

**BlackRock**

**BlackRock Advisors (UK)  
Limited**

**2024 Public Disclosure**

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# 1. Introduction and context

## 1.1 Purpose

BlackRock Advisors (UK) Limited ('BAL' or 'the firm') is a UK MiFID<sup>1</sup> investment firm, regulated by the Financial Conduct Authority ('FCA') and subject to the requirements of the Investment Firms Prudential Regime ('IFPR').

This document fulfils the regulatory public disclosure requirements, as set out in MIFIDPRU<sup>2</sup> 8 of the FCA's Handbook. A firm is required to include qualitative and quantitative information on capital adequacy, risk and governance arrangements and remuneration within its public disclosure document. The public disclosure document is required to be published, at least annually, on the same date a firm publishes its financial statements. More frequent disclosure may be required in specific circumstances, such as a major change to a firm's business model or where a merger has taken place.

## 1.2 BlackRock structure and business activities

BAL's principal activity is the provision of investment management, advisory and administrative services. The firm provides investment management and client business support to other group companies. The firm primarily manages fixed income and equity products. Additionally, the firm acts as agent to the securities lending business and provides transition management services.

BAL's parent undertaking, BlackRock Finance Europe Limited ('BRFE'), is a wholly owned subsidiary of BlackRock Group Limited ('BGL' or 'BGL Group'), a company domiciled in the United Kingdom ('UK') and the holding company for the majority of BlackRock's business in Europe, Middle East and Africa ('EMEA'). BGL's principal activity is the provision of investment management and advisory services through its regulated subsidiaries. Neither BGL nor its subsidiaries deal on their own account. In addition to BAL, BGL has two more subsidiaries (BlackRock Investment Management (UK) Limited ('BIM UK') and BlackRock International Limited ('BIL')) in the UK which are regulated by the FCA as MiFID Investment Firms.

BGL is ultimately owned by BlackRock, Inc. ('BlackRock'). BGL itself is not a regulated entity, however, it is the holding company of a number of BlackRock's regulated entities across EMEA including BAL and therefore classified as a "UK parent investment holding company" under IFPR. Consequently, a prudential consolidation is prepared in respect of BGL, its subsidiary entities and participations.

BGL's business activities result in its exposure to a set of key risks, which are identified and documented at the BGL Group level. BGL's Risk Management Framework ('RMF') (e.g. BGL's risk tolerance statement ('RTS')) is applied across the BGL Group entities. The activities of BGL and the three MiFID investment firms are managed jointly by a common Board of Directors (hereinafter referred to as the 'BGL Board' or the 'Joint Board') and permission has been obtained from the FCA for each of the MiFID investment firms to use committees established for BGL (i.e. Group committees), rather than establish individual committees.

## 1.3 Basis of preparation

This disclosure document has been prepared for BAL in accordance with the provisions set out in the MIFIDPRU regulations. MIFIDPRU 8.1.7R requires BAL to comply with the public disclosure requirements on an individual basis.

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<sup>1</sup> UK Markets in Financial Instruments Directive.

<sup>2</sup> Prudential Sourcebook for MiFID Investment Firms.

The capital requirements for BAL as at 31 December 2023 have been prepared in accordance with the MIFIDPRU rules contained within the FCA's Handbook, as well as the three policy statements<sup>3</sup> ('PS') published by the FCA to implement IFPR.

BAL has sufficient capital and liquidity resources in relation to its regulatory capital and liquidity requirements.

The firm has disclosed all the information that it deems material. There have been no material changes in relation to the firm's business in the last financial year. For the purpose of this disclosure, information is regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

This document has been reviewed and approved by the BGL Board for publication on the BlackRock website at <https://www.blackrock.com/uk/literature/public-disclosure/blackrock-advisors-uk-limited-public-disclosure-2024.pdf>.

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<sup>3</sup> PS 21/6 published in June 2021; PS 21/9 published in July 2021 and PS 21/17 published in November 2021, all titled "Implementation of the Investment Firms Prudential Regime".

## 2. Governance and risk management

### 2.1 BGL Board

As previously highlighted (in Section 1.2), the activities of BGL and the three MiFID investment firms are managed by the Joint Board. Accordingly, the information has been disclosed below in relation to the BGL Board and the governance structures that have been put in place for BGL as at 31 December 2023.

#### 2.1.1 Membership

As at 31 December 2023, the BGL Board comprised eight Directors, two of whom were Executive Directors, and six Non-Executive Directors ('NEDs') who are not employed by nor responsible for the day-to-day operations of the firm. The number of directorships held by each member of the Board as at 31 December 2023 is detailed in Figure 2.1 below.

#### James Charrington

Mr. Charrington is a Non-Executive Director, the Chair of the BGL Board (SMF<sup>4</sup> 9) and the Nominations Committee (SMF 13) of the BGL Board. Prior to his appointment as Chair of the BGL Board in March 2015, Mr. Charrington was Head of BlackRock's EMEA business from 2010-2013 and Head of BlackRock's International Retail business from 2004-2010. Mr. Charrington's service with the firm dates back to 1993, including his years with Mercury Asset Management and Merrill Lynch Investment Managers ('MLIM'), which merged with BlackRock in 2006.

#### Justine Anderson

Ms. Anderson, Managing Director, is the Chief Operating Officer ('COO') of the EMEA region for BlackRock as well as being an Executive Director (SMF 3) and the EMEA Chief Operating Officer (SMF 24). She is a member of both the EMEA Executive Committee and an Executive Director of the Joint Board. Prior to her current role, Ms. Anderson was the Head of EMEA and Asia-Pacific ('APAC') Portfolio Engineering within Exchange Traded Fund ('ETF') and Index Investments ('EII'). In this role, Ms. Anderson was responsible for the investment teams that manage the index equity, commodities and asset allocation product ranges based in EMEA and APAC.

Ms. Anderson's service with the firm dates back to 2001, including her years with MLIM. In that time, Ms. Anderson worked within BlackRock's transition management and portfolio management functions as both an equity and fixed income analyst.

Ms. Anderson earned a BSc degree with Honours in Mathematics from Durham University. Ms. Anderson is a Chartered Financial Analyst ('CFA') Charterholder.

#### Deborah Clarke

Ms. Clarke is an independent Non-Executive Director, having previously held executive responsibility for Mercer's Global Investment Research. This included responsibility for strategy, strategic and sustainability research. During her career in financial services Ms. Clarke has managed assets on behalf of clients, led large global teams of asset managers, been a client consultant and undertaken forward looking due diligence on investment strategies across the globe. Ms. Clarke was a member of the Church of England Pensions Board Investment Committee until the end of 2020 and is a current member of the UK CFA Institute Advisory Board. Ms. Clarke holds a Business Studies degree from the University of Plymouth and is a Fellow of the CFA Institute.

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<sup>4</sup> Senior Management Function.

## **Christian Clausen<sup>5</sup>**

Mr. Clausen is a Non-Executive Director. He joined BlackRock in 2016 as Chairman of the Nordics region and also serves as a Senior Advisor to the firm. Prior to his position at BlackRock, Mr. Clausen became Head of Asset Management and Life at Nordea when it was formed in 2000 and was also a Member of the Group Executive Management. He subsequently took on the role of President and Group Chief Executive Officer ('CEO') of Nordea from 2007 until October 2015, when he stepped down to take on an advisory role. Mr. Clausen held various senior positions at Unibank in the 1990s and in 1998 was appointed a Member of the Executive Board. Mr. Clausen also held management positions at Erik Møllers Efterfølgere A/S, Andelsbanken A/S and Henriques Bank, and became the Managing Director of Privatbørsen in 1988.

## **Stephen Cohen<sup>6</sup>**

Mr. Cohen, Senior Managing Director, is the Head of EMEA region for BlackRock as well as being an Executive Director (SMF 3) and the Chief Executive (SMF 1). He is a member of the Global Executive Committee and chairs the EMEA Executive Committee. Before taking up this role in April 2021, Mr. Cohen was the Head of iShares, Index and Wealth businesses in EMEA. He led BlackRock's relationships with wealth management firms and platforms, the development and distribution of active and index investments, and the firm's equity index portfolio management capability in the region.

Mr. Cohen previously served as Global Head of Fixed Income Indexing for BlackRock, responsible for the iShares fixed income business and oversaw the fixed income index investment group. Prior to that, he was the Chief Investment Strategist for International Fixed Income and iShares.

Mr. Cohen joined BlackRock in 2011 from Nomura, where he was Global Head of Equity Linked Strategy, and led the number one Institutional Investor ranked Convertibles research team. He joined Nomura from ING Barings in 2003, having started his career in fixed income at UBS in 1996. In addition, Mr. Cohen has been a Director of Enovara, an Irish funds company. He earned a BSc degree with first-class Honours in Economics from the University of Southampton in 1996.

## **Eleanor de Freitas**

Ms. de Freitas is a Non-Executive Director, and Chair of the Risk Committee (SMF 10) and Conflicts Oversight Committee of the firm. She was previously a Managing Director at BlackRock, and Head of the firm's Beta Strategies Portfolio Management Group in EMEA. Ms. de Freitas' service with the firm dates back to 2001, including her years with Barclays Global Investors ('BGI'), which merged with BlackRock in 2009. At BGI, she was the Head of European Index Equity and previously held strategy and portfolio management roles within the index equity business in both London and San Francisco. Prior to joining BGI, she spent over five years as a Quantitative Analyst at ING Barings, where she played an instrumental role in developing their global quantitative equity research product.

