Registration number: SC160821

# BlackRock International Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

# BlackRock International Limited

## Contents

# BlackRock International Limited

## Strategic Report for the Year Ended 31 December 2021

The Board of directors ("the Board") present its Strategic Report for BlackRock International 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 $10.0tn (2020: $8.7tn) in assets under management ("AUM") as 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 provision of investment management, advisory and transition management services.

There have not been any significant changes in the Company's principal activities in the period under review and the directors 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. Black Rock 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 outcome*: 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 platform *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 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***

BlackRock in EMEA managed $2.7tn of AUM for its clients at 31 December 2021. This generated $6.4bn (2020: $4.9bn) 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, seeks 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.

In 2021, the Company experienced a £2.8bn increase in AUM driven by strong equity performance. Additionally, during the year the Company received a dividend of £15.0m (2020: £30.0m). The Company's investment in BlackRock Life Limited ("BLL") was subsequently impaired by £52.0m (2020: £101.0m) following the distribution and a downward revision to the long-term growth expectations of the business. BLL has continued to see reductions in AUM during the year as the pension products offered by the Company are eschewed in favour of other product types.

**Key performance indicators**

*Assets under management*

AUM has increased by 36.5% to £10.6bn as at 31 December 2021 (2020: £7.8bn) primarily due to strong active equity performance.

The value of AUM disclosed here represents all assets in portfolios managed by employees of the Company.

*Revenue*

Total revenue increased by 40.8% to £52.1m in the year ended 31 December 2021 (2020: £37.0m) due to increased investment management, advisory and support services income from other group companies.

*Administrative expenses*

Administrative expenses have increased by 6.0% to £21.3m in the current period (2020: £20.1m) due to increased occupancy expenses, staff costs, and general sundry expenses.

*Net assets*

Net assets decreased by 4.4% to £309.9m at 31 December 2021 (2020: £324.0m) reflecting the loss in the year driven by the impairment of BlackRock Life Limited ("BLL").

**Principal risks and uncertainties**

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

The Board has considered a number of potential risks and uncertainties affecting the Company's business and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Board, the audit committee and the risk committee 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 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.

*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 or investments (if any).

*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 regulatory capital requirement is established by reference to the Internal Capital Adequacy and Risk Assessment ("ICARA") undertaken by the parent of its regulatory group ("the Group"), BlackRock Group Limited ("BGL"). The detailed analysis therein considers the strategy of the Group, the risks faced in pursuing that strategy and the appropriate mitigation of those risks (one possible outcome of which may be to hold capital) to ensure the residual risk remains within the Board's risk appetite. 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.

In addition, details of BGL's approach to capital adequacy are included in its 'Pillar 3' Market disclosure document, which also provides information regarding the remuneration policies and practices for those staff whose professional activities could have a material impact on BGL's risk profile. This can be found at the following website address:

http://www.blackrock.com/uk/individual/literature/annual-report/blackrock-pillar-three-disclosure-annual-report.pdf

*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:* the Company has a liquidity governance framework and policy that are designed to: identify, quantify, forecast and monitor the Group'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.

*Corporate tax risk*
*Risk description:* corporate tax risk is the risk of financial loss, reputational damage and/or loss of investor confidence arising from failure to comply with foreign and local tax regulations; ineffective controls over tax accounting or reporting; failure to manage changes in taxation rates, law, ownership, or corporate structure; or failure to disclose accurate information on a timely basis. This risk also arises where the Company's own tax treatments, policies or procedures are subject to interpretation by tax authorities that differ from the Company's or its advisors' interpretations. This can lead to the Company needing to adjust its structures, practices or strategies.

*Risk mitigation:* the Company's controls around tax reporting are designed to prevent errors and ensure compliance with disclosure requirements within prescribed timeframes. The Company seeks to comply with all relevant accounting and regulatory disclosure requirements to mitigate the risk of any public restatements of financial reporting information.

*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 non-financial (operational) risks facing the Company include:

- *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.
- *Product risk:* risk arising from product launches that are not aligned with client requirements, or that the Company cannot operationally support in a risk-controlled manner. Product risk arises throughout the product lifecycle, including the introduction of new products, change to existing products, and product closure.
- *Change management risk:* risk due to failures in project governance and implementation, e.g. through the inability to successfully manage the extent or pace of change across the Company.

- *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.
- *People/culture risk:* risk of failure to maintain appropriate key talent management practices and human resources operational activities, which could adversely affect the Company's performance and reputation and its ability to attract and retain staff and clients. This risk also includes the risk associated with employee relations disputes arising from the behaviour of employees and potential lawsuits.
- *Model risk:* risk resulting from an error in a model that is used by the Company for enterprise, portfolio construction, risk management or investment purposes.Model risk may arise due to inadequate model design (e.g. limitations in model theory or implementation) or incorrect model usage (e.g. a model is outside its intended scope or design).
- *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 restatements, fines or fraud.

*Risk mitigation:* the Company has a well-established operational risk management framework 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 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.

***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. This 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

*Conduct risk*

*Risk description:* conduct risk is the risk arising from inappropriate behaviour by the Company and/or its 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 are expected to follow the BlackRock Principles and the Code of Business Conduct and Ethics. One of the Company's 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.

Risks to BlackRock's business and operating activities include:

- *Macroprudential 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 Financial Conduct Authority. 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.
- *International Money Market Fund Reforms*: Following the market events of March 2020, US, EU and UK authorities initiated a review of existing regulatory frameworks with the aim of improving the resilience of money market funds in market downturns. The review of the EU Money Market Fund Regulation in 2022 could result in significant changes to the rules around liquidity and how some money market funds price shares. The UK may materially depart from the EU approach as they develop their own legal and regulatory framework for money market funds domiciled or marketed in the UK. Such regulatory reforms, if adopted, could significantly and adversely impact certain of BlackRock's money market fund products.

- *Environmental, Social and Governance ("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.
- *UK Divergence Reforms*: Several UK regimes are currently subject to regulatory changes as the UK diverges from on-shored EU rules following Brexit, including the Wholesale Markets Regime on MiFID and MiFIR frameworks, which is open to public consultation through 2022, and the regime for non-UK-based funds that are recognised for sale into the UK, which is currently under government review. The introduction and implementation of any proposed changes to these regimes may lead to additional expenses and operational complexity and may impact products available to UK investors.

