Aperio Carbon Credit Program

Helping investors on their climate mission

November 2023

aperio by BlackRock

Agenda

- A novel climate program for Aperio’s clients
- Carbon credits as a complement to low-carbon portfolios
- Carbon credits selection with expert guidance
- Sample carbon credit projects
- Process: We make it simple

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A novel climate program for Aperio's clients

At Aperio, investors looking to align their portfolios with their concerns about climate change have multiple options at their disposal, now including carbon credits.

Supporting carbon credit projects may be one way to positively impact the climate.

Carbon projects may also have co-benefits such as biodiversity protection, public health improvements and job creation.

Fossil Fuel Exclusions

Low-Carbon Footprint & Clean Tech Solutions Tilts

Active Ownership:

Proxy voting & Shareholder advocacy

Carbon Credit Program

The Program is being offered to clients solely as a separate service unrelated to Aperio's investment advisory services and portfolio management. Participation in the Program will not affect the performance of any portfolio. Neither Aperio nor BlackRock certify that carbon credits actually offset or reduce any portfolio carbon footprint or that the carbon credits themselves provide any climate benefits. See "Important notes."

Carbon credits as a complement to low-carbon portfolios

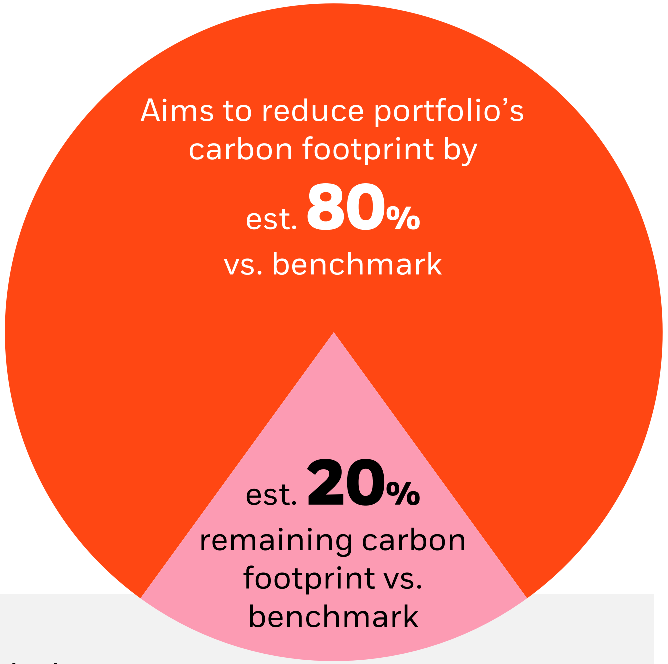
The Aperio Carbon Credit Program is available to investors who have selected Aperio's Low-Carbon Footprint Tilt in their portfolios.

The Low-Carbon Footprint Tilt targets an estimated 80% reduction in a portfolio's carbon footprint compared to its benchmark.

Carbon credits are allocated to the program participant commensurate with their portfolio's estimated remaining carbon footprint.*

The Carbon Credit Program has no impact on the portfolio carbon footprint or risk profile.

Aperio's Low-Carbon Footprint Tilt



- A carbon credit represents a reduction in greenhouse gas (GHG) emissions that is intended to compensate for emissions made somewhere else.
- Carbon credits are issued by projects that seek to either avoid or remove emissions.
- One carbon credit is designed to represent 1 metric ton of CO_2 or CO_2e of emissions reduced.

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Carbon credits selection with expert guidance

Projects sourcing

- Aperio, as part of BlackRock, has engaged Carbon Direct and their 30+ climate scientists' expertise in conducting due diligence on carbon credit projects.
- Program participants benefit from scientific experience in evaluating projects' capacity to deliver on their goals.
- Aperio plans to initially focus on nature-based projects such as deforestation reduction or reforestation.

Selection criteria

- Additionality
- Durability
- Leakage
- Pursuit of co-benefits; environmental justice
- Monitoring, reporting and verification are prioritized

Carbon Direct

Carbon Direct: Scaling carbon management with carbon science

Carbon Direct, Inc. is a science-first carbon management firm enabling organizations to turn industry-leading carbon science into action. Carbon Direct helps their clients create quality criteria for carbon credits, reduce supply chain emissions, procure low carbon fuels and materials, and facilitate large-scale carbon credit and removal procurement. The US-based company seeks to help leading companies and governments around the world reach their climate goals.

Credits purchase and retirement

- Aperio as part of BlackRock purchases carbon credits from selected projects, and the credits are retired.
- Transactions are recorded on a public carbon credits registry in the name of the Aperio Carbon Credit Program and held for allocation to program participants.

BlackRock has an indirect ownership interest in Carbon Direct through Decarbonization Partners, which is a partnership between Temasek and BlackRock, subject to change.

Sample Carbon Avoidance Project: Keo Seima Wildlife Sanctuary[1]

- 300,000 hectares in Cambodia. Holds more than 75 million metric tons of carbon and hosts more than 1,000 species, including globally threatened ones.
- Since the initial involvement of REDD+ in 2010, the Keo Seima project has protected almost 167,000 hectares of trees.
- The project also provides income streams for the residents and landowners, and food, fuel, building materials and spiritual sites for indigenous residents.

