

# iShares Global Green Bond ETF Annual Impact Report

**BGRN**

## UNDERLYING INDEX:

Bloomberg Barclays MSCI Global Green Bond Select (USD Hedged) Index

### BlackRock has released the annual iShares Global Green Bond ETF Impact Report.

Every year, we engage a growing number of issuers to release their green bond impact and allocation reports. In our attempt to align issuers' reported impact figures to our set of commonly tracked indicators, we asked each of the issuers to complete a template based on their latest available impact and allocation data.

In our impact tracking, we want to know how much green bond money issuers have spent, understand what projects they have financed, and how much impact these projects have. We have developed a proprietary methodology for tracking impact of investments in green bonds at a portfolio level and have performed this exercise for 3 years and counting.

### A \$1 million investment in BGRN's holdings would have created the following environmental impacts equivalent to...



**11,600**

new passengers on  
public transit  
annually



**500**

individuals benefiting  
from forest, agriculture,  
water/waste projects



**43**

homes' annual energy use  
or **500 MWh** of annual  
energy savings



**348**

cars off the road, equivalent  
to **3,600 tons of CO2**  
**emissions** avoided annually



**82**

soccer fields<sup>1</sup> or  
**60 hectares** of land area  
re/afforested or preserved



**0.37**

Olympic-sized swimming  
pools<sup>1</sup> or **900 m³** in annual  
water savings



**3,700 MWh** of renewable energy generated annually

Sources: BlackRock analysis of publicly available environmental impact reports as communicated by issuers as of 05/18/2021, holdings as of 05/18/2021. Updated annually. Holdings are subject to change. For current holdings visit iShares.com. 83.0% of iShares Global Green Bond ETF's constituents are covered by BlackRock's analysis. The above results are shown for informational purposes only, to illustrate the positive environmental impact of a green bond portfolio. They are not meant to be a prediction or projection. Not every issuer reports on every metric, hence no linear extrapolation should be performed. BlackRock cannot be held responsible for inaccuracies in issuers' reporting. US EPA's Greenhouse Gas Equivalencies Calculator for CO2 and energy measures. <sup>1</sup> 1 soccer field = 7,000 m²; 1 Olympic pool = 2,500 m³ of water.

# Sustainable Impact

UN Sustainable Development Goals (SDGs) that BGRN aligns with include:

**Affordable and  
Clean Energy**

**Sustainable Cities  
& Communities**

**Responsible  
Consumption &  
Production**

**Climate  
Action**

## KFW

*Fund weight<sup>1</sup>: 4.9%*

KFW is a German state-owned development bank formed in 1948 after World War II as a part of the Marshall Plan. KFW is one of the largest green bond issuers in Germany with a total of over EUR 28 billion issued. Their green bond portfolio funds renewable energy and energy efficiency projects. From 2014 – 2020, its green bonds realized a reduction of 15,776,056 tons of CO<sub>2</sub> emissions, added 11,062 MW of renewable energy capacity, and created 423,681 jobs.<sup>2</sup>



### **Affordable & Clean Energy**

Ensure access to affordable, reliable, sustainable and modern energy for all.



### **Sustainable Cities & Communities**

Make cities and human settlements inclusive, safe, resilient and sustainable.



### **Responsible Consumption & Production**

Ensure sustainable consumption and production patterns.

<sup>1</sup> Source: BlackRock as of 05/18/2021. For current holdings visit iShares.com. <sup>2</sup> Source: KFW, [Allocation Report: Use of proceeds of 2020 Green Bond issuances](#). References to specific positions are strictly to highlight examples of Environmental, Social and Governance (ESG) impact and should not be construed as investment advice or recommendations regarding those companies. Details on the selection process are provided in the Appendix. This is a non-exhaustive list of UN SDGs aligned with the fund.

