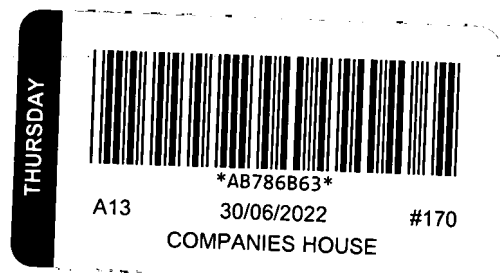


Registration number: 02020394

# BlackRock Investment Management (UK) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



# BlackRock Investment Management (UK) Limited

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# **BlackRock Investment Management (UK) Limited**

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

The Board of directors ("the Board") presents its Strategic Report for BlackRock Investment Management (UK) 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 in assets under management ("AUM") at 31 December 2021 (2020: \$8.7tn). 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 administrative services. The Company manages fixed income, equity and multi-asset solutions, in addition to providing client business support to other group companies.

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 operates branches outside the UK in Tel Aviv and Cape Town. In the comparative period, the Company also operated branches in Amsterdam, Athens, Brussels, Vienna, Copenhagen, Frankfurt, Madrid, Munich, Milan, Paris and Stockholm until 31 December 2020 when the trade, mandates, employees and net assets of such were transferred to another group company.

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

### **Purpose**

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

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

### **Corporate strategy**

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

## BlackRock Investment Management (UK) Limited

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

#### Industry profile

##### *Global*

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

BlackRock 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 as at 31 December 2021 (2020: \$2.4tn). 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 Investment Management (UK) Limited

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

- 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. However, the Company's disposal of its EU branch network at 31 December 2020 impacts comparison to prior year performance.

Throughout the year, the Company continued to see strong growth in like-for-like revenues across many revenue streams. The comprehensive product offering and balanced business model has allowed the Company to continue to grow despite the volatility driven by the Covid-19 pandemic. This growth was seen primarily through sub-delegated investment management fees and separately managed account ("SMA") revenues, offset in part by a reduction in performance fees relative to the previous year.

The Company made distributions and dividends totalling £1,410.7m which includes the gain of £813.3m made on the transfer in the prior year of its EU branch network.

#### Key performance indicators

##### *Assets under management*

AUM has increased by 8.2% to £915.5bn as at 31 December 2021 (2020: £846.3bn) primarily due to positive market performance and strong net inflows across a number of product types including equity, liquidity, and fixed income mandates.

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

##### *Revenue*

Total revenue decreased by 16.0% to £2,001.7m in the year ended 31 December 2021 (2020: £2,383.5m) due to the Company's disposal of its EU branch network on 31 December 2020. Like-for-like revenues rose 5.5% (2020 continuing operations: £1,898.0m) driven by increased investment management, administration and support services income from other group companies.

##### *Administrative expenses*

Administrative expenses, consisting primarily of staff costs and charges from other group companies, increased 1.0% to £1,336.6m (2020: £1,324.0m). Like-fo-like administrative expenses increased 15.5% (2020 continuing operations: £1,157.7m) due to growth in staff costs partially offset by foreign exchange gains.

##### *Profit before tax*

Profit before tax for the year decreased 69.8% to £539.8m (2020: £1,785.9mm). This reflects the disposal of EU branch-based business in the prior year, the gain on that disposal, the above mentioned rise in administrative expenses, and increased costs of sales. Like-fo-like profit before tax decreased 20.0% (2020 continuing operations: £674.5m) due to the variances explained above.

##### *Net assets*

Net assets decreased 43.1% to £1,249.1m at 31 December 2021 (2020: £2,195.2m) reflecting distributions and dividends totalling £1,410.7m, partially offset by profits in the year.

##### *Return on assets*

Calculated as net profit divided by total assets, the return on assets ratio for the period was 11.1% (2020: 29.0%). The like-for-like prior period return on assets ratio when excluding discontinued operations was 7.8%.

## BlackRock Investment Management (UK) Limited

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

#### 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 as an investment manager and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Board, 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*

*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).

## BlackRock Investment Management (UK) Limited

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

*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 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.

## BlackRock Investment Management (UK) Limited

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

- *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.
- *Technology resilience risk*: risk arising from the inability to provide, maintain or recover key technology platforms, such as Aladdin. Examples include a system outage or disruption, software or technology infrastructure failure (e.g., servers, storage devices, network components).
- *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 and continuity management risk - the difficulty to operate at BlackRock's physical locations due to facility impairment and/or unavailability of personnel; physical security risk - physical security issues resulting in an adverse impact to assets or personnel; and health and safety risk - workplace health and safety incidents resulting in injury, death or legal/regulatory sanctions and fines.
- *Third party risk*: risk of financial loss or operational, regulatory, reputational harm to the Company or its clients from inadequate or failed controls, processes or systems managed or supported by third parties. The Company's use of third parties does not diminish its responsibility to ensure that outsourced activities are performed in a safe and sound manner and in compliance with applicable laws.
- *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. 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 includes the risk that models may contain errors, do not work as planned, are applied outside of their valid context, or that their results are misinterpreted to make business decisions.
- *Financial reporting risk*: risk resulting from ineffective internal controls over financial reporting or failure to prepare and/or disclose accurate information in financial statements, which could have a materially adverse impact on the Company's reputation (with investors and clients) and lead to increased scrutiny, regulatory oversight, and potential public restatements, fines or fraud.

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

## BlackRock Investment Management (UK) Limited

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

- 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.

## BlackRock Investment Management (UK) Limited

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

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 website address:

<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:

- *Macprudential Policies for Asset Managers:* Concerns about liquidity and leverage risks in the asset management industry and wider market-based finance sector have been heightened during the COVID-19 pandemic and prompted a broad review of existing regulations globally, including an assessment of the adequacy of certain structural market components in mitigating risks by the Financial Stability Board, International Organisation of Securities Commissions and European policy-making and regulatory bodies in the EU including the European Commission, the European Systemic Risk Board and the European Securities and Markets Authority and equivalent UK bodies including the Bank of England and the FCA. The Bank of England and the FCA are currently considering the application of potential further regulatory measures to UK open ended funds. If these regulatory or policy actions result in broad application of macroprudential tools to open-ended investment funds or require BlackRock to make changes to structural features of certain open-ended investment funds, it could limit BlackRock's ability to offer products to certain clients and/or result in clients altering their investment strategies or allocations in a manner that is adverse to the Company.
- *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.

## BlackRock Investment Management (UK) Limited

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

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

The Board has determined that these emerging risks and uncertainties are not currently material to the Company, and therefore are not cited as principal risks. Emerging risks are included to enable users to understand how such have been considered in this report.

## BlackRock Investment Management (UK) Limited

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

#### *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 the 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 ("tCO<sub>2</sub>e"). 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; Scope 2 emissions arising from the purchase of electricity by the Company for its own use; and Scope 3 emissions associated with business travel where fuel is purchased by the Company for use in employee owned or leased vehicles.

Emissions have been calculated using the same GHG emissions per the BlackRock, Inc. factors to ensure consistency in reporting across the group and are as follows: United States Environmental Protection Agency ("US EPA") for fugitive emissions from refrigerants; US EPA for stationary combustion of fuels; International Energy Agency for location-based electricity and Association of Issuing Bodies Residual Mix for market-based electricity. Refrigerant's 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. Fuel purchased for use in employee owned or leased vehicles is estimated using expense data submitted by employees of the Company. The total reimbursed spend is multiplied by the UK governments advisory fuel rates (averaged for both petrol and diesel) to estimate distance travelled.

Diesel and petrol usage is tracked by volume purchased, natural gas and electricity consumption are metred, and actual consumption data is used to calculate emissions. In 2021, the Company was responsible for a total of 14.12GWh (2020: 13.95GWh) energy consumption (building energy and business travel in either employee owned or leased vehicles) in its direct operations of which 100% was consumed within the UK and <1% is estimated.

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 where available; and
- A location-based method that reflects the average emissions intensity of the national electricity grids from which consumption is drawn.

## **BlackRock Investment Management (UK) Limited**

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

As shown in Table 1, the Company's combined Scope 1 and 2 GHG location-based emissions have reduced 17% 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 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 a leased office facility and a disaster recovery site in London. Whilst no specific energy efficiency actions at these facilities 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 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.

On 31 December 2020 the Company transferred the business, employees, mandates and assets of its 11 EU branches to an EU domiciled group company. The transfer was undertaken to ensure that upon the loss of the UK's regulatory passporting rights, EU clients could continue to be serviced without interference. As a result, the Company no longer has global emissions to report as part of this statement.

