

**BlackRock**

**BlackRock Institutional  
Trust Company, N.A. – UK  
Branch**

**TCFD Entity Report**

**For the year ending 31 December 2023**

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# 1. Introduction and context

## 1.1. Purpose

BlackRock Institutional Trust Company, N.A. - UK Branch (“BTC UK” or the “Branch”) is a branch of BlackRock Institutional Trust Company, N.A. (“BTC”), a national banking association based in the United States of America (“USA”). BTC UK is authorised and regulated by the Financial Conduct Authority (“FCA”).

This document fulfils the regulatory requirement under the FCA’s Environmental, Social and Governance (“ESG”) sourcebook for regulated investment managers to prepare and publish a “TCFD entity report” containing climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures (“TCFD”) *Recommendations and Recommended Disclosures*.<sup>1</sup> This TCFD entity report sets out matters relevant to the Branch’s consideration of climate-related matters when managing assets on behalf of clients, encompassing disclosure of *Governance, Strategy and Risk Management* arrangements, as well as relevant climate-related *Metrics and Targets*.

## 1.2. BlackRock structure and business activities

BTC UK’s principal activity is the provision of investment management services.

BTC UK is a branch of BlackRock Institutional Trust Company, N.A., a company domiciled in the USA, which is indirectly wholly owned by BlackRock, Inc. through multiple holding companies. BTC UK is governed by a Steering Committee (the “Committee”). Further detail on the Committee is provided in section 2 below.

## 1.3. Basis of preparation

This TCFD entity report has been prepared for BTC UK on a stand-alone basis in accordance with the relevant provisions contained in the ESG sourcebook, the TCFD Recommendations and Recommended Disclosures, and the applicable sections of the 2021 TCFD Annex<sup>2</sup> as required under ESG 2.1.6R. Where appropriate, this entity report cross-references the BlackRock, Inc. Group (“BlackRock”) [2023 TCFD report](#); cross-referral is made only in respect of matters disclosed in the BlackRock 2023 TCFD report that are directly relevant to BTC UK.

Chapter 2.1 of the ESG sourcebook requires firms to prepare and publish a TCFD entity report no later than 30 June each calendar year. The BTC UK TCFD entity report adopts a 12-month reporting period that ends on 31 December of the year prior to the date of publication.

In line with the requirements outlined in the ESG sourcebook chapters 1.1 and 1.2, the disclosures contained in this report relate to assets managed in connection with the Branch’s TCFD in-scope business. For BTC UK, TCFD in-scope business is the provision of investment management services. The metrics presented in section 5 of this report relate exclusively to assets managed by BTC UK on behalf of BTC’s clients, irrespective of where the client, product or portfolio is domiciled.

BTC UK aligns with relevant BlackRock policies, processes and methodologies, and draws upon the expertise of the wider BlackRock business, including business functions that are organised globally, where required and appropriate. As such, and unless otherwise stated, references throughout this report to BlackRock’s policies, processes or methodologies encompass BTC UK and its activities.

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<sup>1</sup> TCFD Recommendations and Recommended Disclosures is a reference to the TCFD report entitled “Recommendations of the Task Force on Climate-related Financial Disclosures” (the “TCFD Final Report”) and, specifically, the four pillars and the eleven recommended disclosures detailed in section C (Figure 4) of the report. This reference also encompasses the Annex to the TCFD report entitled “Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures” and, specifically, section C (Guidance for All Sectors) and part 4 section D (Supplemental Guidance for Asset Managers).

<sup>2</sup> The 2021 TCFD Annex updates and supersedes the 2017 version of “Implementing the Recommendations of the TCFD”. It provides both general and sector-specific guidance on implementing the Task-Force’s recommendations. ESG 2.1.6R(1) and (3) require the firm to ensure its TCFD entity report reflects, to the extent it is relevant, the guidance in section C and part 4 section D of the TCFD Annex. [2021-TCFD-Implementing Guidance.pdf \(bbhub.io\)](#)

It is anticipated that BTC UK's approach to TCFD entity reporting will continue to evolve, particularly as climate-related data and quantification methodologies develop further. The quantitative methodologies adopted for the current report, together with the known limitations of those methodologies, are referenced in section 5 of the report.

#### **1.4. Compliance statement**

ESG 2.2.7 requires a firm's TCFD entity report to include a statement confirming that the disclosures contained in the report comply with the requirements of the ESG sourcebook.

In respect of the Branch's TCFD entity report, this compliance statement is underpinned by BlackRock's internal control and governance procedures. This provides assurance that the disclosures contained in this report, including any disclosures cross-referenced in the BlackRock 2023 TCFD report, comply with the ESG sourcebook's TCFD entity reporting requirements. This compliance statement should be read in conjunction with section 1.3, which details the basis on which this report has been prepared and includes an expectation that the matters disclosed in this entity report will continue to evolve in line with market practice and the ongoing development of quantification methodologies.



