

BlackRock

Operating Principles for Impact Management

BlackRock Disclosure Statement

October 2024

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Introduction

BlackRock, Inc. (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Principles”).

As of October 2024, this Disclosure Statement applies to the following Covered Assets that align with the Principles:

BlackRock Climate Infrastructure strategies, within Global Infrastructure Partners, a part of BlackRock

BlackRock Green Bond Index strategy, within BlackRock’s Active and Index Fixed Income businesses.

BlackRock Impact Emerging Market Debt strategy, within BlackRock’s Fixed Income business

BlackRock Impact Opportunities strategy, within BlackRock’s Equity Private Markets business

BlackRock Private Equity Partners Impact strategy, within BlackRock’s Equity Private Markets business

BlackRock Impact Mortgage Backed Security (“MBS”) strategy, within BlackRock’s Fixed Income business

BlackRock Impact Municipal strategy, within BlackRock’s Fixed Income business

BlackRock Impact Bond strategy, within BlackRock’s Fixed Income business

The total value of the Covered Assets in the strategies listed above, in alignment with the Principles is US\$9.6 billion as of December 31st, 2023.¹

Brendan Kyne
Managing Director
BlackRock Financial Management Inc.
October 2024

¹ Stated assets under management includes committed and invested capital as of December 31st, 2023.

Disclosure Statement

PRINCIPLE 1 – DEFINE STRATEGIC IMPACT OBJECTIVE(S), CONSISTENT WITH THE INVESTMENT STRATEGY

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the United Nations Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

BlackRock Climate Infrastructure Team Approach:

BlackRock's Climate Infrastructure strategies, including our Global Renewable Power ("GRP") and Climate Finance Partnership ("CFP") franchises each seek to invest capital in a portfolio of climate infrastructure projects and platforms which aim to deliver positive and measurable environmental and social impacts, in addition to financial returns. The BlackRock Climate Infrastructure Team applies the investment strategy at a portfolio level through capital deployment in the effort to achieve appropriate risk adjusted returns and impact objectives. Increased capital deployed results in increased impact outcomes, demonstrating the size of the investment portfolio is proportionate to overall portfolio impact. Each potential investment is evaluated with reference to certain predefined impacts including greenhouse gas emission (CO₂e) avoidance, water savings, homes powered by clean energy, job creation and community benefits.

These impacts are assessed during the investment process and positive environmental and social impact outcomes are reported back to clients via quarterly investor reports. The positive and measurable environmental and social impacts that the strategies seek are aligned with a subset of the Sustainable Development Goals (SDGs) as currently set forth by the United Nations. Of the current SDGs, the strategies relates, in particular, to SDG 6 ("Clean Water and Sanitation"), SDG 7 ("Affordable and Clean Energy"), SDG 8 ("Decent Work and Economic Growth"), SDG 9 ("Industry, Innovation and Infrastructure"), SDG 11 ("Sustainable Cities and Communities") and SDG 13 ("Climate Action"), and may align with any future additions or modification to the SDGs.

BlackRock Green Bond Index Team Approach:

The BlackRock Green Bond Index strategy seeks to invest capital in qualifying green bonds selected for inclusion in the Bloomberg MSCI Green Bond indices.

Green Bond Definition: A green bond is a type of fixed income instrument that specifically and solely dedicates its proceeds to financing new or existing projects that advance environmental objectives. Issuers set the qualifying criteria for these green projects and have used the bonds to finance initiatives in fields such as renewable energy, green buildings, wastewater management, energy efficiency and public transportation.

Unlike a debt offering from a company that presents its overall operations as environmentally friendly, green bond proceeds are ring-fenced on the issuer's balance sheet, set aside for the exclusive purpose of financing one or more projects deemed environmentally beneficial. A green bond's return, however, is backed by the credit of the issuer as a whole.

For the Bloomberg MSCI Green Bond indices, securities are independently evaluated by MSCI ESG Research along four dimensions to determine whether a fixed-income security should be classified as a green bond. These eligibility criteria reflect themes articulated in the Green Bond Principles and require clarity about a bond's:

1. Stated use of proceeds; a bond's proceeds must fund projects that fall within one or more qualifying environmental categories including, but not limited to, alternative energy, energy efficiency, pollution prevention and control, sustainable water, green building and climate adaptation.
2. Process for green project evaluation and selection;
3. Process for management of proceeds; and
4. Commitment to ongoing reporting of the environmental performance of the use of proceeds.

BlackRock Emerging Market Impact Bond Team Approach:

The BlackRock Emerging Market Impact Bond combines a proven EM credit research process and BlackRock's proprietary Green, Social and Sustainability ("GSS") framework to create a concentrated portfolio that has the potential to produce attractive long-term returns whilst also being consistent with the United Nations Sustainable Development Goals ("SDGs").

The strategy seeks to generate positive, measurable social and/or environmental impact alongside financial return by investing at least 80% of its total assets in GSS bonds issued by EM governments and companies. The investment universe of GSS bonds is internally created, screening bonds using BlackRock's proprietary taxonomy. Assessment of the GSS bonds is part of the investment process, including qualitative assessment at issuance, monitoring of proceeds use annually or bi-annually, engagement with relevant issuers as necessary and deep dive by the credit research team. Additionally, our aim is to contribute to the development of the EM GSS bond market by encouraging new issuers of GSS bonds and helping to provide the capital needed to drive sustainable growth. We accomplish this through our participation in the executive committee of the ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and through our engagement, when necessary, with issuers on their frameworks and bond issuances. The remaining up to 20% would consist of holdings that either qualify as sustainable investments under BlackRock's SFDR methodology or are investments that would be used for hedging and liquidity, such as cash, cash equivalents, FX swaps, etc.

BlackRock Impact Opportunities Team Approach:

BlackRock Impact Opportunities ("BIO") is a return-seeking strategy with a focused impact objective to accelerate the economic outcomes of undercapitalized communities in the U.S. by providing capital to businesses or projects that are either (i) led, owned, operated or managed by individuals who are Black, Latinx, or Native American ("Focus Communities") or (ii) located in or serve one or more communities, the majority of whose population are members of one or more Focus Communities. The BIO Impact Framework primarily references the Impact Management Project's Five Dimensions of Impact (the "IMP Framework") and The Global Impact Investing Network's ("GIIN") IRIS+ catalogue of metrics (the "GIIN Metrics")².

Systemic barriers to wealth creation have prevented undercapitalized business leaders and communities from driving economic growth and creating wealth. In recognition of the persistent

² <https://iris.thegiin.org/document/iris-and-the-five-dimensions/>

inequities embedded in financial markets and the significant untapped market potential, BIO was created to uncover previously untapped opportunities, demonstrate the growth potential of these markets, and in so doing be a leader in changing the way that capital flows to undercapitalized communities.

Core Impact Investment Eligibility Criteria:

As noted above, the strategy's Impact Objective is to accelerate the economic outcomes of certain undercapitalized communities in the U.S.

Investments must meet one of the following two criteria:

- (i) *Investments in businesses or projects that are led by individuals from our Focus Communities as defined by:* businesses or projects where the founder or CEO self-identifies as Black, Native American or Latinx ; or businesses or projects that are majority owned, majority controlled or majority managed by self-identified members of a Focus Community; or
- (ii) *Investments in businesses or projects that are located in or serve our Focus Communities:* Investment is located in or serves one or more communities, the majority of whose population are members of one or more Focus Community, which may include, but is not limited to: businesses headquartered or projects located in areas with greater than 50% Focus Community populations; or businesses or projects that provide services to Focus Communities.

Meeting at least one of the Core Impact Investment Eligibility Criteria is necessary for an investment to be considered but is not alone sufficient to satisfy the Impact Objective. Beyond this we have constructed an integrated impact framework to identify, diligence and document how each potential investment achieves the Investment Objective and Impact Objective.

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

The BlackRock Private Equity Partners (PEP) impact strategy seeks to generate positive contributions toward the environment and society alongside private equity financial returns. PEP's impact strategic intent is to provide diversified exposure across the following five impact investment themes: Good Health & Wellbeing, Climate, Resources, Education and Financial Inclusion. PEP aims to provide tangible contributions in alignment with the United Nations Sustainable Development Goals (UN SDGs) and in a manner that is intentional, material, additional and measurable:

- Intentional: Proven purpose of having an impact through ex-ante definition of expected outcomes over holding period
- Material: The company's driver of financial return must be the driver of sustainable outcome supporting advancement of one or more of the UN SDGs
- Additional: The company may benefit from BlackRock's capital, network, expertise and/or brand as strategic investor
- Measurable: Robust measurement of progress in the selected Key Performance Indicators (KPI) against the defined target over holding period

The target outcomes for each investment are set in line with the respective financial underwriting in order to ensure a consistent basis for achievement of financial returns and impact objectives as well as appropriate scale of intended impact.

BlackRock Impact Mortgage Team Approach:

BlackRock's Impact Mortgage Backed Securities ("MBS") strategy seeks to achieve a positive social impact through supporting affordable homeownership to underserved populations. The strategy seeks to advance certain United Nations Sustainable Development Goals such as (#10) Reduced Inequality, (#11) Sustainable Cities and Communities, (#9) Industry, Innovation and Infrastructure. The strategy

meets the objective of achieving positive social impact through seeking to provide equal access to affordable housing, homeownership opportunities to historically underserved populations, thereby enabling them the opportunity to create multigenerational wealth. In identifying investments, Fund management uses internal research and assessment to identify mortgage-related investments that meet one or more of the following criteria: (i) facilitate equal access to credit; (ii) target historically underserved populations; and/or (iii) support the increase of sustainable housing units, which encompasses both affordability and environmental aspects.

The strategy seeks to deploy capital at scale across the targeted loans that support BlackRock Impact MBS framework. BlackRock's Impact MBS strategy while seeking diversification and liquidity, aims to only invest in a subset of the Agency MBS market that consists of U.S. Agency mortgages that are backed by loans originated through new or existing housing affordability programs offered through government agencies, as well as pools with certain collateral characteristics BlackRock has deemed to be supportive of increased housing affordability in the US (programs including, but not limited to HomeReady, MH advantage, and Rural Housing Services).

- HomeReady – a Fannie Mae affordable loan program that extends mortgage credit to borrowers with limited means for cash down payments. Borrower income must be $\leq 80\%$ of area median income
- MH Advantage – a Fannie Mae loan program for qualifying manufactured homes (a sustainable and environmentally friendly property type)
- Rural Housing services – A Ginnie Mae program for residents of designated rural areas, and an area median income

Importantly, the Agency MBS Team engages in direct dialogue with Fannie Mae, Freddie Mac and Ginnie Mae, and /or other mortgage stakeholders to create and/or support housing initiatives, programs and collateral types that meet the Impact MBS framework criteria. Additionally, the Agency Mortgage market is unlike any other area of Fixed Income where existing third-party ratings and sustainability frameworks can be applied. The Agency MBS Team, in collaboration with the BlackRock sustainable product groups worked to define the criteria for Impact MBS pools operating as a first mover and industry leader in this space.

Impact MBS pools are assessed during the investment process in collaboration with BlackRock's Impact investing team and sustainable product groups.

BlackRock Impact Municipal Team Approach:

BlackRock's Impact Municipal strategy seeks to invest in municipal bonds, the proceeds of which the Team views as generating positive social and/or environmental impacts. The strategy's investments will be focused across themes that align with certain United Nations Sustainable Development Goals ("SDGs"), including, but not limited to, good health and well-being; quality education; clean water and sanitation; affordable and clean energy; industry, innovation, and infrastructure; and sustainable cities and communities. The strategy intends to focus its investments on municipal bond issuers within certain sectors, including but not limited to the education, healthcare, housing, water and sewer, low-carbon public power issuers, mass transit, and state and local governments sectors that provide essential services to underserved groups/communities that are disadvantaged due to low income, elderly age, race, gender, and lack access to essential services. Within these sectors, the team applies BlackRock's proprietary municipal impact framework to seek to invest in bonds whose proceeds go towards eligible impact categories that align with one or more of the SDGs, and in BlackRock's view, generate positive, measurable social and/or environmental impacts. The team looks to key performance indicators (KPIs) to measure the impact of each investment, and the nature of such assessments may vary by sector and over time.

