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Statement of Investment Principles

CMG UK Pension Scheme

November 2022

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Statement of Investment Principles

The Statement of Investment Principles contains the following Sections:

Section 1: Introduction

Pension Acts

1.1 Under the Pensions Act 1995, as amended by the Pensions Act 2004, trustees are required to prepare a statement of the principles governing investment decisions. This document contains that Statement and describes the investment policy pursued by the Trustee of the CMG UK Pension Scheme (the Scheme).

1.2 Before preparing this Statement, the Trustee has consulted the Employer and the Trustee will consult the Employer before revising this Statement. However, the ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

1.3 Before preparing this Statement, the Trustee has sought written advice from the Scheme's Investment Consultant and has consulted the Scheme Actuary. The written advice considered the issues set out in Section 36 of the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement. The Trustee will review this Statement, in consultation with the Investment Consultant and Scheme Actuary, every three years and without delay after any significant change in investment policy, or where the Trustee considers a review is needed for other reasons. The Trustee will refer to this Statement where necessary to ensure that it exercises its powers of investment so as to give effect to the principles set out in it as far as reasonable.

1.4 When choosing investments, the Trustee and investment managers (to the extent delegated) have had regard to the requirements of the Pensions Act concerning diversification of investments and suitability of investments taking into consideration the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee will consider these requirements on any review of this Statement or any change in its investment policy.

Scheme details

1.5 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme closed to future accrual from 30 April 2010.

1.6 The Scheme has two sections:

- The old Admiral section, which is contracted in to the State Second Pension (S2P) under the Pension Schemes Act 1993; and
- The CMG Section, which is contracted out of S2P.

1.7 The Scheme holds a contracting-out certificate issued by the Occupational Pensions Board.

1.8 Exempt approval has been granted by the Inland Revenue under Chapter 1 of part XIV of the Income and Corporation Taxes Act 1988. The Scheme's Pension Scheme Tax Reference (PSTR) is 00016143RH.

1.9 As of August 2018 the Trustee appointed a Fiduciary Manager to take responsibility for investment management to achieve the funding objective within the designated mandate constraints as set out in this Statement.

Financial Services & Markets Act

1.10 In accordance with the Financial Services & Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers, which may include an insurance company or companies. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.

Section 2: Division of Responsibilities

Trustee

2.1 The Trustee’s responsibilities include:

a. Determining the overall mission and objectives of the Scheme and agreeing investment beliefs.

b. Setting a long-term funding objective and investment Journey Plan.

c. Agreeing an expected return target and the level of investment risk that can be taken in seeking to achieve this target return.

d. Setting the mandate constraints for the Fiduciary Manager.

e. Monitoring the investment arrangements, including the performance of the Fiduciary Manager.

f. Maintaining the Statement of Investment Principles.

Fiduciary Manager

2.2 The Fiduciary Manager's responsibilities include:

a. Within mandate constraints given by the Trustee, formulating the investment strategy to achieve the long-term funding objective.

b. Determining how the asset allocation strategy should be implemented including the selection of the underlying investment managers / vehicles.

c. Implementing any changes in the portfolio as part of the investment strategy and determining how cash-flows into or out of the Scheme should be allocated.

d. Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments.

e. Determining liquidity needs within the portfolio to pay for possible collateral calls and pension payments.

f. Construction, implementation and monitoring of liability hedge and funding triggers for de-risking.

g. Monitoring the investment arrangements, including the performance of all underlying funds.

h. Giving effect to the principles contained in the Statement as far as reasonably practicable.

i. Reporting to the Trustee on the overall performance of the portfolio against the agreed journey plan and providing analysis of the portfolio to enable the Trustee to suitably monitor the Fiduciary Manager.

j. Giving effect to the principles contained in the Statement as far as reasonably practicable.