Colin McDonald  
BlackRock Group Limited, Chief Financial Officer

## 2. Governance

Effective corporate governance is critical to executing on BlackRock's strategy and fulfilling its responsibilities to clients. BlackRock's governance with respect to sustainability-related<sup>3</sup> matters reflects the firm's commitment to strong leadership and oversight of such matters at the senior management and Board levels. At BlackRock, sustainability issues are integrated into and regularly form part of Board-level discussions of firm and business line strategy. Responsibility for sustainability oversight is shared across the full Board and its committees.

### BlackRock Board oversight

BlackRock's Board engages with senior leaders on near- and long-term business strategy and reviews management's performance in delivering long-term financial value creation on behalf of clients. Helping clients meet their sustainability-related investment objectives and preferences is a critical component of the firm's overall business strategy and among one of several senior management responsibilities over which the Board has oversight.

The Board holds six regularly scheduled meetings per year during which the Board's committees also meet. In 2023, the full Board or its committees reviewed and discussed aspects of BlackRock's climate and sustainability-related strategy during four out of the six meetings.

The Nominating, Governance and Sustainability Committee of the Board ("NGSC") oversees investment stewardship, public policy, corporate sustainability and social impact activities. The NGSC periodically reviews corporate and investment stewardship-related policies and programs, as well as significant publications relating to environmental (including climate), social and other sustainability matters. As appropriate, the NGSC makes recommendations on these matters to be reviewed by the full Board. The NGSC also periodically reviews the firm's approach to public policy and advocacy activities, including public policy priorities and memberships in trade associations, as well as the philanthropic programmes of the firm and related strategies.

BlackRock's Board is responsible for overseeing risk management activities. The Risk Committee of the Board assists the Board with its oversight of BlackRock's levels of risk, risk assessment, and risk management, including with respect to climate and other sustainability risks.

### Management oversight

BlackRock's senior management oversees progress towards BlackRock's strategic objectives, including climate- and sustainability-related objectives for BlackRock as an asset manager and as a corporate entity. At a global level, BlackRock has two management committees that share responsibility for management of various climate and other sustainability-related risks and opportunities. The BlackRock Global Executive Committee ("GEC") sets the strategic vision and priorities of the firm and drives accountability at all levels. The Investment Sub-Committee of the BlackRock GEC oversees the investment process of its clients' portfolios across the firm's investment groups. Members of the Investment Sub-Committee include the Chief Risk Officer and the global heads or sponsors of all major investment divisions; the major investment divisions include ETFs and Index Investments, Portfolio Management Group, Global Trading & Transition Management, and BlackRock Alternatives.

### BTC UK Steering Committee Oversight

BTC UK's Steering Committee is the Branch's governing body whose principal responsibilities are set out in its terms of reference. The Committee, which meets at least quarterly, is responsible for providing oversight of the portfolio management activities conducted out of BTC UK, as well as oversight of related governance, operations, risk and compliance matters. The Committee consists of both "members" and "advisors". The Committee members are senior individuals from a range of BlackRock business functions, all of whom have been appointed as Senior Management Function holders for BTC UK under the FCA's Senior Managers Certification Regime ("SMCR"). The

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<sup>3</sup> References throughout this document to "sustainability" encompass climate-related matters, unless otherwise stated.

Committee’s advisors consist of individuals from control and business functions and advise the Committee members on a range of matters relating to the Branch.

Although BlackRock’s strategy, including as it relates to sustainability, is developed and reviewed at a global level, it is designed to meet requirements applicable to all of BlackRock’s locations. The Committee aligns with BlackRock’s strategy via its oversight and scrutiny of investment services performed by BTC UK and ensures that it meets local regulatory requirements, including as they relate to sustainability.

## 2.1. Functional groups

In practice, sustainability, including climate, is integrated into different business units across the firm. Several teams focus on sustainability, while others integrate sustainability into their broader functional responsibilities, as appropriate. Figure 2.2 contains further information on the climate and sustainability-related responsibilities of the relevant teams. While many of these functions are organised globally, including either a direct or indirect reporting line into the GEC, each function works with local teams to deliver on client requirements.