## **Matthieu Duncan**

Mr. Duncan is an independent Non-Executive Director, effective from July 2021. Mr. Duncan was previously the CEO of Ostrum Asset Management (formerly Natixis Asset Management), a large asset manager based in France. He also served during this time as a member of the Executive Committee of Natixis S.A. Earlier in his career, Mr. Duncan was a Managing Director and spent 13 years at Goldman Sachs in New York, London, and Paris. Other executive roles during Mr. Duncan's career in financial services included Chief Investment Officer – Equities at Cambridge Place Investment Management, Head of Business Strategy and Member of the Board of Directors of Newton Investment Management

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<sup>5</sup> Mr Clausen resigned from the board on 5 April 2024.

<sup>6</sup> Mr Cohen resigned from the board on 20 May 2024. He is succeeded by Rachel Lord, as Chief Executive Officer and Executive Director.

(a Bank of New York Mellon company), COO and Member of the Board of Directors of Quilter Cheviot Investment Management.

Mr. Duncan earned an MBA degree from the University of Texas at Austin, and a BA degree in Business Economics from the University of California Santa Barbara.

### **Margaret Young**

Ms. Young is an independent Non-Executive Director and Chair of the Audit Committee (SMF 11) of the firm. She is a Chartered Accountant and holds an MBA from the London Business School. She spent her executive career in Investment Banking, advising public company boards on mergers and acquisitions, initial public offerings and fundraising in the equity and debt capital markets. She is an experienced Non-Executive Director having held numerous public limited company board roles since 1999.

### **Changes to the Board during 2023**

No changes to the Board occurred during the year.

Figure 2.1 sets out the number of directorships held by each member of the Board as at 31 December 2023.

**Figure 2.1 BGL Board**

<b>Director</b>	<b>Number of directorships<sup>7</sup></b>
James Charrington (Chair, Non-Executive Director)	4 BlackRock entities and 1 external entity
Justine Anderson (Executive Director)	4 BlackRock entities
Deborah Clarke (Non-Executive Director)	4 BlackRock entities and 2 external entities
Christian Clausen (Non-Executive Director)	4 BlackRock entities and 3 external entities
Stephen Cohen (Executive Director)	4 BlackRock entities and 1 external entity
Eleanor de Freitas (Non-Executive Director)	4 BlackRock entities and 1 external entity <sup>8</sup>
Matthieu Duncan (Non-Executive Director)	4 BlackRock entities and 3 external entities
Margaret Young (Non-Executive Director)	4 BlackRock entities

### **2.1.2 Recruitment of Board Members**

The purpose of the BGL Nominations Committee is to assist the Board of Directors of BGL and its regulated subsidiaries, BIM (UK), BAL and BIL, in ensuring that the boards of these entities are comprised of individuals who are best able to discharge the duties and responsibilities of directors. The Nominations Committee focuses primarily on the composition, appointment, succession and effectiveness of the BGL Board.

Specifically, the Nominations Committee is responsible for:

- At least annually, assessing the skills, experience, independence, knowledge and diversity required of the BGL Board to competently discharge their duties, having regard to BGL’s strategic direction and the commercial environment;
- At least annually, considering and making recommendations to the BGL Board on the appropriate structure, size and composition of its committees in consultation with the Chairs

<sup>7</sup> Includes directorships for external entities and individual directorships within BlackRock. The four BlackRock entities are BGL, BIM (UK), BAL and BIL. They operate as one ‘joint’ directorship under an FCA waiver.

<sup>8</sup> The external entity does not pursue a predominantly commercial objective.

of each committee, taking into account the results of the Board evaluation process;

- At least annually, reviewing progress against measurable diversity objectives set by the BGL Board;
- Leading the process for appointments to the BGL Board, and identifying and nominating candidates for approval by the BGL Board for appointment as Directors;
- Reviewing and approving a written job description of the role, capabilities and time commitments required for an appointment to the BGL Board, having evaluated the balance of skills, knowledge, diversity and experience already on the BGL Board;
- Ensuring that on appointment, all Non-Executive Directors of BGL receive formal written terms of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside BGL Board meetings;
- Considering, and if deemed appropriate, recommending amendments to the Diversity Policy to the BGL Board for approval;
- Overseeing the promotion of diversity on the BGL Board, in accordance with the board-approved Diversity Policy;
- Reviewing processes and plans in place concerning appointments to the BGL Board, and key executive succession planning more broadly; and
- At least annually, conducting a performance evaluation of the effectiveness of the BGL Board and its committees, ensuring that the conclusions and recommendations arising out of the annual evaluation exercise are reported to the BGL Board, and agreeing an action plan, if required, addressing the results of the annual evaluation exercise and periodically reviewing progress against the plan.

Annually, the BGL Board complete an experience and skill set self-evaluation, in which they indicate their level of experience or expertise across several categories, including core board skills, hard skills such as experience in insurance or asset management, and soft skills such as questioning, openness and tact. When identifying and recommending candidates as Directors of the BGL Board, the Nominations Committee considers the skill sets of potential candidates against gaps identified by the BGL Board in this evaluation.

### **2.1.3 Diversity**

The promotion of diversity on the Boards is integral to the role of the BGL Nominations Committee. Accordingly, the Nominations Committee is charged with overseeing the promotion of diversity on the BGL Board, in accordance with the Diversity Policy.

Inclusion and diversity are key to BlackRock's success. Our success is dependent on our ability to leverage our differences, to use our collective experiences, backgrounds and knowledge to achieve more for our clients and our business. BlackRock's business requires strong, talented people with diverse skill sets, backgrounds and points of view to drive innovation. This applies equally to the boards. BlackRock regards effectiveness of the boards as a crucial element of governance and board composition is a vital factor in ensuring that effectiveness.

BlackRock's principle is that each member of the board must have the skills, experience, knowledge and overall suitability that will enable each Director to contribute individually, and as part of the board team, to the effectiveness of the boards on which they sit. Subject to that overriding principle, BlackRock believes that diversity of experience and approach, including educational and professional background, gender, age, ethnic diversity and geographic provenance amongst board members is of great value when considering overall board balance in making new appointments to the boards. Our priority is to ensure that the board continues to have strong leadership and the right mix of skills to



deliver the business strategy. Within this context, the composition of the BGL Board will necessarily vary from time to time.

As at 31 December 2023, BlackRock's aspiration for women to make up at least 30% of the BGL Board's membership, as stated in the Diversity Policy, has been exceeded with 50% female representation.

#### **2.1.4 Induction**

At BlackRock, each newly appointed Director attends induction sessions periodically over the first year, in addition to ongoing and bespoke training as requested thereafter. The aim of the induction sessions is to provide a new Director with an understanding of how the BGL Group works and the key opportunities and challenges that it faces to enable them to contribute fully in board and committee meetings.

The induction sessions are delivered through a combination of online training and one-to-one briefings with the Chair, the heads of business areas and other members of the Board, reading materials which include archive board and committee papers and other key corporate governance documents. Meetings are also arranged with other selected senior managers, including the heads of control functions.

#### **2.1.5 Continuing professional development**

Continuing professional development is an important aspect of a Director's role. Skills and knowledge need to be kept up to date to ensure the effectiveness of the Board as a whole and allow every Director to contribute fully in board and committee meetings. The Board is updated on regulatory changes and partake in company briefings, in addition to on-site workshops to expand their understanding of the firm, and enabling them to make informed decisions when discharging their responsibilities.

