



**XCSR** iShares ESG Advanced MSCI Canada Index ETF

**XUSR** iShares ESG Advanced MSCI USA Index ETF

**XDSR** iShares ESG Advanced MSCI EAFE Index ETF

**XCBG** iShares ESG Advanced Canadian Corporate Bond Index ETF

**XSHG** iShares ESG Advanced 1-5 Year Canadian Corporate Bond Index ETF

**Key benefits:**

- Access companies with favourable environmental, social, and governance (ESG) business ratings
- Seek to remove exposure to companies with severe controversies while also applying extensive business involvement screens, such as the incorporation of fossil fuels screens, allowing for ESG risk mitigation
- Quality products at low cost, designed to be sustainable building blocks

**Advance your sustainable goals**

The iShares ESG Advanced MSCI Index ETFs (“ESG Advanced ETFs”) are designed for investors with relatively higher conviction in sustainable investing, as these ETFs incorporate a steep MSCI ESG Rating threshold for issuer inclusion. The funds prioritize exposure to higher ESG-rated companies while extensively screening out controversial industries that may pose elevated ESG risks.

**Key Facts**

ETF Ticker	Management Fee	Number of Underlying Holdings	Inception Date	Index Name
XCSR	0.15%	165	Apr 15, 2020	MSCI Canada IMI Choice ESG Screened 10% Issuer Capped Index
XUSR	0.20%	381	Apr 15, 2020	MSCI USA Choice ESG Screened Index
XDSR	0.25%	548	Apr 15, 2020	MSCI EAFE Choice ESG Screened Index
XCBG	0.15%	233	Aug 6, 2021	Bloomberg MSCI Canada Corporate Choice ESG Screened 10% Issuer Capped Index
XSHG	0.15%	156	Aug 6, 2021	Bloomberg MSCI 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index

Source: BlackRock; Data as of June 30, 2023.

**1. Access companies with favourable environmental, social, and governance characteristics**

The ESG Advanced suite considers environmental, social, and governance related risks and opportunities, both by selecting higher ESG-rated companies (with MSCI ESG Ratings of “BBB” or above ) and also by extensively screening out companies with material involvement in controversial businesses.

For investors who believe that an economic shift is taking place whereby financial markets are growing increasingly wary about allocating capital to companies that fail to demonstrate a commitment to sustainability, the ESG Advanced ETFs can be considered as a tool to help express that investment view and potentially enhance their portfolios’ long-term risk-adjusted returns.

# iShares ESG Advanced MSCI Index ETFs

## 2. Avoid – extensive screening allows for ESG risk mitigation

The ESG Advanced suite applies extensive ESG screens to exclude controversial industries with elevated ESG risks and to remove companies that are involved in severe ESG controversies.

- Controversies:** the funds exclude companies that are involved in very serious ESG controversies. The controversy evaluation framework is designed to be consistent with international norms represented by the United Nations (“UN”) Declaration of Human Rights, the International Labor Organization (“ILO”) Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.
- Fossil fuels:** the funds incorporate strong screening to fossil fuels-related companies by excluding all businesses with an industry tie to fossil fuels (thermal coal, oil and gas). An exception is provided within the equity funds to companies with over 50% revenue from renewable energy and alternative fuels.
- Business involvement:** the funds exclude an additional 13 industries that are potentially subject to elevated ESG risks and headline risks. These industries include Adult Entertainment, Alcohol, Civilian Firearms, Controversial Weapons, Conventional Weapons, For-Profit Prisons, Gambling, Genetically Modified Organisms (GMO), Nuclear Power, Nuclear Weapons, Palm Oil, Predatory Lending and Tobacco.

As illustrated below, the resulting ESG Advanced portfolios have significantly higher ESG scores, larger portfolio weights to ESG Leaders, lower carbon intensities, and fewer controversies compared with the broad market portfolios.

### ESG Characteristics

Asset Class	Category	Fund name & ticker	MSCI ESG Overall Quality Score	% of MSCI ESG Leaders	MSCI Weighted Avg Carbon Intensity	MSCI Very Severe Controversy (%)	MSCI ESG % Coverage
Canadian Equity	ESG Advanced	iShares ESG Advanced MSCI Canada Index ETF (XCSR)	7.6	68.8	65.1	0.0	100.0
	Broad Market	iShares Core S&P/TSX Capped Composite Index ETF (XIC)	7.2	59.8	302.6	1.4	99.8
U.S. Equity	ESG Advanced	iShares ESG Advanced MSCI USA Index ETF (XUSR)	7.6	60.0	63.5	0.0	100.0
	Broad Market	iShares Core S&P 500 Index ETF (XUS)	6.7	37.3	117.5	0.0	99.2
International Developed Equity	ESG Advanced	iShares ESG Advanced MSCI EAFE Index ETF (XDSR)	8.1	75.4	66.7	0.0	100.0
	Broad Market	iShares Core MSCI EAFE IMI Index ETF (XEF)	7.5	61.7	109.6	1.5	99.6
Canadian Fixed Income	ESG Advanced	iShares ESG Advanced Canadian Corporate Bond Index ETF (XCBG*)	7.5	71.8	31.7	0.0	99.5
	Broad Market	iShares Core Canadian Corporate Bond Index ETF (XCB*)	7.2	55.6	267.1	0.5	87.1
	ESG Advanced	iShares ESG Advanced 1-5 Year Canadian Corporate Bond Index ETF (XSHG*)	7.8	76.5	14.7	0.0	100.0
	Broad Market	iShares Core Canadian Short Term Corporate Bond Index ETF (XSH*)	7.3	63.5	128.6	0.9	92.7

Source: BlackRock, MSCI; Based on holdings data as of June 30, 2023. ESG metrics are provided by MSCI. For more information about the ESG characteristics of the ETFs, please refer to the Appendix and to the ETF's website, where MSCI ESG Overall Quality Scores are updated on a monthly basis and additional ESG-related information is provided. Other providers may also prepare fund-level ESG ratings or scores using their own methodologies, which may differ from the methodology used by MSCI. Please refer to the ETFs' prospectus for more information about the funds' investment objectives and strategies. The ESG metrics do not evaluate the ESG-related investment objectives of, or any ESG strategies used by, the fund and is not indicative of how well ESG factors are integrated by the fund.