**Figure 2.2 Functional groups involved in climate & sustainability-related matters<sup>4</sup>**

Team	Sustainability-Related Responsibilities	Management Reporting Line
<b>Aladdin</b>	<ul style="list-style-type: none"> <li>Integrates third-party environmental, social and / or governance metrics on the Aladdin platform to support sustainability-related risk management, regulatory disclosures and reporting requirements.</li> <li>Develops proprietary climate risk analytics (Aladdin Climate) to support climate risk management and portfolio decarbonisation analysis.</li> </ul>	Global Head of Aladdin is a member of GEC
<b>BlackRock Investment Institute (“BII”)</b>	<ul style="list-style-type: none"> <li>Produces macro and portfolio research, including BlackRock’s Capital Market Assumptions.</li> <li>The Sustainable Investment Research and Analytics team produces sustainable investment insights, including thought leadership and research on investment implications of the low-carbon transition.</li> </ul>	Head of BII reports to a Vice Chairman (GEC member)
<b>BlackRock Investment Stewardship (“BIS”)</b>	<ul style="list-style-type: none"> <li>Serves as a link between clients and the companies they invest in, engaging with investee corporate leadership and proxy voting at shareholder meetings when authorised by clients to do so. Where appropriate, BIS engages with companies on material climate-related issues.</li> </ul>	Global Head of BIS is a GEC member
<b>Corporate Sustainability</b>	<ul style="list-style-type: none"> <li>Leads efforts to drive operational sustainability, establish sustainable business programs and policies, and engage key stakeholders on BlackRock’s contribution towards the low-carbon transition and establishing BlackRock’s operational sustainability goals.</li> </ul>	Reporting line into Global Head of Corporate Affairs (GEC member)
<b>Enterprise Services (“ES”)</b>	<ul style="list-style-type: none"> <li>Corporate Real Estate, Space Planning, Critical Infrastructure and Workplace Experience teams manage BlackRock’s owned and leased corporate footprint, including the management of energy efficiency and carbon reduction initiatives where BlackRock has operational control.</li> <li>Work alongside key stakeholders such as office leadership, property managers (leased premises) and the employee-run Green Team Network to plan and implement sustainability efforts in offices.</li> <li>Business Continuity Management manages disaster recovery planning, strategy, and crisis management activities.</li> <li>Health &amp; Safety team monitors adherence to local environmental regulations and manages the firm’s Environmental Management System.</li> </ul>	Global Head of ES reporting line to Global Head of Technology & Operations (GEC member)
<b>Global Corporate Sustainability Controllers</b>	<ul style="list-style-type: none"> <li>Develops corporate climate- and sustainability-related disclosures globally, for both voluntary and mandatory reporting obligations.</li> </ul>	Global Controller reports into Chief Financial Officer (GEC member)

<sup>4</sup> As of 31 December 2023.

<b>Government Affairs &amp; Public Policy (“GAPP”)</b>	<ul style="list-style-type: none"> <li>Engages in financial services public policy dialogue, including in relation to climate risk and sustainability disclosures, through participation in industry initiatives, engagement with regulators and standard setters around the world, and through whitepapers, comment letters and consultation responses regularly published on BlackRock’s website.</li> </ul>	Heads of Government Affairs & Public Policy reports to Global Head of Corporate Affairs (GEC member)
<b>Global Product Group</b>	<ul style="list-style-type: none"> <li>Leads sustainable product innovation and development, governance, and strategy across the global product platform.</li> </ul>	Chief Product Officer reports to President (GEC member)
<b>Investment Divisions</b>	<ul style="list-style-type: none"> <li>BlackRock investment divisions include ETFs and Index Investments, Portfolio Management Group, Global Trading &amp; Transition Management, and Equity Private Markets.</li> <li>Active portfolio teams manage exposure to financially material environmental, social and / or governance risks, and consider environmental, social and / or governance information in their investment processes, as applicable and consistent with client goals.</li> <li>Investment teams often have sustainability-focused units.</li> </ul>	Heads of major investment verticals are members of GEC and GEC Investment Sub-Committee
<b>Legal &amp; Compliance (“L&amp;C”)</b>	<ul style="list-style-type: none"> <li>Assists in development of sustainability-related disclosures and compliance with applicable sustainability-related regulatory and reporting requirements across the firm.</li> </ul>	General Counsel / Chief Legal Officer is a member of the GEC
<b>Risk &amp; Quantitative Analysis Group (“RQA”)</b>	<ul style="list-style-type: none"> <li>Responsible for BlackRock’s Investment and Enterprise risk management framework which includes oversight of sustainability-related investment risks.</li> <li>RQA evaluates investment risks, including financially material sustainability risks, on an ongoing basis as part of regular investment risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring.</li> <li>Maintains a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.</li> <li>Consults with investors and sustainability experts across the firm to evaluate environmental, social and / or governance related data, models, methodologies and / or analytics.</li> </ul>	Chief Risk Officer is a member of GEC and GEC Investment Sub-Committee
<b>Sustainable &amp; Transition Solutions (“STS”)</b>	<ul style="list-style-type: none"> <li>Leads BlackRock’s sustainability and transition strategy, drives cross-functional change, supports client and external engagement, powers product ideation, and embeds sustainable expertise across the firm in partnership with other teams.</li> </ul>	Global Head of STS reports to a Vice Chairman (GEC member)

## 2.2. Remuneration

BlackRock has a clear and well-defined pay-for-performance philosophy and compensation programmes which are designed to meet a number of objectives. These objectives include the promotion of sound and effective risk management across all risk categories, including sustainability risk, and discouraging excessive risk-taking (sustainability-related or otherwise).

## 3. Strategy

BlackRock was founded on the premise of understanding and managing investment risk, anticipating client needs, and working with clients to achieve their investment goals. This is core to BlackRock's strategy.