BlackRock Impact Bond Strategy Approach:

The BlackRock Impact Bond strategy seeks to achieve capital growth and income by investing in a global portfolio of fixed income instruments which seek to deliver positive social and/or environmental impact. The strategy invests globally at least 80% of its total assets in “impact” investments which are those made with the intention to generate positive, measurable social and/or environmental impact alongside a financial return. This includes, but is not limited to “Green, Social and Sustainability” (GSS) bonds where the proceeds of such GSS bonds are tied to green and socially responsible projects, impact MBS securities (as detailed below), impact municipal bonds. The remaining up to 20% would consist of holdings that either qualify as sustainable investments under BlackRock’s SFDR methodology or are investments that would be used for hedging and liquidity, such as cash, cash equivalents, FX swaps, etc.

For the selection of GSS bonds, the Manager will analyze the use of proceeds of the issues and the issuer framework for alignment of the bonds with the Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) of the International Capital Markets Association to determine suitability within the BlackRock global impact universe. The investment universe of GSS bonds is internally created, screening bonds using BlackRock’s proprietary taxonomy. Additionally, our aim is to contribute to the development of the GSS bond market by encouraging new issuance of GSS bonds and helping to provide the capital needed to drive sustainable growth.

Green/Social/Sustainability (GSS) Bond Definition: A GSS bond is a type of fixed income instrument where proceeds or an equivalent amount will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green and Social Projects and which are aligned with the four core components of the GBP, SBP and SBG Issuers set the qualifying criteria for these green/social projects and have used the bonds to finance initiatives in fields such as renewable energy, green buildings, wastewater management, energy efficiency and public transportation (for green use of proceeds), and affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security and sustainable food systems, socioeconomic advancement and empowerment (for social use of proceeds).

The Impact Bond strategy also invests in Impact Mortgage-backed securities (MBS). BlackRock’s Impact MBS investments seek to achieve a positive social impact through supporting affordable homeownership to underserved populations. For greater detail please refer to the “BlackRock Impact Mortgage Team Approach” for Principal 1.

The Impact Bond strategy may also invest in Impact Municipal securities. BlackRock’s Impact Municipal strategy seeks to invest in municipal bonds, the proceeds of which the Team views as generating positive social and/or environmental impacts. The strategy intends to focus its investments on municipal bond issuers within certain sectors, including but not limited to the education, healthcare, housing, water and sewer, low-carbon public power issuers, mass transit, and state and local governments sectors that provide essential services to underserved groups/communities that are disadvantaged due to low income, elderly age, race, gender, and lack access to essential services. For greater detail please refer to the “BlackRock Impact Municipal Team Approach” for Principal 1.

PRINCIPLE 2 – MANAGE STRATEGIC IMPACT ON A PORTFOLIO BASIS

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

BlackRock has a clear and well-defined pay for performance philosophy and compensation program which considers multiple factors including, but not limited to, financial, operational, and sustainability risk adjusted performance.

BlackRock Climate Infrastructure Team Approach:

BlackRock's Climate Infrastructure strategies apply impact screening criteria across all portfolio investments. Each investment is evaluated on certain predefined impacts including greenhouse gas emission (CO₂e) avoidance, water savings, homes powered through clean energy generated, job creation, private capital mobilized and community benefits. The BlackRock Climate Infrastructure Team monitors achievement of impact, alongside ESG performance, as a key part of the ongoing management of its portfolio of investments.

As impact outcomes are driven by overall portfolio performance, there is alignment between achievement of impact objects and achievement of financial objectives. The impact management process begins during the early stages of the investment due diligence process. Each prospective investment's impact objectives, including contribution to the UN SDGs and management of ESG considerations alongside the project's potential to generate commercial returns, serve as key criteria for further due diligence.

In the second stage of diligence, the Investment Team evaluates multiple dimensions of impact by considering the expected positive impacts and impact risks associated with each investment.

During the Investment Committee approval process, the key impact metrics are established to be monitored over the holding period. Performance against expectations is evaluated by the Climate Infrastructure Management Committee on a quarterly basis and key impact metrics at the portfolio level are communicated to investors via the Quarterly Investor Report.

BlackRock Green Bond Index Team Approach:

Our process for establishing and monitoring impact performance in the portfolio begins with our efforts to ensure the investible universe consists of eligible green bonds complying with use of proceeds additionality criteria as outlined by the MSCI Green Bond Methodology and BlackRock Green Bond Taxonomy Methodology and ICMA GBP alignment. In this regard, the BlackRock Green Bond Index strategy portfolio management team encourages better green bond issuance in the market by engaging with participants in the green bonds ecosystem and by engaging with index provider MSCI on the ongoing construction of the Bloomberg MSCI Green Bond Indices.

For instance, we serve on the Executive Committee of the Green Bond Principles and we engage with MSCI on specific issuers' impact qualifications. On an ongoing basis, we are actively engaged in a feedback loop on the evolution of the MSCI Green Bond Index. Specifically, we engage directly with MSCI when we disagree that an issuer should not have been included in the index; we share our views on whether new and innovative themes in the broader market should be captured in the green bond

index; and we engage directly with issuers if we feel disclosure is not sufficient. Issuers that lose their green bond status are rejected from the index on a monthly basis.

Our investment strategy acts as a catalyst to maintaining robust impact integrity in both the investible universe and our index strategy.

BlackRock Emerging Market Impact Bond Team Approach:

The BlackRock Fundamental Fixed Income (“FFI”) ESG Investment team monitors achievement of impact of GSS bonds, which is a crucial part of the ongoing investment management of the portfolio. First, the investment team analyses how issuers use the proceeds of capital raised, as well as how the issuers align with the Green Bond Principles (“GBP”), Social Bond Principles (“SBP”), and Sustainability Bond Guidelines (“SBG”) of the International Capital Markets Association to determine suitability within the investment universe. As a result, we omit GSS bonds that lack transparency, or if we are not convinced that the projects financed will lead to genuine environmental or social benefits. Our GSS process excludes approximately 28% of the universe (as of 31 January 2023). The second stage of diligence is annual engagement with each issuer BlackRock holds, which incorporates the assessment on whether use of proceeds is being adhered to as well as collecting quantifiable impact metrics on the projects funded.

All green and social bonds must report the environmental and social metrics of the projects funded by their proceeds on an annual basis. Historically, it has been challenging to capture the aggregated impact from multiple green bond holdings, as reporting is not standardized, and projects may fund improvements across multiple metrics. BlackRock has created a portfolio level impact reporting for green bonds, helping investors to track and understand the tangible impact of an investment. GFI ESG Investment Team reaches out to issuers held in the strategy directly, if necessary, to help ensure that we have a comprehensive picture of impact reporting provided for the investment included in the strategy. We leverage both publicly available data provided by issuers and trusted external data providers to collect, clean and categorize impact and allocation reporting data in data science applications within our BlackRock Aladdin® system, enabling us to assign the appropriate impact for holdings in the strategy, based on projects funded by bond proceeds and the allocation to each bond held in the portfolio. The metrics include but not limited to carbon emissions avoided, renewable capacity installed and energy savings.

On social and sustainability bonds, as these are nascent markets, we are seeing the first wave of impact reports from social and sustainability bonds. We push for higher quality impact reporting from issuers, and when necessary, we engage with them to clarify the provided impact reporting. We also participate and provide guidance in publishing ICMA's harmonized framework for impact reporting <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf>. We are represented on the Impact Reporting working group at the ICMA Principles, which offers guidelines for general core principles and recommendations for reporting in order to provide issuers with a reference as they develop their own reporting. For all holdings in the portfolio, we assess the alignment with the United Nations Sustainable Development Goals. We also apply the Impact Management Project's Five Dimensions framework and evaluate each dimension: What, Who, How Much, Contribution, and Risk. External industry frameworks enable us to provide clients with a robust and transparent approach to managing impact on a portfolio basis.

BlackRock has a well-defined pay for performance philosophy and compensation program that encompasses various factors. One principle that all BlackRock employees are expected to uphold is the "commitment to a better future." This principle emphasizes the importance of advocating for sustainable and responsible business practices that drive long-term value when investing in issuers. While there is no explicit assignment of a specific percentage of compensation tied to the quantified

level of impact achieved, sustainability is taken into account when evaluating individual performance, and discretionary compensation includes a multiyear structure, incentivizing teams on long-term goals. Finally, recognizing that a team's strength lies in the collective effort of its members, individual remuneration is also influenced by the overall multiyear performance of the team.

BlackRock Impact Opportunities Team Approach:

The BIO strategy has identified several impact themes and pathways aligned with its stated objective of accelerating the economic outcomes of certain undercapitalized communities in the U.S. A non-exhaustive selection of these themes is listed below:

- Housing & Diverse Developers: Increasing the supply of and access to affordable housing, and increasing minority participation in real asset development .
- Financial Inclusion: Increasing access to capital and financial services for undercapitalized households and businesses.
- Education & Workforce Development: Improving access to, participation in, and affordability of high-quality education and workforce training across the cradle-to-career continuum for undercapitalized communities. Investments in training programs and solutions that provide existing and potential undercapitalized workers to obtain quality jobs.
- Inclusive Transition: Increasing the adoption of renewable energy and mitigating the negative impacts associated with the transition to a low-carbon economy on undercapitalized communities.
- Heath & Wellness: Financing health & wellness solutions and providing capital to organizations and facilities promoting the holistic wellbeing of undercapitalized communities.
- Infrastructure & Digital Connectivity: Investments that provide core infrastructure and/or promote digital connectivity serving undercapitalized communities.

During evaluation, each potential investment is mapped to one or more impact themes consistent with the identified impact thesis. BIO's impact thesis framework has been designed utilizing the *IMP Framework*³ to evaluate whether and how each proposed investment advances the Impact Objective.

IMP's 5 Dimensions of Impact	What?	Who?	How Much?	Contribution	Risk
	What outcome is the investment contributing to?	Which stakeholders are experiencing the outcome? How are they undercapitalized in relation to the outcome?	How many stakeholders experienced the outcome? What was the degree of change?	Did the investment result in outcomes that were likely better than what would happen otherwise?	What is the likelihood the impact will be different than expected?

Once approved by BIO's investment committee, each investment is monitored for adherence to the Investment Objective and Impact Objective. The investment level impact measurement is also aggregated up across the various themes to review the consolidated impact at a portfolio level on an annual basis.

The BIO portfolio is reviewed at least on a quarterly basis with relevant investment committees. BIO quarterly reviews will include, among other things, individual investment performance review and impact KPI review. Additionally, the strategy produces an Annual Impact Report that details the impact approach, portfolio level impact management, as well as detailed impact KPIs for each investment that is shared with investors.

³ <https://iris.thegiin.org/document/iris-and-the-five-dimensions/>

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

PEP will implement the impact investment strategies through a rigorous, repeatable and scalable investment process. The investment process will screen potential portfolio companies and primary fund managers, with the aim of creating a diversified portfolio positioned to achieve positive and measurable impact outcomes and financial returns:

- **Direct co-investments:** A direct co-investment is an investment in a company alongside another direct private equity General Partner (GP) or sponsor. PEP has developed proprietary direct co-investment impact scorecards to facilitate the identification of direct co-investments that meet the impact criteria (Intentionality, Materiality, Additionality and Measurability) and fit within the identified impact investment themes. Our approach is aligned with the Impact Frontiers Five Dimensions of Impact, the Global Impact Investing Network (GIIN)'s Impact Reporting and Investment Standards (IRIS+) metrics and the United Nations Principles for Responsible Investment (UN PRI). For each of the impact investment themes, PEP has identified a set of eligible target KPIs, from which the deal teams can select the most relevant based on the core business of the respective company. Additional KPIs can be added. Based on the UN PRI Impact Investing Market Map, minimum materiality thresholds have been defined to ensure that the driver of financial return is the driver of impact outcomes.
- **Primaries:** A primary investment is an investment in a fund managed by a direct private equity GP. PEP has developed a primaries impact scorecard based on the Impact Frontiers Five Dimensions of Impact that allows to identify the intentionality in the investment thesis of underlying managers, their ability to generate positive and measurable contributions, as well as any potential risks involved in the strategy.