*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, compliance, and finance departments undertake 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 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 by the Company's senior management 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.

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

Emerging risks have the potential to impact the Company's ability to meet its strategic objectives are also monitored bu 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. Emerging risks are included to enable users to understand how such have been considered in this report.

*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 is, and will continue to, actively 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.

**Streamlined Energy and Carbon Reporting statement: greenhouse gas emissions and energy consumption disclosure**
This is a Streamlined Energy and Carbon Reporting ("SECR") statement on the Company's annual energy consumption and greenhouse gas ("GHG") emissions for the financial year 1 January 2021 to the 31 December 2021 and prior years, 2020 and 2019.

The Company used the main requirements of the World Resources Institute/World Business Council for Sustainable Development GHG Protocol Corporate Standard (revised edition) ("GHG Protocol") as a basis to report GHG emissions in tonnes of carbon dioxide equivalents ("tCO2e"). Emissions considered relate to the Company's activities in the UK for which the Company is responsible and include Scope 1 emissions arising from the operation of its facilities and Scope 2 emissions arising from the purchase of electricity by the Company for its own use.

Emissions have been calculated using the same GHG emissions factors per the BlackRock, Inc. level to ensure consistency in reporting across the group and are as follows: United States Environmental Protection Agency for fugitive emissions from refrigerants and International Energy Agency for location-based electricity and Association of Issuing Bodies Residual Mix for market-based electricity. Refrigerants consumption is estimated, using The World Bank Group GHG Emissions Inventory Management Plan for Internal Business Operations 2014 to calculate a refrigerant intensity rate (based off assumptions on the area per ton of cooling, charge per ton of cooling, and annual loss), which is then multiplied by the relevant buildings floor area to calculate an annual figure for refrigerant losses.

Electricity consumption is metered, and actual consumption data is used to calculate emissions. In 2021, the company was responsible for electricity consumption totalling 0.99GWh (2020: 1.08GWh) in its direct operations, of which 100% was consumed within the UK, and 0% is estimated, as complete data was available for 2021.

The Company reports Scope 2 emissions from electricity consumption using the GHG Protocol dual-reporting methodology, stating two figures to reflect the GHG emissions from purchased electricity, using both:

- A market-based method that reflects emissions from electricity specific to each supply / contract. Where electricity supplies are known to be from a certified renewable source, a zero emissions factor is used, otherwise residual mix factors are used.
- A location-based method that reflects the average emissions intensity of the national electricity grids from which consumption is drawn; and

As shown in Table 1, the Company's combined Scope 1 and 2 (location-based) GHG emissions have reduced 41% between 2019 and 2021. The impacts of COVID-19 caused most employees to continue to work from home in 2021, which resulted in an anticipated reduction in electricity consumption of the Company's office facilities compared to 2019. It is acknowledged that employees' homeworking emissions, which are indirect (Scope 3) to the Company, will subsequently have increased to compensate for the reduced direct emissions. While quantifying employees home working emissions was considered, the conclusion was made that an accurate and meaningful figure could not be measured, owing to the operational complexity in assessing energy usage for all the Company's employees. Following a review of similar market participants, the Company believes, to the best of its knowledge, that its approach to measuring employee emissions during the Covid-19 pandemic is in line with its peers.

It is anticipated that direct emissions will remain at a lower level for at least the first quarter of 2022, as employees continue to work from home. However, as offices are expected to begin to reoccupy in the second quarter of the year, GHG emissions may begin to increase back to the levels observed in 2019. These changing occupancy rates may impede the comparability of GHG emissions data over the coming reporting years.

The Company operates one leased office facility in Edinburgh. Whilst no specific energy efficiency actions at this facility were taken directly by the Company during the reporting period, as a group, BlackRock pursues a sustainability strategy that seeks to decouple company growth from the firm's impact on the environment, while increasing the efficiency and resiliency of BlackRock's operations. In 2020 BlackRock reached carbon neutrality in its operations (defined as Scope 1, Scope 2, and select Scope 3 categories including Business Travel, Employee Commuting - company provided shuttles in India only, Fuel & Energy-Related Activities, Upstream Leased Assets, Upstream Transportation & Distribution, and Waste). BlackRock reached this milestone by employing energy efficiency strategies, achieving its 100% renewable electricity goal, and compensating for those emissions the firm could not otherwise eliminate through the purchase of carbon credits. BlackRock has reduced electricity usage across its global operations by consolidating data centres, retrofitting for LED lighting, redesigning office space use, and adjusting its heat, ventilations, and air conditioning systems to correlate to occupancy more closely. To achieve its 100% renewable electricity goal, BlackRock contracts directly for renewable electricity wherever possible. Where BlackRock does not have operational control to procure its own electricity, or where renewable electricity is not available, BlackRock purchases environmental attribute certificates as a means of achieving its 100% renewable electricity goal.

**Table 1. The Company's UK GHG emissions**

| tCO2e | 2021 | 2020 | 2019 | 2020/2021 Difference | 2019/2021 Difference |
|---|---|---|---|---|---|
| Scope 1 - Fugitive emissions of refrigerant gases | 9 | 9 | 9 | 0% | 0% |
| Scope 2 - Electricity purchased for own use (Market-based) | - | - | - | 0% | 0% |
| Scope 2 - Electricity purchased for own use (Location-based) | 205 | 245 | 352 | (16%) | (42%) |
| **Scopes 1 + 2 - (Market-based)** | **9** | **9** | **9** | **0%** | **0%** |
| **Scopes 1 + 2 - (Location-based)** | **214** | **254** | **361** | **(16%)** | **(41%)** |
| **Scope 1 + 2 - (Location-based) Intensity rations^: emissions per total revenue (tCO2e/£1m)** | 4.33 | 6.87 | 10.03 | (37%) | (57%) |
| **emissions per square foot** | 0.0025 | 0.0029 | 0.0042 | (14%) | (40%) |

^ Emissions per total revenue is a commonly disclosed carbon intensity metric for corporates that normalizes absolute emissions to the revenue of the Company, recognizing that absolute emissions will grow as the size and output of the Company grows. Emissions per square foot has been disclosed as 100% of the companies disclosed emissions relate to their leased office facility, which may facilitate comparisons across companies with more or less office space.

