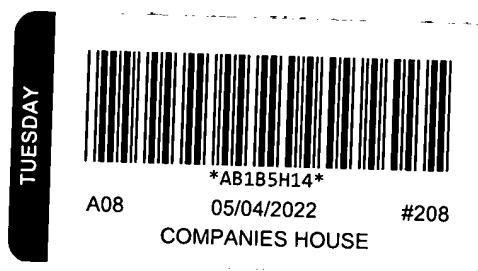


Registration number: 01102517

# BlackRock Fund Managers Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



## **BlackRock Fund Managers Limited**

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# **BlackRock Fund Managers Limited**

## **Strategic Report for the Year Ended 31 December 2021**

The board of directors ("the Board") present their Strategic Report for BlackRock Fund Managers Limited (the "Company") for the year ended 31 December 2021.

### **The Company's role in the global group**

The Company is part of BlackRock, Inc. ("BlackRock"), a leading publicly traded investment management firm with \$10.01tn in assets under management ("AUM") at 31 December 2021. With approximately 18,400 employees in more than 30 countries who serve clients in over 100 countries, BlackRock provides a broad range of investment management and technology services to institutional and retail clients worldwide.

### **Principal activity**

The principal activity of the Company is the management and oversight of the Company's business and operations. The Company acts as the manager of Undertakings for Collective Investment in Transferable Securities ("UCITS") funds and Alternative Investment Funds ("AIFs") including Investment Trusts.

There have not been any significant changes in the Company's principal activities in the period under review and the Board propose that the principal activities will continue during 2022.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

### **Purpose**

BlackRock's purpose is to help more and more people experience financial well-being. BlackRock's clients, and the people they serve, are saving for retirement, paying for their children's educations, buying homes and starting businesses. Their investments are also helping to strengthen the global economy: support businesses small and large; finance infrastructure projects that connect and power cities; and facilitate innovations that drive progress. BlackRock is committed to advancing:

- *Financial wellbeing*: helping millions of people invest to build savings that serve them throughout their lives;
- *Investment access*: making investing easier and more affordable;
- *Sustainable outcomes*: advancing sustainable investing because the group believes it delivers better outcomes for investors; and
- *Inclusive economies*: contributing to a more resilient economy that benefits more people.

### **Corporate Strategy**

Corporate strategy is developed and reviewed at a global and regional level. Consequently, this Strategic Report will focus on both global and regional areas of strategic focus, whilst relating them to the services that the Company provides.

### **Industry profile**

#### **Global**

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*® exchange-traded funds ("ETFs"), separate accounts, collective investment trusts and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platforms, *Aladdin*®, *Aladdin Wealth*, *eFront*®, and *Cachematrix*, as well as advisory services and solutions to a broad base of institutional and wealth management clients. BlackRock is highly regulated and manages its clients' assets as a fiduciary. It does not engage in proprietary trading activities that could conflict with the interests of clients.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

BlackRock serves a diverse mix of institutional and retail clients across the globe, with a regionally focused business model. Footprints in the Americas, Europe, Middle-East and Africa, ("EMEA") and Asia-Pacific regions reflect strong relationships with intermediaries and an established ability to deliver global investment expertise in funds and other products tailored to local regulations and requirements. BlackRock leverages the benefits of scale across global investment, risk and technology platforms whilst using a local distribution presence to deliver solutions for clients. Furthermore, BlackRock's structure facilitates strong teamwork globally across functions and regions in order to enhance its ability to leverage best practices to serve clients and continue to develop talent.

Across BlackRock, more clients are focusing on the impact of sustainability on their portfolios. This shift has been driven by an increased understanding of how sustainability-related factors can affect economic growth, asset values and financial markets as a whole. As a fiduciary, BlackRock is committed to helping clients build more resilient portfolios. Since sustainable investment options have the potential to offer clients better outcomes, BlackRock is making sustainability integral to the way it manages risk, constructs portfolios, designs products and engages with companies. Over the past several years, BlackRock has been deepening the integration of sustainability into technology, risk management and product choice, and plans to accelerate those efforts.

#### ***Regional***

On a regional basis, BlackRock in EMEA managed \$2.66tn of AUM for its clients as at 31 December 2021. This generated \$6.4bn of revenue from a diversified client base and product range, with EMEA representing nearly a third of BlackRock's management fees and securities lending revenue in 2021. Growth in the region in 2021 was driven by broad-based strength across fixed income, multi-asset, equity and alternatives, partially offset by cash net outflows.

#### **Areas of strategic focus**

Against the industry profile and key industry trends, the Company, as part of the global group, will seek to deliver value for shareholders over time by, among other things, capitalising on BlackRock's differentiated competitive positioning, including:

- BlackRock's focus on strong performance providing alpha for active products and limited or no tracking error for index products;
- BlackRock's breadth of investment strategies, including market-cap weighted index, factors, systematic active, traditional fundamental active, high conviction alpha and illiquid alternative product offerings, which enhance its ability to tailor single and multi-asset investment solutions to address specific client needs;
- BlackRock's differentiated client relationships and fiduciary focus, which enable effective positioning toward changing client needs and macro trends including the long-term shift to index investing and ETFs, growing allocations to private markets, demand for high-performing active strategies, increasing demand for sustainable investment strategies and whole portfolio solutions using index, active and illiquid alternatives products and a focus on income and retirement; and
- BlackRock's longstanding commitment to innovation, technology services and the continued development of, and increased interest in, BlackRock technology products and solutions, including Aladdin, Aladdin Wealth, eFront, Aladdin Climate and Cachematrix. This commitment is further extended by minority investments in distribution technologies, data and whole portfolio capabilities including Envestnet, Scalable Capital, iCapital, Acorns and Clarity AI.

#### **Business review**

The nature of the Company's business and the factors determining the level of regulatory capital have not changed significantly during 2021.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **Key performance indicators**

##### ***Assets under management***

AUM has increased by 21.1% to £183.8bn as at 31 December 2021 (2020: £151.8bn) primarily due to inflows into a number of products, particularly Authorised Contractual Schemes ("ACS") and there has been strong performance in the year.

##### ***Revenue***

Total revenue, which represents investment management and advisory fee income, performance fee income and other income, decreased by 19.5% to £642.5m in the year ended 31 December 2021 (2020: £797.6m) due to a 49.2% decrease in the performance fees.

##### ***Cost of sales***

Cost of sales, which represents investment management, retrocessions and administration services charges from other group companies, custody fees and transfer agent fees, decreased by 19.1% to £602.4m in the year ended 31 December 2021 (2020: £744.6m). This decrease in the cost of sales during the year is attributable to the decrease in the fees payable to other group companies for investment management and client relationship services performed. The movement is in line with the decrease in revenue.

##### ***Profit after tax***

Profit after tax decreased by 38.4% from £39.1m in 2020 to £24.1m in 2021. The decrease in profit is driven mainly by the decrease in performance fees of the Hedge Fund range.

