

# BlackRock®



# Transition Investing in Public Markets

Building transition-aligned portfolios with core building blocks, green bonds and thematic investments

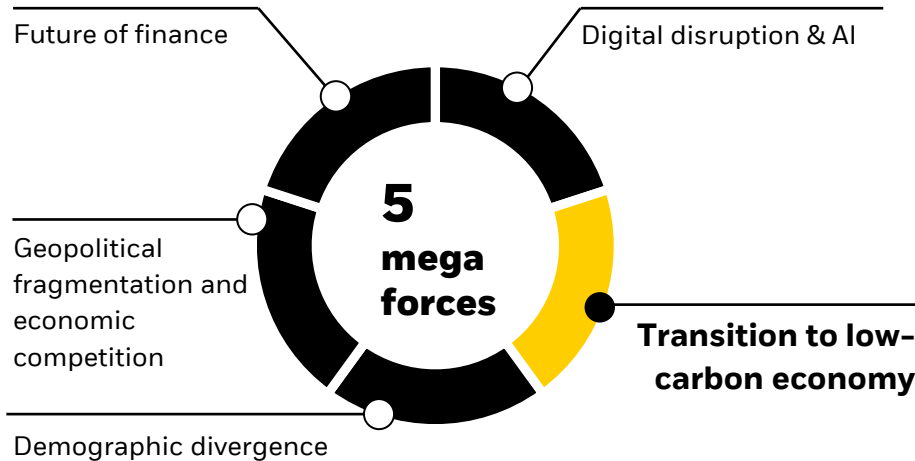
**Includes:**

Climate Transition Aware | ESG Enhanced (Climate Transition Benchmark - CTB) | Paris-Aligned Benchmark (PAB) | Green Bonds | Transition Thematics | BlackRock Portfolio Transition Services.

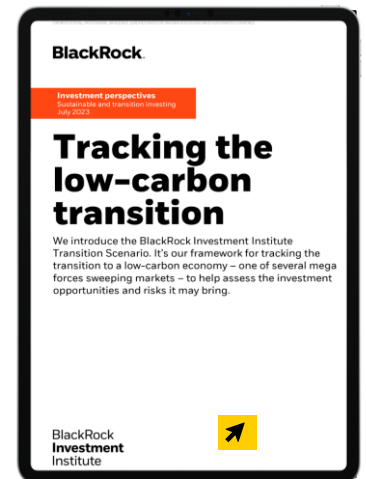
## Low-carbon transition

# Investing in the transition to a low-carbon economy

The transition to a low-carbon economy – one of the [five mega forces](#) that we track<sup>1</sup> – is set to spur a massive reallocation of capital as energy systems are rewired.



### BLACKROCK INVESTMENT INSTITUTE



## Helping you find the products most aligned to your goals

BlackRock offers a suite of climate- and transition-oriented solutions across whole portfolio construction, index, thematics, private markets, and analytics. Our \$138B+ transition investing platform<sup>2</sup> offers a breadth of offerings to meet client needs. It is powered by our proprietary research, global scale, and 600+ sustainable and transition specialists across the firm.

We can help guide clients through every stage of their portfolio transition journey, from setting portfolio targets, to designing strategies, to monitoring progress against transition and financial objectives.

This document offers an overview of our transition investing offering within public markets.

## About our public markets offering

Our transition investing offering can help clients invest across asset classes and investment objectives.



1. BlackRock Investment Institute, *Mega forces: An investment opportunity*, as of 29 February 2024. BlackRock Investment Institute and Aladdin Sustainability Analytics, [“Tracking the low-carbon transition”](#), July 2023.
2. BlackRock, as of December 31, 2023. All \$ figures shown are USD. Our Transition Investing Platform includes private market funds, transition deals, and public market portfolios whose principal strategy either through portfolio objective or investment selection focuses on preparing for, being aligned to, benefitting from and/or contributing to the low-carbon transition. Some transition investments are portfolio investments in BlackRock private funds, which may also invest in deals that are not transition. Investments presented are made by BlackRock’s funds and are not intended to represent potential direct invest opportunities. Index and active asset classes include Mutual funds, ETFs and SMA mandates. Private markets includes Private funds and SMA mandates.

# Climate Transition Aware ETFs

## Exposures

Incorporating forward-looking metrics, iShares MSCI Climate Transition Aware UCITS ETFs can help investors access companies with science-based targets as well as transition solution providers, while aiming for sector neutrality.