Investment Consultant

2.3 The Investment Consultant's responsibilities include:

a. Participating with the Trustee, or Investment Sub-Committee, as appropriate, in reviews of this Statement of Investment Principles in consultation with the Scheme Actuary.

b. Assessing the effectiveness of the Fiduciary Manager and reporting on this matter to the Trustee.

c. Advising on the appropriateness of the mandate constraints that the Fiduciary Manager operates within

d. Assessing the reasonableness of the Fiduciary Manager's assumptions used in their determination of the investment strategy

e. Reviewing any new asset classes proposed by the Fiduciary Manager

Scheme Actuary

2.4 The Scheme Actuary's investment related responsibilities include:

a. Liaising with the Investment Consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.

b. Assessing the position of the Scheme relative to its Statutory Funding Objective and advising on the appropriate response to any shortfall or surplus.

c. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

Section 3: Objectives and Long-Term Policy

Objectives

3.1 The Trustee's objective is to adopt a long-term investment strategy, with the objective of achieving a level of funding which provides a greater level of member benefit security. The Trustee aims to reach a long-term position enabling the assets of the Scheme to be invested in a low risk manner, whilst still having a high degree of confidence that the member benefits will be paid without having to call on additional contributions from the Employer.

3.2 To aid in meeting the above objective, the Trustee has agreed the following Journey Plan for the Scheme:

a. To target being 110% funded on a gilts + 0.5% liability basis;

b. by 31 March 2031;

c. with a 50% probability.

3.3 The Trustee is also mindful of the following, which align with the achievement of the objective:

a. To control the risk of the assets failing to meet the liabilities (measured on a statutory funding basis) over the long term and to avoid causing excessive volatility in the Employer's financial position.

b. To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the risks identified above.

c. The acquisition of suitable, appropriately liquid and diversified assets, which together with any new contributions from the Employer will generate returns to meet the cost of the benefits provided by the Scheme.

Policy

3.4 The Trustee recognises that investment risk in respect of the Scheme's assets is one element of the risks faced by the Scheme, and that investment risk must be considered in the context of funding and Employer covenant risk. The degree of investment risk the Trustee is willing to take also depends on the financial health of the Scheme and the Scheme's liability profile.

3.5 The Trustee has agreed to take some investment risk in order to meet the long-term funding objective of the Scheme. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the Scheme's liabilities.

3.6 Before deciding to take investment risk relative to the liabilities, the Trustee received advice from the Scheme's Investment Consultant and Scheme Actuary, and consulted with the Employer.

3.7 Funding Ratio Risk is a measure of investment risk relative to liabilities. It is defined as the expected deviation (tracking error) of the Funding Ratio versus the Liability Benchmark Proxy. The Fiduciary Manager has been set the following reporting limits for Funding Ratio Risk.

Funding Level %	Funding Ratio Risk – Reporting Limit*
90% to 100%	8%
Greater than 100%	9%

* The Fiduciary Manager monitors the portfolio risk, as measured by Funding Ratio Risk, on a periodic basis and for the avoidance of doubt the Funding Ratio Risk Ranges Table is for reporting purposes only

3.8 As set out in the Investment Management Agreement (IMA) dated 10th August 2018 (and subject to any further amendments), the Trustee has set the Fiduciary Manager the objective of achieving the investment objective, subject to the constraints on eligible instruments, risk, asset allocation and liquidity. Hedging levels for interest rate and inflation exposure relative to the exposures of the Scheme's expected liabilities (the "Liability Cashflows" as defined in the IMA) and a Trigger Framework covering increases to the hedging levels are included in the IMA. Details of the current investment strategy and constraints are contained in Section 4 of this Statement.

Liquidity

3.9 The Trustee, together with the Scheme's administrators, will ensure that it holds sufficient cash to meet the likely benefit expenditure from time to time. The Trustee’s policy is that there should be sufficient investments in liquid or readily realisable assets to meet unexpected cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Scheme's overall investment policy where possible.