##### ***Net assets***

Net assets decreased by 18.9% to £64.3m at 31 December 2021 (2020: £79.3m) as a result of profits made in 2021 being offset by a dividend payment of £39.1m during the year.

#### **Principal risks and uncertainties**

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness.

The Board has considered a number of potential risks and uncertainties affecting the Company's business as an investment manager and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Board, on an ongoing basis.

This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust assessment at least annually.

Actions taken by the Board and, where appropriate, its committees, to manage and mitigate the Company's principal risks and uncertainties are set out as follows:

##### ***Market risk***

**Risk description:** market risk represents the risk that a significant market downturn will impact the Company's fee revenue or the value of its Statement of Financial Position holdings. Investment management revenues are primarily comprised of management fees as a percentage of the value of assets under management or net asset value. Movements in equity prices, interest rates and credit spreads, or foreign exchange ("FX") rates cause the value of the Company's assets under management and Statement of Financial Position holdings to fluctuate, creating volatility in base fees, net income, and/or operating cash flow.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

*Risk mitigation:* market risk to revenue is regularly monitored to reflect any changes in revenue drivers and market conditions. Market risk to revenues is mitigated via the Company's business model as an asset manager: a significant portion of the Company's cost structure is variable and, as such, can be adjusted by management rapidly to respond to market conditions. Market risk's impact on the Statement of Financial Position is regularly monitored by the Treasury and Finance teams to reflect any changes in the Statement of Financial Position positions, composition and hedging of FX exposures.

#### ***Credit risk***

*Risk description:* credit risk is the risk that a counterparty to the Company defaults or deteriorates in creditworthiness before the final settlement of a corporate transaction or other credit obligation. Credit risk exposure may also occur through the normal course of business from client fee receivables (which may not be paid) and from the investment of corporate cash.

*Risk mitigation:* the Company minimises its exposure by actively pursuing settlement of outstanding management and performance fee invoices within the terms and conditions of the underlying agreement. Intercompany balances are managed centrally and are settled on a regular basis. The Treasury and Risk and Quantitative Analysis departments continuously monitor the creditworthiness of HSBC, the Company's main corporate bank.

#### ***Capital adequacy***

*Risk description:* capital adequacy risk is the risk that the Company has an insufficient level or composition of capital to support its normal business activities and to meet its regulatory capital requirements under normal operating environments or stressed conditions (both actual and as defined for internal planning or regulatory testing purposes).

*Risk mitigation:* The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to satisfy the requirements of its regulators; and
- to maintain financial strength to support new business growth.

Consideration of any dividends to be paid will have regard to the actual level of capital compared with target, as determined by the capital policy which sets out an internal requirement in excess of the regulatory requirement.

The Company is subject to a minimum regulatory capital requirement imposed by the FCA. In order to ensure compliance with the requirement throughout the period and to fund continued business expansion and development, a surplus was maintained throughout the year.

#### ***Corporate liquidity risk***

*Risk description:* corporate liquidity risk is the risk that the Company is not able to meet its financial obligations as they come due without adversely impacting its financial position, its ability to operate its normal course of its business, or its reputation.

*Risk mitigation:* a liquidity governance framework and policy, set at a regulatory group level, are designed to: identify, quantify, forecast and monitor the Company's liquidity needs, risks and requirements; maintain liquidity resources in excess of requirements; and maintain an appropriate governance and controls framework for the usage and allocation of corporate liquidity.

#### ***Non-financial (operational) risks***

*Risk description:* non-financial risks are operational risks that arise from events or actions, other than financial transactions, that can negatively impact the operations, assets or reputation of the Company. These risks may, but do not always have, an adverse financial impact, and are often the result of inadequate internal processes, controls, people or systems, or external events. Key operational risks facing the Company include:

## BlackRock Fund Managers Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

- *Operational (process) risk*: risk of financial loss or regulatory/reputational impact resulting from inadequate or failed internal processes and controls, human error, or systems, which may occur within the Company's internal operations across the client and trade lifecycles.
- *Compliance risk*: risk that the Company's products, services, activities, or operations are not conducted in compliance with applicable law and regulations, including those laws and regulations which impose fiduciary obligations, that client investment guidelines are not adhered to, that conflicts of interest are not appropriately mitigated or that there is a failure to appropriately manage regulatory reporting requirements.
- *Information security risk*: risk arising from the inability to meet confidentiality, integrity, or availability requirements of Company information. Information security risk can also be described as failure to protect the Company against internal or external security threats, including accidents or malicious attacks by personnel, attacks by outsiders, and breaches at third parties, among others. Information security incidents may lead to material financial loss, loss of competitive position, regulatory actions, a breach of client contracts, reputational harm, or legal liability.
- *Financial crime risk*: risk arising from the failure to prevent external or internal parties from gaining access to, or utilising, customer or company assets for criminal purposes or the failure to adhere to relevant laws and regulations or have adequate systems and controls to demonstrate appropriate compliance in relation to money laundering, breaches of economic sanctions, fraud (internal and external) and bribery and corruption.
- *Corporate resilience risk*: risk of physical damage or harm to the Company's properties, assets or personnel. This includes: business continuity - inability to sustain operations due to the loss of or the inability to access facilities and/or unavailability of personnel; physical security risk - physical security issues resulting in an adverse impact to assets or personnel; and health and safety risk - workplace health and safety incidents resulting in injury, death or legal/regulatory sanctions and fines.
- *Third party risk*: risk of financial loss or operational, regulatory, reputational harm to the Company or its clients from inadequate or failed controls, processes or systems managed or supported by third parties. The Company's use of third parties does not diminish its responsibility to ensure that outsourced activities are performed in a safe and sound manner and in compliance with applicable laws.
- *Financial reporting risk*: risk resulting from ineffective internal controls over financial reporting or failure to prepare and/or disclose accurate information in financial statements, which could have a materially adverse impact on the Company's reputation (with investors and clients) and lead to increased scrutiny, regulatory oversight, and potential public restatements, fines or fraud.

*Risk mitigation*: the Company has a well-established operational risk management framework, set at a Group level, that provides appropriate control and oversight over risk management arrangements. The operational risk management framework supports the Company's fiduciary obligations to clients and mitigates the risk of poor customer outcomes. The Company has adopted, at the Group level, a risk management framework based on a three lines of defence model comprised of the following four elements:

- Risk governance, including setting risk tolerances, establishing policies and procedures, establishing regional and global risk committees and overseeing the risk management framework.
- Risk identification and assessment, including identifying the Company's key risks and emerging risks, identifying business unit risk through tools such as risk and control self-assessments and regular meetings with business units, reviewing new products and major changes and reviewing internal and external operating events.
- Risk monitoring and measurement, quantifying and forecasting risks and monitoring against risk tolerances. This includes monitoring and investigating operating events, and recording them in a database of operating events, establishing and monitoring key risk indicators in the context of the Company's risk tolerance.
- Risk reporting, providing information and reports to functional and regional business management, boards, committees and regulators. This includes risk profile reporting and operating event and large operating event reporting.

