

# BlackRock Fund Managers Limited

## Companies Act s172 Statement

Under section 172 of the Companies Act 2006 ("s172"), the board of directors (the "Board") of BlackRock Fund Managers Limited (the "Company" or "BFM") 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 2023 as follows:

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

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

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

The Board is responsible for overseeing the implementation of the Company's long-term strategic objectives and receives regular updates from the EMEA Chief Operating Officer ("EMEA COO") and SMF 7: Group Entity Senior Manager for the Company, on the delivery of corporate strategy, regional and industry trends, in Board meetings and informal briefing sessions. The Board was kept informed by the EMEA COO regarding the results of BlackRock's regular Employee Opinion Surveys.

### Assessment of Value

The Board is committed to working with BlackRock to grow economies of scale, which assists in delivering BlackRock's commitment to value. As an authorised UK fund manager, the Company is required to assess the value for money of its funds, act if a fund does not offer good value for money and produce an annual public report which explains in clear language how the Board assessed each fund, details actions already taken and identifies funds for which future action may be required to improve value for money. As part of its oversight, the Board participated in three assessment of value workshops throughout the year and reviewed quarterly assessment updates which included the review of methodology and performance. The Board examined how BlackRock achieves scale and how this contributes to benefits for fund investors.

The Board focused on three ways in which BlackRock shares its economies of scale:

- Its pricing power, where BlackRock leverages its global scale and longstanding relationships to negotiate highly competitive rates with third-party service providers. The cost savings are shared with the fund investors;

- BlackRock's reinvestment of revenue annually into its centralised operational, technology and investment platforms, which delivers benefits to investors' experience through better trade execution, robust risk management and compliance; and
- BlackRock's policy of capping expenses to limit the impact of external costs for small and newly launched funds. During the assessment period, savings of £1.9 million were passed on to investors through expense caps across 55 funds.

A tiered pricing model for a number of BFM funds within the UK authorised fund range was implemented in the year. This applies automatic discounts to the Annual Management Charge (AMC) of a fund as its assets under management (AUM) grow above certain defined levels. This allows fund investors to benefit from reduced fees where further economies of scale are generated.

The Board also evaluated the quality of service provided to fund investors. Its holistic review was based on the evaluation of four key service factors: investment management, risk management, client experience and fund operations. The Board considered a host of internal management information (MI) during its assessment, such as client experience surveys and external metrics from third parties, including publications such as the Broadridge Fund Buyer Focus UK country report.

During the assessment in 2023, the Board also considered the second round of findings issued by the FCA in August 2023 following its review of a sample of asset managers' Value Assessment reports and the processes Authorised Fund Managers use for assessment of value for the funds they operate.

[The June 2023 Value Assessment can be found by following this link: [BlackRock Value Assessment 2023](#)]

### Voting Choice

BlackRock's role is to help investors achieve their long-term financial goals. This is done in the knowledge that the money we manage belongs to them. BlackRock seeks to stay ahead of its clients' needs by providing them with the widest range of options so they can choose what works best for them. BlackRock's view is that the choices it makes available to clients should also extend to proxy voting. BlackRock believes clients should, where possible, have more choice in how they participate in proxy voting for the underlying securities within their fund investments.

BlackRock Voting Choice is BlackRock's solution to enable more institutional clients in certain eligible funds to exercise proxy voting in relation to a pro-rata proportion of the underlying securities (that are made available for voting) of such eligible funds in which they hold their shares where they can legally and operationally do so. BlackRock has been working with industry partners to develop new technology that will allow significantly more voting options for more of our clients. Funds in the BlackRock Authorised Contractual Scheme I and the BlackRock Authorised Contractual Scheme II have been eligible to participate in this programme since 1 January 2022. During 2023 the Board reviewed the progress made from the inception of Voting Choice to date, including the current participation within the relevant funds and the engagement so far.

