/insights/investment-stewardship#stewardship-policies and they are also enlisted below:

- Asia ex Japan, Chinese and Hong Kong securities
- Australian securities
- Canadian securities
- Chinese securities (in English)
- Europe, Middle Eastern and African (EMEA) securities
- Hong Kong securities
- Japanese securities (in English)
- Latin America securities (in English)
- U.S. securities

BlackRock Investment Stewardship Annual Report

The BlackRock Investment Stewardship Annual Report covers BlackRock Investment Stewardship' stewardship activities on a calendar year basis.
The 2023 version of the report is available here:
https://www.blackrock.com/corporate/literature/publication/annual-stewardship-report-2023.pdf

BlackRock Investment Stewardship Global Voting Spotlight

The BlackRock Investment Stewardship Global Voting Spotlight provides a detailed account of BlackRock Investment Stewardship's voting on behalf of clients in alignment with the U.S. SEC's proxy year reporting period.

The 2024 BlackRock Investment Stewardship Global Voting Spotlight is accessible here: https://www.blackrock.com/corporate/literature/publication/2024-investment-stewardship-voting-spotlight.pdf

Global Vote Disclosure
Updated quarterly, BlackRock Investment Stewardship publishes its vote instructions on behalf of clients for all proposals voted at individual meetings globally.
http://vds.issproxy.com/SearchPage.php?CustomerID=10228

Vote Bulletin Library
Where BlackRock Investment Stewardship believes it will be beneficial to explain its voting rationale on behalf of clients at certain shareholder meetings, it publishes a Vote Bulletin.
BlackRock Investment Stewardship vote bulletins are accessible on the BlackRock Investment Stewardship website: https://www.blackrock.com/corporate/insights/investment-stewardship#vote-bulletins

Quarterly Statistics Report ("By the Numbers")
Released on a quarterly basis, the BlackRock Investment Stewardship "By the Numbers" report outlines key market voting activity on behalf of clients that have authorized BlackRock Investment Stewardship to do so. The latest report is available here: https://www.blackrock.com/corporate/literature/publication/investment-stewardship-by-the-numbers-q3-2023.pdf

Other considerations

Assessing temporary policy breaches

BlackRock benefits from robust compliance systems aiming to enable portfolio managers with ESG information in real time / at the core of the order generation / trading process in order to avoid potential breaches of policy to arise in the portfolio.

For example, pre-trade compliance can be configured to reflect investment constraints related to ESG criteria or product involvement screens. Any violations are prevented by a red flag system which enables investors to embed ESG considerations at the core of their daily portfolio management process.

Also, the post-trade compliance process runs overnight in order to ensure alignment of the portfolio with the overall ESG policies. Due to market movements and the evolution of ESG characteristics, these checks become essential to avoid any passive breaches of policy.

In the situation where a portfolio passively breaches the limits, the Investment Team must take corrective action as soon as practicable. If a sale at time of notification is not deemed in the best interests of investors, then a maximum sell down period of 90 days can be applied. The timeline is necessary for the Investment Team to consider multiple factors including but not limited to liquidity, pricing and market conditions.

In addition, the team have a threshold warning notification system (flagging/highlighting system) that triggers before the formal revenue thresholds are breached. This gives the portfolio managers a warning that a particular holding is nearing a threshold, to enable additional review to verify the metric and assess if the investment thesis is affected.

Securities Lending and Proxy Voting

When so authorized, BlackRock acts as a securities lending agent on behalf of Funds. With regard to the relationship between securities lending and proxy voting, BlackRock's approach is driven by our clients' best interests. The decision to recall securities on loan in order to vote is based on an evaluation of various factors which include, but are not limited to, assessing potential securities lending revenue alongside the potential long term financial benefit to clients of voting those securities (based on the information available at the time of recall consideration). In most cases, BlackRock anticipates that the potential long-term value to the Fund of voting shares would be less than the potential revenue the loan may provide the Fund. However, in certain instances, BlackRock may determine, in its independent business judgment as a fiduciary, that the value of voting outweighs the securities lending revenue loss to clients and would therefore recall shares to be voted in those instances. Periodically, BlackRock reviews our process for determining whether to recall securities on loan in order to vote and may modify it as necessary.

Incorporation of ESG criteria

All prospective and existing counterparties, at the legal entity level, require the approval of RQA-CCR which operates under the umbrella of the independent risk function, Risk and Quantitative Analysis (RQA). RQA-CCR conducts in-depth due diligence reviews of all counterparties, focused on the credit fundamentals of the counterparty in conjunction with the nature and structure of the proposed trading activity. However, all counterparties, irrespective of trading activity, are reviewed with the same high level of scrutiny. Eligibility of all counterparties is determined based upon the framework for initial and ongoing due diligence which incorporates the assessment of a counterparty at a legal entity level; its ownership structure, regulatory status, track record, financial health (e.g. capital position, income, liquidity, leverage), and securities clearing arrangements, as well as consideration of the respective country of domicile, the potential for credit support and/or credit enhancement, and internal and/or external credit ratings and research. Additionally, RQA-CCR reviews a prospective counterparty's regulatory history and looks for other negative information as part of the initial due diligence process.

Potential concerns that could arise from these checks and possibly defer approval might include: i) Identification of any criminal proceedings related to the prospective firm and/or its principals; ii) Pattern of frequent regulatory infractions by the prospective firm and/or its principals, which may indicate weak governance or a poor control environment; iii) Identification of a firm's use of an independent accountant with a poor inspection history; iv) Qualified audit opinion. If a counterparty is admitted to the Approved Trading Counterparties List, the counterparty is included in alert/monitoring portfolios maintained with market data service providers and tools. These ongoing monitoring processes serve to identify any new regulatory and/or negative news items so that they can be evaluated and inform the current and forward-looking counterparty view from a credit as well as a reputational/commercial perspective.

Securities Lending Policy in selecting counterparties

Counterparties selected by the Securities Lending team additionally undergo an independent credit due diligence process and require formal approval by BlackRock's independent Risk and Quantitative Analysis Group ("RQA"). BlackRock's Counterparty Risk Group ("CCR") within RQA performs regular and ongoing counterparty reviews and conducts credit analyses on securities lending counterparties. In addition to this review process, credit limits are established, and counterparty exposures are monitored, managed and are reviewed on a regular basis in line with BlackRock Counterparty Credit Policies and Procedures.

The elements that are considered as part of the normal course for the credit review of a securities lending counterparty include, among other factors, its corporate and ownership structure, commercial track record, financial health (e.g., capital position, income, liquidity, leverage), external credit ratings, MSCI ESG rating, credit check results, as well as consideration of the respective country of domicile, regulatory regime, the potential for credit support and/or credit enhancement, and internal and/or external credit research.

RQA CCR establishes notional and/or risk limits that are applied to securities lending activity transacted with specific counterparties and receives a daily report of each lending counterparty's activity to facilitate the monitoring of counterparty limits. New transactions are systematically prevented if a particular counterparty has reached its credit limit.

Corporate Engagement

As an asset manager, BlackRock's approach to climate-related risks, and the opportunities presented by the low-carbon transition, is based on our fundamental role as a fiduciary to our clients. BIS engages with companies to better understand their approach to, and oversight of, material climate-related risks and opportunities. For companies with material natural capital-related impacts and dependencies, we engage to understand how these are managed in the context of their business model and sector.

For more information, please refer to:

1. BIS' approach to engagement on climate-related risks and the low-carbon transition: Link
2. Our approach to engagement on natural capital: Link
3. Emissions, engagement, and transition to a low-carbon economy: Link

Read more about updates to our Global Principles and market-specific voting guidelines here.

As part of our structured investment process, material sustainability-related risks and opportunities are considered within our fundamental analysis of companies and industries.

We look to understand how management approaches material sustainability-related risks and opportunities and the potential impact this may have on companies' ability to deliver long-term financial performance for shareholders. Further engagement is carried out by the BlackRock Investment Stewardship team (BIS), to hear directly from company boards and management on how they are addressing business risks and opportunities that impact their ability to deliver durable, long-term financial performance. Through this combination of quantitative and qualitative assessment, we ensure that our understanding of our investments is thorough, reliable and up to date.

BGF Circular Economy Fund

Investment Objective and Policy

The Circular Economy Fund seeks to maximise total return. The Fund invests at least 80% of its total assets in the equity securities of companies globally that benefit from, or contribute to, the advancement of the "Circular Economy". Although the intention is to invest only in such equity securities, up to 20% of the total assets of the Fund may be invested in other equity securities, fixed income securities, collective investment schemes or cash (which may not be consistent with the Circular Economy concept) for the purposes of meeting the Fund's objective or for liquidity purposes.

The Circular Economy concept recognises the importance of a sustainable economic system and represents an alternative economic model to the default "make-use-throw away" approach of consumption, which is believed to be unsustainable given scarce resources and the rising cost of managing waste. The Circular Economy concept promotes the redesign of products and systems to minimise waste and to enable greater recycling and reuse of materials.

The Fund will aim to invest in line with the principles of the Circular Economy as determined by the Investment Manager (having regard to specialist third party information sources as appropriate). In normal market conditions the Fund will invest in a portfolio of equity securities of companies with large, medium and small market capitalisation, across all industry sectors, that benefit from the Circular Economy and/or contribute to the advancement of the Circular Economy across four categories:

Adopters: Companies that are adopting 'circularity' in their business operations (e.g. companies involved in sustainable fashion or companies that have made a commitment to use recycled plastics in production processes).

Enablers: Companies that provide new, innovative solutions directly aimed at solving inefficient material use and pollution (e.g. companies involved in recycling of products, companies involved in reducing inputs such as water and energy and companies enabling sustainable transportation).

Beneficiaries: Companies that provide alternatives to materials that cannot be recycled or supply these to the extended value chain (e.g. companies that will see an increase in demand for their products from shifts towards more easily recyclable products and companies that offer natural or plant-based circular alternatives to non-recyclable and non-biodegradable products).

The assessment of a company's benefit from and/or contribution to the advancement of the Circular Economy in each of the above categories may be based on percentage of revenue, a defined total revenue threshold, or any connection to the Circular Economy regardless of the amount of revenue received. The companies are rated by the Investment Adviser based on their ability to manage the risks and opportunities associated with the Circular Economy and on their ESG risk and opportunity credentials, such as their leadership and governance framework, which is considered essential for sustainable growth, their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials.

The Fund adopts a "best in class" approach to sustainable investing. This means that the Fund selects the best issuers (from an ESG perspective) for each relevant sector of activities (without excluding any sector of activities). More than 90% of the issuers of securities the Fund invests in are ESG rated or have been analysed for ESG purposes.

Although it is likely that most of the Fund's investments will be in companies located in developed markets globally, the Fund may also invest in emerging markets. The Fund is a Stock Connect Fund and may invest directly up to 20% of its total assets in the PRC by investing via the Stock Connects.

The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management. Any ESG rating or analyses referenced above will apply only to the underlying securities of derivatives used by the Fund.

Benchmark use: The Fund is actively managed. The Investment Adviser has discretion to select the Fund's investments and is not constrained by any benchmark in this process. In the opinion of the Investment Adviser, the MSCI All Countries World Index (MSCI ACWI) is a fair representation of the Fund's investment universe and should be used by investors to compare the performance of the Fund. The MSCI ACWI measures the performance of large and mid-capitalisation stocks across developed and emerging markets countries.

The weighted average ESG rating of the Fund will be higher than the ESG rating of the MSCI ACWI after eliminating at least 20% of the least well-rated securities from the index.

Investment Process

(may be subject to change without notice)

As part of our structured investment process, ESG risks and opportunities are considered within our fundamental analysis of companies and industries.

- **Exclusion:** The Fund's investment universe typically does not include companies within the areas of Controversial Weapons (including Nuclear Weapons), Fossil Fuels, UN Global Compact Violators, Civilian Firearms, and Tobacco.
- **Norms-based screening:** We screen the portfolio on a quarterly basis for controversies using ISS Ethix data. Should a company screen during this analysis then it leads to automatic engagement with the company.
- **SRI thematic:** Circular Economy is classified as one of BlackRock's sustainable thematic funds, as not only is the theme allowing clients to access this long-term structural shift that we are witnessing globally, but it also has further consideration to those shifts that are necessary for the transition into a more sustainable world. The circular economy could provide a huge growth opportunity by providing an answer to today's wasteful economy. The fund also provides exposure to UN Sustainable Development Goals.
- **Engagement**: BlackRock actively engages with companies regarding ESG. We engage with all companies within the fund at least annually.
- **SFDR regulation:** The fund is rated as article 9. At least 80% of the fund's assets will be invested in sustainable investments. In identifying which underlying holdings BlackRock considers to be sustainable investments, BlackRock will have regard to applicable law and regulation together with the United Nations' Sustainable Development Goals. In addition to exposure to sustainable investments, all holdings within these Funds will be deemed to do no significant harm to environmental or social factors, as determined by BlackRock. BlackRock assesses this according to an internal methodology, which considers a representative sub-set of principal adverse sustainability impact indicators.
- **ESG integration:** At BlackRock we define ESG integration to be the practice of incorporating financially material ESG data or information into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective. Please note that this section describes ESG integration in broader terms than the BlackRock definition in order to align with the Febelfin label portfolio strategy descriptions.

Sustainability Restrictions

The following activities and practices are exclusions for the BGF Circular Economy Fund with exclusions coded onto our trading systems:

- **Normative screening:** The fund intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

  - **OECD** Guidelines for Multinational Enterprises
  - Universal Declaration of Human Rights
  - The UN Human Rights Norms for Business
  - **ILO** Conventions, 4 Principles
  - Kyoto Protocol to the United Nations Framework on Climate Change
  - The United Nations Framework Convention on Climate Change

- **Tobacco:** The Fund intends to exclude direct investment in securities of tobacco, tobacco products or e-cigarettes producers and issuers deriving over 5% of revenue from tobacco retailing, distribution and licensing.

- **Weapons:**

  - **Controversial Weapons**: The Fund intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).
  - **Civilian firearms**: The Fund intends to exclude direct investment in securities of issuers which produce firearms intended for retail to civilians or deriving over 5% of revenue from the retail of firearms to civilians.

- **Thermal Coal:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The fund intends to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The fund intends to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The Fund intends to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

Exceptions are made for securities of issuers in the thermal coal value chain with appropriate SBTi targets set, or if more than 50% of CapEx is dedicated to contributing activities.

- **Unconventional oil and gas:**

The fund intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

  - Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
  - Unconventional oil and gas production is less than 5% of total oil and gas production.
  - Have more than 50% of CapEx dedicated to contributing activities.

- **Oil Sands:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The aforementioned exceptions will therefore not be made for securities of issuers that breach this threshold.

- **Conventional Oil and gas:**

The fund intends to exclude securities of issuers deriving 5% or more of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

- **Power Generation:**

The fund intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7e).

The fund intends to exclude companies involved in building new coal-fired power stations, companies where coal-based power is structurally increasing and where absolute production of or capacity for coal-based power is greater than 5GW. An exception may be made where a company has a committed coal power exit plan and on the Urgewald Global Coal Exit List of the Febelfin Quality Standard (QS) section 3.7c). The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Assessing temporary code breaches

BlackRock benefits from robust compliance systems aiming to enable portfolio managers with ESG information in real time / at the core of the order generation / trading process in order to avoid potential breaches of the code to arise in the portfolio.

For example, Pre-trade compliance can be configured to reflect investment constraints related to ESG criteria or product involvement screens. Any violations are prevented by a red flag system which enables investors to embed ESG considerations at the core of their daily portfolio management process.

Also the Post-trade compliance process runs overnight in order to ensure alignment of the portfolio with the overall ESG codes. Due to market movements and the evolution of ESG characteristics, these checks become essential to avoid any passive breaches of the code.

In the situation where a portfolio passively breaches the limits, the Investment Team must turn the portfolio in line with the ESG code within 90 days maximum. The timeline is necessary for the Investment Team to consider multiple factors including but not limited to liquidity, pricing and market conditions.

In addition, the team have a threshold warning notification system (flagging/highlighting system) that triggers before the formal revenue thresholds are breached. This gives the portfolio managers a warning that a particular holding is nearing a threshold, to enable additional review to verify the metric and assess if the investment thesis is affected.

BGF Future of Transport Fund

Investment Objective and Policy

The Future of Transport Fund (the "Fund") seeks to maximise total return by investing at least 70% of its total assets in the equity securities of companies globally whose predominant economic activity comprises the research, development, production and/or distribution of technologies used and applied to transport.

The Fund will focus on companies that generate revenues from the transition to renewable energy such as electric, autonomous and/ or digitally connected vehicles.

In normal market conditions the Fund will invest in a portfolio of equity securities of companies with large, medium and small market capitalisation that are involved in activities including the following: raw materials (e.g. metals and battery materials), components and computer systems (e.g. batteries and cabling), technology (e.g. vehicle sensor technology) and infrastructure (e.g. vehicle battery charging stations). The companies are rated by the Investment Adviser based on their ability to manage the risks and opportunities associated with renewable energy and their ESG risk and opportunity credentials, such as their leadership and governance framework, which is considered essential for sustainable growth, their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials. The assessment of the level of engagement in each activity may be based on percentage of revenue, a defined total revenue threshold, or any connection to a restricted activity regardless of the amount of revenue received.

The Fund adopts a "best in class" approach to sustainable investing. This means that the Fund selects the best issuers (from an ESG perspective) for each relevant sector of activities (without excluding any sector of activities). More than 90% of the issuers of securities the Fund invests in are ESG rated or have been analysed for ESG purposes.

Although it is likely that most of the Fund's investments will be in companies located in developed markets globally, the Fund may also invest in emerging markets.

The Fund is a Stock Connect Fund and may invest directly up to 20% of its total assets in the PRC by investing via the Stock Connects.

The Fund's exposure to contingent convertible bonds is limited to 5% of its total assets.

The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management. Any ESG rating or analyses referenced above will apply only to the underlying securities of derivatives used by the Fund.

Risk management measure used: Commitment Approach.

Benchmark use: The Fund is actively managed. The Investment Adviser has discretion to select the Fund's investments and is not constrained by any benchmark in this process. In the opinion of the Investment Adviser, the MSCI All Countries World Index (MSCI ACWI) is a fair representation of the Fund's investment universe and should be used by investors to compare the performance of the Fund. The MSCI ACWI measures the performance of large and mid- capitalisation stocks across developed and emerging markets countries. Further details are available at the index provider website at www.msci.com/acwi.

The weighted average ESG rating of the Fund will be higher than the ESG rating of the MSCI ACWI after eliminating at least 20% of the least well-rated securities from the index.

Investment Process

(may be subject to change without notice)

- **Exclusion:** The Fund's investment universe typically does not include companies within the areas of Controversial Weapons (including Nuclear Weapons), Fossil Fuels, UN Global Compact Violators, Civilian Firearms, and Tobacco.
- **Norms-based screening:** We screen the portfolio on a quarterly basis for controversies using ISS Ethix data. Should a company screen during this analysis then it leads to automatic engagement with the company.
- **SRI thematic:** Future of Transport is classified as one of BlackRock's sustainable thematic funds, as not only is the theme allowing clients to access this long-term structural shift that we are witnessing globally, but it also has further consideration to those shifts that are necessary for the transition into a more sustainable world. The fund invests in companies which are helping to decarbonise the transportation sector. The fund also provides exposure to UN Sustainable Development Goals.
- **Engagement:** BlackRock actively engages with companies regarding ESG. We engage with all companies within the fund at least annually.
- **SFDR regulation:** The fund is rated as article 9. The majority of the fund's assets will be invested in sustainable investments. In identifying which underlying holdings BlackRock considers to be sustainable investments, BlackRock will have regard to applicable law and regulation together with the United Nations' Sustainable Development Goals. In addition to exposure to sustainable investments, all holdings within these Funds will be deemed to do no significant harm to environmental or social factors, as determined by BlackRock. BlackRock assesses this according to an internal methodology, which considers a representative sub-set of principal adverse sustainability impact indicators.
- **ESG integration:** At BlackRock we define ESG integration to be the practice of incorporating financially material ESG data or information into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective. Please note that this section describes ESG integration in broader terms than the BlackRock definition in order to align with the Febelfin label portfolio strategy descriptions.

Sustainability Restrictions

The following activities and practices are exclusions for the BGF Future of Transport Fund with exclusions coded onto our trading systems:

- **Normative screening:**

The fund intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

  - **OECD** Guidelines for Multinational Enterprises
  - Universal Declaration of Human Rights
  - The UN Human Rights Norms for Business
  - **ILO** Conventions, 4 Principles
  - Kyoto Protocol to the United Nations Framework on Climate Change
  - The United Nations Framework Convention on Climate Change

- **Tobacco:**

The Fund intends to exclude direct investment in securities of tobacco, tobacco products or e-cigarettes producers and issuers deriving over 5% of revenue from tobacco retailing, distribution and licensing.

- **Weapons:**

  - **Controversial Weapons:** The Fund intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).

- **Civilian firearms:** The Fund intends to exclude direct investment in securities of issuers which produce firearms intended for retail to civilians or deriving over 5% of revenue from the retail of firearms to civilians.

- **Thermal Coal:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The fund intends to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The fund intends to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The Fund intends to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

- **Unconventional oil and gas:**

The fund intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to contributing activities.

- **Oil Sands:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The aforementioned exceptions will therefore not be made for securities of issuers that breach this threshold.

- **Conventional Oil and gas:**

The fund intends to exclude securities of issuers deriving 5% or more of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

Power Generation:

The fund intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7e).

The fund intends to exclude companies involved in building new coal-fired power stations, companies where coal-based power is structurally increasing and where absolute production of or capacity for coal-based power is greater than 5GW. An exception may be made where a company has a committed coal power exit plan and on the Urgewald Global Coal Exit List of the Febelfin Quality Standard (QS) section 3.7c). The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Assessing temporary code breaches

BlackRock benefits from robust compliance systems aiming to enable portfolio managers with ESG information in real time / at the core of the order generation / trading process in order to avoid potential breaches of the code to arise in the portfolio.

For example, Pre-trade compliance can be configured to reflect investment constraints related to ESG criteria or product involvement screens. Any violations are prevented by a red flag system which enables investors to embed ESG considerations at the core of their daily portfolio management process.

Also the Post-trade compliance process runs overnight in order to ensure alignment of the portfolio with the overall ESG codes. Due to market movements and the evolution of ESG characteristics, these checks become essential to avoid any passive breaches of the code.

In the situation where a portfolio passively breaches the limits, the Investment Team must turn the portfolio in line with the ESG code within 90 days maximum. The timeline is necessary for the Investment Team to consider multiple factors including but not limited to liquidity, pricing and market conditions.

In addition, the team have a threshold warning notification system (flagging/highlighting system) that triggers before the formal revenue thresholds are breached. This gives the portfolio managers a warning that a particular holding is nearing a threshold, to enable additional review to verify the metric and assess if the investment thesis is affected.

BGF Nutrition Fund

Investment Objective and Policy

The Nutrition Fund (the "Fund") seeks to maximise total return by investing globally at least 70% of its total assets in the equity securities of companies engaged in any activity forming part of the food and agriculture value chain, including packaging, processing, distribution, technology, food and agriculture related services, seeds, agricultural or food-grade chemicals and food producers. As part of this, the Fund invests in companies which are actively combatting global sustainability challenges within the nutrition theme. The three major sustainable nutrition trends in focus are: the promotion of healthy and sustainable eating choices, delivering efficiencies across global food supply chains, and enabling less resource intensive farming. The companies are rated by the Investment Adviser based on their ability to manage the risks and opportunities associated with the nutrition theme and their ESG risk and opportunity credentials, such as their leadership and governance framework, which is considered essential for sustainable growth, their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials. The assessment of the level of engagement in each activity may be based on percentage of revenue, a defined total revenue threshold, or any connection to a restricted activity regardless of the amount of revenue received.

The Fund adopts a "best in class" approach to sustainable investing. This means that the Fund selects the best issuers (from an ESG perspective) for each relevant sector of activities (without excluding any sector of activities). More than 90% of the issuers of 86 securities the Fund invests in are ESG rated or have been analysed for ESG purposes.

The investment universe of the Fund is represented by any company worldwide which, in the opinion of the Investment Adviser, prioritises changing consumer preferences towards nutrition as a key strategic driver of its business ("Factset Nutrition Universe"). The weighted average ESG rating of the Fund will be higher than the ESG rating of the Factset Nutrition Universe after eliminating at least 20% of the least well-rated securities from the Factset Nutrition Universe.

The Fund is a Stock Connect Fund and may invest directly up to 20% of its total assets in the PRC by investing via the Stock Connects.

The Fund's exposure to contingent convertible bonds is limited to 5% of its total assets.

The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management. Any ESG rating or analyses referenced above will apply only to the underlying securities of derivatives used by the Fund.

Risk management measure used: Commitment Approach.

Benchmark use: The Fund is actively managed. The Investment Adviser has discretion to select the Fund's investments and is not constrained by any benchmark in this process. The MSCI All Countries World Index should be used by investors to compare the performance of the Fund. Further details are available at the index provider website at www.msci.com/acwi.

Investment Process

(may be subject to change without notice)

As part of our structured investment process, ESG risks and opportunities are considered within our fundamental analysis of companies and industries.

- **Exclusion:**

The Fund's investment universe typically does not include companies within the areas of Controversial Weapons (including Nuclear Weapons), Fossil Fuels, UN Global Compact Violators, Civilian Firearms, and Tobacco.

- **Norms-based screening:**

We screen the portfolio on a quarterly basis for controversies using ISS Ethix data. Should a company screen during this analysis then it leads to automatic engagement with the company.

- **SRI thematic:**

Nutrition is classified as one of BlackRock's sustainable thematic funds, as not only is the theme allowing clients to access this long-term structural shift that we are witnessing globally, but it also has further consideration to those shifts that are necessary for the transition into a more sustainable world. The Fund also provides exposure to UN Sustainable Development Goals.

- **Engagement:**

BlackRock actively engages with companies regarding ESG. We engage with all companies within the Fund at least annually.

- **SFDR regulation:**

The Fund is rated as article 9. The majority of the Fund's assets will be invested in sustainable investments. In identifying which underlying holdings BlackRock considers to be sustainable investments, BlackRock will have regard to applicable law and regulation together with the United Nations' Sustainable Development Goals. In addition to exposure to sustainable investments, all holdings within these Funds will be deemed to do no significant harm to environmental or social factors, as determined by BlackRock. BlackRock assesses this according to an internal methodology, which considers a representative sub-set of principal adverse sustainability impact indicators.

- **ESG integration:**

At BlackRock we define ESG integration to be the practice of incorporating financially material ESG data or information into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective. Please note that this section describes ESG integration in broader terms than the BlackRock definition in order to align with the Febelfin label portfolio strategy descriptions.

Sustainability Restrictions

The following activities and practices are exclusions for the BGF Nutrition Fund with exclusions coded onto our trading systems:

· Normative screening: The fund intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

- **OECD** Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- The UN Human Rights Norms for Business
- **ILO** Conventions, 4 Principles
- Kyoto Protocol to the United Nations Framework on Climate Change
- The United Nations Framework Convention on Climate Change

- **Tobacco:**

The Fund intends to exclude direct investment in securities of tobacco, tobacco products or e-cigarettes producers and issuers deriving over 5% of revenue from tobacco retailing, distribution and licensing.

- **Weapons:**

  - **Controversial Weapons:** The Fund intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).
  - **Civilian firearms:** The Fund intends to exclude direct investment in securities of issuers which produce firearms intended for retail to civilians or deriving over 5% of revenue from the retail of firearms to civilians.

- **Thermal Coal:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The fund intends to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The fund intends to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The Fund intends to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

- **Unconventional oil and gas:**

The fund intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.

- Unconventional oil and gas production is less than 5% of total oil and gas production.

- Have more than 50% of CapEx dedicated to contributing activities.

- **Oil Sands:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The aforementioned exceptions will therefore not be made for securities of issuers that breach this threshold.

- **Conventional Oil and gas:**

The fund intends to exclude securities of issuers deriving 5% or more of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

- **Power Generation:**

The fund intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7e).

The fund intends to exclude companies involved in building new coal-fired power stations, companies where coal-based power is structurally increasing and where absolute production of or capacity for coal-based power is greater than 5GW. An exception may be made where a company has a committed coal power exit plan and on the Urgewald Global Coal Exit List of the Febelfin Quality Standard (QS) section 3.7c). The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Assessing temporary code breaches

BlackRock benefits from robust compliance systems aiming to enable portfolio managers with ESG information in real time / at the core of the order generation / trading process in order to avoid potential breaches of the code to arise in the portfolio.

For example, Pre-trade compliance can be configured to reflect investment constraints related to ESG criteria or product involvement screens. Any violations are prevented by a red flag system which enables investors to embed ESG considerations at the core of their daily portfolio management process.

Also the Post-trade compliance process runs overnight in order to ensure alignment of the portfolio with the overall ESG codes. Due to market movements and the evolution of ESG characteristics, these checks become essential to avoid any passive breaches of the code.

In the situation where a portfolio passively breaches the limits, the Investment Team must turn the portfolio in line with the ESG code within 90 days maximum. The timeline is necessary for the Investment Team to consider multiple factors including but not limited to liquidity, pricing and market conditions.

In addition, the team have a threshold warning notification system (flagging/highlighting system) that triggers before the formal revenue thresholds are breached. This gives the portfolio managers a warning that a particular holding is nearing a threshold, to enable additional review to verify the metric and assess if the investment thesis is affected.