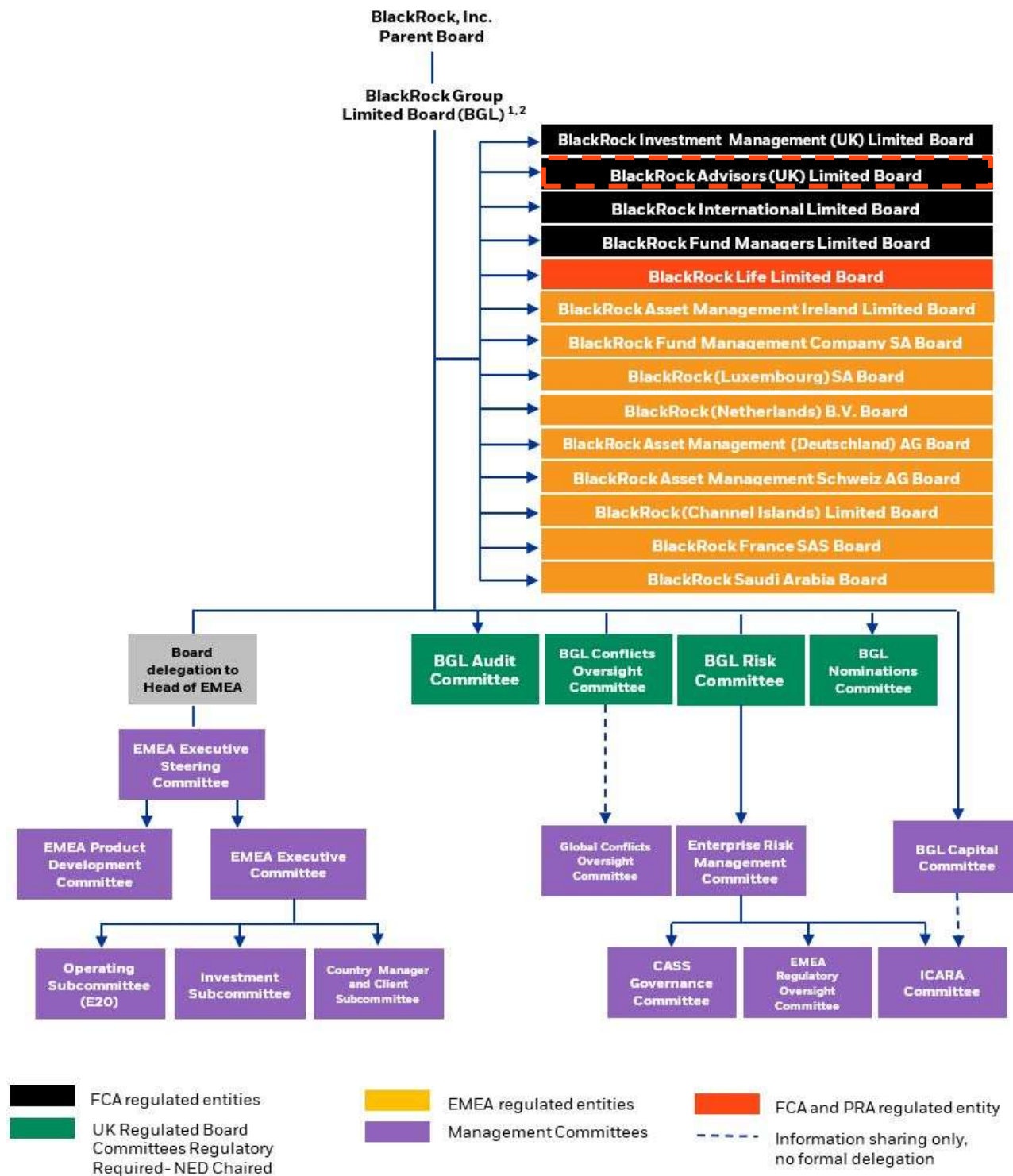
The development programme is carried out throughout the year, utilising the following approaches:

- Annual updates are presented to the Non-Executive Directors by key BlackRock business areas and support functions, providing Non-Executive Directors with an enhanced review and update of current activities and ongoing topical issues;
- Presentations to the BGL Board from the EMEA CEO, the EMEA COO, the BGL Chief Financial Officer ('CFO') and the BGL Chief Risk Officer ('CRO') on investment performance and strategy, as well as updates from business areas when appropriate;
- Support functions such as Finance & Strategy, Legal & Compliance, and Risk present to the Board from time to time, to ensure Directors' knowledge of key initiatives, regulations and projects is up to date; and
- External parties are also invited to give presentations to the BGL Board on specific topics on an ad hoc basis.

## 2.2 BGL governance committees

The BGL Board has adopted a governance structure comprising Board and management committees to provide review, challenge and oversight of the firm's risks. The link between the BGL Board and its committees is shown in Figure 2.2.

**Figure 2.2 Governance structure of BGL and its regulated subsidiaries**



<sup>1</sup> BGL is not a regulated entity but is the parent company of the regulated entities forming the BGL consolidation group.

<sup>2</sup> As at 31 December 2023. Note that certain committees have since been disbanded as detailed in Figure 2.3.

Figure 2.3 includes a summary of the above committees' key responsibilities.

**Figure 2.3 BGL Committees and responsibilities**

Committee	Responsibilities
BGL Audit Committee	<ul style="list-style-type: none"> <li>Assists the BGL Board in meeting its responsibility to maintain the integrity of the Joint Board entities' financial reporting; and</li> <li>Monitors the effectiveness and objectivity of the Joint Board entities' internal and external audit processes.</li> </ul>
BGL Conflicts Oversight Committee	<ul style="list-style-type: none"> <li>Assists the BGL Board and the boards of its regulated subsidiaries in meeting their responsibilities for overseeing the framework for the identification and management of conflicts of interest; and</li> <li>Implements the strategy, policies and procedures with regards to conflicts of interest in EMEA.</li> </ul>
BGL Risk Committee	<ul style="list-style-type: none"> <li>Advises the Directors on the Joint Board entities' overall current and future risk appetite and strategy; and</li> <li>Assists the Joint Board in overseeing the implementation of that strategy by executive management.</li> </ul>
BGL Nominations Committee	<ul style="list-style-type: none"> <li>Assists the Directors of the Joint Board in ensuring that the Joint Board entities are comprised of individuals who are best able to discharge the duties and responsibilities of directors; and</li> <li>Focuses primarily on the composition, appointment, succession and effectiveness of the Directors of the Joint Board entities.</li> </ul>
BGL Enterprise Risk Management Committee ('ERMC')	<ul style="list-style-type: none"> <li>Acts as the primary management body for considering BGL enterprise risks;</li> <li>Reviews and oversees BGL's risk profile through a range of management information;</li> <li>Reviews and makes recommendations to the BGL Risk Committee and subsequently the BGL Board about BGL's key risks and risk tolerance which may involve both quantitative and qualitative measures;</li> <li>Reviews and assesses the effective implementation for risk mitigating activities;</li> <li>Acts as the point of escalation for breaches of risk limits and tolerances; and</li> <li>Oversees the BGL Internal Capital Adequacy and Risk Assessment ('ICARA') process and the ICARA Committee.</li> </ul>
BGL Capital Committee	<ul style="list-style-type: none"> <li>Oversees capital management and capital planning processes;</li> <li>Monitors operational risk, credit risk, foreign exchange risk, market related risks and contingent liabilities from a regulatory capital perspective, and the impact on BGL's capital position and that of its regulated subsidiaries;</li> <li>Reviews and approves capital calculation methodologies and assumptions;</li> <li>Monitors and oversees liquidity of BGL at a consolidated and individual entity level;</li> <li>Monitors and oversees financial activities between BGL and its subsidiaries, such as dividend payments; and</li> <li>Reviews, challenges and approves assumptions, methodologies and capital and liquidity figures to be used in the BGL ICARA, and recommends the ICARA document for approval to the BGL ERMC) through the ICARA Committee.</li> </ul>
CASS Governance Committee	<ul style="list-style-type: none"> <li>Subcommittee of the BGL ERMC which is responsible for overseeing the implementation of the rules set out in the FCA's Client Assets Sourcebook ('CASS') for the entities within its scope.</li> </ul>
EMEA Regulatory Oversight Committee	<ul style="list-style-type: none"> <li>Subcommittee of the BGL ERMC which is comprised of representatives from across the operational and control functions; and</li> <li>Responsible for overseeing the implementation of regulatory reform that BlackRock is required to comply with.</li> </ul>
ICARA Committee	<ul style="list-style-type: none"> <li>Subcommittee of the BGL ERMC which is responsible for overseeing the annual ICARA process for BGL, the Internal Capital Adequacy and Risk Assessment Process ('ICARAP') for BlackRock Netherlands B.V., and the Own Risk and Solvency Assessment for BlackRock Life Limited; and</li> </ul>

Committee	Responsibilities
	<ul style="list-style-type: none"> <li>The ICARA Committee is also responsible for reviewing the Public Disclosure documents for the in-scope entities (i.e. BAL, BIM (UK), BIL, and BNBV) and recommending them for approval to the relevant Boards.</li> </ul>
EMEA Executive Steering Committee and EMEA Executive Committee*	<ul style="list-style-type: none"> <li>Focuses on strategy and planning (including formulating and implementing strategic and financial objectives, business plans, budgets and operating strategies);</li> <li>Provides oversight of operations and business performance (including new and existing business reviews, strategic partnerships, overseeing product development governance and reviewing investment performance);</li> <li>Implements corporate culture which sets out the values and ethics within which EMEA employees will operate and implements approved corporate group policies where appropriate; and</li> <li>Focuses on talent retention (e.g. succession planning for senior functions).</li> </ul>
EMEA Product Development Committee	<ul style="list-style-type: none"> <li>Provides oversight of EMEA product risks and governance, strategy and offerings, including the launch of products and material revisions to existing products;</li> <li>Carries out product risk screens detailing operational risks and resource requirements; and</li> <li>Reviews seed capital requirements.</li> </ul>
Operating Subcommittee (E20)*	<ul style="list-style-type: none"> <li>Comprised of the Chief Operating Officers of EMEA countries and the largest EMEA functions; and</li> <li>Focuses on execution of the operational priorities within EMEA, including circulation of information on upcoming changes to policies, processes and regulations, updates on major projects and the cascade of culture initiatives.</li> </ul>
Investment Subcommittee	<ul style="list-style-type: none"> <li>Comprised of EMEA heads of each major investment function, risk, product and research; and</li> <li>Ensures the coordination, information sharing and best practices around risk oversight, investment performance, product development and supporting processes and technology.</li> </ul>
Country Manager and Client Subcommittee	<ul style="list-style-type: none"> <li>Comprised of channel heads, country heads and key functional partners; and</li> <li>Provides a full view of the commercial pipelines across channels and geographies.</li> </ul>
Global Conflicts Oversight Committee	<ul style="list-style-type: none"> <li>Provides oversight of BlackRock's Global Conflicts of Interest ('Col') programme including, but not limited to policies, procedures, the Col Repository, and the implementation and management of the framework for the identification and management of conflicts of interest across BlackRock.</li> </ul>
Management Development and Compensation Committee ('MDCC')	<ul style="list-style-type: none"> <li>Responsible for providing oversight of BlackRock's global executive compensation programmes and employee benefit plans.</li> </ul>

\* Committee has since been disbanded.