PEP will build a global portfolio and provide broad diversification across impact investment themes, industries and sponsors. For the direct investments portion, PEP will aim to not allocate more than 50% of the portfolio to any single investment theme. As a key part of PEP's monitoring process, PEP holds internal Account Reviews to discuss and assess each portfolio and will assess the progress of the respective investments at a Fund/portfolio level.

As part of the impact outcome tracking and reporting, impact metrics are considered throughout the investment process, from sourcing to exit and ongoing monitoring of investments is performed against PEP's underwriting criteria for private equity returns and impact outcomes. Progress is reported relative to both impact metrics (on an annual basis) and financial returns (on a quarterly basis) as part of investor reporting.

BlackRock Impact Mortgage Strategy Team Approach:

The Agency MBS Team in partnership with BlackRock's Impact investing team and sustainable product groups has identified a subset of the agency mortgage market that meets the threshold for achieving Impact. Prior to investment, each loan program is evaluated against the following set of criteria:

- a. target a specific borrower population – such as cost burdened households, underserved populations, borrowers with targeted area median incomes, specific geographies or regions within the U.S. (such as Low to Moderate Income "LMI" areas).
- b. break down barriers to credit – Not everyone in the U.S. has equal access to housing credit; barriers can be physical (such isolated rural regions - one or fewer physical bank branches), or financial, in ways tied to system discrimination (such as lack of generational wealth to draw upon for large home purchase down payments often times disproportionately persons of color, or in the ways traditional of credit scoring models assess risk. The removal of these barriers is critical to closing the racial wealth gap and increasing the homeownership rate among those with the most to gain from the benefits of homeownership;
- c. and/or be a sustainable property type – sustainable property types include forms of manufactured or modular housing, methods of building new single-family homes in a cost effective environmentally friendly method.

Prior to investment, corresponding Impact metrics are established at the time of investment to ensure the investment meets one of the themes above and it can be quantified. Impact analysis is integrated throughout the investment process, the Agency MBS Team monitors the loan programs defined as delivering impact and will formally report impact metrics to clients on an annual basis.

The Agency MBS Team monitors and measures the achievement of social impact through a variety of metrics reporting, consisting of the following:

1. Counting metrics
2. Success metrics
3. %-saved metrics

Loan programs are reviewed on an ongoing basis in accordance with BlackRock's Impact investing criteria (Intentionally, Materiality, Additionality and Measurability)

BlackRock Impact Municipal Team Approach:

The BlackRock Impact Municipal Team monitors impact over time, and the team anticipates formally reporting impact metrics to clients on an annual basis for investments held in the portfolio. Additionally, the Team anchors our impact management and measurement (IMM) approach to what we believe reflects best practices.

The Impact Municipal Team, in partnership with the BlackRock Sustainable Product Team and the Global Fixed Income (GFI) ESG Team, created a proprietary municipal impact framework for the municipal market. Before investing, the BlackRock Impact Municipal Team evaluates each transaction for its use of proceeds and adherence to the municipal impact framework. We integrate impact analysis throughout the investment process, including the identification of preliminary impact indicators before investing. Our aim is to adopt industry-leading frameworks as much as possible, using what is relevant to, and consistent with, our investment process. We believe this approach increases the comparability of impact measures across investments over time and helps avoid the proliferation of disparate methodologies in the industry.

Reflecting these views, we have combined the following three leading, third-party industry frameworks to help enable us to provide clients with a robust and multifaceted practice to establish and manage impact on a portfolio basis: 1) The UN Sustainable Development Goals and Targets, 2) The Global Impact Investing Network IRIS+ System and Taxonomy, and 3) The Operating Principles for Impact Management.

The strategy is designed to align with, and advance, several targeted SDGs. Our use of proceeds approach focuses on understanding the positive impacts of each investment and the communities benefiting from these projects. Bond proceeds are segregated from operating funds based upon federal and/or state laws or statutory authorizations. This strategy's municipal impact framework requires identification of KPIs for each investment that corresponds to the Impact Objective for the strategy and sector. KPIs will be further evaluated during research due diligence and monitored throughout the life of each investment and reported on an annual basis. In selecting KPIs for each investment, we will consult with established measurement frameworks such as The Global Impact Investing Network's ("GIIN") IRIS+ catalogue of metrics (the "GIIN Metrics"). Additional KPIs may be developed at time of investment depending on the issuer and type of project being financed.

The Impact Municipal team will monitor investments over time and anticipates formally reporting impact metrics to clients on an annual basis.

BlackRock Impact Bond Strategy Approach:

The BlackRock Fundamental Fixed Income (FFI) ESG Investment team monitors achievement of impact bond investments, which is a crucial part of the ongoing investment management of the portfolio. First,

the investment team analyses how proceeds of the capital raised through GSS bonds, Impact MBS and Impact Municipal bonds will be used. Investments which lack transparency or fail to meet the required standards for impact are omitted from the investment universe.

The second stage of diligence is engagement with issuers, which incorporates an assessment on whether the pre-disclosed use of proceeds is being adhered to, as well as collecting quantifiable impact metrics on the projects funded.

At a holistic portfolio level, investments are mapped to the UN SDGs which they advance, ensuring scalability and consistency across asset classes. At the sub-asset class level, more granular and bespoke metrics will be tracked to identify the impact of investments.

All GSS bonds must report the environmental and social metrics of the projects funded by their proceeds on an annual basis. Historically, it has been challenging to capture the aggregated impact from multiple green bond holdings, as reporting is not standardized, and projects may fund improvements across multiple metrics. BlackRock has created portfolio level impact reporting for green bonds, helping investors track and understand the tangible impact of an investment. FFI ESG Investment Team will reach out to green bond issuers, if necessary, to help ensure that we have a comprehensive picture of impact reporting provided for the investments in the strategy. We leverage both publicly available data provided by issuers and trusted external data providers to collect, clean and categorize impact and allocation reporting data in data science applications within our BlackRock Aladdin® system, enabling us to assign the appropriate impact for holdings in the strategy, based on projects funded by bond proceeds and the allocation to each bond held in the portfolio. The metrics include, but are not limited to, carbon emissions avoided, renewable capacity installed and energy savings.

Within the nascent markets for social and sustainability bonds, we are seeing the first wave of impact reports from these issuers. We are helping shape the quality of the impact reports we see from issuers as we are among those directly involved in the market as issuers, investors, and asset managers working towards harmonized GSS bond reporting practices, such as the practices adopted by the Green Asset Wallet and the Nasdaq Sustainable Bond Network. We also participate in the executive committee of the [ICMA Green Bond Principles](#). For all holdings in the portfolio, we assess the alignment with the UN SDGs.

For Impact MBS and Impact Municipals, impact KPIs are established by the team at the time of investment to ensure the investment meets the required impact standard and that impact can be quantified. For greater detail please refer to the “BlackRock Impact Mortgage Team Approach” and “BlackRock Impact Municipal Team Approach” sections for Principal 2.

PRINCIPLE 3 – ESTABLISH THE MANAGER’S CONTRIBUTION TO THE ACHIEVEMENT OF IMPACT

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial channels (e.g., improving cost of capital, specific financial structuring, offering innovative finance instruments) and/or non-financial channels (e.g., active shareholder engagement, assisting with resource mobilization, providing technical advice or capacity building, helping investees meet higher operational standards). The narrative should be stated in clear terms and supported, as much as possible, by evidence.

BlackRock Climate Infrastructure Team Approach:

BlackRock’s Climate Infrastructure strategies contribute to the achievement of impact through financial channels which include providing development and construction capital for projects as well as engagement and active asset management through the ownership period. Furthermore, the reduction of risk at the investment and portfolio level has the potential to attract lower cost of capital. The Investment Team, together with the Climate Infrastructure Technical Team, which are comprised of professionals within depth knowledge of the technological aspects of potential investments, are involved in leading some of the key deal contractual arrangements to help ensure that projects are built to standard, on time and on budget. Technical expertise and commercial experience are used to help drive additional value to each investment (e.g., potential repowering, which may result in greater generation capacity, and therefore greater potential impact). Each investment is evaluated on a “buy and hold” basis alongside the strategy hold base case to help ensure a long-term view of the viability and impact.

BlackRock’s Climate Infrastructure strategies further aim to achieve impact through non-financial channels by working closely with asset management teams to identify opportunities to contribute to and donate to local communities where relevant.

BlackRock Green Bond Index Team Approach:

We believe that the early launch of the BlackRock Green Bonds Index strategy, anchored on the ecosystem we have built, has drawn significant capital to green bond issuers that would not have occurred otherwise, and our end-to-end investment process and engagement strategy provides the feedback loop necessary to improve the integrity and continued growth of the green bonds market.

BlackRock has played a leadership role in the early development and continued growth of the green bonds market. As a founding member of the Green Bond Principles and as a member of its Executive Committee since its inception, we meet regularly with issuers, underwriters, and public regulators to support the standards, integrity, and growth of green bonds as an asset category.

In addition to our standard setting work, we provided input and insight to MSCI on the criteria for green bonds in the development of the Bloomberg MSCI Green Bond Indices. MSCI independently finalized the index methodology, and we intentionally selected this specific index to launch our Green Bonds Index strategy because MSCI’s Green Bonds assessment framework leverages the Green Bond Principles, which principally aligns with BlackRock’s views on green bonds.

On an ongoing basis, we are actively engaged in a feedback loop on the evolution of the Bloomberg MSCI Green Bond Indices. Specifically, we engage directly with MSCI/BBG when we disagree that an issuer should not have been included in the index; we share our views on whether new and innovative themes in the broader market should be captured in the green bond index; and we engage directly with

issuers if we feel disclosure is not sufficient. Issuers that lose their green bond status are rejected from the index on a monthly basis.

To further support the integrity and growth in the green bonds market, we recognize the need for measurability and have developed a proprietary green bond taxonomy that shades each BlackRock-labelled green bond on a scale of Very Light Green to Dark Green, based on the bond's intended use of proceeds, associated environmental benefits, and its issuers' ongoing commitment to allocation and impact reporting. We have built and actively maintain a BlackRock labelled and shaded green bond universe and readily share our shading taxonomy with issuers and underwriters.

Our investor contribution work in the green bonds market reflects our understanding that for the green bonds market to endure and thrive, green bonds must be supported by an ecosystem anchored on integrity, transparency, and active engagement that involves ongoing collaboration with issuers, underwriters, and public regulators.

BlackRock Emerging Markets Impact Bond Team Approach:

The launch of the Emerging Markets Impact Bond strategy leverages the research, dedicated GSS bond evaluation, capital markets capabilities within the BlackRock ecosystem to dedicate pools of capital towards credible GSS bond investments.

GSS bonds have inherent impact attributes that are aligned with sustainable development, particularly in emerging markets. GSS bonds are designed to raise capital specifically for projects that contribute to environmental sustainability and social progress. In emerging markets, where there may be a substantial gap in achieving the SDGs, GSS bonds play a crucial role in mobilizing funds to address these pressing challenges. By financing projects aligned with the SDGs, such as renewable energy, affordable housing, education, or healthcare, EM GSS bonds directly contribute to closing the SDG gap.