BGF Sustainable Energy Fund

Investment Objective and Policy

The Sustainable Energy Fund (the "Fund") seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of sustainable energy companies. Sustainable energy companies are those which are engaged in alternative energy and energy technologies including: renewable energy technology; renewable energy developers; alternative fuels; energy efficiency; enabling energy and infrastructure. The companies are rated by the Investment Adviser based on their ability to manage the risks and opportunities associated with alternative energy and energy technologies and their ESG risk and opportunity credentials, such as their leadership and governance framework, which is considered essential for sustainable growth, their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials. The Fund will not invest in companies that are classified in the following sectors (as defined by Global Industry Classification Standard): coal and consumables; oil and gas exploration and production; and integrated oil and gas. The assessment of the level of engagement in each activity or sector may be based on percentage of revenue, a defined total revenue threshold, or any connection to a restricted activity regardless of the amount of revenue received.

The Fund adopts a "best in class" approach to sustainable investing. This means that the Fund selects the best issuers (from an ESG perspective) for each relevant sector of activities (without excluding any sector of activities). More than 90% of the issuers of securities the Fund invests in are ESG rated or have been analysed for ESG purposes.

The Fund is a Stock Connect Fund and may invest directly up to 20% of its total assets in the PRC by investing via the Stock Connects.

The Fund's exposure to contingent convertible bonds is limited to 5% of its total assets. The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management. Any ESG rating or analyses referenced above will apply only to the underlying securities of derivatives used by the Fund.

Risk management measure used: Commitment Approach.

Benchmark use: The Fund is actively managed. The Investment Adviser has discretion to select the Fund's investments and is not constrained by any benchmark in this process. In the opinion of the Investment Adviser, the MSCI All Countries World Index (MSCI ACWI) is a fair representation of the Fund's investment universe and should be used by investors to compare the performance of the Fund. The MSCI ACWI measures the performance of large and mid-capitalisation stocks across developed and emerging markets countries. Further details are available at the index provider website at www.msci.com/acwi.

The weighted average ESG rating of the Fund will be higher than the ESG rating of the MSCI ACWI after eliminating at least 20% of the least well-rated securities from the index.

Investment Process

(may be subject to change without notice)

As part of our structured investment process, ESG risks and opportunities are considered within our fundamental analysis of companies and industries.

- **Exclusion:**

The Fund's investment universe typically does not include companies within the areas of Controversial Weapons (including Nuclear Weapons), Fossil Fuels, UN Global Compact Violators, Civilian Firearms, and Tobacco.

- **Norms-based screening:**

We screen the portfolio on a quarterly basis for controversies using ISS Ethix data. Should a company screen during this analysis then it leads to automatic engagement with the company.

- **SRI thematic:**

Sustainable Energy is classified as one of BlackRock's sustainable thematic funds, as not only is the theme allowing clients to access this long-term structural shift that we are witnessing globally, but it also has further consideration to those shifts that are necessary for the transition into a more sustainable world. The Fund invests in companies which are benefitting from or enabling the transition to a lower carbon economy. The Fund also provides exposure to UN Sustainable Development Goals.

- **Engagement:**

BlackRock actively engages with companies regarding ESG. We engage will all companies within the Fund at least annually.

- **SFDR regulation:**

The Fund is rated as article 9. The majority of the Fund's assets will be invested in sustainable investments. In identifying which underlying holdings BlackRock considers to be sustainable investments, BlackRock will have regard to applicable law and regulation together with the United Nations' Sustainable Development Goals. In addition to exposure to sustainable investments, all holdings within this Fund will be deemed to do no significant harm to environmental or social factors, as determined by BlackRock. BlackRock assesses this according to an internal methodology, which considers a representative sub-set of principal adverse sustainability impact indicators.

- **ESG integration:**

At BlackRock we define ESG integration to be the practice of incorporating financially material ESG data or information into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective. Please note that this section describes ESG integration in broader terms than the BlackRock definition in order to align with the Febelfin label portfolio strategy descriptions.

Sustainability Restrictions

The following activities and practices are exclusions for the BGF Sustainable Energy Fund with exclusions coded onto our trading systems:

- **Normative screening:**

The fund intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

- **OECD** Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- The UN Human Rights Norms for Business
- **ILO** Conventions, 4 Principles
- Kyoto Protocol to the United Nations Framework on Climate Change
- The United Nations Framework Convention on Climate Change

- **Tobacco:**

The Fund intends to exclude direct investment in securities of tobacco, tobacco products or e-cigarettes producers and issuers deriving over 5% of revenue from tobacco retailing, distribution and licensing.

- **Weapons:**

  - **Controversial Weapons:** The Fund intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).
  - **Civilian firearms:** The Fund intends to exclude direct investment in securities of issuers which produce firearms intended for retail to civilians or deriving over 5% of revenue from the retail of firearms to civilians.

- **Thermal Coal:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The fund intends to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The fund intends to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The Fund intends to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

- **Unconventional oil and gas:**

The fund intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

  - Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
  - Unconventional oil and gas production is less than 5% of total oil and gas production.
  - Have more than 50% of CapEx dedicated to contributing activities.

- **Oil Sands:**

The Fund intends to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The aforementioned exceptions will therefore not be made for securities of issuers that breach this threshold.

- **Conventional Oil and gas:**

The fund intends to exclude securities of issuers deriving 5% or more of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

  - Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment

- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO_2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

- **Power Generation:**

The fund intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7e).

The fund intends to exclude companies involved in building new coal-fired power stations, companies where coal-based power is structurally increasing and where absolute production of or capacity for coal-based power is greater than 5GW. An exception may be made where a company has a committed coal power exit plan and on the Urgewald Global Coal Exit List of the Febelfin Quality Standard (QS) section 3.7c). The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Assessing temporary code breaches

BlackRock benefits from robust compliance systems aiming to enable portfolio managers with ESG information in real time / at the core of the order generation / trading process in order to avoid potential breaches of the code to arise in the portfolio.

For example, Pre-trade compliance can be configured to reflect investment constraints related to ESG criteria or product involvement screens. Any violations are prevented by a red flag system which enables investors to embed ESG considerations at the core of their daily portfolio management process.

Also the Post-trade compliance process runs overnight in order to ensure alignment of the portfolio with the overall ESG codes. Due to market movements and the evolution of ESG characteristics, these checks become essential to avoid any passive breaches of the code.

In the situation where a portfolio passively breaches the limits, the Investment Team must turn the portfolio in line with the ESG code within 90 days maximum. The timeline is necessary for the Investment Team to consider multiple factors including but not limited to liquidity, pricing and market conditions.

In addition, the team have a threshold warning notification system (flagging/highlighting system) that triggers before the formal revenue thresholds are breached. This gives the portfolio managers a warning that a particular holding is nearing a threshold, to enable additional review to verify the metric and assess if the investment thesis is affected.

BSF Sustainable Euro Bond Fund

Investment Objective and Policy

The **BlackRock Sustainable Euro Bond Fund** seeks to maximize total return in a manner consistent with the principles of environmental, social and governance "ESG" focused investing. The Fund seeks to reduce its carbon emissions profile by allocating to green bonds, lower carbon emitting issuers and issuers committed to decarbonization.

The Fund will seek to invest at least 80% of its total assets in investment grade fixed income transferable securities and fixed income related securities (including derivatives). When determined appropriate, the Fund will also invest in cash and near-cash instruments.

The fixed income securities will be issued by, or give exposure to, companies, governments and agencies domiciled worldwide. The Fund seeks to invest in Sustainable Investments including, but not limited to, "green bonds" (as defined by its proprietary methodology which is guided by the International Capital Markets Association Green Bond Principles) and 90% of the Fund's total assets will be invested in accordance with the ESG Policy described below.

Currency exposure is flexibly managed. In order to achieve its investment objective, the Fund may invest up to 20% of its Net Asset Value in ABS and MBS (whether investment grade or not). These may include asset backed commercial paper, collateralized debt obligations, collateralized mortgage obligations, commercial mortgage-backed securities, credit linked notes, real estate mortgage investment conduits, residential mortgage-backed securities and synthetic collateralized debt obligations. The underlying assets of the ABS and MBS may include loans, leases or receivables (such as credit card debt, automobile loans and student loans in the case of ABS and commercial and residential mortgages originating from a regulated and authorized financial institution in the case of MBS). The ABS and MBS in which the Fund invests may use leverage to increase return to investors. Certain ABS may be structured by using a derivative such as a credit default swap or a basket of such derivatives to gain exposure to the performance of securities of various issuers without having to invest in the securities directly.

The Fund's exposure to ABS and MBS may not exceed 20% of its Net Asset Value. The Fund's exposure to Distressed Securities is limited to 10% of its Net Asset Value and its exposure to contingent convertible bonds is limited to 10% of its Net Asset Value. In order to achieve the investment objective and policy, the Fund will invest in a variety of investment strategies and instruments. The Fund intends to take full advantage of the ability to invest in derivatives (including total return swaps that have fixed income transferable securities and fixed income related securities as underlying assets) with the aim of maximizing returns. Any ESG criteria referenced below will apply only to the underlying securities of derivatives used by the Fund.

ESG Integration

BlackRock employs dedicated resources to support ESG integration. The BlackRock Sustainable Investing team, the BlackRock Investment Stewardship team, the Global Fixed Income Capital Markets team, and individuals across BlackRock's investment, technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts. The firm wide Sustainable Investing team seeks to ensure consistency across investment processes, aggregates resources and shares best practices across the firm to help our investment teams integrate material sustainability considerations. The Euro Fixed Income team is responsible to determine methodologies and processes around ESG integration that are appropriate.

The Euro Fixed Income team considers material ESG factors as they relate to an issuer's creditworthiness. We believe companies that effectively manage ESG risks and opportunities perform better over time. Additionally, we acknowledge that there are factors traditionally considered "non-financial" that are becoming more material to financial returns as consumers, regulators and investors pay more heed to sustainability themes.

We actively seek to integrate environmental, social and governance issues into our investment process. BlackRock does not expect ESG to be the sole consideration for making investment decisions and assesses a variety of factors to build and monitor a portfolio of appropriate investments for clients, including the degree of market risk priced into any given security.

Sustainability Restrictions

Excluded activities and practices

The Investment Team shall not finance sovereign and corporate issuers which conduct practices widely regarded as unsustainable. Therefore, the investment process includes assessments regarding the ESG integration and due diligence. The team has also integrated sector exclusions and exposure limits, as detailed below:

1. BlackRock Externalities Framework

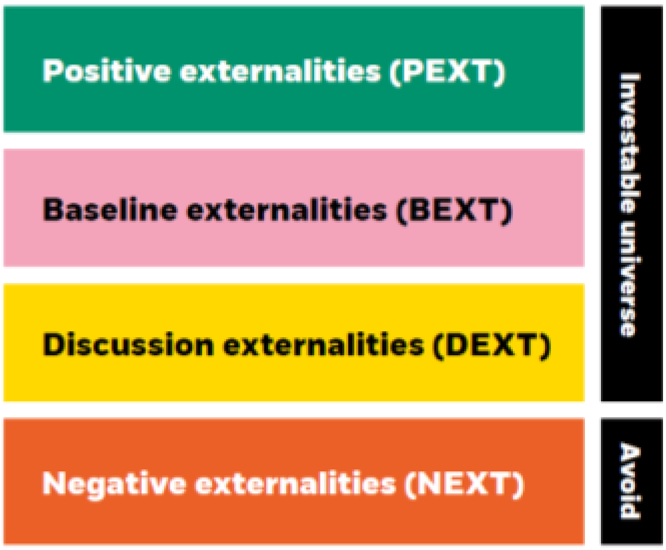
The Euro Fixed Income team leverages BlackRock's Externalities Framework, which is practically applied by our portfolio managers. Traditional measures of assigning ESG scores or classic business revenue approaches cover only a fraction of the investable universe and ultimately fall short. The BlackRock Externalities Framework, 'PEXT/NEXT' (Positive/Negative Externality), brings together rigorous bottom-up sector work into a broad but concise infrastructure that forms the basis of our active sustainability approach, alongside active financial management. There are four broad categories in which names are bucketed:

- **PEXT** issuers are highlighted as preferred holdings.
- **BEXT** issuers do not have any explicit positive impact characteristics but also do not have any associated negative externalities and are defined as neutral.
- For holdings where we cannot determine either a clear positive or clear negative externality, we created a discussion category, **DEXT**, where Fixed Income specialists debate views on an issuer.
- **NEXT** issuers are restricted from purchase and creates a minimum standard of all holdings in our sustainable portfolios. This typically includes all screened names.

The Externalities Framework has embedded ESG data and analytics in Aladdin's suite of portfolio and risk management tools. Datasets sourced from external vendors (principally MSCI and Sustainalytics), including headline ESG scores, carbon data, product involvement metrics or controversies have been incorporated into Aladdin tools to support the full investment process, from research, to portfolio construction and modelling, compliance, and reporting.

The investment team commit to exclude issuers classified as NEXT, while promoting issuers under the PEXT and BEXT categories.

We commit to enhance the positive characteristics of the fund (through PEXT) while excluding the negative characteristics (through NEXT). Therefore, to measure the uplift, we believe that using the 'PEXT minus NEXT' measure provides the best representation of the impact our frameworks aim to achieve. We will measure this as "PEXT minus NEXT" against the ESG benchmark with an uplift of 15%.



Source: BlackRock, as at 30th June 2024.

2. Normative screening

2.1. UN Global Compact

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers, based on their involvement in violations of one or more of the 10 principles of the United Nation Global Compact (UNGC[1]).

UN Global Compact violators are prohibited. The Funds will not invest in issuers deemed to have failed to comply with the 10 UN Global Compact Principles.

2.2. Controversy Score

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers with severe controversies, related to historical or ongoing sustainability-linked scandals.

Issuers flagged with severe controversies are prohibited. The firm will leverage the MSCI ESG Controversies framework, designed to be consistent with international norms such as those represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

3. Best-in-class policy

3.1. MSCI ESG rating

At least 90% of the Funds total assets shall be rated or analysed according to environmental, social and governance (ESG) criteria. Some elements of the Funds (typically cash position) are exempted from ESG assessment.

[1] *Strategic policies initiative in the area of human rights, labour, environment and anti-corruption*

The Investment Team does not invest in issuers below MSCI ESG BB and can only invest up to 10% in issuers rated MSCI ESG BB.

3.2. Sovereign exclusions

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of sovereign and sovereign related issuers.

The BlackRock Sovereign Sustainable Index (BSSI) aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective. BlackRock has partnered with the World Bank to identify 39 indicators from officially recognized international sources, divided into environmental, social and governance pillars. In addition to World Bank World Development Indicators (WDI) and World Governance Indicators (WGI), BSSI also uses Verisk Maplecroft Country Risk Indices, Yale Environmental Performance Index (EPI), Global Peace Index Institute for Economics and Peace (IEP), Climate Change Performance Index (CCPI), and Legatum Prosperity Index (Health Pillar Only) to analyse sovereign credit.

- Sovereign and Sovereign related issuers falling on the 4th quartile of the BSSI are excluded
- Sovereign and Sovereign related issuers falling on the 3rd quartile of the BSSI are authorised, subject to monitoring and approval after discussion by the Investment Team

The following sovereign entities will also be excluded[2]:

- Sovereign entities that have not ratified the 8 core conventions defined in the International Labour Organisation
- Sovereign entities that have signed at least half of the 9 core International Human Rights Treaties
- Sovereign entities which are not part of the Paris Agreement, the UN Convention on Biological Diversity or the Nuclear Non-Proliferation Treaty
- Other sovereign entities with high military budget, failing anti-money laundering standards, showing sign of corruption or qualified as not free according to the Freedom House.
- We follow the below principles: Non-use-of proceeds sovereign-issues instruments cannot be directly linked to the financing of sustainable activities. The proceeds are allocated by governments in a discretionary way.
- Governance indicators are an appropriate measure for the fair and responsible allocation of proceeds by governments.
- Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

States shall comply with the following:

- The average of its scores on all 6 WGIs (World Bank Indicator) is at least -0.59
- It does not score less than -1.00 on a single WGI

The 6 Worldwide Governance Indicators (WGI) as established by the World Bank are:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory quality
5. Rule of Law
6. Control of Corruption

States classified as high-income economies by the World Bank shall also comply with the additional criteria:

- The state has ratified or has implemented in equivalent national legislation:

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[2] *Exceptions apply to the USA, Japan and the UK which are considered as core reserve currency issuers; they can be invested up to 30% for hedging or efficient portfolio management purpose*

i. The eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
ii. At least half of 18 core International Human Rights Treaties

- The State is party to:

i. The Paris Agreement
ii. The UN Convention on Biological Diversity
iii. The Nuclear Non-Proliferation Treaty

- The State does not have a particularly high military budgets (>4% GDP)
- The State is not considered a 'Jurisdiction with strategic Effective anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies' by the Financial Action Task Force (FATF)
- The State scores at least 40/100 on the Transparency International Corruption Perception Index
- The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'- survey
- The State does not have the death penalty legal and in use

Up to 30% of portfolio exempted if for diversification and hedging purposes if the issuers are core currency sovereign issuers.

4. Sector exclusions

4.1. Tobacco

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the tobacco and e-cigarettes industry.

The following companies are excluded:

- Companies classified as "Producer" of tobacco products or e-cigarettes.
- Companies classified as "Distributor", "Retailer", and "Supplier" that earn 5% or more revenue from tobacco products or e-cigarettes.

4.2. Gambling

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in gambling activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from gambling-related business activities.

4.3. Adult entertainment

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in adult entertainment activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from adult entertainment activities.

4.4. Weapons – Civil Firearms

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the arms industry.

The following companies are excluded:

- Companies that have derived 5% or more of revenue from manufacturing firearms and small arms ammunition intended for civilian use.
- Companies classified as Producer of firearms or small arms ammunition intended for civilian use.

4.5. Controversial and Nuclear Weapons

The Investment Team has a strict policy when it comes to controversial and nuclear weapons.

The following companies are excluded:

- Companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons.
- Companies deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.

4.6. Thermal Coal

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal activities.

The following companies are excluded:

- Companies that have derived more than 5% of their revenue from mining Thermal Coal or refining of fossil fuels. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from prohibited activities. For transportation, the revenue threshold is 10%.
- Have less than 10% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 50% of CapEx dedicated to positively contributing activities.
- For enabling companies:

The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the exploration, extraction, transportation and processing of thermal coal.

4.7. Conventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in conventional oil & gas activities, which include oil or gas prospecting or exploration, extraction of oil or gas, processing or refining of oil or gas (except oil to chemicals), transportation of oil (not distribution).

The following companies are excluded:

- Companies that have derived more than 5% of revenue from conventional oil and gas or from oil and gas pipelines and transportation. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).

- The company shall currently not be involved in exploration, extraction, processing and transportation of oil and gas and will not be involved in exploitation or development of new oil or gas fields.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Have less than 15% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 15% of CapEx dedicated to contributing activities

4.8. Unconventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in unconventional oil & gas activities.

The Investment Team will invest only in companies which have set or committed to a target well below 2 °C or which derive less than 5% of its revenues from unconventional oil and gas related activities i.e. exploration and extraction. This includes tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.

- The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- The company shall currently not be involved in exploration, and not be involved in exploitation or development of new unconventional oil or gas fields.
- The company's absolute production of unconventional oil and gas or capacity for prohibited activities shall not be increasing

Companies undergoing a transition of their operations may be eligible if they meet at last one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Derive less than 5% of its revenues from prohibited activities
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to positively contributing activities

4.9. Power generation

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal-, oil-, gas- or nuclear-based power production.

Electricity utility companies must be in line with the Paris agreement goal to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C, recognizing that this would substantially reduce the risks and impacts of climate change.

The Investment Team will invest only in companies which have committed to decarbonization objective in line with the Paris agreement or companies which are in line with the below carbon intensity profile:

	2023	2024	2025
Max. gCO2/KWh	354	335	315

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO2e/MWh in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Derive more than 50% of its revenues from positively contributing activities.
- Have more than 50% of CapEx dedicated to positively contributing activities

Additionally, the company shall not be involved in building new coal-fired power stations. The company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5GW.

The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Phase out:

The investment team currently makes use of the "phase-out" margin for companies that do not meet the power generation business criteria with regards to Power Generation from "non-renewable energy sources" as defined by Febelfin cited in section 3.7 of the 2023 Quality Standard:
towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf)
The total portfolio exposure to non-compliant companies is capped at < 3% and the fund intends to reduce the phase-out margin to 0% by 30/6/2025.

We have the following screens based on power generation:

- Issuers deriving more than 5% revenue from mining thermal coal excluding companies which have revenue from renewable power generation CapEx as a proportion of total CapEx (>50%) or therm. coal capex (< 10%) or issuers with SBTi approved targets or are Green, Social, or Sustainable bonds
- Companies deriving more than 0% revenue from fossil fuel (thermal coal, liquid fuel, natural gas) based power generation are prohibited
- Companies deriving more than 0% revenue from the nuclear energy based power generation are prohibited unless one of exclusions apply

It is our strong belief that a thoughtful approach to accessing companies involved in power generation is vital to achieving an orderly transition to Net Zero and aligns to the spirit of the Febelfin accreditation. The "phase out" exposure is aligned with the requirements of 3.7 d) of the 2023 Febelfin Quality Standard (towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf):

- The total portfolio exposure to non-compliant companies is capped at < 3%
- The companies in this margin are subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition. To capture the top 25% ESG rated we use the MSCI ACWI ESG ratings quartiles. Securities within quartile 1 are eligible for the 3% phaseout margin.
- Companies in this margin meet the governance and non-expansion eligibility criteria in b) i & ii in the Febelfin Quality Standard.
- Companies within the phase out margin are also subject to all other exclusionary screens detailed in the transparency policy.

The companies within the phase out margin are also subject to our Heightened Scrutiny Framework (HSF). Our HSF establishes a "focus universe" of holdings that present a particularly significant climate-related risk, due to:

- High carbon intensity today

- Insufficient preparation for the net zero transition
- Low reception to our investment stewardship engagement

Where we do not see progress in this area, and in particular where we see a lack of alignment combined with a lack of engagement, we will not only use our vote against management for our index portfolio-held shares, we will also flag these holdings for potential exit in our discretionary active portfolios because we believe they would present a risk to our clients' returns.

The fund is therefore operating within the phase out margin criteria cited in 3.7 d) of the Febelfin Quality Standard.

4.10 GHG Intensity

GHG intensity (Weighted Average Carbon Intensity) of the corporate and sovereign part of the portfolio will be measured and disclosed. The fund GHG intensity will be better than that of the reference benchmark (as disclosed in the fund prospectus). The reference benchmark is to assess the impact of ESG screening on the Fund's investment universe' to clarify that these benchmark indices are not for performance. Fund's benchmark is listed below:

Fund	Reference Benchmark
BSF Sustainable Euro Bond Fund	Bloomberg Euro Aggregate Bond Index (80%) and Bloomberg Global Aggregate Index (20%

4.11 Securitized assets (ABS)

The European Securitisation Team seeks to record any material or disproportionate exposure to ESG factors. ESG factors have always formed part of BlackRock's securitisation analysis and we have consistently been at the forefront of the ESG conversation, pushing for more transparency and better sustainability practices.

ESG factors are assessed in our fundamental credit analysis through:

- Originator / Servicer reviews and questionnaire
- Collateral analysis
- Structural analysis
- Sector and market insight
- Country/jurisdiction influencing factors
- Historical and potential future trends

Integrating this analysis into a defined ESG evaluation framework that form proprietary ESG scores and sit within the wider BlackRock PEXT/ NEXT framework creates ESG transparency at the asset and portfolio level and allows portfolio construction tailored to specific strategies.

The following screens are applied to securitized assets – thresholds same as above:

- Tobacco
- Gambling
- Adult Entertainment
- Weapons
- Thermal coal
- UN Global Compact violator (for Originators and Servicers)

5. Objective to do better than a benchmark

The Investment Team seeks to maintain a 15% uplift of "PEXT minus NEXT" against a non-ESG Benchmark (Bloomberg Euro-Aggregate Index (80%) and Bloomberg Global Aggregate Index (20%)). We believe that the non-ESG index above demonstrates a better representations of the fund's investment universe, given this is an active fund and its universe is more extensive than the performance benchmark. We believe that using the 'PEXT minus NEXT' measure provides the best representation of the impact our frameworks aim to achieve.

Phase-out for unaligned oil and gas extraction and electricity generations

Some companies are currently not yet aligned with the requirements of the quality standard but are nevertheless within the best of their peer group in transitioning their business model.

We recognize that these companies may be on a transition path towards a lower carbon economy. A maximum of 3% of the Funds may be exposed to companies not in line with the requirements for conventional oil & gas extraction or electricity generation. To be considered by the Funds such companies should have a clear strategy to reach these levels within a defined timeline. This threshold will be reviewed regularly.

ESG embedded in the investment process.

1. Biodiversity, Water use, Taxation, Pollution and & Diversity

Biodiversity, Water use, Taxation, Pollution and Gender & Diversity issues are embedded into the research process conducted by MSCI when determining score for Environmental (E), Social (S) and Governance (G) pillars (MSCI, 30th June 2024). Although the Funds do not have an explicit policy regarding these issues, the investment team had an implicit policy to take into consideration these criteria when screening the investment universe for minimal acceptable ESG scores.

KEY ISSUE: WATER STRESS

This issue evaluates the extent to which companies may face water shortages affecting their ability to operate, lost access to markets due to stakeholder water conflicts, or higher water costs. Scores are based on exposure to water stressed basins and water intensive segments; water management strategy and targets; water use over time and vs. peers; and controversies.

Impact	• Damage to ecosystems due to water withdrawal or water contamination • Depletion of water sources for other community uses
Risk / Opportunity	• Operational disruptions to production processes requiring water as a critical input • Loss of access to markets through community opposition and heightened regulatory hurdles • Increased costs to comply with more stringent regulations, install equipment and systems to reduce water use • Higher water usage costs
Exposure Metrics	• Extent to which companies' operations are located in geographies projected to experience water stress and water scarcity (assessed at facility-, basin- and country-level); • Extent to which companies' primary business lines are water intensive (based on estimated water use relative to sales)
Management Metrics	• Efforts to reduce exposure through employing water efficient processes, alternative water sources, and water recycling

Source: MSCI, 30th June 2024

KEY ISSUE: BIODIVERSITY & LAND USE

This issue evaluates the extent to which companies may face lost market access or litigation, liabilities, or reclamation costs due to operations that damage fragile ecosystems. Scores are based on operations involving land disturbance and in regions with fragile ecosystems; policies / programs regarding biodiversity, land use, and community impact; and controversies.

Impact	• Adverse biodiversity impact (lost species, reduced diversity) • Adverse community impact (land devaluation, land contamination, health impact) • Over-exploitation and depletion of natural resource • Loss of economic value (losses to fisheries, tourism industry)
Risk / Opportunity	• Loss of license to operate • Litigation by land owners and other affected parties • Increased costs of land protection and reclamation
Exposure Metrics	• Extent of company operations in regions with fragile ecosystems • Extent company operations involve significant disturbances of land or marine areas
Management Metrics	• Efforts to reduce land or marine disturbances, increase biodiversity protection, engage community stakeholders

Source: MSCI, 30th June 2024

KEY ISSUE: TAX TRANSPARENCY

This issue evaluates the extent to which companies may face enhanced public and regulatory scrutiny as well as potential liabilities because of actual or perceived avoidance of corporate income taxes. Scores are based on the gap between the company's estimated effective tax rate and the estimated statutory tax rate if the company were paying taxes as per the statutory tax rates in the jurisdiction.

Impact	• Economic losses to governments due to lower tax revenue, affecting their ability to finance budget deficits/public expenditures
Risk / Opportunity	• Regulatory risks from global tax reforms • Reputational risk • Lower profits due to increased tax payouts • Increased costs from liabilities and fines associated with violation of tax laws
Metrics	• Estimated Effective Tax Rate using the actual tax paid and the company's income before tax, disclosure transparency, and track record of controversial tax practices

Source: MSCI, 30th June 2024

KEY ISSUE: TOXIC EMISSIONS & WASTE

This issue evaluates the extent to which companies may face liabilities associated with pollution, contamination, and the emission of toxic or carcinogenic substances. Scores are based on operations generating toxic byproducts, air pollutants, or hazardous waste; strategy, targets, and programs to reduce emissions; quantified performance; and controversies.

Impact	• Harm to public health through exposure to toxic substances • Damage to ecosystems and public resources through spills, leaks
Risk / Opportunity	• Increased costs from liabilities associated with damaging health, property • Loss of access to market through community opposition, heightened regulatory hurdles • Increased costs compliance costs, install equipment and systems to contain pollution
Exposure Metrics	• Toxicity and carcinogenicity of byproducts generated during normal production • Extent to which business segments are associated with generating criteria air pollutants • Extent to which business segments are associated with generating hazardous waste
Management Metrics	• Efforts to control and reduce the amount of toxic and carcinogenic byproducts from operations, and demonstrated performance in implementing related policies and programs

Source: MSCI, 30th June 2024

KEY ISSUE: GENDER & DIVERSITY

This issue is part of a broader theme developed under Corporate Governance pillar. It is scored primarily on the basis of the board's independence from management, and on various measures of board experience and effectiveness. Metrics included in this component evaluate basic board structures such as overall board independence; individual director qualifications and experience, cases of executive misconduct, but also gender and diversity.