Additional Voluntary Contributions (AVCs)

3.10 The Scheme closed to future accrual from 30 April 2010. Prior to this, the Scheme had provided a facility for members to pay AVCs into the Scheme to enhance their benefits at retirement. A range of funds were provided which the Trustee considered would provide a suitable long term return for members, consistent with a member's reasonable expectations. Since the Scheme’s closure to future accrual, members can no longer make new AVC investments. However, historical AVC investments remain part of the Scheme’s assets.

Scheme specific funding requirement

3.11 The Pensions Act 2004 requires that, with effect from the completion of the first formal actuarial valuation after 22 September 2005, the Trustee maintains a Statement of Funding Principles, stating the methods and assumptions used in calculating the amount required to make provision for the Scheme’s liabilities, and the manner and period in which any shortfall will be remedied. The Trustee will consult the Scheme Actuary and the Employer when deciding upon the appropriate response to any shortfall.

3.12 The Trustee will review the Scheme’s investment policy in the light of actuarial valuations and certificates and schedules of contributions produced in order to comply with the Pensions Act 2004.

Section 4: Fiduciary Manager Arrangements

Manager Structure

4.1 The Trustee has appointed BlackRock Investment Management (UK) as the "Fiduciary Manager" to implement its investment objectives. Fiduciary management involves formally outsourcing the management of a pension scheme's assets to an investment management firm in order to assist in achieving scheme's overall objectives. The fiduciary management contract accordingly determines the remit of the fiduciary manager.

4.2 The Trustee's policy is to regularly obtain advice on whether the Fiduciary Manager is operating in accordance with the constraints as shown in 4.4 and whether the investment strategy is satisfactory as required by Section 36 of the Pensions Act 1995.

Asset Allocation and Portfolio Constraints

4.3 The Trustee has chosen to employ a Fiduciary Manager to invest in a diversified portfolio of assets appropriate to target the objectives outlined in Section 2.2 above (Investment Objectives). The portfolio structure comprises of two "sub-portfolios", (Return Seeking ('RS') Assets and Liability Driven Investment ('LDI') Strategy. The asset guidelines have been set for the major asset classes that make up the 'RS' portfolio as well as for the total exposure to LDI Strategy assets. Each major asset class has been assigned a maximum exposure, as set out below:

Asset Class	Range (%)	
RETURN SEEKING ASSETS	**0-65%***	
Equities		
Developed Market Equities		10-100
Global Small Cap		0-15
Emerging Market Equities		0-20
Fixed Income		
Global Government Bonds		0-30
Global Credit		0-30
High Yield Debt		0-30
Emerging Market Debt		0-20**
Cash (Return seeking assets)		0-30
Other Asset Classes		0-10
LDI STRATEGY	**35-100***	

* Range is a percentage of Total Assets

** Range of 0-20% applies separately for local currency and hard currency Emerging Market Debt

4.4 The management of the Scheme's assets will have due regard to the liquidity requirements of the Scheme to meet benefit outgoings and other requirements (such as collateral calls associated with the LDI Strategy). Whilst it is expected that the LDI Strategy will be liquid at all times, it is the intention that the Return Seeking portfolio will keep within the liquidity constraints set out below:

Liquidity Constraints Table

Asset Class	Range (%)
RETURN SEEKING ASSETS	**0-65%**
Liquid assets* (within RS Assets)	**0-65%**
Illiquid assets (within RS Assets)	**0%**

* Liquid assets are defined as assets where majority of the assets may be sold in any given calendar month in normal market conditions and without any material transaction costs being incurred

4.5 The Trustee recognises that, with the development of modern financial instruments, it is possible to select "matching" investments whose cashflows are similar to the estimated liability cash flows, especially in its sensitivity to inflation and interest rates. The appropriate use of these instruments to hedge inflation and interest rates, all other things being equal, lowers the volatility of the funding position of the scheme and the funding deficit risk.