BlackRock recognises that different clients have different investment preferences and objectives. Climate risk and the economic opportunities arising from the low-carbon transition are among the top priorities for many of BlackRock's clients. Clients are increasingly asking BlackRock how to mitigate risk and capture opportunities associated with climate and the transition to a low-carbon economy. As a fiduciary, BlackRock considers relevant and material risks and opportunities that could impact portfolios, when consistent with investment guidelines. For clients interested in sustainability and the transition to a low-carbon economy, BlackRock offers a wide range of investment products, analytics and research to help them achieve their chosen investment objectives.

BlackRock recognises that different clients have different investment preferences and objectives. BlackRock provides choice to clients, including by offering a wide range of investment products to help them meet their investment goals, and delivering on the instructions and guidelines that clients ultimately select.

BlackRock's investment decisions and its stewardship engagement and voting are governed strictly by its fiduciary duty to clients. As such, BlackRock does not make any commitments or pledges that would interfere with its independent determination on how to engage with issuers and vote proxies on behalf of its clients.

### 3.1. Investment approach

As a fiduciary, BlackRock's investment approach is informed by three principles:

- understanding the client's investment objectives and providing choice to meet their needs;
- seeking the best risk-adjusted returns within the scope of the mandate given by clients; and
- underpinning its work with research, data, and analytics.

BlackRock incorporates financially material sustainability data or information, including material data and information related to climate, alongside other information into firmwide processes, where relevant, with the objective of enhancing risk-adjusted returns. BlackRock has a framework for environmental, social and governance integration that permits a diversity of approaches across different investment teams, strategies and particular client mandates. As with other investment risks and opportunities, the financial materiality of environmental, social and / or governance considerations may vary by issuer, sector, product, mandate and time horizon. As such, BlackRock's environmental, social and governance integration framework needs to allow for flexibility across investment teams. Please refer to BlackRock's [ESG Integration Statement](#) for additional information.

Research is at the centre of BlackRock's investment approach and processes. It informs BlackRock's investment decisions and product innovation. BlackRock researches major structural trends shaping the economy, markets, and asset prices. BlackRock assess how these trends could affect long-term value and how they could unfold over time. The transition to a low-carbon economy is one trend that the firm researches, because BlackRock sees it having implications on macroeconomic trends, company financial prospects and business models, and portfolios.

BlackRock's role in the transition is as a fiduciary to its clients. BlackRock's role is to help clients navigate investment risks and opportunities, not to engineer a specific decarbonisation outcome in the real economy. The money BlackRock manages is not its own — it belongs to BlackRock's clients, many of whom make their own asset allocation and portfolio construction decisions.

#### Sustainable investment solutions

To enable choice and meet client demand, BlackRock offers a wide range of sustainable investment strategies to clients. As of 31 December 2023, BlackRock had over 400 sustainable funds globally covering a spectrum of sustainable solutions, as well as customised solutions to meet clients'



objectives, and managed \$802 billion globally in its sustainable investing platform on behalf of its clients. As of 31 December 2023, BlackRock managed \$138 billion globally in its transition investment platform on behalf of its clients.<sup>5</sup>

BlackRock’s sustainable investment platform provides clients with choice to invest in line with their specific investment goals and objectives. Across the platform, products use environmental, social and / or governance data as a portfolio construction input. A subset of those products also seeks to achieve long-term sustainability outcomes, in line with each product’s specific investment objective. These solutions include a variety of products and strategies that support the transition to a low-carbon economy.

An overview of BlackRock’s sustainable product framework is provided in Figure 3.1

**Figure 3.1 BlackRock Sustainable Investing Platform**

	Screened	Uplift	Thematic	Impact
<b>Investment approach</b>	Constrain investments by <b>avoiding issuers or business activities</b> with certain environmental, social and / or governance characteristics.	Commitment to investments with <b>improved environmental, social and / or governance characteristics</b> versus a stated universe or benchmark.	Targeted investments in issuers <b>whose business models</b> may not only benefit from but also may <b>drive long-term sustainability outcomes</b> .	Commitment to <b>generate positive, measurable, and additional sustainability outcomes</b> .
<b>Additional details</b>	Includes use of screens and may be enhanced with active engagement with specific issuers.	Environmental, social and / or governance data drives portfolio construction and security selection with some strategies leveraging to target a specific objective.	Strategy construction determined by focused exposure to the specific environmental or social theme.	Investment process must showcase “additionality” or “intentionality” in line with Operating Principles for Impact Management.

Further information on BlackRock’s sustainable investment strategies is available in the **Strategy** section of the [BlackRock 2023 TCFD Report](#).

### 3.2. Investment stewardship

Investment stewardship is one of the ways in which BlackRock fulfils its fiduciary responsibilities as an asset manager to its clients. The BlackRock Investment Stewardship team serves as a link between BlackRock’s clients and the companies BlackRock invests in on their behalf. The team aims to build constructive relationships with companies and encourage the corporate governance practices that can contribute to long-term financial value creation. BIS does this by engaging with investee companies and proxy voting on behalf of BlackRock’s clients who have given BlackRock such authority. BIS’ approach to stewardship is outlined in its [Global Principles](#), regional [voting guidelines](#) and [engagement priorities](#).