# iShares ESG Advanced MSCI Index ETFs

## 3. Quality products at low cost

The iShares ESG Advanced ETFs take into consideration multiple aspects of ESG risks and opportunities, and incorporate a deep and rich data set from MSCI ESG Research, a leading ESG rating company. The ESG Advanced ETFs consider ESG quality ratings, controversies, and material business involvements.

At the same time, these ETFs are offered at very low management fees, ranging from 0.15% - 0.25%. This lowers the hurdle for those who want to act, and ensures access to these sustainable portfolio building blocks.

### Index Methodology

	<b>MSCI Canada IMI Choice ESG Screened 10% Issuer Capped Index</b>	<b>MSCI USA Choice ESG Screened Index MSCI EAFE Choice ESG Screened Index</b>	<b>Bloomberg MSCI 1-5 year Canada Corporate Choice ESG Screened 10% Issuer Capped Index Bloomberg MSCI Canada Corporate Choice ESG Screened 10% Issuer Capped Index</b>
<b>1. Screening</b>			
<b>ESG Ratings</b>	ESG Rating >= BBB		
<b>Controversies</b>	Exclude companies with a Controversy Score of 0 (i.e. Very Severe Controversy)	Exclude companies with a Controversy Score less than 3	Exclude companies with a Controversy Score of 0 (i.e. Very Severe Controversy)
<b>Fossil Fuels</b>	Exclude all businesses with an industry tie to fossil fuels (thermal coal, oil, gas and the entire Energy sector). An exception is provided to companies with over 50% revenue from renewable energy and alternative fuels.		Exclude all businesses with an industry tie to fossil fuels (thermal coal, oil, gas and the entire Energy sector)
<b>Other Screens</b>	Exclude companies with material business involvement in: Adult Entertainment, Alcohol, Civilian Firearms, Controversial Weapons, Conventional Weapons, For Profit Prisons, Gambling, Genetically Modified Organisms (GMO), Nuclear Power, Nuclear Weapons, Palm Oil, Predatory Lending, Tobacco		
	Exclude Cannabis	-	Exclude Cannabis
<b>2. Weighting</b>			
	Market cap weighted, with 10% issuer cap	Market cap weighted	Market cap weighted, with 10% issuer cap
<b>3. Rebalancing</b>			
	Quarterly		Monthly

Source: MSCI. The above is a summary only. For more information regarding the methodology of the relevant indexes, please refer to <http://www.msci.com>

# iShares ESG Advanced MSCI Index ETFs

## Definitions

- **ESG Leaders:** Companies leading their industry in managing the most material ESG risks and opportunities. i.e. companies with an 'AAA' & 'AA' MSCI ESG Rating. Leading companies may be more resilient to disruptions arising from ESG events.
- **MSCI ESG Controversy Score:** The score signals whether a company has a notable controversy related to the company's operations and/or products, and signals the severity of the social or environmental impact of the controversy. The score is on a 0-10 scale, with 0 meaning having the most severe controversy and 10 meaning having no notable controversy.
- **MSCI Environmental, Social, and Governance Pillar Scores:** These scores reflect an evaluation of the effectiveness of the underlying holdings at managing their exposures to key issues within the themes pertaining specifically to Environmental, Social, and Governance factors, respectively.
- **MSCI ESG Overall Quality Score:** The score reflects an evaluation of the effectiveness of the underlying holdings at managing key medium to long term risks and opportunities arising from environmental, social, and governance factors, and is calculated as the weighted average of the underlying holdings' ESG scores. It is provided on a 0-10 scale, with 0 and 10 being the respective lowest and highest possible fund scores. MSCI rates underlying holdings according to their exposure to 35 industry specific ESG risks and their ability to manage those risks relative to peers. These issuer-level ESG ratings correspond to an issuer-level ESG score. The MSCI ESG Overall Quality Score is calculated as the weighted average of the underlying Environmental, Social, and Governance Pillar Scores, with the respective weights being established at the GICS Sub-Industry level based on each industry's relative external impact and time horizon associated with each key issue.

To review the MSCI methodology behind the ESG metrics, please see [here](#)

MSCI ESG Quality Score Range			Description
Min.	Max		
7.0	10.0	→	Very High
6.0	6.9	→	High
5.0	5.9	→	Average
4.0	4.9	→	Low
0.0	3.9	→	Very Low

- **Very Severe Controversy (%):** represents the percentage of a portfolio's market value coming from holdings involved in very severe controversial events (i.e. an MSCI ESG Controversy Score of 0). An ESG controversy is an event reported by verifiable sources detailing a negative environmental, social, or governance-related impact linked to a company or multiple companies.
- **Weighted Average Carbon Intensity:** (tCO<sub>2</sub>e / \$M sales) which is a measure of the fund's exposure to carbon intensive companies. The figure is the sum of security weight (normalized for corporate positions only) multiplied by the security Carbon Intensity.

# iShares ESG Advanced MSCI Index ETFs

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The ETF's environmental, social and governance (ESG) investment strategy limits the types and number of investment opportunities available to the ETF and, as a result, the ETF may underperform other ETFs that do not have an ESG focus. The ETF's ESG investment strategy may result in the ETF investing in securities or industry sectors that underperform the market as a whole or underperform other funds screened for ESG standards.

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