### EQUITY



## Why?

### 1.

**Forward-looking metrics<sup>1</sup>**  
Take an investment approach underpinned by **Science Based Targets (SBTi)**.

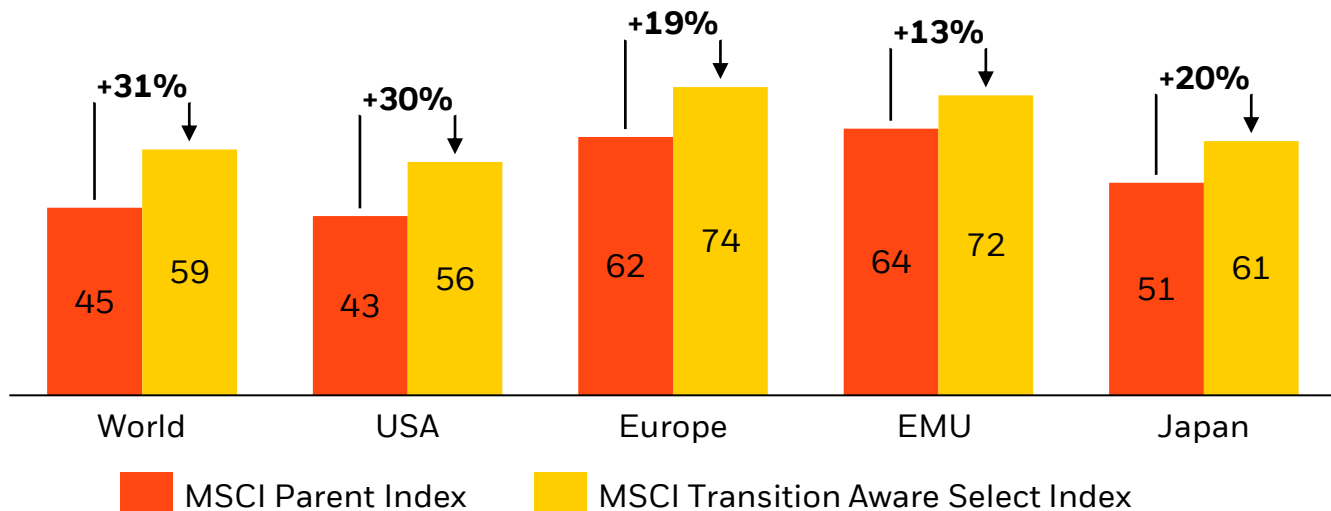
### 2.

**Strategy aiming for sector neutrality**  
Take a bottom-up approach to company selection, including **emissions reduction targets**.

### 3.

**Transition solution providers**  
Access a strategy incorporating **green revenues<sup>2</sup>**.

## % companies with SBTI-Approved targets vs parent benchmarks



**1** Science Based Targets, Home, accessed at 19 March 2024. **2** MSCI Transition Aware Index Methodology. Green revenues are defined as 'weighted average of index constituents' percentage of revenue derived from Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water, or Sustainable Agriculture.' **Source:** MSCI as at 30 April 2024. Weighted Average Carbon Intensity by Sales is measured by metric tons of carbon emissions emitted per million dollars of revenue (Scope 1+2 emissions / \$M Sales).



# ESG Enhanced ETFs

## Exposures

With an ESG Enhanced strategy investors can incorporate transition investing considerations while aligning to EU CTB requirements and maintaining similar risk characteristics to the parent benchmarks.

### EQUITY



## Why?

### 1. Decarbonisation<sup>1</sup>

Seek to reduce carbon by at least 30% versus the parent universe at inception, followed by a minimum 7% decarbonisation year-on-year.

### 2. Target tracking error<sup>2</sup>

Designed for your Core:

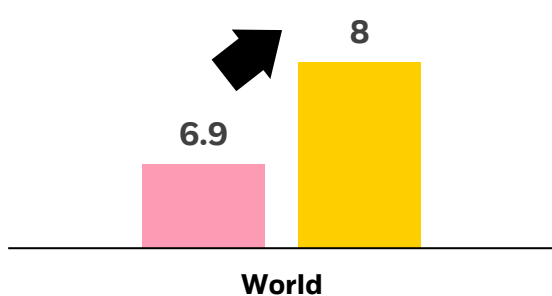
- Developed Markets: 75bps
- Emerging Markets: 100 bps

### 3. Improve ESG<sup>3</sup> score

Reweights securities to maximise ESG score.

