BlackRock

BlackRock France SAS

2023 Article 29 Energy and Climate Law Disclosure

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1. Introduction and context

1.1 Purpose

BlackRock France SAS ('BFS' or 'the Company') is an Alternative Investment Fund Management ('AIFM')[1] company, authorised and regulated by the Autorité des marchés financiers ('AMF').

This document (henceforth referred to as the 'Article 29 disclosure') fulfils the regulatory requirement for investment companies, including AIFMs, to publish a document that details their approach for taking account of environmental, social and governance (collectively, 'sustainability') considerations in their investment strategy. This document has been prepared in accordance with Article 29 of Law No. 2019-1147 of 8 November 2019 on energy and climate (the 'Energy and Climate Law'), and Decree No. 2021-663 of 27 May 2021.[2]

1.2 BlackRock structure and business activities

BFS's principal activity is to act as an AIFM for a number of Alternative Investment Funds ('AIF's'), predominately investing in private equity, infrastructure, real estate, credit, and multi-alternative strategies. As at 31 December 2022, BFS had €32.8 billion of assets under management ('AUM').[3]

BFS's parent undertaking is BlackRock Group Limited, a company domiciled in the United Kingdom and the holding company for BlackRock's business in EMEA, known as the 'BGL Group'. BGL Group's principal activity is the provision of investment management and advisory services through its regulated subsidiaries. BGL is ultimately owned by BlackRock, Inc. through multiple holding companies.

To the extent relevant to the asset classes under management by BFS, the Company operates in accordance with BlackRock, Inc. Group ('BlackRock') policies and processes, and leverages the resources of the wider BlackRock business, including in relation to governance, technology, and research.

1.3 Basis of preparation

This document has been prepared for BFS on a solo basis and in accordance with the requirements contained in Article D.533-16-1 of the Monetary and Financial Code. In line with the requirements of Article D.533-16-1, the disclosures contained in this report relate exclusively to BFS's asset management activities and do not encompass BFS's business operations.

As referred to in section 1.2, BFS aligns with the wider BlackRock business, and operates in accordance with the relevant BlackRock policies and processes. BFS also draws upon the wider BlackRock operational infrastructure and relevant subject matter expertise as required. As such, and unless otherwise stated, references in the Article 29 disclosure to BlackRock's policies, processes or practices should be deemed to encompass BFS.

In line with Article D.533-16-1 of the Monetary and Financial Code, investment companies are required to prepare an Article 29 disclosure annually, and to publish the disclosure within six months of the financial year end. BFS adopts a financial year end date of 31 December; the Company's Article 29 disclosure will therefore be published by 30 June each year for the 12-month reporting period that ends 31 December of the year preceding the date of publication.

It is anticipated that BFS's approach to the Article 29 disclosure and other sustainability-related disclosures will continue to evolve, particularly as sustainability-related information, data and risk

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[1] BFS is an Alternative Investment Fund Management company as defined in the Alternative Investment Fund Management Directive ('AIFMD').

[2] Decree No. 2021-663 of 27 May 2021 implements Article L.533-22-1of the Monetary and Financial Code and updates Article D.533-16-1 of the Monetary and Financial Code.

[3] This represents the value of assets held in AIF's for which BFS is the AIFM contracting legal entity as at 31 December 2022.

management methodologies develop further. Instances where BFS's Article 29 disclosure does not align with a specific Article 29 disclosure requirement will be subject to ongoing review, and a plan for improvement, where appropriate considering BFS's investment activities and function as a fiduciary to its clients, will be prepared.

The BFS 2023 Article 29 disclosure for the period ending 31 December 2022 has been approved by the BFS Board for publication on the BFS website at https://www.blackrock.com/fr/intermediaries/a-propos-de-blackrock/about-blackrock.

1.4 Other sustainability-related disclosures relevant to BFS

In 2023, BFS published a 'Statement on principal adverse impacts of investment decisions on sustainability factors,' ('the PAI statement') for the 12-month period ending 31 December 2022, prepared in accordance with the Sustainable Finance Disclosure Regulation ('SFDR').[4] The PAI statement should be considered in conjunction with this Article 29 disclosure. The PAI statement sets out the quantitative impact of the investment decisions made in relation to BFS products across a range of mandated and voluntary principal adverse impact ('PAI') indicators. The PAI statement also includes qualitative disclosures relevant to the PAI indicators.

Further information on BlackRock's approach to sustainability-related matters is also available in BlackRock's 2022 Task Force on Climate-Related Financial Disclosure ('TCFD') report and in BlackRock's 2022 Sustainability Disclosure.

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[4] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

2. General approach to sustainability

BlackRock was founded on the premise of understanding and managing investment risk, anticipating the needs of its clients, and supporting them in achieving their long-term investment goals. This is core to BlackRock's strategy. BlackRock recognises that different clients have different investment preferences and objectives. BlackRock continues to believe in the power of providing choice to clients, including by offering a wide range of investment products to help them meet their investment goals, and delivering on the instructions and guidelines that clients ultimately select.

2.1 Investment approach

As a fiduciary, BlackRock's approach to investing is grounded in three principles: 1) BlackRock starts by understanding the client's investment objectives and provides choice to meet their needs; 2) BlackRock seeks the best risk-adjusted returns within the scope of the mandate given by clients; and 3) BlackRock underpins its work with research, data, and analytics.

BlackRock incorporates financially material environmental, social, and/or governance ('ESG') data or information alongside other information into firmwide processes with the objective of enhancing risk-adjusted returns. This applies regardless of whether a fund or strategy has a sustainable, climate, or transition-related objective. BlackRock has a framework for ESG integration that permits a diversity of approaches across different investment teams, strategies, and particular client mandates. As with other investment risks and opportunities, the materiality of ESG considerations may vary by issuer, sector, product, mandate, and time horizon. As such, BlackRock's ESG integration framework needs to allow for flexibility across investment teams. Please refer to BlackRock's firm-level ESG Integration Statement for additional information.

Research is at the centre of BlackRock's investment approach and processes. It informs BlackRock's pursuit of the best risk-adjusted returns, and it underpins product creation and innovation. BlackRock researches major structural trends shaping the economy, markets, and asset prices, including in relation to sustainability and the transition to a low-carbon economy.

Sustainable investment solutions

To enable choice and meet client demand, over the past few years, BlackRock has significantly expanded the number of sustainable investment strategies available to clients. As of 31 December 2022, BlackRock had over 400 sustainable funds globally covering a spectrum of sustainable solutions, as well as customised solutions to meet clients' objectives. As of 31 December 2022, BlackRock managed $586 billion in its Sustainable Investing Platform on behalf of its clients. The Sustainable Investing Platform includes a number of BFS products.

BlackRock's 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. These solutions include a variety of products and strategies that support the transition to a low-carbon economy. An overview of BlackRock's sustainable product framework is provided in Figure 2.1.

Figure 2.1 BlackRock Sustainable Investing Platform

	Screened	Uplift	Thematic	Impact
Investment approach	Constrain investments by **avoiding issuers or business activities** with certain environmental, social and / or governance characteristics.	Commitment to investments with **improved environmental, social and / or governance characteristics** versus a stated universe or benchmark.	Targeted investments in issuers **whose business models** may not only benefit from but also may **drive long-term sustainability outcomes.**	Commitment to **generate positive, measurable, and additional sustainability outcomes.**
Additional details	Includes use of screens and may be enhanced with active engagement with specific issuers.	Environmental, social and / or governance data drives portfolio construction and security selection with some strategies leveraging to target a specific objective.	Strategy construction determined by focused exposure to the specific environmental or social theme.	Investment process must showcase "additionality" or "intentionality" in line with Operating Principles for Impact Management.

Figure 2.1 reflects BlackRock's Sustainable Investing Platform as at 31 December 2022

2.2 Industry engagement and public policy

Public policy

BlackRock advocates for public policies that it believes are in the long-term best interests of its clients. BlackRock supports the creation of regulatory regimes that increase financial market transparency, protect investors, and facilitate the responsible growth of capital markets, while preserving consumer choice and properly balancing benefits versus implementation costs. BlackRock's Global Public Policy Group ('GPPG') contributes to financial services standard-setting efforts and public policy discourse. As it relates to climate and sustainability disclosure-related policy matters, BlackRock strives to engage constructively in the global dialogue through participation in industry initiatives as well as through engagement with regulators and standard setters around the world.

In 2022, BlackRock contributed comments on several policy efforts to heighten the quality of sustainability-related reporting globally, including consultations by the European Financial Reporting Advisory Group following the publication of the EU Corporate Sustainability Reporting Directive. BlackRock's responses to these developing frameworks are guided by, and build on, BlackRock's principles for high quality climate-related disclosures.

BlackRock participation in sustainability-related initiatives

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 is illustrative of the main initiatives that BlackRock engages in and should not be considered exhaustive.

- Ceres Investors Network on Climate Risk and Sustainability
- Climate Action100+
- 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.

3. Internal resources

BlackRock employs dedicated resources to support sustainable and transition investing. In 2022, BlackRock evolved its sustainability organisation by establishing new business teams. This includes:

- Sustainable & Transition Solutions ('STS'), to lead BlackRock's sustainability and transition strategies, drive cross-functional coordination, support client engagements, improve product ideation, and embed expertise across the firm.
- Sustainable Investment Research and Analytics ('SIRA'), within the BlackRock Investment Institute ('BII'), to produce thought leadership and research on the implications of the transition to a low-carbon economy on the macroeconomy, assets, and portfolio construction strategies.
- Sustainable & Transition Product Integrity Team, within the Global Product Group ('GPG'), partnering with SIRA and portfolio management teams around the firm to set minimum standards for the Sustainable & Transition platform and accelerate product ideation and development.
- Transition Capital, a new function within BlackRock Alternatives, that partners with portfolio managers and BlackRock Capital Markets to source and invest in proprietary transition-focused opportunities across asset classes and geographies, helping the firm's clients capture the opportunities from the global energy transition.