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## BELGIUM (KINGDOM OF)

*Fund weight<sup>1</sup>: 2.0%*

Belgium entered the green bond market in February 2018 with a EUR 4.5 billion 25 year green bond, their 'Green OLO'. So far, 39% of the proceeds have been disbursed across renewable energy (5.6%), energy efficiency (1.9%), sustainable management of natural resources and land use (2.4%), clean transport (87.6%), and circular economy (2.5%) project categories. The allocated proceeds realized an annual reduction of 2.9 million tons of CO2 emissions across financed projects.<sup>2</sup>



### **Sustainable Cities & Communities**

Make cities and human settlements inclusive, safe, resilient and sustainable.



### **Affordable & Clean Energy**

Ensure access to affordable, reliable, sustainable and modern energy for all.



### **Responsible Consumption & Production**

Ensure sustainable consumption and production patterns.



### **Climate Action**

Take urgent action to combat climate change and its impacts.

<sup>1</sup> Source: BlackRock as of 05/18/2021. For current holdings visit iShares.com. <sup>2</sup> Source: Belgian Debt Agency, [Green OLO Allocation Report 2020](#). References to specific positions are strictly to highlight examples of Environmental, Social and Governance (ESG) impact and should not be construed as investment advice or recommendations regarding those companies. Details on the selection process are provided in the Appendix. This is a non-exhaustive list of UN SDGs aligned with the fund.

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## ENGIE SA

*Fund weight<sup>1</sup>: 1.9%*

Engie, a French multinational electric utility company, has been using green bonds to finance its energy transition since 2014. Their EUR 12.7 billion green bond portfolio contains renewable energy (90.9%) and energy efficiency (9.1%) projects. Their 2014 – 2020 green bonds realized an annual reduction of 11 million tons of CO2 emissions.<sup>2</sup>



### **Responsible Consumption & Production**

Ensure sustainable consumption and production patterns.



### **Affordable & Clean Energy**

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### **Climate Action**

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<sup>1</sup> Source: BlackRock as of 05/18/2021. For current holdings visit [iShares.com](https://www.ishares.com). <sup>2</sup> Source: Engie SA, 2020 [Integrated Report](#). References to specific positions are strictly to highlight examples of Environmental, Social and Governance (ESG) impact and should not be construed as investment advice or recommendations regarding those companies. Details on the selection process are provided in the Appendix. This is a non-exhaustive list of UN SDGs aligned with the fund.

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## EUROPEAN BANK OF RECONSTRUCTION & DEVELOPMENT (EBRD)

*Fund weight<sup>1</sup>: 4.95%*

EBRD has been issuing green bonds since 2011. More than EUR 8 billion has been committed and disbursed to their green project portfolio. 31% is funded towards renewable energy, 17% towards energy efficiency, 35% towards clean transport, 17% towards sustainable water and wastewater. The allocated proceeds realized an annual reduction of 1.6 billion tons of CO2 emissions across financed projects.<sup>2</sup>



### Climate Action

Take urgent action to combat climate change and its impacts.



### Affordable & Clean Energy

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### Sustainable Cities & Communities

Make cities and human settlements inclusive, safe, resilient and sustainable.



### Responsible Consumption & Production

Ensure sustainable consumption and production patterns.

<sup>1</sup>Source: BlackRock as of 05/18/2021. For current holdings visit [iShares.com](https://www.ishares.com). <sup>2</sup>Source: EBRD, [Investor Information: Green and Social Bonds](#). References to specific positions are strictly to highlight examples of Environmental, Social and Governance (ESG) impact and should not be construed as investment advice or recommendations regarding those companies. Details on the selection process are provided in the Appendix. This is a non-exhaustive list of UN SDGs aligned with the fund.

## Example in the portfolio: France Trésor

Treasury | Fund weight: 7.5%

The Agence France Trésor (AFT) is in charge of providing treasury services for the State so that it is able to meet all of its financial commitments. On 24 January 2017, Agence France Trésor launched the largest and longest-dated sovereign green benchmark bond: the Green OAT 1.75% 25 June 2039, whose outstanding amount currently stands at €25.3bn. Green OAT issuance is matched to eligible green expenditure that contributes to France's environmental and climate policies. When the Green OAT was first issued, the French government committed to publishing reports on the environmental impact of green expenditure.