[1] The Wildlife Conservation Society Keo Seima Project

[2] Arbor Day Foundation, Keo Seima Wildlife Sanctuary

Photos courtesy of KSWS and Wildlife Conservation Society. Pictured is a black-shanked douc langur. KSWS is home to the largest population in the world of this critically endangered monkey, and to the highest number of species recorded in any protected area in Cambodia.

Project data and figures are based on information from Arbor Day Foundation and The Wildlife Conservation Society and have not been verified for accuracy by Aperio.

What is a REDD+ project?

REDD+ is a United Nations-backed framework that aims to curb climate change by stopping the destruction of forests. REDD stands for "Reducing Emissions from Deforestation and forest Degradation."

REDD+ is the framework through which countries, the private sector, multilateral funds and others can pay countries to not cut down their forests. This can take the form of direct payments or can be in exchange for carbon credits.

Keo Seima provides a home to the highest number of species recorded in any protected area, including several different monkey species.[2]

Sample Carbon Removal Project: The International Small Group & Tree Planting Program (TIST)[1]

- 9.1 million tonnes of CO_2e sequestered through planting over 23.9 million trees since project inception.
- 60,248 hectares of land restored through conservation farming and tree planting, which encourages the return of various forms of life to the area.
- TIST farmers benefit from increases in crop yields through training in improved agricultural practices. Increased crop yields and shared revenues from carbon credit sales provide economic benefits to farmers.

[1] The International Small Group & Tree Planting Program (TIST). Data & information as of November 2022. For more information, please visit program.tist.org/about

Photos courtesy of The International Small Group & Tree Planting Program (TIST).

Project data and figures are based on information provided by The International Small Group & Tree Planting Program (TIST) and have not been verified for accuracy by Aperio.

What is TIST?

TIST is a reforestation and sustainable development program designed to combat climate change and poverty. The program is carried out by subsistence farmers planting and growing trees on converted farmland, where participants decide which trees to plant and where to plant them. TIST began in Tanzania in 1999 and has since expanded to Kenya, Uganda, and India.

The TIST Program has designed innovative procedures for monitoring, quantifying, and tabulating the carbon stocks in planted TIST trees. The Program supports sustainable livelihoods by improving degraded land and increasing crop yields.

In addition to the environmental benefits, TIST supports local communities by providing health and nutrition education. The Program also supports diversity and inclusivity; half of the TIST leadership and over 40% of the Program participants are women .

Carbon credits allocation reporting

- Aperio will provide a quarterly Carbon Credit Statement to each program participant
- The Statement will report the quarterly carbon credit allocations to the participating client over the previous year, as well as the aggregate allocation made year-to-date
- The Statement will also provide an overview of the carbon credit project(s) from which the credits were sourced

The allocation of carbon credits through the Program does not guarantee any level of emissions offset or credit for a portfolio's carbon footprint. The Program merely allocates available carbon credits to Clients based on measures of estimated carbon emissions in Client portfolios. Any projections of carbon emission reductions or carbon footprint data are necessarily subject to error and inaccuracies.

Aperio Carbon Credit Program: Sample Carbon Credit Statement

Prepared for **Sample Client**

Allocated carbon credits*

Program sign-on date: 1.1.2023

	7/1/2023 – 9/30/2023	4/1/2023 – 6/30/2023	1/1/2023 - 3/31/2023	10/1/2022 - 12/31/2022	2023 YTD
Allocated carbon credits	52	51	53	N/A	156

* Number of carbon credits allocated each quarter (rounded to the nearest credit) with a rolling one-year lookback period, and the number of credits allocated year-to-date.

For illustrative purposes only. Offering subject to change.

Process: We make it simple.

Program enrollment

Quarterly

Aperio estimates portfolio carbon footprint and allocates carbon credits to program participant

Quarterly

Program participant billing

Quarterly

Aperio reports on carbon credits allocation and selected projects

Process is subject to change.

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Questions?

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Important notes

Aperio Group, LLC, provides this material on the Carbon Credit Program ("Program") for informational purposes only and for the sole use of the recipient. The Program provides an opportunity for investors to be allocated carbon credits that BlackRock has selected, purchased, and retired, as described in the Program agreement required for participation.

Information on carbon credits offered through the Program is provided with the understanding that neither Aperio nor BlackRock guarantees its accuracy. Neither Aperio nor BlackRock are engaged in rendering environmental/sustainability, legal, accounting, or tax services. We recommend that all clients seek out the services of competent professionals in these areas.

Retired carbon credits are not securities and have little or no inherent monetary value. Nothing in this material is a recommendation to buy or sell any securities.

The Program is being offered to clients solely as a separate service unrelated to Aperio's investment advisory services and portfolio management. Participation in the Program will not affect the performance of any portfolio. There is no resale value for retired carbon credits and, other than the initial purchase price, no value assigned to them. There is no secondary re-sale market for retired carbon credits. It should be assumed that such credits have no re-sale or intrinsic value.