4.6 The Fiduciary Manager has the responsibility of setting the hedging level for both interest and inflation risk subject to the following hedging framework.

Journey Management Liability Hedging Threshold Framework*

	Initial	Threshold 1	Threshold 2	Threshold 3	Threshold 4
Funding Ratio Threshold level	N/A	100%	104%	107%	110%
Minimum Interest Rate Hedge Ratio	65%	95%	100%	104%	107%
Minimum Inflation Rate Hedge Ratio	65%	95%	100%	104%	107%

* For the avoidance of doubt, the minimum hedge ratios that are set out in the Journey Management Thresholds Table are the minimum levels that the Manager will aim to achieve when a Threshold is reached. The Manager has discretion to adjust the hedge ratio above the minimum amount specified at each Threshold. Funding Level is defined as the market value of the Total Portfolio divided by the present value of the Liability Cashflows based on the agreed discount rate.

Note: Interest rate and inflation exposure will be measured in terms of:

- Interest rate PV01 (i.e. the change in present value for a 1 basis point parallel shift in a zero-coupon interest rate yield curve); and
- Inflation PV01 (i.e. the change in present value for a 1 basis point parallel shift in a zero-coupon inflation curve).

Eligible Investments

4.7 The Scheme invests via a range of pooled investment vehicles which each have specific mandates and performance objectives. The Fiduciary Manager is charged with overseeing the suitability of these holdings with regards to the Scheme's overall objectives.

4.8 The Matching Strategy and passive components of the Growth Strategy will be primarily invested in a selection of BlackRock Pooled Funds. If the Fiduciary Manager believes that there are no BlackRock Pooled Funds available or appropriate for the desired exposure, the Fiduciary Manager may select External Pooled Funds.

4.9 Eligible investments that the Fiduciary Manager may invest in are shown in the table below:

Asset Group	Asset Type	Asset Group
Pooled Funds	BlackRock Pooled Funds	BlackRock Pooled Funds as selected by the Manager
	Externally Managed Pooled Funds	Other funds as selected by the Manager
	Exchange Traded Funds	As selected by the Manager
	Exchange Traded Commodities	As selected by the Manager
Cash and Cash equivalents	BlackRock Pooled Funds	BlackRock Liability Solutions Sterling Cash Fund Institutional Cash Series plc Institutional Liquidity Fund units denominated in an eligible currency
	Direct cash holdings	Direct cash holdings
	Spot Currency Contracts	As required

Section 5: Risk Management Arrangements

5.1 The Trustee recognises a number of risks involved in the investment of the assets of the Scheme:

- Solvency risk and mismatching risk
  - are measured through regular investment strategy reviews, ongoing triennial actuarial valuations and regular assessment of the development of the liabilities relative to the current and alternative investment policies.
  - are managed through the investment constraints set out in Section 3.4, in addition to assessing the progress of the actual growth of the liabilities relative to the selected investment policy.
- Fund vehicle risk
  - is measured by the expected deviation of the prospective return, as set out in the fund vehicle's objectives, relative to the investment policy.
  - is managed through the use of a Fiduciary Manager and analysing ongoing performance and risk against the stated objectives.
- Liquidity risk:
  - is managed by the Fiduciary Manager who monitors that there is both cash and suitable funds to manage regular pension payments and any possible collateral calls related to the Scheme's hedging policy.
- Political risk:
  - is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
  - is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- Sponsor risk
  - is measured by the level of ability and willingness of the Employer to support the continuation of the Scheme and to make good any current or future deficit.
  - is managed by assessing the interaction between the Scheme and the Employer's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to number of metrics reflecting the financial strength of the Employer.