## BlackRock Investment Management (UK) Limited

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

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

GHG emissions (tCO <sub>2</sub> e)	2021	2020	2019	2021/2020 Difference	2021/2019 Difference
Scope 1 - Fugitive emissions of refrigerant gases	31	31	31	0%	0%
Scope 1 - Stationary combustion of diesel in buildings	7	3	6	133%	17%
Scope 1 - Combustion of natural gas purchased by the Company	851	789	731	8%	16%
<b>Total Scope 1</b>	<b>889</b>	<b>823</b>	<b>768</b>	<b>8%</b>	<b>16%</b>
Scope 2 - Electricity purchased for own use - market-based	-	-	-	0%	0%
Scope 2 - Electricity purchased for own use - location-based	1,946	2,136	2,668	(9%)	(27%)
<b>Total Scope 1 and 2 - market-based</b>	<b>889</b>	<b>823</b>	<b>768</b>	<b>8%</b>	<b>16%</b>
<b>Total Scope 1 and 2 - location-based</b>	<b>2,835</b>	<b>2,959</b>	<b>3,436</b>	<b>(4%)</b>	<b>(17%)</b>
Scope 3 Business travel where fuel is purchased by the Company for use in employees owned or leased vehicles	3	5*	11*	(40%)	(73%)
<b>Scope 1 + 2 (location-based) intensity ratios<sup>^</sup>:</b>					
Emissions per total revenue (tCO <sub>2</sub> e/£1m)	1.39	1.56	2.27	(11%)	(39%)
Emissions per square foot	0.0097	0.0101	0.0118	(4%)	(18%)

<sup>^</sup> 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 have been disclosed as the majority of the companies disclosed emissions relate to their leased office facility, which may facilitate comparisons across companies with more, or less, office space.

\*Following an enhancement to the data collection process, the Company has restated the prior year figures to ensure greater comparability between the two periods. Scope 3 business travel: emissions (tCO<sub>2</sub>e) 2020 restated from 33, 2019 from 79.

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.

Emissions per total revenue intensity ratios have been restated for 2020 and 2019 to use turnover from continuing operations to increase comparability as a result of EU branch transfers.

## BlackRock Investment Management (UK) Limited

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

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

Consumption source	Scope	2021	2020	2019	Unit
		Consumption value	Consumption value	Consumption value	
Refrigerants	Scope 1	0.02	0.02	0.02	Tonnes
Stationary Combustion of Diesel	Scope 1	27,585	13,510	25,446	kWh
Natural Gas	Scope 1	4,695,884	4,353,589	4,035,620	kWh
Electricity	Scope 2	9,378,299	9,421,749*	10,812,138	kWh
Fuel Purchased for use in Employee Owned or Leased Vehicles	Scope 3	12,772	20,831*	47,758*	kWh

\*Following an enhancement to the data collection process, the Company has restated the prior year figures to ensure greater comparability between the two periods. Scope 3 business travel energy usage (kWh) 2020 restated from 134,668, 2019 from 308,743. Electricity consumption for 2020 from 10,528,897.

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 organisation's consumption of purchased electricity. These emissions physically occur at the facility where the emissions are generated. Scope 3 emissions are indirect emissions not otherwise accounted for that occur as a consequence of an organisation's actions, from sources not owned or controlled by the organisation.

For full transparency, BlackRock's global Scope 1, 2, and 3 emissions can be found in its 2021 TCFD Report: <https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcf-report-2021-blkinc.pdf>

#### **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.

## BlackRock Investment Management (UK) Limited

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

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 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.

## **BlackRock Investment Management (UK) Limited**

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

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 through 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.

## BlackRock Investment Management (UK) Limited

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

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

#### *The 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>

#### Corporate Governance

The Board recognises the importance of good corporate governance to ensure that business is conducted with integrity and with due regard to the interests of all stakeholders. Under the Companies (Miscellaneous Reporting) Regulations 2018, the Board has been guided by and applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles") during the financial year ended 31 December 2021. A description of how the Board has applied the Principles has been outlined below.

#### *Principle 1. Purpose and Leadership*

*An effective board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.*

It is understood by the Board that purpose guides culture and provides a framework for consistent decision making. As a subsidiary of BlackRock, Inc., the Board shares the purpose developed by the BlackRock board of directors and considers how best to implement that purpose in the Company's values, strategy and culture. The Company's purpose - to help more and more people experience financial well-being - reflects the belief that BlackRock has an important role to play in helping improve people's lives. 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 well-being - and their overall well-being.

BlackRock's vision and strategy, while initially set by BlackRock, Inc., is designed to consider specific jurisdictions and markets. The Board has delegated responsibility in the first instance for corporate strategy to the Head of EMEA, who formulates the strategic objectives of the Company within the risk tolerance set by the Board; develops business plans, budgets and operating strategies; and defines financial objectives, plan and budgets for the Company. The Head of EMEA partners with the Head of the UK and the EMEA Head of Corporate Strategy to develop strategic objectives that are suited to the UK market. The Board receives regular updates from the Head of EMEA on corporate strategy, industry trends and areas of strategic focus. The Company's strategy is regularly communicated with the workforce by way of executive announcements from senior leaders and employee townhalls.

The Board has a strong understanding of BlackRock's culture because it is the foundation for the Company's strategic plans; and remains engaged, provides informed and honest guidance and feedback, and maintains an open dialogue with management based on a clear understanding of BlackRock's strategic plans.

Management monitors culture, examples of such include employee surveys, absenteeism rates, exit interviews and board feedback sessions; and reports to the Board periodically. Employees are encouraged to report concerns relating to business integrity through established whistleblowing processes, and anonymised concerns are reported to the Board on a quarterly basis.

## BlackRock Investment Management (UK) Limited

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

#### *Principle 2. Board Composition*

*Effective Board composition requires an effective Chair and a balance of skills, background, experience and knowledge. Directors should have sufficient capacity to make a valuable contribution to the Board. The size of the Board should be guided by the scale and complexity of the Company.*

The size of the Board is guided by the scale and complexity of the Company. Careful consideration is given to the size and structure of the Board so that it is appropriate to meet the strategic needs and challenges of the organisation and enables effective decision-making. The Board believes that its size and structure is imperative to achieving the diversity of thought, experience and expertise necessary to oversee the Company's large and complex business. The range of insights and experience provided by the diverse Board supports the broad scope and multifaceted nature of the Company's business and strategic growth areas, which include index funds, illiquid alternatives, retirement solutions and technology services.

The Board comprises a Chair, Chief Executive Officer, Chief Operating Officer, Chief Risk Officer, and five non-executive directors (in addition to the Chair), three of which are independent. Appointments to the Board promote diversity in line with the Equalities Act 2010, and the Board has committed to maintaining a minimum of 30% female representation in its composition. As at the signing date, the gender balance of the Board is 5 male and 4 female.

The Company maintains separate Chair and Chief Executive roles to ensure that there is a balance of responsibilities, accountability and effective decision-making. The Chair leads the Board and is responsible for its overall effectiveness, promoting open debate and facilitating constructive discussion. The Chair ensures that all directors have appropriate information and sufficient time for meaningful discussion. The Chair is supported by the corporate secretariat in the provision of timely information and preservation of good communication flows between management and the Board.

The Nominations Committee oversees the director nomination process and assists the Board in identifying individuals qualified to become Board members and recommends new director nominees to the Board. In doing so, the Nominations Committee regularly reviews the overall composition of the Board and its Committees to ensure there is diversity of thought, experience and expertise necessary to oversee the Company's current and future business and strategy. The Nominations Committee also leads the annual review of Board performance, reflecting emerging best practice and regulatory expectations, and recommends areas for future improvement and focus to strengthen overall Board performance and succession planning.

The Company demonstrates a commitment to ongoing professional development of the Board through the delivery of annual training sessions for statutory directors and Senior Managers, at which, legal, regulatory and governance priorities are discussed with subject-matter experts. There is an induction programme for all new Board members which is tailored to their specific experience and knowledge. Furthermore, training sessions for non-executive directors are held at least twice a year.

#### *Principle 3. Directors' Responsibilities*

*A board should have a clear understanding of its accountability and terms of reference. Its policies and procedures should support effective decision-making and independent challenge.*

BlackRock are vocal advocates for the adoption of sound corporate governance policies that include strong Board leadership and strategic deliberation, prudent management practices and transparency. The Board understands that clear corporate governance policies, practices and company leadership, all working together, promote effective stewardship to deliver long-term value.

The Board is guided by its terms of reference, which provide a framework for the governance of the Company and the responsibilities of the Board. The terms of reference address matters reserved for Board decision, Board processes, access to management and independent advisors and the annual performance evaluations of the Board and Committees. As corporate governance practices evolve over time, the Board reviews its terms of reference and other governance policies annually, and approves or updates them as necessary. Additionally, both the Board and management recognize that creating long-term value for the Company's shareholders requires consideration of the concerns of the Company's other stakeholders and interested parties including clients, employees and the communities in which BlackRock operates.