2. Oppressive regimes and Governments allowing the death penalty.

Oppressive regimes and death penalty are embedded into the research process conducted by MSCI when determining ESG Government Rating. Although the Funds do not have an explicit policy regarding these issues, the Funds have an implicit policy to take into consideration these criteria when screening the investment universe for minimal acceptable ESG scores.

Please find below the evaluation and methodology for oppressive regimes and death penalty:

MSCI ESG Government Ratings assess a country's exposure to and management of environmental, social and governance risks. MSCI also provides a set of screening factors which allows investors to assess status of a country's involvement in ESG related controversies such as: use of child labor, legality of death penalty, UNSC sanctions or involvement in nuclear power generation.

The Fund also has thorough rules when it comes to issuers that violate the UN Global Compact Principles or issuers with severe controversies. Please refer to **UN Global Compact and Controversy Score** policy.

BSF Sustainable Euro Corporate Bond Fund

Investment Objective and Policy

The **BlackRock Sustainable Euro Corporate Bond Fund** seeks to maximize total return in a manner consistent with the principles of environmental, social and governance "ESG" focused investing.

The Fund seeks to reduce its carbon emissions profile by allocating to green bonds, lower carbon emitting issuers and issuers committed to decarbonization.

The Fund will seek to invest at least 80% of its total assets in investment grade, Euro denominated fixed income transferable securities and fixed income related securities (including derivatives). When determined appropriate, the Fund will also invest in cash and near-cash instruments.

The fixed income securities will be issued by, or give exposure to, companies, governments and agencies domiciled worldwide. At least 50% of the Fund's direct and indirect fixed income exposure will be to nongovernment fixed income securities. The Fund seeks to invest in Sustainable Investments, including but not limited to "green bonds" (as defined by its proprietary methodology which is guided by the International Capital Markets Association Green Bond Principles) and 90% of the Fund's total assets will be invested in accordance with the ESG Policy described.

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ESG Integration

BlackRock employs dedicated resources to support ESG integration. The BlackRock Sustainable Investing team, the BlackRock Investment Stewardship team, the Global Fixed Income Capital Markets team, and individuals across BlackRock's investment, technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts. The firm wide Sustainable Investing team seeks to ensure consistency across investment processes, aggregates resources and shares best practices across the firm to help our investment teams integrate material sustainability considerations. The Euro Fixed Income team is responsible to determine methodologies and processes around ESG integration that are appropriate.

The Euro Fixed Income team considers material ESG factors as they relate to an issuer's creditworthiness. We believe companies that effectively manage ESG risks and opportunities perform better over time. Additionally, we acknowledge that there are factors traditionally considered "non-financial" that are becoming more material to financial returns as consumers, regulators and investors pay more heed to sustainability themes.

We actively seek to integrate environmental, social and governance issues into our investment process. BlackRock does not expect ESG to be the sole consideration for making investment decisions and assesses a variety of factors to build and monitor a portfolio of appropriate investments for clients, including the degree of market risk priced into any given security.

Sustainability Restrictions

Excluded activities and practices

The Investment Team shall not finance sovereign and corporate issuers which conduct practices widely regarded as unsustainable. Therefore, the investment process includes assessments regarding the ESG integration and due diligence. The team has also integrated sector exclusions and exposure limits, as detailed below:

1. BlackRock Externalities Framework

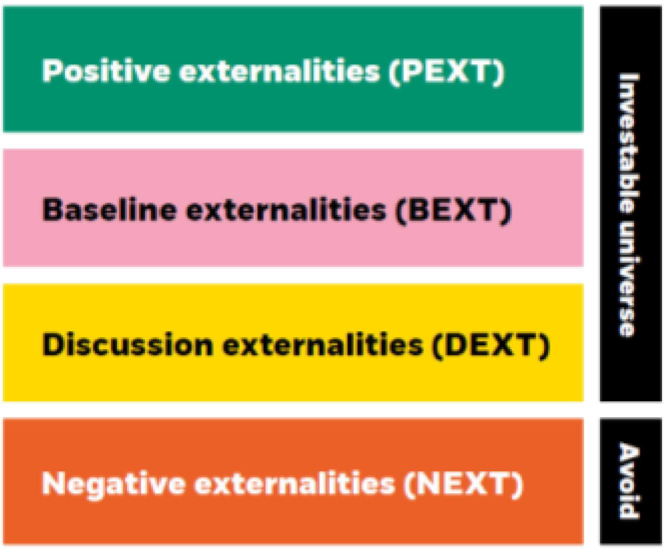
The Euro Fixed Income team leverages BlackRock's Externalities Framework, which is practically applied by our portfolio managers. Traditional measures of assigning ESG scores or classic business revenue approaches cover only a fraction of the investable universe and ultimately fall short. The BlackRock Externalities Framework, 'PEXT/NEXT' (Positive/Negative Externality), brings together rigorous bottom-up sector work into a broad but concise infrastructure that forms the basis of our active sustainability approach, alongside active financial management. There are four broad categories in which names are bucketed:

- **PEXT** issuers are highlighted as preferred holdings.
- **BEXT** issuers do not have any explicit positive impact characteristics but also do not have any associated negative externalities and are defined as neutral.
- For holdings where we cannot determine either a clear positive or clear negative externality, we created a discussion category, **DEXT**, where Fixed Income specialists debate views on an issuer.
- **NEXT** issuers are restricted from purchase and creates a minimum standard of all holdings in our sustainable portfolios. This typically includes all screened names.

The Externalities Framework has embedded ESG data and analytics in Aladdin's suite of portfolio and risk management tools. Datasets sourced from external vendors (principally MSCI and Sustainalytics), including headline ESG scores, carbon data, product involvement metrics or controversies have been incorporated into Aladdin tools to support the full investment process, from research, to portfolio construction and modelling, compliance, and reporting.

The investment team commit to exclude issuers classified as NEXT, while promoting issuers under the PEXT and BEXT categories.

We commit to enhance the positive characteristics of the fund (through PEXT) while excluding the negative characteristics (through NEXT). Therefore, to measure the uplift, we believe that using the 'PEXT minus NEXT' measure provides the best representation of the impact our frameworks aim to achieve. We will measure this as “PEXT minus NEXT” against the ESG benchmark with an uplift of 15%.



Source: BlackRock, as of 30th June 2024.

2. Normative screening

2.1. UN Global Compact

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers, based on their involvement in violations of one or more of the 10 principles of the United Nation Global Compact (UNGC[3]).

UN Global Compact violators are prohibited. The Funds will not invest in issuers that have significant and credible exposure to ESG risk associated with one or more of the ten UNGC Principles.

2.2. Controversy Score

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers with severe controversies, related to historical or ongoing sustainability-linked scandals.

Issuers flagged with severe controversies are prohibited. The firm will leverage the MSCI ESG Controversies framework, designed to be consistent with international norms such as those represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

3. Best-in-class policy

3.1. MSCI ESG rating

[3] *Strategic policies initiative in the area of human rights, labour, environment and anti-corruption*

At least 90% of the Funds total assets shall be rated or analysed according to environmental, social and governance (ESG) criteria. Some elements of the Funds (typically cash position) are exempted from ESG assessment.

The Investment Team does not invest in issuers below MSCI ESG BB and can only invest up to 10% in issuers rated MSCI ESG BB.

3.2. Sovereign exclusions

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of sovereign and sovereign related issuers.

The BlackRock Sovereign Sustainable Index (BSSI) aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective. BlackRock has partnered with the World Bank to identify 39 indicators from officially recognized international sources, divided into environmental, social and governance pillars. In addition to World Bank World Development Indicators (WDI) and World Governance Indicators (WGI), BSSI also uses Verisk Maplecroft Country Risk Indices, Yale Environmental Performance Index (EPI), Global Peace Index Institute for Economics and Peace (IEP), Climate Change Performance Index (CCPI), and Legatum Prosperity Index (Health Pillar Only) to analyse sovereign credit.

- Sovereign and Sovereign related issuers falling on the 4th quartile of the BSSI are excluded
- Sovereign and Sovereign related issuers falling on the 3rd quartile of the BSSI are authorised, subject to monitoring and approval after discussion by the Investment Team

The following sovereign entities will also be excluded[4]:

- Sovereign entities that have not ratified the 8 core conventions defined in the International Labour Organisation
- Sovereign entities that have signed at least half of the 18 core International Human Rights Treaties
- Sovereign entities which are not part of the Paris Agreement, the UN Convention on Biological Diversity or the Nuclear Non-Proliferation Treaty
- Other sovereign entities with high military budget, failing anti-money laundering standards, showing sign of corruption or qualified as not free according to the Freedom House.
- We follow the below principles: Non-use-of proceeds sovereign-issues instruments cannot be directly linked to the financing of sustainable activities. The proceeds are allocated by governments in a discretionary way.
- Governance indicators are an appropriate measure for the fair and responsible allocation of proceeds by governments.
- Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

States shall comply with the following:

- The average of its scores on all 6 WGIs (World Bank Indicator) is at least -0.59
- It does not score less than -1.00 on a single WGI

The 6 Worldwide Governance Indicators (WGI) as established by the World Bank are:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory quality
5. Rule of Law
6. Control of Corruption

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[4] *Exceptions apply to the USA, Japan and the UK which are considered as core reserve currency issuers; they can be invested up to 30% for hedging or efficient portfolio management purpose*

States classified as high-income economies by the World Bank shall also comply with the additional criteria:

- The state has ratified or has implemented in equivalent national legislation:

    i. The eight fundamental conventions identified in the international Labour Organisation's declaration on Fundamental Rights and Principles at Work
    ii. At least half of 18 core International Human Rights Treaties

- The State is party to:

    iii. The Paris Agreement
    iv. The UN Convention on Biological Diversity
    v. The Nuclear Non-Proliferation Treaty

- The State does not have a particularly high military budgets (>4% GDP)
- The State is not considered a 'Jurisdiction with strategic AML/CFT deficiencies' by the FATF
- The State scores at least 40/100 on the Transparency International Corruption Perception Index
- The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'- survey
- The State does not have the death penalty legal and in use

Up to 30% of portfolio exempted if for diversification and hedging purposes, if the issuers are core currency Sovereign issuers.

4. Sector exclusions

4.1. Tobacco

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the tobacco and e-cigarettes industry.

The following companies are excluded:

- Companies classified as "Producer" of tobacco products or e-cigarettes.
- Companies classified as "Distributor", "Retailer", and "Supplier" that earn 5% or more revenue from tobacco products or e-cigarettes.

4.2. Gambling

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in gambling activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from gambling-related business activities.

4.3. Adult entertainment

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in adult entertainment activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from adult entertainment activities.

4.4. Weapons – Civil Firearms

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the arms industry.

The following companies are excluded:

- Companies that have derived 5% or more of revenue from manufacturing firearms and small arms ammunition intended for civilian use.
- Companies classified as Producer of firearms or small arms ammunition intended for civilian use.

4.5. Controversial and Nuclear Weapons

The Investment Team has a strict policy when it comes to controversial and nuclear weapons.

The following companies are excluded:

- Companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons.
- Companies deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.

4.6. Thermal Coal

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal activities.

The following companies are excluded:

- Companies that have derived more than 5% of their revenue from mining Thermal Coal or refining of fossil fuels. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from prohibited activities. For transportation, the revenue threshold is 10%.
- Have less than 10% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 50% of CapEx dedicated to positively contributing activities.
- For enabling companies:

The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the exploration, extraction, transportation and processing of thermal coal.

4.7. Conventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in conventional oil & gas activities, which include oil or gas prospecting or exploration, extraction of oil or gas, processing or refining of oil or gas (except oil to chemicals), transportation of oil (not distribution).

The following companies are excluded:

- Companies that have derived more than 5% of revenue from conventional oil and gas or from oil and gas pipelines and transportation. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in exploration, extraction, processing and transportation of oil and gas and will not be involved in exploitation or development of new oil or gas fields.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO_2e/MJ in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Have less than 15% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 15% of CapEx dedicated to contributing activities

4.8. Unconventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in unconventional oil & gas activities.

The Investment Team will invest only in companies which have set or committed to a target well below 2 °C3 or which derive less than 5% of its revenues from unconventional oil and gas related activities i.e. exploration and extraction. This includes tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.

- The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- The company shall currently not be involved in exploration, and not be involved in exploitation or development of new unconventional oil or gas fields.
- The company's absolute production of unconventional oil and gas or capacity for prohibited activities shall not be increasing

Companies undergoing a transition of their operations may be eligible if they meet at last one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Derive less than 5% of its revenues from prohibited activities
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to positively contributing activities

4.9. Power generation

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal-, oil-, gas- or nuclear-based power production.

Electricity utility companies must be in line with the Paris agreement goal to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C, recognizing that this would substantially reduce the risks and impacts of climate change.

The Investment Team will invest only in companies which have committed to decarbonization objective in line with the Paris agreement or companies which are in line with the below carbon intensity profile:

	2023	2024	2025
Max. gCO2/KWh	354	335	315

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO2e/MWh in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Derive more than 50% of its revenues from positively contributing activities.
- Have more than 50% of CapEx dedicated to positively contributing activities

Additionally, the company shall not be involved in building new coal-fired power stations. The company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5GW.

The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Phase out:

The investment team currently makes use of the "phase-out" margin for companies that do not meet the power generation business criteria with regards to Power Generation from "non-renewable energy sources" as defined by Febelfin cited in section 3.7 of the 2023 Quality Standard: towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf)
The total portfolio exposure to non-compliant companies is capped at < 3% and the fund intends to reduce the phase-out margin to 0% by 30/6/2025.

We have the following screens based on power generation:

- Issuers deriving more than 5% revenue from mining thermal coal excluding companies which have revenue from renewable power generation CapEx as a proportion of total CapEx (>50%) or therm. coal capex (< 10%) or issuers with SBTi approved targets or are Green, Social, or Sustainable bonds
- Companies deriving more than 0% revenue from fossil fuel (thermal coal, liquid fuel, natural gas) based power generation are prohibited
- Companies deriving more than 0% revenue from the nuclear energy based power generation are prohibited unless one of exclusions apply

It is our strong belief that a thoughtful approach to accessing companies involved in power generation is vital to achieving an orderly transition to Net Zero and aligns to the spirit of the Febelfin accreditation. The "phase out" exposure is aligned with the requirements of 3.7 d) of the 2023 Febelfin Quality Standard (towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf):

- The total portfolio exposure to non-compliant companies is capped at < 3%
- The companies in this margin are subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition. To capture the top 25% ESG rated we use the MSCI ACWI ESG ratings quartiles. Securities within quartile 1 are eligible for the 3% phaseout margin.
- Companies in this margin meet the governance and non-expansion eligibility criteria in b) i & ii in the Febelfin Quality Standard.
- Companies within the phase out margin are also subject to all other exclusionary screens detailed in the transparency policy.

The companies within the phase out margin are also subject to our Heightened Scrutiny Framework (HSF). Our HSF establishes a "focus universe" of holdings that present a particularly significant climate-related risk, due to:

- High carbon intensity today

- Insufficient preparation for the net zero transition
- Low reception to our investment stewardship engagement

Where we do not see progress in this area, and in particular where we see a lack of alignment combined with a lack of engagement, we will not only use our vote against management for our index portfolio-held shares, we will also flag these holdings for potential exit in our discretionary active portfolios because we believe they would present a risk to our clients' returns.

The fund is therefore operating within the phase out margin criteria cited in 3.7 d) of the Febelfin Quality Standard.

4.10 GHG Intensity

GHG intensity (Weighted Average Carbon Intensity) of the corporate and sovereign part of the portfolio will be measured and disclosed. The fund GHG intensity will be better than that of the reference benchmark (as disclosed in the fund prospectus). The reference benchmark is to assess the impact of ESG screening on the Fund's investment universe' to clarify that these benchmark indices are not for performance. Fund's benchmark is listed below:

Fund	Reference Benchmark
BSF Sustainable Euro Corporate Bond Fund	Bloomberg Euro Corporate Index (80%) and Bloomberg Global Corporate Index (20%

4.11 Securitized assets (ABS)

The European Securitisation Team seeks to record any material or disproportionate exposure to ESG factors. ESG factors have always formed part of BlackRock's securitisation analysis and we have consistently been at the forefront of the ESG conversation, pushing for more transparency and better sustainability practices.

ESG factors are assessed in our fundamental credit analysis through:

- Originator / Servicer reviews and questionnaire
- Collateral analysis
- Structural analysis
- Sector and market insight
- Country/jurisdiction influencing factors
- Historical and potential future trends

Integrating this analysis into a defined ESG evaluation framework that form proprietary ESG scores and sit within the wider BlackRock PEXT/ NEXT framework creates ESG transparency at the asset and portfolio level and allows portfolio construction tailored to specific strategies.

The following screens are applied to securitized assets – thresholds same as above:

- Tobacco
- Gambling
- Adult Entertainment
- Weapons
- Thermal coal
- UN Global Compact violator (for Originators and Servicers)

5. Objective to do better than a benchmark

The Investment Team seeks to maintain a 15% uplift of "PEXT minus NEXT" against a non-ESG Benchmark (Bloomberg Euro Corporate Index (80%) and Bloomberg Global Corporate Index (20%). We believe that the non-ESG index above demonstrates a better representations of the fund's investment universe, given this is an active fund and its universe is more extensive than the performance benchmark. We believe that using the 'PEXT minus NEXT' measure provides the best representation of the impact our frameworks aim to achieve.

Phase-out for unaligned oil and gas extraction and electricity generations

Some companies are currently not yet aligned with the requirements of the quality standard but are nevertheless within the best of their peer group in transitioning their business model.

We recognize that these companies may be on a transition path towards a lower carbon economy. A maximum of 3% of the Funds may be exposed to companies not in line with the requirements for conventional oil & gas extraction or electricity generation. To be considered by the Funds such companies should have a clear strategy to reach these levels within a defined timeline. This threshold will be reviewed regularly.

ESG embedded in the investment process.

1. Biodiversity, Water use, Taxation, Pollution and Gender & Diversity

Biodiversity, Water use, Taxation, Pollution and Gender & Diversity issues are embedded into the research process conducted by MSCI when determining score for Environmental (E), Social (S) and Governance (G) pillars. Although the Funds do not have an explicit policy regarding these issues, the investment team has an implicit policy to take into consideration these criteria when screening the investment universe for minimal acceptable ESG scores.

KEY ISSUE: WATER STRESS

This issue evaluates the extent to which companies may face water shortages affecting their ability to operate, lost access to markets due to stakeholder water conflicts, or higher water costs. Scores are based on exposure to water stressed basins and water intensive segments; water management strategy and targets; water use over time and vs. peers; and controversies.

Impact	• Damage to ecosystems due to water withdrawal or water contamination • Depletion of water sources for other community uses
Risk / Opportunity	• Operational disruptions to production processes requiring water as a critical input • Loss of access to markets through community opposition and heightened regulatory hurdles • Increased costs to comply with more stringent regulations, install equipment and systems to reduce water use • Higher water usage costs
Exposure Metrics	• Extent to which companies' operations are located in geographies projected to experience water stress and water scarcity (assessed at facility-, basin- and country-level); • Extent to which companies' primary business lines are water intensive (based on estimated water use relative to sales)
Management Metrics	• Efforts to reduce exposure through employing water efficient processes, alternative water sources, and water recycling

MSCI, 30th June 2024

KEY ISSUE: BIODIVERSITY & LAND USE

This issue evaluates the extent to which companies may face lost market access or litigation, liabilities, or reclamation costs due to operations that damage fragile ecosystems. Scores are based on operations involving land disturbance and in regions with fragile ecosystems; policies / programs regarding biodiversity, land use, and community impact; and controversies.

Impact	• Adverse biodiversity impact (lost species, reduced diversity) • Adverse community impact (land devaluation, land contamination, health impact) • Over-exploitation and depletion of natural resource • Loss of economic value (losses to fisheries, tourism industry)
Risk / Opportunity	• Loss of license to operate • Litigation by land owners and other affected parties • Increased costs of land protection and reclamation
Exposure Metrics	• Extent of company operations in regions with fragile ecosystems • Extent company operations involve significant disturbances of land or marine areas
Management Metrics	• Efforts to reduce land or marine disturbances, increase biodiversity protection, engage community stakeholders

MSCI, 30th June 2024

KEY ISSUE: TAX TRANSPARENCY

This issue evaluates the extent to which companies may face enhanced public and regulatory scrutiny as well as potential liabilities because of actual or perceived avoidance of corporate income taxes. Scores are based on the gap between the company's estimated effective tax rate and the estimated statutory tax rate if the company were paying taxes as per the statutory tax rates in the jurisdiction.

Impact	• Economic losses to governments due to lower tax revenue, affecting their ability to finance budget deficits/public expenditures
Risk / Opportunity	• Regulatory risks from global tax reforms • Reputational risk • Lower profits due to increased tax payouts • Increased costs from liabilities and fines associated with violation of tax laws
Metrics	• Estimated Effective Tax Rate using the actual tax paid and the company's income before tax, disclosure transparency, and track record of controversial tax practices

Source: MSCI, 30th June 2024

KEY ISSUE: TOXIC EMISSIONS & WASTE

This issue evaluates the extent to which companies may face liabilities associated with pollution, contamination, and the emission of toxic or carcinogenic substances. Scores are based on operations generating toxic byproducts, air pollutants, or hazardous waste; strategy, targets, and programs to reduce emissions; quantified performance; and controversies.

Impact	• Harm to public health through exposure to toxic substances • Damage to ecosystems and public resources through spills, leaks
Risk / Opportunity	• Increased costs from liabilities associated with damaging health, property • Loss of access to market through community opposition, heightened regulatory hurdles • Increased costs compliance costs, install equipment and systems to contain pollution
Exposure Metrics	• Toxicity and carcinogenicity of byproducts generated during normal production • Extent to which business segments are associated with generating criteria air pollutants • Extent to which business segments are associated with generating hazardous waste
Management Metrics	• Efforts to control and reduce the amount of toxic and carcinogenic byproducts from operations, and demonstrated performance in implementing related policies and programs

Source: MSCI, 30th June 2024

KEY ISSUE: GENDER & DIVERSITY

This issue is part of a broader theme developed under Corporate Governance pillar. It is scored primarily on the basis of the board's independence from management, and on various measures of board experience and effectiveness. Metrics included in this component evaluate basic board structures such as overall board independence; individual director qualifications and experience, cases of executive misconduct, but also gender and diversity.

2. Oppressive regimes and Governments allowing the death penalty.

Oppressive regimes and death penalty are embedded into the research process conducted by MSCI when determining ESG Government Rating. Although the Funds do not have an explicit policy regarding these issues, the Funds have an implicit policy to take into consideration these criteria when screening the investment universe for minimal acceptable ESG scores.

Please find below the evaluation and methodology for oppressive regimes and death penalty:

MSCI ESG Government Ratings assess a country's exposure to and management of environmental, social and governance risks. MSCI also provides a set of screening factors which allows investors to assess status of a country's involvement in ESG related controversies such as: use of child labor, legality of death penalty, UNSC sanctions or involvement in nuclear power generation.

The Funds also have thorough rules when it comes to issuers that violate the UN Global Compact Principles or issuers with severe controversies. Please refer to **UN Global Compact and Controversy Score** policy.

Excluded activities and practices are described in appendix 1.

BSF Sustainable Euro Short Duration Bond Fund

Investment Objective and Policy

The **BlackRock Sustainable Euro Short Duration Bond Fund** seeks to maximize total return in a manner consistent with the principles of environmental, social and governance "ESG" focused investing. The Fund seeks to reduce its carbon emissions profile by allocating to green bonds, lower carbon emitting issuers and issuers committed to decarbonization.

The Fund will seek to invest at least 80% of its total assets in investment grade fixed income transferable securities and fixed income related securities (including derivatives). When determined appropriate, the Fund will also invest in cash and near-cash instruments.

The fixed income securities will be issued by, or give exposure to, companies, governments and agencies domiciled worldwide. The Fund seeks to invest in Sustainable Investments including but not limited to "green bonds" (as defined by its proprietary methodology which is guided by the International Capital Markets Association Green Bond Principles and 90% of the Fund's total assets will be invested in accordance with the ESG Policy described below. Currency exposure is flexibly managed. At least 70% of total assets will be invested in fixed income transferable securities denominated in Euro with a duration of less than five years. The average duration is not more than three years.

In order to achieve the investment objective and policy, the Fund will invest in a variety of investment strategies and instruments. The Fund intends to take full advantage of the ability to invest in derivatives (including total return swaps that have fixed income transferable securities and fixed income related securities as underlying assets) with the aim of maximizing returns. Any ESG criteria referenced below will apply only to the underlying securities of derivatives used by the Fund. The Fund's exposure to ABS and MBS may not exceed 20% of its Net Asset Value. The Fund's exposure to contingent convertible bonds is limited to 10% of its Net Asset Value. The Fund's exposure to Distressed Securities is limited to 10% of its Net Asset Value.

ESG Integration

BlackRock employs dedicated resources to support ESG integration. The BlackRock Sustainable Investing team, the BlackRock Investment Stewardship team, the Global Fixed Income Capital Markets team, and individuals across BlackRock's investment, technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts. The firm wide Sustainable Investing team seeks to ensure consistency across investment processes, aggregates resources and shares best practices across the firm to help our investment teams integrate material sustainability considerations. The Euro Fixed Income team is responsible to determine methodologies and processes around ESG integration that are appropriate.

The Euro Fixed Income team considers material ESG factors as they relate to an issuer's creditworthiness. We believe companies that effectively manage ESG risks and opportunities perform better over time. Additionally, we acknowledge that there are factors traditionally considered "non-financial" that are becoming more material to financial returns as consumers, regulators and investors pay more heed to sustainability themes.

We actively seek to integrate environmental, social and governance issues into our investment process. BlackRock does not expect ESG to be the sole consideration for making investment decisions and assesses a variety of factors to build and monitor a portfolio of appropriate investments for clients, including the degree of market risk priced into any given security.

Sustainability Restrictions

Excluded activities and practices

The Investment Team shall not finance sovereign and corporate issuers which conduct practices widely regarded as unsustainable. Therefore, the investment process includes assessments regarding the ESG integration and due diligence. The team has also integrated sector exclusions and exposure limits, as detailed below:

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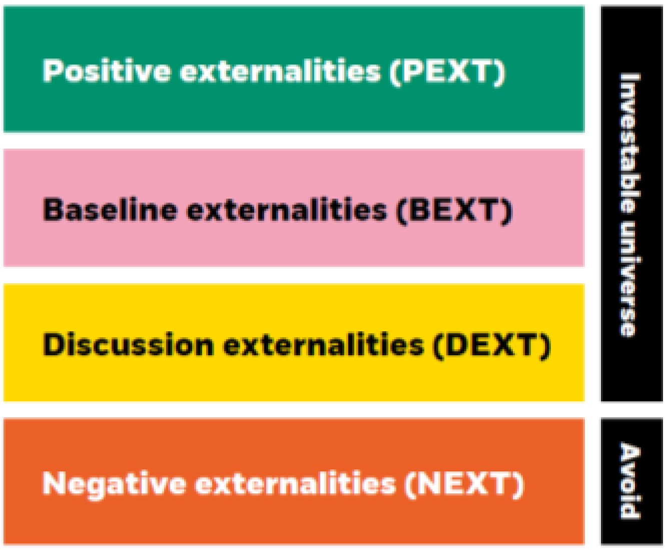

Source: BlackRock, as at 30th June 2024.

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3. Best-in-class policy

3.1. MSCI ESG rating

[5] *Strategic policies initiative in the area of human rights, labour, environment and anti-corruption*

At least 90% of the Funds total assets shall be rated or analysed according to environmental, social and governance (ESG) criteria. Some elements of the Funds (typically cash position) are exempted from ESG assessment.

The Investment Team does not invest in issuers below MSCI ESG BB and can only invest up to 10% in issuers rated MSCI ESG BB.

3.2. Sovereign exclusions

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of sovereign and sovereign related issuers.

The BlackRock Sovereign Sustainable Index (BSSI) aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective. BlackRock has partnered with the World Bank to identify 39 indicators from officially recognized international sources, divided into environmental, social and governance pillars. In addition to World Bank World Development Indicators (WDI) and World Governance Indicators (WGI), BSSI also uses Verisk Maplecroft Country Risk Indices, Yale Environmental Performance Index (EPI), Global Peace Index Institute for Economics and Peace (IEP), Climate Change Performance Index (CCPI), and Legatum Prosperity Index (Health Pillar Only) to analyse sovereign credit.

- Sovereign and Sovereign related issuers falling on the 4th quartile of the BSSI are excluded
- Sovereign and Sovereign related issuers falling on the 3rd quartile of the BSSI are authorised, subject to monitoring and approval after discussion by the Investment Team

The following sovereign entities will also be excluded[6]:

- Sovereign entities that have not ratified the 8 core conventions defined in the International Labour Organisation
- Sovereign entities that have signed at least half of the 18 core International Human Rights Treaties
- Sovereign entities which are not part of the Paris Agreement, the UN Convention on Biological Diversity or the Nuclear Non-Proliferation Treaty
- Other sovereign entities with high military budget, failing anti-money laundering standards, showing sign of corruption or qualified as not free according to the Freedom House.
- We follow the below principles: Non-use-of proceeds sovereign-issues instruments cannot be directly linked to the financing of sustainable activities. The proceeds are allocated by governments in a discretionary way.
- Governance indicators are an appropriate measure for the fair and responsible allocation of proceeds by governments.
- Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

States shall comply with the following:

- The average of its scores on all 6 WGIs (World Bank Indicator) is at least -0.59
- It does not score less than -1.00 on a single WGI

The 6 Worldwide Governance Indicators (WGI) as established by the World Bank are:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory quality
5. Rule of Law
6. Control of Corruption

[6] Exceptions apply to the USA, Japan and the UK which are considered as core reserve currency issuers; they can be invested up to 30% for hedging or efficient portfolio management purpose

States classified as high-income economies by the World Bank shall also comply with the additional criteria:

- The state has ratified or has implemented in equivalent national legislation:

  i. The eight fundamental conventions identified in the international Labour Organisation's declaration on Fundamental Rights and Principles at Work
  ii. At least half of 18 core International Human Rights Treaties

- The State is party to:

  iii. The Paris Agreement
  iv. The UN Convention on Biological Diversity
  v. The Nuclear Non-Proliferation Treaty

- The State does not have a particularly high military budgets (>4% GDP)
- The State is not considered a 'Jurisdiction with strategic AML/CFT deficiencies' by the FATF
- The State scores at least 40/100 on the Transparency International Corruption Perception Index
- The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'- survey
- The State does not have the death penalty legal and in use

Up to 30% of portfolio exempted if for diversification and hedging purposes, if the issuers are core currency Sovereign issuers.