5.2 The Trustee continues to monitor these risks.

Section 6: Corporate Governance and ESG

6.1 In June 2018, the Department for Work and Pensions (DWP) responded to the Law Commission's report on pension funds and social investment and published a consultation on changes to the SIP requirements. The aims were to make it clear that trustees should take into account long-term financial risks and to strengthen requirements around stewardship activities and responding to members' ethical investment concerns. More specifically the regulation states that trustees need to set out the following within their Statement of Investment Principles:

- How they take account of financially material considerations, including but not limited to, those arising from Environmental, Social and Governance (ESG) considerations including climate change.
- Policies on stewardship including engagement and exercise of voting rights.

6.2 The Trustee believe that good stewardship and ESG issues may have a material impact on investment returns. Selection, retention and realisation of the Scheme's investments are delegated to the Fiduciary Manager under the terms of written agreements. The Trustee, with support from the Scheme's Investment Consultant, monitors the Fiduciary Manager to ensure that alongside other investment risks, consideration of ESG risks are integrated throughout its investment decision making processes. The Trustee will request that the Fiduciary Manager:

a. as part of its due diligence, assesses the approach of all the Scheme's investment managers in integrating ESG risks considerations into the selection, retention and realisation of investments, before appointing them;

b. as part of its ongoing monitoring, will review the adherence of the Scheme's investment managers to their ESG principles and periodically, will report on key ESG metrics for the Scheme's investment managers and aggregate these to portfolio level where appropriate;

c. as part of its ongoing monitoring, reviews the execution of voting and engagement responsibilities and periodically reports back its findings to the Trustee (for example where the Scheme invests in pooled funds, the Scheme's investment managers are responsible for exercising voting rights and report on how they have exercised those rights); and

d. where UK-domiciled investment managers are not signatories to the FRC's UK Stewardship Code, the Fiduciary Manager shall consider the investment manager's rationale for this position and, where appropriate, report back its findings to the Trustee.

6.3 On 6 June 2019, the Government introduced further regulations which extend the disclosure requirements for trustees of defined benefit (DB) schemes in relation to their Statement of Investment Principles (SIP) and annual reports. The June 2019 regulations have been introduced to implement certain requirements of the EU Shareholder Rights Directive regarding disclosure and stewardship requirements.

6.4 The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee employs a Fiduciary Manager which invests in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	The Trustee reviews both the fiduciary manager and the underlying investment funds performance relative to medium and long-term objectives as documented in the investment management agreements. The Scheme's Investment Advisor monitors the Fiduciary Manager's process regarding engagement and voting activity as part of their monitoring process. The Trustee does not incentivise the Fiduciary Manager to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustee evaluates performance over the time period stated in the Fiduciary Manager's performance objective, which is typically 3 to 5 years. Underlying investment manager fees are reviewed by the Fiduciary Manager to make sure the correct amounts have been charged and that they remain competitive. In addition, the Fiduciary Manager's fees are reviewed for accuracy and competitiveness.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	The Trustee does not directly monitor turnover costs. However, the Fiduciary Manager and the underlying investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	The duration of the arrangements is considered in the context of the type of funds the Scheme invests in. As the Scheme invests in open ended funds, the duration is flexible and the Fiduciary Manager is tasked to consider the appropriateness of these investments and whether they should continue to be held. The Fiduciary Manager is formally reviewed on a medium term basis, which is typically 3 to 5 years.

6.5 The Fiduciary Manager has a mandate to outperform the liabilities of the Scheme in-line with the overall funding objective. Underlying Investment Managers aim to track or beat the benchmark of their fund. In keeping with market practice, the fiduciary and investment managers are remunerated on a set percentage of the assets under management.

6.6 The Trustee obtained the Statement in Appendix 1 from the Fiduciary Manager regarding ESG and Corporate Governance regarding the management of BlackRock collective investment vehicles:

Section 7: Monitoring

7.1 The appointment of the Fiduciary Manager will be reviewed by the Trustee from time to time, based on the results of performance versus objectives and to the extent to which the Fiduciary Manager operates within the policies set out in this statement.