In practice, sustainability is integrated into different business functions across BlackRock. Several teams focus on sustainability, while others integrate sustainability into their broader functional responsibilities. Figure 3.1 contains further information on the climate and sustainability-related responsibilities of the relevant teams. While many of these business functions are organised globally, including either a direct or indirect reporting line into the GEC, each function works with the local EMEA teams to deliver on client requirements.

Figure 3.1 Functional groups involved in climate & sustainability-related matters

Team	Sustainability-Related Responsibilities	Management Reporting Line
Teams with Sustainability-Related Areas of Focus		
BlackRock Investment Stewardship ('BIS')	• 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.	Global Head of BIS is a GEC member
Sustainable and Transition Solutions	• Leads BlackRock's sustainability and transition strategy, drives cross-functional change, supports client and external engagement, powers product ideation, and embeds sustainable expertise across BlackRock in partnership with other teams.	Global Head of STS reports to a Vice Chairman (GEC member)
BlackRock Investment Institute	• Produces macro and portfolio research, including BlackRock's Capital Market Assumptions. • The Sustainable Investment Research and Analytics team produces thought leadership and research on the implications of the transition on portfolio construction.	Global Head of BII reports to a Vice Chairman (GEC member)
Corporate Sustainability	• Drives efforts to incorporate sustainable practices into business operations including tracking progress on environmental sustainability emissions reductions goals for operations. • Develops corporate climate-related and sustainability-related disclosures.	Chief Sustainability and Social Impact Officer reports to Global Head of External Affairs (GEC member)
Sustainability Integrated into Broader Functional Responsibilities		
Global Public Policy Group	• 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.	Global Head of Public Policy reports to Global Head of External Affairs (GEC member)
Investment Divisions	• BlackRock investment divisions include: ETFs and Index Investments, Portfolio Management Group, Global Trading & Transition Management, and BlackRock Alternatives. • Active portfolio teams manage exposure to material ESG risks, and consider ESG information in their investment processes, as applicable and consistent with client goals.	Heads of investment divisions are members of GEC and GEC Investment Sub-Committee

Team	Sustainability-Related Responsibilities	Management Reporting Line
	• Investment teams can often have sustainability-focused units (e.g., BlackRock Alternatives Sustainable Investing team, Fixed Income ESG Investment team).	
Global Product Group	• Leads sustainable product innovation and development, governance, and strategy across the global product platform.	Chief Product Officer reports to President (GEC member)
Risk & Quantitative Analysis Group ('RQA')	• BlackRock's risk management function. • Responsible for BlackRock's Investment and Enterprise risk management framework which includes oversight of sustainability-related investment risks. • Conducts regular reviews with portfolio managers to ensure that investment decisions are taken in light of relevant investment risks, including sustainability-related risks, complementing the first-line monitoring of material climate-related considerations across BlackRock's investment platform. • Maintains a dedicated Sustainability Risk Team that partner with risk managers and businesses to oversee sustainability risk across the platform. • Consults with investors and sustainability experts across the firm to evaluate sustainability data, models, methodologies and/or analytics.	Chief Risk Officer is a member of GEC and GEC Investment Sub-Committee
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.	Global Head of Aladdin is a member of GEC
Enterprise Services ('ES')	• Health & Safety team monitors adherence to local environmental regulations. • 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. • Business Continuity Management manages disaster recovery planning, strategy, and crisis management activities.	Global Head of ES reports to Global Head of Technology

Figure 3.1 reflects functional groups involved in climate and sustainability-related matters as at 31 December 2022

As outlined in section 1.3, BFS leverages the wider BlackRock infrastructure and the subject matter expertise of employees of other BlackRock entities, where necessary. As such, no disclosure has been made in this report in respect of the number of BFS employees engaged in sustainability-related matters as to do so would misrepresent the sustainability-related skills and expertise from which BFS benefits.

Employee training

BlackRock offers training to employees to help them achieve a baseline understanding of the concepts of sustainability and the low-carbon transition, as well as training in relation to BlackRock's approach, offerings, and analytical capabilities in relation to sustainable investing. Some of these training resources offer deeper technical training for BlackRock's investment, client facing and sustainability teams on topics such as sustainability related-regulations (e.g., SFDR, AIFMD, the European Taxonomy, etc), biodiversity-related risks and opportunities, and evolving analytical capabilities in Aladdin®. Such training is ongoing throughout the year and includes resources developed by the BlackRock Investment Academy, the BlackRock Client Relationship Academy, and the BlackRock Educational Academy.

3.1 Sustainable investing research

Research is at the center of BlackRock's investment approach and processes. It informs the firm's pursuit of the best risk-adjusted returns, within the mandates clients give BlackRock, and it underpins product creation and innovation. BlackRock researches major structural trends shaping the economy, markets, and asset prices, including trends related to sustainability and the transition to a low-carbon economy. For example, the firm researches the low-carbon transition to identify impacts on macroeconomic trends, such as inflation, company financial prospects and business models, and portfolios.

BlackRock's Capital Markets Assumptions ('CMAs') are an example of the firm's research-centered approach. BlackRock's CMAs are estimates of risk and return across asset classes that can be used as a building block for portfolio construction. BlackRock's CMAs include evaluating climate-related risks to determine how they impact economic growth and offer investors the ability to generate better risk-adjusted returns. BII produces macro and portfolio research, including its CMAs, which are available on BlackRock's website.

Another example of BlackRock's research efforts is BlackRock Investment Institute Transition Scenarios ('BIITS') which is BlackRock's input-driven forecast of how the transition will unfold across technologies, sectors, and regions – based on assumptions the firm sees as realistic today and informed by the views of its portfolio managers. It is built on a suite of proprietary models that represent the interactions between macroeconomic indicators, evolving energy system mechanics, and physical climate feedbacks. This scenario engine can reflect new developments in macroeconomics, policy, technology, and consumer preferences, as well as test sensitivities or real-time shocks. The BIITS provides insights on how the structure of the economy could shift over time. That allows BlackRock to evaluate the future path of emissions and model how the climate could change, affecting economic activity and energy demand. BlackRock has validated this through contextual scenario comparisons, third-party research, feedback from academic and industry partners, and internal peer review and governance processes.

3.2 Sustainable investing – data and technology

BlackRock's internal processes are focused on delivering high-quality data to be used by portfolio managers and for reporting purposes. Sustainability-related data, including PAI data, is received through BlackRock's existing interfaces, and then processed through a series of data quality and completeness checks.

BlackRock's integrated technology enables it to compile data about issuers and investments. This data spans across a variety of environmental, social and governance metrics and a variety of data providers. BlackRock makes this data available to investment teams, as well as other support and control functions, such as RQA and compliance.

BlackRock portfolio managers have access to research, data, tools, and analytics to integrate sustainability-related insights, including PAI data as appropriate and relevant, into their investment process. BlackRock Aladdin is BlackRock's operating system that connects the data, people, and technology necessary to manage portfolios in real time, as well as the engine behind BlackRock's sustainability analytics and reporting capabilities. BlackRock's portfolio managers use Aladdin to make investment decisions, monitor portfolios and to access financially material sustainability insights relevant to the investment process.

Sustainability-related data sources

Sustainability-related data, and specifically PAI data, in relation to investee companies and sovereigns are sourced via external third-party data providers. These datasets have been incorporated into Aladdin tools that are available to portfolio managers and employed in BlackRock investment strategies. Such tools support the full investment process, from research, to portfolio construction and modelling, to reporting.

Of particular relevance to BFS, when investing in private markets, including via BlackRock's infrastructure, real estate, private equity and private credit strategies, the availability of reliable, accurate and complete sustainability-related data remains challenging. BlackRock has developed proprietary approaches for collating a wide range of sustainability-related datapoints across its portfolios. For example, across many of BlackRock's real estate and infrastructure strategies, BlackRock is partnering with third-party sustainability data management system providers to collate material sustainability metrics at the individual investment-level. Where possible, BlackRock may also partner with third-party specialist consultants and other service providers to drive engagement programmes across its private portfolios to encourage the sharing of relevant information, and to advance the development of more consistent methodologies to collate this information going forward.

In addition, BlackRock undertakes direct engagement and outreach programmes across BlackRock's private markets portfolios, helping BlackRock to better understand the sustainability-related characteristics of the companies in which it invests on behalf of clients, and to source PAI and other related information.

Data quality

BlackRock applies a comprehensive due diligence process to evaluate data provider offerings with targeted methodology reviews and coverage assessments. BlackRock's process entails both qualitative and quantitative analysis to assess the suitability of data relative to regulatory standards and client demand.

BlackRock assesses sustainability-related data / data providers, including in relation to PAI data, across the following five core areas:

1. **Data collection**: this includes but is not limited to assessing the data providers underlying data sources, technology used to capture data, process to identify misinformation and any use of machine learning or human data collection approaches. BlackRock will also consider planned improvements.
2. **Data coverage**: the assessment includes but is not limited to the extent to which a data package provides coverage across its investible universe of issuers and asset classes. This will include consideration of the treatment of parent companies and their subsidiaries as well as use of estimated data or reported data.
3. **Methodology**: the assessment includes but is not limited to consideration of the third-party providers' methodologies employed, including considering the collection and calculation approaches, alignment to industry or regulatory standards or frameworks, materiality thresholds and their approach to data gaps.
4. **Data verification**: the assessment includes but is not limited to the third-party providers' approaches to verification of data collected and quality assurance processes including their engagement with issuers.
5. **Operations**: BlackRock will assess a variety of aspects of data vendors' operations, including but not limited to their policies and procedures (including consideration of any conflicts of interest) the size and experience of their data research teams, their training programs, and their use of third-party providers.

4. Governance

Effective corporate governance is critical to executing on BlackRock's strategy, fulfilling its responsibilities to clients, and creating long-term value for stakeholders. BlackRock's commitment to good corporate governance with respect to climate and sustainability-related matters reflects its commitment to strong leadership and effective oversight by the BlackRock Board and senior management. Sustainability is a critical component of BlackRock's overall business strategy. BlackRock's Board of Directors has oversight of the near- and long-term business strategy (including sustainability). The BlackRock Global Executive Committee ('GEC') sets the strategic vision and priorities of BlackRock and drives accountability at all levels. Further information on BlackRock's governance as it relates to sustainability-related matters is available in the Governance section of the BlackRock 2022 TCFD Report.