4. Sector exclusions

4.1. Tobacco

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the tobacco and e-cigarettes industry.

The following companies are excluded:

- Companies classified as "Producer" of tobacco products or e-cigarettes.
- Companies classified as "Distributor", "Retailer", and "Supplier" that earn 5% or more revenue from tobacco products or e-cigarettes.

4.2. Gambling

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in gambling activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from gambling-related business activities.

4.3. Adult entertainment

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in adult entertainment activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from adult entertainment activities.

4.4. Weapons – Civil Firearms

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the arms industry.

The following companies are excluded:

- Companies that have derived 5% or more of revenue from manufacturing firearms and small arms ammunition intended for civilian use.
- Companies classified as Producer of firearms or small arms ammunition intended for civilian use.

4.5. Controversial and Nuclear Weapons

The Investment Team has a strict policy when it comes to controversial and nuclear weapons.

The following companies are excluded:

- Companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons.
- Companies deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.

4.6. Thermal Coal

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal activities.

The following companies are excluded:

- Companies that have derived more than 5% of their revenue from mining Thermal Coal or refining of fossil fuels. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from prohibited activities. For transportation, the revenue threshold is 10%.
- Have less than 10% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 50% of CapEx dedicated to positively contributing activities.
- For enabling companies:

The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the exploration, extraction, transportation and processing of thermal coal.

4.7. Conventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in conventional oil & gas activities, which include oil or gas prospecting or exploration, extraction of oil or gas, processing or refining of oil or gas (except oil to chemicals), transportation of oil (not distribution).

The following companies are excluded:

- Companies that have derived more than 5% of revenue from conventional oil and gas or from oil and gas pipelines and transportation. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in exploration, extraction, processing and transportation of oil and gas and will not be involved in exploitation or development of new oil or gas fields.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Have less than 15% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 15% of CapEx dedicated to contributing activities

4.8. Unconventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in unconventional oil & gas activities.

The Investment Team will invest only in companies which have set or committed to a target well below 2 °C3 or which derive less than 5% of its revenues from unconventional oil and gas related activities i.e. exploration and extraction. This includes tar sands oil, coalbed methane, extra heavy oil and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.

- The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- The company shall currently not be involved in exploration, and not be involved in exploitation or development of new unconventional oil or gas fields.
- The company's absolute production of unconventional oil and gas or capacity for prohibited activities shall not be increasing

Companies undergoing a transition of their operations may be eligible if they meet at last one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Derive less than 5% of its revenues from prohibited activities
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to positively contributing activities

4.9. Power generation

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal-, oil-, gas- or nuclear-based power production.

Electricity utility companies must be in line with the Paris agreement goal to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C, recognizing that this would substantially reduce the risks and impacts of climate change.

The Investment Team will invest only in companies which have committed to decarbonization objective in line with the Paris agreement or companies which are in line with the below carbon intensity profile:

	2023	2024	2025
Max. gCO2/KWh	354	335	315

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO2e/MWh in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Derive more than 50% of its revenues from positively contributing activities.
- Have more than 50% of CapEx dedicated to positively contributing activities

Additionally, the company shall not be involved in building new coal-fired power stations. The company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5GW.

The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Phase out:

The investment team currently makes use of the "phase-out" margin for companies that do not meet the power generation business criteria with regards to Power Generation from "non-renewable energy sources" as defined by Febelfin cited in section 3.7 of the 2023 Quality Standard:
towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf)
The total portfolio exposure to non-compliant companies is capped at < 3% and the fund intends to reduce the phase-out margin to 0% by 30/6/2025.

We have the following screens based on power generation:

- Issuers deriving more than 5% revenue from mining thermal coal excluding companies which have revenue from renewable power generation CapEx as a proportion of total CapEx (>50%) or therm. coal capex (< 10%) or issuers with SBTi approved targets or are Green, Social, or Sustainable bonds
- Companies deriving more than 0% revenue from fossil fuel (thermal coal, liquid fuel, natural gas) based power generation are prohibited
- Companies deriving more than 0% revenue from the nuclear energy based power generation are prohibited unless one of exclusions apply

It is our strong belief that a thoughtful approach to accessing companies involved in power generation is vital to achieving an orderly transition to Net Zero and aligns to the spirit of the Febelfin accreditation. The "phase out" exposure is aligned with the requirements of 3.7 d) of the 2023 Febelfin Quality Standard (towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf):

- The total portfolio exposure to non-compliant companies is capped at < 3%
- The companies in this margin are subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition. To capture the top 25% ESG rated we use the MSCI ACWI ESG ratings quartiles. Securities within quartile 1 are eligible for the 3% phaseout margin.
- Companies in this margin meet the governance and non-expansion eligibility criteria in b) i & ii in the Febelfin Quality Standard.
- Companies within the phase out margin are also subject to all other exclusionary screens detailed in the transparency policy.

The companies within the phase out margin are also subject to our Heightened Scrutiny Framework (HSF). Our HSF establishes a "focus universe" of holdings that present a particularly significant climate-related risk, due to:

- High carbon intensity today
- Insufficient preparation for the net zero transition
- Low reception to our investment stewardship engagement

Where we do not see progress in this area, and in particular where we see a lack of alignment combined with a lack of engagement, we will not only use our vote against management for our index portfolio-held shares, we will also flag these holdings for potential exit in our discretionary active portfolios because we believe they would present a risk to our clients' returns.

The fund is therefore operating within the phase out margin criteria cited in 3.7 d) of the Febelfin Quality Standard.

4.10 GHG Intensity

GHG intensity (Weighted Average Carbon Intensity) of the corporate and sovereign part of the portfolio will be measured and disclosed. The fund GHG intensity will be better than that of the reference benchmark (as disclosed in the fund prospectus). The reference benchmark is to assess the impact of ESG screening on the Fund's investment universe' to clarify that these benchmark indices are not for performance. Fund's benchmark is listed below:

Fund	Reference Benchmark
BSF Sustainable Euro Short Duration Bond Fund	Bloomberg Euro Aggregate 1-3 Years Index (80%) and Bloomberg Global Corporate Index (20%)

4.11 Securitized assets (ABS)

The European Securitisation Team seeks to record any material or disproportionate exposure to ESG factors. ESG factors have always formed part of BlackRock's securitisation analysis and we have consistently been at the forefront of the ESG conversation, pushing for more transparency and better sustainability practices.

ESG factors are assessed in our fundamental credit analysis through:

- Originator / Servicer reviews and questionnaire
- Collateral analysis
- Structural analysis
- Sector and market insight
- Country/jurisdiction influencing factors
- Historical and potential future trends

Integrating this analysis into a defined ESG evaluation framework that form proprietary ESG scores and sit within the wider BlackRock PEXT/ NEXT framework creates ESG transparency at the asset and portfolio level and allows portfolio construction tailored to specific strategies.

The following screens are applied to securitized assets – thresholds same as above:

- Tobacco
- Gambling
- Adult Entertainment
- Weapons
- Thermal coal
- UN Global Compact violator (for Originators and Servicers)

5. Objective to do better than a benchmark

The Investment Team seeks to maintain a 15% uplift of “PEXT minus NEXT” against a non-ESG Benchmark (Bloomberg Euro Aggregate 1-3 Years Index (80%) and Bloomberg Global Corporate Index (20%)

). We believe that the non-ESG index above demonstrates a better representations of the fund’s investment universe, given this is an active fund and its universe is more extensive than the performance benchmark. We believe that using the 'PEXT minus NEXT' measure provides the best representation of the impact our frameworks aim to achieve.

Phase-out for unaligned oil and gas extraction and electricity generations

Some companies are currently not yet aligned with the requirements of the quality standard but are nevertheless within the best of their peer group in transitioning their business model.

We recognize that these companies may be on a transition path towards a lower carbon economy. A maximum of 3% of the Funds may be exposed to companies not in line with the requirements for conventional oil & gas extraction or electricity generation. To be considered by the Funds such companies should have a clear strategy to reach these levels within a defined timeline. This threshold will be reviewed regularly.

ESG embedded in the investment process.

1. Biodiversity, Water use, Taxation, Pollution and Gender & Diversity

Biodiversity, Water use, Taxation, Pollution and Gender & Diversity issues are embedded into the research process conducted by MSCI when determining score for Environmental (E), Social (S) and Governance (G) pillars. Although the Funds do not have an explicit policy regarding these issues, the investment team has an implicit policy to take into consideration these criteria when screening the investment universe for minimal acceptable ESG scores.

KEY ISSUE: WATER STRESS

This issue evaluates the extent to which companies may face water shortages affecting their ability to operate, lost access to markets due to stakeholder water conflicts, or higher water costs. Scores are based on exposure to water stressed basins and water intensive segments; water management strategy and targets; water use over time and vs. peers; and controversies.

Impact	• Damage to ecosystems due to water withdrawal or water contamination • Depletion of water sources for other community uses
Risk / Opportunity	• Operational disruptions to production processes requiring water as a critical input • Loss of access to markets through community opposition and heightened regulatory hurdles • Increased costs to comply with more stringent regulations, install equipment and systems to reduce water use • Higher water usage costs
Exposure Metrics	• Extent to which companies’ operations are located in geographies projected to experience water stress and water scarcity (assessed at facility-, basin- and country-level); • Extent to which companies’ primary business lines are water intensive (based on estimated water use relative to sales)
Management Metrics	• Efforts to reduce exposure through employing water efficient processes, alternative water sources, and water recycling

Source: MSCI, 30th June 2024

KEY ISSUE: BIODIVERSITY & LAND USE

This issue evaluates the extent to which companies may face lost market access or litigation, liabilities, or reclamation costs due to operations that damage fragile ecosystems. Scores are based on operations involving land disturbance and in regions with fragile ecosystems; policies / programs regarding biodiversity, land use, and community impact; and controversies.

Impact	• Adverse biodiversity impact (lost species, reduced diversity) • Adverse community impact (land devaluation, land contamination, health impact) • Over-exploitation and depletion of natural resource • Loss of economic value (losses to fisheries, tourism industry)
Risk / Opportunity	• Loss of license to operate • Litigation by land owners and other affected parties • Increased costs of land protection and reclamation
Exposure Metrics	• Extent of company operations in regions with fragile ecosystems • Extent company operations involve significant disturbances of land or marine areas
Management Metrics	• Efforts to reduce land or marine disturbances, increase biodiversity protection, engage community stakeholders

Source: MSCI, 30th June 2024

KEY ISSUE: TAX TRANSPARENCY

This issue evaluates the extent to which companies may face enhanced public and regulatory scrutiny as well as potential liabilities because of actual or perceived avoidance of corporate income taxes. Scores are based on the gap between the company's estimated effective tax rate and the estimated statutory tax rate if the company were paying taxes as per the statutory tax rates in the jurisdiction.

Impact	• Economic losses to governments due to lower tax revenue, affecting their ability to finance budget deficits/public expenditures
Risk / Opportunity	• Regulatory risks from global tax reforms • Reputational risk • Lower profits due to increased tax payouts • Increased costs from liabilities and fines associated with violation of tax laws
Metrics	• Estimated Effective Tax Rate using the actual tax paid and the company's income before tax, disclosure transparency, and track record of controversial tax practices

Source: MSCI, 30th June 2024

KEY ISSUE: TOXIC EMISSIONS & WASTE

This issue evaluates the extent to which companies may face liabilities associated with pollution, contamination, and the emission of toxic or carcinogenic substances. Scores are based on operations generating toxic byproducts, air pollutants, or hazardous waste; strategy, targets, and programs to reduce emissions; quantified performance; and controversies.

Impact	• Harm to public health through exposure to toxic substances • Damage to ecosystems and public resources through spills, leaks
Risk / Opportunity	• Increased costs from liabilities associated with damaging health, property • Loss of access to market through community opposition, heightened regulatory hurdles • Increased costs compliance costs, install equipment and systems to contain pollution
Exposure Metrics	• Toxicity and carcinogenicity of byproducts generated during normal production • Extent to which business segments are associated with generating criteria air pollutants • Extent to which business segments are associated with generating hazardous waste
Management Metrics	• Efforts to control and reduce the amount of toxic and carcinogenic byproducts from operations, and demonstrated performance in implementing related policies and programs

Source: MSCI, 30th June 2024

KEY ISSUE: GENDER & DIVERSITY

This issue is part of a broader theme developed under Corporate Governance pillar. It is scored primarily on the basis of the board's independence from management, and on various measures of board experience and effectiveness. Metrics included in this component evaluate basic board structures such as overall board independence; individual director qualifications and experience, cases of executive misconduct, but also gender and diversity.

2. Oppressive regimes and Governments allowing the death penalty.

Oppressive regimes and death penalty are embedded into the research process conducted by MSCI when determining ESG Government Rating. Although the Funds do not have an explicit policy regarding these issues, the Funds have an implicit policy to take into consideration these criteria when screening the investment universe for minimal acceptable ESG scores.

Please find below the evaluation and methodology for oppressive regimes and death penalty:

MSCI ESG Government Ratings assess a country's exposure to and management of environmental, social and governance risks. MSCI also provides a set of screening factors which allows investors to assess status of a country's involvement in ESG related controversies such as: use of child labor, legality of death penalty, UNSC sanctions or involvement in nuclear power generation.

The Funds also have thorough rules when it comes to issuers that violate the UN Global Compact Principles or issuers with severe controversies. Please refer to **UN Global Compact and Controversy Score** policy.

Excluded activities and practices are described in appendix 1.

BGF Sustainable Global Allocation Fund

Investment Objective and Policy

The Sustainable Global Allocation Fund seeks to maximise total return in a manner consistent with the principles of environmental, social and governance ("ESG") focused investing. The Fund invests globally in equity, debt and short-term securities, of both corporate and governmental issuers, with no prescribed limits. In normal market conditions the Fund will invest at least 70% of its total assets in the securities of corporate and governmental issuers. The Fund generally will seek to invest in securities that are, in the opinion of the Investment Adviser, undervalued. The Fund may also invest in the equity securities of small and emerging growth companies. The Fund may also invest a portion of its debt portfolio in high yield fixed income transferable securities. Currency exposure is flexibly managed.

The Fund seeks to invest in Sustainable Investments and its total assets will be invested in accordance with the ESG Policy described within this document.

Main asset class: Multi-Asset. While the Fund's reference benchmark consists of 60% MSCI All Country World Index / 40% Bloomberg Barclays Global Aggregate Index, the benchmark itself serves as a neutral asset allocation with no ESG considerations. The Fund's investment universe is comprised of global equities, fixed income, cash equivalents, and currencies.

Benchmark use: The Fund is actively managed, and the Investment Adviser has discretion to select the Fund's investments. In doing so, the Investment Adviser will refer to a composite benchmark comprising the MSCI All Country World Index (60%) and Bloomberg Global Aggregate Index (40%) (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e., degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The Investment Adviser is not bound by the components or weighting of the Index when selecting investments. The Investment Adviser may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. The Index should be used by investors to compare the performance of the Fund.

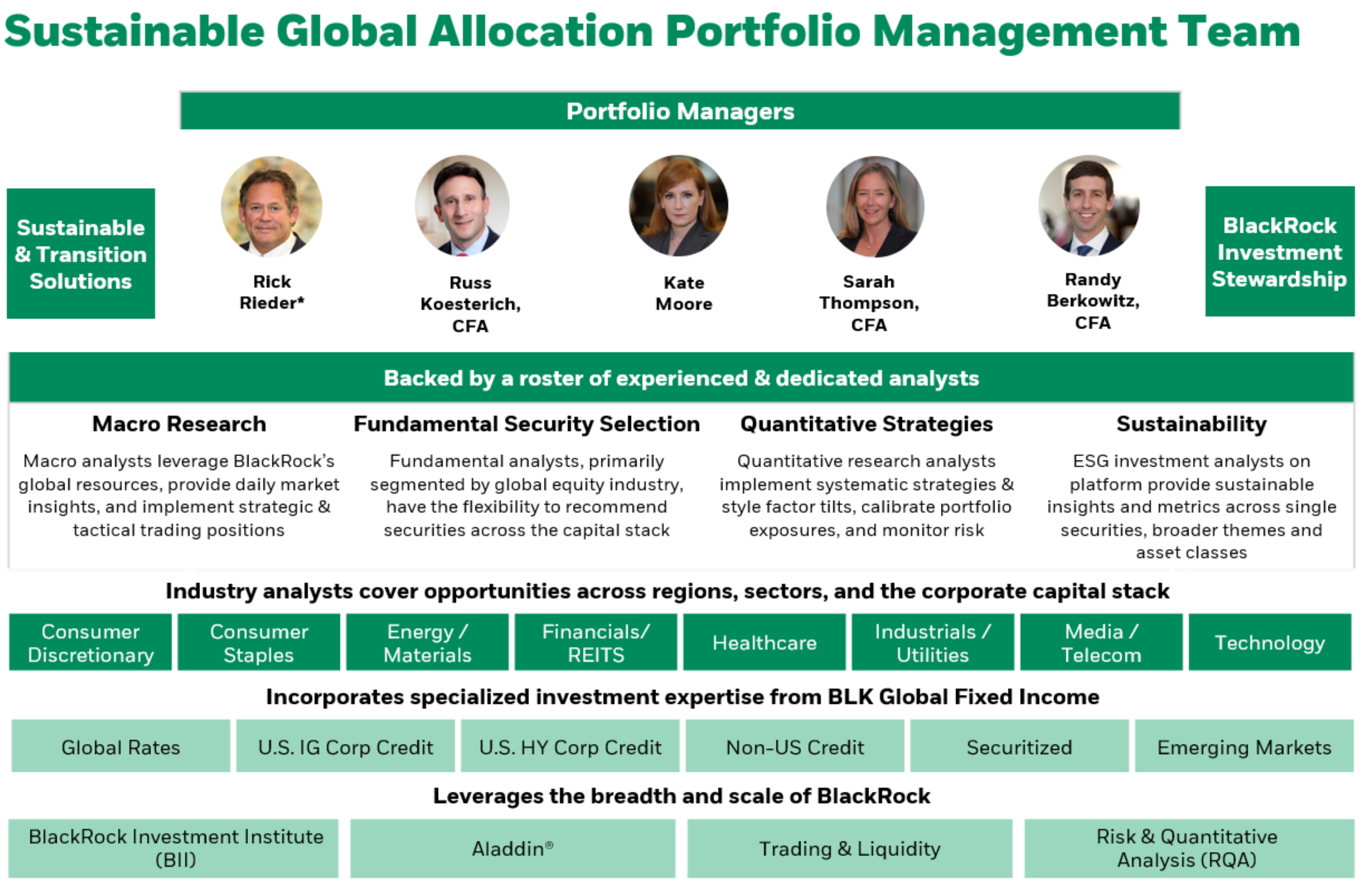
Additional Information

Material Insights: We are continuously expanding access to high quality ESG data and information sources through Aladdin. BlackRock's investment teams have access to a range of BlackRock ESG Integration Statement third-party data sets and internal materiality-focused ratings across core Aladdin tools, allowing investors to identify financially material ESG data or information for their unique investment process where appropriate. The Aladdin platform also offers a set of analytic tools to assess material ESG-related risks and opportunities. This includes Aladdin* Climate, which amongst other analytics, provides scenario analysis capabilities to help investors identify investment risks and potential opportunities associated with the physical impacts of a changing climate and the uncertain transition to a low-carbon world. From sovereign debt perspective, the firm utilizes the BlackRock Sovereign Sustainable Index (BSSI), which aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective.

*Aladdin is BlackRock's proprietary investment platform, that integrates functions needed to manage money. From portfolio management and trading to compliance, operations and risk oversight, Aladdin brings together people, processes and systems to support a seamless investment process. For illustrative purposes only and subject to change. While proprietary technology platforms may help manage risk, investment risk cannot be fully eliminated.

Resources

BGF Sustainable Global Allocation Portfolio Management Team:



There is no guarantee that a positive investment outcome will be achieved.

As of 30 June 2024. Source: BlackRock. * Investment team leader.

The Global Allocation team works closely with members of dedicated sustainability teams at the firm, including the following groups:

The **Global Fixed Income Responsible Investment** team works with portfolio managers and credit research groups to identify relevant material ESG risks and opportunities and develop tools to aid this process. It proactively engages with investment professionals across Fundamental Fixed Income to support implementation of this statement, raise awareness and understanding of our ESG impacts and management methods, and encourage knowledge sharing and best practices. This team also coordinates with the firm-wide sustainable investing resources listed below as well as the BlackRock Public Policy team, to share knowledge and coordinate best practice.

The **BlackRock Investment Stewardship** team consists of numerous professionals responsible for, among other things, encouraging sound corporate governance practices at the companies in which we invest on behalf of clients. The team does this primarily through engagement and proxy voting. Because BlackRock views stewardship as an investment function, the team is positioned for the mutual exchange of views with active portfolio management teams. The team's work benefits clients invested in listed equity and credit.

The firm-wide **BlackRock Sustainable and Transition Solutions** team is dedicated to helping clients and portfolio managers define their sustainable investing goals and build innovative, outcome-oriented solutions.

Sustainability Restrictions

Excluded Activities and Practices (Subject to Change)

The Investment Team shall not finance sovereign and corporate issuers which conduct practices widely regarded as unsustainable or (very) harmful. Therefore, the investment process includes assessments regarding the ESG integration and due diligence. The investment process combines exclusions and exposure limits (outlined below), impact (via investment in companies and issuers exhibiting positive externalities (outlined in the investment process section), engagement and accountability. All of the information published throughout is available to clients to ensure full transparency.

The Investment Team makes use of the following strategies (ESG Integration, Normative & Controversary Screening, and Exclusions) to ensure that the portfolio does not finance activities that pose significant harm to sustainability factors, while leveraging the BlackRock Externalities framework (Section 1.8 "other strategy" from the Quality Standards Criteria document) to ensure that the portfolio supports the ESG characteristics. We believe that process helps ensure the Double Materiality perspective.

1. ESG Integration

1.1 BlackRock Externalities Framework

The Global Allocation team leverages BlackRock's Externalities Framework, which is practically applied by our portfolio managers. Traditional measures of assigning ESG scores or classic business revenue approaches cover only a fraction of the investable universe and ultimately fall short. The BlackRock Externalities Framework, 'PEXT/NEXT' (Positive/Negative Externality), brings together rigorous bottom-up sector work into a broad but concise infrastructure that forms the basis of our active sustainability approach, alongside active financial management. There are four broad categories in which names are bucketed:

- **PEXT** issuers are highlighted as preferred holdings.
- **BEXT** issuers do not have any explicit positive impact characteristics but also do not have any associated negative externalities and are defined as neutral.
- For holdings where we cannot determine either a clear positive or clear negative externality, we created a discussion category, **DEXT**, where Fixed Income specialists debate views on an issuer.
- **NEXT** issuers are restricted from purchase and creates a minimum standard of all holdings in our sustainable portfolios. This typically includes all screened names.

The Externalities Framework has embedded ESG data and analytics in Aladdin's suite of portfolio and risk management tools. Datasets sourced from external vendors (principally MSCI and Sustainalytics), including headline ESG scores, carbon data, product involvement metrics or controversies have been incorporated into Aladdin tools to support the full investment process, from research, to portfolio construction and modelling, compliance, and reporting.

At least 90% of the Funds total assets will be rated or analysed according to environmental, social and governance (ESG) criteria. In addition, we utilise MSCI data to exclude 20% of the benchmark by security count, specifically those securities deemed to be the on the lowest end of the scale for sustainability metrics within each asset class.

2. Normative & Controversy Screening

2.1 UN Global Compact

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers, based on their involvement in violations of one or more of the 10 principles of the United Nation Global Compact (UNGC[7]).

UN Global Compact violators are prohibited. The Funds will not invest in issuers that have significant and credible exposure to ESG risk associated with one or more of the ten UNGC Principles.

2.2 Controversy Score

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers with severe controversies, related to historical or ongoing sustainability-linked scandals.

Issuers flagged with severe controversies are prohibited. The firm will leverage the MSCI ESG Controversies framework, designed to be consistent with international norms such as those represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

3. Exclusions

3.1 EMEA Baseline Screens

In EMEA, BlackRock recognises that investors are increasingly using exclusionary screens to avoid exposure to certain companies or sectors that pose reputational risks or are not aligned with their beliefs and values. In order to offer scalable solutions to investors across different asset classes and investment styles, BlackRock has developed a set of exclusionary screens, “BlackRock EMEA Baseline Screens”, that seeks to address a majority of our clients’ requests for exclusions.

Where the BlackRock EMEA Baseline Screens are applied to a BlackRock managed fund, BlackRock will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in their opinion of, have exposure to, or ties with, certain sectors, namely:

[7] *Strategic policies initiative in the area of human rights, labour, environment and anti-corruption*

Sector	BlackRock EMEA Baseline Screen Policy
Controversial Weapons	Issuers which are engaged in, or are otherwise exposed to, the production of controversial weapons (including, but not limited to, cluster munitions, biological-chemical, landmines, depleted uranium, blinding laser, non-detectable fragments and/or incendiary weapons).
Nuclear Weapons	Issuers deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.
Fossil Fuels	Issuers deriving more than 5% of their revenue from thermal coal extraction and/or thermal coal-based power generation, with the exception of "green bonds", that are considered to comply with the International Capital Markets Association's Green Bond Principles, from such issuers. Issuers deriving more than 5% of their revenue from the production and generation of tar sands (also known as oil sands).
Tobacco	Issuers which produce tobacco products. Issuers which derive more than 5% of their revenue from the production, distribution, retail and supply of tobacco-related products.
Civilian Firearms	Issuers which produce firearms and/or small arms ammunition intended for retail to civilians. Issuers which derive more than 5% of their revenue from the distribution (wholesale or retail) of firearms and/or small arms ammunition intended for civilian use.
Controversial Business Practices	Issuers which have been deemed to have failed to comply with UN Global Compact Principles (which cover human rights, labour standards, the environment and anticorruption).

Source: BlackRock.

To undertake this analysis, BlackRock may use data generated internally and/or provided by one or more external ESG research providers. Further information about the ESG criteria used by the BlackRock, including information on how the limits and exclusions (as set out in the above paragraph) are applied, can be obtained on request. Further information about the EMEA Baseline Screens can be found here.

3.2 Sovereign Exclusions

The BlackRock Sovereign Sustainable Index (BSSI) aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective. BlackRock has partnered with the World Bank to identify 39 indicators from officially recognized international sources, divided into environmental, social and governance pillars. In addition to World Bank World Development Indicators (WDI) and World Governance Indicators (WGI), BSSI also uses Verisk Maplecroft Country Risk Indices, Yale Environmental Performance Index (EPI), Global Peace Index Institute for Economics and Peace (IEP), Climate Change Performance Index (CCPI), and Legatum Prosperity Index (Health Pillar Only) to analyse sovereign credit.

- Sovereign and Sovereign related issuers falling on the 4th quartile of the BSSI are excluded
- Sovereign and Sovereign related issuers falling on the 3rd quartile of the BSSI are authorised, subject to monitoring and approval after discussion by the Investment Team

The following sovereign entities will also be excluded:[8]

- Sovereign entities that have not ratified the 8 core conventions defined by the International Labour Organisation
- Sovereign entities that have signed at least half of the 18 core International Human Rights Treaties
- Sovereign entities which are not part of the Paris Agreement, the UN Convention on Biological Diversity or the Nuclear Non-Proliferation Treaty

[8] Exceptions apply to the USA, Japan and the UK which are considered as core reserve currency issuers; they can be invested up to 30% for hedging or efficient portfolio management purpose.

- Other sovereign entities with high military budget, failing anti-money laundering standards, showing sign of corruption or qualified as not free according to the Freedom House (details below).
- We follow the below principles: Non-use-of proceeds sovereign-issues instruments cannot be directly linked to the financing of sustainable activities. The proceeds are allocated by governments in a discretionary way.
- Governance indicators are an appropriate measure for the fair and responsible allocation of proceeds by governments.
- Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

States shall comply with the following:

- The average of its scores on all 6 WGIs (World Bank Indicator) is at least -0.59
- It does not score less than -1.00 on a single WGI

The 6 Worldwide Governance Indicators (WGI) as established by the World Bank are:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory quality
5. Rule of Law
6. Control of Corruption

States classified as high-income economies by the World Bank shall also comply with the additional criteria:

- The state has ratified or has implemented in equivalent national legislation:

  i. The eight fundamental conventions identified in the international Labour Organisation's declaration on Fundamental Rights and Principles at Work
  ii. At least half of 18 core International Human Rights Treaties

- The State is party to:

  i. The Paris Agreement
  ii. The UN Convention on Biological Diversity
  iii. The Nuclear Non-Proliferation Treaty

- The State does not have a particularly high military budgets (>4% GDP)
- The State is not considered a 'Jurisdiction with strategic AML/CFT deficiencies' by the FATF
- The State scores at least 40/100 on the Transparency International Corruption Perception Index
- The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'- survey
- The State does not have the death penalty legal and in use

Up to 30% of portfolio exempted if for diversification and hedging purposes, if the issuers are core currency Sovereign issuers.