7.2 The Trustee, with support from the Scheme's Investment Consultant, will monitor the performance of the Fiduciary Manager at each Trustee meeting.

7.3 The Trustee will monitor compliance with the Statement of Investment Principles on a regular basis. The Statement will be reviewed in response to any material changes to any aspects of the investment arrangements detailed above or circumstances which would have a bearing on the Statement. Such reviews will occur at least every three years or to coincide with the Actuarial Valuation. Any such review will again be based on appropriate written, investment advice and will be in consultation with the Employer.

Statement last reviewed: November 2022

Appendix 1 - BLACKROCK ESG STATEMENT

We are an asset manager whose mission is to create better financial futures for our clients. We aspire to be an industry leader in how we incorporate sustainability into our investment processes and learning across the firm, our stewardship of our clients' assets, our sustainable investment solutions offered to our clients, and the operations of our own business. Detailed information about these efforts is included in our approach to sustainability on www.blackrock.com.

This statement details our commitment to integrate sustainability insights—often referred to as ESG, or environmental, social and governance, insights—into our investment processes. It explains our ESG integration philosophy, discusses the roles and responsibilities for ESG integration work and the governance structure for these activities, and provides an overview of our approach to ESG integration. This statement applies to all investment divisions and investment teams at the firm, and therefore applies to all assets under management and assets under advisory. The statement is reviewed at least annually and is updated when necessary to reflect changes to our approach or our business.

BlackRock's ESG integration philosophy

At BlackRock, we define ESG integration as the practice of incorporating material environmental, social, and governance (ESG) information into investment decisions in order to enhance risk-adjusted returns. Some of our clients call this responsible investing. To us, integrating ESG information, or sustainability considerations, should be part of any robust investment process and means adapting our research and core investment processes to account for additional sources of risk and return that are explained by ESG information. ESG integration is relevant for all asset classes and styles of portfolio management, public and private markets, and alpha-seeking and index strategies. For index strategies, where BlackRock portfolios aim to track the benchmark index, our engagement with portfolio companies is the mechanism by which we can integrate sustainability insights consistent with our fiduciary role as a long-term investor. In alpha-seeking strategies, we can use ESG information when conducting research and due diligence on new investments, and again when monitoring investments in a portfolio. Of course, ESG information is not the sole consideration for our investment decisions; instead, the firm's investment professionals assess a variety of economic and financial indicators, which can include ESG issues, to make investment decisions appropriate for our clients' objectives. Our approach to ESG integration is to broaden the total amount of information our investment professionals consider in order to improve investment analysis, seeking to meet or exceed economic return and financial risk targets.

Who is responsible for ESG integration at BlackRock

At BlackRock, the people responsible for investment decisions are also responsible for integrating ESG information into the investment analysis that supports those decisions. Including ESG information in our analysis of long-term economic scenarios, secular trends, and industry disruptions helps us better orient investment decisions for our clients, most of whom are investing to meet long-term goals such as retirement. Examining material ESG exposures and sustainability performance allows us to identify additional sources of risk and return, and in understanding those sources of risk, we can better value investments. In short, ESG integration is wise investing.

In addition, BlackRock employs dedicated resources to support sustainable investing. The BlackRock Sustainable Investing team, the BlackRock Investment Stewardship team, and individuals across BlackRock's technology and analytics platform work together to advance ESG research and tools to support ESG integration efforts.

The Sustainable Investing team - with oversight from the Global Executive Committee Investment Sub-Committee - seeks to ensure consistency across investment processes, aggregates resources and shares best practices across the firm to help our investment teams integrate material sustainability considerations.

BlackRock investment groups have identified individuals to determine methodologies and processes that are appropriate for their respective teams. Content experts from investment divisions and from BlackRock Sustainable Investing provide insight on ESG integration approaches and data sources most relevant to the asset class and style of portfolio management. Investment division operational leads advocate for process improvement and progress over time within their business units. ESG integration progress across investment teams is reported to the Global Executive Committee Investment Sub-Committee at least annually.