## BlackRock Fund Managers Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### **Reputational risk**

*Risk description:* reputational risk is the risk arising from an adverse perception on the part of existing and potential stakeholders, overseers and business partners (e.g. clients, regulators, government bodies, trading counterparties and suppliers) that could negatively impact revenue, earnings, brand value, and customer retention.

*Risk mitigation:* BlackRock's reputation is one of its most important assets and BlackRock expects all of its employees to act with the highest level of integrity with clients and in markets. As a client-focused business, BlackRock considers reputational risk to be a fundamental aspect of all business and risk management activities. Reputational risk exposure is an integral part of the Company's Enterprise Risk Management Framework and a key focus for internal control processes around strategic decisions, products and services, operational processes, corporate governance, responsibility and communications, client and other external relationships.

#### **Strategy/Business risk**

*Risk description:* strategy/business risk arises from adverse business decisions or improper implementation of those decisions that could negatively impact revenue, earnings, and brand value. This includes adverse impact from factors such as competition, structural industry changes, asset class shifts, geopolitical instability, macro-economic conditions, falling behind industry changes or relationships with other entities. This risk is a function of the alignment between the Company's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. It also covers business-concentration risks (e.g. earnings, client, investment strategy, third party provider concentration) and legal risks in relation to agreements with clients, employees or suppliers.

- *Climate risk:* a growing awareness of the ongoing and potential future impact of climate change is shifting the views and expectations of BlackRock's key stakeholders including clients, regulators, shareholders, employees and the broader public as well as the way we think about climate risks as an investment risk. Climate change poses risks and opportunities that may impact the companies in which BlackRock invests on behalf of its clients. The risk arises both in terms of the physical risk associated with rising global temperatures, and also transition risk, namely, how the global transition to a low-carbon economy could affect a company's long-term profitability. The investment risks presented by climate change are set to accelerate a significant reallocation of capital, which will in turn have an impact on the pricing of risk and assets around the world.
- Risk mitigation:* the Company mitigates strategy / business risk by making extensive efforts to respond to industry uncertainties and business opportunities. The Company also anticipates business environment changes and then implements the necessary changes to generate better outcomes for the Company and its clients.

In relation to risks posed by climate change, BlackRock has committed to put sustainability at the centre of risk management, portfolio construction, product design and Company engagement. The commitment has been widely communicated to stakeholders.

In December 2021 BlackRock, Inc. published its annual Task Force on Climate-Related Financial Disclosures ("TCFD")-aligned report detailing BlackRock's climate-related risks and opportunities, which can be accessed at the following link:

<https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcfd-report-2021-blkinc.pdf>



## BlackRock Fund Managers Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

#### **Conduct risk**

*Risk description:* conduct risk is the risk arising from inappropriate behaviour by the Company and/or BlackRock's employees which leads to detriment to the Company or its clients or has a negative impact on market integrity.

*Risk mitigation:* conduct risk is present in all of the Company's activities and responsibility for managing conduct risk is embedded throughout the Company's organisational and governance arrangements. All employees of the firm are expected to follow the BlackRock Principles and the Code of Business Conduct and Ethics. One of the BlackRock core principles is 'We are a fiduciary to our clients' and BlackRock expects all of its employees to put clients' interests first, to comply with all regulations, to abide by the law and to act with the highest level of integrity with clients and in markets.

#### **Public policy risk**

*Risk description:* public policy risk is the risk of implementation of policies and regulations by legislative bodies, regulators, industry self-regulatory organisations, or other official sector standard setters that could significantly alter the Company's business model and ability to operate in a way that delivers value to our clients. These risks may also incur reputational damage towards the Company. These risks range from regulation of the Company related to the size, to restrictions on activities central to the Company's business model, to certain foreign policies that impact our ability to conduct business, access markets, and expand overseas.

BlackRock's business and operating activities are subject to regulatory oversight in the UK and internationally, and the Company may be affected by a number of reform initiatives, including (but not limited to):

- *Macprudential Policies for Asset Managers:* Concerns about liquidity and leverage risks in the asset management industry and wider market-based finance sector have been heightened during the COVID-19 pandemic and prompted a broad review of existing regulations globally, including an assessment of the adequacy of certain structural market components in mitigating risks by the Financial Stability Board, International Organisation of Securities Commissions and European policy-making and regulatory bodies in the EU including the European Commission, the European Systemic Risk Board and the European Securities and Markets Authority and equivalent UK bodies including the Bank of England and the FCA. The Bank of England and the FCA are currently considering the application of potential further regulatory measures to UK open-ended funds. If these regulatory or policy actions result in broad application of macroprudential tools to open-ended investment funds or require BlackRock to make changes to structural features of certain open-ended investment funds, it could limit BlackRock's ability to offer products to certain clients and/or result in clients altering their investment strategies or allocations in a manner that is adverse to the Company.
- *ESG and Sustainability Regulations:* ESG and sustainability have been the subject of increased regulatory focus across jurisdictions. Globally, the newly created International Sustainability Standards Board and the development of its disclosure standards may inform national regulators' approaches on these topics. In the UK, disclosure against the TCFD framework will be mandatory across the economy by 2025 and the relevant regulatory authorities have brought in a number of changes to this end. From 2021, the largest pension schemes must have integrated the TCFD recommendations in their disclosures. The FCA has also confirmed rules relating to disclosures for asset managers coming into force from 2022. Beyond this, the UK plans to create an integrated framework for disclosures on sustainability across the economy and its own Green Taxonomy. We can expect consultations on sustainability disclosure requirements for asset managers, asset owners, registered companies and UK listed issuers; a new classification and labelling system for sustainable investment products; as well on the technical screening criteria for the Green Taxonomy to be published this year, with the aim of regulating these areas.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

Such regulatory reforms could require the Company to alter its future business or operating activities, which could be time-consuming and costly. This could also impede the Company's growth and cause its AUM, revenue and earnings to decline. Regulatory reforms may also impact BlackRock's clients, e.g. could cause them to change their investment strategies or allocations in manners that may be adverse to BlackRock.

*Risk mitigation:* BlackRock ensures that it monitors publications issued by regulators and other bodies on an ongoing basis in order to identify consultations, new regulation, legislation and changes to rules which may impact on BlackRock's business or on any compliance procedures. This monitoring is complemented by content from external policy advisors and trade associations to ensure BlackRock is up to date with all regulatory and legislative reforms that impact its activities across the globe.

BlackRock's Legal and Compliance department undertakes detailed analysis of forthcoming regulatory and legislative change to understand the implications of such change. Where necessary, BlackRock will engage with external policy advisors for independent assessments, and will engage with peers, including through trade association meetings, to discuss forthcoming changes. Risk-based monitoring is conducted post-implementation to review delivery of regulatory driven change.

