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**BlackRock**

# Net Zero in Portfolio Construction

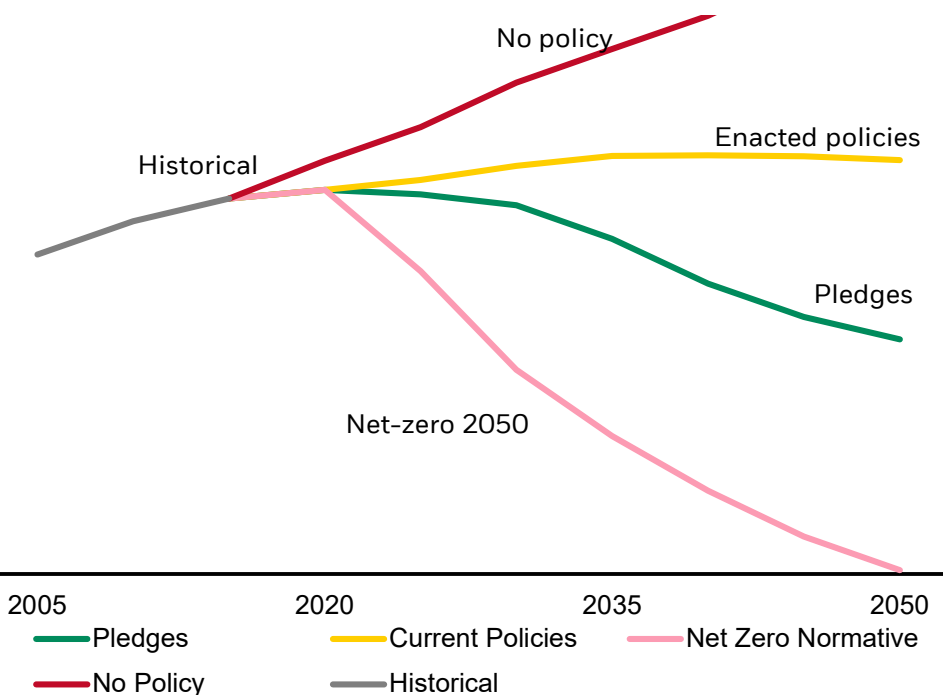
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# Accelerating transition

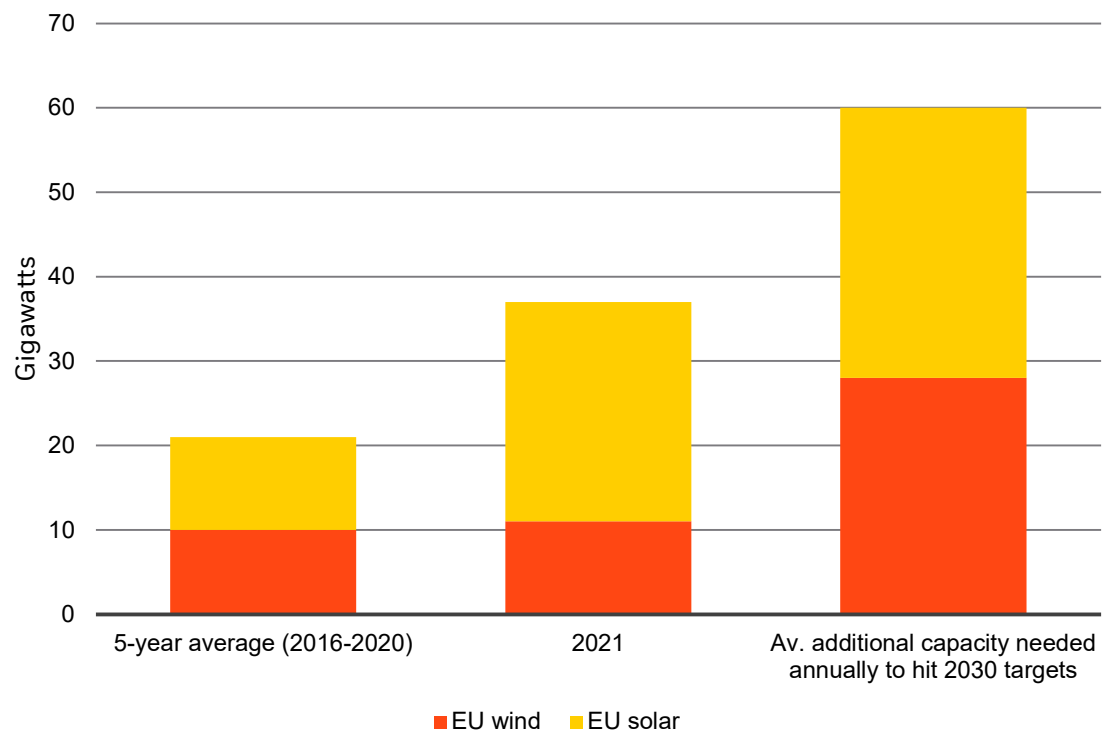
## Possible acceleration ahead

Alternative transition pathways, 2022



## Falling short for now

Increase in Europe renewables capacity vs. targets



Forward-looking estimates may not come to pass. Source: BlackRock Investment Institute, with data from Wood Mackenzie. October 2022. Notes: The diagram on the left serves as a general summary and should not be considered exhaustive nor construed as investment advice. It describes how quickly the economy could reach net zero as described by the United Nations and other organization. For illustrative purposes only. The chart on the right shows how much wind and solar power capacity (in gigawatts) was added, on average, each year from 2016-2020 and in 2021. The final bar shows Wood Mackenzie's estimates of the additional capacity would need to be added, on average, each year to meet decarbonization targets set out in the European Union's Green Deal.