## BlackRock Investment Management (UK) Limited

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

The Board has established Committees to effectively fulfil governance obligations owed to the Company. The responsibilities of the Committees, including decision-making authority and escalation processes, are outlined in the Committees terms of reference which are reviewed annually by the Board. The Committees meet regularly and report to the Board on how they have discharged their duties in accordance with their terms of reference. A brief description of each Committee's role is outlined below:

- The Audit Committee assists the Board in meeting responsibilities related to ensuring the integrity of the Company's financial reporting, the effectiveness of the Company's internal controls, monitoring the effectiveness and objectivity of the Company's internal and external audit processes, reviewing whistleblowing arrangements, and reviewing assurance reports.
- The Nominations Committee reviews the composition and effectiveness of the Board to ensure that the Board is comprised of individuals who are best able to discharge the duties and responsibilities of directors.
- The Risk Committee provides leadership, direction and oversight of the overall risk management framework in place for the Company.
- The Conflicts Oversight Committee assists the Board in meeting responsibilities for overseeing the framework for the identification and management of conflicts of interest and the implementation of strategy, policies and procedures with regards to conflicts of interest.
- In addition, the Company's Capital Committee, comprising senior executives, assists the Board in overseeing capital management and capital planning processes.

The Board has established formal and robust internal processes to ensure systems and controls are operating effectively, and the quality and integrity of information provided to it is reliable, enabling directors to monitor and challenge the performance of the Company and make informed decisions. The Board receives regular and timely information on all matters required to maintain oversight and control of the Company's business including risks and opportunities, the Company's financial performance, strategy, operational matters, market conditions and sustainability. All information provided to the Board is prepared by subject-matter experts with the relevant experience and skills necessary to ensure that the integrity of the information and impact to the Company. Where deemed necessary, the Board has access to independent advice to verify the information received or potential impact to the Company. The Board also receives assurance from independent functions such as Internal Audit, Compliance and the External Auditor on the effectiveness of internal controls and the integrity of financial information.

#### *Principle 4. Opportunity and Risk*

*A Board should promote the long-term success of the Company by identifying opportunities to create and preserve value and establish oversight for the identification and mitigation of risk.*

The Board promotes the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.

The Board considers and assesses how the Company creates and preserves value over the long-term. This requires the Board to consider both tangible and intangible sources of value, and the stakeholders that contribute to it. The Head of EMEA and EMEA Chief Operating Officer provide an update at each meeting detailing key business initiatives and future plans for value creation, and non-executive directors receive regular business updates from management. Approval of material new business opportunities is a matter reserved for Board decision.

The Board has responsibility for the Company's overall approach to risk management, including reputational risk. The Board has delegated risk oversight to a Risk Committee, which is supported by a sub-committee, the Enterprise Risk Management Committee ("the ERM"). The ERM designs, reviews, implements and monitors the risk management framework to ensure the effective management of all significant enterprise risks. The Board approves the Company's risk appetite annually and receives regular updates from the Chief Risk Officer on risk-taking relative to performance within the EMEA region. Key risks have been outlined previously in the Strategic Report.

## BlackRock Investment Management (UK) Limited

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

#### *Principle 5. Remuneration*

*A Board should promote executive remuneration structures aligned to sustainable long-term success of a company, taking into account pay and conditions elsewhere in the Company.*

The Board promotes executive remuneration structures that align to the long-term, sustainable success of the Company. Remuneration is aligned with performance, behaviours and the achievement of the Company's purpose, values and strategy. The Board understands that appropriate and fair levels of remuneration help the Company secure and retain high-quality management and workforce.

The Company's executive remuneration structures are subject to the BGL Remuneration Policy, and the Board has delegated the authority to perform various remuneration functions to the Management Development and Compensation Committee ("MDCC"), which is the global, independent remuneration committee for BlackRock, Inc. and its subsidiaries and which supports the Board (and the boards of other EMEA regulated entities) in discharging their remuneration-related obligations. In addition:

- the Board reviews and approves various remuneration-related items which relate to both the Company and the BGL group, including:
  - the BGL Remuneration Disclosure (which forms part of the annual BGL Pillar III disclosure document);
  - the list of BGL Material Risk Takers / FCA Remuneration Code Staff and exclusions from that list (approved twice each year) and the approach to identifying and excluding such individuals; and
  - other items which are reviewed and approved periodically, including the BGL Remuneration Policy and the rationale for not applying certain elements of the FCA Remuneration Code (which BlackRock's UK regulated entities, including the Company, can decide not to apply if they consider it appropriate);
- the Board receives periodic management information and other updates from HR on remuneration-related topics and processes, including matters reviewed and approved by the MDCC. In addition, HR facilitate an annual discussion between the MDCC Chair and the non-executive directors of the Board on remuneration matters; and
- the Board also receives a summary of the findings and recommendations arising from the annual independent remuneration review conducted by external legal counsel.

#### *Principle 6. Stakeholder Relationships and Engagement*

*A Board has a responsibility to oversee meaningful engagement with material stakeholders, including the workforce and have regard to that discussion when taking decisions. The Board has a responsibility to foster good relationships based on the Company's purpose.*

The Board presents to stakeholders a fair, balanced and understandable assessment of the Company's position and prospects in the Company's annual financial statements, and BlackRock, Inc.'s proxy statement. The Board is clear that good corporate governance and effective communication are essential on a day-to-day basis to deliver the Company's purpose to protect the Company's brand, reputation and relationships with all stakeholders including shareholders, customers, employees, suppliers and the local communities in which we work. The Board ensures that there are channels to receive appropriate feedback from discussions with stakeholders.

The Board's considerations in this respect is outlined in the s172 disclosure included previously in the Strategic Report, and highlights of the Company's stakeholder engagement practices include:

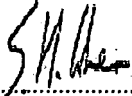
- Management engage with the workforce in quarterly, firmwide townhall meetings;
- Employees are encouraged to provide feedback by completing regular employee opinion surveys;
- Client-facing business areas engage with clients daily to understand priorities and concerns;
- Sourcing and Vendor Management maintain good relations with the Company's suppliers;
- Compliance maintains the Company's relationship with regulators through formal means such as the Supervisory Review and Evaluation Process ("SREP") and ICARA processes, and informally through regular calls, interviews and meetings; and

**BlackRock Investment Management (UK) Limited**

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

- BlackRock Investment Stewardships manages the framework for engagement with companies in which BlackRock invests and publishes the team's engagement priorities annually.

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



.....  
S Cohen  
Director

## **BlackRock Investment Management (UK) Limited**

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

The Board presents its report together with the audited financial statements of BlackRock Investment Management (UK) Limited (registered number: 02020394) for the year ended 31 December 2021.

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

#### **Dividends**

Dividends of £1410.7m (2020: £531.4m) were paid in the year ended 31 December 2021.

#### **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

Officer:

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

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

## **BlackRock Investment Management (UK) 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 foreseeable future, being 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Despite the current market conditions, the company and the products which it manages have limited 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.

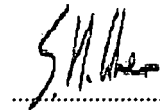
#### **Disclosure of information to the auditors**

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

## **BlackRock Investment Management (UK) Limited**

### **Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited**

#### **Opinion**

In our opinion the financial statements of BlackRock Investment Management (UK) Limited:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 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 comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes to financial statements 1 to 33.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101.

#### **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.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and analysing management's assessment of the Company's ability to continue as a going concern for a period of twelve months from the date of financial statements;
- determining whether or not any material uncertainties exist relating to events or conditions that might cast significant doubt upon the continuing use of the going concern basis of accounting;
- obtaining and assessing management's cash flow forecasts (prepared for the BlackRock Group Limited ICARA), and corresponding key assumptions used in the forecasts;
- assessing the calculation accuracy of the model used to prepare management's cash flow forecasts;
- assessing the appropriateness of assumptions used in the forecasts, based on (i) our understanding of the Company and its environment, (ii) our assessment of the historical accuracy of forecasts prepared by management, and (iii) the amount of headroom in the forecasts with regards to cashflow and potential compliance with regulatory capital requirements;
- reviewing the latest available post year-end management accounts in order to identify unusual movements in balances or significant events subsequent to the period end; and

## **BlackRock Investment Management (UK) Limited**

### **Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)**

- reading minutes of post year-end board and committee meetings in order to identify any key changes to the Company or its environment which may cast doubt over the appropriateness of the going concern basis of accounting.

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

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

#### **Other information**

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

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

We have nothing to report in this regard.

#### **Responsibilities of directors**

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

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

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

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

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

## BlackRock Investment Management (UK) Limited

### Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)

#### 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, and tax legislation; 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 main financial regulators, regulatory licenses and stewardship, and 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:

#### *Fair value of investment held in Bank of China Investment Management Limited ("BoCIM")*

The Company's investment in BoCIM is inherently challenging to value, given the fact that the investment is an unlisted fund management entity located in China, for which there are limited observable valuation inputs or comparable transactions. In addition, we note that management is restricted in the amount, and quality, of management reporting information which it can obtain from this investment, making it more challenging for them to ascertain the investments actual performance, as well as management's forecasts. As such, management are required to use several judgements and assumptions in developing an appropriate valuation. The large number of inputs and judgements involved, and the lack of comparable market data, increases the risk that the actual value of the investment may materially differ from the estimated value.