4.1 BFS oversight

The oversight and day to day management of BFS rests with the Company President and the dirigeants effectifs (collectively, 'the BFS Board' or 'the dirigeants'), supported by the Company's employees and the wider BlackRock business. BFS has five dirigeants, all of whom are senior BlackRock employees, providing representation from a range of BlackRock's business functions. This includes representation from RQA, Investment Oversight, Legal and Compliance, and Global Fund Administration Services teams.

Collectively, the dirigeants have a mix of skills and experience, including extensive experience in alternative investments and the risks associated with such products. On an annual basis, the BFS Board performs an evaluation exercise requiring each of the dirigeants to self-evaluate their skills and experience, and the effectiveness of the Board's functioning relative to the Board's objectives. This evaluation is performed on a look-back basis, with the 2021 Board evaluation process having concluded during 2022.

The dirigeants, on a collective basis, are responsible for the management of the Company, including in respect of functions that the Board delegates to other BlackRock entities. The responsibilities of the dirigeants include, but are not limited to, the following matters:

- Day-to-day management of the Company and the AIFs for which the Company acts as an AIFM.
- Responsibility for the decision-making process in relation to additional funds, sub-funds and share classes, where relevant to the Company in its capacity as an AIFM.
- Responsibility, in relation to the AIFs, for oversight and monitoring of portfolio management functions that have been delegated by the Company to other BlackRock entities.
- Ensuring the maintenance of a sound system of internal controls and risk management. This includes responsibility for the integration of sustainability risk within the Company's oversight framework.

Sustainability-related oversight

Although BlackRock's sustainability strategy is developed and reviewed at a global level, it is designed to meet requirements applicable to all of BlackRock's locations. The BFS Board has visibility and can input into this strategy by having the ability to make recommendations to ensure it complies with applicable local regulations. The BFS Board implements this sustainability strategy via its oversight and scrutiny of the BFS fund range, including in respect of new and / or amended investments strategies, and ensures that its products meet local regulatory requirements.

Throughout 2022, the BFS Board reviewed and discussed sustainability-related matters relevant to BFS. Illustratively, the topics discussed included sustainability-related regulatory developments, the review and approval of policies updated to incorporate new sustainability-related requirements, and the review and approval of the BFS SFDR Sustainability Risk Statement. The dirigeants also considered proposed BFS product launches, including the review of investment strategies that incorporate sustainability-related characteristics / screening. The BFS Board also received a monthly update from BlackRock's Investment Oversight function, which incorporates sustainability-related considerations into its review of BFS' portfolios. During 2022, the BFS Board also received training on the sustainability-related updates to the AIFMD.

In the implementation of an ESG integration process, BFS has also taken steps, where applicable, to align relevant policies and procedures with the sustainability-related requirements of the delegated acts under the AIFMD.

4.1.1 BFS Board composition

In line with Article L.533-22-2-4 of the Monetary and Financial Code (the Rixain Law), BFS is required to disclose the composition of its management body. The composition of the BFS Board is 60% women and 40% men.

4.2 Remuneration

In line with the AIFMD Article 13, BFS maintains a remuneration policy, the responsibility for which rests with the BFS Board. In accordance with SFDR Article 5, the BFS remuneration policy has been updated to incorporate consideration of sustainability risk.

BlackRock has a clear and well-defined pay-for-performance philosophy and compensation programmes which are designed to meet a number of objectives. These objectives include the promotion of sound and effective risk management across all risk categories, including sustainability risk, and discouraging excessive risk-taking (sustainability related or otherwise).

The BFS remuneration policy is subject to review and approval by the BFS Board at least annually. In addition, the Management Development and Compensation Committee, which is the global, independent remuneration committee for BlackRock and comprises the NEDs of BlackRock, also acts as the independent remuneration committee for the BGL Group, including BFS. It therefore supports the BFS Board in meeting its remuneration related obligations by overseeing the design and implementation of the remuneration policy in accordance with applicable regulations.

5. Engagement strategy

Consistent with BlackRock's fiduciary responsibilities as an asset manager, BlackRock monitors and provides feedback to investee companies in its role as a steward of clients' investments. Investment stewardship is how BlackRock uses its voice as an investor to promote sound corporate governance and business practices to help maximise long-term shareholder value for its clients. BIS does this through engagement with public company management teams and/or board members on material business issues and, for those clients who have given BlackRock authority, through voting. BIS' approach to engagement and proxy voting is outlined in its Global Principles, market-level voting guidelines and engagement priorities. As the funds managed by BFS are invested in private assets, these funds are not affected by BlackRock's voting policy, which applies only to publicly listed investments.

BlackRock active investment teams may also engage with the companies they invest in across both public and private markets on governance and sustainability-related matters. Investment team engagement is undertaken as part of the investment decision making process. Where engagement is identified by a portfolio management team as a means by which to assess an investee company's commitment to high standards of corporate governance and business practices on material sustainability-related risks and opportunities, the engagement approach will be described in the prospectus and website disclosures of the relevant product.

Where active portfolio management teams choose to leverage engagement, this can take a variety of forms but, illustratively, the team would seek to have regular and continuing dialogue with executives or board directors of relevant investee companies. Teams may engage on how investee companies manage material sustainability-related risks and opportunities in their business models, which may encompass consideration of PAIs. In their engagement, a portfolio management team may discuss concerns, build their understanding of opportunities, and share constructive feedback, based on the view that material sustainability-related risks and opportunities may impact a business's long-term strategy and fundamental value, across all asset classes.

An illustration of engagement activities undertaken by BlackRock's investment teams in relation to human rights and labour standards is provided below. Further information on BlackRock's investment teams' engagement activities as they relate to biodiversity and natural capital is outlined in section 8.

Human rights and labour standards

As outlined in section 2.1, BlackRock incorporates financially material environmental, social, and/or governance data or information, alongside other information into firmwide processes; this may include issues related to human rights and labour standards.

Investment teams that have greater potential exposure to human rights, indigenous rights and local community violations may consider these issues during portfolio construction and management. For example, for those 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 in BlackRock Alternatives, investment teams will consider any material issues and risk exposure during the asset review and due diligence processes. Where applicable, the teams review factors such as land rights and community impact and rights. Examples of such efforts include seeking informed consent for projects from local or indigenous communities where applicable, undertaking detailed reviews of land rights as part of investment due diligence, and aligning community and social engagement best practice with the International Finance Corporation's Performance Standards for several of its emerging market strategies. BlackRock's Real Estate and Infrastructure teams also regularly review and monitor on-site health and safety, in addition to wider community engagements and impacts. The teams comply with relevant jurisdictional laws and expects BlackRock's appointed contractors to do the same.

6. European taxonomy and fossil fuels

As outlined in section 2.1, BlackRock's Sustainable Investing Platform includes a number of BFS products. This includes products that are categorised as SFDR Article 8 or Article 9.

Investments aligned with the European taxonomy[5]

The BFS Global Renewable Power Fund III includes investments that align with the European taxonomy and, specifically, Article 10 of the European taxonomy in relation to climate change mitigation. As at 31 December 2022, the value of all assets held in the Global Renewable Power Fund III was €2.6 billion, of which 16.54% was aligned with Article 10 of the European Taxonomy. While other BFS products may include investments that are aligned with the European taxonomy, BFS does not currently have the requisite data to report the percentage alignment; this reflects the challenge associated with obtaining such data in respect of private market investments.

Investments in companies operating in the fossil fuel sector

The BFS PAI statement published in June 2023 (for the 12-month period ending 31 December 2022) includes consideration of BFS fund holdings in companies operating in the fossil fuel sector. The PAI statement, and specifically PAI indicator 4, illustrates that BFS's exposure to companies active in the fossil fuel sector represents 3% of BFS's total investments,[6] based on issuer coverage of 13%.[7] In addition, PAI indicator 17 illustrates that BFS's exposure to real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels is 0%, based on issuer coverage of 100%.

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[5] The 'European Taxonomy' is a reference to *Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment*.

[6] For this purpose, the total value of BFS investments includes assets managed by BFS, and assets belonging to clients with whom BFS contracts for the provision of asset management but for which BFS has delegated management to another entity. Please refer to the BFS SFDR PAI statement for further information.

[7] The issuer coverage percentage denotes, for each PAI, the value of AUM for which BlackRock has PAI data as a percentage of the total AUM associated with BFS' applicable investments.

7. Alignment with the Paris Agreement

Climate risk is an investment risk. It is one of many investment risks BlackRock considers. Government policies, technological innovation, and consumer and investor preferences are driving a material economic transformation. Physical climate change also continues to create financial risk (e.g., through extreme weather), which is affecting asset prices. These trends are dynamic and will create or impair value across companies and industries and generate investment risks and opportunities.

BlackRock's research shows that an orderly transition would result in higher economic growth compared with no climate actions. It would create a more constructive macro environment for financial returns for clients overall. Because an orderly transition to a low-carbon economy would benefit the global economy and BlackRock's clients in aggregate, BlackRock believes that issuers would benefit from developing and implementing robust transition plans.

BlackRock's role in the transition to a low-carbon economy is as a fiduciary: BlackRock provides choice to its clients; seeks the best risk-adjusted returns within the mandate its clients give them; and underpins its work with research, data, and analytics. The money BlackRock manages is not BlackRock's – it belongs to clients, many of whom make their own asset allocation and portfolio construction decisions. BlackRock's role is to help them navigate investment risks and opportunities.

BlackRock provides clients with data and analytics, investment insights and research about the impacts of the low-carbon transition on their portfolios. BlackRock offers a range of products and strategies from which clients can choose to achieve their desired outcomes, including strategies designed to help clients invest in the low-carbon transition and which are therefore thematically aligned with the Paris agreement. Further information on BlackRock Sustainable Investing Platform is provided in section 2.1 above.

Target setting

At an entity level, BFS does not set climate-related targets for the AUM it manages on behalf of clients due to BlackRock's role as a fiduciary. Instead, investments are made in line with the instructions and guidelines that clients ultimately select. For additional detail relating to product specific sustainability objectives, please refer to the relevant fund prospectuses, product briefs and fact sheets available on public fund websites.