Investor contribution to the achievement of impact is accomplished through close collaboration with the GFI ESG Investment, Capital Markets and Stewardship teams through the following activities:

- Participation and leadership in GSS bond market
- Creation of BlackRock's proprietary taxonomy for GSS bonds
- Engagement with issuers to share best-practices

BlackRock has played a leadership role in the early development and continued growth of GSS bond market. As a founding member of the Green and Social Bond Principles and as a member of its Executive Committee since its inception, we meet regularly with issuers, underwriters, and public regulators to support the standards, integrity, and growth of green and social bonds as an asset category.

To further support the integrity and growth in the green and social bonds market, we recognize the need for measurability and have developed a proprietary green and social bond taxonomies, based on the bond's intended use of proceeds, associated environmental benefits, and its issuers' ongoing commitment to allocation and impact reporting. We have built and actively maintain a BlackRock labelled and shaded green, social and sustainability bond universe and readily share our shading taxonomy with issuers and underwriters.

When we deem necessary, we engage with issuers before the bond launch, we seek to provide valuable insights, guidance, and expertise to help shape the bond framework. This proactive involvement increases the likelihood of a successful issuance by ensuring that the bond aligns with market expectations, meets investor criteria, and effectively communicates the intended use of proceeds and impact goals. Through engagement, we seek to foster alignment between the issuer's sustainability objectives and investor expectations. By providing input on the bond's structure, reporting requirements, and allocation of funds, we can help ensure that the bond aligns with industry best

practices and delivers on its sustainability commitments. While indirectly, this alignment enhances credibility and increases investor confidence, over the long-term, potentially leading to a broader investor base and lower borrowing costs for the issuer.

Lastly, we continuously engage directly with issuers if we feel disclosure is not sufficient – when issuers launch their green, social and sustainability bond frameworks, when issuers are actively marketing new green, social and sustainability bonds, and post-launch ongoing engagement on their flow-of-funds and allocation reporting. We use our taxonomy for constant monitoring, and we divest when we are not satisfied. That incentivizes issuers to keep up the best practices.

BlackRock Impact Opportunities Team Approach:

The BIO strategy is focused on accelerating economic mobility for U.S.-based undercapitalized minority groups. We intend to contribute to this impact objective primarily through financial channels (e.g. improving the cost of capital, special financial structuring, offering innovative finance instruments) but will also be looking to holistically partner with business/project owners and communities through non-financial channels (active engagement with company/project leadership, promotion of diversity within organizations, advancement of job quality, etc.).

Financial Channels – Overview

As outlined above, investments must meet one of the following two criteria:

- (iii) *Investments in businesses or projects that are led by Focus Communities:* Investment is led, owned, operated or managed by one or more members of the Focus Communities, which may include, but is not limited to: businesses or projects where the founder or management team self-identifies as a member of a Focus Community; or businesses or projects that are majority owned, majority controlled or majority managed by self-identified members of a Focus Community; or
- (iv) *Investments in businesses or projects that are located in or serve Focus Communities:* Investment is located in or serves one or more communities the majority of whose population are members of Focus Communities, which may include, but is not limited to: businesses headquartered or projects located in areas with greater than 50% Black, Latinx or Native American populations; or businesses or projects that provide services to Focus Communities.

Further, each portfolio investment must be explicitly tied to the strategy's overarching impact objective of accelerating the wealth of minorities in the United States.

Non-Financial Channels - Overview

As mentioned above, the BIO strategy will also seek to have impact through non-financial channels. For example:

- (i) Value creation: The BIO strategy intends to encourage its portfolio companies to advance diversity in senior management and board positions, specifically for undercapitalized groups. In addition, the BIO strategy intends to help its portfolio companies advance job quality in areas such as pay/benefits, predictable schedules, on-the-job training, pathways to achievement, career growth, recognition, and employee engagement.

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

Private capital can play a critical role in generating impact to address some of the key challenges faced by the planet and society. In particular, private equity has the ability to support companies for which access to public markets might not be possible. BlackRock's objective is to support innovative companies and impact private equity managers not only with capital, but also visibility as well as access to BlackRock's resources and network.

As part of underwriting, PEP assesses how BlackRock can provide additionality to the portfolio investments. Potential contributions include:

- Provision of strategic capital: Companies are expected to benefit from BlackRock's capital, network and expertise as strategic investor. We view our investment as strategic capital that supports the underlying company's growth organically or inorganically, e.g. in view of an IPO.
- Increased company visibility: BlackRock's brand can drive attention to invested companies and managers fostering additional investments by other market participants.
- Support business development: BlackRock can provide tangible support in growing the business and scaling solutions by leveraging PEP and BlackRock's network.
- Engagement on impact outcomes: Through investment ownership and board representations, BlackRock can engage with companies and managers on impact progress, providing access to sustainability resources and network.

BlackRock Impact Mortgage Team Approach:

We believe the BlackRock Impact MBS strategy contributes to the achievement of impact through financial channels, such as directing capital to the aforementioned affordability programs, and raising awareness and industry focus on affordable and sustainable homeownership.

We believe that the strategy can contribute to the following:

- **Increase in affordable mortgage origination** – with sustained demand from the investment community, mortgage originators and lenders have the confidence needed to focus on often underserved populations and help keep the financing rates affordable. The increased supply of capital to these loan programs reduces the mortgage rate borrowers pay and gives lenders more comfort to increase the volume of loans originated.
- **Targeted MBS pooling practices** – BlackRock is able to work directly with third party mortgage originators, as well as directly with Fannie Mae, Freddie Mac, and Ginnie Mae to pool mortgages with specific borrower characteristics. This will create a real supply of impact mortgage pools which will increase in attention and highlight the entire market opportunity. Due to privacy concerns some geographic and borrower income data is not disclosed to the market, (such as census tracts or area median income levels) – pooling directly with the third-party mortgage originators and/or the Agencies allows the strategy to reach this segment of the borrower base while preserving borrower privacy.
- **Support wealth creation**^{4,5} – Over the last 20 years home prices have appreciated significantly. The result of this, is that while many American households can afford the monthly cost of a mortgage (i.e., the household is paying a similar amount in monthly rental payments), many households lack the ability to accumulate enough cash for a 20% down payment. Programs targeted in this strategy help with down payment assistance either in the form of monetary assistance and/or in the reduction of additional fees and costs typically applied to borrowers with less than a 20% down payment.
- **Build greater understanding and increased market size of affordable lending products and property types** – Bring a greater understanding and more visibility of affordable mortgage

⁴ The Urban Institute, Barriers to Accessing Homeownership – Down Payment, Credit, and Affordability. 2018 https://www.urban.org/sites/default/files/publication/99028/barriers_to_accessing_homeownership_2018_4.pdf/

⁵ The Urban Institute, Homeownership and the American Dream. 2018 https://www.urban.org/sites/default/files/publication/96221/homeownership_and_the_american_dream_0.pdf

lending products and sustainable property types within the asset management community and client base. Sustainable property types, such as manufactured housing, and some borrower based affordable lending products can often times be misunderstood and overlooked.

The mechanism by which the strategy achieves social impact is by directing capital to specific affordable loan programs, underserved borrower's and/or sustainable property types. Part of the additionality BlackRock seeks to achieve is to bring awareness to and grow the market share of these types of programs. Importantly, the Agency MBS Team engages in direct dialogue with Fannie Mae, Freddie Mac and Ginnie Mae, and /or other mortgage stakeholders to create and/or support affordable housing initiatives, programs and collateral types. Additionally, the Agency Mortgage market is unlike any other area of Fixed Income where existing third-party ratings and sustainability frameworks can be applied. The Agency MBS Team, in collaboration with sustainable product groups worked to define the criteria for Impact MBS pools operating as a first mover and industry leader in this space.

In addition, the Agency MBS Team closely follows ongoing affordable housing policy research from thought leader in the space, (such as the Urban Institute, and the Harvard Joint Center for Housing Studies).

Fundamental investment analysis, as well as Impact analysis and research for each loan program is housed on BlackRock's internal 'wiki' platform. Minutes from meetings, and notes from industry events are disseminated across the investment team and stored here as well.

BlackRock Impact Municipal Team Approach:

We believe the BlackRock Impact Municipal strategy has the potential to contribute to the achievement of impact through both financial channels, such as seeking to improve the cost of capital, and non-financial channels, such as engagement with Issuers.

Investor contribution to the achievement of impact is accomplished through the following activities:

- Lowering the cost of capital to municipal impact issuers
- Generation of private placements with projects providing measurable impact
- Addition of value to clients seeking the investment option
- Helping the development of a long-term measurement framework and improved transparency
- Engagement with issuers to better define the market and enhance disclosure practices
- Improve the quality of and increase issuance in the Green, Social and Sustainability (GSS) labeled municipal bond market

Given the nascent impact investing ecosystem within the municipal market, the strategy is seeking to bring leadership and best practices to develop a robust market through any combination of these activities. Investments in underserved communities tend to be lower down the credit spectrum and thus demand a higher interest rate by the market. By investing in these projects, our hope is to lower the cost of capital through increased demand. Additionally, we will seek to provide private capital for projects that are unable to issue in the public markets where the project meets the strategy's impact objective.

We also recognize that some clients may wish to deploy social investments within their investment portfolios. To that extent, the strategy seeks to assist in the development of the market through engagement with issuers, creation of a long-term measurement framework, and improved disclosure and transparency. A long-term measurement framework seeks to monitor the achievement of positive impacts through the collection and analysis of data to understand investment outcomes.

In addition, the BlackRock Impact Municipal team has a close collaboration with the GFI ESG Investment Team as it relates to BlackRock's efforts in the GSS bond market. To further support the integrity and growth in the green and social bonds market, we recognize the need for measurability and have developed proprietary green and social bond taxonomies, based on the bond's intended use of proceeds, associated environmental benefits, and its issuers' ongoing commitment to allocation and

impact reporting. We have built and actively maintain a BlackRock labelled and shaded green, social and sustainability bond universe and readily share our shading taxonomy with issuers and underwriters.

BlackRock Impact Bond Strategy Approach:

We believe that the launch of the Impact Bond strategy, anchored on the ecosystem we have built, will draw significant capital to impact bond issuers that would not have occurred otherwise, and our end-to-end investment process and engagement strategy provides the feedback loop necessary to improve the integrity and continued growth of the impact bond market. Investors seek to achieve impact through close collaboration with the GFI ESG Investment, Capital Markets and Stewardship teams through the following activities:

- Participation and leadership in GSS bond market, impact MBS and impact municipal markets
- Creation of BlackRock’s proprietary taxonomy for GSS bonds: To further support the integrity and growth in the green bonds market, we recognize the need for measurability and have developed a proprietary green bond taxonomy that shades each BlackRock-labelled green bond on a scale of Very Light Green to Dark Green, based on the bond’s intended use of proceeds, associated environmental benefits, and its issuers’ ongoing commitment to allocation and impact reporting. We have built and actively maintain a BlackRock labelled and shaded green bond universe and readily share our shading taxonomy with issuers and underwriters. A similar taxonomy and shading process exists for social bonds, shading bonds from Light Gold to Dark Gold based on the bond’s intended use of proceeds, definition of target population and suitability of use of proceeds in global/local contexts.
- Engagement with issuers to share best-practices as BlackRock has played a leadership role in the early development and continued growth of the impact bond market.

As a founding member of the Green Bond Principles and Social Bond Principles and as a member of its Executive Committee since its inception, we meet regularly with issuers, underwriters, and public regulators to support the standards, integrity, and growth of green and social bonds as an asset category. To further support the integrity and growth in the green and social bonds market, we recognize the need for measurability and have developed a proprietary green and social bond taxonomies, based on the bond’s intended use of proceeds, associated environmental benefits, and its issuers’ ongoing commitment to allocation and impact reporting. We have built and actively maintain a proprietary database of green, social and sustainability bond universe based on our green and social bond taxonomies. Lastly, we continuously engage directly with issuers pre and post issuance.