BlackRock's ESG integration oversight and governance

BlackRock's Chief Executive Officer and Chairman of the Board is a public proponent of long-term investing, and routinely communicates the value of sustainable investing, investment stewardship, and corporate ESG disclosure.

The Global Head of BlackRock Sustainable Investing oversees the firm's achievement of its sustainable investment objectives on behalf of our clients, including setting sustainable investment standards and procedures and governing their execution.

The Sustainable Investing Chief Investment Officer implements the firm's sustainable investment standards and procedures, seeks to ensure consistency and quality in the firm's sustainable investment products and solutions, and coordinates the firm-wide effort to incorporate ESG into all investment processes.

Investment group leadership, including heads of sustainable and responsible investment within investment divisions, oversees ESG integration into the investment processes for their respective businesses.

The Investment Sub-Committee of BlackRock's Global Executive Committee oversees investment process consistency across the firm's investment groups. Members of the Sub-Committee include the global heads or sponsors of all of BlackRock's major investment verticals: ETFs and Index Investments, Global Fixed Income, Active Equities, Multi-Asset Strategies, BlackRock Alternative Investors, Trading & Liquidity Strategies including Cash Management, and Client Portfolio Solutions.

An ESG and Policy Steering Committee, chaired by the firm's Chief Operating Officer, oversees certain cross- departmental coordination efforts around sustainability initiatives and priorities, including ESG integration, sustainable investment solutions development, investment stewardship, and corporate sustainability.

How we approach ESG integration at BlackRock

BlackRock has a consistent yet flexible framework for ESG integration into the investment process. This framework allows for cohesion with the firm's overall ESG integration efforts, while permitting a diversity of approaches across different investment teams. ESG considerations that are material will vary by client objectives, investment style, sector, and market trends.

ESG data are an important source from which BlackRock investment teams derive research and investment insights. Across equity, fixed income, multi-asset, liquidity, and alternative asset classes, and also in our asset allocation and manager selection advisory business, we integrate material ESG information into our investment processes to understand sources of risk and returns. Our goal is to construct portfolios that deliver exposures and outcomes consistent with our clients' objectives. We incorporate sustainability insights and ESG information into our research in pursuit of enhancing returns – especially over the long-term. BlackRock investors carefully consider external and proprietary ESG research from a variety of sources, and we use BlackRock technology and tools to support this integration. We do not make investment decisions based on ESG information in isolation; instead, we assess a variety of economic factors, including risk and valuation metrics, when building and monitoring portfolios.

Fundamental investment teams, when appropriate with the BlackRock Investment Stewardship team, meet with company leadership, project sponsors, and other entities to support investment research, including of material sustainability issues. Systematic investors and index portfolio engineers rely on the BlackRock Investment Stewardship team to conduct engagements with portfolio companies to drive the implementation and oversight of best practices in material sustainability areas to support long-term financial performance.

How data and tools support ESG integration at BlackRock

We use the scale of our investment platform and our proprietary technology to support sophisticated approaches to measuring and assessing sustainability-related risks and opportunities. Our investment teams develop views on the materiality of specific sustainability-related topics by using ESG data from multiple external providers as well as proprietary research sources. BlackRock has integrated issuer-level ESG data into our internal risk management system, Aladdin, which BlackRock investors use to make investment decisions and to monitor portfolios. This allows portfolio managers using Aladdin technology to efficiently access ESG information for investment analysis and portfolio construction.