Freedom House Rules: The Fund intends to exclude all sovereign issues from states that are deemed as "Not Free" by the Freedom House 'Freedom in the World"- survey.

The Fund intends to exclude all sovereign issues from:

States that have not ratified or have not implemented in equivalent national legislation:

- the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work

- at least half of the 18 core International Human Rights Treaties

States which are not party to:

- the Paris Agreement
- the UN Convention on Biological Diversity
- the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF
- States with less than 40/100 on the Transparency International Corruption Perception Index

The Fund may however contain investments in public debt instruments for reasons of diversification or (currency risk) hedging issued by core reserve (non-Euro) currency issuers i.e. UK, US and Japan, that do not comply with the above requirements to a maximum of 30% (in total) of the portfolio. This threshold may be exceeded in the event of extraordinary market conditions.

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of sovereign and sovereign related issuers.

3.3 Sector Exclusions

3.3.1 Tobacco

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the tobacco and e-cigarettes industry.

The following companies are excluded:

- Companies classified as "Producer" of tobacco products or e-cigarettes.
- Companies classified as "Distributor", "Retailer", and "Supplier" that earn 5% or more revenue from tobacco products or e-cigarettes.

3.3.2 Weapons – Civil Firearms

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the arms industry.

The following companies are excluded:

- Companies that have derived 5% or more of revenue from manufacturing firearms and small arms ammunition intended for civilian use.
- Companies classified as Producer of firearms or small arms ammunition intended for civilian use.

3.3.3 Controversial and Nuclear Weapons

The Investment Team has a strict policy when it comes to controversial and nuclear weapons.

The following companies are excluded:

- Companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons.
- Companies deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.

3.3.4 Thermal Coal

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal activities.

The companies that are evaluated as part of this process are those which:

- Are involved in coal exploration, and not be involved in the exploitation or development of new coal mines or
- Have an annual thermal coal production greater than 10Mt or
- Derive greater than 5% of their revenue from prohibited coal related activities.
- Are enabling companies: The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the exploration, extraction, transportation, and processing of thermal coal.

Companies (not including enabling companies) undergoing a transition of their operations but not involved in exploration or development of new coal mines may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have less than 10% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 50% of CapEx dedicated to positively contributing activities.

3.3.5 Unconventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in unconventional oil & gas activities.

The companies that are evaluated as part of this process are those which:

- Are involved in coal exploration, and not be involved in the exploitation or development of new unconventional oil or gas fields
- Derive greater than 5% of their revenue from unconventional oil or gas prospecting, exploration, or extraction
- Unconventional oil and gas production contributes greater than 5% of total oil and gas production
- Are enabling companies: The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the prospecting, exploration, or extraction of unconventional oil or gas.

Companies (not including enabling companies) undergoing a transition of their operations but not involved in the exploitation or development of new unconventional oil and gas fields may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have more than 50% of CapEx dedicated to positively contributing activities.

3.3.6 Conventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in conventional oil & gas activities, which include oil or gas prospecting or exploration, extraction of oil or gas, processing or refining of oil or gas (except oil to chemicals), transportation of oil (not distribution).

The following companies are excluded:

- Companies that have derived more than 5% of revenue from conventional oil and gas or from oil and gas pipelines and transportation. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in exploration, extraction, processing and transportation of oil and gas and will not be involved in exploitation or development of new oil or gas fields.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO_2e/MJ in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Have less than 15% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 15% of CapEx dedicated to contributing activities

3.3.7 Power generation

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal-, oil-, gas- or nuclear-based power production.

Electricity utility companies must be in line with the Paris agreement goal to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C, recognizing that this would substantially reduce the risks and impacts of climate change.

The Investment Team will invest only in companies which have committed to decarbonization objective in line with the Paris agreement or companies which are in line with the below carbon intensity profile:

	2023	2024	2025
Max. gCO_2/KWh	354	335	315

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO_2e/MWh in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Derive more than 50% of its revenues from positively contributing activities.
- Have more than 50% of CapEx dedicated to positively contributing activities

Additionally, the company shall not be involved in building new coal-fired power stations. The company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5GW.

The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

3.3.8 Gambling

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in gambling activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from gambling-related business activities.

3.3.9 Adult entertainment

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in adult entertainment activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from adult entertainment activities.

3.3.10 GHG Intensity

The Investment Team intends the Fund to have a lower carbon emissions intensity (GHG intensity or Weighted Average Carbon Intensity) score than the Index (MSCI All Country World Index (60%) and Bloomberg Global Aggregate Index (40%).

Fund	Reference Benchmark
BGF Sustainable Global Allocation Fund	60% MSCI ACWI Index / 40% Bloomberg Barclays Global Aggregate Index

3.3.11 Principle Adverse Impacts (PAIs)

Further, the Fund considers principal adverse impacts (PAIs) on sustainability factors through the application of the BlackRock EMEA Baseline Screens, its exclusionary policy and its carbon reduction target.

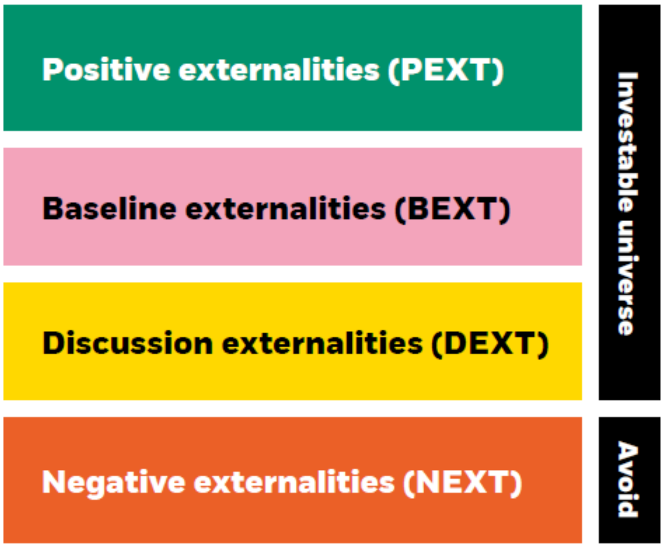
The Fund takes into account the following PAIs (figures denote corresponding PAI number):

- GHG emissions (1)
- GHG intensity of investee companies (3)
- Exposure to companies active in the fossil fuel sector (4)
- Energy consumption intensity per high impact climate sector (6)
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (10)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (11)
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (14)

4. Additional Strategy – “Other”

4.1 Externalities Framework

Through BlackRock’s proprietary PEXT/NEXT framework (further details below), the Fund actively seeks to tilt towards securities with positive externalities (PEXT), while screening out a comprehensive set of securities with negative externalities (NEXT) in order to establish a minimum standard of holdings in the Fund. The PEXT/NEXT framework brings together rigorous bottom-up sector work into a broad but concise infrastructure that forms the basis of our active sustainability approach, alongside active financial management.



Source: BlackRock as of 30 June 2024.

PEXT/NEXT framework

- There are four broad categories in which names are bucketed:
  - **PEXT (positive externalities)** – issuers that are highlighted as preferred holdings e.g. best-in-class companies, companies rapidly decarbonizing, green/social bonds or other holdings with associated positive environmental and social impact.
  - **BEXT (baseline externalities)** - issuers that are defined as neutral and deemed as acceptable.
  - **DEXT (discussion on externalities)** - issuers that are tagged for discussion in our monthly ESG meeting and where the engagement with the companies will happen alongside sector specialists. These are typically issuers that do not fall under PEXT or BEXT, but where the alpha opportunity is deemed compelling enough from the lead PM team to warrant further discussion around the ESG merits.
  - **NEXT (negative externalities)** – issuers that are restricted from purchase, including all screened names e.g. worst rated ESG names (MSCI CCC), issuers with severe controversies, UNGC violators, thermal coal (5% rev threshold), tobacco, controversial weapons, civilian firearms, oil sands, fossil issuers with maturities >2030, gambling, adult entertainment, unconventional oil & gas names, amongst others.

The fund commits to exclude issuers classified as NEXT, while promoting issuers under the PEXT and BEXT categories.

The externality framework and its application allow the Fund to approach sustainability in multiple approaches outlined in the following section.

ESG embedded in the investment process

1. ESG Thematic Investments

Our most preferred holdings (categorized as PEXT in the framework) include issuers that exhibit positive externalities in many different ESG themes such as decarbonization/climate change, Sustainable Development Goals (SDGs) and use-of-proceed bonds such as green, social and sustainability bonds.

Sustainable Investments:

The Fund also invests in Sustainable Investments. BlackRock defines Sustainable Investments as investments in issuers or securities that contribute to an environmental or social objective, do not significantly harm any of those objectives and where investee companies follow good governance practices. BlackRock refers to the United Nations' Sustainable Development Goals, the European Union Taxonomy, Paris Agreement and other relevant sustainability frameworks to identify the alignment of the investment to environmental or social objectives.

Sustainable Investments should also meet the Do No Significant Harm (DNSH) requirements, as defined by applicable law and regulation. BlackRock has developed a set of criteria to assess whether an issuer or investment does significant harm.

The Fund invests at least 20% of its holdings in Sustainable Investments in pursuit of its investment objective. All Sustainable Investments will be assessed by the Investment Adviser to comply with BlackRock's DNSH standard outlined above.

The Sustainable Investments held in the Fund are either:

- Investments in companies deriving at least 20% of estimated revenues from products and services aligned with environmental and/or social objectives, such as, but not limited to, alternative and renewable energy, energy efficiency, pollution prevention or mitigation, reuse and recycling, health, nutrition, sanitation and education.
- Investments in companies that have set de-carbonisation targets in accordance with the Science Based Targets initiative.
- Investments in use of proceeds bonds, such as green bonds, social bonds, and sustainable bonds that comply with the ICMA Green Bond Principles; and/or
- Investments in certain fixed income securities that are aligned with environmental and/or social objectives. This includes, but not limited, to environmental and/or social asset-backed and mortgage-backed securities, bonds issued by supranational entities committed to the promotion of UN Sustainable Development Goals, and municipal bonds related to environmental and/or social objectives such as healthcare, housing and sanitation.

2. Issuer Screening

PEXT and BEXT categories also include issuers that are best-in-class versus their peers – either exhibiting higher ESG ratings or sovereign debt that has is rated higher than their peers.

3. Normative and Exclusionary Screening

The NEXT category includes names that exhibit negative externalities and are restricted for the Fund. Further details on the exclusions below.

The Fund also applies further exclusionary screening by excluding 20% of the benchmark by security count, specifically those securities deemed to be the on the lowest end of the scale for sustainability metrics within each asset class.

The Fund also seeks to promote climate change mitigation by reducing the greenhouse gas emissions intensity of the portfolio, which is the estimated greenhouse gas (Scope 1 and Scope 2) emissions per $1 million of sales revenue across the Fund's holdings. Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting issuer. Scope 3 includes all other indirect emissions that occur in an issuer's value chain.

Investment Process

The Team employs a disciplined process that combines macro regime identification, asset allocation and fundamental, bottom-up security selection augmented by quantitative research and analytics in a manner consistent with the principles of environmental, social and governance ("ESG").

Through this process, the Team seeks to add value across a broadly diversified investment universe in order to identify undervalued investment opportunities while mitigating macroeconomic risks. The investment universe is comprised of global equities, fixed income, cash equivalents, and currencies. The Fund may invest in individual securities, baskets of securities or particular measurements of value or rate and may consider a variety of factors and systematic inputs.

The portfolio managers are responsible for setting the overall investment strategy including the top-down asset allocation, portfolio-level positioning, and risk profile. Macro regime identification informs the top-down asset allocation and takes into account a variety of factors including but not limited to inflation, central bank policies and interest rates.

To ensure ESG considerations are ingrained in every part of the investment process, the portfolio management team closely coordinates with the BlackRock ESG Investment Team. The ESG Investment Team defines the universe of eligible investments for the PM team, utilizing BlackRock's proprietary PEXT/NEXT framework. Each issuer in the investible universe is defined under this methodology in which the ESG profiles of all issuers are looked at with an emphasis on their externalities. All PEXT/NEXT ratings, and updates to them are captured on Aladdin, along with the team's proprietary research repository, Mosaic.

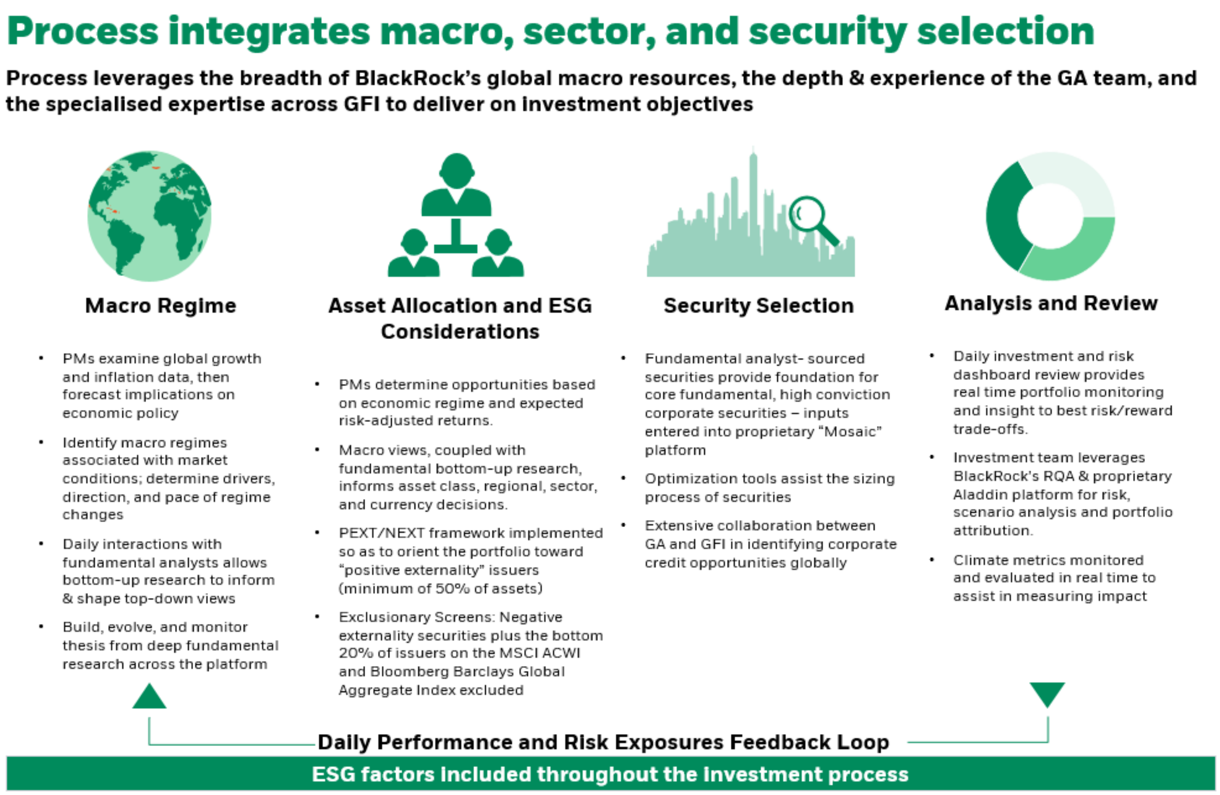
A weekly Investment Strategy Group meeting of the portfolio managers is the main forum for setting top-down asset allocation and for reviewing portfolio targets for a wide range of portfolio exposures and risk management. In addition to the weekly strategy meetings, a deliberate and disciplined framework exists for daily fundamental security selection, quantitative strategies, portfolio construction and platform oversight. This daily framework includes constant dialogue between the portfolio managers and the ESG Investment Team. Broader ESG metrics within the portfolio are reviewed across the investment team on a regular basis. In addition, there is a formal Responsible Investing ESG committee meeting that members of the investment team attend to discuss holdings, the Fund's overall ESG profile and any relevant engagement dialogue across the platform.

Portfolio managers collaborate on investment decisions and engage the greater investment team in the process. This engagement occurs from both a bottom-up security selection and top-down asset allocation perspective. Fundamental analysts are primarily categorized by global sector along with some regional specialization and focus on high conviction ideas from bottom-up security selection. They conduct independent research and have the flexibility to pursue ideas across the capital stack. The Team considers a wide array of macro and micro factors and company specifics, and valuation is a key factor that serves as the basis for most investment choices.

The number of issuers covered by each individual will vary over time and may depend on a number of factors including domain expertise and years of experience; in general, most of the fundamental analysts are expected to cover approximately 20 to 30 issuers. There is no set limit or minimum number of securities covered by the Team.

Portfolio optimization tools assist portfolio managers in the sizing of positions and help calibrate top-down asset allocation decisions alongside ESG considerations. That said, all final buy and sell decisions are made by the team's portfolio managers, led by Rick Rieder.

The investment process can be summarized using the diagram below:



Source: BlackRock, as of 30 September 2023. For illustrative purposes only. Subject to change.

GA Team: BlackRock Global Allocation Team.

GFI: BlackRock Global Fixed Income Group.

RQA: BlackRock Risk & Quantitative Analysis Team.

<u>ESG Decision-Making Approach</u>

- The portfolio management of the Fund is a collaborative effort between the Global Allocation Investment Team and the ESG Investment Team.
- The ESG Investment Team defines the universe of eligible investments for the PM team, utilizing BlackRock's proprietary PEXT/NEXT framework (detailed further in "ESG Integration"). Each issuer in the investible universe is defined under this methodology in which the ESG profiles of all issuers are looked at with an emphasis on their externalities.

  - The methodology behind issuer tagging is designed to be consistently applied across the entire investable universe. Any proposed methodology changes can be approved on a monthly basis at the Responsible Investing ESG Committee meeting.
  - Issuer tagging may change intra-month due to a change in the underlying ESG characteristics of an issuer e.g. rating changes or reported revenue changes. Email alerts are sent to each member of the portfolio management team indicating any changes in category.

- The portfolio managers responsible for BGF Sustainable Global Allocation work closely with the ESG Investment Team with constant dialogue. On a monthly basis, this is formalized through the Responsible Investing ESG committee meeting to discuss holdings, the Fund's overall ESG profile and any relevant engagement dialogue.
- From a top-down perspective, the Fund will seek to identify broader themes that are believed to lead to ESG advancements and ultimately alpha generation. Bottom-up, the Fund will seek to price in the risks and rewards of specific ESG factors and exclude companies we believe are associated with objectionable activities and securities that score poorly on ESG related metrics.

- Fundamental analysts have access to security-level ESG scores within the team's proprietary research platform (Mosaic) and enables ESG information to be evaluated as one of multiple inputs in the screening and analysis of the investment universe.
- ESG related issues help inform fundamental research on long-term economic scenarios, secular trends and industry disruptions. This process is further augmented by ESG dedicated systematic signals incorporated with the aim to capture specific sustainable factors.

ESG Integration

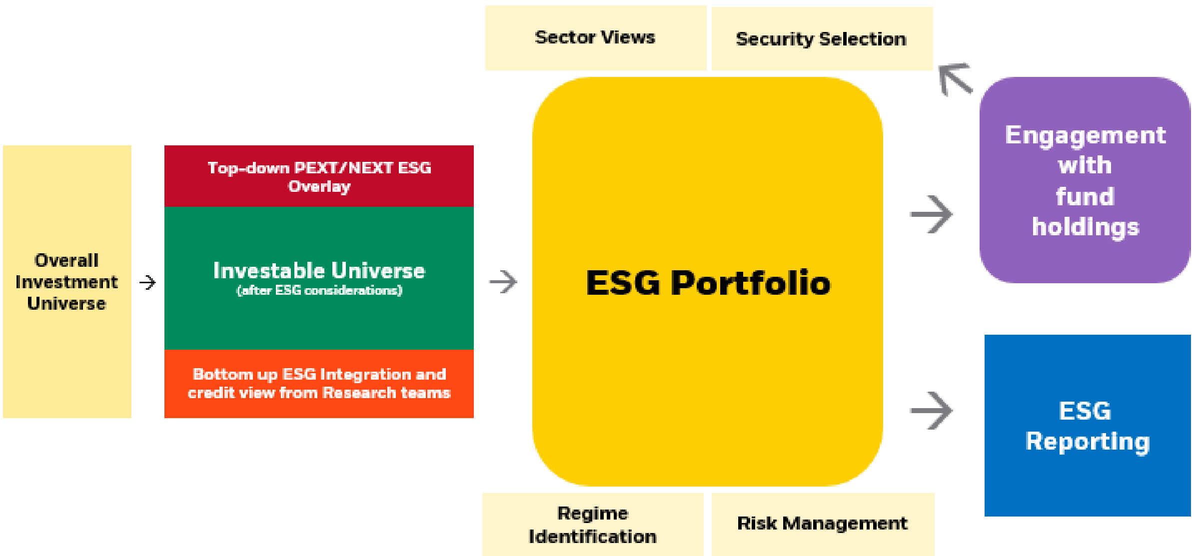
ESG factors are integrated into every stage of the investment process – encompassing company evaluations, sustainability, investments in green, social and sustainable bonds, and engagement on ESG issues with the companies in our portfolio. How an issuer manages the ESG risks and opportunities relevant to its business can contribute to its long-term financial performance. As a result, sustainability metrics can provide useful insights to investors as signals of good governance, operational excellence or business model tail risks.

We consider the ESG profiles of all issuers with an emphasis on the externalities of these holdings, helping to address the shortcomings of more traditional methods of assigning ESG scores or classic business revenue approaches.

We have therefore built the 'PEXT/NEXT' framework which we believe more accurately covers the entirety of the Fund's investment universe and ultimately provides a superior tool for integrating ESG into the process.

BGF Sustainable Global Allocation actively seeks to tilt towards securities with positive externalities (PEXT) through this framework, while we screen out a comprehensive set of securities with negative externalities (NEXT) in order to establish a minimum standard of holdings in the Fund.

The implementation of this framework can be summarized in the chart below:



Source: BlackRock as of 30 June 2024.

BIPF Sustainable Global Allocation Tailored Fund

Investment Objective and Policy

The Sustainable Global Allocation Tailored Fund seeks to maximise total return in a manner consistent with the principles of environmental, social and governance ("ESG") focused investing. The Fund seeks to invest globally in equity, debt and short-term securities, of both corporate and governmental issuers, with no prescribed limits. In normal market conditions the Fund will invest at least 70% of its total assets in the securities of corporate and governmental issuers. The Fund generally will seek to invest in securities that are, in the opinion of the Investment Adviser, undervalued. The Fund may also invest in the equity securities of small and emerging growth companies. The Fund's debt portfolio may consist of investment grade, sub-investment grade or unrated fixed income transferable securities. Currency exposure is flexibly managed.

The Fund seeks to invest in Sustainable Investments and its total assets will be invested in accordance with the ESG Policy described within this document.

Additional Information

Main asset class: Multi-Asset. While the Fund's reference benchmark consists of 60% MSCI All Country World Index / 40% Bloomberg Barclays Global Aggregate Index, the benchmark itself serves as a neutral asset allocation with no ESG considerations. The Fund's investment universe is comprised of global equities, fixed income, cash equivalents, and currencies. The Fund may invest in individual securities, baskets of securities or particular measurements of value or rate and may consider a variety of factors and systematic inputs.

Benchmark use: The Fund is actively managed, and the Investment Adviser has discretion to select the Fund's investments. In doing so, the Investment Adviser will refer to a composite benchmark comprising the MSCI All Country World Index (60%) and Bloomberg Global Aggregate Index (40%) (the "Index") when constructing the Fund's portfolio, and also for risk management purposes to ensure that the active risk (i.e., degree of deviation from the Index) taken by the Fund remains appropriate given the Fund's investment objective and policy. The Investment Adviser is not bound by the components or weighting of the Index when selecting investments. The Investment Adviser may also use its discretion to invest in securities not included in the Index in order to take advantage of specific investment opportunities. The Index should be used by investors to compare the performance of the Fund.

In additional to the various ESG screens that are used, by prospectus the ESG policy reduces the investment universe of the Fund by 20%. For the purposes of measuring this reduction only, MSCI All Country World Index and Bloomberg Global Aggregate Index are used to define the investment universe and are reduced separately.

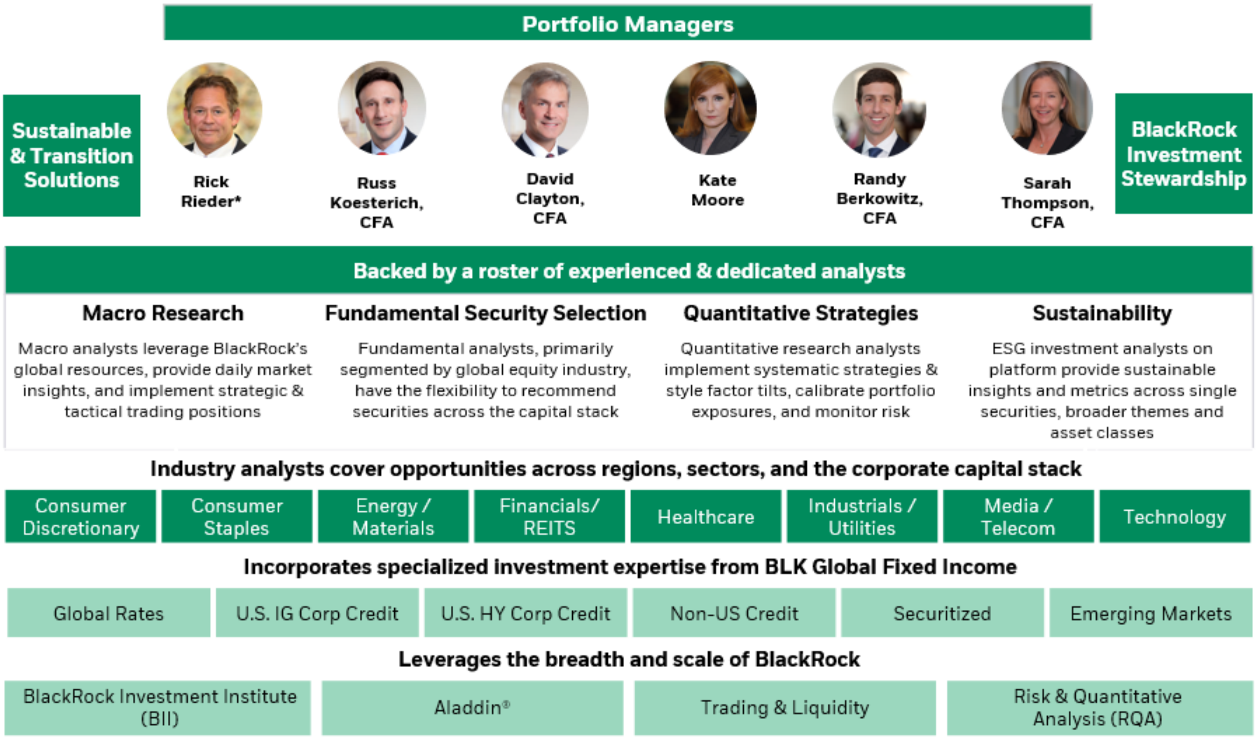
The Investment Adviser intends the Fund to have a lower carbon emissions intensity score than the Index.

Material Insights: We are continuously expanding access to high quality ESG data and information sources through Aladdin. BlackRock's investment teams have access to a range of BlackRock ESG Integration Statement third-party data sets and internal materiality-focused ratings across core Aladdin tools, allowing investors to identify financially material ESG data or information for their unique investment process where appropriate. The Aladdin platform also offers a set of analytic tools to assess material ESG-related risks and opportunities. This includes Aladdin Climate, which amongst other analytics, provides scenario analysis capabilities to help investors identify investment risks and opportunities associated with the physical impacts of a changing climate and the uncertain transition to a low-carbon world. From sovereign debt perspective, the firm utilizes the BlackRock Sovereign Sustainable Index (BSSI), which aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective.

Transparency: Where relevant, we disclose ESG integration practices in fund documentation and on product pages and disclose our firm's approach to ESG integration through comparable industry relevant reporting frameworks, such as the Principles for Responsible Investment (PRI). For greatest transparency, these reports are publicly available in full on our website.

<u>Resources</u>

BIPF Sustainable Global Allocation Tailored Portfolio Management Team:



There is no guarantee that a positive investment outcome will be achieved.

As of 30 September 2023. Source: BlackRock. * Investment team leader.

The Global Allocation team works closely with members of dedicated sustainability teams at the firm, including the following groups:

The **Global Fixed Income Responsible Investment** team works with portfolio managers and credit research groups to identify relevant material ESG risks and opportunities and develop tools to aid this process. It proactively engages with investment professionals across Fundamental Fixed Income to support implementation of this statement, raise awareness and understanding of our ESG impacts and management methods, and encourage knowledge sharing and best practices. This team also coordinates with the firm-wide sustainable investing resources listed below as well as the BlackRock Public Policy team, to share knowledge and coordinate best practice.