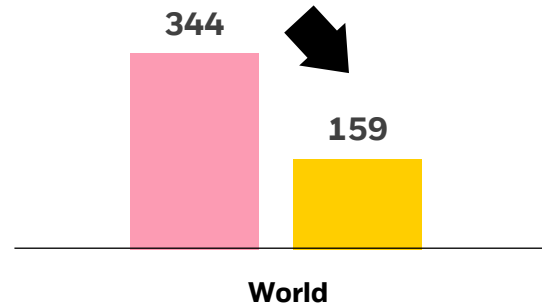
### ESG score improvement

MSCI ESG Enhanced Focus CTB indices vs parent index



### Carbon intensity reduction (tCO<sub>2</sub>e/USDm)

MSCI ESG Enhanced Focus CTB indices vs parent index



■ Parent Index ■ MSCI ESG Enhanced CTB Focus Index

**1.** 30% carbon intensity reduction included in original index methodology, which contributed to full compliance with EU's CTB requirements as of 1 December 2021, including scope 1, 2 and 3 emissions, as part of the MSCI ESG Enhanced Focus Index re-balance. **2.** Tracking error: the difference in actual performance between a position and its corresponding benchmark. Ex-ante tracking error target set within optimisation. **3.** ESG refers to Environmental, Social, and Governance. **Source:** BlackRock, MSCI, as of 29 February 2024. Further detail can be found on the [BlackRock website](#).

# Paris-Aligned Benchmark ETFs

## Exposures

The Paris-Aligned ETF range helps investors align to the EU PAB requirements while reducing carbon emissions and optimising for diversification

### EQUITY

### FIXED INCOME

World	Europe	S&P 500	EMU	\$ Corp Bond	€ Corp Bond	€ High Yield	\$ High Yield
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## Why?

### 1.

#### Business activity screens

Remove exposure to companies based on involvement in: civilian firearms, controversial weapons, nuclear weapons, oil and gas, oil sands, power generation, thermal coal mining, tobacco, and with a controversy score of 0.<sup>2</sup>

### 2.

#### Decarbonisation<sup>1</sup>

Reduce carbon by at least 50% versus the parent universe at inception, followed by a minimum 7% decarbonisation year-on-year.

### 3.

#### Optimise for diversification

Track indices with a consistent approach that helps investors integrate PAB requirements into their portfolios.

## Spotlight

### What does the PAB fixed income range offer?

Alignment with the EU Paris-aligned benchmark requirements.

Attain an improved sustainability profile and enhancements to environmental characteristics.

Maintain a broad asset class representation.



1. 50% carbon intensity reduction included in original index methodology, which contributed to full compliance with EU's PAB requirements, including scope 1, 2 and 3 emissions, and to meet net zero targets by 2050. 2. [MSCI Climate Paris Aligned Benchmark Select Index methodology](#) Source: BlackRock, MSCI, Bloomberg, S&P, BlackRock as of 31 December 2023. Further detail can be found on the [BlackRock website](#).

# Green Bonds

## Exposures

Green bonds are fixed income instruments in which the proceeds will be exclusively applied towards new and existing green projects<sup>1</sup>. With Green Bonds indexing solutions, investors can seek to track the investment results of investment-grade green bonds that are issued to fund environmental projects.

### FIXED INCOME

**Euro**  
(ETF)

**Global**  
(Index fund)

## Why?

### 1.

#### Impact

Strong industry standards aim to ensure bonds directly fund projects which are beneficial to the environment.

Third-party verifiers to attest on their green bond framework.

### 2.

#### Credit

Investors participate in the credit of the issuing entity, not of the underlying projects.

### 3.

#### Liquidity

Most of the green bonds in the market are issued by companies who usually issue the most liquid conventional bonds.

Supply of green bonds can generally be limited, which usually makes new issues oversubscribed.

The Green Bond Principles (GBP)<sup>1</sup> recognises 10 broad categories for green projects.

Green Buildings	Renewable Energy	Energy Efficiency
Pollution Prevention & Control	<b>Green Bond Project categories</b>	Sustainable management of natural resources & land use
Clean Transportation		Biodiversity Conservation
Sustainable Water & Wastewater	Climate Change Adaptation	Eco-Efficient Products, Technologies & Processes

#### BlackRock's capabilities in managing indexed green bond strategies include:

- Partnering with index providers on methodology design
- Expertise from a team of dedicated green bond analysts
- Strong index portfolio management skills
- Scale in the primary market
- Engaging with issuers & providing inhouse impact reporting to ensure ongoing adherence to green bond principles.