In addition, the investment has undergone growth in recent years which was reflected in the £93.8m valuation on the Company's statement of financial position as at 31 December 2021 (2020: £79.4m), which is significantly in excess of the Company's audit materiality. Key assumptions to which the valuation is highly sensitive include discount for lack of marketability ("DLOM"), forecast revenue projections (notably shorter term growth rates) and forecast margins for earnings before interest, depreciation and tax.

We therefore consider this valuation to possess a heightened risk of potential fraud or error due to the judgement involved in the valuation.

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

- obtained an understanding of relevant controls over the valuation of investments, including management's oversight and challenge of their expert's valuation methodology and the challenge of key inputs and assumptions;
- held discussions with management's external valuation expert to understand the valuation methodologies used, the source of all underlying market data used in the calculation, and the nature of all key assumptions used in the valuation and any external sources for market data;

## BlackRock Investment Management (UK) Limited

### Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)

- obtained and assessed the valuation workings and all underlying backup data;
- involved our internal fair value specialists to aid the audit team in challenging and concluding on key assumptions;
- assessed the objectivity and competence of management's expert; and
- assessed key inputs and assumptions employed in the valuation, including growth forecasts, revenue forecasts, long term growth rates, present value discount rates and DLOM to supporting business rationale and external market data, and evaluated all corroboratory and contradictory evidence obtained.

#### *Completeness, cut-off and accuracy of 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 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 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;

## **BlackRock Investment Management (UK) Limited**

### **Independent Auditor's Report to the Members of BlackRock Investment Management (UK) Limited (continued)**

- 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.

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 HMRC and FCA.

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

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

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

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

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

##### **Opinions on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013**

In our opinion the information for the financial period ended 31 December 2021 included on pages 65 to 66 has been properly prepared, in all material aspects in accordance with the Capital Requirements (Country-by-Country) Regulations 2013.

##### **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

**BlackRock Investment Management (UK) Limited**

**Independent Auditor's Report to the Members of BlackRock Investment Management  
(UK) Limited (continued)**

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

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

*Chris Hunter*

.....

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

20 April 2022

## BlackRock Investment Management (UK) Limited

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

		2021	Continuing operations 2020	Discontinued operations 2020	Total 2020
	Note	£ 000	£ 000	£ 000	£ 000
Revenue	5	2,001,671	1,897,967	485,496	2,383,463
Cost of sales		<u>(191,229)</u>	<u>(136,202)</u>	<u>(910)</u>	<u>(137,112)</u>
Gross profit		1,810,442	1,761,765	484,586	2,246,351
Administrative expenses		<u>(1,336,638)</u>	<u>(1,157,682)</u>	<u>(166,333)</u>	<u>(1,324,015)</u>
Operating profit	6	473,804	604,083	318,253	922,336
Income/(expense) from shares in group undertakings and investments		54,538	62,461	(8,701)	53,760
Finance income	7	24,804	21,524	-	21,524
Finance costs	7	(8,749)	(5,144)	(10,314)	(15,458)
Net losses on derivative financial instruments		(6,688)	(6,876)	(1,149)	(8,025)
Net losses on financial instruments held at FVTPL	17	(199)	(1,523)	-	(1,523)
Gain on disposal of financial instruments held at amortised cost	17	2,335	-	-	-
Gain on disposal of discontinued operations	11	<u>-</u>	<u>-</u>	<u>813,289</u>	<u>813,289</u>
Profit before tax		539,845	674,525	1,111,378	1,785,903
Income tax expense	12	<u>(104,176)</u>	<u>(304,527)</u>	<u>(102,479)</u>	<u>(407,006)</u>
Profit for the year		<u>435,669</u>	<u>369,998</u>	<u>1,008,899</u>	<u>1,378,897</u>

2021 results were derived wholly from continuing operations in the UK, South Africa and Israel.

The Company transferred its EU branches to an EU domiciled group company on 31 December 2020, the results for which are disclosed above as discontinued operations. Further detail is provided in note 11.

## BlackRock Investment Management (UK) Limited

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

	Note	2021 £ 000	2020 £ 000
Profit for the year		435,669	1,378,897
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Changes in the fair value of other investments designated at fair value through other comprehensive income	17	21,232	1,939
Actuarial losses on defined benefit schemes before tax		(400)	(54)
Deferred taxes on actuarial losses on defined benefit schemes		41	232
		20,873	2,117
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation gains		165	13,993
Total comprehensive income for the year		456,707	1,395,007

The notes on pages 35 to 64 form an integral part of these financial statements.

## BlackRock Investment Management (UK) Limited

(Registration number: 02020394)

### Statement of Financial Position as at 31 December 2021

		31 December 2021 £ 000	31 December 2020 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	13	45,845	49,549
Right-of-use assets	14	162,920	155,395
Intangible assets	15	4,328	6,305
Investments	16	18,101	18,101
Deferred tax assets	12	36,650	19,665
Other financial assets	17	1,219,378	1,168,200
		<u>1,487,222</u>	<u>1,417,215</u>
<b>Current assets</b>			
Trade and other receivables	19	914,745	2,031,962
Income tax assets		165,555	69,957
Cash and cash equivalents	20	1,364,863	1,228,850
		<u>2,445,163</u>	<u>3,330,769</u>
Total assets		<u>3,932,385</u>	<u>4,747,984</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	21	94,485	94,485
Share premium reserve		100,000	100,000
Share-based payment reserve	22	169,344	135,455
Foreign currency translation reserve	22	137	(28)
Investment revaluation reserve	22	99,570	78,338
Retained earnings		785,555	1,786,938
		<u>1,249,091</u>	<u>2,195,188</u>
<b>Non-current liabilities</b>			
Loans and borrowings	23	234,249	366,094
Long-term lease liabilities	24	175,716	171,585
Retirement benefit obligations	25	5,527	5,963
Provisions	27	26,386	19,143
Deferred compensation plans	28	62,813	25,431
		<u>504,691</u>	<u>588,216</u>
<b>Current liabilities</b>			
Trade and other payables	28	2,146,620	1,926,570
Income tax liability		19,281	26,624
Lease liabilities	24	12,702	11,386
		<u>2,178,603</u>	<u>1,964,580</u>

The notes on pages 35 to 64 form an integral part of these financial statements.

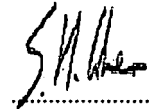
**BlackRock Investment Management (UK) Limited**

**(Registration number: 02020394)**

**Statement of Financial Position as at 31 December 2021 (continued)**

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Total liabilities		<u>2,683,294</u>	<u>2,552,796</u>
Total equity and liabilities		<u>3,932,385</u>	<u>4,747,984</u>

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



.....  
S Cohen  
Director

The notes on pages 35 to 64 form an integral part of these financial statements.

**BlackRock Investment Management (UK) Limited**

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

	Share capital £ 000	Share premium reserve £ 000	Foreign currency translation reserve £ 000	Investment revaluation reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	94,485	100,000	(28)	78,338	135,455	1,786,938	2,195,188
Profit for the year	-	-	-	-	-	435,669	435,669
Other comprehensive income	-	-	165	21,232	-	(359)	21,038
Total comprehensive income	-	-	165	21,232	-	435,310	456,707
Dividends	-	-	-	-	-	(1,410,714)	(1,410,714)
Share-based payment transactions	-	-	-	-	33,889	(25,979)	7,910
At 31 December 2021	<u>94,485</u>	<u>100,000</u>	<u>137</u>	<u>99,570</u>	<u>169,344</u>	<u>785,555</u>	<u>1,249,091</u>

The notes on pages 35 to 64 form an integral part of these financial statements.

**BlackRock Investment Management (UK) Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2021 (continued)**

	Share capital £ 000	Share premium reserve £ 000	Foreign currency translation reserve £ 000	Investment revaluation reserve £ 000	Merger reserve £ 000	Share-based payment reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	94,485	100,000	(58,522)	76,399	18,309	119,378	1,226,990	1,577,039
Profit for the year	-	-	-	-	-	-	1,378,897	1,378,897
Other comprehensive income	-	-	13,993	1,939	-	-	178	16,110
Total comprehensive income	-	-	13,993	1,939	-	-	1,379,075	1,395,007
Dividends	-	-	-	-	-	-	(531,389)	(531,389)
Dissolution of merger reserve	-	-	-	-	(18,309)	-	18,309	-
Reclassification to profit and loss on disposal of German branches	-	-	22,971	-	-	-	-	22,971
Distribution arising from disposal of foreign branches	-	-	-	-	-	-	(268,863)	(268,863)
Transfer on disposal of other foreign branches	-	-	21,530	-	-	-	(21,530)	-
Share-based payment transactions	-	-	-	-	-	16,077	(15,654)	423
At 31 December 2020	94,485	100,000	(28)	78,338	-	135,455	1,786,938	2,195,188

The Company transferred its EU branch businesses to an EU domiciled group company on 31 December 2020, upon which the merger reserve associated with those businesses was dissolved and reallocated to retained earnings. Further detail is provided in note 11.