Our investor contribution work in the green and social bonds market reflects our understanding that for the GSS bond market to endure and thrive, green and social bonds must be supported by an ecosystem anchored on integrity, transparency, and active engagement with issuers and underwriters.

We believe BlackRock Impact MBS investments contribute to the achievement of impact through financial channels, such as directing capital to the affordability programs, and raising awareness and industry focus on affordable and sustainable homeownership. Please refer to the “BlackRock Impact Mortgage Team Approach” section for Principal 3 to learn more about Manager’s contribution pertaining to Impact MBS.

We believe the BlackRock Impact Municipal strategy has the potential to contribute to the achievement of impact through both financial channels, such as seeking to improving the cost of capital, and non-financial channels, such as engagement with Issuers. Please refer to the “BlackRock Impact Municipal

Team Approach” section for Principal 3 to learn more about Manager’s contribution pertaining to Impact Municipals.

PRINCIPLE 4 – ASSESS THE EXPECTED IMPACT OF EACH INVESTMENT, BASED ON A SYSTEMATIC APPROACH

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

BlackRock Climate Infrastructure Team Approach:

During the Climate Infrastructure due diligence process, the expected impact of the investment is assessed through an impact outcomes measurement framework that includes the nature and size of expected impact, parameters for measurement, and the identification of risks to delivering impact with proposed mitigation strategies.

Impacts are assessed at the global and local level and impact metrics are aligned with the GIIN's IRIS+ System and Taxonomy and the UN SDGs. The Investment Team prepares impact projections that outline an investment's expected impact over time and presents it to the Investment Committee. Moreover, the Investment Team outlines in the Investment Committee papers the plan to deliver the impact of the investment and identifies any risk factors to achieving the intended impact.

As part of the ongoing tracking of impact performance, the Climate Infrastructure team is in regular dialogue with the investee platform or projects' asset management teams to identify potential risk mitigation strategies and to evaluate the likelihood of delivering on intended impacts at the portfolio level. The team also considers opportunities identified by the investee platform teams and/or asset managers for increasing the core impacts and for additional indirect impacts. The Climate Infrastructure Operations Committee then monitors and reports on the activity at each operational investment during its meetings throughout the year.

BlackRock Green Bond Index Team Approach:

The transparency afforded to green bond investors via impact reporting is a unique feature of the instrument. All green bonds must report the environmental metrics of the projects funded by their proceeds on an annual basis. Historically, it has been challenging to capture the aggregated impact from multiple green bond holdings, as reporting is not standardized, and projects may fund improvements across multiple metrics.

BlackRock is one of the first asset managers to offer portfolio level impact reporting for a commingled green bond product (iShares Green Bond Index strategy), helping investors to track and understand the tangible impact of an investment. The ESG team reaches out to each issuer held in the strategy directly to help ensure that we have a comprehensive picture of impact reporting provided for the investment included in the strategy. That data is collected, cleaned, categorized, and stored in our BlackRock Aladdin system, enabling us to correctly assign the appropriate impact for any certain holding size in

the strategy. We have provided the following publications on this very intensive process and the resulting impact report.

<https://www.blackrock.com/us/individual/insights/how-green-is-your-bond>

<https://www.blackrock.com/us/individual/insights/green-bond-impact-reporting>

The BlackRock team is collaborating among those directly involved in the market such as issuers, investors, and asset managers to work towards harmonized green bond reporting practices, such as the Green Asset Wallet and the Nasdaq Sustainable Bond Network. We are also represented on the Impact Reporting working group at the ICMA Green Bond Principles.

BlackRock Emerging Market Impact Bond Team Approach:

The FI ESG Investment Team evaluates all Green, Social and Sustainability bonds at issuance by implementing a due diligence on projects funded by the proceeds of bonds. To qualify as a green, social or sustainability bond eligible for investment by the strategy, the issuer must align with the BlackRock's proprietary taxonomy. BlackRock has developed a shading system that scores green and social bonds according to the impact of the proceeds: the proprietary green bond taxonomy determines the likelihood of green projects to put the world on a long-term path towards a low carbon economy; the proprietary social bond taxonomy determines the likelihood of social projects to address/mitigate a specific social issue and can quantifiably result in positive social outcomes, with well-defined target populations and specific to context of local and/or global social environments.

Our due diligence on GSS bonds happens at

- (i) issuance, where we provide a write up on the bond and/or the green/social project,
- (ii) on an annual basis, where we engage with each issuer BlackRock holds and evaluate the quantifiable impact metrics on the projects funded and
- (iii) we closely monitor holdings that receive low ESG scores/controversy indicators, which involves a deep dive by our credit research team and engagement efforts.

In addition to the above, external frameworks such as the IMP's five dimensions and standards such as EU Taxonomy on Sustainable Finance help us assess the expected impact of each investment within the portfolio.

BlackRock Impact Opportunities Team Approach:

BIO's singular impact objective is to accelerate positive economic outcomes and create collective wealth for undercapitalized groups, with particular focus on Black, Latinx, and Native American communities in the United States.

BIO's impact framework has been designed on the basis of the Impact Management Project's Five Dimensions of Impact (the "IMP Framework") to evaluate whether and how each proposed investment advances the impact objective. During the due diligence process, the expected impact of the investment is rigorously assessed through a results measurement framework that includes the nature of expected impact, parameters for measurement, likelihood of achieving the investment's expected impact, and the identification of risks to delivering impact with proposed mitigation strategies. The team also considers opportunities to increase the impact of the investment. Where possible and relevant, we may also consider indirect and systemic impacts.

In conjunction with leading external impact advisors, the deal team identifies key performance indicators ("KPIs") for each investment that corresponds to the strategy's Impact Objective, and the metrics would be monitored throughout the life of each investment to ensure rigor around contribution and additionality. In selecting KPIs for each investment, BIO consults with established measurement

frameworks such as The Global Impact Investing Network's IRIS+ catalogue of metrics (the "GIIN Metrics").

The BIO strategy publishes an impact report to document and share progress with Limited Partners on an annual basis.

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

PEP's due diligence approach is not a "check-the-box" process. Through the application of a disciplined approach to gathering data, PEP seeks knowledge and understanding of what does or does not create value in a potential investment, rather than simply confirming that all the proper pieces of information have been collected. The PEP's approach is designed to be aligned with the Impact Frontiers Five Dimensions of Impact, the Global Impact Investing Network's (GIIN) Impact Reporting and Investment Standards (IRIS+) metrics and the UN Principles for Responsible Investment (UN PRI) Impact Investing Market Map, leveraging the best practices within the industry. We evaluate each of the Impact Frontiers Five Dimensions of Impact: What, How Much, Who, Contribution and Risk. For each impact investment PEP identifies UN SDG alignment and determines specific KPIs based on each direct investment's expected impact outcome contribution. These KPIs are comparable and relevant to the strategy and sector in which a direct investment operates. BlackRock has pre-identified the KPIs that are typically most relevant for the respective business type, and, where applicable, assigns the respective GIIN IRIS+ code to allow for standardization and comparison.

For direct co-investments, PEP formulates target expectations for the development of the identified KPIs during the holding period. As part of the financial modelling at underwriting, PEP will formulate ex-ante expectations for the development of the defined KPIs. PEP employs the same process to measure the ongoing performance of each investment relative to KPIs and financial considerations.

BlackRock Impact Mortgage Team Approach:

The expected impact is assessed prior to a collateral type being deemed an "Impact MBS Story." The intended impact is to increase affordable homeownership for those households that have the most to gain from the financial and non-financial benefits of homeownership.

As mentioned in Principle 2, Impact MBS stories are assessed against the following criteria:

- a. target a specific borrower population – such as cost burdened households, underserved populations, borrowers with targeted area median incomes, specific geographies or regions within the U.S. (such as Low to Moderate Income "LMI" areas);
- b. break down barriers to credit – Not everyone in the U.S. has equal access to housing credit; barriers can be physical (such isolated rural regions - one or fewer physical bank branches), or financial, in ways tied to system discrimination (such as lack of generational wealth to draw upon for large home purchase down payments often times disproportionately persons of color, or in the ways traditional of credit scoring models assess risk. The removal of these barriers is critical to closing the racial wealth gap and increasing the homeownership rate among those with the most to gain from the benefits of homeownership;
- c. and/or be a sustainable property type – sustainable property types include forms of manufactured or modular housing, methods of building new single-family homes in a cost effective environmentally friendly method.

Potential homeowners and borrowers that are considered to be part of an underserved population are intended to receive the impact the strategy seeks to achieve. Underserved populations include, but are not limited to, potential homeowners facing barriers to credit, borrowers with targeted area median incomes, specific geographies or regions within the U.S. (such as Low to Moderate Income "LMI" areas). Homeownership has been the primary means of wealth creation for large segments of the population

over the last three generations, however access to this opportunity has not been equally distributed. Advancing equal access to homeownership is one of the ways to closing the racial wealth gap.

The quantification of potential impact is integrated throughout the investment process and is critical at the point in which an investment is deemed an Impact MBS Story. Impact metrics are established by the Agency MBS Investment Team and reviewed by BlackRock's Impact Management and Measurement working group.

BlackRock Impact Municipal Team Approach:

During the due diligence process, the expected impact is assessed prior to making an investment in a project(s) based on the nature of the intended impact and the parameters for measuring impact. The intended impact is to benefit underserved communities and vulnerable populations by investing in projects predominantly within education, health care, housing, mass transit, and water & sewer that provide essential services to underserved groups/communities.

We base our impact metrics on the GIIN's IRIS+ System and Taxonomy, and we map our holdings to the SDGs and Targets. Notably, the IRIS+ taxonomy and SDGs and Targets cover most, but not all, relevant impact metrics; in the event where such standardized metrics fall short, we use project-specific metrics and indicate so for full transparency.

We integrate impact analysis throughout the investment process, including the identification of preliminary impact metrics before investing. In addition, we believe our adoption of frameworks by the GIIN and SDGs increases the comparability of impact measures across investments over time and helps avoid the proliferation of disparate methodologies in the industry.

BlackRock Impact Bond Strategy Approach:

Each impact investment must be Material (actively advances one or more of the UN SDGs), Additional (targets areas which would otherwise be underinvested), and Measurable (impact must be quantifiable).

The GFI ESG Investment Team evaluates all GSS bonds at issuance by implementing due diligence on projects funded by the proceeds of bonds. To qualify as a Green, Social or Sustainability bond eligible for investment by the strategy, the issuer must align with the BlackRock proprietary Green and Social bond taxonomy. BlackRock has developed a shading system that scores Green, Social and Sustainable bonds according to the impact of the proceeds.

Our due diligence on GSS bonds happens

- (i) at issuance, where we provide a write up on the bond and/or the green/social project,
- (ii) on an annual basis, where we engage with each issuer BlackRock holds and evaluate the quantifiable impact metrics on the projects funded and
- (iii) on an ongoing basis, as we closely monitor holdings that receive low ESG scores/controversy indicators, which involves a deep dive by our credit research team and engagement efforts. Such determinations may use a combination of third-party data (MSCI) and internal assessments.

In addition to the above, external frameworks such as the IMP's Five Dimensions² and standards such as EU Taxonomy on Sustainable Finance help us assess the expected impact of each investment within the portfolio.

For Impact MBS, the expected impact is assessed prior to a collateral type being deemed an Impact MBS Story. The intended impact is to increase affordable homeownership for those households that have the most to gain from the financial and non-financial benefits of homeownership. For greater detail please refer to the "BlackRock Impact Mortgage Team Approach" for Principal 4

For Impact Municipals, during the due diligence process, the expected impact is assessed prior to making an investment in a project(s) based on the nature of the intended impact and the parameters for measuring impact. The intended impact is to benefit underserved communities and vulnerable populations by investing in projects predominantly within education, health care, housing, mass transit, and water & sewer that provide essential services to underserved groups/communities. For greater detail please refer to the “BlackRock Impact Municipal Team Approach” for Principal 4

PRINCIPLE 5 – ASSESS, ADDRESS, MONITOR, AND MANAGE POTENTIAL NEGATIVE IMPACTS OF EACH INVESTMENT

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

BlackRock Climate Infrastructure Team Approach:

The BlackRock Climate Infrastructure Team recognizes the environmental, social and governance impacts of our investments and is committed to managing these impacts in a responsible manner, ensuring compliance with applicable laws and regulations. Given the long term and physical nature of our renewable power and climate infrastructure investments, we consider effective ESG assessment and management to be a fundamental component of risk management.