8. Biodiversity and 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. As outlined in section 2.1, 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, BlackRock Alternatives takes a proactive approach to identifying, analysing, 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 will 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. As outlined in section 2 above, 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.

Target setting

At an entity level, BFS does not set biodiversity-related targets for the AUM it manages on behalf of clients due to BlackRock's role as a fiduciary. Instead, investments are made in line with the instructions and guidelines that clients ultimately select. For additional detail relating to product specific sustainability objectives, please refer to the relevant fund prospectuses, product briefs and fact sheets available on public fund websites.

BFS does not currently assess compliance with the goals listed in the Convention on Biological Diversity or the contribution to reducing the primary pressures and impacts on biodiversity as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. Furthermore, BFS has not adopted a biodiversity footprint indicator.

9. Risk Management

An integral part of BlackRock's identity is the core belief that rigorous risk management is critical to the delivery of high-quality asset management services. This section discusses BlackRock's approach to risk management, including the risk identification, assessment and monitoring processes adopted by BlackRock.

BGL is the holding company for BlackRock's regulated business in EMEA, including BFS. As referred to in section 4.1, risk management in BFS is governed by the BFS Board. BFS follows the BGL Group's policy and control frameworks. The elements of the Risk Management Framework ('RMF') described in this section are applied at the BGL Group level, which is consistent with the BGL Group's strategy and business management.

9.1 Risk management approach

BlackRock employs a three-lines of defence approach to managing risks, including sustainability-related risks, in client portfolios.

BlackRock's investment teams and business management are the primary risk owners, or first line of defence.

BlackRock's risk management function, RQA, is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defence along with BlackRock Legal and Compliance. RQA evaluates investment risks, including financially material sustainability-related risks, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.

The third line of defence, 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, including those relevant to sustainability-related matters.

Description of Sustainability Risks

BlackRock defines sustainability risk as an inclusive term to designate an investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to environmental, social and/or governance issues. As with other investment risks and opportunities, the financial materiality of sustainability risks may vary by issuer, sector, product, mandate, and time horizon. Examples of sustainability-related risks may include but are not limited to:

1. **Environmental Risk:** Risk associated with environmental issues which may include but are not limited to climate change, water use, land use, waste management, environmental degradation, or loss of ecosystem services. Environmental degradation includes water or air pollution, desertification, and loss of biodiversity.
2. **Climate-related risk includes**:
    - **Climate transition risk:** Risk related to the transition to a lower carbon economy. Whether policy, technology, market or reputation risk arises from the adjustments to a low-carbon economy in order to mitigate climate change.
    - **Climate physical risk:** Risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change which can be acute or chronic. For example, frequent and severe climate-related events can impact products and services, and supply chains.
3. **Social risk:** A broad range of positive and negative factors, that can impact an issuer's operational effectiveness and resilience as well as its public perception, and social license to operate. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates and customer loyalty.

4. **Governance risk:** Governance related risks can include risks around board independence, ownership & control, or audit and tax management.

Sustainability risk is not a standalone risk; hence the risk identification, assessment and monitoring of sustainability risk cannot be performed on a standalone basis.

9.2 Sustainability risk – Identification

Sustainability risks may be identified through exposure to Key Performance Indicators ('KPIs') linked directly to ESG-related activities or identified indirectly through their effect on different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches, etc.). Sustainability risk factors may have a material impact on an investment held in a product, may increase volatility, and may result in a loss to the value of units in a product.

Certain companies may be particularly exposed to heightened sustainability risks through their sector or business practices. BlackRock has a heightened scrutiny framework to identify and monitor issuers particularly exposed to heightened ESG-risks.

9.3 Sustainability risk – Assessment

Sustainability risks are identified at various steps of the investment process, where relevant, from research, allocation, selection, portfolio construction decisions, or management engagement, and are considered relative to the funds' risk and return objectives. Assessment of these risks is done relative to their materiality (i.e., likeliness of impacting returns of the investment) and in tandem with other risk assessments (e.g., liquidity, valuation, etc.). How sustainability considerations are sourced, assessed, and incorporated will vary with portfolio objective, investment style, and asset class. BlackRock's investment professionals assess a variety of economic and financial indicators, including relevant material sustainability-related factors, to make investment decisions that align with the product objectives.

9.4 Sustainability risk – monitoring and response

As set out in section 9.1, BlackRock's investment teams and business management are the primary risk owners, or the first line of defence. BlackRock's risk management function, RQA, 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 sustainability-related risks, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring.

9.5 Scenario analysis

Scenario analysis is used to inform assessments of the resilience of an organisation's business or strategy to disruptions and/or the organisation's ability to adapt to changes or uncertainties that might affect its performance. In the case of climate change, scenario analysis allows an organisation to develop insight into how the physical and transition risks and opportunities arising from climate change might impact its business over time.

A firmwide climate-related scenario analysis exercise has been conducted for BlackRock to understand the potential implications of climate-related transition and physical risk under a variety of emission scenarios to BlackRock's business strategy over the short-, medium-, and long-term. This scenario analysis has been consolidated using three scenarios developed by the Network for Greening the Financial System ('NGFS'). These scenarios are: Orderly – Net Zero 2050, Disorderly – Delayed Transition, and Hot House World – Current Policies. Further information on the BlackRock approach to scenario selection, impact assessment and scenario conclusions, together with the limitations inherent in the scenario analysis exercise, is available in the Metrics and Targets section of the BlackRock 2022 TCFD Report.

While scenario analysis performed using the NGFS scenarios is not currently prepared at the subsidiary entity-level, it is anticipated that BlackRock's approach to climate scenario analysis will continue to evolve.

10. BFS SFDR Article 8 and 9 products

In line with the definitions contained in the SFDR, 'Article 8' products are those that promote environmental and / or social characteristics and which invest in companies that follow good governance practices. 'Article 9' products are those that have sustainable investing as an objective.

BlackRock's Sustainable Investing Platform includes products that are categorised as SFDR Article 8 or Article 9 products, including a number of BFS products. Figure 10.1 contains a list of BFS SFDR Article 8 and Article 9 products as at 31 December 2022.

Figure 10.1 BFS products categorised as SFDR Article 8 and Article 9 products

Fund Name	Asset Class	SFDR Categorisation
BlackRock European Middle Market Fund III	Private Credit	Article 8
BlackRock European Middle Market Fund III GBP	Private Credit	Article 8
BlackRock European Senior Loans Fund I SCSP	Private Credit	Article 8
BlackRock Global Infrastructure Fund IV	Infrastructure	Article 8
BlackRock Private Equity Impact Capital Fund	Private Equity	Article 8
Private Equity Impact Opportunities ELTIF	Private Equity	Article 8
Decarbonisation Partners I	Private Equity	Article 8
BlackRock Eurozone Core Property Fund	Real Estate	Article 8
BlackRock North America Property Fund	Real Estate	Article 8
BlackRock Europe Property Fund VI SCSp SIF	Real Estate	Article 8
Climate Finance Partnership Fund	Infrastructure	Article 9
Global Renewable Power Fund III, SCSp	Infrastructure	Article 9

Figure 10.1 reflects BFS SFDR Article 8 and 9 products as at 31 December 2022. Please note, this list does not include BFS SFDR Article 8 and 9 products that are reserved to a single investor i.e., a 'fund of one'.

As at 31 December 2022, the value of assets held in the BFS Article 8 and Article 9 products referenced in Figure 10.1represented 14.6% of the total value of assets held in BFS products.

Appendix 1 – BFS Statement on principal adverse impacts of investment decisions on sustainability factors

BlackRock

Sustainable Finance Disclosure Regulation

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

This statement applies to the following BlackRock legal entity:

BlackRock France S.A.S ("BFS"), Legal Entity Identifier: 549300J8EENG40ZIIN89.

Summary

Introduction

BlackRock France S.A.S ("BFS"), Legal Entity Identifier: 549300J8EENG40ZIIN89 considers principal adverse impacts ("**PAIs**") of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of BlackRock France S.A.S ("BFS"), Legal Entity Identifier: 549300J8EENG40ZIIN89.

BFS, as an Alternative Investment Fund Manager, is responsible for producing this statement, and leveraged the expertise of broader BlackRock group functions in order to deliver this.

This statement sets out the quantitative impacts of the investment decisions made in relation to the Products managed by BFS on principal adverse impacts, measured against 18 mandatory and 2 additional PAI indicators.

BFS leverages the broader methodologies and processes adopted by BlackRock in relation to the consideration of PAIs in investment decisions, and oversees the application of these in its capacity as manager of its Products. This statement details policies for assessing, integrating, and disclosing PAIs. This statement also sets out BlackRock's methodologies and data processes in relation to selecting the two additional PAI indicators, and identifying and assessing PAIs generally - as well as the limitations to such processes, including data availability and nascent reporting standards.

This statement also sets out BlackRock's approach to engagement. Engagement plays an important role in the way BlackRock interacts with the companies in which it invests clients' assets. At a Product level, engagement activities may be carried out in addition to binding Product-level commitments (such as the application of screens or certain objectives), but engagement will not necessarily be focused on, or result in, a reduction of PAIs.

Finally, this statement details BlackRock's approach to international standards.

BlackRock recognises that different clients have different investment preferences and objectives. The aggregation of PAI data for BFS is a function of the particular product suite managed by BFS. Consequently, the PAI data is influenced by two factors -- client preferences (which products clients invest in) and market conditions (affecting the assets held in, and weightings of assets within, those products). The approach to avoid or reduce PAIs depends on the investment strategy for a relevant Product, which may or may not include the application of screens, or execution of specific objectives or characteristics.