Consistent with prior years, in 2023, BIS engaged with companies on five priorities that, in the team’s experience, support long-term financial performance: Board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with financial value creation; climate

<sup>5</sup> In some instances, assets included in BlackRock’s sustainable investing platform also qualify for inclusion in BlackRock’s transition investing platform. As such, the value of assets in each platform should not be aggregated.

and natural capital; and company impacts on people. In their engagements during the 2022-2023 proxy year, the BIS team encouraged companies to provide disclosures aligned with the reporting framework developed by the TCFD to support investors' ability to assess these risks.

### 3.3. Risks, opportunities, and scenario analysis

BlackRock recognises the importance of effective identification, monitoring, and management of climate-related risks and opportunities across its global business and corporate operations.

BTC UK's exposure to climate-related risk is primarily indirect, with such risks having the potential to affect future revenues and expenses, as opposed to assets and liabilities. The assets that BTC UK manages belong to clients, not to BTC UK. BTC UK typically earns investment management fees as a percentage of assets under management ("AUM").

#### Climate-related opportunities

BlackRock considers increased client demand for investment solutions that align with clients' sustainability, including climate-related, objectives to be a key opportunity. BlackRock believes that its \$802 billion dedicated sustainable investing platform and its \$138 billion transition investment platform are well-positioned to meet the increased demand from clients looking to invest in products that include sustainability / transition-related characteristics.

Figure 3.2 contains a summary of the principal climate-related risks that BlackRock has identified, and which have also been deemed relevant to BTC UK, together with an indication of the primary anticipated financial impact arising from each of these risks.

**Figure 3.2 Summary of climate-related risks<sup>6</sup>**

Risk	Description	Primary Anticipated Financial Impact
<b>Market</b>	Market-related risks are among the key risks to which BlackRock's profitability may be exposed. Fluctuations in asset value due to climate-related risks could lead to a reduction in investment management revenues as a result of decline in the value of BlackRock's AUM, withdrawal of funds from BlackRock's products or the rebalancing or reallocating of assets into BlackRock products that yield different fee levels.	Reduced revenues
<b>Product</b>	BlackRock may be unable to develop new products and services to suit clients' climate-related needs and the development of new products and services may expose BlackRock to reputational harm, additional costs or operational risk. Unsuccessful efforts to develop products or services to suit clients' climate-related needs could expose BlackRock to additional costs and / or cause revenue and earnings to decline. Changes in client preferences and / or changes to regulation to which its clients are subject could reduce demand for certain investment products offered by BlackRock.	Increased expenses and / or reduced revenues
<b>Reputation</b>	BlackRock is subject to competing demands from different stakeholder groups with divergent views on climate-related matters, including in countries in which BlackRock operates and invests, as well as in states and localities where BlackRock serves public sector clients. This divergence has and continues to increase the risk that any perceived or actual action or lack thereof by BlackRock on such matters on behalf of its clients will be viewed differently by various stakeholders and adversely impact BlackRock's reputation and business, including through withdrawals, redemptions, terminations or decisions not to commit or invest new capital by clients, as well as legal and governmental action and scrutiny.	Reduced revenues
<b>Regulatory</b>	New, extensive and/or divergent environmental and sustainability-related disclosure requirements, regulations, guidance or taxes that apply to BlackRock's products or other aspects of BlackRock's operations could increase compliance costs or require BlackRock to alter business or operating activities. New laws, regulations or guidance could impact client investment strategies or allocations in a manner that is adverse to BlackRock.	Increased expenses and / or reduced revenues

<sup>6</sup> The inclusion of climate-related risks in Figure 3.2 should not be construed as a characterisation regarding materiality or financial impact of these risks.

## Climate scenario analysis

Climate scenario analysis allows an organisation to develop insight into how the physical and transition risks and opportunities arising from climate change might impact its business and corporate operations over time. While climate scenario analysis is not meant to predict the future, it allows organisations to explore possible outcomes, the assumptions they depend upon, and the courses of action and / or events that could bring them about.

BlackRock has conducted a firmwide climate scenario analysis exercise to understand the potential implications of climate-related transition and physical risk under a variety of emission scenarios to BlackRock's business strategy over the short-, medium-, and long-term. BlackRock's firmwide climate scenario analysis included consideration of the impact of climate-related transition and physical risks on BlackRock's assets under management, including the assets managed by BTC UK. BlackRock has leveraged scenarios from the Network for Greening the Financial System ("NGFS") and from the Intergovernmental Panel on Climate Change ("IPCC"). NGFS scenarios readily provide analytics to assess both physical and transition risks, while the IPCC scenarios are largely focused on assessing physical risks.

The results of the climate scenario analysis indicate that BlackRock's diversified platform and commitment to providing choice to its clients creates flexibility in its business model that is likely to support BlackRock's resilience as it adapts to the impacts of both transition and physical climate risks. While BlackRock's AUM and associated revenues and profit margin may be impacted by climate change, each scenario reviewed presented different plausible challenges, risks and opportunities that may occur through 2050.