#### ***Group risk***

*Risk description:* group risk is the risk that the financial position of the Company may be adversely impacted by its relationships with other entities in the BlackRock group or by risks that may affect the financial position of the whole group. As a member of the BlackRock Inc. group, the Company faces the risk that decisions made by, or circumstances impacting BlackRock group entities, may either directly impact the Company or may 'spill-over' and have an impact on the Company. These could include, but are not limited to strategic mergers or acquisitions, divestiture decisions, severe financial distress, reputational damage or decisions regarding the ability or willingness to provide services to the Company.

*Risk mitigation:* group risk is mitigated at a group level by senior management in group companies and control functions being represented in the Group's global decision-making bodies, and by the Company having documented contractual arrangements for services with other group companies.

Further details on the wider risks facing BlackRock as a whole, including more in-depth descriptions of each of the above matters, can be found in the BlackRock, Inc. Form 10-K to the United States SEC.

#### ***Emerging risks and uncertainties (not considered "principal")***

Emerging risks which have the potential to impact the Company's ability to meet its strategic objectives are also monitored by the Board.

The Board has determined that these emerging risks and uncertainties are not currently material to the Company, and therefore are not cited as principal risks, but has nevertheless included them in this Strategic Report to enable users to understand how emerging risks that have been considered in the current period.

#### ***Geopolitical instability***

Russia's incursion into Ukraine prompted a range of sanctions, regulations and other regulatory measures that have, among other things, impaired normal trading in Russian securities. BlackRock maintains controls, processes and policies designed to adhere to relevant sanctions laws and regulations of jurisdictions in which BlackRock operates and invests on behalf of its clients. BlackRock will continue to monitor any subsequent developments associated with the conflict and will take necessary actions to address or prepare for those developments. Actions that impact index designs will be assessed and BlackRock's actions will be taken with the goals of minimising impact to clients and investors and avoiding, to the extent possible, any significant market disruptions.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

#### **Streamlined Energy and Carbon Reporting statement: greenhouse gas emissions and energy consumption disclosure**

The Company meets the definition of a large company (s465 Companies Act 2006) and is therefore within the scope of the Streamlined Energy and Carbon Reporting ("SECR") requirements. The Company does not, however, own, lease or operate any tangible assets and has no direct employees. For these reasons, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

#### **Companies Act s172 Statement**

Under section 172 of the Companies Act 2006 ("s172"), the Board of the Company must act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they should have regard to other factors, including but not limited to:

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board has had regard to each of the above requirements of s172 during the year ended 31 December 2021 as follows:

#### *The likely consequences of any decision in the long-term*

As a subsidiary of BlackRock Investment Management (UK) Limited ("BIM UK"), which is itself a subsidiary of BlackRock, Inc., the Board shares the purpose developed by the BlackRock board of directors and considers how best to implement that purpose in the Company's values, strategy and culture.

The CEO of the Company, together with the Board, is ultimately responsible for the conduct of the Company's business and escalates to the BlackRock Group Limited ("BGL") board of directors where appropriate (BGL is the regional parent company). The CEO of the Company takes the management lead on activities on behalf of the Company's Board as directed including liaising with the BGL board of directors, securing access to resources, and overseeing activities as required.

The Board is responsible for overseeing the implementation of the Company's long-term strategic objectives and receives regular updates from the EMEA Chief Operating Officer ("EMEA COO") on the delivery of corporate strategy, regional and industry trends, in Board meetings and informal briefing sessions. The Board was kept informed by the EMEA COO regarding the results of BlackRock's regular Employee Opinion Surveys, which included new questions in relation to employees' mental and emotional wellbeing in the context of the COVID-19 pandemic.

Key examples of how the Board have considered the likely consequences of any decision in the long-term for the year ended 31 December 2021 include:

- Critical assessment of the value offered by each of its authorised funds, including taking corrective action and publishing an Assessment of Value statement.
- Closure of Class A units for certain BlackRock Collective Investment Funds and the transition of investors to more competitively priced Class D shares where the Company has sufficient information to access and this was believed to be in their best interest overall.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

- Negotiation with the administrator for all Annual Service Charge ("ASC") charging units of a circa \$10m annual cost reduction of the ASC. The Board approved a 1 basis point reduction across all ASC charging unit classes to pass on this benefit to clients.
- Consideration of appropriate Alternative Reference Rates as part of the transition project for LIBOR-linked instruments and funds.

#### *The interests of the Company's employees*

Although the Company has no employees, individuals employed by other group companies who undertake functional activities on behalf of the Company are subject to high standards of compliance and conduct training, in line with BlackRock's global and regional standard requirements. BlackRock's Code of Conduct requires all employees to comply with the FCA's individual conduct rules: to act with integrity; to act with due skill, care and diligence; to be open and cooperative with the FCA and other regulators; to pay due regard to the interests of customers and treat them fairly; and to observe proper standards of market conduct.

BlackRock retained the law firm Paul Weiss to review the structure and process for internal HR investigations and grievances, which led to the following new appointments during 2021:

- Debbie Barry, Global Head of Employee Relations Investigations;
- Michelle Gadsden-Williams, Global Head of Diversity, Equity and Inclusion; and
- Rachael Akohonae, Global Head of Employee Relations.

In addition, BlackRock launched a mandatory 'Citizen's Academy' online training program to promote an inclusive culture among employees.

#### *The need to foster the Company's business relationships with suppliers, customers and others*

The Company uses suppliers to help support and enhance business activities. BlackRock has a dedicated service vendor management team responsible for onboarding and monitoring of its key vendors. In addition, BlackRock has formal processes and procedures in place to manage supplier risk and service delivery, such as regular performance reviews for key suppliers. BlackRock maintains a Supplier Code of Conduct & Ethics which outlines the minimum expectations and standards of all of BlackRock's suppliers in relation to human rights, inclusion and diversity, environmental sustainability, integrity and ethics in management practices.

In response to the evolving needs of clients, BlackRock has evolved its distribution model across all BlackRock products, platforms and technology, to encourage the Company's growth as a regional business in the United Kingdom. BlackRock is also introducing proxy voting choice for selected institutional funds, including the ACS1 and ACS2 fund ranges, in order to expand the opportunity for clients to participate in proxy voting decisions.

The Company is subject to regulatory oversight by the FCA in the UK. The Board and senior management ("Management") have regular interactions with the FCA, providing open and transparent information on a proactive and reactive basis at all levels of Management. A comprehensive control framework exists across Risk, Compliance and Internal Audit functions in order to oversee the Company's business operations, with regular reporting provided to the Board on regulatory matters.

Material matters relating to business relationships with suppliers, customers and other stakeholders are reported to the Board by management as required.