## 2.3 BAL's approach to risk management

BGL Group is the EMEA holding company for regulated businesses, including BAL. As referred in Chapter 1, risk management at BAL is governed by the Joint Board. BAL follows BGL Group's policy and control frameworks. The RMF elements described in this section are applied at the BGL Group level which is consistent with BGL Group's strategy and business management.

All risks described throughout this section are managed via an established three lines of defence model, governed by one or more firm-wide and group-wide policies, and overseen by a dedicated committee and/or the BGL ERM.

The first line of defence has the primary ‘ownership’ of risks in the business. It comprises the vast majority of employees, including but not limited to investment teams and business operations teams. These operating and infrastructure groups provide the framework within which activities for achieving entity-wide objectives are planned, executed, controlled and monitored. The first line of defence is accountable for their respective risks, including risk assessment and management, developing controls, adherence to policies, and management of talent and compensation.

The second line of defence functions (i.e. Risk and Quantitative Analysis (‘RQA’), Finance and Compliance) provide independent oversight of, and support for, the activities performed within the first line of defence. These functions coordinate among themselves and actively work with the businesses, providing expertise and appropriate challenge to help ensure that risks are identified and mitigated in a timely manner across the organisation.

The third line of defence is the Internal Audit function. It aims to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### **2.3.1 Enterprise Risk Management Framework**

BAL follows BGL’s comprehensive RMF. The RMF begins with culture, which is set by the “tone at the top”. This includes commitment to integrity and ethical values, fiduciary duty to clients and shareholders, commitment to competence, ownership of risk and risk management, and an adherence to a strong internal control environment. BlackRock follows a strict remuneration code that rewards strong performance and penalises poor or improper behaviour.

The BGL RMF is comprised of the following elements:

- **Risk identification and definition**, including:
  - Identifying key and emerging enterprise risks through tools such as risk and control self-assessments (‘RCSAs’);
  - Holding regular meetings with business units;
  - Reviewing new products, major changes, and internal and external operating events; and
  - Assigning risk owners.
- **Risk management in line with tolerance**, including:
  - Setting of risk tolerances by the Joint Board;
  - Managing key risks within limits and tolerances; and
  - Ensuring appropriate escalations if risk tolerances are breached.
- **Risk management and control**, including:
  - Following the three lines of defence model;
  - Establishing appropriate processes to measure, manage, and control risk taking;
  - Utilising RCSAs and Risk Control Issues (‘RCIs’); and
  - Addressing how specific duties related to risks and controls are assigned and coordinated.
- **Risk monitoring and reporting**, including:
  - Establishing and monitoring enterprise risk indicators (‘ERIs’) in the context of risk tolerance;
  - Providing information and reports (e.g. risk profile, operating event and large operating event reporting) to the appropriate functional and regional business management, boards, committees and regulators;
  - Monitoring, investigating and if required escalating operating events, and recording them in a database of operating events; and

- Overseeing the ICARA, including the quantification of internal regulatory capital and liquidity requirements.

➤ **Risk governance and oversight**, including:

- Establishing policies and procedures;
- Establishing risk committees; and
- Overseeing the risk management framework.

### **2.3.2 Joint Board approved key risks and risk tolerances**

BGL's RTS forms an integral part of BGL's RMF, in that it defines the context within which the organisation, including BAL manages risk. The RTS is forward looking and defines the level of risk the firm is willing to take to achieve its strategic and near-term business objectives. The key risks are identified by considering various inputs, including the firm's strategy and business model.

The RTS includes all of the key risks and the associated tolerances identified by the Joint Board and the BGL Risk Committee. Senior management then monitors the firm's risk profile on an ongoing basis against this framework. The RTS is owned and approved by the Joint Board, on the recommendation of the BGL Risk Committee, which receives its recommendation from the BGL ERM. It is formally adopted at least annually and on an ad hoc basis when necessary. As part of a continuous feedback cycle, effectiveness of the stated tolerances, risk management processes and reporting arrangements are assessed for each of the key risks. Figure 2.4 provides details of BAL's tolerances by key risk.

**Figure 2.4 BAL tolerances by key risk**

BAL key risks		Tolerance
<b>Enterprise risks</b>		
<b>Financial risks</b>	Market risk to revenue	Medium
	Market risk to balance sheet (FX <sup>1</sup> )	Low
	Credit	Low
	Capital adequacy	Very Low
	Corporate liquidity	Very Low
	Corporate tax	Low
<b>Operational risks</b>	Internal operations	Low
	Third party	Medium
	Technology resilience	Low
	Information security	Low
	Corporate resilience	Low
	Model	Medium
	Compliance	Low
	Financial crime	Low
	People/culture	Low
	Financial reporting	Very Low
	Major change	Medium
	Product	Medium
<b>Other risks</b>	Reputational	Low
	Strategy/business	Medium
	Conduct	Low
	Public policy	Low
	Group	Medium
<b>Portfolio risks</b>		
Investment	Determined at portfolio level	
Fund liquidity		
Counterparty		
Valuation		

<sup>1</sup> Foreign exchange.

### 2.3.3 Key risks and the associated risk management approach

The following section covers the risk management objectives and policies for risks relevant to BAL as set out in MIFIDPRU 4, 5 and 6.

#### Harm to Clients ('HtC'), Harm to Firm ('HtF') and Harm to Market ('HtM')

MIFIDPRU 4 outlines requirements for investment firms to hold a minimum amount of own funds to address potential material harms arising from MiFID activities (through the K-factor requirements) and from a wind-down / exit from the markets (through the Fixed Overhead Requirement ('FOR')). BAL's K-factor requirements are based on Assets Under Management ('K-AUM'), Client Money Handled ('K-CMH') and Client Orders Handled ('K-COH') (see further details in section 4.3). These exposures are managed by assessing the risks and the associated harms.

BAL's key risks are intrinsically linked to the potential harms that the firm poses to clients, markets and the firm itself. The key risks are driven by the business activities undertaken and the potential harm that would arise because of issues related to the key risks. Therefore, management of potential harms is fundamental to the firm's RMF and it utilises the elements outlined in section 2.3.1.



The primary source of potential harm is related to operational risks (including internal operations risk, financial crime risk and technology resilience risk). These are often the result of inadequate internal processes, people and systems or external events. These risks may have an adverse financial impact. Operational risk exposures are actively mitigated, wherever possible, through design and implementation of strong processes and effective controls. This includes a range of policies (e.g., Enterprise Risk Management Policy, Operating Event Policy, Technology Risk Management Policy) and procedures carried out by all three lines of defence with the aim of minimising potential harm.

Additionally, HtF could arise due to BAL's corporate financial risk exposures, for example, management fees not received due to client default (credit risk) or corporate foreign currency exposure deterioration (market risk to balance sheet (FX)). These risk exposures and the associated potential harms are managed in accordance with established policies (e.g., BGL Capital Management Policy) and overseen by the BGL Capital Committee and the BGL ERM.

For each of the firm's key risks, a risk owner is assigned at the BGL Group level. Risk owners are members of senior management who are accountable and responsible for assessing, monitoring, managing and appropriately reporting on the firm's exposure to the relevant key risks and the associated harms in line with the tolerance and limit set by the Joint Board. Risk owners oversee management of the risk and prioritise resources for risk and potential harm mitigation. The first line of defence works with the second line of defence to define and implement ERIs used to monitor risks and to flag changes in the operating environment. ERIs, along with the risk owner's judgement, are used to assess the risk profile against the tolerance.

Regular risk profile reporting relative to the key risks is provided to, amongst others, the BGL ERM and the BGL Risk Committee. Risks that are profiled as beyond tolerance are escalated to the BGL Risk Committee and, if appropriate, to the Joint Board.

To note, BAL does not (i) deal on its own account and/or (ii) underwrite or place financial instruments on a firm commitment basis. Therefore, these are not sources of harm for BAL, and there are no associated risk management objectives or policies.

### **Corporate liquidity risk**

Corporate liquidity risk is the risk of the firm being unable to meet its financial obligations as they fall due without adversely impacting its financial position, its ability to operate its normal course of business, or reputation.

BGL Group has an intra-group multicurrency revolving loan facility agreement in place with BAL, BIM (UK), BIL, BlackRock Fund Managers Limited and BlackRock Asset Management Investor Services Limited, allowing liquidity to flow freely within this group of legal entities.

BGL Group's governance framework and Liquidity Policy (which includes BAL) are designed to:

- Describe how it maintains liquidity resources in excess of liquidity requirements, including an approved management buffer;
- Identify the liquidity needs, risks and requirements, outline the profile of these risks and outline how liquidity requirements are estimated; and
- Describe the liquidity resources as well as the governance and controls framework maintained in connection with the liquidity risk management framework.

BGL Group (including BAL) has a very low tolerance for corporate liquidity risk. The liquidity risk management framework ensures that it remains solvent in any reasonably foreseeable stress scenario, factoring in unlikely but plausible events.