Definitions

- "**BlackRock"** means any company within the BlackRock group of companies, of which BlackRock, Inc. is the ultimate parent.
- **"BFS"** means BlackRock France S.A.S ("BFS"), Legal Entity Identifier: 549300J8EENG40ZIIN89.
- "**Advisers**" [1] means those persons within the relevant entity providing regulated investment advice to clients by making recommendations in relation to specific financial instruments either presented as suitable or based on consideration of a client's specific circumstances.
- "**clients**" means the entity's clients or investors.
- **"financial market participants"** covers EU alternative investment fund managers, UCITS management companies, and regulated investment firms providing portfolio management. BlackRock's financial market participants are: (i) BlackRock Asset Management Ireland Limited; (ii) BlackRock Asset Management Deutschland AG; (iii) BFS; (iv) BlackRock (Luxembourg) S.A.; and (v) BlackRock (Netherlands) B.V.
- **Principal adverse impacts ("PAIs")** means a list of indicators defined by the Regulation that have negative, material, or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice (where applicable and allowed by the legal entity's regulatory authorisation) performed by the legal entity.
- **"Heightened Scrutiny Framework"** means a BlackRock proprietary risk management framework that helps to identify and manage exposure to significant climate-related risk in active portfolios.
- **"Portfolio Managers"** means those persons within the relevant delegate investment manager entity to whom day to day responsibility for managing a Product has been allocated.
- **"Product"** means funds and separate account portfolios.
- "**SFDR**" means Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector.
- "**SFDR RTS**" means Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

[1] Whilst BFS is are permissioned to provide investment advice to Clients, they did not offer this service to Clients during the Reference Period. As such BFS will not issue a statement on principal adverse impacts of investment advice on sustainability factors

Description of the principal adverse impacts on sustainability factors

The mandatory indicators required by the SFDR are set out in Tables 1-3 below. In addition to the set of 18 mandatory indicators, this statement discloses two additional indicators, as set out in Table 4 below: "Investments in companies without carbon emission reduction initiatives", as defined in SFDR (Table 2, indicator 4) and "Lack of a human rights policy", as defined in SFDR (Table 3, indicator 9). For each of these 20 indicators, this statement includes information to describe Issuer Coverage % for BFS's in-scope assets vis-à-vis the indicator in question. The approach to avoid or reduce PAIs depends on the investment strategy for a relevant Product. Information on the impact of the Product's investments on these indicators will be published on an annual basis. Information on impact compared to previous year will be reported by 30 June of the following year.

In Tables 1-4 below, the "impact" calculations capture in-scope assets which BFS manages, but for which it has delegated investment management to another entity (which may or may not include other BlackRock entities that are financial market participants). This may include investments in Products managed by other BlackRock financial market participants. This means that certain assets may be factored into multiple BlackRock entities' PAI reports. BlackRock has taken this approach to ensure a complete picture of PAI indicators for each BlackRock legal entity for transparency. Aggregating the PAIs across the BlackRock legal entities' PAI statements could, therefore, result in double-counting. In-scope assets cover all types of investments.

Each PAI is applicable/relevant to a certain type of issuer (Corporates, Sovereigns or Real Estate) and in some cases applicable/relevant to a subset of it (e.g. PAI 6 only applicable to high impact sectors). In this context, "applicable" investments refers to investments in investee companies (for mandatory PAIs 1-14 and the additional PAIs); investments in sovereigns and supranationals (for mandatory PAIs 15-16); or investments in real estate assets (for mandatory PAIs 17-18).

The issuer coverage % displayed next to each reported PAI figure denotes the data availability out of the investments made in the applicable/relevant type of issuers per PAI. For example when "Carbon Footprint" data point is measured for PAI 2, "applicable" means the AUM aggregated to BFS where PAI 2 is relevant (i.e. corporate issuers). The Issuer Coverage % denotes for each PAI figure: out of the total "applicable" investments held by the Products managed by BFS, the % AUM of such investments for which BlackRock has the relevant PAI data. BFS discloses these indicators, subject to data availability and quality. See "**Data Sources Used"** for further detail on data availability.

Where applicable, BFS maps binding Product level commitments to PAIs. This may include, but is not limited to, the following Product level commitments: 1) Application of different screens alone or in combination and/or 2) execution of a specific binding Product objective(s) that leads to consideration of specific PAIs.

Some PAI indicators are calculated as absolute metrics and therefore driven by the volume of total in-scope assets, whereas other indicators are relative metrics which measure the share of certain assets.

Table 1: Indicators applicable to investments in investee companies

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**[Impact year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**.
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	**15,844** *(14%)*			The values represented for different PAIs at an entity level are derived from data relating to the assets under management. As a result, these figures may vary from period to period by both client inflows and outflows as well as market conditions. **Entity approach** BlackRock recognises that different clients have different investment preferences and objectives. The aggregation of PAI data for BFSis a function of the particular product suite managed by BFS. Consequently, the PAI data is influenced by two factors -- client preferences (which products clients invest in) and market conditions (affecting the assets held in, and weightings of assets within, those products). BlackRock's clients' choices and preferences always take precedence. BFS ensures that the sustainable Products that it manages are designed to align with all set objectives, considering relevant ESG factors and
		Scope 2 GHG emissions	**2,139** *(14%)*			
		Scope 3 GHG emissions	**77,075** *(14%)*			
		Total GHG emissions	**95,581** *(14%)*			
	2. Carbon footprint	Carbon footprint	**5** *(14%)*			
	3. GHG intensity of investee companies	GHG intensity of investee companies	**11** *(15%)*			
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	**3%** *(13%)*			
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	**45%** *(14%)*			
		Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	**61%** *(41%)*			
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	**0.7** *(13%)*			
		Energy Consumption Intensity per High Impact Climate Sector A (GWh / mEUR rev)	**-**			

		Energy Consumption Intensity per High Impact Climate Sector B (GWh / mEUR rev)	**1.0**			PAIs, as detailed the Products' prospectuses. Outside of sustainable Products, BFS does not make Product-level commitments to meet environmental and social standards. BlackRock incorporates into firmwide processes relevant, financially material information, including financially material data and information related to ESG, this may include PAIs. BlackRock's framework for ESG integration permits a diversity of approaches across different investment teams, strategies, and particular Products and client mandates (where applicable). **ESG integration** ESG integration at BlackRock: blk-esg-investment-statement-web.pdf (blackrock.com) Each sustainability risk assessment is specific to the asset class and to the Product's objectives. Risks are considered and actively managed concurrently, by prioritisation based on materiality and on the Product's objective, to ensure that the risk taking is deliberate, diversified and scaled. Such risks may, in some cases, also align with the themes of certain PAI indicators. **Heightened Scrutiny Framework** (INCLUDED FOR PAIs 1-6)
		Energy Consumption Intensity per High Impact Climate Sector C (GWh / mEUR rev)	**0.3**			
		Energy Consumption Intensity per High Impact Climate Sector D (GWh / mEUR rev)	**3.0**			
		Energy Consumption Intensity per High Impact Climate Sector E (GWh / mEUR rev)	**1.3**			
		Energy Consumption Intensity per High Impact Climate Sector F (GWh / mEUR rev)	**-**			
		Energy Consumption Intensity per High Impact Climate Sector G (GWh / mEUR rev)	**0.0**			
		Energy Consumption Intensity per High Impact Climate Sector H (GWh / mEUR rev)	**-**			
		Energy Consumption Intensity per High Impact Climate Sector L (GWh / mEUR rev)	**0.1**			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	**1%** *(13%)*			
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	**0.00** *(8%)*			
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	**0** *(6%)*			

						BlackRock has a proprietary Heightened Scrutiny Framework to help identify and manage exposure to significant climate-related risk in active portfolios. **Exclusions and screening** (INCLUDED FOR PAIs 4, 6, 7, 8, 9, 10, 14, 15,16 for applicable Products) Application of screens based on set thresholds and/or business activities, alone or in combination depending on a Product's investment objective and policy. For example, controversy-based screens, business involvement screens, risk score or sanctions-based screens, and other fund specific screens. Screens may be applied at the Product level where either instructed in client mandates (where applicable) or included as part of the design of BFS's sustainable Products. **A binding Product improvement target** (INCLUDED FOR PAIs 1, 2, 3 for applicable Products) Execution of a specific binding Product objective(s) or binding asset class investment process characteristic(s) that leads to improvement or reduction in a specific PAIs (for example, carbon reduction relative to a benchmark). Targets are applied at the Product level where instructed in client mandates or they

						form part of the design of BFS's sustainable Products.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprise	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	**6%** *(13%)*			See above actions taken and actions planned language
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	**<0.5%** *(14%)*			
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	**20%** *(10%)*			
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	**36%** *(18%)*			
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	**<0.01%** *(13%)*			

NOTE:

- There are several limitations associated with these figures. Please review results in conjunction with the limitations section provided.
- **PAI 1:** Due to methodology from underlying data providers, the Total GHG Emissions (Table 1, Indicator 1) is not an aggregate of the reported Scope 1, 2, and 3 GHG Emissions. Rather, the Scope 1, 2, and 3 GHG Emissions figure pulls from the latest available data per the regulatory requirements. The

Total GHG Emissions figure also pulls from the latest available data. However, Total GHG Emissions is calculated using the latest base year available across the 3 Scopes for consistency.

- **PAI 5.1 and 5.2 –** Share of non-renewable energy consumption and production (Table 1, Indicator 5): 3rd party data provider provides 2 different metrics for this PAI. 5.1 - Percentage of non-renewable energy production: Only calculated for companies in the Utilities sector. 5.2 - Percentage of non-renewable energy consumption: Only calculated for companies that do not belong to the Utilities sector. Data provider considers both renewable energy purchased and renewable energy produced for self-consumption in the calculation of the metric.
- **PAI 12 –** Average unadjusted gender pay gap of investee companies (Table 1, Indicator 12): Per the SFDR RTS, 'unadjusted gender pay gap' means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.

Table 2: Indicators applicable to investments in sovereigns and supranationals

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**[Impact year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environmental	15. GHG intensity	GHG intensity of investee countries	**8** *(79%)*			See actions taken and actions planned language from Table 1
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	**0** (87%)			
		Number of investee countries subject to social violations (relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	**0%** *(87%)*			

NOTE: There are several limitations associated with these figures. Please review results in conjunction with the limitations section provided.