**Table 2. The Company's UK energy and refrigerants use**

| Consumption source | Scope | 2021 Consumption value | 2020 Consumption value | 2019 Consumption value | Unit |
|---|---|---|---|---|---|
| Refrigerants | Scope 1 | 0.01 | 0.01 | 0.01 | Tonnes |
| Electricity | Scope 2 | 987,752 | 1,426,412 | 1,426,412 | kWh |

GHG emissions and energy consumption statement pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended by the Company's (Directors Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the SECR regulations).
Scope 1 emissions are direct GHG emissions from activities owned or controlled by an organisation.
Scope 2 emissions are indirect emissions associated with an organisations consumption of purchased electricity.
Scope 2 emissions physically occur at the facility where electricity is generated.
The 2019 total revenue intensity ratio has pro-rated turnover from a 13-month to a 12-month period, to account for the change in the accounting period of the Company.

For full transparency, BlackRock's global Scope 1, 2, and 3 emissions can be found in its 2021 TCFD Report BlackRock 2021 TCFD Report.

**Companies Act s172 Statement**

Under section 172 of the Companies Act 2006 ("s172"), the directors 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, 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 Board delegates responsibility to formulate the Company's strategy to the Head of EMEA, who serves as a member on the Board, and takes primary responsibility for: formulating the strategic objectives of the Company within the Company's risk tolerance; developing business plans, budgets and operating strategies for the Company; and defining financial objectives, plans and budgets. The Head of EMEA engages with senior management to ensure that the Company's strategy is designed and implemented in a manner that is consistent with BlackRock's global growth priorities, and in a manner that is suited to the UK market.

The Board are responsible for overseeing the implementation of the Company's long-term strategic objectives and receive regular updates from the Head of EMEA on the delivery of corporate strategy, regional and industry trends, in Board meetings and informal briefing sessions; and the Company's strategy is regularly communicated with the workforce by way of executive announcements from senior leaders and employee townhalls.

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:

- approving senior manager appointments;
- reviewing the impact of Larry Fink's CEO letters on the strategy of the EMEA region;
- approving cash repatriation transactions and liquidity management within the BlackRock group;
- reviewing the Company's business continuity plan in relation to Covid-19;
- reviewing the Company's stewardship strategy outlining how BlackRock intends to engage with companies in which it is invested;
- overseeing the management of conflicts within BlackRock's businesses; and
- identifying matters that might impact BGL's internal capital adequacy process.

*The interests of the Company's employees*
Individuals who are employed by 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.

It is the Company's policy that there should be effective communication with all employees who, subject to practical and commercial considerations, should be consulted on and involved in decisions that affect their current and future job prospects and working environment. Management engaged with employees throughout the year through executive communications, employee pulse surveys and regional townhalls. Employees were also encouraged to report concerns relating to business integrity through established whistleblowing processes, and anonymised concerns were reported to the Board on a quarterly basis. The Board was kept informed of the results of BlackRock employee engagement activities through reports from the EMEA Head of HR, and of employee wellbeing during Covid-19 and the work-from-home environment through regular reports from the EMEA COO.

During the year, employees of the Company were granted a raise in base salaries of 8%, effective from September 1st 2021, to reward them for their hard work, commitment, initiative and teamwork during the pandemic.

The Company believes a diverse workforce and an equitable and inclusive work environment are key factors in achieving better outcomes across all levels of its business. The Company adopts BlackRock's global strategy in relation to diversity, equity and inclusion, details of which are set out in the Working Together report which can be accessed at the following website address:
https://www.blackrock.com/corporate/literature/fact-sheet/dei-annual-report.pdf.

*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. The Head of the UK drives UK client strategy whilst being directly responsible for the UK Institutional, Wealth, Charities and Endowments, Investment Trusts and Defined Contribution/Unit Linked businesses.

The Company is subject to regulatory oversight by the FCA in the UK. The Board and 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*
The Company'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 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. As a subsidiary of the BlackRock group, the Company has committed to:

- operate a sustainable corporation, recognising that long-term sustainability delivers the best outcomes for stakeholders; that the workforce is central to the Company's sustainability efforts; and pursuing a strategy that decouples company growth from the impact on the environment;
- make sustainable investing BlackRock's standard, providing sustainability-integrated portfolios and making sustainability integral to the way BlackRock manages risk, deepening the integration of ESG factors into risk management and investment processes, and putting ESG analysis at the centre of BlackRock's technology platform;
- act as responsible steward of BlackRock's client assets by engaging with companies to understand how they are managing and disclosing sustainability-related risks and encouraging companies to adopt corporate governance and business practices consistent with delivering sustainable long-term financial returns; and
- make a positive social impact though charitable contributions and empowering the Company's employees to give back to their communities.

The Company's strategy in relation to sustainability and ESG factors were regularly communicated to the Board through reports from the Head of EMEA, the EMEA Head of Corporate Strategy and BlackRock Investment Stewardship. Management have communicated BlackRock's sustainability commitments to all stakeholders in a letter to shareholders of BlackRock, which can be accessed at the following link: https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

*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'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.

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 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 directors 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/s172-corporate-governance-statements.pdf

Approved by the Board on 20 April 2022 and signed on its behalf by:

.........................................
S Cohen
Director

# BlackRock International Limited

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

The Board presents its report together with the audited financial statements of BlackRock International Limited (registered number: SC160821) 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**
No Dividends were paid in the year ended 31 December 2021 (2020: £69.0m).

**Directors and officers of the Company**
The directors, who held office during the year and up to the date of this report, were as follows:

J Charrington - Chairman

D Clarke (appointed 21 July 2021)

C Clausen

S Cohen (appointed 15 April 2021)

E de Freitas

M Duncan (appointed 21 July 2021)

E Fishwick

R Lord (resigned 15 April 2021)

S Mullin Outhwaite

M Young

Officers:

BlackRock Company Secretarial Services (UK) Limited - Company Secretary

**Statement of directors' responsibilities**
The directors acknowledge their responsibilities for preparing the annual report and the 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 International Limited

## Directors' Report for the Year Ended 31 December 2021 (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 forseeable 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.