<sup>1</sup> Environmental benefits create a more sustainable economy. Green can include renewable energy, sustainable resource use, conservation, clean transportation and adaptation to climate change. **Source:** [Green Bond Principles](#), June 2021. Further detail can be found on the [BlackRock website](#).



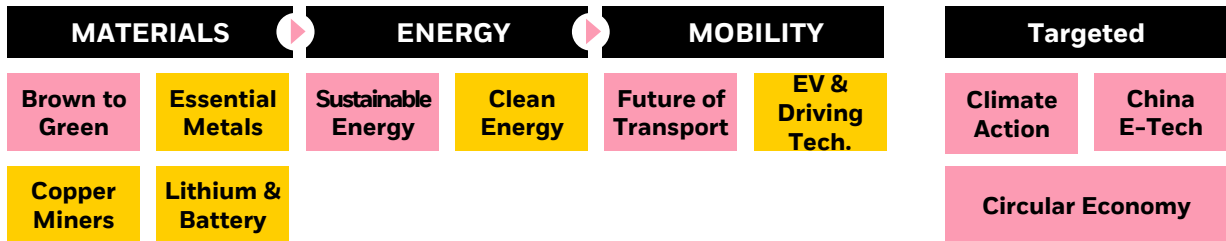
# Transition Thematics

## Exposures

### EQUITY

Index Active

Upstream to downstream



## Why?

- ### 1. Targeted exposure

Offer targeted exposure to key industries that are crucial for the transition but often underemphasised in conventional exposures.
- ### 2. Value chain assessment

Focusing on themes that span the entire value chain, from upstream opportunities in materials to downstream production of energy and manufacturing of electric vehicles.
- ### 3. Mega forces<sup>1</sup>

Investing in long-term structural sustainable themes driven by one of the 5 mega forces.

## Spotlight

### Understanding Brown to Green Materials

#### What does it invest in?

- Emissions reducers**  
 Materials companies with credible plans to lower their greenhouse gas emissions intensity.
- Enablers**  
 Materials companies producing the materials required to move from a 'brown to green' world ( e.g. lithium) OR companies providing solutions that help materials companies to reduce their emissions intensity.
- Green leaders**  
 Materials companies already leading in their sub-industry in terms of producing lower emission materials.

Source: 1. Further detail on page 2. BlackRock Investment Institute, *Mega forces: An investment opportunity*, as of 29 February 2024. BlackRock Investment Institute and Aladdin Sustainability Analytics, "Tracking the low-carbon transition", July 2023. Further detail can be found on the BlackRock website.

# Supporting clients across their portfolio through Carbon X-Ray®

Our Carbon X-Ray® platform brings together Aladdin Climate, portfolio consulting, and custom mandate design to help clients navigate every step of their portfolio transformations. Leveraging BlackRock's global risk management platform and a range of transition-focused analytics, the BlackRock Portfolio Consulting team – in partnership with Investment Strategy teams – can support clients in aligning their portfolio towards the transition to a low-carbon economy in three steps:

## Step

# 1

Define the **target** and assess your portfolio against it

- Access support in setting transition targets across your whole portfolio and single building blocks.
- Assess the portfolio against targets utilising Aladdin Climate, to project the portfolio's carbon intensity until 2050.
- Evaluate the portfolio's transition profile across other metrics, such as the MSCI Implied Temperature Rise.

## Step

# 2

Design a **transition strategy** and select **implementation options**

- Design your portfolio to align to your goals, substituting traditional building blocks or implementing a full strategic asset allocation design, across asset classes and product types (alpha seeking, index, factor).
- Optimise holdings for your desired transition metrics and any other portfolio objective (e.g. tracking error) while enhancing portfolio resilience to climate risks with BlackRock's climate-aware capital market assumptions.

## Step

# 3

**Monitor portfolio progress** towards transition and financial objectives

- Conduct quarterly or annual assessments of your portfolio's transition and financial characteristics using BlackRock's Aladdin technology. Receive support with portfolio adjustment if needed.
- Access our latest transition thought leadership and arrange deep dives with subject matter experts.



## Client-centric approach

Our approach is based on clients' risk appetite, sustainability and transition considerations and implementation preferences.



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