Table 3: Indicators applicable to investments in real estate assets held in funds/portfolios

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**[Impact year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	**0%** *(100%)*			Across BlackRock's real estate portfolios, climate related risks and opportunities are reviewed in accordance with ESG integration at BlackRock: blk-esg-investment-statement-web.pdf (blackrock.com)
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	**49%** *(68%)*			BlackRock places an emphasis on ownership and asset management in equity real estate investments. Where applicable, BlackRock has strategies to improve energy efficiency, including assessment of the repositioning and capital expenditure costs, for example, by integrating such considerations within asset management activities, sustainability actions plans and net zero roadmaps, and by targeting energy performance via maintenance, upgrade, refurbishment and/or redevelopment activities. For new construction and major development projects, BlackRock reviews the opportunities for achieving higher energy performance certificate ("EPC") ratings. Risks and opportunities are reviewed in accordance with ESG integration at BlackRock: blk-esg-investment-statement-web.pdf (blackrock.com). Integration efforts are underpinned by the collation of detailed data and BlackRock has established data programs for property-level and aggregated portfolio-level sustainability performance

						metrics, including energy consumption and associated greenhouse gas emissions.

NOTE:

- There are several limitations associated with these figures. Please review results in conjunction with the limitations section provided.
- **PAI 18** - Exposure to energy-inefficient real estate assets PAI (Table 3, Indicator 18): Per the SFDR RTS, this PAI shall be calculated in accordance with a formula which includes value of real estate assets built before 31/12/2020 with EPC of C or below, Value of real estate assets built after 31/12/2020 with Primary Energy Demand ("PED") below nearly zero-energy building ("NZEB") in Directive 2010/31/EU, and value of real estate assets required to abide by EPC and NZEB rules. BFS also holds investments in real estate assets that are not in-scope to abide by EPC and NZEB rules. Per the regulatory guidance, only assets in scope for PAI 18 were included in the denominator for this calculation.

Table 4: Other indicators for principal adverse impacts on sustainability factors

Other indicators for principal adverse impacts on sustainability factors						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**[Impact year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	**93%** *(20%)*			See actions taken and actions planned language from Table 1
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	**8%** *(6%)*			

NOTE:

- There are several limitations associated with these figures. Please review results in conjunction with the limitations section provided.
- **PAI Opt 4 –** Share of investments in investee companies without Carbon Emission Reduction Initiatives (Table 2, Indicator 4), a company is deemed to have an emissions reduction initiative in place if it has an SBTi approved target set to 1.5˚C or well-below 2.0˚C. Companies with only committed targets are not considered to have emission reduction initiatives in place.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

BlackRock's approach to principal adverse impacts

BFS delegated investment management to various BlackRock entities which invest in financial instruments on behalf of the investors within the Products managed by BFS which are managed in line with their investment objectives and constraints. While many of the investments made within Products can have positive impacts on their stakeholders and society, the business activities of certain companies or assets that are held in BFS's Products may have adverse impacts on the environment or people ("principal adverse impacts" or "PAIs"). Principal adverse impacts are generally understood to mean negative impacts, caused by an investment decision or investment advice, on factors outlined in this document.

In line with the BFS PAI Policy, BFS identifies principal adverse impacts by measuring and disclosing the aggregate adverse indicators of its Products' investments. This entails considering the mandatory principal adverse impact indicators and two voluntary indicators as outlined in this statement.

Overall, PAI assessment is integrated into BlackRock's investment decision making and processes across its active and index platforms as summarized below.

BFS follows a principle of mapping binding investment commitments as outlined in fund documentation and disclosures to appropriate PAIs for relevant Products. This may include, but is not limited to, the following Product level commitments:

1. Application of different screens alone or in combination (for example controversial weapons screen, UNGC exclusion screen, controversy screen, business involvement screen, application of any other Product specific screen).
2. Execution of a specific binding Product objective(s) or binding asset class investment process characteristic(s) that leads to improvement or reduction in a specific PAIs (for example, carbon reduction relative to a benchmark).

Where Products make commitments to consider PAIs or a subset of PAIs, BFS discloses how it considers specific PAIs through binding investment commitments or processes in its pre-contractual disclosures and periodic reporting.

These investment processes may reduce the probability of the investment contributing to harm, for instance by excluding certain types of investments and thereby reducing product's PAI exposure.

BlackRock continues to build new Products, to respond to client demand or investor needs. Clients have different views on sustainability factors, including PAIs. BlackRock enables clients to adapt their exposures to reflect their views, via their choice of Products. Some clients may choose to align their portfolios with a view to mitigate, minimise or eliminate a particular PAI. BlackRock enables them to do this, for example through whole portfolio solutions or bespoke mandate design/providing a range of product choices, and transparency about a Product's alignment to such metrics.

For Products that make commitments to sustainable investments, BlackRock's Sustainable Investments proprietary methodology assesses the mandatory PAIs to identify investments which cause significant harm. Investments considered to be causing significant harm do not qualify as Sustainable Investments.

In addition, the BlackRock Investment Stewardship (BIS) team engages with publicly-listed investee companies on material risks and opportunities to enhance long-term financial value for BlackRock's clients, including, when relevant, climate and transition-related risks and opportunities. Decisions by BIS on how to vote on proposals are based on whether they are considered likely to create durable, long-term shareholder value. However, at a Product level, engagement activities may be carried out in addition to binding Product-level commitments (such as the application of screens or certain objectives), but engagement will not necessarily be focused on, or result in, a commitment to a reduction of PAIs. See "**Engagement Policies"** for further detail on the engagement conducted by BlackRock active investment teams.

Governance & accountability

This statement details how BFS considers principal adverse impacts ("**PAIs**") of its investment decisions on sustainability factors.

BFS is responsible for the oversight and approval of this report and ensuring that the technical infrastructure and human resources necessary to exercise related activity are in place. In doing so it leverages the skills, experience, and depth of resource of its Board and its Senior Management including its Dirigeants as well as specialised staff and functions within the broader BlackRock Group. BFS ensures and verifies on a regular basis that the investment commitments and strategies of its Products comply with and reflect the relevant pre-contractual documentation including any investment commitments that consider PAIs as outlined in the Section "BlackRock's approach to principal adverse impacts". These Product level commitments and BlackRock methodologies are periodically reviewed to ensure that Product level commitments and disclosures remain accurate and are subject to appropriate governance and oversight to ensure the ongoing appropriateness of BFS approach to SFDR.

BFS leverages the expertise in the broader Risk & Quantitative Analysis ("RQA"), Sustainable and Transitions Solutions ("STS"), Technology and Operations and Legal and Compliance functions in respect of delivering PAI reporting and data on an ongoing basis.

Though the responsibility for implementing the BFS PAI Policy (approved 29 June 2023) ultimately sits with BFS, the below framework and internal functions facilitate the implementation of BFS's PAI policy. The below functions will report to the BFS Board or its appointed committee via their existing governance model. Rigorous risk management is critical to the delivery of high-quality asset management services. The majority of BFS's and BlackRock's pre-existing investment, product and/or risk management policies are internal to BlackRock, have a broad coverage and may, therefore, not specifically address PAIs but nonetheless remain relevant in relation to PAIs. BlackRock employs a three-lines of defence approach to managing risks in client portfolios.

1. BlackRock's investments and business management teams are the primary risk owners, or first line of defence. Portfolio Managers and research analysts are responsible for evaluating the material ESG risks and opportunities for an industry or company just as they consider other potential economic issues related to their investments. See "**Role of Investment Professionals"** for further detail on how investment teams incorporate ESG integration into their investment processes.
2. BlackRock's risk management function, RQA, serves as the second line of defence in BlackRock's risk management framework. RQA is responsible for BlackRock's Investment and Enterprise risk management framework, which includes oversight of sustainability-related investment risks. RQA conducts regular reviews with Portfolio Managers to ensure that investment decisions are taken in light of relevant investment risks, including sustainability related risks, complementing the first-line monitoring of material sustainability-related considerations across the firm's investment platform. RQA also has a dedicated Sustainability Risk Team that partners with risk managers and businesses to oversee sustainability risk across the platform. RQA collaborates with working groups throughout the Investments Platform and with Aladdin Sustainability Lab to advance the firm's sustainability toolkit through consultation on firmwide data, modelling, methodologies, and analytics.
3. The third line of defence, BlackRock's Internal Audit function, operates as an assurance function. The mandate of Internal Audit is to independently assess the adequacy and effectiveness of BlackRock's internal control environment in order to improve risk management, control, and governance processes.

Role of Investment Professionals: Investment professionals play a part in ensuring that sustainability factors (including financially material ESG risks that arise from the presence of PAI) are taken into account within BlackRock's investment decisions. BlackRock has a framework for ESG integration that permits a diversity of approaches across different investment teams, strategies, and particular funds or client mandates where applicable. As with other investment risks and opportunities, the materiality of ESG considerations may vary by issuer, sector, product, mandate, and time horizon. As such, BlackRock's ESG integration framework needs to allow for flexibility across investment teams. ESG integration is a part of the investment process, and as with all other components of the investment process, is the responsibility of BlackRock's investment teams.

ESG integration for active funds means: i) each strategy has a description of how financially material ESG data or information fits into its investment process, ii) Portfolio Managers are accountable for managing exposure to financially material ESG risks, and iii) investment teams are able to provide evidence of how they consider financially material ESG data or information in their investment processes.

In index portfolios, the investment objective is to track a predetermined benchmark index. BlackRock engages with third-party index providers to provide input on the design of their benchmark indexes, including benchmark indexes that take into account sustainability-related characteristics, in order to meet client demands and regulatory requirements.

Please refer to BlackRock's firm-level ESG Integration Statement for additional information.

Product Development Committee ("PDC"): Product development and governance around sustainable funds is managed through BlackRock's Global Product Group ("GPG") and the EMEA Product Development Committee (and its sub committees) which are responsible for: a) Centralised governance of EMEA sustainable investment funds; b) Platform alignment to ensure all funds are appropriately classified, positioned and marketed, including setting naming conventions; c) Management of new sustainable funds in the pipeline; and d) Governance of screening policies and accreditations including the baseline screens policy. The members of these committees include representatives from STS, GPG, RQA, Legal & Compliance, Exchange Traded Funds (ETFs) and Index Investments Group, Portfolio Management Group, Institutional and Wealth Product Strategy Teams and BlackRock Alternatives. After the PDC process is completed, the BFS Board considers all new products per its usual processes.