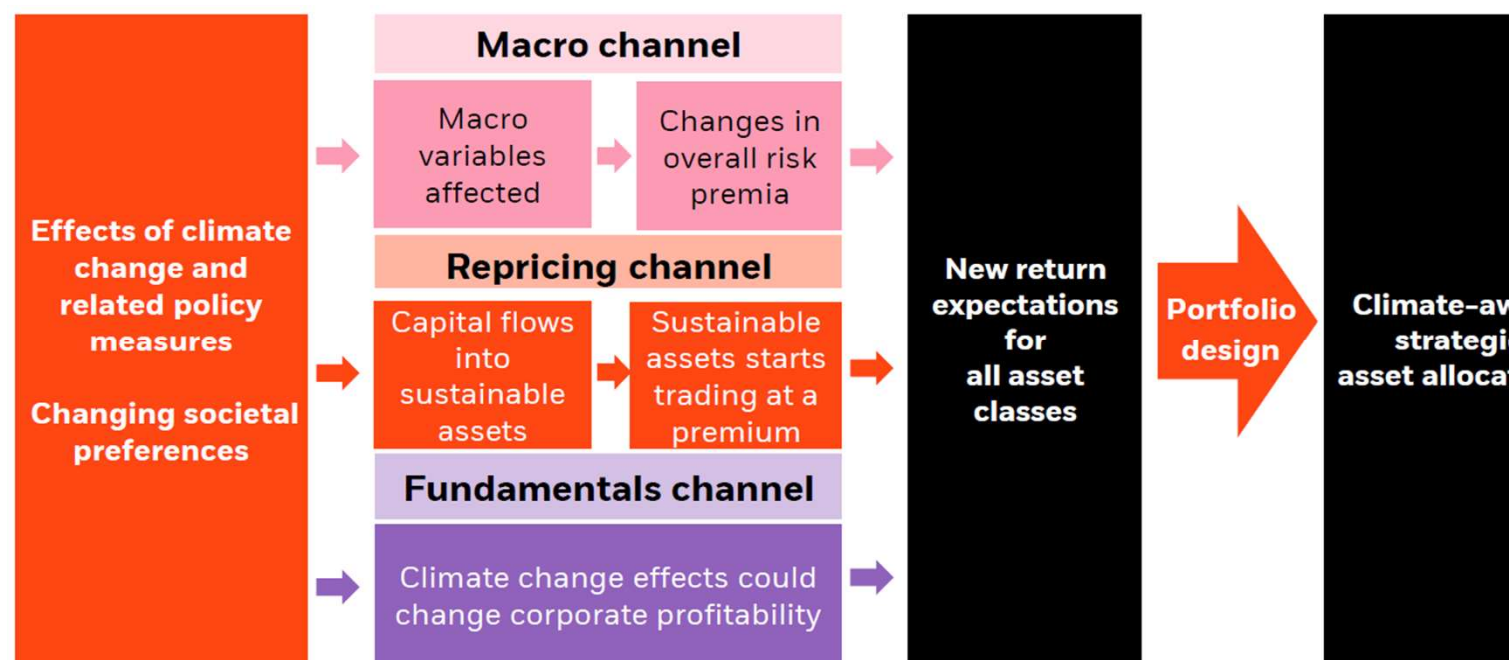
# asset allocation framework for climate-aware portfolios

## Climate risk is an investment risk

In 2021 BlackRock launched their Climate Aware Capital Market assumptions, explicitly reflecting the impact of climate change on the investment landscape.

### Three channels drive the climate change impact on assets

CMA Framework



Source: BlackRock Investment Institute, February 2021. Notes: For illustrative purposes only. Subject to change without notice.

# BlackRock's Approach to Managing risks and capturing opportunities

## Whole portfolio approach

- Define your targets
- Design a transition strategy
- Implement and monitor
- Incorporate BII's climate-aware capital market assumptions

## Comprehensive product suite

- Core portfolio allocation across index and active
- Thematic investing in long-term trends
- Access to private markets

## Data and analytics at the core

- Leveraging the power of Aladdin®
- Sustainability data and climate-related risk analytics



Source: BlackRock, February 2022.

# **Taking a Whole Portfolio Approach**

**1**

**What's my  
starting point?**

**2**

**Where do I  
want to go?**

**3**

**How do I execute  
& show progress**

# Sustainable Product spectrum

BlackRock's sustainable platform provides clients with choice to invest in line with their specific investment goals and objectives.

Across the platform, products use environmental, social and / or governance data as a portfolio construction input and a subset of those products also seek to achieve long-term sustainability outcomes.<sup>1</sup>

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

Source: BlackRock, February 2022.

# Important notes

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