#### *The impact of the Company's operations on the community and the environment*

BlackRock's purpose - to help more and more people experience financial wellbeing - reflects the belief that BlackRock has an important role to play in helping improve people's lives, the community and the environment. BlackRock has a responsibility to millions of people in the UK (and around the world), and an urgent social purpose. By improving the relationship people have with their money, BlackRock can help improve their financial wellbeing - and their overall wellbeing. BlackRock has committed to integrate sustainable business practices into its strategy and operations.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

As a subsidiary of the BlackRock group, the Company has considered the calculation methodology and presentation for its Streamlined Energy and Carbon Reporting (“SECR”), which comprises an annual statement on the Company’s energy consumption and greenhouse gas emissions. The Company opted for an approach that reflects the key aim of the SECR regulation and guidance on energy and carbon disclosures, i.e. greater transparency on energy usage and emissions by reporting entities.

BlackRock has also launched a Social Mobility Initiative, an employee-led initiative in the UK dedicated to socio-economic diversity at BlackRock. This forms a key part of BlackRock’s Diversity, Equity and Inclusion agenda, focusing on equal access to opportunities, increased representation of people from lower socio-economic backgrounds at senior levels and driving increased transparency and change in the financial services industry.

S Corrigan - Chief Executive Officer - took up a position as co-Chair of BlackRock’s internal GIVES network on 1 March 2022. This is a 600+ person employee network, aimed at championing employees’ fundraising and volunteering initiatives, empowering them to become agents of social change and living BlackRock’s purpose-driven culture.

In the UK, BlackRock has been a member of the Productive Finance Working Group, a group established by the Bank Of England, HM Treasury and FCA to promote investment in UK productive finance assets supporting the growth of the UK economy.

BlackRock has communicated its sustainability commitments to all stakeholders in a letter to its shareholders, which can be accessed at the following link:

<https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

The Board believes that the actions outlined in this letter will assist clients in preparing their portfolios for a net zero world, including:

- publishing a temperature alignment metric for the Company’s public equity and bond funds, where sufficient data is available;
- incorporating climate considerations into BlackRock’s capital market assumptions;
- implementing a “heightened-scrutiny model” in our active portfolios as a framework for managing securities that pose significant climate risk; and
- using investment stewardship to help promote mitigation of climate risk by the companies our clients are invested in.

BlackRock made important commitments as a firm in its own corporate practices and disclosures, as well as in public policy. These commitments include the following:

- As a firm, BlackRock will work to meet the same standards of transparency that it asks of the companies its clients are invested in.
- As a voice for end investors, BlackRock will strive to advance a just transition to net zero.

#### *The desirability of the Company maintaining a reputation for high standards of business conduct*

BlackRock’s culture is a key differentiator of the Company’s strategy and helps to drive results and long-term growth. The Company’s culture unifies the firm and helps to reinforce ethical behaviour at all levels. BlackRock’s approach to instilling, reinforcing and enhancing our culture is deliberate and intentional. The Board embeds BlackRock’s culture of fiduciary commitment to serve clients and stay ahead of their needs. BlackRock has mandatory Senior Manager Certification Regime (“SMCR”) compliance training and the CEO of the Company is responsible for ensuring that the Company is fully compliant with the rules on SMCR.

## **BlackRock Fund Managers Limited**

### **Strategic Report for the Year Ended 31 December 2021 (continued)**

The Board hold regular meetings with management, by way of formal meetings and education sessions, to ensure that oversight and control of the Company's business operations is maintained, and where necessary, constructive challenge can be provided. This enables the Company's businesses to deliver strategy in a manner consistent with the BlackRock group's purpose and culture.

The Board also carried out an annual exercise to consider critically how remuneration and material relationships might affect the independent judgment and of its Non-Executive Directors.

*The need to act fairly between members of the Company*

The Company is a separate legal entity and is therefore making this statement as such, but in practical terms, the Company is part of a wider group and therefore the duties of the Board of the Company are exercised in a way that is most likely to promote the success of the Company for the BlackRock group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.

This statement is also available on the Company's website at:

<https://www.blackrock.com/uk/individual/literature/policies/sl72-corporate-governance-statements.pdf>

Approved by the Board on 16 March 2022 and signed on its behalf by:



.....  
S Corrigan - Chief Executive Officer  
Director



.....  
G D Bamping - Chairman  
Director

## **BlackRock Fund Managers Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors presents their report together with the audited financial statements of BlackRock Fund Managers Limited (registered number: 01102517) for the year ended 31 December 2021.

The directors have chosen, in accordance with section 414C (11) of the Companies Act 2006, to include certain additional matters in the Strategic Report that would otherwise be required to be disclosed in the Directors' Report.

#### **Dividends**

Dividends of £39.1m were paid in the year ended 31 December 2021 (2020: £50.0m).

#### **Directors and officers of the Company**

The board, who held office during the year, were as follows:

G D Bamping\* - Chairman

S Corrigan - Chief Executive Officer (appointed 13 January 2021)

W I Cullen\*

D Edgar

B Harrison (appointed 29 April 2021)

R A R Hayes - Chief Executive Officer (resigned 13 January 2021)

A M Lawrence

H N Mephram

M T Zemek\*

*\* Non-executive director*

Company secretary:

BlackRock Company Secretarial Services (UK) Limited

#### **Statement of directors' responsibilities**

The directors acknowledge their responsibilities for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

## **BlackRock Fund Managers Limited**

### **Directors' Report for the Year Ended 31 December 2021 (continued)**

#### **Statement of directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Going concern**

The directors believe that the Company is well placed to manage its business risks successfully. After making enquiries and considerations explained in note 2, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

#### **Directors' third-party indemnity provisions**

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the course of the financial period ended 31 December 2021 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, powers or office.

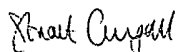
#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

#### **Reappointment of auditors**

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 16 March 2022 and signed on its behalf by:



.....  
S Corrigall - Chief Executive Officer  
Director



.....  
G D Bamping - Chairman  
Director



## **BlackRock Fund Managers Limited**

### **Independent Auditor's Report to the Members of BlackRock Fund Managers Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Blackrock Fund Managers Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes to financial statements 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **BlackRock Fund Managers Limited**

### **Independent Auditor's Report to the Members of BlackRock Fund Managers Limited (continued)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

## **BlackRock Fund Managers Limited**

### **Independent Auditor's Report to the Members of BlackRock Fund Managers Limited (continued)**

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies Act 2006, pensions legislation, Corporation Tax Act 2010, UK Legislation on Transfer Pricing and Value Added Tax Act 1994; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements, requirements of the Financial Conduct Authority ("FCA"), the Financial Services and Markets Act 2000, regulatory licenses and stewardship, and environmental, social and governance ("ESG") regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, information technology ("IT"), regulatory compliance and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

#### ***Accuracy of performance fee revenue from alternative products***

Performance fee revenue received from alternative products represents the single largest component of revenue for the company.