Neither Aperio nor BlackRock certify that carbon credits actually offset or reduce any portfolio carbon footprint or that the carbon credits themselves provide any climate benefits.

Neither Aperio nor BlackRock is providing any advice or recommendations in respect to the intrinsic value or quality of carbon credits, but merely offering them through the Program to clients using the Aperio Low-Carbon Footprint ("LCF") Tilt strategy under a two year pilot program, which is subject to change.

Program Structure

BlackRock has partnered with Carbon Direct, Inc., BlackRock's carbon management advisor, to source and conduct due diligence on carbon credit project(s) that will be selected for the Program. BlackRock will purchase and retire carbon credits generally directly from the selected projects.

The Program is expected to function as follows:

- BlackRock will select the project based on information provided by Carbon Direct.
- BlackRock will generally purchase and retire carbon credits directly from the selected project.
- Carbon reduction projects that offer carbon credits for sale are anticipated to be selected on an as-needed basis.
- Carbon credit purchases for each project will be retired in the name of BlackRock, Inc.
- BlackRock will hold the carbon credits for the purpose of allocation to Aperio Clients with portfolios in the participating strategy.
- Carbon credits will be allocated quarterly to participating clients, based on previous quarter-end portfolio weights and AUM, and publicly available emissions data (which is generally updated only on an annual basis).
- Program fees will be billed quarterly in advance at a flat rate dependent on client project selection, as described below.
- Clients will generally receive semi-annual reporting, which will include carbon credit allocation and project information. This information is subject to error and other limitations. See below.

NOTE: BlackRock has an indirect ownership interest in Carbon Direct through a partnership in Decarbonization Partners, which is a partnership between Temasek and BlackRock.

Important notes

Limitations and approximations in evaluating carbon credits

A carbon credit is an instrument that purports to represent ownership of one metric tonne of carbon dioxide (CO_2) equivalent (1 tCO_2e). Calculations underlying this measure are limited and dependent on information and data that may be incomplete, inaccurate, or unavailable, which could adversely affect the accuracy and evaluation of individual carbon credits. Analysis of a company's carbon footprint is limited by the information publicly available and disclosed by companies and projects that are the subject of evaluation. There are no current uniform, global regulations to set measurement standards or confirm the accuracy of data disclosed.

There are many risks associated with carbon credits, including risks inherent to the underlying project. For example, nature-based projects, such as those involved in re-forestation, are vulnerable to natural disasters such as wildfires. As a result of such events, carbon credits allocated under the program could represent less than one metric tonne of CO_2 equivalent.

The allocation of carbon credits through the Program does not guarantee any level of emissions offset or credit for a portfolio's carbon footprint. The Program merely allocates available carbon credits to Clients based on measures of estimated carbon emissions in Client portfolios. See below. Any projections of carbon emission reductions or carbon footprint data are necessarily subject to error and inaccuracies. Any quantifications should be used solely as estimates or approximations of carbon emissions and carbon reduction. **Credits are to be used for estimate purposes only and their accuracy in representing a measure of carbon emissions is not guaranteed.**

Limitations in evaluating the carbon footprint of a Client portfolio and benchmark

Aperio will base Client carbon credit allocations on the estimated measure of aggregate carbon-equivalent emissions of a participating portfolio. To determine these estimated carbon emissions, Aperio uses publicly available third-party data from MSCI ESG. While companies emit CO_2 continuously and those emissions levels change over time, companies typically only publish emissions data annually. The Program therefore relies on potentially stale emissions data to estimate the number of carbon credits to allocate to a Client in any given quarter. Both the credits themselves and Aperio's evaluation of the carbon footprint of a participating Client portfolio's holdings may be based on stale or inaccurate information.

Credits offered through this Program are not represented to reduce carbon footprints of any portfolio at any point in time and will not be certified as such. Clients should not rely on carbon credits to reach specified emissions reduction targets. Aperio further makes no representations or guarantee as to the quality or measure of the carbon credits purchased and relies entirely on Carbon Direct, BlackRock's carbon removal advisor, to source and provide due diligence on carbon credit projects available for Aperio selection.

Fees

Participating Program clients will be charged an annual flat fee based on the cost of the underlying project, billed quarterly. The fee rate will depend on project characteristics, for example, whether a project is a carbon removal or avoidance based project. In aggregate, the flat fee is designed to cover the cost of carbon credits and, in part, the sourcing and vetting of carbon projects by Carbon Direct, as well as the costs of operationalizing and operating the Program. The flat fee will generally not equal the cost of allocated carbon credits for any individual Client. Therefore, the flat fee structure will result in some clients paying more (and others less) for the allocations received under Program. A Client's actual fee per carbon credit unit will vary, among other things, based on a Client's portfolio benchmark and portfolio customization options implemented.

Program Clients may opt out at any time, but will not be refunded any previously invoiced and/or paid fees.

Please note that this is a pilot program that may only last up to two years.

Thank You.

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