Despite the current market conditions, the Company and the products which it manages have no exposure to investments in Russia or Ukraine. As a consequence, there are no going concern issues as a result of the situation in Ukraine and subsequent impact on the international macroeconomic environment.

**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 year 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.

**Disabled employees**

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable any employees who become disabled during employment to continue their careers with the Company. Training, career development and promotion of disabled persons is, as far as possible, identical to that of other employees.

**Disclosure of information to the auditors**

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 auditor**

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

Approved by the Board on 20 April 2022 and signed on its behalf by:

.........................................

S Cohen
Director

# Independent Auditor's Report to the Members of BlackRock International Limited

## Opinion

In our opinion the financial statements of BlackRock International 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101; 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 26

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 ("FRC") 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 directorss 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.

## Independent Auditor's Report to the Members of BlackRock International 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. This description forms part of our auditor's report.

**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:

- 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, valuations, 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:

***The company's investment in BlackRock Life Limited***

The Company's 100% subsidiary investment in BlackRock Life Limited ("BLL") has been impaired from 2018 to 2021 by a material amount, reducing the carrying value cumulatively from £547m to £165m (a reduction of £382m).

The investment in BLL is accounted for at cost less provision for impairment. Management reviews the investment annually for indicators of impairment and, if events or circumstances indicate that the carrying amount of the investment may not be recoverable, a full impairment review is performed. An impairment loss is recognised in the income statement at the value by which the carrying amount of BLL exceeds its recoverable amount. Management have determined the recoverable amount of BLL by measuring its fair value, being the present value of projected future cash flows, discounted using a pre-tax discount rate which reflects an assessment of the market cost of capital, and adjusted for excess non-operating assets.

Due to the historical impairments recognised, as well as the subjective nature of cash flow forecasts used in estimating the recoverable amount of BLL, and the fact that the investment carrying value is significantly in excess of audit materiality for the Company, there is a significant risk that the investment value is no longer recoverable, and should be impaired. Additionally, we consider this valuation to possess a heightened risk of potential fraud or error, due to the judgement involved in determining the recoverable amount of the investment, and the fact that any impairment would likely have a significant impact on the profitability and net asset value of the Company.

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

- evaluated the design and implementation of management's review control over impairment assessments of investments;
- developed an independent expectation of the valuation using our own independent assumptions, inputs and market data employed in the valuation, including growth forecasts, revenue forecasts, long term growth rates and present value discount rates to external market data;
- involved our internal valuation specialists in assessing the appropriateness of the key assumptions used in the valuation model;
- assessed BLL's performance and financial position;
- evaluated all corroboratory and contradictory evidence obtained; and
- obtained and reviewed management's appraisal of the recoverable amount of the investment in BLL and appropriateness of the conclusions reached.

*Completeness, cut-off and accuracy of separately managed account ("SMA") performance fee revenue* The majority of calculations of SMA performance fees earned by the Company are manually performed, bespoke, typically complex in nature, and may require a degree of judgement in relation to the interpretation of the Investment Management Agreement ("IMA").

In addition, there are accruals at year-end subject to a true-up process, as recorded SMA performance fee accruals are based on estimated AUM / Net Asset Value figures.

Furthermore, SMA performance fee revenue is tracked manually and designed to list out all SMA clients from whom performance fees are earned and the respective lock-in dates. Due to the manual nature of this process, there is a risk that fees are recorded in the incorrect period, or not at all. In addition to the inherent risk of error, there is also a risk that management may use these manual processes to influence the recognition of SMA management fee revenue, in order to meet market expectations in the current climate.

We have performed the following procedures to address this fraud risk:
• obtained an understanding of relevant controls over SMA performance fees;
• tested relevant controls including general information technology controls over the completeness and accuracy of Assets Under Management ("AUM") data used in the calculation of performance fees;
• for a sample of recorded SMA performance fees, we have:
- recalculated performance fee amounts using the terms in the relevant IMA;
- validated AUM used in the performance fee computation against AUM data retrieved from Aladdin;
- performed a retrospective review of the accuracy and cut-off of performance fee estimates made at year-end by testing the post year-end accrual to actual true-ups; and
• to test the completeness of performance fee revenue, we selected a sample of mandates from an appropriate independent population and determined if the Company was entitled to a performance fee, and if a performance fee accrual or invoice fee was recorded.

*Completeness and accuracy of manually processed separately managed account ('SMA') management fee revenue*
Fee calculations for a number of SMA mandates are performed manually, which increases the risk of potential fraud and error. Additionally, there is a risk of error in the process of entering fee terms into billing systems (either for new contracts, for contract amendments, or for client terminations).

Furthermore, there is a risk that not all fees are recorded in the general ledger in relation to SMA management fee revenue for which the client fees are manually calculated.

In addition to the inherent risk of error, there is also a risk that management may use these manual processes to influence the recognition of SMA management fee revenue, in order to meet market expectations in the current climate.

We have performed the following procedures to address this fraud risk:
• tested relevant controls addressing (i) SMA client onboarding, (ii) amendments and terminations of SMA client terms on billing systems, and (iii) review of invoices;
• tested relevant controls over the completeness and accuracy of AUM data used in calculations;
• tested relevant controls including general information technology controls around billing systems;
• for a sample of recorded fees:
- recalculated the management fee amount recorded, using the terms in the most recent signed IMA, and independently obtained AUM information from billing systems;
- agreed management fee amounts invoiced to subsequent cash receipts; and
• to test completeness, we checked if management fees had been appropriately recorded for a selected sample of mandates.