Further information on BlackRock's approach to scenario selection, impact assessment and scenario conclusions, together with the limitations inherent in the scenario analysis exercise, is available in [BlackRock's 2023 TCFD Report](#). While scenario analysis is not currently prepared at the subsidiary entity or branch level, it is anticipated that BlackRock's approach to climate scenario analysis will continue to evolve.

## 3.4. Industry engagement and public policy

BlackRock advocates for public policies that it believes are in the long-term best interests of BlackRock's clients and shareholders. In doing so, BlackRock supports the creation of regulatory regimes that increase financial market transparency, protect investors, and facilitate the responsible growth of capital markets, while preserving consumer choice and properly balancing benefits versus implementation costs. BlackRock's GAPP team contributes to financial services standard setting efforts and public policy discourse. As it relates to climate and sustainability disclosure related policy matters, BlackRock strives to engage constructively in the global dialogue through participation in industry initiatives as well as through engagement with regulators and standard setters around the world.

### Industry initiatives

BlackRock and its employees participate in industry initiatives to contribute to a dialogue on issues that are important to BlackRock's clients, including those related to climate-related risks and the transition to a low-carbon economy, as well as those to support the development of consistent industry standards and approaches around climate-related disclosure standards.

### Public policy

BlackRock supports corporate sustainability disclosure aligned with the TCFD framework to support investment decision making. Since sustainability-related material investment risk is a global issue and many investors allocate funds globally, BlackRock supports a coordinated approach by regulators and standard-setting bodies across jurisdictions, to facilitate high quality, comparable disclosures. BlackRock acknowledges the significant contributions already made in this area by initiatives, such as the TCFD, the Sustainability Accounting Standards Board, the International Sustainability Standards Board, the Science Based Targets initiative, and the Global Reporting Initiative, amongst others which bring together public entities and private sector firms and believes that coordinated regulatory action is required across markets to ensure a level playing field for companies and investors. In BlackRock's view, investors can make better-informed investment decisions when companies provide a clear picture of how they are managing material risks and opportunities, including where appropriate, any material sustainability-related, including climate, risks and opportunities.

## 4. Risk management

An integral part of BlackRock's identity is the core belief that rigorous risk management is critical to the delivery of high-quality asset management services. This section discusses BlackRock's approach to risk management, including the risk identification, assessment and monitoring processes adopted by BlackRock.

### 4.1. Risk management approach

BlackRock employs a three-lines of defence approach to managing investment risks in client portfolios. BlackRock's investment teams and business management are the primary risk owners, or first line of defence. Portfolio managers and research analysts are responsible for evaluating the financially material environmental (as well as social and / or governance) risks and opportunities for an industry or company consistent with the portfolio's investment guidelines, just as they consider other potentially material economic issues related to their investments. Examples of climate-related risks taken into account include risks from regulatory change or litigation and exposure to physical impacts such as flooding or other extreme weather events or changes in temperature.

BlackRock's risk management function, RQA, serves as the second line of defence in BlackRock's risk management framework along with BlackRock L&C. RQA evaluates investment risks, including financially material environmental, social and governance-related risks, on an ongoing basis as part of regular risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.

The third line of defence, BlackRock's Internal Audit function, operates as an assurance function. The mandate of Internal Audit is to independently assess the adequacy and effectiveness of BlackRock's internal control environment to improve risk management, control, and governance processes.

### 4.2. Climate risk – identification

BlackRock considers many investment risks in its firmwide processes. In order to seek the best risk-adjusted returns for its clients, BlackRock manages material risks and opportunities that could impact portfolios, including financially material environmental, social and / or governance-related data or information.

Climate-related risk includes:

- **Climate transition risk:** Risk related to the transition to a lower carbon economy. Whether policy, technology, market or reputation risk arises from the adjustments to a low-carbon economy in order to mitigate climate change.
- **Climate physical risk:** Risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change which can be acute or chronic. For example, frequent and severe climate-related events can impact products and services, and supply chains.

Climate risks may be identified through exposure to Key Performance Indicators linked directly to particular activities or identified indirectly through their effect on different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches, etc.). Sustainability risk factors may have a material impact on an investment held in a product, may increase volatility and may result in a loss to the value of units in a product.

Certain issuers may be particularly exposed to heightened climate risks through their sector or business practices. BlackRock has a framework to identify and monitor issuers particularly exposed to climate risks.

### **4.3. Climate risk – assessment**

Climate risks are identified at various steps of the investment process, where relevant, from research, allocation, selection, portfolio construction decisions, or management engagement, and are considered relative to funds' risk and return objectives. Assessment of these risks is done relative to their materiality (i.e., likelihood of impacting returns of the investment) and in tandem with other risk assessments (e.g., liquidity, valuation, etc.). How climate considerations are sourced, assessed, and incorporated will vary with portfolio objective, investment style, and asset class. BlackRock's investment professionals assess a variety of economic and financial indicators, including relevant material climate factors, to make investment decisions that align with the product objectives.