The notes on pages 35 to 64 form an integral part of these financial statements.

# **BlackRock Investment Management (UK) Limited**

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

### **1 General information**

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

The address of its registered office is:  
12 Throgmorton Avenue  
London  
EC2N 2DL

These financial statements were authorised for issue by the Board on 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 Requirements' ("FRS 100") as issued by the FRC. Accordingly, in the year ended 31 December 2021 the Company has applied FRS 101.

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 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, certain disclosures in respect of revenue from contracts with customers, presentation of a cash-flow statement, standards not yet effective, impairment of assets, 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 32.

#### **Exemption from preparing group accounts**

The financial statements contain information about BlackRock Investment Management (UK) 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.

## BlackRock Investment Management (UK) Limited

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

#### 2 Accounting policies (continued)

##### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 20 along with principal risks and uncertainties.

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

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

###### Fee arrangements

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

- **Investment management and administration fees:** The fees are recognised as the services are performed over time. Such fees are primarily based on agreed-upon percentages of net asset value, AUM or committed capital. These fees are affected by changes in net asset value, AUM or committed capital, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment management and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. Fees are generally invoiced monthly in arrears.

## BlackRock Investment Management (UK) Limited

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

#### 2 Accounting policies (continued)

- Investment management performance fees: The Company receives fees from certain actively managed investment funds/portfolios/products. 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, research and executive level management 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. Exchange differences on non-monetary items, measured at fair value through other comprehensive income ("FVTOCI"), are reported as part of the fair value gain or loss in other comprehensive income in the period in which they arise.

The assets and liabilities of the Company's foreign operations are translated into the Company's presentation currency, which is sterling, using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in equity. On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation are reclassified to the income statement.

#### Interest income

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

## **BlackRock Investment Management (UK) Limited**

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

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

##### **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.

##### **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 in which 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 of goodwill or 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 tax 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 impairment losses.

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

## BlackRock Investment Management (UK) Limited

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

#### 2 Accounting policies (continued)

##### 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 estimated useful lives as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Furniture, fittings and equipment	Straight-line basis over three to seven years
Short-term leasehold property	Straight-line basis over the shorter of the estimated useful life or the term of the lease
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.

##### Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and any impairment losses. Amortisation is recognised on a straight-line basis over the asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

##### Amortisation

Amortisation is provided on finite-life intangible assets so as to write-off the cost, less any estimated residual value, over their expected useful economic life as follows:

<i>Asset class</i>	<i>Amortisation method and rate</i>
Management contracts and distribution agreements	Straight-line basis over seven to eight years

##### Investments

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

##### Other financial assets

Other financial assets comprise those financial assets acquired for business operations and strategic business objectives. Equity investments are held at FVTPL or designated as FVTOCI and (in either instance) carried at fair value.

Investments in financial assets recognised at amortised cost include loans receivable from group companies and rated/senior tranches of collateralised loan obligations.

Subordinated/junior tranches of collateralised loan obligations are recognised at FVTPL. See financial instruments policy and note 17 for further details.

## **BlackRock Investment Management (UK) Limited**

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

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

##### **Provisions**

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

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

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

##### **Share-based payments**

The ultimate parent company, BlackRock, Inc., issues equity-settled share-based payments to certain employees of the Company. The fair values of equity-settled schemes are determined at the grant date and expensed on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards, based on the group's estimate of awards that will eventually vest and adjusted for the effect of non-market based vesting conditions. Details of the share-based payment schemes in existence are provided in note 26 and the expense arising from share-based compensation is disclosed in note 8.

##### **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.

## BlackRock Investment Management (UK) Limited

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

#### 2 Accounting policies (continued)

##### 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.

###### *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 the contractual provisions.

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

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

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

Financial assets are classified and subsequently measured, based on business model and contractual cash flow characteristics, at amortised cost, FVTPL, or FVTOCI.

## BlackRock Investment Management (UK) Limited

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

#### 2 Accounting policies (continued)

Income and expenses relating to financial assets that are recognised in the income statement are presented within finance income, finance costs, net gains or losses on derivative financial instruments, net gains or losses on financial instruments held at FVTPL, or gains on disposal of financial instruments held at amortised cost, 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 or losses on financial instruments held at FVTPL. For equity instruments at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

#### *Subsequent measurement of financial assets*

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

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

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

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

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

The Company has not designated any amortised cost or FVTOCI financial assets at FVTPL.

The Company's financial assets measured at FVTPL comprise derivative financial instruments, unrated tranches of collateralised loan obligations ("CLOs"), and a holding of unlisted equity shares acquired with the specific intention of trading. Any gains or losses are recognised in the income statement.

##### *Financial assets at fair value through other comprehensive income*

Financial assets are measured at FVTOCI when their contractual cash flows are solely payments of principal and interest and they are held to collect the associated cash flows and sell the asset (and are not designated as FVTPL).

The Company has irrevocably elected to classify certain equity investments at FVTOCI.

The Company's financial assets measured at FVTOCI comprise debt securities and equity investments not held for trading.

Any gains or losses, except for dividend income, are recognised in other comprehensive income. They are recycled upon derecognition of the asset, with the exception of gains or losses recognised in respect of equity investments designated at FVTOCI. For debt instruments at FVTOCI, only fair value gains and losses are recognised in other comprehensive income. Interest revenue, impairment gains and losses and foreign exchange gains and losses are recognised in the income statement.

## BlackRock Investment Management (UK) Limited

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

#### 2 Accounting policies (continued)

##### *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. For assets held at FVTOCI, the loss is recognised in other comprehensive income and accumulated in the investment revaluation reserve.

##### *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 loans and borrowings and trade and other payables. The Company's financial liabilities at FVTPL are derivative financial instruments. The Company has not designated any financial liabilities at FVTPL.

In the income statement interest-related charges are included within finance costs and 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.

##### *Derivative financial instruments*

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

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

##### *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.

## BlackRock Investment Management (UK) Limited

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

#### 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.

##### *Fair value of financial asset classified at fair value through other comprehensive income*

The Company holds investments in unlisted equity shares, which are classified and measured after initial recognition at fair value through other comprehensive income. These items are measured in accordance with IFRS 13 'Fair Value Measurement' ("IFRS 13"). IFRS 13 requires the application of judgement to best estimate the future cash flows, cost of equity and, in certain instances, the application of any discount for lack of marketability. An unlisted investment held by the Company is measured in this way and the valuation analysis performed on this investment indicates a valuation range between £93.3m and £96.1m.

Full details are set out in note 30.

#### 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.

## BlackRock Investment Management (UK) Limited

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

#### 5 Revenue

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

	2021 £ 000	2020 £ 000
Investment management and administration fees	1,670,295	2,088,157
Investment management performance fees	26,382	45,155
Fees from group companies	293,947	240,717
Other revenue	11,047	9,434
	<u>2,001,671</u>	<u>2,383,463</u>

Included within investment management and administration fees and investment management performances fees is fee income from other group companies of £1,295,735,000 (2020: £1,699,757,000).

The analysis of the Company's revenue for the year by geographical location is as follows:

	2021 £ 000	2020 £ 000
United Kingdom	1,989,687	1,892,084
Overseas	11,984	491,379
	<u>2,001,671</u>	<u>2,383,463</u>

#### 6 Operating profit

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Depreciation expense	14,662	19,307
Depreciation on right-of-use assets	12,016	16,866
Amortisation expense	1,977	2,105
Foreign exchange (gains)/losses	<u>(9,946)</u>	<u>26,391</u>

**BlackRock Investment Management (UK) Limited**

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

**7 Finance income and costs**

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Finance income</b>		
Collateralised loan interest	6,448	5,043
Interest income on bank deposits	1,066	449
Interest income on money market funds	6	24
Interest on loans to group companies	<u>17,284</u>	<u>16,008</u>
Total finance income	<u><u>24,804</u></u>	<u><u>21,524</u></u>
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(2,789)	(8,991)
Other finance costs	<u>(5,960)</u>	<u>(6,467)</u>
Total finance costs	<u><u>(8,749)</u></u>	<u><u>(15,458)</u></u>

**8 Staff costs**

The aggregate payroll costs were as follows:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	811,565	746,606
Social security costs	133,893	119,956
Pension costs, defined contribution scheme	40,231	39,513
Equity-settled share-based payment expense	86,245	80,241
Other employee expense	<u>9,855</u>	<u>9,261</u>
	<u><u>1,081,789</u></u>	<u><u>995,577</u></u>

## BlackRock Investment Management (UK) Limited

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

#### 8 Staff costs (continued)

The average number of persons employed by the Company during the year, analysed by category was as follows:

	2021 No.	2020 No.
Investment professionals	651	651
Investment product strategy	275	257
Risk management	58	53
Sales and relationship management	434	632
Legal and compliance	151	153
Marketing	73	94
Investment operations	354	332
Technology	538	465
Data analytics and modelling	47	40
Corporate functions	694	806
	<u>3,275</u>	<u>3,483</u>

In addition to the above, 8 employees (2020: 14) were seconded from the Company to another group company. The Company was reimbursed for the related cost of these employees through a secondment recharge of £18,482,000 (2020: £19,064,000).

#### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Aggregate emoluments	1,475	1,243
Company contributions in respect of defined contribution pension schemes	12	4
	<u>1,487</u>	<u>1,247</u>

Of the 10 (2020: 8) directors that served during the year, 8 were remunerated by the Company (2020: 7). 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 No.	2020 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 schemes	4	3

## BlackRock Investment Management (UK) Limited

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

#### 9 Directors' remuneration (continued)

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

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Aggregate emoluments	453	559
Company contributions in respect of defined contribution pension schemes	4	2
	<u>457</u>	<u>561</u>

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 performance based incentive scheme.

#### 10 Auditor's remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>800</u>	<u>727</u>
<b>Other fees to the auditor</b>		
Audit of financial statements of any associate of the Company	315	428
Audit-related assurance services	164	137
All other assurance services	82	172
All other non-audit services	-	13
	<u>561</u>	<u>750</u>

#### 11 Gain on disposal of discontinued operations

On 31 December 2020 the Company transferred the business, employees and assets of its 11 EU branches to an EU domiciled group company, BlackRock (Netherlands) B.V.. The transfer was undertaken to ensure that upon the loss of the UK's regulatory passporting rights, EU clients could continue to be serviced without interruption.

The transferred operations' results prior to disposal are disclosed in a separate column of the income statement's comparative period as discontinued operations.

The transfer was undertaken in two separate transactions that took different legal forms, resulting in two different accounting treatments. One transaction resulted in a gain on disposal of £813,289,000 for which both the gain and related tax impact were recorded in the income statement. Deferred tax in relation to discontinued operations was derecognised on disposal. Details of the tax impact of this transaction are shown in note 12.

## BlackRock Investment Management (UK) Limited

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

#### 12 Income tax

Tax charged/(credited) in the income statement:

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax	97,883	124,415
UK corporation tax adjustment to prior periods	1,895	2,665
Double taxation relief	23	-
Foreign tax	3,870	74,235
Foreign tax adjustment to prior periods	8,687	47,094
Total current income tax	<u>112,357</u>	<u>248,409</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(7,691)	192,042
Arising from changes in tax rates and laws	(849)	(329)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	359	(33,116)
Total deferred taxation	<u>(8,181)</u>	<u>158,597</u>
Tax expense in the income statement	<u>104,176</u>	<u>407,006</u>

In addition to the amount charged in the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2021 £ 000	2020 £ 000
<b>Deferred taxation</b>		
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
Deferred taxes on actuarial gains on defined benefit pension schemes	(41)	(232)
Total income tax recognised in other comprehensive income	<u>(41)</u>	<u>(232)</u>

In addition to the amount charged in the income statement, and other comprehensive income, the following amounts relating to tax have been recognised directly in equity:

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
Current taxes on items (credited)/charged to equity	(4,236)	(3,509)
<b>Deferred taxation</b>		
Deferred taxes on items (credited)/charged to equity	(9,746)	(9,308)
Total income tax recognised directly in equity	<u>(13,982)</u>	<u>(12,817)</u>

## BlackRock Investment Management (UK) Limited

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

#### 12 Income tax (continued)

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:

	2021 £ 000	2020 £ 000
Profit before tax	<u>539,845</u>	<u>1,785,903</u>
Corporation tax at standard rate	102,571	339,322
Increase in current tax from adjustment for prior periods	10,582	49,759
Decrease from effect of revenues exempt from taxation	(10,363)	(7,900)
Increase from effect of expenses not deductible in determining taxable profit	2,063	1,166
Increase arising from overseas tax suffered	2,255	96,021
Increase from effects of double taxation relief	23	-
Increase/(decrease) in current tax from unrecognised temporary difference from a prior period	359	(33,116)
Deferred tax credit relating to changes in tax rates or laws	(2,429)	(329)
Increase from effect of de-recognition of deferred tax assets on disposal	-	117,182
Decrease from effect of non-taxable gain on disposal	(277)	(154,525)
Other tax effects for reconciliation between accounting profit and tax income	<u>(608)</u>	<u>(574)</u>
Total tax charge	<u>104,176</u>	<u>407,006</u>

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

During a previous year, group relief claimed by another group company was reallocated to the Company for nil payment. The group company surrendering this relief has an ongoing open matter with Her Majesty's Revenue and Customs. If this open matter is resolved in the favour of the group company, then the Company's tax liability will decrease by approximately £161,149,000 (2020: £161,149,000).

## BlackRock Investment Management (UK) Limited

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

#### 12 Income tax (continued)

##### Deferred tax

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	4,149	(17)	-	-	4,132
Amortisation	-	-	-	-	-
Other post-employment benefits	1,185	(33)	41	-	1,193
Share-based payments	33,447	7,216	-	9,746	50,409
Provisions	5,081	1,141	-	-	6,222
Loans and borrowings	-	-	-	-	-
Other items	125	(125)	-	-	-
Net tax assets/(liabilities)	<u>43,987</u>	<u>8,182</u>	<u>41</u>	<u>9,746</u>	<u>61,955</u>

Deferred tax movement during the prior year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	Recognised in equity £ 000	At 31 December 2020 £ 000
Accelerated tax depreciation	3,341	808	-	-	4,149
Amortisation	154,052	(154,052)	-	-	-
Other post-employment benefits	1,215	(262)	232	-	1,185
Share-based payments	20,862	3,277	-	9,308	33,447
Provisions	1,703	3,378	-	-	5,081
Loans and borrowings	11,862	(11,862)	-	-	-
Other items	8	117	-	-	125
Net tax assets/(liabilities)	<u>193,043</u>	<u>(158,596)</u>	<u>232</u>	<u>9,308</u>	<u>43,987</u>

Within the deferred tax assets above, the amount falling due after more than one year is £36,650,000 (2020: £19,665,000).

**BlackRock Investment Management (UK) Limited**

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

**13 Property and equipment**

	<b>Short-term leasehold property £ 000</b>	<b>Furniture, fittings and equipment £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 1 January 2021	78,146	44,007	122,153
Additions	7,440	3,498	10,938
Disposals	-	(779)	(779)
At 31 December 2021	<u>85,586</u>	<u>46,726</u>	<u>132,312</u>
<b>Depreciation</b>			
At 1 January 2021	43,465	29,139	72,604
Charge for the year	5,191	9,471	14,662
Eliminated on disposal	-	(799)	(799)
At 31 December 2021	<u>48,656</u>	<u>37,811</u>	<u>86,467</u>
<b>Carrying amount</b>			
At 31 December 2021	<u>36,930</u>	<u>8,915</u>	<u>45,845</u>
At 31 December 2020	<u>34,681</u>	<u>14,868</u>	<u>49,549</u>

## BlackRock Investment Management (UK) Limited

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

#### 14 Right-of-use assets

	<b>Property £ 000</b>
<b>Cost</b>	
At 1 January 2021	179,110
Additions	<u>19,541</u>
At 31 December 2021	<u>198,651</u>
<b>Depreciation</b>	
At 1 January 2021	23,715
Charge for the year	<u>12,016</u>
At 31 December 2021	<u>35,731</u>
<b>Carrying amount</b>	
At 31 December 2021	<u><u>162,920</u></u>
At 31 December 2020	<u><u>155,395</u></u>

See note 24 for further information on leases.