## Independent Auditor's Report to the Members of BlackRock International Limited (continued)

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**

**Opinion on other matter 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.

## Independent Auditor's Report to the Members of BlackRock International 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 Comapny and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Hunter

Chris Hunter CA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom

20 April 2022

# BlackRock International Limited

## Income Statement for the Year Ended 31 December 2021

| | Note | 2021 £ 000 | 2020 £ 000 |
|---|---|---|---|
| Revenue | 5 | 52,062 | 36,978 |
| Cost of sales | | (11,846) | (14,025) |
| Gross profit | | 40,216 | 22,953 |
| Administrative expenses | | (21,343) | (20,079) |
| Operating profit | 6 | 18,873 | 2,874 |
| Finance income | 7 | - | 581 |
| Finance costs | 7 | (528) | (562) |
| Amounts written off investments | 14 | (52,000) | (101,000) |
| Net gains/(losses) on derivative financial instruments | | 57 | (222) |
| Dividends received | | 15,000 | 30,000 |
| Loss before tax | | (18,598) | (68,329) |
| Income tax (credit)/expense | 11 | (4) | 25 |
| Loss for the year | | (18,602) | (68,304) |

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

There are no other comprehensive income/expense items in the current or prior years, therefore the loss for these years represents the comprehensive income.

## BlackRock International Limited

## (Registration number: SC160821)
## Statement of Financial Position as at 31 December 2021

| | Note | 31 December 2021 £ 000 | 31 December 2020 £ 000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property and equipment | 12 | 5,232 | 5,527 |
| Right-of-use assets | 13 | 11,626 | 13,366 |
| Investments | 14 | 165,025 | 217,025 |
| | | 181,883 | 235,918 |
| **Current assets** | | | |
| Trade and other receivables | 16 | 164,411 | 120,211 |
| Income tax assets | | 82 | 93 |
| | | 164,493 | 120,304 |
| Total assets | | 346,376 | 356,222 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 17 | 1,300 | 1,300 |
| Share premium reserve | | 253,406 | 253,406 |
| Capital contribution reserve | 18 | 8,019 | 8,019 |
| Share-based payment reserve | 18 | 3,205 | - |
| Retained earnings | | 43,939 | 61,282 |
| | | 309,869 | 324,007 |
| **Non-current liabilities** | | | |
| Long-term lease liabilities | 19 | 12,969 | 15,038 |
| Provisions | 22 | 3,406 | 2,771 |
| | | 16,375 | 17,809 |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 18,063 | 12,389 |
| Lease liabilities | 19 | 2,069 | 2,017 |
| | | 20,132 | 14,406 |
| Total liabilities | | 36,507 | 32,215 |
| Total equity and liabilities | | 346,376 | 356,222 |

Approved by the Board on 20 April 2022 and signed on its behalf by:

S Cohen
Director

The notes on pages 27 to 48 form an integral part of these financial statements.

## BlackRock International Limited

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

| | Share capital £ 000 | Share premium reserve £ 000 | Capital contribution reserve £ 000 | Share-based payment reserve £ 000 | Retained earnings £ 000 | Total £ 000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 1,300 | 253,406 | 8,019 | - | 61,282 | 324,007 |
| Loss for the year | - | - | - | - | (18,602) | (18,602) |
| Share-based payment transactions | - | - | - | 3,205 | - | 3,205 |
| Capital contribution [1] | - | - | - | - | 1,259 | 1,259 |
| At 31 December 2021 | 1,300 | 253,406 | 8,019 | 3,205 | 43,939 | 309,869 |

| | Share capital £ 000 | Share premium reserve £ 000 | Capital contribution reserve £ 000 | Share-based payment reserve £ 000 | Retained earnings £ 000 | Total £ 000 |
|---|---|---|---|---|---|---|
| At 1 January 2020 | 1,300 | 353,406 | 8,019 | - | 98,586 | 461,311 |
| Loss for the year | - | - | - | - | (68,304) | (68,304) |
| Dividends | - | - | - | - | (69,000) | (69,000) |
| Share Premium conversion [2] | - | (100,000) | - | - | 100,000 | - |
| At 31 December 2020 | 1,300 | 253,406 | 8,019 | - | 61,282 | 324,007 |

[1] Capital contribution is the result of a release of liabilities previously due to other group companies.

[2] During the year, there was a share premium conversion, £100.0m.

The notes on pages 27 to 48 form an integral part of these financial statements.

## 1 General information

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

The address of its registered office is:
Exchange Place One
1 Semple Street
Edinburgh
EH3 8BL

These financial statements were authorised for issue by the Board on 20 April 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 years 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 Requirement' ("FRS 100") 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, goodwill reconciliation, share-based payments 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 26.

**Exemption from preparing group accounts**
The financial statements contain information about BlackRock International Limited as an individual Company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, BlackRock, Inc.

**Going concern**
The Comapny'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 15 along with principal risk and uncertainties.

**2 Accounting policies (continued)**

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 significant net-asset position, the significant cash resources, and the relative low risk of its outstanding debtors. The Company has, at the date of this report, sufficient exisiting 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 confidence that the Company is well placed to manage its business risks successfully.

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 standards**

**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 investment management and transition management 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.

## 2 Accounting policies (continued)

*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. In certain cases, fees may be invoiced quarterly in advance. In such cases, the Company records contract liabilities to the extent that it receives cash prior to meeting the revenue recognition criteria (e.g. when amounts are received from customers in advance of the relevant service being provided).
- 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.
- Fees from group companies: The Company provides support services, investment management services, client services, research and executive level management and support services to other BlackRock entities. Such services are undertaken in accordance with legal agreements in place between the relevant entities, and the associated fees are determined in accordance with the arm's length principle. Fees from group companies are recognised as the services are performed.
- Other revenue The Company provides various advisory services to BlackRock group clients, including market and investment analysis for which fees are invoiced in arrears.

**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 (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position 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 income statement 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 income statement in the period in which they arise.

## 2 Accounting policies (continued)

**Tax**

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

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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

**Property and equipment**

Property and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and accumulated impairment losses.

The cost of property and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

**Depreciation**

Depreciation is charged so as to write-off the cost less estimated residual value of non-current assets, other than land and properties under construction, over their expected useful lives as follows:

| *Asset class* | *Depreciation method and rate* |
|---|---|
| Short-term leasehold property | Straight-line basis over the shorter of the estimated useful life or the remaining term of the lease |
| Furniture, fittings and equipment | Straight-line basis over three to seven years |

**2 Accounting policies (continued)**

| | |
|---|---|
| Right-of-use assets | Straight-line basis over the shorter of estimated useful life or the term of the lease |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property or equipment is determined by the difference between sale proceeds and the carrying amount of the asset and is recognised in the income statement.