### **4.4. Climate risk – monitoring and response**

As set out in section 4.1, BlackRock's investment teams and business management are the primary risk owners, or the first line of defence. BlackRock's risk management function, RQA, is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defence along with BlackRock L&C. RQA evaluates investment risks, including financially material climate risks, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring.

## 5. Metrics and Targets

As an asset manager, BlackRock acts as an agent investing assets that belong to its clients on its clients' behalf. In this section, BTC UK reports estimates reflecting the absolute emissions associated with the investments BTC UK manages in corporate securities<sup>7</sup> (where data is available). BTC also reports emissions intensity for sovereign debt assets (where data is available), carbon footprint and weighted average carbon intensity.<sup>8</sup>

BTC UK does not set climate-related targets for the assets it invests on behalf of clients. BTC UK is a fiduciary and as such, recognises that different clients have different investment preferences and objectives. The metrics disclosed in this section are predominantly influenced by two factors: (i) client preferences (which products clients choose to invest in) and (ii) market conditions (affecting the assets held in, and weightings of assets within, those products). For additional detail relating to product specific sustainability objectives, please refer to the relevant fund prospectuses, product briefs and fact sheets available on applicable public fund websites.

### Metrics

Figure 5.1 shows a summary of the climate-related metrics reported by BTC UK for this entity report. Each of these metrics comes with its own uses and limitations, as shown.

**Figure 5.1: Overview of reported climate-related metrics**

	Exposure to Emissions		
	Absolute Emissions	Carbon Footprint	Weighted Average Carbon Intensity
<b>Unit</b>	tCO <sub>2</sub> e	tCO <sub>2</sub> e/\$m AUM	tCO <sub>2</sub> e/\$m Revenue
<b>What it measures</b>	Proportionate exposure to investee Greenhouse Gas ("GHG") emissions	Emissions intensity per unit of investment	Emissions normalised by revenue (in USD)
<b>Pros</b>	<ul style="list-style-type: none"> <li>Standard data inputs</li> <li>Direct connection to transition to lower carbon economy</li> <li>Industry standard (Partnership for Carbon Accounting Financials ("PCAF"))</li> </ul>	<ul style="list-style-type: none"> <li>Standard data inputs</li> <li>Normalises for size, allowing for comparability</li> </ul>	
<b>Cons</b>	<ul style="list-style-type: none"> <li>Doesn't account for size</li> <li>Market movement can create noise</li> <li>Incomplete data / asset class coverage</li> </ul>	<ul style="list-style-type: none"> <li>Market movements can create noise</li> <li>Incomplete data / asset class coverage</li> </ul>	

### Methodology

BTC UK referenced the PCAF developed Global GHG Accounting & Reporting Standard for the Financial Industry, as a starting point for estimating absolute emissions. Please refer to the **Metrics and Targets** section of the [BlackRock 2023 TCFD Report](#) for further detail relating to PCAF standards and BlackRock's adoption of them for the asset classes included in Figure 5.2. Further

<sup>7</sup> Corporate securities relate to listed equities, corporate bonds, and associated derivatives. In-scope derivatives are derivatives with corporate issuer underliers and include equity warrants and options, convertible debt and equity, total return swaps, and credit default swaps. The following derivative types are out of scope: equity index options, currency options, options on commodities and volatility index, CDX, swaps (other than CDS and total return), and synthetics.

<sup>8</sup> Please refer to section 1.3 of this report for confirmation of the approach that has been adopted for determining the AUM in scope of BTC UK's emissions metrics.

clarity is provided below in respect of the treatment of derivatives, real estate and non-corporate fixed income assets as it relates to BTC UK’s TCFD in-scope business.

- Derivatives that are not linked to a corporate issuer have been excluded due to the fact they do not have associated emissions and are therefore not relevant for TCFD reporting.
- Derivatives linked to a corporate issuer have been included in the metrics reported. This approach has a minimal impact on absolute emissions and carbon footprint estimates for BTC UK given that the majority of BTC UK’s AUM is held in long-only index portfolios where short positions and derivatives are not a significant component of the investment strategy.
- Real estate asset emissions have been excluded from this reporting as there are minimal physical real estate holdings during the reporting period.
- Additional asset classes that are excluded from this instance of reporting include non-corporate fixed income<sup>9</sup> and commodities. These assets do not have associated issuing entities that report emissions. There are gaps in respect of the data available for these asset classes that are widely recognised by the market as an area for improvement in data coverage and methodological standardisation.