## Concentration risk

BAL has limited concentration risk because it does not undertake trading on its own account, and business channels, clients, products and therefore revenues are highly diversified. BAL has credit concentration risk in respect of the cash that it holds with its main pan-European bank service provider, HSBC Bank plc and intercompany balances with other BGL Group entities. This risk is actively managed via cashflow forecasts and monitoring of all balances. In addition to reviewing and monitoring the credit rating agency analysis, the creditworthiness of HSBC Bank plc is continuously monitored by both the Treasury and the RQA Counterparty Risk teams. To mitigate the concentration risk, where cash is not required for working capital requirements or for regulatory requirements, funds are invested in high quality, highly liquid and diversified money market funds.

BAL has a diversified client base and does not have a material reliance on a single client or group of large clients. Client money concentration risk is mitigated by adhering to the relevant client money rules (CASS 7.13.20R – 7.13.25R) for which the relevant BlackRock entities maintain and follow a policy (Client Money Diversification Policy) that is overseen by the firm's CASS Governance and Oversight team as well as the firm's CASS Governance Committee. This includes a periodic (at least annual) review of the diversification of client money with deposit takers conducted alongside the firm's regular bank due diligence. BAL does not hold client assets.

### 2.3.4 Information flow on risk to the Joint Board

Information provided to the Joint Board is typically first reviewed and challenged by the BGL ERM and the BGL Risk Committee. The BGL ERM meets 11 times per year and members include regional senior executives from across the business and representatives from risk and control functions. The BGL Risk Committee meets quarterly and is comprised of Non-Executive members of the BGL Board. At each meeting, these committees:

- Review reports in respect of the firm's risk profile. The information is collated by the firm's second line of defence functions (e.g. RQA, Compliance and Finance) based on input from across the business; and
- Consider, inter alia, the risk position relative to qualitative tolerance and in particular any breaches of quantitative risk limits or tolerances.

The Chair of the BGL Risk Committee then provides an update to the Joint Board. The BGL Capital Committee monitors the capital ratios of all regulated entities in the BGL Group, including BAL, to ensure that each regulated entity maintains an appropriate level of capital commensurate with the risks faced by the business.

### 2.3.5 Joint Board declaration – adequacy of risk management arrangements

The Joint Board is responsible for the effectiveness of BAL's risk management arrangements and has implemented an appropriate governance and risk management structure. This is designed to determine what risks BAL is willing to take and to manage those risks appropriately.

**The Joint Board considers that it has in place adequate risk management arrangements and that the firm's risk profile is in line with its tolerance and strategy.**

### 3. Own funds (capital resources)

Own funds (also referred to as 'capital resources') is the aggregate of common equity tier 1 ('CET1') capital, additional tier 1 capital and tier 2 capital that is held by a firm, net of any required deductions. Regular monitoring is undertaken to ensure that own funds remain equal to or greater than the firm's own funds requirement at all times (as required per MIFIDPRU 3.2.2 (3)).

#### 3.1 Composition of regulatory own funds

CET1 is the highest form of capital and consists of share capital, share premium, retained profits and other relevant qualifying reserves. Within BAL, all sources of own funds are classified as CET1. Certain disallowable items are required to be deducted from CET1 when determining a firm's own funds, as detailed in MIFIDPRU 3.3.6R. The table below details the composition of BAL's CET1 capital, deductions, and regulatory own funds.

**Figure 3.1 BAL – Composition of regulatory own funds as at 31 December 2023**

Composition of regulatory own funds		£000s	Source based on reference numbers/letters of the statement of financial position in the audited financial statements
1	<b>OWN FUNDS</b>	247,042	
2	<b>TIER 1 CAPITAL</b>	247,042	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	247,042	
4	Fully paid up capital instruments	875	a
5	Share premium	162,007	b
6	Retained earnings	172,963	c
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(88,803)	d
19	CET1: Other capital elements, deductions and adjustments		
20	<b>Additional Tier 1 Capital</b>		
21-24	These rows have been omitted as all entries would have been blank		
25	<b>Tier 2 Capital</b>		
26-29	These rows have been omitted as all entries would have been blank		

Figures subject to rounding.

A description of the main features of the CET1 instruments issued by the firm is set out in Appendix B.

## 3.2 Reconciliation of own funds to audited financial statements

The following table provides a reconciliation of own funds to the statement of financial position in the audited financial statements, as required by MIFIDPRU 8.4.1R (1)(b).

**Figure 3.2 BAL – Reconciliation of regulatory own funds to statement of financial position in the audited financial statements as at 31 December 2023**

Statement of financial position description	a	b	c
	Statement of financial position as in published/audited financial statements £000s	Under regulatory scope of consolidation £000s	Cross-reference to template OF1 (Figure 3.1)
	As at 31 December 2023	As at 31 December 2023	
<b>Assets</b>			
(breakdown by asset classes according to the statement of financial position in the published/audited financial statements)			
1 Intangible assets	99,373	(99,373)	d
2 Property and equipment	810		
3 Right-of-use assets	1,142		
4 Trade and other receivables	746,930		
5 Income tax assets	686		
6 Cash and cash equivalents	28,178		
<b>Total assets</b>	<b>877,119</b>	<b>(99,373)</b>	
<b>Liabilities</b>			
(breakdown by liability classes according to the statement of financial position in the published/audited financial statements)			
1 Trade and other payables	142,029		
2 Income tax liability	154,350		
3 Lease liabilities	321		
4 Long-term lease liabilities	1,159		
5 Provisions	10,571	10,571	d
<b>Total liabilities</b>	<b>308,430</b>	<b>10,571</b>	
<b>Shareholders' equity</b>			
1 Share capital	875	875	a
2 Share premium reserve	162,007	162,007	b
3 Retained earnings	405,807	172,963	c
<b>Total shareholders' equity</b>	<b>568,689</b>	<b>335,845</b>	

Figures subject to rounding.

## 4. Own funds requirement

A MIFIDPRU investment firm is required to maintain a minimum level of own funds as specified in MIFIDPRU 4.3 of the FCA's Handbook. As it is not a small and non-interconnected ('non-SNI') firm, BAL is required to hold own funds to cover the highest of:

- Permanent minimum capital requirement ('PMR') under MIFIDPRU 4.4;
- FOR under MIFIDPRU 4.5; or
- K-factor requirement under MIFIDPRU 4.6.

The table below sets out the firm's own funds requirement as at 31 December 2023.

**Figure 4.1 BAL own funds requirement**

Own funds requirements	2023 £000s	2022 £000s
<b>PMR</b>	<b>150</b>	<b>150</b>
<b>FOR</b>	<b>52,212</b>	<b>50,731</b>
Assets for which the firm is responsible <sup>1</sup>	19,681	28,492
Execution activity undertaken by the firm <sup>2</sup>	856	1,106
Exposure-based risks <sup>3</sup>	-	-
<b>K-factor requirement</b>	<b>20,537</b>	<b>29,598</b>
<b>Own funds requirement (highest of the above)</b>	<b>52,212</b>	<b>50,731</b>

Figures subject to rounding.

<sup>1</sup> Sum of K-Assets Under Management ('K-AUM'), K-Client Money Held ('K-CMH') and K-Assets Safeguarded and Administered ('K-ASA').

<sup>2</sup> Sum of K-Client Orders Handled ('K-COH') and K-Daily Trading Flow ('K-DTF').

<sup>3</sup> Sum of K-Clearing Margin Given ('K-CMG'), K-Concentration Risk ('K-CON'), K-Trading Counterparty Default ('K-TCD') and K-Net Position Risk ('K-NPR').

### 4.1 Permanent minimum capital requirement

The firm's PMR is £150,000 (2022: £150,000), which is based upon the regulatory permissions criteria detailed in MIFIDPRU 4.4.

### 4.2 Fixed overheads requirement

The FOR represents an expense-based own funds requirement which ensures that investment firms have sufficient capital resources to satisfy all non-variable obligations as they fall due, for a period of at least three months. The factors that must be considered when determining the FOR are detailed in MIFIDPRU 4.5.

BAL continuously monitors its FOR by extrapolating current year-to-date relevant expenditure.

**Figure 4.2 Breakdown of the FOR**

FOR	2023 £000s	2022 £000s
<b>Relevant expenditure</b>	<b>208,849</b>	<b>202,925</b>
<b>FOR – calculated as one quarter of relevant expenditure</b>	<b>52,212</b>	<b>50,731</b>

Figures subject to rounding.

### 4.3 K-factor requirement

The 'K-factor' capital calculation is based on the business activities that a MIFIDPRU investment firm undertakes and the harm that could be posed as a result. The three categories of harm for the purpose of calculating the own funds requirement based on K-factors are: HtC, HtM and HtF.

Figure 4.3 outlines the range of K-factor metrics within each category and their applicability to BAL. The applicability of each K-factor is dependent upon the MiFID investment services and/or activities which a firm has permission to undertake.