BlackRock Group Executive Oversight: BlackRock's commitment to good corporate governance with respect to climate and sustainability-related matters reflects the firm's commitment to strong leadership and effective oversight by the BlackRock, Inc. Board and senior management. BlackRock Inc.'s Board of Directors engages with senior management on near- and long-term business strategy (including sustainability which includes financially material ESG risks that arise from the presence of PAI). The BlackRock, Inc. Board 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 BlackRock, Inc. Board has oversight.

The BlackRock, Inc. Board's Risk Committee assists the BlackRock, Inc. 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. The Risk Committee reviews and discusses enhancements to BlackRock's risk management processes related to sustainability considerations on investments and analytics, risks associated with the growth of active strategies, and regulatory risk relating to sustainability. The Nominating, Governance & Sustainability Committee ("NGSC") of BlackRock Inc.'s Board 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.

The BlackRock Global Executive Committee ("GEC") sets the strategic vision and priorities of the firm and drives accountability at all levels. The Investment Sub-Committee of the BlackRock GEC oversees the investment process of its clients' portfolios across the firm's investment groups. Members of the Sub-

Committee include the Chief Risk Officer and the global leads or sponsors of all of major investment divisions: ETFs and Index Investments, Portfolio Management Group, Global Trading & Transition Management, and BlackRock Alternatives.

Methodologies to select the additional indicators

In line with the SFDR RTS, BFS discloses at an entity-level principal adverse impacts against 18 mandatory indicators, 1 additional environmental indicator and 1 additional social indicator.

BlackRock leverages several considerations, in the selection of the additional environment / social-indicators, for example

a. Quality of inputs provided by primary sources i.e. corporate issuers, government issuers
b. Degree of interpretation associated with calculation/derivation of metric
c. Proportion of investable universe for which the information is available
d. Materiality to financial performance
e. Alignment with BlackRock's strategic initiatives and priorities

With the above selection methodology in mind, BlackRock selected the following two additional indicators, in consultation with BFS.

1. Environmental indicator: **Investments in companies without carbon emission reduction initiatives – Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.**

   Climate risk is an investment risk. It is one of many investment risks BlackRock considers. Government policies, technological innovation, and consumer and investor preferences are driving a material economic transformation. Physical climate change also continues to create financial risk (e.g., through extreme weather), which is affecting asset prices. These trends are dynamic and will create or impair value across companies and industries, and generate investment risks and opportunities.

   Against a broad global investment universe (MSCI All Country World Index), it was found that the proportion of the universe for which information was available was 95.4% by count of securities and 94.0% of names by market value (as of 24 April 2023)[2].

   The data provider uses Science Based Targets Initiative data to determine the existence of a "carbon reduction initiative". Room for interpretation and uncertainty exists in how different methodologies applied by companies advance an emission reduction outcome and the achievement of the corporate commitment. The calculation of the indicator does not consider these subjective upstream elements.

2. **Social indicator: Lack of a human rights policy – Share of investments in entities without a human rights policy.**

   BlackRock approaches human rights as an asset manager with a responsibility to manage material risks to client portfolios, including engaging companies on their adverse human rights impacts.

   Data is used to identify a number of companies with published human rights policies. This in turn is used to reflect the number of companies with policies against the entity level investment universe to arrive at the principal adverse impact indicator. Against a broad global investment universe (MSCI All Country World Index) it was found that the proportion of the universe for which information was available was 84% by count of securities and 87.5% of names by market value (as of 24 April 2023)[3].

   While the indicator itself is binary (Yes/No), the process employed to generate each policy commitment is subjective and based on differing perspectives and governance structures adopted by companies. Room for interpretation and uncertainty exists in how different approaches chosen by companies advance and support chosen policy outcomes and commitments.

[2] Source: BlackRock, April 2023.

[3] Source: BlackRock, April 2023.

Methodologies to identify and assess principal adverse impacts

BlackRock identifies principal adverse impacts through a combination of internal processes, investee companies and external third-party data providers. BlackRock's methodologies to identify these principal adverse impacts rely, in part, on the methodologies used by investee companies and third-party data providers. In selecting third party data providers for PAI data, BlackRock has assessed available offerings and approaches for alignment with requirements of the regulation. See "**Margin of error within the approach"** for further detail on the limitations to these methodologies and datasets, and "**Data sources**" for further detail on how BlackRock assesses data sources for alignment with the regulatory requirements.

BlackRock's methodologies for considering, assessing and, prioritising these PAIs across its investment processes are explained in detail under "**BlackRock's approach to principal adverse impacts**" above.

Margin of error within the approach

Methodologies and processes to identify and monitor PAIs are always exposed to data availability and quality imperfections. BlackRock is reliant on the quality of data received directly from investee companies and third-party data providers, including methodologies and key assumptions used. In selecting third party data providers for PAI data, BlackRock has assessed available offerings and approaches for alignment with requirements of the regulation.

Depending on the investment process design (active vs index), data either reported by investee companies or provided as reported or estimated by third parties are prioritised. This is done to contribute to improving the overall quality and appropriateness of the data BlackRock uses as input in its processes. Another identified data availability limitation is that BlackRock may not be able to acquire a similar level of information about indirect investments, e.g., fund-of-fund investments and certain derivatives, as it does on direct investments.

Limitations to Methodology

Sustainable finance is an evolving space, both in terms of industry understanding but also regulatory frameworks. BlackRock continues to monitor developments in the EU's ongoing implementation of its framework for sustainable finance and will evolve its investment methodologies and related policies to ensure alignment. As a result, as market practice, corporate reporting standards or regulatory guidance evolves and PAI data availability and quality improves, BlackRock may review the impact on these disclosures, the methodologies and sources of data used.

Given current limitations to methodologies and data, BlackRock made certain methodological assumptions to interpret some requirements associated with the entity PAI calculations. See "**Limitations to Data**" for further detail on the effects of these methodological assumptions.

Limitations to Data

ESG datasets are constantly changing and improving as disclosure standards, regulatory frameworks and industry practice evolve. BlackRock continues to work with a broad range of market participants to improve data quality**.**

While specific and unique limitations may apply to each ESG metric, data limitations may broadly be considered to include, but not be limited to:

- **Lack of availability of certain PAI metrics** due to differing reporting and disclosure standards impacting issuers, geographies, or sectors.
- **Nascent statutory corporate reporting standards** regarding sustainability leading to differences in the extent to which companies themselves can report against regulatory criteria and therefore some metric coverage levels may be low.
- **Inconsistent use and levels of reported vs estimated PAI data** across different data providers and sources, taken at varied time periods which makes comparability a challenge. Estimated data by its nature may vary from realised figures due to the assumptions or hypothesis employed by data providers.

- **ESG data often lags relative to financial data**, as most ESG data disclosures take place only on an annual basis. In addition, there may be a lag between the time when data is disclosed by companies and when it is incorporated into the dataset produced by BlackRock providers of entity PAI data.
- **A significant proportion of the data received is still estimated**. As far as possible, reported data by investee companies is prioritised. This is done to reduce the dependency on third-party estimations and model risk involved in those estimations.
- **Sensitivity to Market Volatility** PAI values may increase or decrease based on volumes of assets under management and the underlying values of those assets, which may give the appearance of PAIs improving or deteriorating.

Limitations to Asset under Management Coverage & Data Availability

For each of the indicators monitored, this statement includes information to describe Issuer Coverage % for the entity's in-scope assets vis-à-vis the indicator in question. Coverage and applicability of data across asset classes and indicators may vary. Limited data availability will require additional consideration when drawing any conclusions on the data disclosed.

Data processes

BlackRock's internal processes are focused on delivering high-quality standardised and consistent data to be used by investment professionals and for transparency and reporting purposes. ESG Data, including PAI data, is received through BlackRock's existing interfaces, and then processed through a series of data quality and completeness checks.

BlackRock's integrated technology enables it to compile data about issuers and investments. This data spans across a variety of environmental, social and governance metrics and a variety of data providers. BlackRock makes this data available to investment teams, as well as other support and control functions such as risk management.

BlackRock Portfolio Managers have access to research, data, tools, and analytics to integrate ESG insights, including PAIs as appropriate and relevant, into their investment process. BlackRock Aladdin is BlackRock's operating system that connects the data, people, and technology necessary to manage portfolios in real time, as well as the engine behind BlackRock's ESG analytics and reporting capabilities. BlackRock's Portfolio Managers use Aladdin to make investment decisions, monitor portfolios and to access material ESG insights that can inform the investment process to attain ESG characteristics of the Product.

Data Sources Used

ESG datasets, specifically PAI datasets, applicable to investee companies and sovereigns are sourced directly from investee companies via external third-party data providers. These datasets have been incorporated into Aladdin tools that are available to Portfolio Managers and employed in BlackRock investment strategies. Such tools support the full investment process, from research, to portfolio construction and modelling, to reporting.

When investing in private markets, including BlackRock's infrastructure, real estate, private equity and private credit strategies, the availability of reliable, accurate and complete ESG and PAI data can remain challenging where applicable. BlackRock has developed proprietary approaches for collating a wide range of material ESG datapoints across its portfolios, which in turn are helping inform the availability of relevant PAIs. For example, across many of BlackRock's real estate and infrastructure strategies, BlackRock is partnering with third-party sustainability data management system providers to collate material ESG metrics at the individual investment-level. Where possible, BlackRock may also partner with third-party specialist consultants and other service providers to drive engagement programmes across its private portfolios to encourage the sharing of such information, and to advance the development of more consistent methodologies to collate this information going forward.

Measures taken to ensure Data Quality

BlackRock applies a comprehensive due diligence process to evaluate provider offerings with highly targeted methodology reviews and coverage assessments. BlackRock's process entails both qualitative and quantitative analysis to assess the suitability of data products in line with regulatory standards and client demand as applicable.