- Of the €5.9 billion of Green OAT proceeds in 2019, 53.7% was allocated to projects aimed at climate change mitigation, 23.2% was used for climate change adaptation, 14.6% was used for the protection of biodiversity, and 8.5% for initiatives to reduce water, air and soil pollution in France.
- The renovations made possible by the CITE over those two years are expected to reduce the CO2 emissions of the residential sector by 2.9 million tons over the period 2015-2050, i.e. 7% of the sector's annual emissions.
- CITE funding accounts for the majority of Green OAT expenditure in the building sector in 2016 and 2017.
- More than 930,000 French households received the CITE in 2019, thus contributing to nationwide efforts to improve the energy performance of buildings.

### Impact by the numbers (FY 2019)

**930,000**

number of households  
benefiting from the CITE  
tax credit

**8.5 TWh**

volume of power usage  
concerned by the reduced  
TICFE tax rate

**117,000**

number of homes renovated

**8,870 million MWh**

annual energy savings

**1,240 million**

tons of annual pollution  
prevention in NH3-N  
emissions

References to specific positions are strictly to highlight examples of ESG impact and should not be construed as investment advice or recommendations regarding those companies. More details on the selection process are provided in the Appendix. Source: BlackRock & publicly available environmental impact reports as communicated by issuers as at 05/18/2021. Holdings as of 05/18/2021. Updated annually. Holdings are subject to change. For current holdings visit iShares.com. Currency shown USD. Not every issuer reports on every metric, hence no linear extrapolation should be performed; BlackRock cannot be held responsible for inaccuracies in issuers' reporting

## Example in the portfolio: European Investment Bank (EIB)

Supranational Finance | Fund weight: 5.25%

Owned by the 27 Member States of the European Union (EU), the European Investment Bank (EIB) is the EU's long-term lending institution. As a public bank with objectives driven by EU-policies, its leading priority is to promote European economic development and integration. EIB's lending activities are mainly funded via bond issuance in the international capital markets. Its annual funding program for 2020 is EUR 60 billion. As of April 3, 2020, EIB has over EUR 23 billion in green bonds outstanding and around EUR 30 billion in cumulative green bond issuance. In 2019, EIB's green bonds, which the issuer has named 'climate awareness bonds' have funded 84 individual projects and 5 intermediated loans that focus on the environment. As of year end 2019,

- Renewable energy (RE) projects account for 69% of the green bond use of proceeds and energy efficiency (EE) projects account for 31%.
- Based on EIB's 2019 share of funding of the projects, the greenhouse gas savings attributable to EIB finance is estimated to achieve a greenhouse gas (GHG) reduction of 4.66 million tons of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) each year, produce over 9.6 million MWh of renewable energy per annum, and save 1.5 million MWh of energy per year.

### Impact by the numbers (FY 2019)

**84**

number of projects

**26,000 MWh**

annual renewable energy produced

**4,000 MWh**

annual energy savings

**11,000**

tons of annual GHG emissions avoided from renewable energy

**1,900**

tons of annual GHG emissions avoided from energy efficiency

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# Definitions and Other Important Information

## GREEN BONDS

Green bonds are fixed income securities in which the proceeds will be exclusively and formally applied to projects or activities that promote climate or other environmental sustainability purposes through their use of proceeds

## GREEN BOND PRINCIPLES & MSCI

For the Bloomberg Barclays MSCI Global Green Bond (USD Hedged) Index, securities are independently evaluated by MSCI ESG Research along four dimensions to determine whether they should be classified as a green bond. These eligibility criteria reflect themes articulated in the Green Bond Principles<sup>1</sup> and require commitments about a bond's:

1. **Use of proceeds:** Proceeds should fund projects with clear environmental benefits defined by MSCI ESG Research, including alternative energy, energy efficiency, pollution prevention and control, sustainable water, green building, and climate adaption, with clear disclosure in legal documentation
2. **Project evaluation and selection:** Issuers should outline a process to determine project eligibility and sustainability objectives
3. **Management of proceeds:** Proceeds should be ring-fenced or tracked through a formal internal process
4. **Reporting:** Annual disclosure of the use of proceeds and qualitative and quantitative performance measures

## EXAMPLES IN THE IMPACT REPORT

To be highlighted as an example, BlackRock selects issuers with a relatively high fund-weighting and have an annual impact report on their Green Bond portfolio that is publically available and accessible to U.S. investors, with concrete environmental and social metrics. The example highlighted is selected by BlackRock using the following criteria:

1. Fund holding with relatively high fund-weighting,
2. With a recent annual impact report on their Green Bond portfolio that is publically available and accessible to U.S. investors, and
3. Has concrete environmental and social performance results that can be converted into tangible impact metrics.