**Impairment of non-financial assets**

Intangible assets which have an indefinite useful life are tested annually for impairment, or whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable.

All other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows - Cash Generating Units ("CGUs"). Value-in use represents the present value of projected future cash flows expected to be derived from a CGU, discounted using a post-tax discount rate which reflects an assessment of the market cost of capital of the CGU.

Impairments are charged to the income statement in the year in which they arise.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**Investments**

Investments are equity holdings in subsidiaries. They are measured at cost less any provision for impairment. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**Dividends**

Dividend income from investments is recognised when the Company's rights to receive payment have been established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

## 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 tthat 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 positon date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the estimated cash flowsrequired to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

**Defined contribution pension obligation**
Payments to defined contribution retirement benefit plans are recognised as an expense when the employees have rendered service entitling them to the contributions.

**Other employee benefits**
Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities. Short-term compensated absences are recognised, in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences or, in the case of non-accumulating compensated absences, when the absences occur.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method, which views each period of employee service as giving rise to an additional unit of benefit entitlement. The liabilities are discounted, if material, using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

**Leases**

*Initial recognition and measurement*

At lease commencement date, the Company recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments not yet paid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. The lease payments are made up of fixed payments (including in-substance fixed), payments arising from purchase options (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments based on an index or rate. The Company has elected not to separate non-lease components, and therefore lease payments include associated non-lease payments.

The right-of-use asset is initially measured at the amount of the lease liability adjusted for lease prepayments (net of any lease incentives received), the Company's initial direct costs and an estimate of restoration, removal and dismantling costs.

**2 Accounting policies (continued)**

*Subsequent measurement*

After the commencement date, the liability will be reduced for payments made and increased for the unwind of interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. The corresponding adjustment is reflected in the carrying value of the right-of-use asset.

The right-of-use asset is depreciated as disclosed in the accounting policy for property and equipment. The Company also assesses the right-of-use assets for impairment when such indicators exist.

Variable lease payments not included in the measurement of the lease liability are included in operating expenses.

**Financial instruments**

*Recognition and derecognition*
Financial assets and financial liabilities are recognised on the trade date when the Company becomes party to 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; or fair value through other comprehensive income ("FVTOCI").

In the periods presented the Company does not have any financial assets categorised as 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.

*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 trade receivables are measured at amortised cost using the effective interest method and income is recognised on this basis.

**2 Accounting policies (continued)**

*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 cost or FVTOCI financial assets at FVTPL.

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

*Impairment of financial assets*
All debt-type financial assets, which are not measured at FVTPL, are assessed for impairment at each reporting date using a forward-looking approach by identifying expected credit losses ("ECLs").

Impairment provisions for trade receivables are recognised based on the simplified approach using the lifetime ECLs and the single loss-rate approach.

For other financial assets, where credit risk has not increased significantly since initial recognition, twelve month ECLs are recognised. For those where credit risk has increased significantly, lifetime ECLs are recognised.

For assets held at amortised cost, any ECL is recognised in the income statement with a corresponding adjustment to the asset's carrying value through a provision account.

*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.

In the income statement changes in fair value are included within net gains or losses on derivative financial instruments.

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.

**2 Accounting policies (continued)**

*Derivative financial instruments*
The Company's derivative financial instruments, forwards and foreign exchange, 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 financal 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. It is not the Company's policy to trade in derivative instruments and hedge accounting is not applied.

*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.

*Critical accounting judgements*
There are no critical accounting judgements.

*Key sources of estimation uncertainty*
The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Impairment of non-financial assets*
Investments in subsidiaries that are not subject to amortisation require an annual impairment review to be completed. This is also the case for assets where indicators of impairment exist, or where indicators suggest that a prior period loss may have reversed.

In assessing the recoverable amount of an asset or CGU under a value in use approach, management's judgement is exercised to best estimate future cash flows and a post-tax discount rate, based upon a group adjusted weighted average cost of capital, to reflect the risks associated with the asset or CGU. The analysis performed on the investment that was impaired in the year indicates a value-in-use range between £159.0m and £169.0m.

## 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 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 turnover for the year from continuing operations is as follows:

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Investment management and administration fees | 39,422 | 25,425 |
| Investment management performance fees | 587 | 1,218 |
| Other revenue | 12,053 | 10,335 |
| | 52,062 | 36,978 |

Revenue includes amounts from other group companies of £37,629,000 (2020: £21,905,000).

Other revenue includes a TRIM balance of £2.4m (2020: £1.2m)

## 6 Operating profit

Arrived at after charging/(crediting):

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Depreciation expense | 836 | 1,015 |
| Depreciation on right-of-use assets | 1,740 | 1,689 |
| Foreign exchange (gains) | (64) | (19) |

## 7 Finance income and costs

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| **Finance income** | | |
| Interest income on bank deposits | - | 139 |
| Other finance income | - | 442 |
| Total finance income | - | 581 |
| **Finance costs** | | |
| Interest expense on leases - Property | (410) | (449) |
| Other finance costs | (118) | (113) |
| Total finance costs | (528) | (562) |

## 8 Staff costs

The aggregate payroll costs were as follows:

| | 2021 £ 000 | 2020 £ 000 |
|---|---|---|
| Wages and salaries | 15,153 | 15,075 |
| Social security costs | 2,061 | 2,264 |
| Pension costs, defined contribution scheme | 109 | 89 |
| Equity-settled share-based payment expense | 1,159 | 1,009 |
| | 18,482 | 18,437 |

During 2021, 8 employees (2020: 6) were seconded to the Company from another group company. The cost of these employees is borne by the Company through a secondment recharge of £18,482,000 (2020: £18,437,000).

## 9 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Aggregate emoluments | 642 | 510 |
| Company contributions in respect of defined contribution pension schemes | 5 | 2 |
| | 647 | 512 |

Of the 10 (2020: 8) directors that served during the year, no directors were remunerated by the Company (2020: no directors). The amounts included above relate to their service as directors of the Company based on an estimated time allocation basis except 6 (2020: 4) directors, who were paid an agreed fee.