During the due diligence phase, the Investment Team assesses the ESG risks of a prospective investment in the form of the Climate Infrastructure Investment ESG Questionnaire (“ESG Questionnaire”). The ESG Questionnaire provides a comprehensive framework to the Investment Teams across BlackRock’s Climate Infrastructure platform, to assist with identifying and collating information on potential ESG risks associated with all new investments.

The ESG Questionnaire is a list of questions on potential ESG risks and opportunities to support the wider due diligence being undertaken by the Investment Team. The findings of the questionnaire aim to identify any key risks associated with each investment and enable greater due diligence, and ultimately improved investment decision making. The completed questionnaire is included in the Investment Committee papers for each investment.

In the post-investment phase, the Investment Team works collaboratively with the project’s asset manager or management team to closely monitor ESG characteristics and engages as needed to address any unexpected events. Highlighted ESG risks are monitored and reviewed by the Management Committee on a regular basis via dedicated Quarterly Portfolio Review processes.

BlackRock Green Bond Index Team Approach:

There are two areas that BlackRock focuses on when evaluating the negative impacts of investments in the green bond space. The first is around the “ringfenced use of proceeds”. BlackRock is keen that the use of proceeds from a green bond follows globally accepted norms around Do No Significant Harm, whether that is environmental or social. As we rely on and encourage adherence to the ICMA Green Bond Principles, we highlight language that is embedded in the 2021 Green Bond Principles under the second pillar “Process for Project Evaluation and Selection”:

The issuer of a Green Bond should clearly communicate to investors:

- *Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).*

Issuers are also encouraged to:

- *Have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.*

Additionally, within the MSCI guidelines for Green Bond Index, bonds are excluded if they have negative potential environmental or social externalities for certain categories. For example,

- *Due to their potential environmental and social externalities, large-scale hydroelectric projects are only eligible if they satisfy one of the following international sustainability best practices:*
- *Hydropower Sustainability Protocol – published assessment report and score of 3 or above (i.e. in line with “Good Practices”) on all relevant pillars; or*
- *Operating Principals for Impact Management - publicly stated commitment to meet the requirements outlined by all eight impact principals.*

In addition to the monitoring of “Use of Proceeds”, BlackRock also engages with issuers holistically. As a significant manager of fixed income assets, we are careful to ensure that our impact in the broad fixed income market ecosystem is consistent with our sustainable objectives, driving positive change, maintaining or promoting high standards and best practice. We have a stewardship team covering multiple voting markets across the globe. This team enables us to better understand the context within which a company is operating. We engage companies on such topics as climate and natural capital, human capital and human rights, and inclusion and diversity amongst others. BlackRock’s infrastructure around engagement means that the Investment Manager and FI ESG Investment Team can address/manage any potential negative impacts of each investment within the portfolio.

BlackRock Emerging Market Impact Bond Team Approach:

The BlackRock Emerging Market Impact Bond strategy integrates the Environmental, Social and Governance (ESG) considerations in the investment philosophy and process. The team has a rigorous and systematic approach to reviewing ESG risks at an industry, company and country level. Our global presence and on-the-ground research provide valuable information to further assess quantitative data provided by third parties.

Our investment process includes the evaluation of negative externalities, which is a vital consideration for the Impact Bond portfolio. We evaluate the negative impact through the IMP’s risk dimension where we incorporate ESG analytics of the credit issuers based on our ESG score card.

There are two areas that the Investment Manager and GFI ESG Investment Team focus on when evaluating the negative impacts of investments in the green, social and sustainability bond space. The first is around the “ringfenced use of proceeds”. BlackRock is keen that the use of proceeds from a GSS bond follows globally accepted norms around Do No Significant Harm (“DNSH”), whether that is environmental or social.

For the non-GSS portion, which can make up to 20% of the portfolio allocation, we apply stringent DNSH criteria. Furthermore, the strategy has explicit exclusion criteria in categories, including controversial weapons, tobacco producers, oil & gas and UN Global Compact violators. The 20% would consist of holdings that either qualify as sustainable investments under BlackRock’s SFDR methodology or are investments that would be used for hedging and liquidity, such as cash, cash equivalents, FX swaps, etc.

In addition to the monitoring of “Use of Proceeds”, BlackRock also engages with issuers holistically. As a significant manager of fixed income assets, we are careful to ensure that our impact in the broad fixed income market ecosystem is consistent with our sustainable objectives, driving positive change, maintaining or promoting high standards and best practice. We have a stewardship team covering

multiple voting markets across the globe. This team enables us to better understand the context within which a company is operating. We engage companies on such topics as climate and natural capital, human capital and human rights, and inclusion and diversity amongst others. BlackRock’s infrastructure around engagement means that the Investment Manager and FI ESG Investment Team can address/manage any potential negative impacts of each investment within the portfolio.

BlackRock Impact Opportunities Team Approach:

The BIO strategy structures the mitigation of key ESG risks with portfolio companies at the onset of the investment and will monitor these risks over time. Should an ESG-related issue arise with an investee company, we would seek to work with such company and its management to take mitigation actions and share best practices where feasible. We work with our investee companies to monitor and maintain a clear picture of how ESG related issues and opportunities may affect risk and performance of an investment over the life of our investment.

Please see detail below on how we will seek to identify and mitigate ESG risk on behalf of the BIO strategy:

ESG integration in our investment process

When evaluating investments, the BIO investment team considers material ESG risks and opportunities, which may have a material impact throughout the investment life cycle, alongside traditional investment characteristics. Material ESG data and information that are factored into our investment processes may include, but are not limited to:

Environmental	Social	Governance
<ul style="list-style-type: none"> Local environment Pollution risks Climate risks Climate resilience Energy use and supply Water use and supply Waste management Local biodiversity 	<ul style="list-style-type: none"> Labor management Health and safety Local communities Occupiers and users Infrastructure Integration 	<ul style="list-style-type: none"> Governance structure Business integrity Regulation and compliance Corporate governance

Our approach to integration material ESG data and information within our investment process is outlined below:

Sourcing and screening	<ul style="list-style-type: none"> Initial ESG assessments are performed to identify any material ESG risk or concerns that require a more extensive due diligence process. Analysis helps inform decisions on whether to progress the investment opportunity or not This may include activities such as desktop reviews of key project documentation, including planning permission conditions and environmental impact assessments
Due diligence	<ul style="list-style-type: none"> ESG risk assessments are undertaken for all new investments; this may include the use of proprietary ESG questionnaires, reviews from external consultants, and site visits We aim to identify and quantify the financial impacts of material ESG risks and integrate these into valuation models as appropriate This may include the identification of the counterparty who we believe is best placed to manage the relevant ESG risk, and due diligence on the lead sponsor when we are investing as a debt provider
Investment committee approval	<ul style="list-style-type: none"> Material ESG risks and opportunities are recorded throughout the investment process and, where appropriate, discussed with the relevant investment committee (IC) Recommendations will be made using a reasonable and considered professional judgment based on the information and data available BlackRock Private Markets will not invest if the relevant IC determines that any material ESG risks cannot be sufficiently quantified or mitigated
Measurement and monitoring	<ul style="list-style-type: none"> We establish, where appropriate, ESG key performance indicators to assist in ongoing risk management and help drive continual improvements in our ESG performance Where possible, we aim to measure and monitor the environmental impacts associated with our investments Where appropriate, we include ESG information in our client reporting

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

Negative externalities are addressed at due diligence and are integral part of the PEP impact scorecards.

With regard to direct co-investments, the PEP impact scorecards seek to identify the risks and potential negative externalities associated with the investment, spanning from resources and components used in the production process, to potential undesired impact for a wide range of stakeholders (clients, workforce, society as a whole) associated with the products or services delivered by the company. For each risk identified, mitigant actions are formulated as part of the due diligence process on the company.

Concerning primaries opportunities, the PEP impact scorecard aims at addressing what are the risks involved and how significant they are. As part of the Risk dimension, the PEP team seeks to identify the risks involved with the project and the factors that may result in the contribution of the project to be different from that expected.

In addition to the considerations of potential investments based on their impact merits, PEP conducts a detailed Environmental, Social and Governance (ESG) due diligence for all investments made across the PEP platform. For direct co-investments, we apply a core set of minimum exclusions, or baseline screens, establishing a limit for what PEP will not invest in based on ESG concerns. PEP baseline screens include, but are not limited to, material exposure to thermal coal, controversial weapons and UN Global Compact violations. Secondly, PEP has implemented a process to review direct investments for significant net zero transition-related risk and flag positions to be escalated for heightened scrutiny and periodic review over time. Finally, PEP conducts a detailed analysis of ESG considerations of investments against best practices in the respective peer group. Where a risk or an issue is identified, PEP works with the manager and the portfolio companies to take mitigating action where feasible. Areas of focus for investee companies include environmental regulatory compliance and outstanding litigation, material labor-related incidents/ investigations, or the company's ethical track record. PEP's focus lies on obtaining a clear picture of how ESG related issues and opportunities may affect risk and performance of an investment. As part of ongoing monitoring, the PEP team engages with managers and company management teams on key developments relating to ESG, including:

- Any material issues and risks, defined as material litigations, incidents, and other material issues from an ESG perspective
- Progress on risk mitigation and value add initiatives
- Monitoring thresholds of PEP's baseline screens

The ESG progress may also be influenced by leveraging board seats, shareholder rights and Limited Partner Advisory Committee (LPAC) positions.

BlackRock Impact Mortgage Team Approach:

In addition to the documenting the positive impact the strategy is achieving, the investment process includes the evaluation of success metrics, such as monitoring the rate of delinquencies and foreclosures in comparison with comparable non-impact mortgage pools. As part of the Team's investment process, the Agency MBS Team monitors affordability programs and lending practices to ensure that they are operating as intended.

Examples include:

- Capital is not provided to manufactured housing loans if the loans are not guaranteed by the GSE's (Government Sponsored Enterprise)
- The GSE's offer borrowers a number of foreclosure prevention tools which private lenders do not

- Prior to being deemed Impact MBS Story delinquency rates are monitored relative to comparable mortgages. If an unexpected increase in delinquency's arises, the cause is investigated, and additional purchases may be paused.

As previously stated, the Agency MBS Team tracks three types of metrics. Success metrics compare the loan performance of Impact pools relative to comparable non-impact pools.

- One of the biggest questions and misconceptions is that affordable mortgage lending is synonymous with extending mortgage credit to those who are 'not credit worthy'.

In addition to the documenting the positive impact the strategy is achieving, the investment process includes the evaluation of success metrics, such as monitoring the rate of delinquencies and foreclosures in comparison with comparable non-impact mortgage pools. The Agency MBS Team monitors affordability programs and lending practices to ensure that they are operating as intended.

BlackRock Impact Municipal Team Approach:

In addition to documenting the positive impact the strategy is achieving, as a matter of policy, we seek to avoid investing in specific categories deemed to have negative externalities, including tobacco bonds, high carbon public power issuers and state and local debt secured by/for jails, lottery, gaming and alcohol.