There is a significant risk of material misstatement in the recognition of performance fee revenues from alternative products relating to the accuracy assertion, due to the size of performance fees recognised from alternative products when compared to the company's materiality, meaning that even a minor error in the calculation of the performance fees could result in a material misstatement in the company's financial statements.

We have performed the following controls procedures to address this fraud risk:

- obtained and reviewed service organisation control reports for the third party fund administrators, and evaluated any identified opinion qualifications and control testing deviations; and
- evaluated the design and implementation and operating effectiveness of the company's controls relating to accuracy of alternative performance fees.

In addition, for a sample of performance fees, we performed the following substantive audit procedures to address this fraud risk:

- obtained the performance fee calculation document for the annual performance fee lock, which included the calculation and input data;
- obtained and reviewed the most recent prospectus;
- agreed the performance fee per the calculation to the recorded fee;
- confirmed all input data and fund documentation directly with the third party administrator;
- verified whether or not the product was performance fee eligible (and therefore whether or not it was appropriate for a performance fee to be calculated and recorded);
- verified whether or not the performance fee calculation logic was in line with the terms set out in the prospectus;
- independently calculated a performance fee estimate based upon the prospectus and the validated input data; and
- assessed whether the fee had been recognised in the appropriate period.

## **BlackRock Fund Managers Limited**

### **Independent Auditor's Report to the Members of BlackRock Fund Managers Limited (continued)**

- As an additional procedure, we checked whether or not the most recent audited financial statements for the sampled products were available. Where these were available, we compared the performance fees recorded in the audited financial statements to the amount recorded by the company.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with regulators (including tax authorities and the company's regulatory licensing authority).

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

##### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

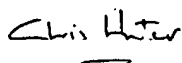
We have nothing to report in respect of these matters.

## **BlackRock Fund Managers Limited**

### **Independent Auditor's Report to the Members of BlackRock Fund Managers Limited (continued)**

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....  
Chris Hunter CA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Edinburgh, United Kingdom  
16 March 2022

## BlackRock Fund Managers Limited

### Income Statement for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	5	642,459	797,609
Cost of sales		<u>(602,377)</u>	<u>(744,602)</u>
Gross profit		40,082	53,007
Administrative expenses		<u>(16,586)</u>	<u>(11,855)</u>
Operating profit	6	<u>23,496</u>	<u>41,152</u>
Finance income and similar income		-	49
Finance costs and similar expenses		(33)	-
Net gains on derivative financial instruments		<u>6,287</u>	<u>5,620</u>
		<u>6,254</u>	<u>5,669</u>
Profit before tax		29,750	46,821
Income tax expense	10	<u>(5,690)</u>	<u>(7,744)</u>
Profit for the year		<u><u>24,060</u></u>	<u><u>39,077</u></u>

The above results were derived from continuing operations in the UK.

There are no other comprehensive income items in the current or prior years, therefore profit for those years represents the comprehensive income.

# BlackRock Fund Managers Limited

(Registration number: 01102517)

## Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	12	619,393	631,503
Cash and cash equivalents		<u>42,052</u>	<u>48,909</u>
		<u>661,445</u>	<u>680,412</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	13	18,100	18,100
Retained earnings		<u>46,188</u>	<u>61,205</u>
		<u>64,288</u>	<u>79,305</u>
<b>Current liabilities</b>			
Trade and other payables	14	582,414	588,145
Income tax liability		<u>14,743</u>	<u>12,962</u>
		<u>597,157</u>	<u>601,107</u>
Total equity and liabilities		<u>661,445</u>	<u>680,412</u>

Approved by the Board on 16 March 2022 and signed on its behalf by:



S Corrigall - Chief Executive Officer  
Director



G D Bamping - Chairman  
Director

# BlackRock Fund Managers Limited

## Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	18,100	61,205	79,305
Profit for the year	-	24,060	24,060
Dividends	-	(39,077)	(39,077)
At 31 December 2021	<u>18,100</u>	<u>46,188</u>	<u>64,288</u>

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	18,100	72,128	90,228
Profit for the period	-	39,077	39,077
Dividends	-	(50,000)	(50,000)
At 31 December 2020	<u>18,100</u>	<u>61,205</u>	<u>79,305</u>



## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

The company is a private company limited by share capital, incorporated and domiciled in England, United Kingdom.

The address of its registered office is:

12 Throgmorton Avenue

London

EC2N 2DL

These financial statements were authorised for issue by the Board on 16 March 2022.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **Basis of preparation**

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' as issued by the FRC. Accordingly, in the year ended 31 December 2021 the Company has applied "FRS 101" issued by the FRC

The financial statements have been prepared on the historical cost basis except for the revaluation of any financial instruments at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

##### **Summary of disclosure exemptions**

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain standards, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the group accounts of BlackRock, Inc. These accounts are available to the public and can be obtained as set out in note 19.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 14 along with principal risks and uncertainties.

In assessing the going concern status, the directors have taken into account the above factors, including the financial position of the Company and in particular the low credit risk associated with the Company's unit dealing activities, as well as its significant net cash position. The Company has, at the date of this report, sufficient existing finances available for its estimated requirements for the next 12 months. This, together with its proven ability to generate cash from operations, provides the directors with the confidence that the Company is well placed to manage its business risks successfully.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

After making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### **Changes in accounting policy**

##### **New standards, interpretations and amendments adopted**

None of the standards, interpretations and amendments effective for the first time from 1 January 2021 have had a material effect on the financial statements.

#### **Revenue recognition**

##### *Recognition*

The Company earns revenue from the provision of services relating to the provision of investment management, advisory and administrative services. Revenue is recognised upon transfer of control of promised services to customers, i.e. when (or as) a performance obligation is satisfied, in an amount that reflects consideration to which the Company expects to be entitled in exchange for those services (the "transaction price"), net of value added tax. The Company enters into contracts that can include multiple services and, in certain instances, may charge a "unitary fee" to cover these services. Such fees are accounted for separately if they are determined to be distinct. Consideration for the Company's services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside the Company's influence. The Company includes variable consideration as part of its transaction price when it is highly probable that a significant reversal will not occur, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company involves third parties and related parties in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs.

##### *Fee arrangements*

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

- **Investment management and administration fees:** The fees are recognised as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, AUM or committed capital. These fees are affected by changes in net asset value, AUM or committed capital, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment management and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. Fees are generally invoiced monthly in arrears.
- **Unit trading:** The Company performs unit trading activity (i.e. the service of issuing, redeeming, creating and cancelling units) as an intermediary between investors and certain funds for which it is the appointed management company. The Company's unit trading activity does not constitute a distinct service and is therefore considered a component of the Company's fund advisory services. In general, the associated receipts and outflows do not pertain to consideration the company is entitled to or costs it is obliged to incur, and are therefore presented on a net basis. Only amounts related to contractual retained initial charges are recognised as distribution fees, and presented within revenue.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

- **Investment management performance fees:** The Company receives fees from certain actively managed investment funds. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include quarterly, annual or longer measurement periods. A portion of the fees the Company recognises may be partially related to the services performed in prior periods that meet the recognition criteria in the current period. Performance fees are recognised when it is highly probable that a significant reversal will not occur (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Significant judgement is involved in making such determination. At each reporting date, the Company considers various factors in estimating performance fees to be recognised. These factors include, but are not limited to, whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; and (2) the fees have a large number and a broad range of possible amounts.

