

# ESG integration

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**B** [blackrock.com/ch/individual/en/themes/sustainable-investing/esg-integration](https://www.blackrock.com/ch/individual/en/themes/sustainable-investing/esg-integration)

There is increasing awareness that material environmental, social and governance (ESG) factors can be tied to a company's long-term performance. As such, more and more investors are looking to integrate sustainability insights and data into their traditional investment processes. By expanding access to data, insights and learning on material ESG risks and opportunities in investment processes across the board, we can become better overall investors.

**Capital at risk.** All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

## What is ESG?

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ESG is often conflated or used interchangeably with the term “sustainable investing.” We see sustainable investing as the umbrella and ESG as a data toolkit for identifying and informing our solutions.

ESG data is most often categorised as “non-accounting” information because it captures components important for valuations that are not traditionally reported. The valuation of companies has become more complex, with a growing portion tied up in intangible assets. ESG metrics provide insights into these intangibles, such as brand value and reputation, by measuring decisions taken by company management that affect operational efficiency and future strategic directions.

### Environmental (E)

Covers themes such as climate risks, natural resources scarcity, pollution and waste, and environmental opportunities

### Social (S)

Includes labour issues and product liability, risks such as data security, and stakeholder opposition



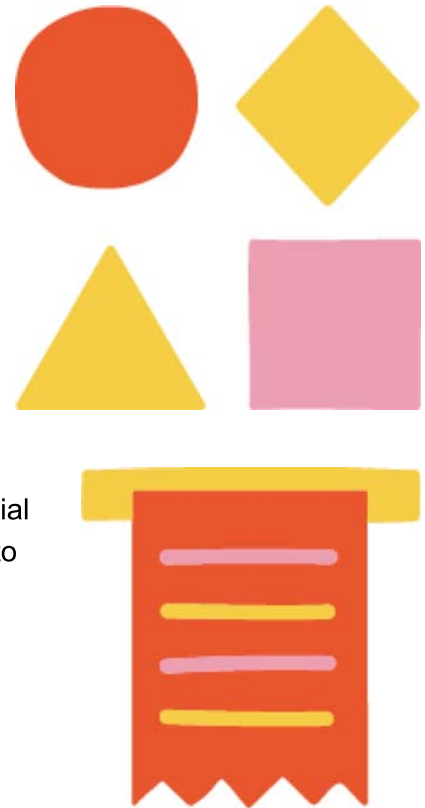
Governance (G)

Encompasses items relating to corporate governance and behaviour such as board quality and effectiveness


The ESG considerations that are material will vary by investment style, sector/industry, market trends, and client objectives.

ESG integration is about using research, data and insights to inform investment decisions.


Sustainability issues can contribute to a company’s long-term financial performance, and thus further incorporating these considerations into the investment research, portfolio construction, portfolio review and stewardship processes can help enhance long- term risk adjusted returns.




**ESG integration is...**


 Aiming portfolio managers with tools and information to identify risks and opportunities within portfolios


 Enhancing the investment process and implementing this across all our portfolios

 Making investment decisions that take financially material ESG information into account

**...and is not**

 A values-based exercise

 Addressing stakeholder concerns by applying exclusionary screens based on immaterial ESG information

 Simply developing ESG versions of existing products while leaving processes unchanged

**Sources:** BlackRock Sustainable Investing and BlackRock Investment Institute, December 2019.

**Note:** The table is for illustrative purposes only

ESG integration at BlackRock

Our activities to integrate sustainability considerations into the investment process mirror the diversity of clients we serve, as well as the range of investment strategies and asset classes we offer. Across BlackRock, we provide all of our investment teams with data and insights to keep them well informed of sustainability considerations.

Each of our investment teams is responsible for implementing ESG approaches in line with its investment mandate and is required to have a formal ESG integration statement to underpin its respective approach. Our portfolio managers are able to bring useful ESG information into their investment processes, discounting or emphasising this information as they would any other financial input.

Read BlackRock's ESG integration policy

This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any financial instrument or product or to adopt any investment strategy.

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