Our municipal impact framework focuses on investing in sectors that have better sustainability characteristics, including but not limited to, education, healthcare, housing, water and sewer, low-carbon public power issuers, and mass transit. Our use of proceeds approach focuses on understanding the positive impacts of each investment and the communities benefiting from these projects. As such, we seek to avoid investing in projects exhibiting potential negative impacts. Additionally, we further seek to exclude the following use of proceeds categories to ensure we are investing in projects to meet our impact objectives:

- Lack of specificity of use of funds
- Communities with significantly higher wealth levels than the greater community/state
- Majority portion of the transaction encompasses refunding of prior bond series
- Bonds used for working capital/deficit financing
- No financings with proceeds allocated towards pension obligations

BlackRock Impact Bond Strategy Approach:

The BlackRock Impact Bond strategy integrates Environmental, Social and Governance (ESG) considerations in the investment philosophy and process. The team has a rigorous and systematic approach to reviewing ESG risks at an industry, issuer and country level. Our global presence and on-the-ground, local research provide valuable information to further assess quantitative data provided by third parties.

Our investment process includes the evaluation of negative externalities, which is a vital consideration for the Impact Bond portfolio. We evaluate the negative impact through the IMP's risk dimension where we incorporate ESG analytics of the credit issuers based on our proprietary ESG score card.

There are two areas that the Investment Manager and GFI ESG Investment Team focus on when evaluating the negative impacts of investments in impact bonds. The first is around the specified use of proceeds. Proceeds must be used as intended for an investment to maintain their impact label. BlackRock is also keen that the use of proceeds from impact investments follow globally accepted norms around do-no-significant harm (DNSH), whether that is environmental or social.

There are two areas that BlackRock focuses on when evaluating the negative impacts of investments in the green, social and sustainability bond space. The first is around the "ringfenced use of proceeds". BlackRock is also keen that the use of proceeds from a green bond follows globally accepted norms

around DNSH, whether that is environmental or social. As we rely on, and encourage adherence to, the ICMA Green and Social Bond Principles, we highlight language that is embedded in the 2021 Green and Social Bond Principles under the second pillar “Process for Project Evaluation and Selection”:

The issuer of a Green Bond should clearly communicate to investors:

- *Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).*

Issuers are also encouraged to:

- *Have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.*

Additionally, within our BlackRock Taxonomy guidelines for Green and Social bonds, bonds are excluded if they have negative potential environmental or social externalities for certain categories. For example:

Due to their potential environmental and social externalities, large-scale hydroelectric projects are only eligible if they satisfy one of the following international sustainability best practices:

- *Hydropower Sustainability Protocol – published assessment report and score of 3 or above (i.e. in line with “Good Practices”) on all relevant pillars; or*
- *Operating Principals for Impact Management – publicly stated commitment to meet the requirements outlined by all eight impact principals.*

All holdings must meet DNSH criteria. Furthermore, the strategy has explicit exclusion criteria in categories, including controversial weapons, tobacco producers, oil & gas and UN Global Compact violators.

In addition to the monitoring of “Use of Proceeds”, BlackRock also engages with issuers holistically. As a significant manager of fixed income assets, we are careful to ensure that our impact in the broad fixed income market ecosystem is consistent with our client’s sustainable objectives, driving positive change, maintaining or promoting high standards and best practice. We have a stewardship team covering multiple voting markets across the globe. This team enables us to better understand the context within which a company is operating. We engage companies on such topics as climate and natural capital, human capital and human rights, and inclusion and diversity amongst others. BlackRock’s infrastructure around engagement means that the Investment Manager and FI ESG Investment Team can address/manage any potential negative impacts of each investment within the portfolio.

For Impact MBS, in addition to the documenting the positive impact the strategy is achieving, the investment process includes the evaluation of success metrics, such as monitoring the rate of delinquencies and foreclosures in comparison with comparable non-impact mortgage pools. The Agency MBS Team monitors affordability programs and lending practices to ensure that they are operating as intended. For greater detail please refer to the “BlackRock Impact Mortgage Team Approach” for Principal 5.

For Impact Municipals, in addition to documenting the positive impact the strategy is achieving, as a matter of policy, we seek to avoid investing in specific categories deemed to have negative externalities, including tobacco bonds, high carbon public power issuers and state and local debt secured by/for jails, lottery, gaming and alcohol. Our municipal impact framework focuses on investing in sectors that have better sustainability characteristics, including but not limited to, education, healthcare, housing, water and sewer, low-carbon public power issuers, and mass transit. For greater detail please refer to the “BlackRock Impact Municipal Team Approach” for Principal 5.

PRINCIPLE 6 – MONITOR THE PROGRESS OF EACH INVESTMENT IN ACHIEVING IMPACT EXPECTATIONS AND RESPOND APPROPRIATELY

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes (i.e., short-term and medium-term effects of an investment's outputs, which are the products, capital goods, and services).

BlackRock Climate Infrastructure Team Approach:

The BlackRock Climate Infrastructure Team has developed reporting processes to monitor progress towards achieving impact performance over the short and medium term. These reports track key performance indicators for each investment through data compiled from monthly reports provided to our team by the investee platform and/or dedicated asset managers. The key impact metrics are defined for all of our strategy's investments to capture tangible outputs. When impact is significantly different from expectations, portfolio team members engage with the investee platform and/or appointed third-party asset manager to determine the appropriate action to pursue.

The team has governance processes in place to ensure effective communication between appointed third-party asset managers and the BlackRock Climate Infrastructure Technical teams which enables performance updates to be delivered to the Team via a monthly reporting framework.

BlackRock Green Bond Index Team Approach:

We engage and follow-up with issuers on an annual basis when we follow up with updating the green bond strategy impact report to ensure that we as investors are comfortable with each green bond and green bond program's use of proceeds. We chose the index suite as the green bond index because as a part of the index schema, for an issuance to be classified as a green bond, a security's use of proceeds must fall within one of MSCI's defined environmental categories: alternative energy, energy efficiency, pollution prevention & control, sustainable water, green building, climate adaptation. At issuance, issuers must report on eligible projects or state its commitment to report within one year of issuance. Reporting will be monitored, and bonds can be removed if the issuer fails to report at least annually. An eligible green bond's prospectus or supporting documentation (such as a green bond framework) must clearly identify the specific criteria and process for determining eligible projects or investments, and a formal process to ring-fence net proceeds must be disclosed. This ensures a dual tracking of allocation and impact reporting follow up.

BlackRock Emerging Market Impact Bond Team Approach:

FI ESG Investment Team has a stringent due diligence process, which takes places from the point of issuance until maturity of the bond (outlined in Principle 4). At issuance, issuers must report on eligible projects or state its commitment to report within 12-24 months post issuance. Reporting will be monitored, and bonds can be removed if the issuer fails to report. In 2022, no bonds were removed from the portfolio due to insufficient/delayed reporting. An eligible GSS bond's prospectus or supporting documentation (such as a green social and sustainability bond framework) must clearly identify the specific criteria and process for determining eligible projects or investments, and a formal process to

ring-fence net proceeds must be disclosed. This ensures a dual tracking of allocation and impact reporting follow up.

The team evaluates impact by assessing projects that are being funded and whether the proceeds are in line with the Green/Social Bond Principles. The due diligence process involves a detailed write up on the issue and the green/social project, which is being funded. Notes on GSS bond issues are stored in Aladdin Research and maintained following the annual reviews. Our annual review includes a collection and review of publicly disclosed impact and allocation reporting, or related documentation provided on the issuers' website. We will review the reporting and conduct follow ups with issuers as necessary. On the credit issuer side, our investment management team creates and maintains a credit and an ESG scorecard for each issuer the portfolio is invested in. If the existing holdings of GSS bond issue no longer meets BlackRock's internal taxonomy guidelines, the FI ESG Investment Team will engage with the issuer to understand the changes and may advise the Investment Manager to disinvest from the issue as it is no longer eligible investment for the strategy. Existing holdings of securities that become ineligible under the BlackRock GSS Framework should be sold as soon as practicable. If a sale at time of notification is not deemed in the best interests of investors, e.g., from a liquidity perspective, then a maximum sell down period of 3 months can be applied. In 2022, no bonds were removed from the portfolio due to ineligibility under BlackRock's GSS Framework.

BlackRock Impact Opportunities Team Approach:

The BlackRock Impact Opportunities strategy Team has developed reporting to monitor progress towards achieving impact performance. These dynamic reports track key performance indicators for each investment through data compiled from periodic reports provided by our portfolio companies. The key impact metrics are defined for all investments upfront to capture tangible outputs. These are also agreed upon upfront by our investment partners. When impact is significantly different from expectations, portfolio team members engage with our investment partners to determine the appropriate action to pursue.

The BlackRock Impact Opportunities strategy team defines key investment theses and how we will measure and monitor each at an investment level before investing in a company and evaluates the company's impact over time. On an annual basis for our clients, we formally report impact metrics for companies' calendar year or fiscal year period.

We evaluate impact along the IMP Five Dimensions of Impact and the originally established Key Performance Indicators.

Upon quarterly board discussion and annual portfolio impact review, if a company falls short of our expectations and impact criteria, we will engage with the company to better understand the shortcoming, to learn about any new directions of the business, and to help us build a better long-term picture of future impact. If the business no longer meets our material, additional, and measurable criteria for impact, we will explore opportunities to divest the investment per the procedures summarized in the next section of this report. As of year-end 2022, all investments in the portfolio have met or are on track to meet initial impact trajectory and thesis expectations.

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

PEP employs the same process to measure the ongoing performance of each investment relative to impact KPIs as well as financial considerations when it comes to monitoring of investments. The investment team will monitor investments by (i) gathering and analyzing financial information (including annual and quarterly reports); (ii) meeting with sponsors and management teams on a regular basis; (iii) whenever possible, actively participating on the boards of directors and advisory

boards of investments or having board observer status; and (iv) maintaining ongoing informal contacts with sponsors and management teams.

Through investment ownership and board representations, PEP will continue to engage with sponsors and management teams on impact progress. BlackRock intends to exercise the influence necessary to ensure investments are on track to achieve their underwritten financial and impact outcomes. BlackRock actively seeks to serve on an investment's board of directors or as a board observer with the objective of ensuring dynamic and interactive participation.

Transparency on performance of each investment is provided as part of quarterly financial reporting. The progress achieved by each co-investment toward the targeted impact KPI and by primary investments based on the respective strategy is reported back to investors on an annual basis as part of the annual impact reporting.

BlackRock Impact Mortgage Team Approach:

The BlackRock Agency MBS Team has developed reporting to monitor progress towards achieving impact performance. The key impact metrics are defined for all Impact MBS Stories to capture the relevant tangible outputs. Examples included below:

- **Counting metrics** - *"Supporting ## of low-income or moderate-income households within rural communities"*
- **Success metrics** - As a measure of success, report delinquency rates versus conventional borrowers
- **%-saved metrics** - *"#### TONS of construction waste saved"*

The BlackRock Agency MBS Team processes and renders data from Ginnie Mae, Freddie Mac, and Fannie Mae in creation of Impact MBS metrics. Impact MBS metrics will be reported to investors at least on an annual basis. To the extent that an Impact MBS Story has changed enough from the origin to the point where it can no longer be deemed as achieving impact, no new exposure will be added.

BlackRock Impact Municipal Team Approach:

The Impact Municipal Team defines key investment themes and how we will measure and monitor each at an investment level before investing in a project and evaluates an investment's impact over time. On an annual basis for our clients, we anticipate formally reporting impact metrics for an Issuer's calendar year or fiscal year period. The team obtains data from publicly available sources, including but not limited to, an issuer's annual disclosure report, public websites, and state and federal databases.

The team evaluates impact by assessing projects that are being funded and whether the proceeds are in line with our municipal impact framework. The due diligence process involves a detailed write up on the issuer and the project being funded. Notes on Municipal Impact bond issues are stored BlackRock's proprietary research platform.

We perform annual surveillance on our portfolio holdings to ensure they remain appropriate for inclusion. We do not expect the use of proceeds to change post-issuance, however there is the potential that an investment may not be delivering on KPIs over time. If the annual surveillance reveals that there has been a change in circumstance where the investment no longer qualifies as impact, we expect to take necessary action to remove the deal from our universe.