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

| | 2021<br>No. | 2020<br>No. |
|---|---|---|
| Received or were entitled to receive shares under service condition based schemes | 4 | 4 |
| Received or were entitled to receive shares under market performance based schemes | 4 | 3 |
| Accruing benefits under defined contribution pension scheme | 4 | 3 |

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

In respect of the highest paid director:

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Aggregate emoluments | 201 | 184 |
| Company contributions in respect of defined contribution pension schemes | 4 | 1 |
| | 205 | 185 |

During the year the highest paid director received or was entitled to receive shares under both a service condition based incentive scheme and a market based performance based incentive scheme.

## 10 Auditor's remuneration

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Audit of the financial statements | 203 | 205 |
| **Other fees to auditors** | | |
| The auditing of accounts of any subsidiary of the Company | 254 | 257 |

## 11 Income tax

Tax charged/(credited) in the income statement:

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| **Current taxation** | | |
| Foreign tax | 27 | (9) |
| Total current income tax | 27 | (9) |
| **Deferred taxation** | | |
| Arising from origination and reversal of temporary differences | (21) | (21) |
| Arising from changes in tax rates and laws | 8 | 6 |
| Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods | (10) | (1) |
| Total deferred taxation | (23) | (16) |
| Tax expense/(receipt) in the income statement | 4 | (25) |

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

The differences are reconciled below:

**11 Income tax (continued)**

| | 2021<br>£ 000 | 2020<br>£ 000 |
|---|---|---|
| Loss before tax | (18,598) | (68,329) |
| Corporation tax at standard rate | (3,534) | (12,983) |
| Increase/(decrease) in current tax from adjustment for prior periods | 26 | (1) |
| Decrease from effect of revenues exempt from taxation | (2,850) | (5,700) |
| Increase from effect of expenses not deductible in determining taxable profit | 630 | 12 |
| Decrease arising from group relief tax reconciliation | (4,142) | (540) |
| Decrease from effect of foreign tax rates | - | (9) |
| Deferred tax credit from unrecognised temporary difference from a prior period | (10) | - |
| Increase from changes in tax provisions due to legislation | 4 | 6 |
| Other tax effects for reconciliation between accounting profit and tax expense | 9,880 | 19,190 |
| Total tax charge/(credit) | 4 | (25) |

A provision for impairment of the Company's investment in BlackRock Life Limited has been recognised in the year. Please refer to note 14 for details. The impairment is non-taxable from a UK perspective and the amount of £9,880,000 (2020: £19,190,000) is included above as "Other tax effects for reconciliation between account profit and tax expense (income)".

In June 2021, the Finance Act 2021 was enacted to increase the UK corporation tax ratefrom 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.

In prior years, the Company claimed group relief for nil payment from another group company. 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 £1,287,000 (2020: £1,287,000).

### 11 Income tax (continued)

**Deferred tax liability**

Deferred tax movement during the year:

| | At 1 January 2021 £ 000 | Recognised in income £ 000 | At 31 December 2021 £ 000 |
|---|---|---|---|
| Accelerated tax depreciation | (36) | 23 | (13) |

Deferred tax movement during the prior year:

| | At 1 January 2020 £ 000 | Recognised in income £ 000 | At 31 December 2020 £ 000 |
|---|---|---|---|
| Accelerated tax depreciation | (52) | 16 | (36) |

### 12 Property and equipment

| | Short-term leasehold property £ 000 | Furniture, fittings and equipment £ 000 | Total £ 000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 9,915 | 2,783 | 12,698 |
| Additions | 541 | - | 541 |
| At 31 December 2021 | 10,456 | 2,783 | 13,239 |
| **Depreciation** | | | |
| At 1 January 2021 | 4,705 | 2,466 | 7,171 |
| Charge for the year | 687 | 149 | 836 |
| At 31 December 2021 | 5,392 | 2,615 | 8,007 |
| **Carrying amount** | | | |
| At 31 December 2021 | 5,064 | 168 | 5,232 |
| At 31 December 2020 | 5,210 | 317 | 5,527 |

## 13 Right-of-use assets

| | Property £ 000 |
|---|---|
| **Cost** | |
| At 1 January 2021 | 16,846 |
| At 31 December 2021 | 16,846 |
| **Depreciation** | |
| At 1 January 2021 | 3,480 |
| Charge for the year | 1,740 |
| At 31 December 2021 | 5,220 |
| **Carrying amount** | |
| At 31 December 2021 | 11,626 |
| At 31 December 2020 | 13,366 |

See note 19 for further information on leases.

## 14 Investments

| **Subsidiaries** | **£ 000** |
|---|---|
| **Cost** | |
| At 1 January 2021 | 512,025 |
| At 31 December 2021 | 512,025 |
| **Provision** | |
| At 1 January 2021 | 295,000 |
| Charge in the year | 52,000 |
| As at 31 December 2021 | 347,000 |
| **Carrying amount** | |
| At 31 December 2021 | 165,025 |
| At 31 December 2020 | 217,025 |

### 14 Investments (continued)

In conducting the Company's impairment review it was found that the value of BLL was considered to be impairmed by a value of £52.0m. This is a result of the downward revision of long-term growth rate expectations and the decision of the Board of BLL to declare a dividend in the year. A provision has been recognised in the year and is included within the income statement. A value in use calculation was performed to determine the recoverable amount of the investment using a discount rate of 9.0% (2020: 9.3%)

Details of the subsidiaries as at 31 December 2021 are as follows:

| Name of subsidiary | Principal activity | Registered office | Proportion of ownership interest and voting rights held 2021 | 2020 |
|---|---|---|---|---|
| BlackRock Life Limited* | Provider of investment management policies for occupational pension schemes for institutional and unit linked pension schemes | UK | 100% | 100% |
| BlackRock Pensions Limited ("BPL")* | Dormant | UK | 100% | 100% |

* indicates a direct investment held by the Company

### 15 Interests in unconsolidated structured entities

The AUM of the Company as at 31 December 2021 was £10.6bn (2020: £7.8bn).