The **BlackRock Investment Stewardship** team consists of numerous professionals responsible for, among other things, encouraging sound corporate governance practices at the companies in which we invest on behalf of clients. The team does this primarily through engagement and proxy voting. Because BlackRock views stewardship as an investment function, the team is positioned for the mutual exchange of views with active portfolio management teams. The team's work benefits clients invested in listed equity and credit.

The firm-wide **BlackRock Sustainable and Transition Solutions** team is dedicated to helping clients and portfolio managers define their sustainable investing goals and build innovative, outcome-oriented solutions.

Sustainability Restrictions

Excluded Activities and Practices

The Investment Team shall not finance sovereign and corporate issuers which conduct practices widely regarded as unsustainable or (very) harmful. Therefore, the investment process includes assessments regarding the ESG integration and due diligence. The investment process combines exclusions and exposure limits (outlined below), impact (via investment in companies and issuers exhibiting positive externalities (outlined in the investment process section), engagement and accountability. All of the information published throughout is available to clients to ensure full transparency.

The Investment Team makes use of the following strategies (ESG integration, normative screening, and exclusion) to ensure that the portfolio does not finance activities that pose significant harm to sustainability factors, while leveraging the BlackRock Externalities framework (1.8 other strategy from the QS) to ensure that the portfolio supports the ESG characteristics the portfolio wants to realize. We believe that process helps ensure the Double Materiality perspective.

1. ESG Integration

1.1 BlackRock Externalities Framework

The Global Allocation team leverages BlackRock's Externalities Framework, which is practically applied by our portfolio managers. Traditional measures of assigning ESG scores or classic business revenue approaches cover only a fraction of the investable universe and ultimately fall short. The BlackRock Externalities Framework, 'PEXT/NEXT' (Positive/Negative Externality), brings together rigorous bottom-up sector work into a broad but concise infrastructure that forms the basis of our active sustainability approach, alongside active financial management. There are four broad categories in which names are bucketed:

- **PEXT** issuers are highlighted as preferred holdings.
- **BEXT** issuers do not have any explicit positive impact characteristics but also do not have any associated negative externalities and are defined as neutral.
- For holdings where we cannot determine either a clear positive or clear negative externality, we created a discussion category, **DEXT**, where Fixed Income specialists debate views on an issuer.
- **NEXT** issuers are restricted from purchase and creates a minimum standard of all holdings in our sustainable portfolios. This typically includes all screened names.

The Externalities Framework has embedded ESG data and analytics in Aladdin's suite of portfolio and risk management tools. Datasets sourced from external vendors (principally MSCI and Sustainalytics), including headline ESG scores, carbon data, product involvement metrics or controversies have been incorporated into Aladdin tools to support the full investment process, from research, to portfolio construction and modelling, compliance, and reporting.

At least 90% of the Funds total assets will be rated or analysed according to environmental, social and governance (ESG) criteria. In addition, we utilise MSCI data to exclude 20% of the benchmark by security count, specifically those securities deemed to be the on the lowest end of the scale for sustainability metrics within each asset class.

2. Normative & Controversy Screening

2.1 UN Global Compact

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers, based on their involvement in violations of one or more of the 10 principles of the United Nation Global Compact (UNGC[9]).

<u>UN Global Compact violators are prohibited</u>. The Funds will not invest in issuers that have significant and credible exposure to ESG risk associated with one or more of the ten UNGC Principles.

2.2 Controversy Score

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of issuers with severe controversies, related to historical or ongoing sustainability-linked scandals.

<u>Issuers flagged with severe controversies are prohibited.</u> The firm will leverage the MSCI ESG Controversies framework, designed to be consistent with international norms such as those represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

3. Exclusions

3.1 EMEA Baseline Screens

In EMEA, BlackRock recognises that investors are increasingly using exclusionary screens to avoid exposure to certain companies or sectors that pose reputational risks or are not aligned with their beliefs and values. In order to offer scalable solutions to investors across different asset classes and investment styles, BlackRock has developed a set of exclusionary screens, "BlackRock EMEA Baseline Screens", that seeks to address a majority of our clients' requests for exclusions.

Where the BlackRock EMEA Baseline Screens are applied to a BlackRock managed fund, BlackRock will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in their opinion of, have exposure to, or ties with, certain sectors, namely:

[9] *Strategic policies initiative in the area of human rights, labour, environment and anti-corruption*

Sector	BlackRock EMEA Baseline Screen Policy
Controversial Weapons	Issuers which are engaged in, or are otherwise exposed to, the production of controversial weapons (including, but not limited to, cluster munitions, biological-chemical, landmines, depleted uranium, blinding laser, non-detectable fragments and/or incendiary weapons).
Nuclear Weapons	Issuers deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.
Fossil Fuels	Issuers deriving more than 5% of their revenue from thermal coal extraction and/or thermal coal-based power generation, with the exception of "green bonds", that are considered to comply with the International Capital Markets Association's Green Bond Principles, from such issuers. Issuers deriving more than 5% of their revenue from the production and generation of tar sands (also known as oil sands).
Tobacco	Issuers which produce tobacco products. Issuers which derive more than 5% of their revenue from the production, distribution, retail and supply of tobacco-related products.
Civilian Firearms	Issuers which produce firearms and/or small arms ammunition intended for retail to civilians. Issuers which derive more than 5% of their revenue from the distribution (wholesale or retail) of firearms and/or small arms ammunition intended for civilian use.
Controversial Business Practices	Issuers which have been deemed to have failed to comply with UN Global Compact Principles (which cover human rights, labour standards, the environment and anticorruption).

Source: BlackRock.

To undertake this analysis, BlackRock may use data generated internally and/or provided by one or more external ESG research providers. Further information about the ESG criteria used by the BlackRock, including information on how the limits and exclusions (as set out in the above paragraph) are applied, can be obtained on request. Further information about the EMEA Baseline Screens can be found here.

3.2 Sovereign Exclusions

The BlackRock Sovereign Sustainable Index (BSSI) aims to rank sovereign issuers based on the country's overall sustainability measures from an environmental, social and governance (ESG) perspective. BlackRock has partnered with the World Bank to identify 39 indicators from officially recognized international sources, divided into environmental, social and governance pillars. In addition to World Bank World Development Indicators (WDI) and World Governance Indicators (WGI), BSSI also uses Verisk Maplecroft Country Risk Indices, Yale Environmental Performance Index (EPI), Global Peace Index Institute for Economics and Peace (IEP), Climate Change Performance Index (CCPI), and Legatum Prosperity Index (Health Pillar Only) to analyse sovereign credit.

- Sovereign and Sovereign related issuers falling on the 4th quartile of the BSSI are excluded
- Sovereign and Sovereign related issuers falling on the 3rd quartile of the BSSI are authorised, subject to monitoring and approval after discussion by the Investment Team

The following sovereign entities will also be excluded[10]:

- Sovereign entities that have not ratified the 8 core conventions defined in the International Labour Organisation
- Sovereign entities that have signed at least half of the 18 core International Human Rights Treaties
- Sovereign entities which are not part of the Paris Agreement, the UN Convention on Biological Diversity or the Nuclear Non-Proliferation Treaty

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[10] Exceptions apply to the USA, Japan and the UK which are considered as core reserve currency issuers; they can be invested up to 30% for hedging or efficient portfolio management purpose.

- Other sovereign entities with high military budget, failing anti-money laundering standards, showing sign of corruption or qualified as not free according to the Freedom House (details below).
- We follow the below principles: Non-use-of proceeds sovereign-issues instruments cannot be directly linked to the financing of sustainable activities. The proceeds are allocated by governments in a discretionary way.
- Governance indicators are an appropriate measure for the fair and responsible allocation of proceeds by governments.
- Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.

States shall comply with the following:

- The average of its scores on all 6 WGIs (World Bank Indicator) is at least -0.59
- It does not score less than -1.00 on a single WGI

The 6 Worldwide Governance Indicators (WGI) as established by the World Bank are:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory quality
5. Rule of Law
6. Control of Corruption

States classified as high-income economies by the World Bank shall also comply with the additional criteria:

- The state has ratified or has implemented in equivalent national legislation:

i. The eight fundamental conventions identified in the international Labour Organisation's declaration on Fundamental Rights and Principles at Work
ii. At least half of 18 core International Human Rights Treaties

- The State is party to:

i. The Paris Agreement
ii. The UN Convention on Biological Diversity
iii. The Nuclear Non-Proliferation Treaty

- The State does not have a particularly high military budgets (>4% GDP)
- The State is not considered a 'Jurisdiction with strategic AML/CFT deficiencies' by the FATF
- The State scores at least 40/100 on the Transparency International Corruption Perception Index
- The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'- survey
- The State does not have the death penalty legal and in use

Up to 30% of portfolio exempted if for diversification and hedging purposes, if the issuers are core currency Sovereign issuers.

Freedom House Rules: The Fund intends to exclude all sovereign issues from states that are deemed as "Not Free" by the Freedom House 'Freedom in the World"- survey.

The Fund intends to exclude all sovereign issues from:

States that have not ratified or have not implemented in equivalent national legislation:

- the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work

- at least half of the 18 core International Human Rights Treaties

States which are not party to:

- the Paris Agreement
- the UN Convention on Biological Diversity
- the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF
- States with less than 40/100 on the Transparency International Corruption Perception Index

The Fund may however contain investments in public debt instruments for reasons of diversification or (currency risk) hedging issued by core reserve (non-Euro) currency issuers i.e. UK, US and Japan, that do not comply with the above requirements to a maximum of 30% (in total) of the portfolio. This threshold may be exceeded in the event of extraordinary market conditions.

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of sovereign and sovereign related issuers.

3.3 Sector Exclusions

3.3.1 Tobacco

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the tobacco and e-cigarettes industry.

The following companies are excluded:

- Companies classified as "Producer" of tobacco products or e-cigarettes.
- Companies classified as "Distributor", "Retailer", and "Supplier" that earn 5% or more revenue from tobacco products or e-cigarettes.

3.3.2 Weapons – Civil Firearms

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies in the arms industry.

The following companies are excluded:

- Companies that have derived 5% or more of revenue from manufacturing firearms and small arms ammunition intended for civilian use.
- Companies classified as Producer of firearms or small arms ammunition intended for civilian use.

3.3.3 Controversial and Nuclear Weapons

The Investment Team has a strict policy when it comes to controversial and nuclear weapons.

The following companies are excluded:

- Companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons.
- Companies deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.

3.3.4 Thermal Coal

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal activities.

The companies that are evaluated as part of this process are those which:

- Are involved in coal exploration, and not be involved in the exploitation or development of new coal mines or
- Have an annual thermal coal production greater than 10Mt or
- Derive greater than 5% of their revenue from prohibited coal related activities.
- Are enabling companies: The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the exploration, extraction, transportation, and processing of thermal coal.

Companies (not including enabling companies) undergoing a transition of their operations but not involved in exploration or development of new coal mines may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi ‘Business Ambition for 1.5°C’ commitment.
- Have less than 10% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 50% of CapEx dedicated to positively contributing activities.

3.3.5 Unconventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in unconventional oil & gas activities.

The companies that are evaluated as part of this process are those which:

- Are involved in coal exploration, and not be involved in the exploitation or development of new unconventional oil or gas fields
- Derive greater than 5% of their revenue from unconventional oil or gas prospecting, exploration, or extraction
- Unconventional oil and gas production contributes greater than 5% of total oil and gas production
- Are enabling companies: The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the prospecting, exploration, or extraction of unconventional oil or gas.

Companies (not including enabling companies) undergoing a transition of their operations but not involved in the exploitation or development of new unconventional oil and gas fields may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi ‘Business Ambition for 1.5°C’ commitment.
- Have more than 50% of CapEx dedicated to positively contributing activities.

3.3.6 Conventional Oil & Gas

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in conventional oil & gas activities, which include oil or gas prospecting or exploration, extraction of oil or gas, processing or refining of oil or gas (except oil to chemicals), transportation of oil (not distribution).

The following companies are excluded:

- Companies that have derived more than 5% of revenue from conventional oil and gas or from oil and gas pipelines and transportation. Some exceptions apply for issuers with a forward-looking approach to decarbonization (SBTI, renewable power within the energy mix, capital expenditures dedicated to green energy).
- The company shall currently not be involved in exploration, extraction, processing and transportation of oil and gas and will not be involved in exploitation or development of new oil or gas fields.

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Have less than 15% of CapEx dedicated to prohibited activities and not with the objective of increasing revenue.
- Have more than 15% of CapEx dedicated to contributing activities

3.3.7 Power generation

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in coal-, oil-, gas- or nuclear-based power production.

Electricity utility companies must be in line with the Paris agreement goal to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C, recognizing that this would substantially reduce the risks and impacts of climate change.

The Investment Team will invest only in companies which have committed to decarbonization objective in line with the Paris agreement or companies which are in line with the below carbon intensity profile:

	2023	2024	2025
Max. gCO2/KWh	354	335	315

Companies undergoing a transition of their operations may be eligible if they meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO2e/MWh in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from prohibited activities
- Derive more than 50% of its revenues from positively contributing activities.
- Have more than 50% of CapEx dedicated to positively contributing activities

Additionally, the company shall not be involved in building new coal-fired power stations. The company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5GW.

The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

3.3.8 Gambling

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in gambling activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from gambling-related business activities.

3.3.9 Adult entertainment

The Investment Team has integrated into the ESG due diligence process, the monitoring and evaluation of companies involved in adult entertainment activities.

The following companies are excluded:

- Companies that have derived more than 5% revenue from adult entertainment activities.

3.3.10 GHG Intensity

The Investment Team intends the Fund to have a lower carbon emissions intensity (GHG intensity or Weighted Average Carbon Intensity) score than the Index.

Fund	Reference Benchmark
BIPF Sustainable Global Allocation Tailored Fund	60% MSCI ACWI Index / 40% Bloomberg Barclays Global Aggregate Index

3.3.11 Principle Adverse Impacts (PAIs)

Further, the Fund considers principal adverse impacts (PAIs) on sustainability factors through the application of the BlackRock EMEA Baseline Screens, its exclusionary policy and its carbon reduction target.

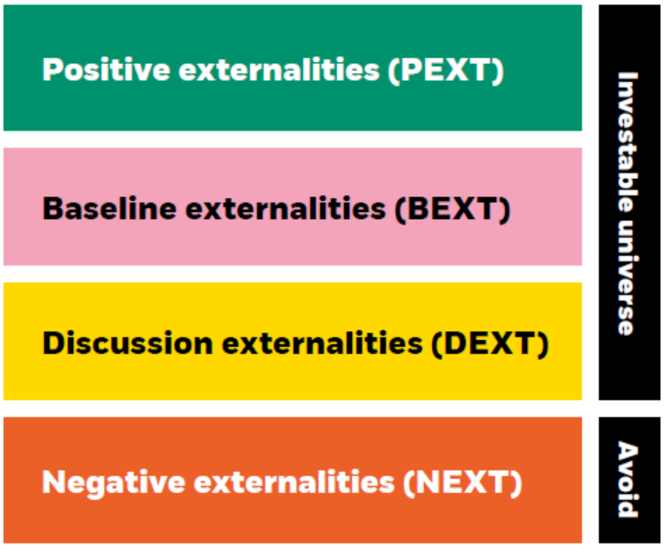
The Fund takes into account the following PAIs:

- GHG emissions (1)
- GHG intensity of investee companies (3)
- Exposure to companies active in the fossil fuel sector (4)
- Energy consumption intensity per high impact climate sector (6)
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (10)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (11)
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (14)

4. Additional Strategy – “Other”

4.1 Externalities Framework

Through BlackRock’s proprietary PEXT/NEXT framework (further details below), the Fund actively seeks to tilt towards securities with positive externalities (PEXT), while screening out a comprehensive set of securities with negative externalities (NEXT) in order to establish a minimum standard of holdings in the Fund. The PEXT/NEXT framework brings together rigorous bottom-up sector work into a broad but concise infrastructure that forms the basis of our active sustainability approach, alongside active financial management.



PEXT/NEXT framework

- There are four broad categories in which names are bucketed:
    - **PEXT (positive externalities)** – issuers that are highlighted as preferred holdings e.g. best-in-class companies, companies rapidly decarbonizing, green/social bonds or other holdings with associated positive environmental and social impact.
    - **BEXT (baseline externalities)** - issuers that are defined as neutral and deemed as acceptable.
    - **DEXT (discussion on externalities)** - issuers that are tagged for discussion in our monthly ESG meeting and where the engagement with the companies will happen alongside sector specialists. These are typically issuers that do not fall under PEXT or BEXT, but where the alpha opportunity is deemed compelling enough from the lead PM team to warrant further discussion around the ESG merits.
    - **NEXT (negative externalities)** – issuers that are restricted from purchase, including all screened names e.g. worst rated ESG names (MSCI CCC), issuers with severe controversies, UNGC violators, thermal coal (5% rev threshold), tobacco, controversial weapons, civilian firearms, oil sands, fossil issuers with maturities >2030, gambling, adult entertainment, unconventional oil & gas names, amongst others.

The fund commits to exclude issuers classified as NEXT, while promoting issuers under the PEXT and BEXT categories.

The externality framework and its application allow the Fund to approach sustainability in multiple approaches outlined in the following section.

ESG embedded in the investment process

1. ESG Thematic Investments

Our most preferred holdings (categorized as PEXT in the framework) include issuers that exhibit positive externalities in many different ESG themes such as decarbonization/climate change, Sustainable Development Goals (SDGs) and use-of-proceed bonds such as green, social and sustainability bonds.

Sustainable Investments:

The Fund also invests in Sustainable Investments. BlackRock defines Sustainable Investments as investments in issuers or securities that contribute to an environmental or social objective, do not significantly harm any of those objectives and where investee companies follow good governance practices. BlackRock refers to the United

Nations' Sustainable Development Goals, the European Union Taxonomy, Paris Agreement and other relevant sustainability frameworks to identify the alignment of the investment to environmental or social objectives.

Sustainable Investments should also meet the do no significant harm (DNSH) requirements, as defined by applicable law and regulation. BlackRock has developed a set of criteria to assess whether an issuer or investment does significant harm.

The Fund invests at least 20% of its holdings in Sustainable Investments in pursuit of its investment objective. All Sustainable Investments will be assessed by the Investment Adviser to comply with BlackRock's DNSH standard outlined above.

The Sustainable Investments held in the Fund are either:

- Investments in companies deriving at least 20% of estimated revenues from products and services aligned with environmental and/or social objectives, such as, but not limited to, alternative and renewable energy, energy efficiency, pollution prevention or mitigation, reuse and recycling, health, nutrition, sanitation and education.
- Investments in companies that have set de-carbonisation targets in accordance with the Science Based Targets initiative.
- Investments in use of proceeds bonds, such as green bonds, social bonds, and sustainable bonds that comply with the ICMA Green Bond Principles; and/or
- Investments in certain fixed income securities that are aligned with environmental and/or social objectives. This includes, but not limited to, environmental and/or social asset-backed and mortgage-backed securities, bonds issued by supranational entities committed to the promotion of UN Sustainable Development Goals, and municipal bonds related to environmental and/or social objectives such as healthcare, housing and sanitation.

2. Issuer Screening

PEXT and BEXT categories also include issuers that are best-in-class versus their peers – either exhibiting higher ESG ratings or sovereign debt that has is rated higher than their peers.

In addition to the policies outlined in this section, the Fund will also take into consideration an additional list of excluded securities as provided by the client (KBC).

3. Normative and Exclusionary Screening

The NEXT category includes names that exhibit negative externalities and are restricted for the Fund. Further details on the exclusions below.

The Fund also applies further exclusionary screening by excluding 20% of the benchmark by security count, specifically those securities deemed to be the on the lowest end of the scale for sustainability metrics within each asset class.

The Fund also seeks to promote climate change mitigation by reducing the greenhouse gas emissions intensity of the portfolio, which is the estimated greenhouse gas (Scope 1 and Scope 2) emissions per $1 million of sales revenue across the Fund's holdings. Greenhouse gas emissions are categorised into three groups or 'scopes' by the most widely used international accounting tool, the Greenhouse Gas (GHG) Protocol. Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting issuer. Scope 3 includes all other indirect emissions that occur in an issuer's value chain.

<u>Investment Process</u>

The Team employs a disciplined process that combines macro regime identification, asset allocation and fundamental, bottom-up security selection augmented by quantitative research and analytics in a manner consistent with the principles of environmental, social and governance ("ESG").

Through this process, the Team seeks to add value across a broadly diversified investment universe in order to identify undervalued investment opportunities while mitigating macroeconomic risks. The investment universe is comprised of global equities, fixed income, cash equivalents, and currencies. The Fund may invest in individual securities, baskets of securities or particular measurements of value or rate and may consider a variety of factors and systematic inputs.

The portfolio managers are responsible for setting the overall investment strategy including the top-down asset allocation, portfolio-level positioning, and risk profile. Macro regime identification informs the top-down asset allocation and takes into account a variety of factors including but not limited to inflation, central bank policies and interest rates.

To ensure ESG considerations are ingrained in every part of the investment process, the portfolio management team closely coordinates with the BlackRock ESG Investment Team. The ESG Investment Team defines the universe of eligible investments for the PM team, utilizing BlackRock's proprietary PEXT/NEXT framework. Each issuer in the investible universe is defined under this methodology in which the ESG profiles of all issuers are looked at with an emphasis on their externalities. All PEXT/NEXT ratings, and updates to them are captured on Aladdin, along with the team's proprietary research repository, Mosaic.

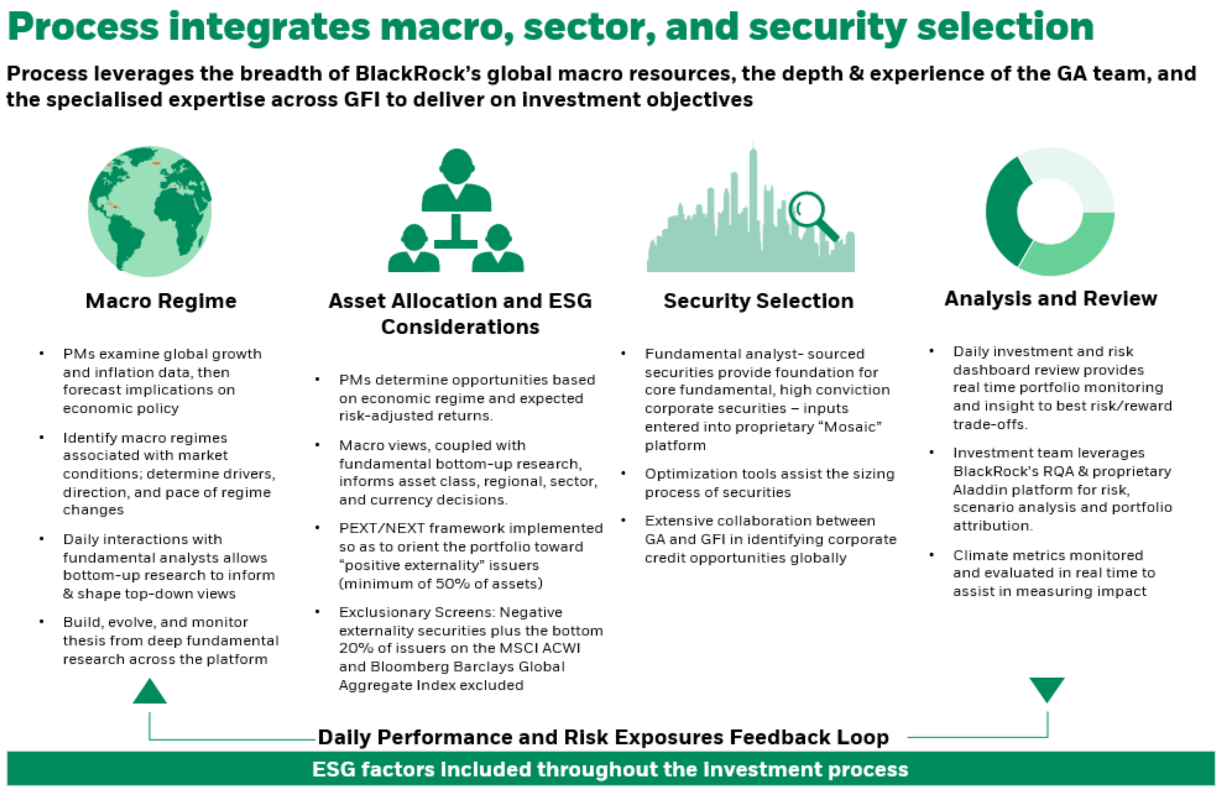
A weekly Investment Strategy Group meeting of the portfolio managers is the main forum for setting top-down asset allocation and for reviewing portfolio targets for a wide range of portfolio exposures and risk management. In addition to the weekly strategy meetings, a deliberate and disciplined framework exists for daily fundamental security selection, quantitative strategies, portfolio construction and platform oversight. This daily framework includes constant dialogue between the portfolio managers and the ESG Investment Team. Broader ESG metrics within the portfolio are reviewed across the investment team on a regular basis. In addition, there is a formal Responsible Investing ESG committee meeting that members of the investment team attend to discuss holdings, the Fund's overall ESG profile and any relevant engagement dialogue across the platform.

Portfolio managers collaborate on investment decisions and engage the greater investment team in the process. This engagement occurs from both a bottom-up security selection and top-down asset allocation perspective. Fundamental analysts are primarily categorized by global sector along with some regional specialization and focus on high conviction ideas from bottom-up security selection. They conduct independent research and have the flexibility to pursue ideas across the capital stack. The Team considers a wide array of macro and micro factors and company specifics, and valuation is a key factor that serves as the basis for most investment choices.

The number of issuers covered by each individual will vary over time and may depend on a number of factors including domain expertise and years of experience; in general, most of the fundamental analysts are expected to cover approximately 20 to 30 issuers. There is no set limit or minimum number of securities covered by the Team.

Portfolio optimization tools assist portfolio managers in the sizing of positions and help calibrate top-down asset allocation decisions alongside ESG considerations. That said, all final buy and sell decisions are made by the team's portfolio managers, led by Rick Rieder.

The investment process can be summarized using the diagram below:



Source: BlackRock as of 30 June 2024.

<u>ESG Decision-Making Approach</u>

- The portfolio management of the Fund is a collaborative effort between the Global Allocation Investment Team and the ESG Investment Team.
- The ESG Investment Team defines the universe of eligible investments for the PM team, utilizing BlackRock's proprietary PEXT/NEXT framework (detailed further in "ESG Integration"). Each issuer in the investible universe is defined under this methodology in which the ESG profiles of all issuers are looked at with an emphasis on their externalities.

    - The methodology behind issuer tagging is designed to be consistently applied across the entire investable universe. Any proposed methodology changes can be approved on a monthly basis at the Responsible Investing ESG Committee meeting.
    - Issuer tagging may change intra-month due to a change in the underlying ESG characteristics of an issuer e.g. rating changes or reported revenue changes. Email alerts are sent to each member of the portfolio management team indicating any changes in category.

- The portfolio managers responsible for BIPF Sustainable Global Allocation Tailored Fund work closely with the ESG Investment Team with constant dialogue. On a monthly basis, this is formalized through the Responsible Investing ESG committee meeting to discuss holdings, the Fund's overall ESG profile and any relevant engagement dialogue.
- From a top-down perspective, the Fund will seek to identify broader themes that are believed to lead to ESG advancements and ultimately alpha generation. Bottom-up, the Fund will seek to price in the risks and rewards of specific ESG factors and exclude companies we believe are associated with objectionable activities and securities that score poorly on ESG related metrics.
- Fundamental analysts have access to security-level ESG scores within the team's proprietary research platform (Mosaic) and enables ESG information to be evaluated as one of multiple inputs in the screening and analysis of the investment universe
- ESG related issues help inform fundamental research on long-term economic scenarios, secular trends and industry disruptions. This process is further augmented by ESG dedicated systematic signals incorporated with the aim to capture specific sustainable factors.

ESG Integration

ESG factors are integrated into every stage of the investment process – encompassing company evaluations, sustainability, investments in green, social and sustainable bonds, and engagement on ESG issues with the companies in our portfolio. How an issuer manages the ESG risks and opportunities relevant to its business can contribute to its long-term financial performance. As a result, sustainability metrics can provide useful insights to investors as signals of good governance, operational excellence or business model tail risks.

We consider the ESG profiles of all issuers with an emphasis on the externalities of these holdings, helping to address the shortcomings of more traditional methods of assigning ESG scores or classic business revenue approaches.

We have therefore built the 'PEXT/NEXT' framework (*detailed further below*) which we believe more accurately covers the entirety of the Fund's investment universe and ultimately provides a superior tool for integrating ESG into the process.

BIPF Sustainable Global Allocation Tailored Fund actively seeks to tilt towards securities with positive externalities (PEXT) through this framework, while we screen out a comprehensive set of securities with negative externalities (NEXT) in order to establish a minimum standard of holdings in the Fund.

The implementation of this framework can be summarized in the chart below:

BGF ESG Multi-Asset Fund

The Multi Asset Strategies & Solutions (MASS) Diversified Strategies team focuses on delivering superior returns to clients through active asset allocation decisions and bespoke implementation of research views. As such, it focuses on establishing a "top-down" macro-economic view of the world and building portfolios that have a diversified set of research-driven investment themes and ideas consistent with that view. The team believes ESG considerations are a vital component at all stages of the investment process (macro-outlook, idea generation, implementation tools, portfolio construction, risk management, ongoing monitoring and reporting) given they point to risks that are often unaccounted for in traditional financial disclosures. The team also believe the integration of ESG considerations can aid the construction of more robust portfolios, which have the ability to meet both the financial needs and sustainability goals of our clients.