**Figure 4.3 Applicability of the K-factor requirement to BAL**

Harm category	K-factor	Applicability
HtC	K-ASA: Assets Safeguarded and Administered	x
	K-AUM: Assets Under Management	✓
	K-CMH: Client Money Held	✓
	K-COH: Client Orders Handled	✓
HtM	K-CMG: Clearing Margin Given	x
	K-NPR: Net Position Risk	x
HtF	K-CON: Concentration Risk	x
	K-DTF: Daily Trading Flow	x
	K-TCD: Trading Counterparty Default	x

BAL's K-factor requirements are based on K-AUM, K-CMH and K-COH. K-ASA is not applicable as BAL does not hold safeguarded assets for clients. All K-factors within the HtM and HtF categories are applicable to firms that (i) deal on their own account and/or (ii) underwrite or place financial instruments on a firm commitment basis, and as such are out of scope for BAL. These are not material sources of harm for BAL, and therefore there are no associated risk management objectives and policies.

A summary of applicable metrics is provided below.

#### K-AUM

K-AUM is designed to capture the potential for harm when a MIFIDPRU investment firm manages assets for its clients in connection with MiFID business and is calculated in line with MIFIDPRU 4.7. This includes:

- Assets managed on a discretionary portfolio management basis; and
- Assets managed under non-discretionary advisor arrangements of an ongoing nature.

#### K-CMH

The client money held K-factor requirement, K-CMH, is designed to capture the potential for harm caused by a MIFIDPRU investment firm holding client money in connection with MiFID business and is calculated in line with MIFIDPRU 4.8.

The firm's K-CMH is based on client money held in accordance with Chapter 7 of the FCA CASS rules (Client Money). This confirms that the K-CMH calculation excludes any client money held by someone else on behalf of the client, but which BAL has the authority to control under Chapter 8 of the FCA CASS rules (Mandates).

#### K-COH

K-COH is designed to capture the potential for harm from a MIFIDPRU investment firm handling client orders. This includes the execution of orders on behalf of clients and the reception and transmission of client orders and is calculated in line with MIFIDPRU 4.10.

## 4.4 Internal capital

In addition to the own funds requirement discussed above, BAL has an internal capital target set by the Joint Board which provides a capital surplus over and above the requirement amount.

In advance of any significant business decisions being made, the impact that these decisions will have on the internal capital of BAL is fully assessed in order to ensure a suitable capital surplus is maintained in line with that approved by the Joint Board.

## 4.5 Approach to assessing adequacy of internal capital

BAL's capital adequacy is assessed via the BGL Group ICARA. BAL is not required to perform an ICARA on an individual basis provided that the BGL Group complies with the requirements outlined in MIFIDPRU 7.9.5R and MIFIDPRU 7.9.8R. The BGL Group ICARA process ensures that appropriate threshold requirements and triggers for capital, liquid assets and wind-down are determined and monitored for each of the MIFIDPRU investment firms included within the BGL Group.

The BGL Group ICARA process is an internal assessment of the amount of capital and liquid resources that are considered adequate to cover the nature and level of the risks to which BGL and its subsidiaries, including BAL, are or might be exposed. This approach is undertaken in full at least annually and is subject to regular review. It ensures a comprehensive consideration of all significant risks and harms posed relevant to the firm and is based on a combination of quantitative analysis and qualitative judgement of the Joint Board, senior management, RQA, Finance and subject matter experts.

BAL meets the Overall Financial Adequacy Rule ('OFAR') by holding adequate own funds and liquid assets:

- To ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and,
- To allow its business to wind-down in an orderly way (to minimise potential harm to clients and markets).

Potential harms have been identified by reviewing the business model and activities in line with the risk management framework. The assessment of harm follows three steps as outlined below:

### i. Identification of harm

The key risks are reviewed individually to determine if risk issues could lead to HtC, HtM and/or HtF (e.g. any given risk could cause some or all three types of harm). This assessment considers severe scenarios in each of the risk categories and determines the potential harm posed. As part of this analysis, both financial (e.g. client loss due to a trading error) and non-financial (e.g. inconvenience caused to clients) harms are considered.

### ii. Assessment of harm

The key risks that could cause adverse harm are further assessed to determine whether specific risk issues could result in adverse financial harm at 1 in 200-year severity. This allows identification of harm that necessitates holding capital in addition to the firm's rules based own funds requirement.

### iii. Quantification of harm

For the risks that could lead to adverse financial harm at 1 in 200-year severity, BAL's capital requirement is quantified via the following methods:

- Harm from operational risks: based on top-down operational risk capital allocation methodology.

- Changes in book value of assets (HtF from credit risk): quantified via analysis of severe impairments/default rates of individual positions on the statement of financial position.
- Changes in value of positions (HtF from market risk to balance sheet (FX)): quantified by applying a value at risk calculation to the firm's foreign currency exposures.

The assessment of harm considers implications beyond the direct capital requirements. The types of adverse harm that are beyond 1 in 200-year severity are assessed via stress tests and reverse stress tests. For example, the stress tests and reverse stress tests assess the impact of reputational, strategy/business and group risks.

For the 2024 BGL ICARA, two in-depth ICARA-specific workshops and further progress updates were held with the Joint Board and senior management. The workshops provided an opportunity to review all aspects of the BGL ICARA in a detailed and holistic manner.

#### **4.6 Approach to assessing liquidity risk**

Aligned with the overall financial adequacy rule, at all times, BAL holds liquid assets which are adequate, both as to their amount and their quality, to ensure that: (i) it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and (ii) the business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

EMEA Treasury maintain appropriate governance, processes and controls regarding the measurement, monitoring, usage and allocation of corporate liquidity, including but not limited to the following items:

- Ongoing monitoring of cash positions;
- Ongoing monitoring of corporate liquidity usage reported by businesses;
- Forecasting of liquidity;
- Stress scenarios and stress testing of liquidity requirements;
- Early warning indicators of potential liquidity shortfalls;
- Governance of corporate liquidity usage;
- Governance of the Liquidity Policy and Contingency Funding Plan (annually reviewed and approved by the BGL Board); and
- Regular reporting within EMEA Treasury and more broadly to the BGL CFO, BGL CRO and the BGL Board.

## 5. Disclosure of remuneration

The below disclosure provides information regarding the remuneration policies and practices in accordance with the requirements of MIFIDPRU 8.1.1 of the FCA Handbook.

BlackRock takes a group approach to remuneration where employees are awarded compensation in relation to financial and non-financial goals and objectives and not in relation to the services they provide to their employing entity. This group approach is covered in this remuneration disclosure and applies to all of the BGL Group regulated legal entities in EMEA and its subsidiaries, including BAL.

### 5.1 Remuneration governance

BlackRock's remuneration governance for EMEA operates as a tiered structure.

Responsibility for the Remuneration Policy for the BGL Group (the 'Policy'), its adoption and ongoing oversight of remuneration policies and practices for staff based in EMEA rests with the Joint Board.

The MDCC, which is the global, independent remuneration committee for BlackRock and comprises the Non-Executive Directors of BlackRock, Inc., also acts as the independent remuneration committee for the BGL Group. It therefore supports the Joint Board in meeting its remuneration related obligations by overseeing the design and implementation of the Policy in accordance with applicable regulations.

Both the Policy and its practical application must be consistent with the business strategy, objectives and long-term interests of the firm.

BlackRock's remuneration policy and practices are gender neutral and prohibit discrimination on the basis of an individual's protected characteristics.

#### Joint Board

The Joint Board, as the management body for the BGL Group, has ultimate responsibility for the Policy. The Joint Board delegates the implementation of the Policy to the MDCC. Periodic management information is provided to the Joint Board to enable an understanding of the operation of the Policy and oversight of the outcome of remuneration decisions, with updates provided to the Joint Board from accountable executives as necessary. The Joint Board will liaise with the Chair of the MDCC as necessary.

#### MDCC

The MDCC's purposes include:

- Providing oversight of:
  - BlackRock's executive compensation programmes;
  - BlackRock's employee benefit plans; and
  - Such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator;
- Reviewing and discussing the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approving the MDCC's report for inclusion in the proxy statement;
- Reviewing, assessing, and making reports and recommendations to the BlackRock, Inc. Board of Directors (the 'BlackRock, Inc. Board') as appropriate on BlackRock's talent development



and succession planning, with the emphasis on performance and succession at the highest management levels; and

- Supporting the Boards of BlackRock's EMEA regulated entities (including the Joint Board) in meeting their remuneration-related obligations by overseeing the design and implementation of the EMEA Remuneration Policy in accordance with applicable regulations.

The MDCC directly retains its own independent compensation consultant, Semler Brossy Consulting Group LLC, which has no relationship with BlackRock, Inc., or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The BlackRock, Inc. Board has determined that all of the members of the MDCC are "independent" within the meaning of the listing standards of the New York Stock Exchange, which requires each meet a "non-employee director" standard.

The MDCC held 9 meetings during 2023. The MDCC Charter is available on BlackRock, Inc.'s website ([www.blackrock.com](http://www.blackrock.com)).

## 5.2 Decision-making process

Remuneration decisions for employees are made annually in January following the end of the performance year. This timing allows full-year financial results to be considered along with other non-financial goals and objectives. Although the framework for remuneration decision-making is tied to financial performance, significant discretion is used to determine individual variable remuneration based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual remuneration amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award. The variable remuneration awarded to any individual(s) for a particular performance year may also be zero.

Annual incentive awards are paid from a bonus pool. The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year-end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of BlackRock's financial performance (e.g., net inflows of AUM and investment performance), as well as information regarding market conditions and competitive compensation levels.