BlackRock assesses ESG providers and data, including PAI data, across five core areas outlined below:

1. **Data Collection:** this includes but is not limited to assessing the data providers underlying data sources, technology used to capture data, process to identify misinformation and any use of machine learning or human data collection approaches. BlackRock will also consider planned improvements
2. **Data Coverage:** the assessment includes but is not limited to the extent to which a data package provides coverage across its investible universe of issuers and asset classes. This will include consideration of the treatment of parent companies and their subsidiaries as well as use of estimated data or reported data
3. **Methodology:** the assessment includes but is not limited to consideration of the third-party providers' methodologies employed, including considering the collection and calculation approaches, alignment to industry or regulatory standards or frameworks, materiality thresholds and their approach to data gaps
4. **Data Verification:** the assessment includes but is not limited to the third-party providers' approaches to verification of data collected and quality assurance processes including their engagement with issuers
5. **Operations:** BlackRock will assess a variety of aspects of a data vendors operations, including but not limited to their policies and procedures (including consideration of any conflicts of interest) the size and experience of their data research teams, their training programs, and their use of third-party providers

BlackRock actively participates in relevant provider consultations regarding proposed changes to methodologies as they pertain to third party datasets and submits considered feedback and recommendations to data provider technical teams. BlackRock often has ongoing engagement with ESG data providers including index providers to keep abreast of industry developments and increase data coverage.

In addition, BlackRock continues to undertake direct engagement and outreach programmes across BlackRock's private markets portfolios, helping BlackRock to better understand ESG performance across its portfolio companies, and to source PAI and other related information.

As the regulatory guidance and standards evolve, BlackRock will continue to adapt its data evaluation frameworks and conduct the appropriate due diligence to accommodate any new PAIs.

Use of Estimated Data

BlackRock strives to capture as much reported data from companies via third-party data providers as practicable. However, industry standards around disclosure frameworks are still evolving. As a result, in certain cases BlackRock relies on estimated or proxy measures from data providers to cover BlackRock's broad investible universe of issuers. Due to current challenges in the data landscape, while BlackRock relies on a material amount of estimated data across its investible universe from third-party data providers, the levels of which may vary from data set to data set, BlackRock seeks to ensure that use of estimates is in line with regulatory guidance and that BlackRock has necessary documentation and transparency from data providers on their methodologies. BlackRock recognises the importance of improving its data quality and data coverage and continues to evolve the datasets available to its investment professionals and other teams. Where required by local country-level regulations, coverage information for specific products may be provided.

Engagement Policies

Introduction

BFS leverages the BlackRock Investment Stewardship team to carry out engagement where required, noting that most BFS Products are invested in private markets.

Engagement plays an important role in the way BlackRock interacts with the companies in which it invests clients' assets. However, it is important to recognise that engagements occur at multiple levels within BlackRock. Namely, they are carried out by the BlackRock Investment Stewardship team in the way described below, as well as by members of BlackRock's Investment Teams. Please refer to the paragraphs below, for a detailed explanation of engagement activities.

At a Product level, engagement activities may be carried out in addition to binding Product-level commitments (such as the application of screens or certain objectives), but engagement will not necessarily be focused on, or result in, a commitment to a reduction of PAIs.

BlackRock Investment Stewardship ("BIS")

Consistent with BlackRock's fiduciary responsibilities as an asset manager, BlackRock monitors and provides feedback to companies in its role as a steward of clients' investments. Investment stewardship is how BlackRock uses its voice as an investor to promote sound corporate governance and business practices to help maximise long-term shareholder value for its clients. BIS does this through engagement with public company management teams and/or board members on material business issues and, for those clients who have given BlackRock authority, through voting.

The BIS Global Principles set out the stewardship philosophy and views on corporate governance and sustainable business practices that support long-term financial value creation by companies. BIS' activities are not designed to drive any specific sustainability, or in this context PAI, outcome. As one of many minority shareholders, BlackRock cannot – and does not try to – direct a company's strategy or its implementation. Rather, BIS engages companies to discuss, and encourages them to publish disclosures that help investors understand, how they identify and manage material risks and opportunities, in the context of their business model, sector, and geography. BIS' approach to investment stewardship – including engagement and voting on behalf of clients - is explained in the BIS Global Principles and regional voting guidelines. A summary of the Policies is available here: Investment Stewardship 2023 Policies Summary (blackrock.com). While BIS' activities are not designed to drive PAI outcomes, the themes of BIS' engagement under its Policies may, at times, align with the themes of certain PAI indicators.

Each year, BIS prioritises its engagement work around themes that BIS believes will encourage sound governance and business practices, aligned with companies' ability to deliver long-term financial returns. Some governance issues are perennial, such as board quality and performance, although the areas of focus may change over time. Other issues have become priorities more recently, driven by the team's observations of emerging risks and opportunities material to financial value creation for companies, market developments, and changing client and societal expectations. The BIS priorities and related engagement commentaries are published on the BIS website. BIS may discuss business-relevant, sustainability-related risks and opportunities in its engagement with companies. BlackRock's approach to engaging on these issues, where relevant, is explained here: https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf.

BIS' approach to voting and engagement is not linked to Products or any specific BlackRock entities and is separate from the activities of any portfolio management team. The BIS team works across the entirety of the BlackRock public market platform.

Separately, BlackRock's Shareholder Rights Directive II Engagement Policy is applied by all its asset manager entities within the scope of the Shareholder Rights Directive II (Directive 2007/36/EC as amended by Directive 2017/828). BlackRock adheres to the reporting requirements of the Shareholder Rights Directive II SRD. https://www.blackrock.com/uk/professionals/solutions/shareholder-rights-directive.

Engagement policies besides SRD 2 to address PAIs

BlackRock Investment Team Engagement

Separately to BIS' engagements with investee companies, BlackRock active investment teams may engage with the companies they invest in on governance and sustainability related issues, including PAIs, across public and private markets. Investment team engagement is undertaken as part of the investment decision making process.

Where engagement is specifically identified by a particular portfolio management team as a means by which they seek to demonstrate a commitment to encouraging high standard of corporate governance and business practices on material sustainability-related risks and opportunities, how engagement is undertaken would be described in the prospectus and website disclosures particular to that Product.

Where active portfolio management teams choose to leverage engagement, this can take a variety of forms but, in essence, the team would seek to have regular and continuing dialogue with executives or board directors of relevant investee companies. Teams may engage on how investee companies manage material sustainability-related risks and opportunities in their business models, which may encompass PAIs. In their engagement, a portfolio management team may discuss concerns, build their understanding of opportunities, and share constructive feedback, based on the view that material sustainability-related risks and opportunities may impact a business's long-term strategy and fundamental value, across all asset classes.

For BlackRock's sustainable index fund strategies, Index investment teams do not perform direct engagement with the companies / issuers within the index for the purposes of a specific sustainable outcome. Index investment teams do engage directly with the index and data providers to ensure better analytics and stability in ESG metrics. BIS engagement activities described above are fundamental to the Index platform's stewardship approach.

Investment team engagement approaches may adapt as PAI information, industry practice, disclosure standards or regulatory guidance evolves.

References to international standards

As it relates to climate and sustainability disclosure matters, BlackRock aims to engage constructively in the global dialogue through participation in industry initiatives and associations as well as through engagement with regulators and standard setters around the world. BlackRock participates in industry initiatives to contribute to a dialogue on issues that may impact the firm's clients, including those related to sustainability and the transition to a low-carbon economy. While this entity PAI statement gives BlackRock, its clients, and stakeholders another touch point to assess the status of PAIs (as described in this statement to meet regulatory requirements under SFDR), it is not directly used to assess BlackRock's actions vis-à-vis international standards.

BlackRock does not coordinate its votes or investment decisions with any external group or organisation. As an ordinary course of business, BlackRock reviews all its external memberships on a periodic basis, including those related to environmentally focused groups.

BlackRock's investment decisions are governed strictly by its fiduciary duty to clients.

Climate
In 2022, BlackRock issued its 2030 net zero statement..

BlackRock is a member of a number of industry associations and partner organisations such as:

- Glasgow Financial Alliance for Net Zero ("GFANZ")
- Net Zero Asset Managers Initiative ("NZAMI")
- Task Force on Climate-Related Financial Disclosure ("TCFD")

By participating in these initiatives, BlackRock is able to understand developments that may impact its clients' investments over time and to advocate for outcomes aligned with long-term financial value creation for our clients.

There are greenhouse gas emission indicators (Table 1, indicators 1-6) that align with some of the goals of these industry associations.

BlackRock uses proprietary forward-looking climate scenario modelling capabilities through its operating system Aladdin. While scenarios are widely used by BlackRock investment teams, they are not relied upon by these teams as a means of considering PAIs. The binding investment processes, described above in this statement, do not include this scenario analysis.

As described above in the section "BlackRock's approach to principal adverse impacts" BlackRock Products may directly link to international standards. For example, BlackRock Products include EU Paris Aligned Benchmark / EU Climate Transition Benchmark index products that are based on EU regulation for such products and have decarbonisation commitments linked to international standards and aims of international initiatives.

Natural capital
BlackRock is a member of the Taskforce on Nature-related Financial Disclosures (TNFD). TNFD's goal is to encourage consistent and comparable nature-related disclosures for a better assessment of how companies are managing and mitigating these risks. There are biodiversity, water, and waste PAI indicators (Table 1, indicators 7, 8, 9) that align directly to the goal of TNFD, contribute to consistent and comparable nature-related disclosures and help BlackRock entities, clients and stakeholders to monitor adverse impacts on natural capital.

Human capital
BlackRock supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption. BlackRock is committed to making the UN Global Compact and its principles relating to human rights and broader human capital issues part of the strategy, culture, and day-to-day operations of the company BlackRock engages in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals.

A key requirement for participation in the UN Global Compact is the annual submission of a Communication on Progress that describes company efforts to implement the Ten Principles. There are human rights and anti-corruption PAI indicators (Table 1, indicators 10, 11) that directly cite compliance with the UNGC principles.

Corporate governance
BlackRock is a member of the International Corporate Governance Network ("ICGN"). ICGN's goal is to advocate for the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation. This PAI statement is aligned with the requirements of the Good Governance test set out in SFDR.

Historical comparison

The first historical comparison will be provided in June 2024.

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