Four Main Strategies for adherence with Febelfin Quality Standard:

The eligibility of all assets (except those considered as "technical assets" *) in the BGF ESG Multi-Asset Fund are subject to the below selected ESG strategies:

1. **ESG integration (more detail below)**
2. **Normative screening (more detail below)**
3. **Exclusion (more detail below)**
4. **Main Additional strategy: "Objective to do better than a benchmark on one or more ESG indicators**."
   The investment team intends to outperform the reference non-ESG benchmark (50% MSCI World/50% Bloomberg Global Aggregate (hedged to EUR) by 15% on Carbon Emissions Intensity by Sales (metric tons/USD mn. revenue) on average over an annual period in order to specifically align with Febelfin Quality Standard.

** Considered technical assets are: cash and cash-like assets (e.g., money market funds) used for liquidity management or hedging, Derivatives used for efficient portfolio management or hedging, Index-based products based on broad market indices used for technical reasons. The proportion of technical assets shall not structurally be more than 20% of the portfolio. This means that under normal market conditions, the fund intends to allocate at least 80% of the portfolio to issuers that are subject to the ESG-screening approach of the fund and that contribute to the ESG characteristics promoted by the fund.*

1. ESG integration

At BlackRock we define ESG integration to be the practice of incorporating financially material ESG data or information into our firmwide processes with the objective of enhancing risk-adjusted returns of our clients' portfolios. This applies regardless of whether a fund or strategy has a sustainable or ESG-specific objective. Please note that this section describes ESG integration in broader terms than the BlackRock definition in order to align with the Febelfin label portfolio strategy descriptions.

SFDR:

The BGF ESG Multi-Asset Fund is classified as a SFDR Article 8 Fund that promotes Environment and Social Characteristics.

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the fund are as follows:

1. Maintain that the Fund holds at least 20% in Sustainable Investments. In relation to such Sustainable Investments, at least 1% of the Fund's total assets will be invested in Sustainable Investments with environmental objectives that are not aligned with the EU Taxonomy, and at least 1% of the Fund's total assets will be invested in Sustainable Investments with a social objective.
2. Apply the BlackRock EMEA Baseline Screens and exclusionary screens.

3. Maintain that the weighted average ESG rating of the Fund will be higher than the ESG rating of the Index after eliminating at least 20% of the lowest rated securities from the Index (50% MSCI World/50% Bloomberg Global Aggregate Index hedged to EUR)
4. Maintain that the Fund's carbon emissions intensity score is lower than the Index.
5. Ensure that more than 90% of the issuers of securities in which the Fund invests (excluding money market funds) shall be ESG rated or have been analysed for ESG purposes.
6. Limit investments in companies within the Global Industry Classification Standard (GICS) Integrated Oil & Gas sector to below 5% of its total assets.

Reported metrics based on ESG Objectives as of 31 October 2023:

- The fund's ESG uplift score after the removal of the bottom 20% worst rated issuers from the index was +0.473.
- The fund's carbon emissions reduction relative to the index was -21%
- The fund's exposure to "sustainable investments" was 65%
- The fund's exposure to Sustainable Investments with environmental objectives was 51.03%
- The fund's exposure to Sustainable Investments with a social objective 13.99%

Principle Adverse Indicators consideration:

The indicators for adverse impacts on sustainability factors for each type of investment are assessed using BlackRock's Sustainable Investments proprietary methodology. BlackRock uses third-party data and/or fundamental analysis to identify investments which negatively impact sustainability factors and cause significant harm.

Sustainable Investments are assessed to consider any detrimental impacts and ensure compliance with international standards of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights Issuers deemed to have violated these conventions are not considered as Sustainable Investments.

The Fund considers PAIs on sustainability factors through the application of the BlackRock EMEA Baseline Screens and its carbon reduction target. The Fund takes into account the following PAIs:

• GHG emissions
• GHG intensity of investee companies.
• Exposure to companies active in the fossil fuel sector
• Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
• Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

In addition, this Fund takes into account the PAIs through BlackRock's DNSH standard for Sustainable Investments. This Fund will provide information on the PAIs in its annual report.

Broader approach to ESG Integration: (may be subject to change without notice)

The fund takes a triple-aspect approach to ESG integration seeks to ensure that the fund allocates to a compelling array of sustainable themes across asset classes, that the fund broadly allocates to issuers that are deemed to be displaying stronger sustainability practices, and that the fund keeps strong financial returns at the forefront of the fund's aims. We view ESG considerations alongside traditional financial metrics as an additional lens through which to view both potential investment opportunities and risk management.

1. How do we do this?

We integrate ESG within the portfolio at three levels namely:

I. ESG Thematic Investments

II. Best in class approach (not used as "additional main strategy" for adherence with the Febelfin Quality Standard)
III. Exclusionary screens

I. ESG thematic investments seek to provide diversification and long-term returns

We are committed to holding investments in key ESG themes such as resource efficiency, climate change, social housing, and investments that we believe can be structural drivers of returns as the increased focus on these themes becomes more prominent. Additionally, these positions help to further diversify the fund due to the uncorrelated nature of their risk and return drivers. **Implementing ESG Thematic Investments: Bespoke ESG Thematic Equity Baskets** constructed by the Diversified Strategies team. These are baskets of equities that represent a specific theme – we select individual securities that we believe most accurately represent the theme and are most likely to contribute and benefit from it. Importantly we also have the flexibility to adapt the issuers contained within these baskets as the theme evolves over time. By creating these unique structures (either via direct securities or a Total Return Swap) we can ensure our investments are more targeted in nature. The baskets also reflect the Best in Class and Exclusionary Screen policies of the Fund.

Sustainable security selection strategies of individual securities that seek to deliver alpha through stock selection by asset class specialists within BlackRock. The investment philosophies and processes adopted in each strategy exhibit clear alignment with ESG principles of the ESG Multi-Asset Fund and also reflect the Best in Class and Exclusionary Screen policies of the Fund.

Listed Alternatives typically accessed through third party closed-ended listed companies and Real Estate Investment Trusts whose core revenue driver is the ESG theme we are looking to isolate.

II. Best in class approach to allocate to issuers with leading ESG practices

Employing independent ESG ratings calculated by MSCI, the BGF ESG Multi-Asset Fund takes a 'best-in-class' approach. This means greater focus is placed on investing in issuers with higher ESG ratings within the portfolio. The policy of the Fund is only to invest in issuers that are assigned an ESG rating of BBB or above. MSCI ESG ratings are fully integrated into BlackRock's Aladdin platform which means we are able to constantly monitor any changes in ESG ratings and reflect these in our investment decisions.

Applicable Asset Classes: Direct investments in Equities, Corporate Bonds and Government Bonds:

III. ESG Exclusionary Screens

The fund applies both value and norm-based screens to the portfolios as detailed below.

Applicable Asset Classes: Direct investment in equities and Corporate Bonds.

Asset classes not covered by the above approaches (We disclose portfolio coverage % monthly):

- Derivatives
- Cash
- ETFs: where possible we aim to use iShares SRI or ESG Screened ETFs whose methodologies align closely with the ESG integration approach of the ESG Multi-Asset Fund

2. Normative Screening

The Investment Team intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

- **OECD** Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- The UN Human Rights Norms for Business
- **ILO** Conventions, 4 Principles

- Kyoto Protocol to the United Nations Framework on Climate Change
- The United Nations Framework Convention on Climate Change

3. Exclusions

Sovereign exclusions:

Governance: The investment team intends to exclude sovereign-issued instruments issued by states with an average score less than -0.59 based on the 6 Worldwide Governance Indicators. The investment team also intends to exclude sovereign-issued instruments issued by States with a score of less than -1.00 on a single WGI.

Best-in-class: Sovereign issuers are subject to **a best-in-class approach**, whereby we utilise MSCI data to invest only in the higher scoring issuers (BBB and above).

Freedom House Rules: The investment team intends to exclude all sovereign issues from states that are deemed as "Not Free" by the Freedom House 'Freedom in the World's survey.

The fund intends to exclude all sovereign issues from:

States that have not ratified or have not implemented in equivalent national legislation:

- the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
- at least half of the 18 core International Human Rights Treaties

States which are not party to:

- the Paris Agreement
- the UN Convention on Biological Diversity
- the Nuclear Non-Proliferation Treaty
- States with particularly high military budgets (>4% GDP)
- States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the Financial Action Task Force (FATF)
- States with less than 40/100 on the Transparency International Corruption Perception Index
- States that have the death penalty legal and in use

The fund may however contain investments in public debt instruments for reasons of diversification or (currency risk) hedging issued by core reserve (non-Euro) currency issuers i.e. UK, US and Japan, that do not comply with the above requirements to a maximum of 30% (in total) of the portfolio. This threshold may be exceeded in the event of extraordinary market conditions.

Sector exclusions:

- ***Tobacco:***

The investment team intends to exclude direct investment in securities of tobacco, tobacco products and issuers deriving over 5% of revenue from tobacco retailing, distribution and licensing.

- ***Weapons:***

  - *Controversial Weapons:*

The investment team intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments and/or incendiary weapons). The investment team intends to exclude direct investment in securities of issuers deriving 5% or more of revenue from weapons systems, components, and support systems and services.

- *Civilian firearms:*

The investment team intends to exclude direct investment in securities of issuers which have exposure to, or ties with companies that manufacture firearms and small arms ammunitions for civilian markets. Additionally, the investment team excludes direct investment in securities of issuers which have exposure to, or ties with companies that derive greater than or equal to 5% from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

- ***Thermal Coal:***

The investment team intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The investment team intends to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The investment team intends to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The investment team intends to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

- ***Unconventional Oil and Gas:***

The investment team intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to contributing activities.

- ***Oil Sands:***

The investment team intends to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The exceptions listed directly above will therefore not be made for securities of issuers that breach this threshold.

- ***Conventional Oil and Gas:***

The investment team intends to exclude securities of issuers deriving 5% or more of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

- ***Power Generation Phase Out Margin:***

The investment team currently makes use of the "phase-out" margin for companies that do not meet the power generation business criteria with regards to Power Generation from "non-renewable energy sources" as defined by Febelfin cited in section 3.7 of the 2023 Quality Standard: towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf)

The total portfolio exposure to non-compliant companies is capped at < 3% and the fund intends to reduce the phase-out margin to 0% by 30/6/2025.

We have two screens based on power generation:

1. The investment team intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal generation.
2. The investment team intends to limit direct investment in the production, supply and mining activities related to nuclear power by excluding all issuers generating 5% or more of total electricity from nuclear power in a given year, all issuers that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year and all issuers deriving 15% or more aggregate revenue from nuclear power activities.

It is our strong belief that a thoughtful approach to accessing companies involved in power generation is vital to achieving an orderly transition to Net Zero and aligns to the spirit of the Febelfin accreditation. The "phase out" exposure is aligned with the requirements of 3.7 d) of the 2023 Febelfin Quality Standard (towardssustainability.be/public/TowardsSustainability_QSRevision2023_Final_20230630.pdf):

- The total portfolio exposure to non-compliant companies is capped at < 3%
- The companies in this margin are subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition. To capture the top 25% ESG rated we use the MSCI ACWI ESG ratings quartiles. Securities within quartile 1 are eligible for the 3% phaseout margin.
- Companies in this margin meet the governance and non-expansion eligibility criteria in b) i & ii in the Febelfin Quality Standard.
- Companies within the phase out margin are also subject to all other exclusionary screens detailed in the transparency policy.

The companies within the phase out margin are also subject to our Heightened Scrutiny Framework (HSF). Our HSF establishes a "focus universe" of holdings that present a particularly significant climate-related risk, due to:

- High carbon intensity today
- Insufficient preparation for the net zero transition
- Low reception to our investment stewardship engagement

Where we do not see progress in this area, and in particular where we see a lack of alignment combined with a lack of engagement, we will not only use our vote against management for our index portfolio-held shares, we will also flag these holdings for potential exit in our discretionary active portfolios because we believe they would present a risk to our clients' returns.

The fund is therefore operating within the phase out margin criteria cited in 3.7 d) of the Febelfin Quality Standard.

Further Screens (beyond the "Towards Sustainability" label requirements):

- ***Energy Sector:***

The investment team intends to limit direct investments to all companies within the GICS Energy Sector to below 5%.

- ***Nuclear power:***

The investment team intends to limit direct investment in the production, supply and mining activities related to nuclear power by excluding all issuers generating 5% or more of total electricity from nuclear power in a given year, all issuers that have 5% or more of installed capacity attributed to nuclear sources in a given fiscal year and all issuers deriving 15% or more aggregate revenue from nuclear power activities.

- ***Alcohol:***

The investment team intends to limit direct investment in the production of alcohol for consumption or of drinks containing alcohol by excluding direct investments in securities of issuers which derive 5% or more revenue from the production of alcohol related products and issuers which derive 15% or more aggregate revenue from the production, distribution retail and supply of alcohol-related products.

- ***Gambling:***

The investment team intends to limit direct investment in the operation and support of gambling-related products by excluding direct investments in securities of issuers which derive 5% or more revenue from ownership of operation of gambling-related business activities and issuers which derive 15% or more aggregate revenue from gambling-related business activities.

- ***Adult entertainment:***

The investment team intends to limit direct investment in the from the production, distribution and retail of adult entertainment materials by excluding issuers which derive 5% or more revenue from the production of adult entertainment material and issuers which derive 15% or more aggregate revenue from the production, distribution and retail of adult entertainment materials.

- ***Best-in-class:***

The investment team takes a **best-in-class approach**, whereby we utilise MSCI data to invest only in the higher scoring issuers (BBB and above) relative to their sector.

iShares UCITS ETFs Product Range

Information within this Transparency Policy is applicable for the following sub-funds:

Fund names:

- **iShares MSCI World Paris-Aligned Climate UCITS ETF** - a sub-fund of iShares III plc
- **iShares MSCI EMU Paris-Aligned Climate UCITS ETF** - a sub-fund of iShares VII plc
- **iShares MSCI Europe Paris-Aligned Climate UCITS ETF** - a sub-fund of iShares II plc
- **iShares S&P 500 Paris-Aligned Climate UCITS ETF** - a sub-fund of iShares VII plc
- **iShares Euro Green Bond UCITS ETF** - a sub-fund of iShares II plc

Products Objective

The Team

BlackRock ETF & Index Investment Strategies ('EII') Team

BlackRock's equity index mutual Funds and ETFs are managed by the EII team. The Head of Portfolio Management for EMEA is based in London along with 45 portfolio managers as of 30 June 2024.

BlackRock Fixed Income Core Portfolio Management ('Core PM') Team

BlackRock's fixed income index mutual funds and ETFs are managed by the Core PM within our Systematic Fixed Income division. The teams are based in London and San Francisco.

Description of the implementation of the sustainability strategies used by the Products:

iShares Paris-Aligned Climate UCITS ETFs range

The iShares Paris Aligned Climate UCITS ETFs range (the "Range") offers investors the opportunity to mitigate risks and capture opportunities by investing in companies that are better positioned to benefit from the transition to a low carbon economy and with a specific focus on climate transition. These funds are compliant with the EU's Paris Agreement Benchmark which is closely linked with the objectives of the Paris Agreement of limiting Global Warming to below 2 °C (on pre-industrial levels). The investment team targets a 50% Carbon Reduction versus parent universe as well as a minimum 7% year on year decarbonization trajectory alongside business activity screening on controversial weapons, Oil & Gas, Thermal coal among others.

The products are designed in line with the Paris Aligned Benchmark of the EU in order to align with the Paris Agreement.

iShares € Green Bond UCITS ETF

The iShares € Green Bond UCITS ETF tracking the Bloomberg MSCI Euro Green Bond SRI including Nuclear Power Index offers investors an unbiased and robust measure of the market for fixed income securities issued in euro, to fund projects with direct environmental benefits. An independent research-driven methodology is used to evaluate index-eligible green bonds to ensure they adhere to established Green Bond Principles and to classify bonds by their environmental use of proceeds. In addition, the index negatively screens issuers that are involved in business activities that are restricted because they are inconsistent with certain values-based business involvement criteria and excludes those issuers with a "red" MSCI ESG Impact Monitor Score. The index also limits the exposure of each sovereign and supranational issuer to 19.5% and limits the exposure of all non-sovereign, non-supranational debt to 4.5% of the total market value and redistributes any excess market value across the sovereign, supranational or non-sovereign issuers on a pro rata basis.

Climate Change and Paris alignment approach:

By design Green Bonds are created to stimulate growth in Climate Sensitive areas with a use of proceeds that has to adhere to the ICMA Green Bond Principle which lists eligible categories for Green Projects within:

Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of living natural resources and land use, Terrestrial and Aquatic Biodiversity, Clean Transportation, Sustainable Water and Wastewater management, Climate Change Adaptation, Circular Economy products, production, technologies and processes, Green Buildings.

More information can be found on the ICMA website in the June 2021 report on the Green Bond Principles.

Sustainability Restrictions

Policies about sectors for which the Febelfin Quality Standards (QS) has specific requirements:

iShares Paris Aligned Climate UCITS ETFs range

- ***Tobacco***

Any Producer with >0 Revenue; Any company with ≥5% Aggregate Revenue from production, distribution, retailing, licensing and supply of related products.

- ***Weapons***

Civilian Firearms: Any Producer with >0 Revenue; Any company with ≥5% Aggregate Revenue from production, distribution, retailing, licensing and supply of related products. Military Weapons: Any tie to Controversial Weapons including Nuclear Weapons (>0% Revenue) and services.

- ***Coal***

All companies deriving 1% or more revenue (either reported or estimated) from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes 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 (either reported or estimated)

- ***Unconventional Oil & Gas***

Any company with >5% revenue from Oil Sands extraction (MSCI) and any company with >5% revenue from shale energy exploration and or production

- ***Conventional Oil & Gas***

All companies deriving 10% or more revenue from oil and gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining but excluding biofuel production and sales and trading activities.

- ***Power generation, incl. nuclear energy***

All companies deriving 50% or more revenue from thermal coal-based power generation, liquid fuel-based power generation and natural gas-based power generation.

<u>Policies about other key ESG issues:</u>

The range is in line with all the key ESG Issues requested by a Paris Aligned Benchmark and therefore takes into consideration the Climate Physical Risk, the Green to Brown Ration, the Decarbonisation trajectory of issuers, the SBTI Targets of issuers, the 1.5 C transition pathways and any issue underpinned by those specific macro areas.

- ***Biodiversity (e.g. deforestation, palm oil)***

Taken into account at the Index Methodology level via the MSCI Key issues and ESG Framework (for the S&P 500 Paris Aligned Benchmark Product).

- ***Water use***

Taken into account at the Index Methodology level via the MSCI Key issues and ESG Framework (for the S&P 500 PAB Product).

- ***Pollution & waste (e.g. plastics)***

Taken into account at the Index Methodology level via the MSCI Key issues and ESG Framework (for the S&P 500 PAB Product).

Policies about other issues of principle adverse impact about which disclosure is required by the SFDR RTS

Taken into account at the Index Methodology level via the MSCI Key issues and ESG Framework (for the S&P 500 PAB Product).

Policies about other ESG issues that are material to the product

Climate related Physical Risk reduction; 20% overweight versus companies with emission reduction targets and a 4:1 Green to Brown Ratio versus the parent universe.

Minimum share of sustainable investments with an environmental or social objective in line with SFDR Level 2.

A minimum of percentage of the Fund's assets will be invested in sustainable investments. These sustainable investments will be a mix of sustainable investments with either an environmental objective that is not committed to align with the EU Taxonomy or a social objective or a combination of the two. The combination of sustainable investments with an environmental or social objective may change over time depending on the activities of the issuers within the Benchmark Index. The assessment of the Fund's investments qualifying as sustainable is determined on or around each index rebalance, where the Fund's portfolio is rebalanced in line with its Benchmark Index.

iShares Euro Green Bond UCITS ETF

- ***Tobacco***

Any Producer with >0 Rev; Any company with ≥5% Rev from production, distribution, retailing, licensing and supply of related products.

- ***Weapons***

Civilian Firearms Any Producer with >0 Rev; Any company with ≥5% or ≥$20M Rev from production or distribution (wholesale or retail) of civilian firearms and ammunition

Military Weapons Manufacturer of Controversial Weapons such as Nuclear Weapons Systems & Components, Cluster Munitions, Landmines, Depleted Uranium Weapons, Chemical and Biological. Weapon Systems & Components with >0 Rev Any company with ≥5% or ≥$500M Rev from weapon systems, components, and support systems and services.

- ***Coal***

Not in line with Green Bond Principles which bonds must adhere to in order to be included.

- ***Unconventional Oil & Gas***

Not in line with Green Bond Principles which bonds must adhere to in order to be included.

- ***Conventional Oil & Gas***

Not in line with Green Bond Principles which bonds must adhere to in order to be included.

- ***Power generation, incl. nuclear energy***

Not in line with Green Bond Principles which bonds must adhere to in order to be included.

Policies about other key ESG issues:

Green Bond Principles (ICMA 2021): The issuer needs to follow the Green Bond Principles ("GBP"), voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market.

The GBP are based on the following four components:

1. Use of Proceeds: Issuer should declare the eligible green project categories upfront, providing clear environmental benefits
2. Process for project evaluation and selection: Issuer should outline the project selection process and work to establish environmental sustainability objectives.
3. Management of proceeds: Funds should be segregated or otherwise tracked. External auditors should verify.
4. Reporting: Issuers should report, at least annually on projects and where feasible, the measured environmental impact of the projects funded.3rd party consultants can provide independent review of the green program.

- ***Biodiversity (e.g. deforestation, palm oil)***

Covered as part of green bond principles project categories

- ***Water use***

Covered as part of green bond principles project categories

- ***Pollution & waste (e.g. plastics)***

Covered as part of green bond principles project categories

Policies about other ESG issues that are material to the product

Exclude MSCI Controversy Score <1. This takes into account violation of the UN Global Compact Principles.

- ***Alcohol***

Any Producer with ≥5% or ≥$500M Rev from production, distribution, retailing, licensing, and supply of alcoholic products

- ***Gambling***

Any company classified as Operations or Support with ≥5% or ≥$500M Rev from operation, support, and licensing activities

- ***Adult Entertainment***

Any Producer with ≥5% or ≥$500M Rev from production, distribution, and retail of adult entertainment materials

- ***Genetically modified organisms (GMOs)***

Companies with >0% Rev from activities like genetically modifying plants and other organisms intended for agricultural use or human consumption

BGF ESG Global Conservative Income Fund

BGF ESG Global Conservative Income Fund (ESG GCI) aims to provide a conservative level of income with a focus on capital stability in a manner consistent with the principles of environmental, social and governance (ESG) focused investing. The fund invests globally in the full range of permitted investments denominated in various currencies, including equities, equity-related securities, fixed income transferable securities, units of CIS, cash, deposits and money market instruments. The funds' total assets will be invested in accordance with the ESG Policies described in the prospectus which include the BlackRock EMEA Baseline Screens as well as additional exclusions, whereby the investment adviser (IA) will seek to limit and/or exclude direct investment (as applicable) in issuers which, in the opinion of the IA, have exposure to, or ties with, certain sectors.

While the risk benchmark for ESG GCI is 30% MSCI World Net EUR Hedged Index / 70% Barclays Capital Global Aggregate Bond Index EUR Hedged, the composition of the portfolio will focus on income-generative asset classes, including (but not limited to) dividend equities, covered call writing, corporate bonds, mortgages and impact investments, amongst other asset classes (Investment Process is subject to change without notice). As a diversified, global multi-asset portfolio management team, the Income team's investment process is primarily focused on top-down macro tactical asset allocation and risk management while individual security selection is typically executed by individual asset class specialist teams across the firm. Finally, the team remains focused on monitoring ESG metrics at the portfolio level and providing greater transparency to clients and consultants through disclosures and reporting.

The eligibility of all assets (except those considered as "technical assets" *) in the BGF ESG Global Conservative Income Fund are subject to the below selected ESG strategies:

1. **ESG integration (more detail below)**
2. **Normative screening (more detail below)**
3. **Sector Exclusion (more detail below)**
4. **Main Additional strategy: "Objective to do better than a benchmark on one or more ESG indicators**. The funds' ESG scores will be compared to that of their custom ESG Reference Indexes, which provide a dynamic representation of the asset class exposure within the funds. The Investment Team have an objective of a 20% carbon emissions reduction vs. their ESG Reference Indexes.

** Considered technical assets are: cash and cash-like assets (e.g., money market funds) used for liquidity management or hedging, Derivatives used for efficient portfolio management or hedging, index-based products based on broad market indices used for technical reasons. The proportion of technical assets shall not structurally be more than 20% of the portfolio. This means that under normal market conditions, the investment team intends to allocate at least 80% of the portfolio to issuers that are subject to the ESG-screening approach of the fund and that contribute to the ESG characteristics promoted by the investment team. We may deviate from this limit in extraordinary market circumstances in order to protect our clients' financial interests.*

1. ESG integration

SFDR: The BGF ESG Global Conservative Income Fund is classified as SFDR Article 8 funds that promote Environmental and Social Characteristics.

The elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the funds are as follows:

1. Maintain that the funds hold at least 20% in Sustainable Investments.
2. Apply the BlackRock EMEA Baseline Screens and exclusionary screens.
3. Maintain that the funds will deliver a 10% or greater ESG score uplift versus the custom ESG References Indexes
4. Maintain that the funds will deliver a 20% or greater reduction in carbon emissions intensity score than custom ESG Reference Indexes

Principle Adverse Indicators consideration: The Funds take into account Principal Adverse Indicators and is aligned with GHG emissions, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) In addition, this Fund takes into account the PAIs through BlackRock's Do No Significant Harm standard for Sustainable Investments. *Per the Pre-contractual disclosure.

For further information on how the funds meets the SFDR Article 8 classification, please refer to the SFDR Annex on page 352of the BGF fund range prospectus: BlackRock Global Funds Prospectus

^The Funds take into account Principal Adverse Indicators and is aligned with GHG emissions, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational

Enterprises, exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons) In addition, this Fund takes into account the PAIs through BlackRock's DNSH standard for Sustainable Investments. *Per the Pre-contractual disclosure. For further information on how the funds meet the SFDR Article 8 classification, please refer to the SFDR Annex on page 350 of the BGF fund range prospectus: BlackRock Global Funds Prospectus

Broader approach to ESG Integration

BlackRock's Income strategies are designed to generate attractive risk-adjusted returns for clients, with the majority of the total return coming in the form of cash flow. As such, all factors that can impact a portfolio's performance, including ESG factors, are integrated when making investment decisions. In particular, the team believes that how an issuer manages material ESG risks and opportunities is central to its long-term financial performance. As a result, ESG-related metrics provide useful signals of good governance, operational excellence, or business model tail risks. It is through this long-term performance lens, and in combination with other financial indicators, that we consider ESG information.

How do we do this?

In implementing this view, the team takes a triple-aspect approach to ESG investing including the following components:

1. Exclusionary screens are applied to controversial sectors and UN Global Compact violators
2. The team emphasizes best-in-class securities, increasing exposure to higher-rated ESG performers
3. The team seeks out investments in thematic and impact opportunities that drive positive societal change.

2. Normative Screening

The investment team intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The investment team's assessment is based on adherence UN Global Compact principles as well as alignment with:

- OECD Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- The UN Human Rights Norms for Business
- ILO Conventions, 4 Principles
- Kyoto Protocol to the United Nations Framework on Climate Change
- The United Nations Framework Convention on Climate Change

3. Exclusions

Sovereign Exclusions

There is currently no use of sovereign bonds in either product, except for US Treasury futures used for hedging purposes (within the confines of the core reserve currency limitations to remain Febelfin Quality Standard (QS) compliant.) If other sovereign bonds were to be used in the future, it would be in compliance with the QS. We have internal processes to ensure any holdings would meet all the relevant requirements (ratification of ILO-8, International Human Rights Treaty, Paris Agreement, Convention on Biological Diversity, Nuclear Non-Proliferation Treaty, having less than 4% of GDP in military budget, assessment of corruption and Freedom House scores)

Sector Exclusions

Tobacco: The investment team intends to exclude direct investment in securities of tobacco, tobacco products or e-cigarettes producers and securities of issuers deriving over 5% aggregate revenue from the production, retail and supply of tobacco-related products.

- ***Weapons:***
  - *Civilian firearms:*

The investment team intends to exclude direct investment in securities of issuers which have exposure to, or ties with companies that manufacture firearms and small arms ammunitions for civilian markets. Additionally, the investment team excludes direct investment in securities of issuers which have exposure to, or ties with companies that derive greater than or equal to 5% from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

  - *Controversial Weapons:*

The investment team intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).

The investment team intends to exclude direct investment in securities of issuers deriving 5% or more of revenue from weapons systems, components, and support systems and services.

- ***Thermal Coal:***

The investment team intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The investment team intends to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The investment team intends to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The investment team intends to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

Exceptions are made for securities of issuers in the thermal coal value chain with appropriate SBTi targets set, or if more than 50% of CapEx is dedicated to contributing activities.

- ***Unconventional oil and gas:***

The investment team intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to contributing activities.

- ***Oil Sands:***

The investment team intends to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The aforementioned exceptions will therefore not be made for securities of issuers that breach this threshold.

- ***Conventional oil and gas:***

The investment team intends to exclude direct investments in securities of issuers with over 5% of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

- ***Power Generation:***

The investment team intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7d).