BlackRock Impact Bond Strategy Approach:

GFI ESG Investment Team has a stringent due diligence process, which takes place from the point of issuance until maturity of the bond (outlined in Principle 4). At issuance, issuers must report on eligible projects or state its commitment to report within one year of issuance. Reporting will be monitored, and bonds can be removed if the issuer fails to report. An eligible impact bond's prospectus or supporting

documentation must clearly identify the specific criteria and process for determining eligible projects or investments. This ensures a dual tracking of allocation and impact reporting follow up.

The team evaluates impact by assessing projects that are being funded and whether the proceeds are in line with Operating Principles for Impact Management. The due diligence process involves a detailed write up on the issue and the green/social project, which is being funded. Notes on impact bond investments are stored in BlackRock's proprietary investment management platform Aladdin® and maintained following the annual reviews. Investment management teams create and maintain a credit and ESG scorecard for each issuer the portfolio is invested in.

For Impact Municipals, the Team defines key investment themes and how we will measure and monitor each at an investment level before investing in a project and evaluates an investment's impact over time. On an annual basis for our clients, we anticipate formally reporting impact metrics for an Issuer's calendar year or fiscal year period. The team obtains data from publicly available sources, including but not limited to, an issuer's annual disclosure report, public websites, and state and federal databases. For greater detail please refer to the "BlackRock Impact Municipal Team Approach" for Principal 6.

If an impact investment no longer meets the required standard, BlackRock will engage with the issuer to understand the changes and may advise the Investment Manager to disinvest from the issue as it is no longer eligible investment for the strategy.

PRINCIPLE 7 – CONDUCT EXITS CONSIDERING THE EFFECT ON SUSTAINED IMPACT

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

BlackRock Climate Infrastructure Team Approach:

The BlackRock Climate Infrastructure investment strategy is intrinsically impactful as renewable power and other climate infrastructure investments have inherent positive environmental and social impacts through the generation of clean energy. Moreover, the team continuously seeks to optimize the positive impact of each investment during its holding period which may enhance the likelihood that a future buyer of the investment will be able to procure an impactful investment. During the sale process, relevant impact and ESG documentation produced for the investment is clearly presented to the potential buyer to enable the impact objectives of the investment to be continued and further enhanced.

BlackRock Green Bond Index Team Approach:

We may need to trim or eliminate an issuance from the portfolio due to financial or risk management considerations. As a fiduciary to our clients, BlackRock wants to be sure that green bonds deliver their intended environmental benefits. Thus, we will also exit a position if a green bond ends up losing its green label either due to failure to report on use of proceeds in line with green bond principles or failure to disclose impact reporting metrics, and when the green bond exits the index due to the same reasons. When exiting a position, we aim to continue our engagement with the issuer to help enhance its impact through our strategic, impact-outcomes oriented recommendations. If an issuance no longer meets our material, additional, and measurable criteria for impact or is removed from the index, we eliminate the issuance from the portfolio.

BlackRock Emerging Market Impact Bond Team Approach:

The Emerging Markets Impact Bond strategy generally applies a “buy and hold” strategy, reflecting our commitment to make an impact over a long-term horizon. However, if the bond no longer meets the required criteria such as the BlackRock internal taxonomy for the GSS bonds or the criteria for the non-GSS bonds, the Investment Manager may be required to exit out of the position. When exiting a position, we aim to continue engagement, where necessary and appropriate, in order to enhance its impact through our best practice recommendations and the issue/issuer may be considered to re-enter the universe if it becomes eligible.

BlackRock Impact Opportunities Team Approach:

Exit decisions for BIO strategy investments will be guided by expectations / agreement set out at the time of investment / underwriting subject to review and approval by the BIO Internal Investment Committee. Significant decisions (including disposition) with respect to any investment performing significantly below expectations will require BIO strategy Internal Investment Committee review. The BIO strategy will exit investments with due consideration to impact while also remaining committed, first and foremost, to maximizing return. Exits will be consummated consistent with the BIO strategy GP’s fiduciary duties, consider the effect the timing, structure, and process of its exit will have on the long-term sustainability of impact. As of Q3 2024, BIO had one exit – its investment with Indian Energy was refinanced out and paid off on August 30, 2024.

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

As a minority investor, PEP does not control the exit process, but given alignment with the sponsor the team seeks to maximize financial return and impact outcome measured by the performance against KPI targets defined at underwriting.

PEP has created an Impact Exit Committee meeting on a periodic basis to discuss viable exit options and assess exit scenarios, ensuring that every impact investment is exited appropriately. PEP recognizes the importance of exiting from investments in a manner consistent with impact objectives of the strategy and seeks to carefully consider what a buyer's intentions are once the transaction is completed and how the transaction will affect the company, its stakeholders, and its future ability to generate positive contributions toward environment and society.

There were no exits from investments within the strategy during the period.

BlackRock Impact Mortgage Team Approach:

It is the expectation of the BlackRock's Agency MBS Team that once it purchases a mortgage pool it will continue to own that pool, as the team seeks to be long term investors in these Impact MBS Stories. To the extent that an Impact MBS Story has changed enough from the origin to the point where it can no longer be deemed as achieving impact, no new exposure will be added.

BlackRock Impact Municipal Team Approach:

We may need to trim or eliminate an investment from the portfolio due to financial or risk management considerations. As an asset manager, BlackRock is a fiduciary to our clients, and we want to be sure that the bonds we invest in deliver their intended environmental and/or social benefits. Thus, if the bond no longer meets the required criteria, such as our municipal impact framework or the BlackRock proprietary taxonomy for GSS bonds, we may be required to exit the position. When exiting a position, the team continues engagement to enhance impact through Impact eligibility recommendations and the issue/issuer may be considered to re-enter the universe if it becomes eligible.

BlackRock Impact Bond Strategy Approach:

We may need to trim or eliminate an issuance from the portfolio due to financial or risk management considerations. As an asset manager, BlackRock is a fiduciary to our clients, and we want to be sure that impact instruments in which we invest deliver their intended environmental and/or social benefits. Thus, we will also exit a position if an issuance loses its impact status, either due to failure to report on use of proceeds or a failure to disclose impact reporting metrics. When exiting a position, we aim to continue our engagement with the issuer to help enhance its impact through our strategic, impact-outcomes oriented recommendations. If an issuance no longer meets our material, additional, and measurable criteria for impact, we eliminate the issuance from the portfolio.

PRINCIPLE 8 – REVIEW, DOCUMENT, AND IMPROVE DECISIONS AND PROCESSES BASED ON THE ACHIEVEMENT OF IMPACT AND LESSONS LEARNED

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

BlackRock Climate Infrastructure Team Approach:

The BlackRock Climate Infrastructure Team's investment strategy was established to invest in renewable power projects and platforms as well as climate infrastructure assets that seek to deliver positive and measurable environmental and social impacts, in addition to financial returns. A review of the impact performance of our investments is a critical aspect of how value is created for our investors.

The expected financial returns and impact metrics of each investment are documented in the Investment Committee papers as part of our wider ESG due diligence and technical processes. This serves as a benchmark, relative to which impact performance is evaluated during the term of our investments.

Insights from the review process are used by management to adjust and / or enhance our investment strategy and operational due diligence as well as refine our investment priorities.

BlackRock Green Bond Index Team Approach:

Our core portfolio management, product strategy and GFI ESG Investment teams review new issuances and updates on existing issuances daily. We conduct a monthly rebalancing review that goes through issuance by issuance all of the current pending issuances for index inclusion, follow up with issuers to dig into allocations and project expenditures for raised bond proceeds, review all new included and excluded issuances, and feedback to the index our views and thoughts. We also conduct our deepest dive on each bond's impact metrics on an annual basis. We also publish a monthly report to our clients that discusses updates to the index monthly. This process allows us to reflect deeply on our processes, achievement of impact, and lessons learned, with the goal of improving over time.

BlackRock Emerging Market Impact Bond Team Approach:

FI ESG Investment Team reviews the strategy's current and potential holdings in regular discussions with the Investment Manager. In addition, FI ESG Investment Team completes an annual assessment of the review and reporting processes and adjusts the internal processes and reporting to further align with ICMA Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and ICMA Harmonized Framework for impact reporting.

BlackRock Impact Opportunities Team Approach:

The BlackRock Impact Opportunities strategy Team's investment strategy was established to accelerate the wealth of U.S.-based ethnic minorities with a focus on people who are Black, Latinx or Native American. A review of the impact performance of our investments is a critical aspect of how value is created for our investors.

The expected financial returns and impact metrics of each investment are documented in the Investment Committee Memos as part of our due diligence process. This serves as a benchmark, relative to which impact performance is evaluated during the term of our investments. As our strategy matures, beyond the impact that the company itself generates, we seek to amplify secondary impact in the

portfolio by taking steps such as conducting Human Resources due diligence to ensure benefits extend to the employees of the portfolio companies as well.

All investments in the BIO portfolio are subject to a quarterly Internal Investment Committee review, in which both investment performance and impact performance are assessed on a deal-by-deal basis. Insights from the review process are used to adjust and / or enhance our investment strategy and operational due diligence as well as refine our investment priorities.

BlackRock Private Equity Partners (PEP) Impact Strategy Team Approach:

As a key part of PEP's monitoring process, the team holds internal portfolio reviews both at investment and portfolio level to review progress on impact outcomes against targets and share lessons learned, with the goal of improving over time.

BlackRock Impact Mortgage Team Approach:

The Agency MBS Team hosts a formal Impact MBS meeting weekly, in which impact MBS Stories are discussed, operational and investment mechanics are worked through, as well as the Teams prepayment speed surveillance specific to Impact MBS stories. Impact MBS are completely ingrained in the Team's investment process and follow the same course of action as any trade expression. Impact metrics are made available to investors on a quarterly basis and include a set of 12 metrics that can be grouped into one of the following three categories: Counting metrics, success metrics, and %-saved metrics.

BlackRock Impact Municipal Team Approach:

The Municipal Impact Team hosts a formal Impact meeting weekly, in which various matters are discussed that could affect the operational and investment mechanics of impact securities. Portfolio management and credit research continuously work through market and impact developments and how the implementation can be expressed into the investment process. The Impact Team reviews each municipal transaction and evaluates the use of proceeds, adherence to the municipal impact Framework, and delivering on KPIs developed at time of issuance. Impact Municipals are ingrained in the Team's investment process and follow the same course of action as any trade expression.

BlackRock Impact Bond Strategy Approach:

The portfolio management team and Global Fixed Income (FFI) ESG Investment team are in regular discussion to review current and potential holdings. Sector specialist teams conduct deep dives on their respective asset classes. For example, the Agency MBS team hosts a formal Impact MBS meeting weekly, in which impact MBS stories are discussed, operational and investment mechanics are worked through, as well as the Teams prepayment speed surveillance specific to Impact MBS stories. In addition, the GFI ESG Investment Team complete an annual assessment of investment review and reporting processes, adjusting where necessary to further align with best practices and industry standards.

PRINCIPLE 9 – PUBLICLY DISCLOSE ALIGNMENT WITH THE PRINCIPLES AND PROVIDE REGULAR INDEPENDENT VERIFICATION OF THE ALIGNMENT

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Robust impact management processes are an essential component of BlackRock’s impact investing strategies, and we commit to annually disclosing on our alignment with the Operating Principles for Impact Management going forward. BlackRock will be completing external verification on a regular cadence and publishing the conclusion of the verifier’s assessment.

In 2021, BlackRock selected PwC to independently verify our impact management processes across strategies. The first verification was published in 2022. The second verification was published in 2023 and can be found [here](#). We would expect the next external verification in 2025.

Independent verification information:

Name and Address: PricewaterhouseCoopers LLP (“PwC”)
7 More London Riverside, London, SE1 2RT

Most Recent Review: October 2023