**Figure 5.2: GHG emissions from AUM – methodological highlights**

Emissions Included	Scope 1, Scope 2 & Scope 3
Asset Classes Included	<ul style="list-style-type: none"> <li>• Listed equities, corporate bonds, and associated derivatives</li> </ul>
Asset Classes Excluded	<ul style="list-style-type: none"> <li>• Non-corporate fixed income, commodities, alternatives (including real estate), and derivatives not linked to corporate issuers</li> </ul>
Data Sources	MSCI

In the absence of explicit regulatory guidance on the calculation methodology to be adopted for intensity metrics, BTC UK has elected to reflect in the metric denominator, only those assets for which BTC UK has been able to collect emissions data. This approach aligns the scope of assets reflected in the numerator of the intensity metrics calculation with the scope of assets reflected in the corresponding denominator.

## Results & discussion

Figure 5.3 provides preliminary estimates of absolute emissions for BTC UK’s AUM in corporate securities (where data was available). Estimated absolute emissions, inclusive of scopes 1 to 3, were 38.42 million tons CO<sub>2</sub>e in 2023. The 2023 carbon footprint for scopes 1 and 2 was 22.19 tons of CO<sub>2</sub>e per million dollars of AUM, while scope 3 carbon footprint was 165.64 tons of CO<sub>2</sub>e per million dollars of AUM.

Absolute emissions and emissions intensity metrics are sensitive to fluctuations in asset values – particularly, though not exclusively, due to changes in enterprise value including cash from one period to the next. Such market volatility can introduce noise that reduces comparability from one year to the next. Other factors that drive changes in absolute emissions are: (i) changes to emissions of the underlying investee companies, and (ii) changes to asset allocation. Sensitivity to market volatility can obscure which of these factors is driving the changes in the metric year-over-year.

<sup>9</sup> Although GHG emissions are not reported in respect of non-corporate fixed income assets, emissions intensity metrics are reported in respect of sovereign debt assets. This is considered further below.

**Figure 5.3: GHG emissions associated with BTC UK's AUM<sup>10</sup>**

	2023 <sup>11</sup>
Absolute Emissions (million tCO <sub>2</sub> e) Scope 1 & 2	4.42
Absolute Emissions (million tCO <sub>2</sub> e) Scope 3	34.00
Carbon Footprint (tCO <sub>2</sub> e/\$m AUM) Scope 1 & 2	22.19
Carbon Footprint (tCO <sub>2</sub> e/\$m AUM) Scope 3	165.64
Weighted Average Carbon Intensity (tCO <sub>2</sub> e/\$m Revenue) Scope 1 & 2	53.76
Weighted Average Carbon Intensity (tCO <sub>2</sub> e/\$m Revenue) Scope 3	590.00
Data Quality (Emissions Coverage)	81.11%

Data above represents unaudited, estimates based on the portion of BTC UK's AUM for which emissions data and methodologies are available. There are several limitations associated with these figures. Please review results in conjunction with the limitations section referenced below.

### Sovereigns

BTC UK is reporting emissions intensity metrics for sovereign debt assets (where data is available). While there is not yet consensus on which intensity metrics to use when determining emissions intensity for sovereign assets, BTC UK believes it is important to provide a preliminary view to support BlackRock's commitment to transparency. In relation to sovereign debt assets, BTC UK is reporting GHG intensity and GHG per capita. GHG intensity of an economy is measured in units of tons per USD million nominal GDP, GHG per capita, measured in tons of CO<sub>2</sub>e per capita.

Please refer to the Sovereigns methodology detailed in the **Metrics and Targets** section of the [BlackRock 2023 TCFD Report](#) for further detail on BlackRock's approach.

### Results & discussion

Sovereign emissions intensity is a metric which represents the nation's carbon efficiency, or how dependent its economic activity is on carbon emissions. A higher emissions intensity indicates a relatively higher exposure to transition risks associated with emissions regulations, as well as greater contribution of global GHG levels and the associated impact on warming.

**Figure 5.4: GHG emissions intensity metrics for Sovereigns included in BTC UK's AUM<sup>12</sup>**

	2023 <sup>13</sup>
GHG intensity (tons/USD million nominal GDP)	311.96
GHG per capita (tons)	15.19

Data above represents unaudited estimates.

### Limitations

A fuller discussion of limitations relating to data quality, lagged data, backward-looking metrics and sensitivity to market value are all elaborated upon in the **Metrics and Targets** section of the [BlackRock 2023 TCFD report](#), which should be referred to for a comprehensive assessment of identified data-related limitations.

<sup>10</sup> All metrics in this table include corporate securities (listed equity, corporate bonds, associated derivatives) where data was available and excludes all other AUM. Where companies do not disclose their emissions, MSCI applies proprietary methods to estimate emissions. Of the 81.11% emissions coverage, 65.90% represents reported emissions data and 15.21% represents estimated emissions data.

<sup>11</sup> Holdings value analysis date is as of 29 December 2023. Due to the known limitation of lagged emissions data reporting, emissions data included in the analysis for a given holding year may reflect GHG emissions from prior year(s) for at least a subset of holdings included in the analysis. See limitations section for more details.

<sup>12</sup> GHG emissions intensity and GHG per capita include sovereign debt assets and excludes all other AUM.

<sup>13</sup> Holdings value analysis date is as of 29 December 2023.



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