#### 15 Intangible assets

	<b>Management contracts and distribution agreements £ 000</b>
<b>Cost</b>	
At 1 January 2021	12,346
Disposals	<u>(3,856)</u>
At 31 December 2021	<u>8,490</u>
<b>Amortisation</b>	
At 1 January 2021	6,041
Amortisation charge	1,977
Amortisation eliminated on disposals	<u>(3,856)</u>
At 31 December 2021	<u>4,162</u>
<b>Carrying amount</b>	
At 31 December 2021	<u><u>4,328</u></u>
At 31 December 2020	<u><u>6,305</u></u>

## BlackRock Investment Management (UK) Limited

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

#### 16 Investments

<b>Subsidiaries</b>	<b>£ 000</b>
<b>Cost and carrying amount</b>	
At 1 January 2021	18,101
At 31 December 2021	18,101

Details of the subsidiary as at the current and prior period ends were as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
BlackRock Fund Managers Limited	Provider of investment management, advisory and administration services	12 Throgmorton Avenue, London, EC2N 2DL, United Kingdom	100%	100%

#### 17 Other financial assets

	Fair value through other comprehensive income £ 000	Amortised cost £ 000	Fair value through profit and loss £ 000	Total £ 000
At 1 January 2021	86,885	1,068,903	12,412	1,168,200
Additions	-	49,460	7,566	57,026
Disposals	-	(17,059)	-	(17,059)
Foreign exchange losses through profit and loss	-	(9,832)	(770)	(10,602)
Mark-to-market gains through profit and loss	-	-	571	571
Gains through other comprehensive income	21,232	-	-	21,232
Movement in accrued income	-	10	-	10
At 31 December 2021	108,117	1,091,482	19,779	1,219,378

## BlackRock Investment Management (UK) Limited

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

#### 17 Other financial assets (continued)

	Fair value through other comprehensive income £ 000	Amortised cost £ 000	Fair value through profit and loss £ 000	Total £ 000
At 1 January 2020	84,946	1,049,535	12,983	1,147,464
Additions	-	11,359	952	12,311
Foreign exchange gains through profit and loss	-	8,076	732	8,808
Mark-to-market losses through profit and loss	-	-	(2,255)	(2,255)
Gains through other comprehensive income	1,939	-	-	1,939
Movement in accrued income	-	(67)	-	(67)
At 31 December 2020	<u>86,885</u>	<u>1,068,903</u>	<u>12,412</u>	<u>1,168,200</u>

FVTOCI assets consists of unlisted equity shares, which by their nature have no fixed maturity date or coupon rate. Gains through other comprehensive income reflect increased valuations in these minority shareholdings.

Amortised cost assets include an unsecured loan to BGL of £900,000,000 (2020: £900,000,000) which matures on 31 March 2023 when full principal repayment will fall due. Interest is charged at 0.5665% and is receivable six-monthly on 31 March and 30 September.

Disposals in the amortised cost category include £2,550,000 relating to a convertible loan note which was exercised to acquire shares in Embark Group Limited. The new shares represent £4,885,000 of the FVTPL additions, which therefore realised a £2,335,000 gain on disposal of the loan note. The Company's increased holding in Embark Group Limited remained a minority interest and was disposed of after the the statement of financial position date, as detailed in note 33.

All remaining balances, additions and disposals in the amortised cost and FVTPL categories relate to interests in CLOs, comprising both rated and unrated tranches. Rated senior tranches are held at amortised cost and pay bi-annual interest with weighted average coupon rates as follows; Tranche 1 - 0.32%, Tranche 2 - 1.02%, Tranche 3 - 1.54%, Tranche 4 - 2.47%, Tranche 5 - 5.55%, and Tranche 6 - 8.20%. Unrated tranches are held at FVTPL and pay bi-annual dividends representing residual waterfall cash flows.

At the statement of financial position date the Company had an undrawn commitment to loan advances of £16,372,000 in respect of a CLO in the warehousing phase (2020: £17,902,000).

## BlackRock Investment Management (UK) Limited

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

#### 18 Interests in unconsolidated structured entities

The AUM of the Company as at 31 December 2021 was £915.5bn (2020: £846.3bn).

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 other group companies. 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 primarily through equity capital provided by investors.

The fees received during the year to 31 December 2021, in relation to the above, were £1,452,687,000 (2020: £1,864,538,000). The carrying value on the statement of financial position as at 31 December 2021 is £35,093,000 (2020: £28,739,000), as represented by trade receivables and accrued income. Amounts relating to SMAs have been excluded as these are not classified as a structured entity.

Additionally, the Company currently holds interest related to twelve CLO vehicles, comprising a vertical slice which contains both rated and unrated tranches. The Company is required to hold a 5% interest in these vehicles, and any vehicles in the warehousing stage, under risk retention rules, as disclosed in note 17 of the accounts. Further to this, the Company receives fees in respect of management of these CLOs.

#### *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. In respect of the CLO vehicles, the maximum exposure to loss for the Company is the loss of repayments of principal, coupon payments, non-rated distributions, management fees, and the undrawn commitments to advance loans to CLOs in the warehousing stage as disclosed below and in note 17. The income received during the year in relation to interests held was £6,448,000 (2020: £5,043,000), and management fees were £15,525,000 (2020: £15,386,000) (these fees have been included as part of the unconsolidated structured entities above).

#### *Financial support*

The Company has not provided financial support, without the obligation to do so, to any of its unconsolidated structured entities during the year. However, as disclosed in note 17, at the year end the Company had undrawn commitments of £16,372,000 (2020: £17,902,000) relating to advancing loans to a CLO in the warehousing stage. These amounts are expected to be called in the future. The Company has no other contractual obligations or current intention of providing financial support in the future to its unconsolidated structured entities.

#### *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.

## BlackRock Investment Management (UK) Limited

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

#### 19 Trade and other receivables

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Trade receivables	82,107	90,105
Amounts due from group companies	634,221	1,718,618
Accrued income	135,496	166,652
Prepayments	19,834	20,791
Other receivables	17,782	11,474
Deferred tax asset	25,305	24,322
	<b>914,745</b>	<b>2,031,962</b>

Amounts due from group companies are unsecured, interest free and repayable on demand. Of the amounts due from group companies above £111,813,000 (2020: £68,151,000) is due from the Company's subsidiary, with the remainder being due from other group companies.

Amounts due from group companies at the prior statement of financial position date include loans of £914,611,000 received as part of the group's Brexit-related restructuring detailed in note 11. During the year, the Company distributed these loans to its parent as detailed in note 29.

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.

#### 20 Cash and cash equivalents

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Cash at bank	814,863	783,850
Money market funds	550,000	445,000
	<b>1,364,863</b>	<b>1,228,850</b>

#### 21 Share capital

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

	<b>31 December 2021 No. 000</b>	<b>31 December 2021 £ 000</b>	<b>31 December 2020 No. 000</b>	<b>31 December 2020 £ 000</b>
Ordinary shares of £1 each	94,485	94,485	94,485	94,485
	<b>94,485</b>	<b>94,485</b>	<b>94,485</b>	<b>94,485</b>

## BlackRock Investment Management (UK) Limited

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

#### 22 Reserves

##### *Share-based payment reserve*

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

##### *Foreign currency translation reserve*

The exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

##### *Investment revaluation reserve*

This reserve comprises the accumulated gains and losses arising from the changes in fair value of the Company's financial assets measured at FVTOCI.

#### 23 Loans and borrowings

	31 December 2021 £ 000	31 December 2020 £ 000
<b>Non-current loans and borrowings</b>		
Loans due to group companies	234,249	366,094
<b>Group company</b>	<b>Interest rate</b>	<b>Maturity</b>
	<b>31 December 2021 £ 000</b>	
BlackRock (Netherlands) B.V.	-0.0748%	31 March 2024
		234,249
		234,249

The loan note shown above is Euro-denominated, unsecured, and interest bearing. The loan note was assumed on 30 November 2021 following the refinancing of two earlier loan notes with the same counterparty, is repayable in full on maturity 31 March 2024, and bears a negative interest of -0.0748%. Interest is receivable semi-annually on 31 March and 30 September to the maturity date.

Interest receivable by the Company during the year ended 31 December 2021 on the loan note is included in the income statement as interest receivable on loans from group companies. Early repayment is permissible at no penalty by mutual agreement.

## BlackRock Investment Management (UK) Limited

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

#### 24 Leases

	31 December 2021 £ 000	31 December 2020 £ 000
Non-current	175,716	171,585
Current	12,702	11,386

The Company has leases for office buildings. The average lease term is 3 years (2020: 4 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.

Some leases contain an option to extend the lease for a further term or an option to terminate the lease early. Such options are taken into effect in determining the term of the lease.

#### 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	17,751	16,297
1 - 5 years	68,169	62,779
More than 5 years	138,718	141,780
Total lease liabilities (undiscounted)	224,638	220,856

Total cash outflow for leases for the year ended 31 December 2021 was £19,062,000 (2020: £21,830,000).

#### 25 Retirement benefit obligations

##### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £40,231,000 (2020: £39,513,000).

##### *Defined benefit schemes*

The Company operates a post-retirement medical benefit scheme ("PRMB"). The PRMB liability is calculated by an external actuary using the projected unit credit method.

## BlackRock Investment Management (UK) Limited

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

#### 25 Retirement benefit obligations (continued)

##### *Principal actuarial assumptions*

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2021	31 December 2020
Discount rate %	1.9	1.4
Medical cost inflation initial rate %	6.0	6.0
Medical cost inflation ultimate rate %	4.7	4.3
Year ultimate inflation rate reached	<u>2024</u>	<u>2023</u>

During the year, £71,000 (2020: £99,000) was recognised in the income statement and a credit of £330,000 (2020: debit £955,000) taken to other comprehensive income, resulting in the PRMB liability moving from £5,886,000 as at 31 December 2020 to £5,627,000 as at 31 December 2021.