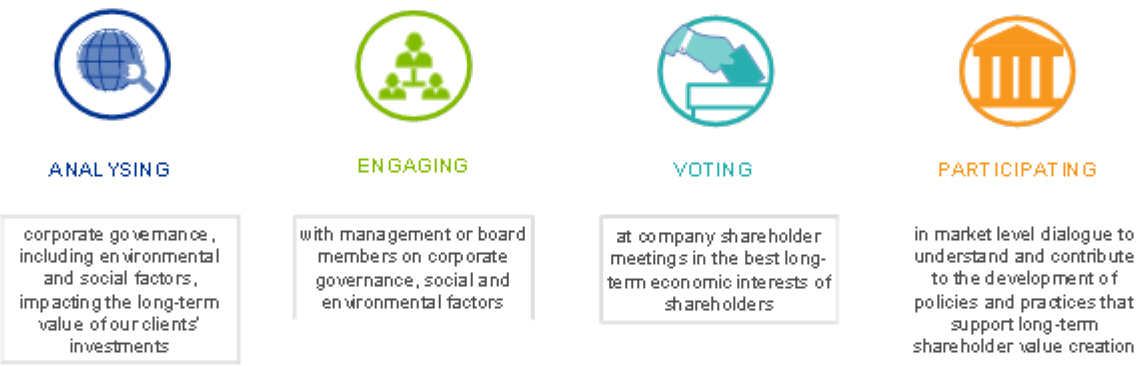
BLACKROCK'S APPROACH TO INVESTMENT STEWARDSHIP

At BlackRock we frame our corporate governance programme, including the treatment of environmental, social and corporate governance factors, within an investment context. We believe that a sound corporate governance framework promotes strong leadership by boards of directors and good management practices, contributing to the long-term success of companies and better risk-adjusted returns to our clients. We recognise that corporate governance practices and expectations differ around the world. Even so, there are high-level corporate governance principles that we believe apply universally: transparency and accountability to those who provide capital; oversight by a well-informed, experienced board; robust accounting and risk management systems; and sound policies on business management issues such as employee and supplier relations, environmental impacts and compliance with regulations.

BlackRock views the work of its Investment Stewardship team as an investment function and sees proxy votes as a client asset. BlackRock takes a long-term perspective in its investment stewardship programme informed by two key characteristics of our business: the majority of our clients are saving for long-term goals so we presume they are long-term shareholders, and the majority of our equity holdings are in indexed portfolios so our clients are, by definition, long-term and locked-in shareholders.

Our stewardship programme applies to companies in all sectors and geographies and irrespectively of whether a holding is index only or index and active. The corporate governance programme led by the Investment Stewardship team is integrated within all portfolios investing in public companies, whether clients invest in specialist socially responsible investment products or in our core index and active investment strategies. The Investment Stewardship team acts as a central clearinghouse of BlackRock's views across the various portfolios with holdings in individual companies and aims to present a clear and consistent message.

The core components of the Investment Stewardship programme are summarised in the diagram below:



Manager due diligence: At a manager level, the review of ESG policies and activities is part of our investment due diligence process. Generally, we request managers to provide details on their overarching philosophy on ESG, how ESG is integrated in the investment process and what transparency is provided. In addition, we can tailor strategy research and selection to the specific ESG requirements of our clients e.g. preferring ESG focused managers that incorporate ESG information into their investment process and that are able to tailor the portfolio to our client's ESG policies.

Reporting

BlackRock inform clients about our voting and engagement policies and activities through direct communication and through disclosure on our website. Each year we publish our full voting record to our website. On a quarterly basis, we publish reports which provide an overview of our investment stewardship activities during the quarter, including regional market developments, engagement highlights and key votes. We also make public our market-specific voting guidelines for the benefit of clients and companies with whom we engage. All of these reports are available at:

https://www.blackrock.com/corporate/en-zz/about-us/investment-stewardship/voting-guidelines-reports-position-papers.

BlackRock intend to help shape the policy debate by publishing research reports on ESG topics and position papers on emerging trends. We also publish statements of support for market stewardship codes. Collectively, these guidelines and reports provide a sense of the breadth and depth of the work the BlackRock Investment Stewardship team undertakes to help protect and enhance the value of the assets our clients' have entrusted to us to help them achieve their long-term financial goals.