The fund intends to exclude companies involved in building new coal-fired power stations, companies where coal-based power is structurally increasing and where absolute production of or capacity for coal-based power is greater than 5GW. An exception may be made where a company has a committed coal power exit plan and on the Urgewald Global Coal Exit List of the Febelfin Quality Standard (QS) section 3.7c). The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Further Screens (beyond the "Towards Sustainability" label requirements):

- ***Nuclear power:***

In addition to the nuclear power generation limitations mentioned above, the investment team intends to exclude direct investment in the securities of issuers deriving 15% or more aggregate revenue from production, supply and mining activities related to nuclear power.

- ***Alcohol:***

The investment team intends to limit direct investment in the production of alcohol for consumption or of drinks containing alcohol by excluding direct investments in securities of issuers which derive 5% or more revenue from the production of alcohol related products and securities of issuers which derive 10% or more aggregate revenue from the production, distribution retail and supply of alcohol-related products.

- ***Gambling:***

The investment team intends intend to limit direct investment in the operation and support of gambling-related products by excluding direct investments in securities of issuers which derive 5% or more revenue from ownership of operation of gambling-related business activities and securities of issuers which derive 15% or more aggregate revenue from gambling-related business activities.

- ***Adult entertainment:***

The investment team intends to limit direct investment in the from the production, distribution and retail of adult entertainment materials by excluding securities of issuers which derive 5% or more revenue from the production of adult entertainment material and securities of issuers which derive any revenue from the production, distribution and retail of adult entertainment materials.

Please note that we may seek to make further portfolio restrictions at our discretion in order to comply with regulations or ESG guidelines, whether internal or external.

4. Additional strategies

Main additional strategy:

Aim to do better than a benchmark on one or more ESG indicators: the funds' ESG scores will be compared to that of their custom ESG Reference Indexes, which provide a representation of the asset class exposure within the funds. The investment team has a target of a 20% carbon emissions reduction vs. their ESG Reference Indexes.

The ESG Reference Index is represented by the relevant asset class indices weighted to reflect the asset class exposure in the Fund. As the Fund has the ability to adjust its exposure over time in order to seek to achieve its investment objectives, the Fund's asset allocation and therefore weight of each asset class ESG Reference Index in the investable universe will also change over time. This ensures that the ESG Reference Index continues to accurately reflect the investment policy and emphasis of the portfolio. As of July 31, 2024 the components and weights were as follows:

ESG Global Conservative Income

Component	Weight
BBG U.S. Corporate Investment Grade Index	28.8%
BBG Pan European High Yield 3% Issuer Constrained 100%USD Hedged Index	14.6%
BBG MBS Index	14.4%
Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index	13.7%
JPMorgan 3 Month Cash Index	13.1%
MSCI All Country World Index (Net TR)	10.3%
S&P 500 Index	5.1%
ICE Exchange-Listed Preferred & Hybrid Securities Index	0.0%

Source: BlackRock, as at 31st July 2024.

Results as of July 31, 2024

- BGF ESG Global Conservative Income: Carbon Emission Intensity score (Tons CO2/sales): Portfolio: 97 vs Investible Universe: 192 = 49.5% reduction

Other strategies:

- ***Impact/Sustainability-themed investing***

The team is committed to providing access to investment opportunities that seek to drive positive societal change. Examples of these investments may include, but are not limited to, Impact Equities, Impact Mortgages, and Green Bonds which promote themes including, but not limited to, renewable energy and social housing. However, the funds do not meet the quantitative criteria laid out by the CLA to qualify as 'impact' or 'sustainable' strategies.

- ***Best-in-class***

The funds employ a best-in-class strategy; however, they do not meet the criteria for the additional strategy outlined in the Towards Sustainability QS for Best-in-class/universe selection. The team emphasizes best-in-class securities, increasing exposure to higher-rated ESG performers.

BGF ESG Global Multi-Asset Income Fund

BGF ESG Global Multi-Asset Income Fund (ESG GMAI) seeks to provide income without sacrificing long term capital growth in a manner consistent with the principles of ESG focused investing. The fund invests globally in the full range of permitted investments, including (but not limited to) equities, equity-related securities, fixed income transferable securities (which may include some high yield fixed income transferable securities), units of CIS, cash, deposits and money market instruments. Currency exposure is flexibly managed. The funds' total assets will be invested in accordance with the ESG Policies described in the prospectus which include the BlackRock EMEA Baseline Screens as well as additional exclusions, whereby the investment adviser (IA) will seek to limit and/or exclude direct investment (as applicable) in issuers which, in the opinion of the IA, have exposure to, or ties with, certain sectors.

While the risk benchmark for ESG GMAI is 50% MSCI World Net Index / 50% Barclays Capital Global Aggregate Bond Index, the composition of the portfolio will focus on income-generative asset classes, including (but not limited to) dividend equities, covered call writing, corporate bonds, mortgages and impact investments, amongst other asset classes. As a diversified, global multi-asset portfolio management team, the Income team's investment process is primarily focused on top-down macro tactical asset allocation and risk management while individual security selection is typically executed by individual asset class specialist teams across the firm. Finally, the team remains focused on monitoring ESG metrics at the portfolio level and providing greater transparency to clients and consultants through disclosures and reporting.

The eligibility of all assets (except those considered as "technical assets" *) in the BGF ESG Global Multi-Asset Income Fund are subject to the below selected ESG strategies:

1. **ESG integration (more detail below)**
2. **Normative screening (more detail below)**
3. **Sector Exclusion (more detail below)**
4. **Main Additional strategy: "Objective to do better than a benchmark on one or more ESG indicators**. The funds' ESG scores will be compared to that of their custom ESG Reference Indexes, which provide a dynamic representation of the asset class exposure within the funds. The investment tram has a target of a 20% carbon emissions reduction vs. their ESG Reference Indexes.

** Considered technical assets are: cash and cash-like assets (e.g., money market funds) used for liquidity management or hedging, Derivatives used for efficient portfolio management or hedging, Index-based products based on broad market indices used for technical reasons. The proportion of technical assets shall not structurally be more than 20% of the portfolio. This means that under normal market conditions, the fund intends to allocate at least 80% of the portfolio to issuers that are subject to the ESG-screening approach of the fund and that contribute to the ESG characteristics promoted by the fund. We may deviate from this limit in extraordinary market circumstances in order to protect our clients' financial interests.*

1. ESG integration

SFDR: The BGF ESG Global Multi-Asset Income Fund are classified as SFDR Article 8 funds that promote Environmental and Social Characteristics.

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by the funds are as follows:

1. Maintain that the funds hold at least 20% in Sustainable Investments.
2. Apply the BlackRock EMEA Baseline Screens and exclusionary screens.
3. Maintain that the investment team will deliver a 10% or greater ESG score uplift versus the custom ESG References Indexes
4. Maintain that the investment team will deliver a 20% or greater reduction in carbon emissions intensity score than custom ESG Reference Indexes

Principle Adverse Indicators consideration: The Funds take into account Principal Adverse Indicators and is aligned with GHG emissions, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) In addition, this Fund takes into account the PAIs through BlackRock's Do No Significant Harm standard for Sustainable Investments. *Per the Pre-contractual disclosure.

For further information on how the funds meets the SFDR Article 8 classification, please refer to the SFDR Annex on page 352 of the BGF fund range prospectus: BlackRock Global Funds Prospectus

^The Funds take into account Principal Adverse Indicators and is aligned with GHG emissions, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational

Enterprises, exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons) In addition, this Fund takes into account the PAIs through BlackRock's DNSH standard for Sustainable Investments. *Per the Pre-contractual disclosure. For further information on how the funds meet the SFDR Article 8 classification, please refer to the SFDR Annex on page 350 of the BGF fund range prospectus: BlackRock Global Funds Prospectus

Broader approach to ESG Integration

BlackRock's Income strategies are designed to generate attractive risk-adjusted returns for clients, with the majority of the total return coming in the form of cash flow. As such, all factors that can impact a portfolio's performance, including ESG factors, are integrated when making investment decisions. In particular, the team believes that how an issuer manages material ESG risks and opportunities is central to its long-term financial performance. As a result, ESG-related metrics provide useful signals of good governance, operational excellence, or business model tail risks. It is through this long-term performance lens, and in combination with other financial indicators, that we consider ESG information.

How do we do this?

In implementing this view, the team takes a triple-aspect approach to ESG investing including the following components:

1. Exclusionary screens are applied to controversial sectors and UN Global Compact violators
2. The team emphasizes best-in-class securities, increasing exposure to higher-rated ESG performers
3. The team seeks out investments in thematic and impact opportunities that drive positive societal change

2. Normative Screening

The investment team intends to exclude companies with an involvement in severe controversies relating to the environment, human rights & communities, labor rights & supply chain, customers and governance. The fund's assessment is based on adherence UN Global Compact principles as well as alignment with:

- OECD Guidelines for Multinational Enterprises
- Universal Declaration of Human Rights
- The UN Human Rights Norms for Business
- ILO Conventions, 4 Principles
- Kyoto Protocol to the United Nations Framework on Climate Change
- The United Nations Framework Convention on Climate Change

3. Exclusions

Sovereign Exclusions

There is currently no use of sovereign bonds in either product, except for US Treasury futures used for hedging purposes (within the confines of the core reserve currency limitations to remain QS compliant.) If other sovereign bonds were to be used in the future, it would be in compliance with the QS. We have internal processes to ensure any holdings would meet all the relevant requirements (ratification of ILO-8, International Human Rights Treaty, Paris Agreement, Convention on Biological Diversity, Nuclear Non-Proliferation Treaty, having less than 4% of GDP in military budget, assessment of corruption and Freedom House scores)

Sector Exclusions

Tobacco: The funds intend to exclude direct investment in securities of tobacco, tobacco products or e-cigarettes producers and securities of issuers deriving over 5% aggregate revenue from the production, retail and supply of tobacco-related products.

- ***Weapons:***

  - *Civilian firearms:*

The investment team intends to exclude direct investment in securities of issuers which have exposure to, or ties with companies that manufacture firearms and small arms ammunitions for civilian markets. Additionally, the funds exclude direct investment in securities of issuers which have exposure to, or ties with companies that derive greater than or equal to 5% from the distribution (wholesale or retail) of firearms or small arms ammunition intended for civilian use.

  - *Controversial Weapons:*

The investment team intends to exclude direct investment in securities of issuers which have exposure to, or ties with controversial weapons (nuclear, cluster munitions, biological-chemical, landmines, blinding laser, depleted uranium, non-detectable fragments or incendiary weapons).

The investment team intends to exclude direct investment in securities of issuers deriving 5% or more of revenue from weapons systems, components, and support systems and services.

- ***Thermal Coal:***

The investment team intends to exclude direct investment in securities of issuers deriving over 5% of revenue from thermal coal via prospecting or exploration, extraction/mining, processing, and transportation.

The investment team intends intend to exclude direct investment in securities of issuers currently involved in coal exploration, of issuer involved in the exploitation or development of new coal mines.

The investment team intends intend to exclude direct investment in securities of issuers whose absolute coal production or capacity for activities cited above are increasing.

The investment team intends intend to exclude direct investment in securities of issuers on the Urgewald Global Coal Exit List unless they meet the screening criteria cited above.

Exceptions are made for securities of issuers in the thermal coal value chain with appropriate SBTi targets set, or if more than 50% of CapEx is dedicated to contributing activities.

- ***Unconventional oil and gas:***

The investment team intends to exclude direct investments in securities of issuers deriving 5% or more of revenue from unconventional oil and gas-related activities.

Exceptions (except in the case of oil sands activities) are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi ‘Business Ambition for 1.5°C’ commitment.
- Unconventional oil and gas production is less than 5% of total oil and gas production.
- Have more than 50% of CapEx dedicated to contributing activities.

- ***Oil Sands:***

The investment team intends intend to exclude direct investment in securities of issuers deriving over 5% of revenue from oil sands extraction. The aforementioned exceptions will therefore not be made for securities of issuers that breach this threshold.

- ***Conventional oil and gas:***

The investment team intends intend to exclude direct investments in securities of issuers with over 5% of revenue from the exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services.

Exceptions are made for securities of issuers that meet any one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment
- Have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment)
- Have less than 15% of CapEx dedicated to activities cited above and not with the objective of increasing revenue
- Have more than 15% of CapEx dedicated to contributing activities

- ***Power Generation:***

The investment team intends to exclude direct investments in securities of issuers with power generation revenue from coal, nuclear power, liquid fuel and natural gas. Exceptions are made for securities of issuers that generate more than 50% of revenue from alternative energy or renewable power, have appropriate SBTi targets set or have a carbon intensity lower than the annual thresholds reported in the grandfathering section of the QS (section 3.7d).

The fund intends to exclude companies involved in building new coal-fired power stations, companies where coal-based power is structurally increasing and where absolute production of or capacity for coal-based power is greater than 5GW. An exception may be made where a company has a committed coal power exit plan and on the Urgewald Global Coal Exit List of the Febelfin Quality Standard (QS) section 3.7c). The non-expansion criteria can be exempted in the case of national legal obligations in the context of energy provision security.

Further Screens (beyond the “Towards Sustainability” label requirements):

- ***Nuclear power:***

In addition to the nuclear power generation limitations mentioned above, the investment team intends to exclude direct investment in the securities of issuers deriving 15% or more aggregate revenue from production, supply and mining activities related to nuclear power.

- ***Alcohol:***

The investment team intends to limit direct investment in the production of alcohol for consumption or of drinks containing alcohol by excluding direct investments in securities of issuers which derive 5% or more revenue from the production of alcohol related products and securities of issuers which derive 10% or more aggregate revenue from the production, distribution retail and supply of alcohol-related products.

- ***Gambling:***

The investment team intends to limit direct investment in the operation and support of gambling-related products by excluding direct investments in securities of issuers which derive 5% or more revenue from ownership of operation of gambling-related business activities and securities of issuers which derive 15% or more aggregate revenue from gambling-related business activities.

- ***Adult entertainment:***

The investment team intends to limit direct investment in the from the production, distribution and retail of adult entertainment materials by excluding securities of issuers which derive 5% or more revenue from the production of adult entertainment material and securities of issuers which derive any revenue from the production, distribution and retail of adult entertainment materials.

Please note that we may seek to make further portfolio restrictions at our discretion in order to comply with regulations or ESG guidelines, whether internal or external.

4. Additional strategies

Main additional strategy:

Aim to do better than a benchmark on one or more ESG indicators: the funds' ESG scores will be compared to that of their custom ESG Reference Indexes, which provide a representation of the asset class exposure within the funds. The investment team has a target of a 20% carbon emissions reduction vs. their ESG Reference Indexes of a 20% carbon emissions reduction vs. their ESG Reference Indexes.

The ESG Reference Index is represented by the relevant asset class indices weighted to reflect the asset class exposure in the Fund. As the Fund has the ability to adjust its exposure over time in order to seek to achieve its investment objectives, the Fund's asset allocation and therefore weight of each asset class ESG Reference Index in the investable universe will also change over time. This ensures that the ESG Reference Index continues to accurately reflect the investment policy and emphasis of the portfolio. As of July 31, 2024 the components and weights were as follows:

ESG Global Multi-Asset Income

Component	Weight
Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index	37.5%
MSCI All Country World Index (Net TR)	24.0%
BBG U.S. Corporate Investment Grade Index	22.2%
S&P 500 Index	12.0%
JPMorgan 3 Month Cash Index	4.3%
FTSE Developed Core Infrastructure 50/50 Net Tax Index	0.0%

Source: BlackRock, as at 31st July 2024.

Results as of July 31, 2024

- **BGF ESG Global Multi-Asset Income:** Carbon Emission Intensity score (Tons CO2/sales): Portfolio: 104 vs Investible Universe: 193 = 46.1% reduction

Other strategies:

- ***Impact/Sustainability-themed investing***

The team is committed to providing access to investment opportunities that seek to drive positive societal change. Examples of these investments may include, but are not limited to, Impact Equities, Impact Mortgages, and Green Bonds which promote themes including, but not limited to, renewable energy and social housing. However, the funds do not meet the quantitative criteria laid out by the CLA to qualify as ‘impact’ or ‘sustainable’ strategies.

- ***Best-in-class***

The funds employ a best-in-class strategy; however, they do not meet the criteria for the additional strategy outlined in the Towards Sustainability QS for Best-in-class/universe selection. The team emphasizes best-in-class securities, increasing exposure to higher-rated ESG performers.

Appendix

Excluded activities and practices for:

- BSF Sustainable Euro Bond Fund
- BSF Sustainable Euro Corporate Bond Fund

BSF Sustainable Euro Short Duration Bond Fund
The investment process which may be subject to change without notice.

Excluded activities and practices (Summary)

UN Global Compact	Exclude all issuers not compliant with the ten principles of the UN Global Compact
Severe ESG Controversy	Exclude all issuers with severe controversy (measured by MSCI ESG Controversies Score of 0)
MSCI ESG Rating	Exclude all issuers below MSCI ESG BB ; MSCI ESG BB issuers are allowed up to 10%
ESG unrated by MSCI	Exclude all credit issuers unrated by MSCI
ESG Sovereign	Exclude all government and government related issuers which country is on the BSSI 4th quartile Monitor all government and government related issuers which country is on the BSSI 3rd quartile
Tobacco	Exclude all companies classified as Producer; 5% revenue threshold for Distributors, Retailers and Suppliers.
Gambling	Exclude all companies that have derived more than 5% revenue from gambling-related business activities.
Adult Entertainment	Exclude all companies that have derived more than 5% revenue from adult entertainment activities.
Civilians Firearms	Exclude all companies classified as Producer; or all companies that earn more than 5% of revenues in revenue for Retailers.
Controversial Weapons	Exclude all companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons.
Nuclear Weapons	Exclude all companies deriving any revenue from direct involvement in the production of nuclear weapons or nuclear weapon components or delivery platforms, or the provision of auxiliary services related to nuclear weapons.
Thermal Coal	Exclude all companies that have derived more than 5% of their revenue from mining Thermal Coal or refining of fossil fuels.
Conventional & Unconventional Oil & Gas	Exclude all companies of which more than 5% of the revenues are based on conventional or unconventional oil & gas extraction. Exceptions apply for issuers which have set or committed to a target well below 2 °C.
Phase-Out unaligned oil and gas extraction and electricity generations	A maximum of 4% of the fund may be exposed to companies not in line with the requirements for conventional oil & gas extraction or electricity generation

	Defined Categories	Measure	Further Details
ESG Screens	Human Rights, Labour Standards, Environment, Anti- Corruption	Violators	UNGC Violation is a qualitative flag and recognised as a vital screen within the sustainable investing community. Human Rights violators are encapsulated within this screen.
	Controversial Weapons	Zero Tolerance	Companies with any tie to Controversial Weapons such as cluster bombs, landmines, depleted uranium weapons, chemical and biological weapons, blinding laser weapons, non-detectable fragments, incendiary weapons
	Civilian Firearms	All producers, 5% Revenues retailer	Companies classified as producers of firearms or deriving 5% or more revenue from the distribution of firearms and small arms.
	Nuclear Weapons	Direct Involvement	Companies connected with nuclear weapons: Manufacturers, providers of components or auxiliary services related to nuclear warheads and missiles; Assemblers of delivery platforms for nuclear weapons.
	Tobacco	All producers, >5% Revenues	Companies classified as producers or deriving 5% or more aggregate revenue from production, distribution, retail and supply of tobacco-related products.
	Gambling	>5% Revenues	Companies deriving 5% or more revenue from gambling-related activities.
	Adult Entertainment	>5% Revenues	Companies deriving 5% or more revenue from pornography-related activities.
	Thermal Coal	>5% Revenues	Companies deriving 5% or more revenue from thermal coal extraction and/or thermal coal-based power generation. Some exceptions apply for issuers with a forward looking approach to decarbonization (SBTI, renewable power within the energy mix).
	Conventional & Unconventional Oil & Gas	>5% Revenues	Companies deriving more than 5% of the revenues from oil & gas extraction. Some exceptions apply for issuers with a forward looking approach to decarbonization (SBTI, renewable power within the energy mix)
	Power Generation	2 degree alignment	Companies (electric utilities) with a carbon intensity that is not aligned with a 2-degrees scenario
ESG Tilts	Severe Controversies	MSCI ESG Controversies Score	All issuers with severe controversy (measured by MSCI ESG Controversies Score of 0). i.e. no MSCI Red Flag issuers.
	ESG Rating	MSCI ESG score ≥ BB	All issuers below MSCI ESG BB Rating in order to establish a minimum ESG standard, with a maximum allocation of 10% for the BB bucket.
	Sovereign bonds	BSSI quartile	Sovereign issuers which rank on the 4th quartile of the BSSI.
Impact Investing	Green Bonds	5 % NAV Overweight	Structural allocation to Green, Social and Sustainable Bond in order to achieve a measurable environmental impact of holdings.
	Across sectors	PEXT / NEXT	No investment into NEXT issuers.

Important Information

Risk Warnings

In the European Economic Area (EEA): this is Issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded.

Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

BGF Circular Economy Fund

Due to the criteria applied during stock selection to meet the definition of Circular Economy, the range of companies the fund can invest in may be less diversified than a typical fund. Circular Economy companies may be subject to environmental concerns, taxes, government regulation, price, supply and competition. Investors should consider this fund as part of a broader investment strategy.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Currency Risk

The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Smaller Company Investments

Shares in smaller companies typically trade in less volume and experience greater price variations than larger companies.

BGF Future of Transport Fund

Counterparty Risk, Equity Risk, Investment in Transport Securities

Description of Fund Risks:

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Investment in Transport Securities

Investments in transport securities are subject to environmental concerns, taxes, government regulation, price and supply changes.

This information should not be relied upon as research, investment advice, or a recommendation regarding any products, strategies, or any security in particular. This is for illustrative and informational purposes and is subject to change. It has not been approved by any regulatory authority or securities regulator.

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 portfolios that do not apply similar ESG considerations to their investment process.

BGF Nutrition Fund

Counterparty Risk, Equity Risk, Investments in Agriculture Securities, Liquidity Risk

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Investments in Agriculture Securities

Investments in agriculture securities are subject to environmental concerns, taxes, government regulation, price and supply changes.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

BGF Sustainable Energy Fund

Counterparty Risk, Equity Risk, Investments in the New Energy Securities Risk

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Investments in the New Energy Securities Risk

Investments in the new energy securities are subject to environmental concerns, taxes, government regulation, price and supply fluctuations.

BSF Sustainable Euro Bond Fund

Risk Warnings

Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

Counterparty Risk, Credit Risk, Derivatives Risk, ESG Screening Risk, Liquidity Risk

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Credit Risk (Non-investment Grade Fixed Income):

Changes to interest rates, credit risk and/or issuer defaults will have a significant impact on the performance of fixed income securities. Non-investment grade fixed income securities can be more sensitive to changes in these risks than higher rated fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

ESG Screening Risk

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

BSF Sustainable Euro Corporate Bond Fund

Risk Warnings

Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

Counterparty Risk, Credit Risk, Derivatives Risk, ESG Screening Risk, Liquidity Risk

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Credit Risk (Non-investment Grade Fixed Income):

Changes to interest rates, credit risk and/or issuer defaults will have a significant impact on the performance of fixed income securities. Non-investment grade fixed income securities can be more sensitive to changes in these risks than higher rated fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

ESG Screening Risk

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Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

BSF Sustainable Euro Short Duration Bond Fund

Risk Warnings

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.
Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.
Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

Counterparty Risk, Credit Risk, Derivatives Risk, ESG Screening Risk, Liquidity Risk

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

ESG Screening Risk

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

BGF Sustainable Global Allocation Fund

Risk Warnings

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

Equity Risk, Derivatives, Risk, Counterparty Risk, Credit Risk, Liquidity Risk, ESG Screening Risk

Description of Fund Risks

Equities Risk: The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Derivatives Risk: Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk: The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Changes to interest rates, credit risk and/or issuer defaults will have a significant impact on the performance of fixed income securities. Noninvestment grade fixed income securities can be more sensitive to changes in these risks than higher rated fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.

Liquidity Risk: Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily.

ESG Screening risk: The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

BIPF Sustainable Global Allocation Tailored Fund

Risk Warnings

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

Equity Risk, Derivatives, Risk, Counterparty Risk, Credit Risk, Liquidity Risk, ESG Screening Risk

Description of Fund Risks

Equities Risk: The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Derivatives Risk: Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk: The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Changes to interest rates, credit risk and/or issuer defaults will have a significant impact on the performance of fixed income securities. Noninvestment grade fixed income securities can be more sensitive to changes in these risks than higher rated fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.

Liquidity Risk: Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily.

ESG Screening risk: The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

BGF ESG Multi-Asset Fund

Risks Warnings:

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

Fund-specific risks

Counterparty Risk, Credit Risk, Derivatives Risk, Equity Risk, ESG Screening Risk, Liquidity Risk

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

Credit risk, changes to interest rates and/or issuer defaults will have a significant impact on the performance of fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

ESG Screening Risk

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

iShares UCITS ETFs Product Range

Risk Warnings

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time and depend on personal individual circumstances.

BlackRock has not considered the suitability of this investment against your individual needs and risk tolerance. The data displayed provides summary information. Investment should be made on the basis of the relevant Prospectus which is available from the manager.

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Product-specific Risks

iShares € Green Bond UCITS ETF EUR (Acc)

Counterparty Risk, Credit Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares € Green Bond UCITS ETF EUR (Dist)

Counterparty Risk, Credit Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares MSCI EMU Paris-Aligned Climate UCITS ETF EUR (Acc)

Counterparty Risk, Equity Risk, ESG Screening Risk (ETF)

iShares MSCI EMU Paris-Aligned Climate UCITS ETF EUR (Dist)

Counterparty Risk, Equity Risk, ESG Screening Risk (ETF)

iShares MSCI Europe Paris-Aligned Climate UCITS ETF EUR (Acc)

Counterparty Risk, Equity Risk, ESG Screening Risk (ETF)

iShares MSCI Europe Paris-Aligned Climate UCITS ETF EUR (Dist)

Counterparty Risk, Equity Risk, ESG Screening Risk (ETF)

iShares MSCI World Paris-Aligned Climate UCITS ETF (ACC)

Counterparty Risk, Equity Risk, ESG Screening Risk (ETF)

iShares MSCI World Paris-Aligned Climate UCITS ETF (Dist)

Counterparty Risk, Equity Risk, ESG Screening Risk (ETF)

iShares S&P 500 Paris-Aligned Climate UCITS ETF (Acc)

Commodity Swaps Risk, Counterparty Risk, Credit Risk, Equity Risk, ESG Screening Risk (ETF), Liquidity Risk

iShares S&P 500 Paris-Aligned Climate UCITS ETF USD (Dist)

Counterparty Risk, Credit Risk, Equity Risk, ESG Screening Risk (ETF), Liquidity Risk

Description of Product Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Share Class to financial loss.

Credit Risk

Credit risk, changes to interest rates and/or issuer defaults will have a significant impact on the performance of fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.

ESG Screening Risk (ETF)

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Commodity Swaps Risk

The prices of commodities tend to experience greater variations than other asset classes (e.g. equities or fixed income securities). Investments in commodities are therefore potentially riskier than other types of investments.

BGF ESG Global Conservative Income

Risks Warnings

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

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Fund-specific risks

Counterparty Risk, Credit Risk, Currency Risk, Emerging Markets, Equity Risk, Environmental, Social and Governance (ESG) Risk, Liquidity Risk.

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Currency Risk

The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment.

Emerging Markets

Emerging markets are generally more sensitive to economic and political conditions than developed markets. Other factors include greater 'Liquidity Risk', restrictions on investment or transfer of assets and failed/delayed delivery of securities or payments to the Fund.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events

Environmental, Social and Governance (ESG) Risk.

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

ESG screening risk

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index's ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund's investments compared to a fund without such screening.

Liquidity Risk

The Fund's investments may have low liquidity which often causes the value of these investments to be less predictable. In extreme cases, the Fund may not be able to realise the investment at the latest market price or at a price considered fair.

BGF ESG Global Multi-Asset Income

Risk Warnings

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Investors should refer to the prospectus or offering documentation for the funds full list of risks.

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Fund-specific risks

Counterparty Risk, Credit Risk, Environmental, Social and Governance (ESG) Risk, Liquidity Risk, Derivatives Risk, Equity and Fixed Income Risks.

Description of Fund Risks

Counterparty Risk

The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Credit Risk

The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.

Currency Risk

The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of the investment.

Derivatives Risk

Derivatives may be highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

Emerging Markets

Emerging markets are generally more sensitive to economic and political conditions than developed markets. Other factors include greater 'Liquidity Risk', restrictions on investment or transfer of assets and failed/delayed delivery of securities or payments to the Fund.

Equity and Fixed Income Risk

Equities and equity-related securities can be affected by daily stock market movements. Fixed Income securities can be affected by changes to interest rates, credit risk and potential or actual credit rating downgrades. Non-investment grade FI securities can be more sensitive to these events. ABS and MBS may have high levels of borrowing and not fully reflect the value of underlying assets. FDIs are highly sensitive to changes in the value of the asset they are based on. The impact is greater where FDIs are used in an extensive or complex way.

Environmental, Social and Governance (ESG) Risk.

The benchmark index only excludes companies engaging in certain activities inconsistent with ESG criteria if such activities exceed the thresholds determined by the index provider. Investors should therefore make a personal ethical assessment of the benchmark index’s ESG screening prior to investing in the Fund. Such ESG screening may adversely affect the value of the Fund’s investments compared to a fund without such screening.

Equity Risk

The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

ESG screening risk

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Liquidity Risk

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