## SUSTAINABLE IMPACT

The UN Sustainable Development Goals (SDGs) have emerged as the dominant framework for investing for impact. To be eligible to be highlighted, a company must satisfy the "EXAMPLES IN THE IMPACT REPORT" criteria described. BlackRock assesses portfolio alignment with the UN SDGs, based on the issuers' self-identification of the SDGs in their annual reports. In addition, BlackRock highlights examples of SDGs by issuer that are also self-identified.

## ENVIRONMENTAL IMPACT

The greenhouse gas equivalencies calculator can help you understand just that, translating abstract measurements into concrete terms you can understand, such as the annual emissions from cars, households, or power plants. For more information on the calculation please visit the EPA website.<sup>2</sup>

## IMPACT DATA AGGREGATION

The process of compiling portfolio-level impact report for green bond portfolios begins with a BlackRock analysis on publicly available environmental impact reports as communicated by issuers. It is important to note that not every issuer reports on every metric, hence no linear extrapolation should be performed. Issuers may sometimes report impact by green bond issuance; in this case we attribute impact to the issuer's total outstanding green bonds and scale accordingly to process below. BlackRock's analysis is conducted on an annual basis in May. Issuers are required to report annually on their green bond projects, however, given the variances in issuance dates, BlackRock will assess each issuer's most recent impact report as of May 1st. The issuers' absolute reported metrics are uploaded into Aladdin®, BlackRock's internal research platform, by the portfolio management team, and assigned to their corresponding ISIN. Once the BlackRock team inputs the issuers' reported information into Aladdin, we are able to run a report on those ISINs in any portfolio, which provides an automated and standardized process. Portfolio-level impacts are the sum of the program-level impacts of an issuer's investments, which BlackRock scales to the market value of the ISINs we hold.

Sources: 1. The Green Bond Principles (GBP), updated as of June 2018, are voluntary process guidelines for issuing green bonds, published by the International Capital Market Association (ICMA). GBP promote integrity in the green bond market through guidelines that recommend transparency, disclosure and reporting. 2. <https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references.2>. <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Mapping-SDGs-to-Social-and-Sustainability-Bonds-Final-030818.pdf>.



# Important information regarding iShares ETFs

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses which may be obtained by visiting [www.iShares.com](http://www.iShares.com) or [www.blackrock.com](http://www.blackrock.com). Read the prospectus carefully before investing.

## Investing involves risk, including possible loss of principal.

The Fund's green bond investment strategy limits the types and number of investment opportunities available to the Fund and, as a result, the Fund may underperform other funds that do not have a green bond focus. The Fund's green bond investment strategy may result in the Fund investing in securities or industry sectors that underperform the market as a whole or underperform other funds with a green bond focus. In addition, projects funded by green bonds may not result in direct environmental benefits.

The Fund's use of derivatives may reduce the Fund's returns and/or increase volatility and subject the Fund to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. The Fund could suffer losses related to its derivative positions because of a possible lack of liquidity in the secondary market and as a result of unanticipated market movements, which losses are potentially unlimited. There can be no assurance that the Fund's hedging transactions will be effective.

Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments.

International investing involves risks, including risks related to foreign currency, limited liquidity, less government regulation and the possibility of substantial volatility due to adverse political, economic or other developments. These risks often are heightened for investments in emerging/developing markets, in concentrations of single countries or smaller capital markets.

Funds that concentrate investments in specific industries, sectors, markets or asset classes may underperform or be more volatile than other industries, sectors, markets or asset classes and than the general securities market. Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies.

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