Throughout the year, the MDCC also reviews other measures of our performance, market intelligence on compensation and information about market conditions. In December and January, management reports to the MDCC on absolute and/or relative performance metrics compared to major competitors, year-over-year and budget. These metrics include growth in revenues, operating income, net income, operating margin, net new inflows of AUM, and other quantitative and strategic measures.

The MDCC regularly considers management's recommendation as to the percentage of pre-incentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the "accrual rate"). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

The Human Resources department plays a key part in the year-end compensation review process. It facilitates the process and partners with management at all levels throughout BlackRock on both the distribution cascade of bonus pools and individual compensation decisions.

As part of the year-end compensation review process, the Enterprise Risk and Regulatory Compliance departments report to the MDCC on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

### **5.3 Control functions**

Each of the control functions (Enterprise Risk, Legal and Compliance, Finance and Internal Audit) has its own organisational structure which is operationally independent. The head of each control function is either a member of the Global Executive Committee, BlackRock's global management committee, or has a reporting obligation to the Joint Board.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the MDCC.

### **5.4 Link between pay and performance**

BlackRock has a clear and well-defined pay-for-performance philosophy and compensation programmes which are designed to meet the following key objectives:

- Appropriately balance BlackRock's financial results between shareholders and employees;
- Attract, retain and motivate employees capable of making significant contributions to the long-term success of the business;
- Align the interests of senior employees with those of shareholders by awarding BlackRock, Inc. stock as a significant part of both annual and long-term incentive awards;
- Control fixed costs by ensuring that compensation expense varies with profitability;
- Link a significant portion of an employee's total compensation to the financial and operational performance of the business;
- Promote sound and effective risk management across all risk categories, including sustainability risk;
- Discourage excessive risk-taking (sustainability related or otherwise); and
- Ensure that client interests are not negatively impacted by remuneration awarded on a short-term, mid-term and/or long-term basis.

Driving a high-performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Managers use a five-point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self-evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay-for-performance philosophy, ratings are used to differentiate and reward individual performance but do not pre-determine remuneration outcomes. Remuneration decisions remain discretionary and are made as part of the year-end remuneration process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- The performance of BlackRock's business and the relevant functional department;
- Factors relevant to an employee individually (e.g., relevant working arrangements, relationships with clients and colleagues, teamwork, skills, any compliance and/or conduct issues, and subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business);
- The management of risk within the risk profiles appropriate for BlackRock's clients;
- Strategic business needs, including intentions regarding retention;
- Market intelligence; and
- Criticality to business.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high-risk transactions outside of established parameters. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk, and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

## **5.5 Fixed remuneration**

BlackRock operates a total compensation model for remuneration which includes a base salary, benefits in kind and fixed allowances (for certain roles) that are contractual and considered to be fixed remuneration.

Employees receive a base salary that is permanent, non-discretionary and reflects an employee's responsibilities, level of experience and expertise needed to undertake their role. Salaries are reviewed annually, and any increases are normally effective on 1 January following the financial year-end.

The base salary component of total remuneration is designed to avoid risk taking on the basis that the BGL Group reviews base salary levels to ensure that base salary forms a sufficiently high proportion of employees' total remuneration.

In addition to base salary, some employees may receive a fixed Role-Based Allowance during the period for which a specific role, function or organisational responsibility is performed by such employee.

Fixed remuneration also includes benefits in kind to help recruit and retain talent, reflect local market practice, and support employee health and wellbeing. Employee benefits vary between jurisdictions, reflecting local market practice and statutory requirements.

## **5.6 Variable remuneration**

BlackRock operates an annual discretionary bonus scheme. Although all employees are eligible to be considered for a bonus, there is no contractual obligation to make any award to an employee under the discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under section 5.4) may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year. The firm may alter the factors it takes into account, or the importance given to any one factor at any time.

BlackRock's financial year-end is 31 December and the discretionary bonus awards (if any) made to eligible employees will normally be made at the end of January of the following year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion deferred into BlackRock, Inc. stock (as Restricted Stock Units) and subject to additional vesting/clawback conditions. Stock awards are subject to further performance adjustment through variation in BlackRock, Inc.'s share price over the vesting period. As annual total compensation increases, a greater portion is deferred into stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the total compensation package for eligible employees, including the executive officers. The portion deferred into stock vests in equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity-based awards are made to select individuals to provide greater linkage with future business results. These long-term incentive awards have been established individually to provide meaningful incentive for continued performance over a multi-year period recognising the scope of the individual's role, business expertise and leadership skills. These awards usually vest fully three years after they are granted. These types of time vesting equity awards are designed to reward individuals across the organisation:

- Partner Plan Awards aim to reward individuals for sustained long-term development and future growth potential (typically Managing Directors with significant operational breadth);
- Equity Ownership Awards aim to reward and retain high potential employees and ensure they are tied to the long-term success of the firm; and
- Target Equity Awards are special one-time awards designed to reward exceptional performance.

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the BlackRock Performance Incentive Plan ('BPIP'). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin<sup>9</sup> and Organic Revenue Growth<sup>10</sup>. Determination of pay-out will be made based on the firm's achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where the firm's financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the relevant employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have "skin in the game" through significant personal investments. These awards vest in equal instalments over the three years following grant.

A limited number of employees supporting alternative products may be eligible to receive Carried Interest awards. Carried Interest awards generally represent the right to receive a portion of distributions from an alternative product only if such an alternative product has returned sufficient capital to its investors following the realisation of the product's investments above a specified return threshold. Consequently, the actual amount of any carried interest distributions, if any, to be received by any of the regulated subsidiaries of the BGL Group, and the participants in the program, is solely a function of the ultimate performance of the relevant alternative products and the performance and realisation of their underlying investments. Carried Interest award agreements track the underlying alternative products to allow fund investors to claw back prior paid carry amounts in the event of subsequent underperformance, and distributions will not be made earlier than four years from the grant date for Material Risk Takers ('MRTs').

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<sup>9</sup> As Adjusted Operating Margin: As reported in BlackRock's external filings, reflects adjusted operating income divided by total revenue net of distribution and servicing expenses and amortisation of deferred sales commissions.

<sup>10</sup> Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in dollars).

Annual discretionary bonus, equity-based awards and carried interest are all considered as variable remuneration.

The fixed and variable components of total compensation are appropriately balanced with maximum fixed to variable remuneration ratios set for MRTs.

## **5.7 Approach to determining Material Risk Takers**

MRTs are defined as those employees whose professional activities have a material impact on a firm's risk profile.

The BGL Group undertakes a thorough review to determine which employees have professional activities that result in identification as an MRT in accordance with the criteria set out in the FCA handbook SYSC 19G5.3 – 5.5.

The BGL Group MRT list is reviewed and approved through the remuneration governance arrangements outlined in section 5.1 above.

## **5.8 Remunerations of MRTs**

For MRTs the proportion of variable remuneration awarded in equity, i.e., shares, instruments or alternative arrangements will be at least 50%. At least 40% of total variable remuneration (both the equity and the cash component) must be deferred over a period which is at least three years and vests no faster than on a pro-rata basis over the three years following grant (rising to 60% for those with discretionary bonus awards of £500,000 or more).

Once vested, deferred awards to MRTs will be subject to a minimum six-month retention requirement (as per SYSC 19G.6.22).

All of the BGL Group MRTs will be informed of the implication of their status as MRTs, will be included on BGL Group's maintained MRT list and will receive a written communication in relation to their obligations.

## **5.9 Guaranteed remuneration**

Guaranteed variable remuneration may only be awarded in exceptional circumstances and will not be excessive. Such guaranteed remuneration, if any, shall be limited to the first year of service, in the context of hiring new staff.

Where an award compensates a new joiner for forfeited deferred remuneration from a previous employer, any award will take into consideration the amount and terms (including any deferral, form and retention periods) of the variable remuneration awarded or offered by the individual's previous employer.

## **5.10 Severance pay**

Severance pay (in addition to any national labour law requirements) is at the BGL Group's absolute discretion.

Any payments related to early termination of contracts will reflect performance achieved over time and will be designed in a way which does not reward failure.

## **5.11 Risk adjustment**

All employees are subject to BlackRock's global, firmwide Clawback Policy. The Clawback Policy states that if the BlackRock, Inc. Board determines that a current or former employee has engaged in fraud or wilful misconduct which caused the need for a significant restatement of BlackRock, Inc.'s financial statements, the BlackRock, Inc. Board will review all performance-based compensation awarded to or

earned by that employee on the basis of performance during fiscal periods affected by the restatement. This would include annual and long-term incentive awards and all forms of equity-based compensation.

If the BlackRock, Inc. Board determines that performance-based compensation would have been lower (or zero) had it been based on the restated financial statements, the BlackRock, Inc. Board will consider whether to seek recoupment on behalf of BlackRock, Inc. from that current or former employee of all or any portion of such performance-based compensation (including any appreciation thereon) as it deems appropriate after a review of all relevant facts and circumstances. Generally, this review would include consideration of:

- The BlackRock, Inc. Board's determination of what performance-based compensation would have been awarded to or earned by the employee had the financial statements been properly reported;
- The nature of the events that led to the restatement;
- The conduct of the employee in connection with the events that led to the restatement;
- Whether the assertion of a claim against the employee could prejudice BlackRock, Inc.'s overall interests;
- Whether other penalties or punishments are being imposed on the employee, including by third parties such as law enforcement agencies, regulators or other authorities; and
- Any other facts and circumstances that the BlackRock, Inc. Board deems relevant.