#### 26 Share-based payments

##### *Standard Restricted Stock Units*

Employees of the Company may be granted share-based compensation in the form of restricted stock unit ("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 by 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 equivalents on RSUs are subject to forfeiture prior to vesting of the award, and as such are not paid to employees until that date.

##### *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.

## BlackRock Investment Management (UK) Limited

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

#### 26 Share-based payments (continued)

##### *Market performance based stock options*

Performance based share options may be granted to certain employees. Vesting of the performance based share options is contingent upon the achievement of obtaining 125% of BlackRock's grant-date share price within five years from the grant date and the attainment of Company performance measures during the four-year performance period. If both hurdles are achieved, the award will vest in three equal instalments at the end of years five, six and seven. Vested options can then be exercised up to nine years following the grant date. The awards are generally forfeited if the employee leaves the Company before the respective vesting date. The expense for each tranche is amortised over the respective requisite service period. The Company assumes the performance condition will be achieved. If such a condition is not met then any recognised compensation cost is reversed.

##### *Service condition awards*

The majority of restricted stock and 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.

#### 27 Provisions

	<b>Property-related provisions</b>
	<b>£ 000</b>
At 1 January 2021	18,772
Increase through adjustment to right-of-use asset	6,630
Increase due to passage of time or unwinding of discount	984
At 31 December 2021	<u>26,386</u>

The balance at 31 December 2021 represents a dilapidation provision on the Drapers Gardens 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.

## BlackRock Investment Management (UK) Limited

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

#### 28 Trade and other payables

	31 December 2021 £ 000	31 December 2020 £ 000
Trade payables	245,141	183,759
Accrued expenses	512,276	416,342
Amounts due to group companies	1,271,483	1,232,398
Social security and other taxes	117,280	93,174
Other payables	440	897
	2,146,620	1,926,570

Included within accrued expenses is £105,976,000 (2020: £63,626,000) relating to an Investment Professional Deferred Compensation Programme ("IPDCP") that the Company adopted for the purpose of providing deferred compensation and retention incentives to certain employees. For this plan, the final value of the deferred amount to be distributed in cash upon vesting is associated with investment returns of certain investment funds. Where compensation vests after one year it is not included in the above but is presented separately on the statement of financial position.

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

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 the Company. The balances are treated as intercompany receivables and payables between the Company and the corresponding group companies.

Included within amounts due to group companies above is £1,148,272,000 (2020: £1,080,219,000) in relation to the cash management arrangement, of which £36,112,000 (2020: £26,001,000) is due to the Company's subsidiary.

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

#### 29 Dividends

	31 December 2021 £ 000	31 December 2020 £ 000
Interim dividend of £14.92 (2020: £5.62) per ordinary share	1,410,714	531,389

Dividend distributions consisted £500,000,000 cash and £910,713,668 of loan notes receivable from a group company.

## BlackRock Investment Management (UK) Limited

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

#### 30 Fair value measurement

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

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

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

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

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

#### Assets measured at fair value

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Assets at FVTPL - subordinated collateralised loan obligations	14,894	12,412
Assets at FVTPL - foreign exchange forward contract derivatives	2,013	1,187
Assets designated as FVTOCI - unlisted equity shares	108,117	86,884
Assets held at FVTPL - unlisted equity shares	4,885	-
	129,909	100,483

#### Liabilities measured at fair value

	<b>31 December 2021 £ 000</b>	<b>31 December 2020 £ 000</b>
Liabilities at FVTPL - foreign exchange forward contract derivatives	12	1,067

#### *Valuation methods and assumptions*

##### ***Subordinated collateralised loan obligations:***

The fair value of subordinated collateralised loan obligations are determined using valuation techniques based on the calculation of the present value of expected future cash flows. These cash flows are based on the performance of a pool of unlisted corporate debt instruments, which are subsequently collateralised. These investments therefore fall within level 3 of the fair value hierarchy.

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

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

## BlackRock Investment Management (UK) Limited

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

#### 30 Fair value measurement (continued)

##### *Unlisted equity shares:*

The fair value of unlisted FVTOCI and FVTPL equity shares has been estimated using an income approach. In applying this approach, in the absence of forecasts, management have used historical management accounts and financial statements, and applied assumptions to create projected cashflows including the application of long-term growth rates. The projected cashflows have then been discounted at a rate of 17.5% to reflect the appropriate cost of equity. These investments therefore fall within level 3 of the fair value hierarchy.

There were no changes to the valuation techniques or transfers between levels during the year.

#### 31 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.

#### 32 Parent and ultimate parent undertaking

The Company's immediate holding company is BlackRock Finance Europe 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](http://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](mailto:invrel@blackrock.com).

#### 33 Non adjusting events after the financial period

In January 2022 the Company disposed of its holding of unlisted shares in Embark Holdings Ltd. The cash consideration of £19,157,000 matches the recognised value at the statement of financial position date.

The loan of £900,000,000 due from group company BGL and included within non-current financial assets (note 17) was extended after the statement of financial position date to mature on 29 March 2024, with a revised annual interest rate of 2.468%. All other terms relating to this loan remain unchanged.

## BlackRock Investment Management (UK) Limited

### Country by Country Reporting for the Year Ended 31 December 2021

The Company presents information on a consolidated basis on its establishments in existence during the year, in accordance with Article 89 of Directive 2013/36/EU of the European Parliament and of the Council and Statutory Instrument 2013/3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013.

2021 Jurisdiction	Revenue £ 000	Profit/(loss) before tax £ 000	Corporation tax paid £ 000	Total charge £ 000	Average number of employees No.
UK*	2,630,962	560,472	107,648	95,762	3,263
Israel	9,065	5,627	426	1,294	9
South Africa	4,103	3,497	927	979	3
Germany	-	-	37,370	-	-
Italy	-	-	9,704	119	-
Netherlands	-	-	(1,512)	-	-
France	-	-	(321)	-	-
Spain	-	-	804	-	-
Denmark	-	-	(150)	-	-
Sweden	-	-	1,645	-	-
Greece	-	-	6	-	-

#### Jurisdiction      Name of establishment

#### Provider of investment management, advisory and administrative services

UK	BlackRock Investment Management (UK) Limited BlackRock Fund Managers Limited
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#### Provider of local sales and marketing support

South Africa	BlackRock Investment Management (UK) Limited - Cape Town branch
Israel	BlackRock Investment Management (UK) Limited - Tel Aviv branch

\* UK Corporate tax payments are made in instalments prior to the end of the period to which they relate. They are therefore based on forecast profits and forecast tax liabilities, which can vary from the final accrual in the financial statements. UK Corporate tax payments for the period can also be reduced by amounts carried forward from prior periods.

UK Corporation tax may be reduced by factors such as income received that is not subject to UK taxation such as dividends, or losses incurred by other UK group companies and surrendered for nil payment. Please refer to the income tax note, note 12, in the financial statements for a reconciliation of the tax charge.

As part of the group's Brexit-related restructuring, the European branches and subsidiary of the Company were disposed of as at 31 December 2020 to another group entity. As noted above, tax payments and refunds relating to these European branches' prior years' tax balances were paid/received in the current year when these balances were finalised.

## BlackRock Investment Management (UK) Limited

### Country by Country Reporting for the Year Ended 31 December 2021 (continued)

The table above provides information on:

*Revenue*

Revenue is stated net of VAT.

*Profit/(loss) before tax*

Profit/(loss) before tax represents accounting profits under FRS 101.

*Corporation tax paid*

All corporate income tax payments and refunds are made and received during the year in the respective country. Corporation taxes paid in the year rarely relate to the profits earned in the year in which they are paid since income tax for a given period is generally paid across multiple years and as such timing differences will exist between cash tax payments and accruals.

*Total income tax charge*

Current and deferred income tax charges relating to the current year booked to the income statement in the year.

*Average number of employees*

The number of employees has been calculated as the average number of employees on a full time equivalents basis, who were permanent employees during the period.

*Additional information*

The Company's directors have also included the combined results for BlackRock Investment Management (UK) Limited (excluding non-UK branches) and BlackRock Advisors (UK) Limited (excluding non-UK branches). BlackRock Advisors (UK) Limited is also subject to the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The combined results provide a more coherent view of their profile on the basis that, in substance, they operate as one business.

Combined revenue for the companies was £2,703,801,000, combined profit was £1,021,696,000, combined corporate income tax paid was £140,060,000 and the combined total income tax charge for 2021 was £138,262,000.

The average number of employees for BlackRock Investment Management (UK) Limited which are at the disposal of BlackRock Advisors (UK) Limited was 3,263.