#### **Foreign currency transactions and balances**

The financial statements are presented in sterling, which is the currency of the primary economic environment in which the company operates (functional currency).

Transactions in currencies other than the Company's functional currency (foreign currency) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items are recognised in the profit and loss account in the period in which they arise. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences on non-monetary items, measured at fair value through profit or loss ("FVTPL"), are reported as part of the fair value gain or loss in the profit and loss account in the period in which they arise. Exchange differences on non-monetary items, measured at fair value through other comprehensive income ("FVTOCI"), are reported as part of the fair value gain or loss in other comprehensive income in the period in which they arise.

#### **Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **Tax**

Income tax expense represents the sum of the tax currently payable.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

#### **Dividends**

Dividends payable are included in the financial statements in the period in which they are approved by the directors.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources embodying economic benefits will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### **Contingent liabilities**

Contingent liabilities are disclosed in the financial statements where a possibility of an economic outflow of resources exists. Where that possibility is deemed remote, no disclosure is made.

##### **Financial instruments**

###### *Recognition and derecognition*

Financial assets and financial liabilities are recognised on the trade date when the Company becomes party to the contractual provisions.

Financial assets are derecognised when the contractual rights to the cash flows expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired.

###### *Classification and initial measurement of financial assets*

All financial assets are initially measured at fair value adjusted for transaction costs (where applicable), except for trade receivables that do not contain a significant financing component which are measured at transaction price.

Financial assets are classified and subsequently measured, based on business model and contractual cash flow characteristics, at: amortised cost; fair value through profit or loss ("FVTPL"); or fair value through other comprehensive income ("FVTOCI").

All income and expenses relating to financial assets that are recognised in the Income Statement are presented within finance costs, finance income or net gains or losses on derivative financial instruments, except for impairment of trade receivables which is presented within administrative expenses.

Foreign exchange gains or losses arising on financial assets at amortised cost are presented in the Income Statement within administrative expenses and disclosed in note 6. For financial assets at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in the Income Statement within net gains on derivative financial instruments.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **2 Accounting policies (continued)**

##### *Subsequent measurement of financial assets*

###### *Financial assets at amortised cost*

Financial assets are measured at amortised cost when their contractual cash flows are solely payments of principal and interest and they are held within a business model designed to hold the asset and collect its cash flows (and are not designated as FVTPL).

The Company's cash and cash equivalents, trade and other receivables are measured at amortised cost using the effective interest method and income is recognised on this basis.

###### *Financial assets at fair value through profit or loss*

Financial assets that are held other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

The Company has not designated any amortised costs or FVTOCI financial assets as FVTPL.

The Company's financial assets measured at FVTPL comprise derivative financial instruments. Any gains or losses are recognised in the income statement.

##### *Classification and initial measurement of financial liabilities*

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless designated at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for contingent consideration acquired in a business combination, held for trading liabilities (including derivatives) and financial liabilities designated at FVTPL, which are at fair value with gains or losses recognised in the income statement.

The Company's financial liabilities at amortised cost are trade and other payables. The Company's financial liabilities at FVTPL are derivative financial instruments. The Company has not designated any financial liabilities at FVTPL.

Foreign exchange gain or losses arising on financial liabilities at amortised cost are presented in the income statement within administrative expenses and disclosed in note 6. For financial liabilities at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in the income statement within net gains on derivative financial instruments.

##### *Derivative financial instruments*

The Company's derivative financial instruments, Forwards in foreign exchange markets are measured at FVTPL. In the statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The Company uses derivative financial instruments to economically hedge risk associated with foreign exchange movements and market price exposure with respect to certain seed investments. It is not the Company's policy to trade in derivative instruments and hedge accounting is not applied.

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 2 Accounting policies (continued)

##### *Equity instruments*

Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. The Company's ordinary shares are classified as equity instruments.

#### 3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. The directors do not consider that any critical accounting estimates or judgements, over and above those disclosed in the accounting policies in note 2, have been made in the current or prior periods.

#### 4 Change in format

In the current year, the directors have elected to prepare the financial statements using an adapted format in line with SI 2008/410 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Under the new format, the terminology and structure of the statements aligns to that prescribed by International Accounting Standards. The change does not impact the recognition or measurement of items included herein, it is limited to presentation. The directors have undertaken this election for the purpose of aligning the presentation of the financial statements with that of other group companies thus providing users with more relevant information to aid understanding and comparability.

#### 5 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2021 £ 000	2020 £ 000
Investment management and administration fees	426,145	371,976
Investment management performance fees	216,314	425,633
	<u>642,459</u>	<u>797,609</u>

#### 6 Operating profit

Arrived at after charging:

	2021 £ 000	2020 £ 000
Foreign exchange losses	<u>(4,582)</u>	<u>(3,401)</u>

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 7 Finance income and costs

	2021 £ 000	2020 £ 000
<b>Finance income</b>		
Other finance income	-	49
<b>Finance costs</b>		
Other finance costs	(33)	-

#### 8 Directors' remuneration

The board' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Aggregate emoluments	666	518
Company contributions in respect of defined contribution pension schemes	25	5
	691	523

Of the 9 (2020: 9) Board that served during the year, 3 were remunerated by the Company (2020: 3). The amounts included above relate to their service as Board of the Company based on an estimated time allocation basis except 3 (2020: 3) Board, who were paid an agreed fee.

During the year the number of board who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Received or were entitled to receive shares under service condition based schemes	6	6
Received or were entitled to receive shares under market performance based schemes	-	1
Accruing benefits under defined contribution pension schemes	6	4

During the year, no director (2020: no director) exercised BlackRock, Inc. share options.

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Aggregate emoluments	176	90
Company contributions to defined benefit schemes	11	-
	187	90

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 8 Directors' remuneration (continued)

During the year the highest paid director received shares under a service condition based incentive scheme. The highest paid director did not receive shares under a market performance based incentive scheme.

#### 9 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	315	319
<b>Other fees to the auditor</b>		
Audit-related assurance services	164	137

Auditors' remuneration has been borne by another group company in the current and preceding periods.