The BlackRock, Inc. Board will determine the appropriate means by which recoupment will be achieved, including but not limited to, requiring the employee to pay such amount to BlackRock, by set-off, or by such other means or combination of means as the BlackRock, Inc. Board determines to be appropriate (including bringing legal action against such current or former employee).

In addition, where the Joint Board determines that any BGL Group MRT which is subject to the MIFIDPRU Remuneration Code:

- i. Participated in or was responsible for conduct which resulted in significant losses to the firm; and/or
- ii. Failed to meet appropriate standards of fitness and propriety;

it will have the right to reduce the amount of an in-year or deferred award of variable compensation made to that BGL Group MRT (including to zero if necessary) during the period commencing with the date of the award and ending on the date on which the retention period expired in accordance with the BlackRock (IFPR) Malus and Clawback policy.

## 5.12 Quantitative remuneration disclosure<sup>11</sup>

The following figures show the remuneration awarded by BIM (UK) in respect of the 2023 performance year.

The total number of MRTs identified by BIM (UK) under SYSC 19G.5 was 69.

**Figure 5.1 Fixed and variable remuneration awarded in respect of the performance year 2023**

£000s	Senior Management	Other MRTs	Other staff
Total remuneration	<b>93,669</b>	<b>35,342</b>	<b>745,791</b>
Fixed remuneration <sup>12</sup>	28,653	5,360	455,359
Variable remuneration	65,016	29,982	290,432
Of which upfront cash	15,889	11,491	N/A
Of which upfront instruments	-	-	N/A
Of which deferred cash	-	-	N/A
Of which deferred instruments <sup>13</sup>	49,127	18,491	N/A

Figures subject to rounding.

**Figure 5.2 Deferred remuneration awarded in respect of prior performance years**

£000s	Senior Management	Other MRTs
Due to vest in the 2023 performance year	<b>38,304</b>	<b>59,911</b>
Of which will be paid	38,304	59,911
Of which will be withheld due to performance adjustment	-	-
Due to vest in subsequent performance years	99,083	86,586

Figures subject to rounding.

**Figure 5.3 Guaranteed variable remuneration and severance payments awarded to MRTs**

£000s	Senior Management	Other MRTs
Guaranteed variable remuneration awards in 2023	-	-
- Number of beneficiaries	-	-
- Amount	-	-
Severance payments paid out in 2023		<b>3</b>
- Number of beneficiaries		
- Amount		<b>1,121</b>
Highest individual severance payment	<b>825</b>	<b>128</b>

Figures subject to rounding.

<sup>11</sup> This disclosure captures all remuneration awarded to BIM (UK) employees for the 2023 performance year, however, considering BlackRock's group approach to remuneration, some of this will relate to services undertaken for BAL.

<sup>12</sup> This includes base salary and any fixed allowances. Non-Executive Directors receive fixed remuneration only.

<sup>13</sup> This includes Restricted Stock Units and carried interest.

## **Proportionality**

With respect to performance year 2023, BIM (UK) used the individual exemption set out in SYSC 19G.5.9R with respect to six MRTs because those MRTs earned an annual variable remuneration that did not exceed £167,000 and did not represent more than one-third of the total annual remuneration.

MRTs who satisfy the individual exemption conditions in SYSC 19G.5.9R have the provisions of SYSC 19G.5.9R(2) disapplied.

The total remuneration awarded to these six MRTs was £1,898,000, made up of £1,349,000 in fixed remuneration and £549,000 in variable remuneration.

With respect to severance payments paid out in 2023, BIM (UK) has aggregated the information to be disclosed under MIFIDPRU 8.6.8R(5)(b) as permitted under the exemption set out in MIFIDPRU 8.6.8R(7) to preserve the confidential nature of individual's remuneration.



## 6. Investment policy

MIFIDPRU 8.7 of the FCA's Handbook requires a firm to make specific disclosures in respect of its investments in each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company at the time of the general meeting.

Where the 5% threshold is exceeded, MIFIDPRU 8.7 requires the following items to be disclosed:

- Proportion of voting rights attached to the shares held;
- Complete description of voting behaviour in the general meetings of companies the shares of which are held, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved;
- An explanation of the use of proxy advisor firms; and
- Voting guidelines regarding the companies the shares of which are held.

The 5% threshold is assessed for BAL on a solo basis and includes both shares held directly by BAL and shares held indirectly through the portfolio management activities by BAL. BAL did not hold any holdings in respect of a company whose shares are admitted to trading in a regulated market in excess of the specified threshold.

## Appendix A – Glossary

Abbreviation	Definition
<b>APAC</b>	Asia-Pacific
<b>AUM</b>	Assets under Management
<b>BAL</b>	BlackRock Advisors (UK) Limited
<b>BGI</b>	Barclays Global Investors
<b>BGL</b>	BlackRock Group Limited
<b>BGL Board</b>	Joint Board of BGL, BAL, BIL and BIM (UK)
<b>BGL Group</b>	BlackRock Group Limited and its subsidiaries
<b>BIL</b>	BlackRock International Limited
<b>BIM (UK)</b>	BlackRock Investment Management (UK) Limited
<b>BPIP</b>	BlackRock Performance Incentive Plan
<b>BRFE</b>	BlackRock Finance Europe Limited
<b>CASS</b>	Client Assets Sourcebook
<b>CEO</b>	Chief Executive Officer
<b>CET1</b>	Common Equity Tier 1
<b>CFA</b>	Chartered Financial Analyst
<b>CFO</b>	Chief Financial Officer
<b>Col</b>	Conflicts of Interest
<b>COO</b>	Chief Operating Officer
<b>CRO</b>	Chief Risk Officer
<b>EII</b>	ETF and Index Investments
<b>EMEA</b>	Europe, Middle East and Africa
<b>ERI</b>	Enterprise Risk Indicator
<b>ERMC</b>	Enterprise Risk Management Committee
<b>ETF</b>	Exchange Traded Fund
<b>FCA</b>	Financial Conduct Authority
<b>FOR</b>	Fixed Overhead Requirement
<b>FX</b>	Foreign Exchange
<b>HtC</b>	Harm to Client
<b>HtF</b>	Harm to Firm
<b>HtM</b>	Harm to Market
<b>ICARA</b>	Internal Capital Adequacy and Risk Assessment
<b>ICARAP</b>	Internal Capital Adequacy and Risk Assessment Process
<b>IFPR</b>	Investment Firms Prudential Regime
<b>ISS</b>	Institutional Shareholder Services
<b>Joint Board</b>	Joint Board of BGL, BAL, BIL and BIM (UK)
<b>K-ASA</b>	Assets Safeguarded and Administered K-factor
<b>K-AUM</b>	Assets Under Management K-factor
<b>K-CMG</b>	Clearing Margin Given K-factor
<b>K-CMH</b>	Client Money Held K-factor
<b>K-COH</b>	Client Orders Handled K-factor
<b>K-CON</b>	Concentration Risk K-factor
<b>K-DTF</b>	Daily Trading Flow K-factor
<b>K-NPR</b>	Net Position Risk K-factor
<b>K-TCO</b>	Trading Counterparty Default K-factor
<b>LLC</b>	Limited Liability Company

<b>Abbreviation</b>	<b>Definition</b>
<b>MDCC</b>	Management Development and Compensation Committee of the Board of Directors (BlackRock's independent remuneration committee)
<b>MiFID</b>	Markets in Financial Instruments Directive
<b>MIFIDPRU</b>	Prudential Sourcebook for MiFID Investment Firms
<b>MLIM</b>	Merrill Lynch Investment Managers
<b>MRT</b>	Material Risk Taker
<b>NED</b>	Non-Executive Director
<b>OFAR</b>	Overall Financial Adequacy Rule
<b>PLC</b>	Public Limited Company
<b>PMR</b>	Permanent Minimum Capital Requirement
<b>PS</b>	Policy Statement
<b>RCI</b>	Risk and Control Issue
<b>RCSA</b>	Risk and Control Self-Assessment
<b>RMF</b>	Risk Management Framework
<b>RQA</b>	Risk and Quantitative Analysis
<b>RTS</b>	Risk Tolerance Statement
<b>SMF</b>	Senior Management Function
<b>SNI</b>	Small and non-interconnected
<b>UK</b>	United Kingdom

## Appendix B – OF3 – Description of main features of capital instruments

Own funds: main features of own instruments issued by the firm	
Issuer	BlackRock Advisors (UK) Limited
Public or private placement	Private
Instrument type	Ordinary shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	875 share capital 162,007 share premium
Nominal amount of instrument (GBP whole number)	1
Issue price	N/A
Redemption price	N/A
Accounting classification	Shareholders' equity
Original date of issuance	Company was incorporated on 18 March 1964 with shares transferred to BlackRock on 1 December 2009. There were 875,000 ordinary shares of £1 each as at 31 December 2023.
Perpetual or dated	Perpetual
Maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
<i>Coupons/dividends</i>	
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	No
Convertible or non-convertible	Non-convertible
Write-down features	No
Link to the terms and conditions of the instrument	N/A

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## **Contact Information**

Email: [CorporateCommunications-EMEA@blackrock.com](mailto:CorporateCommunications-EMEA@blackrock.com)