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 and revenue from related parties. The unconsolidated structured entities are constituted as open-ended and closed-ended investment companies, unit trusts and 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 £39,237,000 (2020: £24,930,000). The carrying value on the statement of financial position as at 31 December 2021 is £453,000(2020: £41,000), as represented by trade receivables and accrued income.

## 15 Interests in unconsolidated structured entities (continued)

*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.

*Other information*

There are no differences to the economic or voting rights attaching to the equity held by the Company from those held by other investors. 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.

## 16 Trade and other receivables

| | 31 December 2021 £ 000 | 31 December 2020 £ 000 |
|---|---|---|
| Trade receivables | 1,288 | 1,181 |
| Amounts due from group companies | 156,743 | 112,899 |
| Accrued income | 3,744 | 4,777 |
| Prepayments | 285 | 949 |
| Other receivables | 2,351 | 405 |
| | 164,411 | 120,211 |

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 BlackRock Investment Management (UK) Limited ("BIM"). The balances are treated as intercompany receivables and payables between the Company and BIM. The balance due from BIM of £144,082,000 (2020: £105,593,000) in relation to this arrangement is included within amounts due 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.

## 17 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 | 1,300 | 1,300 | 1,300 | 1,300 |

## 18 Reserves

*Capital contribution reserve*

The capital contribution reserve represents capital contributed in the form of cash or other assets to the Company by its parent. Capital contributions represent a gift and there is no obligation on the Company to repay the contributions or do anything in return.

*Share-based payment reserve*

The Company records the accumulated equity component of the share-based payment schemes it offers to its seconded employees as a separate component of equity as allowed under IFRS 2 'Share-based Payments'.

## 19 Leases

| | 31 December 2021 £ 000 | 31 December 2020 £ 000 |
|---|---|---|
| Non-current | 12,969 | 15,038 |
| Current | 2,069 | 2,017 |

The Company has leases for office buildings. The average lease term is 7 years (2020: 8 years). With the exception of short-term and low-value leases, each lease is reflected on the statement of financial position as a right-of-use asset and associated lease liability. Payments which are variable in nature and do not depend on an index or rate may include common area maintenance charges and are expensed on the basis that they are not recognised as a lease liability.

For leases over office buildings, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

## 19 Leases (continued)

**Lease liabilities maturity analysis**

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

| | 31 December 2021 £ 000 | 31 December 2020 £ 000 |
|---|---|---|
| Less than one year | 2,426 | 2,427 |
| 1 - 5 years | 9,706 | 9,706 |
| More than 5 years | 4,229 | 6,655 |
| Total lease liabilities (undiscounted) | 16,361 | 18,788 |

Total cash outflow for leases for the year ended 31 December 2021 was £2,426,000 (2020: £2,484,000).

## 20 Retirement benefit obligations

**Defined contribution pension scheme**

The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £109,000 (2020: £89,000).

## 21 Share-based payments

*Restricted stock and RSUs*

Employees of the Company may be granted share-based compensation in the form of restricted stock units ("RSU") award schemes. RSUs are an unsecured promise to pay value in the form of BlackRock, Inc. shares. They do not carry voting rights until they are converted to shares. An RSU is deemed equivalent in fair market value to one common share. Substantially all awards are settled in common shares. Under these plans, such RSUs are restricted from sale, transfer or assignment until the end of the restricted period. Such shares and units are subject to forfeiture during the vesting period. All schemes are accounted for on an equity-settled basis.

RSUs are issued but the ultimate parent company, BlackRock, Inc., and are converted into shares of BlackRock, Inc. on each of the vesting dates. Substantially all RSUs vest over periods ranging from one to three years, although conditions vary between different types of award. Dividend eqivalents on RSUs are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

All RSU awards are granted with a service condition only. These awards are valued at their grant-date fair value as measured by the BlackRock, Inc. common stock price. The total fair value amortised over the vesting period is adjusted for future forfeitures based on management's best estimate of restrictions and behavioural considerations.

## 21 Share-based payments (continued)

*Performance condition awards*

The Company granted share awards with a performance condition - also known as BlackRock Performance Incentive Plan Awards ("BPIP") to certain employees. The awards will cliff vest after a three year vesting period. The awards consist of a base number of RSUs granted and the number of shares that an employee will ultimately receive at the vesting date will be equal to the base RSUs granted multiplied by a predetermined percentage determined in accordance with the level of attainment of selected BlackRock, Inc. performance measures during the performance period and could be higher or lower than the original RSUs at the grant date. The awards are generally forfeited if the employee leaves BlackRock before the vesting date. These awards are amortised over the service period of three years.

## 22 Provisions

| | Deferred tax provisions £ 000 | Property-related provisions £ 000 | Total £ 000 |
|---|---|---|---|
| At 1 January 2021 | 36 | 2,735 | 2,771 |
| Decrease in existing provisions | (23) | - | (23) |
| Increase due to unwinding of discount | - | 118 | 118 |
| Increase due to change in discount rate | - | 540 | 540 |
| At 31 December 2021 | 13 | 3,393 | 3,406 |

Provisions comprise of property-related provisions on the Exchange Place One property. This amount is based on the estimated cost of returning the property to its original condition at the end of the lease term, discounted back to the current equivalent expense.

## 23 Trade and other payables

| | 31 December 2021 £ 000 | 31 December 2020 £ 000 |
|---|---|---|
| Accrued expenses | 12,850 | 803 |
| Amounts due to group companies | 5,213 | 11,586 |
| | 18,063 | 12,389 |

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

Outstanding amounts in respect of the defined contribution pension schemes payable at 31 December 2021 are included within accrued expenses.

See note 19 for further details on lease liabilities.

**24 Dividends**

| | 31 December 2021 £ 000 | 31 December 2020 £ 000 |
|---|---|---|
| Dividend of £Nil (2020: £53.10) per ordinary share | - | 69,000 |

**25 Related party transactions**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow members of the group.

Details of directors' remuneration are set out in note 9. There are no personnel other than directors, who as key management exercise authority and responsibility for planning, directing and controlling the activities of the Company.

**26 Parent and ultimate parent undertaking**

The Company's immediate holding company is BlackRock Group Limited. 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 or requests may be addressed to Investor Relations at 55 East 52nd Street, New York, NY10055, USA or by email at invrel@blackrock.com.