#### 10 Income tax

Tax charged in the income statement:

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax	5,690	8,896
UK corporation tax adjustment to prior periods	-	(1,152)
Total current income tax	5,690	7,744

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	29,750	46,821
Corporation tax at standard rate	5,653	8,896
Decrease in current tax from adjustment for prior periods	-	(1,152)
Other tax effects for reconciliation between accounting profit and tax expense	37	-
Total tax charge	5,690	7,744



## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **10 Income tax (continued)**

In June 2021, the Finance Act 2021 was enacted to increase the UK corporation tax rate from 19% to 25% from 1 April 2023. The tax balances of the Company have been recognised at a rate of 19% or 25% depending on the rate at which these are expected to unwind.

During 2016, group relief previously claimed by another group company was reallocated to the company for nil payment. The group company surrendering this relief has an ongoing open matter with Her Majesty's Revenue and Customs. If this open matter is resolved in favour of the group company, then the company's tax liability will decrease by approximately £2,900,000 (2020: £2,900,000).

At 31 December 2021, an International Financial Reporting Interpretations Committee 23 ("IFRIC23") Uncertainty over Income Tax Treatments balance of £193,975 (2020: £156,672) is included in the Company's balance sheet. This balance relates to an uncertain tax liability in respect of the transfer of the management responsibilities for a number of alternatives funds to another entity within the BlackRock EMEA group. Whilst the company considers it has a robust filing position supported by advice from reputable advisors, it has disclosed this balance under IFRIC 23 to reflect that an alternative approach may be taken in the application of the UK tax law. If this alternative approach is taken, the company has estimated that a tax liability of £193,975 (2020: £156,672) could arise.

#### **11 Interests in unconsolidated structured entities**

The AUM of the Company as at 31 December 2021 was £183.8bn (2020: £151.7bn).

The Company manages investment funds which are considered to be structured entities within the definition of IFRS 12 'Disclosure of Interests in Other Entities'. Structured entities are not consolidated as the Company does not have "control" as defined under IFRS 10 'Consolidated Financial Statements'. The Company receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities are constituted as UCITS funds and AIFs including Investment Trusts.

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest capital primarily from third-party investors in a portfolio of assets in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold.

The unconsolidated structured entities are financed through equity capital provided by investors.

The fees received during the year to 31 December 2021, in relation to the above, were £642,459,000 (2020: £797,609,000). The carrying value on the statement of financial position as at 31 December 2021 is £565,646,000 (2020: £550,157,000), as represented by trade receivables and accrued income.

##### *Maximum exposure to loss*

The Company's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amounts shown above.

##### *Financial support*

The Company has not provided financial support to any of its unconsolidated structured entities during the year, and has no contractual obligations or current intention of providing financial support in the future.

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 11 Interests in unconsolidated structured entities (continued)

##### *Other information*

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Company's interest in the unconsolidated structured entities.

#### 12 Trade and other receivables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade receivables	420,205	436,431
Amounts due from group companies	50,283	79,260
Accrued income	145,441	113,726
Prepayments	3,001	1,882
Other receivables	463	204
	<u>619,393</u>	<u>631,503</u>

Trade receivables include £419m (2020: £436m) in respect of amounts receivable for unit trading activity.

Of the amounts due from group companies above £36.1m (2020: £26.0m) is due from the Company's immediate parent, BIM UK, and £14.2m (2020: £53.3m) is due from other group companies.

Cash management within the BlackRock group is governed by a cash pooling arrangement. Surplus cash from BlackRock group companies is swept into HSBC accounts held by BIM UK. The balances are treated as intercompany receivables and payables between the Company and BIM UK. The balance due from BIM UK of £36,112,000 (2020: £26,001,000) in relation to this arrangement is included within receivables from group companies.

Excluding cash management balances, all other amounts due from group companies are unsecured, interest free and repayable on demand.

The estimated ECLs as of the reporting date for trade receivables, accrued income, amounts due from group companies, and other receivables are considered to be immaterial, and therefore no allowance has been recognised in the financial statements.

#### 13 Share capital

##### Allotted, called up and fully paid shares

	No. 000	31 December 2021 £ 000	No. 000	31 December 2020 £ 000
Ordinary shares of £1 each	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 14 Trade and other payables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade payables	417,163	430,461
Accrued expenses	5,227	5,932
Amounts due to group companies	159,581	151,447
Other payables	443	305
Corporation tax liability	14,743	12,962
	<u>597,157</u>	<u>601,107</u>

Trade payables includes £417m (2020: £430m) in respect of amounts payable for unit trading activity.

Of the amounts due to group companies above, £149.3m (2020: £141.6m) is due to the Company's immediate parent, BIM, and £10.3m (2020: £9.8m) is due to other group companies.

All amounts due to group companies are unsecured, interest free and repayable on demand.

#### 15 Dividends

The directors are currently not proposing an interim dividend (2020: £39,077,000)

#### 16 Contingent liabilities

The company is an authorised institution and operates in the UK or overseas within the regulatory framework established by the FCA or overseas by local regulatory bodies.

In the normal course of business, the company may, from time to time, be subject to claims, actions or proceedings. While there can be no assurances, the directors believe, based on information currently available to them, that the likelihood of a material outflow of economic benefits is not probable.

#### 17 Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

Level 1 - fair value measurement derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - fair value measurement derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices).

Level 3 - fair value measurement derived from unobservable inputs for the asset or liability.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities.

## BlackRock Fund Managers Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 17 Fair value measurement (continued)

##### Assets measured at fair value 2021

	Level 2 £ 000	Total £ 000
Derivatives - foreign exchange forward contracts	397	397

##### Assets measured at fair value 2020

	Level 2 £ 000	Total £ 000
Derivatives - foreign exchange forward contracts	204	204

##### Liabilities measured at fair value 2021

	Level 2 £ 000	Total £ 000
Derivatives - foreign exchange forward contracts	443	443

##### Liabilities measured at fair value 2020

	Level 2 £ 000	Total £ 000
Derivatives - foreign exchange forward contracts	305	305

There were no transfers between levels during the year.

#### *Valuation methods and assumptions*

##### *Foreign exchange forward contracts:*

The fair values of derivative instruments are calculated using observable inputs and therefore categorised as level 2 securities in the fair value hierarchy. At the statement of financial position date foreign exchange forward contracts were in place to hedge the transactional foreign exchange exposure of the entity. These forwards are short term in nature and normally have a tenor of less than one month.

There were no changes to the valuation techniques during the year.

#### 18 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow members of the group.

Details of Board' remuneration are set out in note 8. There are no personnel other than Board, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Company.

## **BlackRock Fund Managers Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **19 Parent and ultimate parent undertaking**

The Company's immediate holding company is BIM and the ultimate parent company and controlling party is BlackRock, Inc. a company incorporated in the State of Delaware in the United States of America. The parent company of the largest and smallest group that includes the Company and for which group accounts are prepared is BlackRock, Inc. Copies of the group financial statements are available upon request from the Investor Relations website at [www.blackrock.com](http://www.blackrock.com) or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY 10055, USA or by email at [invrel@blackrock.com](mailto:invrel@blackrock.com).