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

Although the Company has no employees, individuals employed by other group companies who undertake functional activities on behalf of the Company are subject to high standards of compliance and conduct training, in line with BlackRock's global and regional standard requirements. BlackRock's Code of Conduct requires all employees in scope of the FCA individual conduct rules to comply with these 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.

At BlackRock, diversity, equity and inclusion ("DEI") are critical to developing world-class talent and delivering for clients in a rapidly changing world. The One BlackRock principle recognises a diverse workforce as indispensable to success and that an inclusive and connected culture makes us thrive. BlackRock is committed to DEI across every aspect of the business and culture. Our commitment to progress is core to our purpose of helping more and more people experience financial wellbeing and reflects the impact we aspire to make within our workplace and in the world. During 2023, the Board reviewed reports on local DEI activity including strategic aims, actions, outcomes and progress made, such as the Apprenticeship Programme, with a focus on social mobility and the launch of new networks: Social Mobility, and Interfaith & Culture. It also reviewed analysis of women in investments in 2023 and the UK Gender Pay Gap figures.

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

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

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

Throughout the year the Board was engaged on the implementation of the FCA's Consumer Duty rules, which became effective from 31 July 2023. Consumer Duty includes the principle that "firms must act to deliver good outcomes for retail customers" and includes rules that require firms to act in good faith toward retail customers; avoid foreseeable harm to retail customers; and enable and support retail customers to pursue their financial objectives.

During 2023, the Board approved the Company's assessment of the outcomes it is delivering to retail investors and participated in meetings discussing the implementation of the duty and how the Company is embedding the Consumer Duty into its culture and operations including its governance and SMCR programme.

Board director, Theodora Zemek, acts as the Board's Consumer Duty Champion, working with the Chair and CEO to ensure that the principles of the FCA's Consumer Duty are considered in all relevant discussions and that Management has embedded them throughout BlackRock's activities and controls. This involves carefully examining proposals and processes to ensure that they drive good outcomes, in support of the rules highlighted above, for retail investors, including those with characteristics of vulnerability, in respect of:

- products and services: being fit for purpose, targeted and protecting clients from foreseeable harm;
- price and value: delivering fair value for services and products;
- consumer understanding: clear and fair communications enabling properly informed decisions; and
- consumer support: supporting customers without undue hinderance or unreasonable costs in their direct engagement with the Company.

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

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

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

BlackRock is supportive of the FCA's intentions to help build consumer trust in financial markets and tackle greenwashing and is committed to supporting its efforts to define credible standards, criteria and transparency requirements that help investors identify sustainable products that meet their needs and preferences. The FCA set out its intentions in CP22/20 Sustainability Disclosure Requirements ("SDR") and investment labels. BlackRock was pleased to have the opportunity to respond to the FCA's consultation paper on SDR and investment labels in January 2023 observing that a growing number of end-investors want to take sustainability considerations into account when investing. The final SDR rules were published in November 2023. From 31 July 2024 four labels will be available for voluntary use (i) Sustainability Focus; (ii) Sustainability Improvers; (iii) Sustainability Impact; and (iv) Sustainability Mixed Goals. The business continues to analyse the incoming rules, and the Board will continue to have oversight of any implementation of such labels for the applicable BFM funds.

BlackRock has committed to integrating sustainable business practices into its strategy and operations. As a subsidiary of the BlackRock group, the Company has committed to:

1. operating a sustainable corporation, recognising that long-term sustainability delivers the best outcomes for stakeholders and pursuing a strategy that decouples company growth from the impact on the environment;
2. offering choice in order to meet client demand, seeking the best risk adjusted returns in line with the client's intent and underpinning its work with research, data and analytics. BlackRock incorporates financially material sustainability data or information into firmwide processes with the objective of enhancing risk-adjusted returns; and
3. acting 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.

Each year, BlackRock awards £550,000 across approximately 40 charities in the UK nominated by employees through the BlackRock Gives Grants programme. BlackRock matches employee donations 1:1 and donates £20 to a charity for every hour that an employee volunteers with them. BlackRock also runs a global volunteer campaign "BlackRock Gives Back" across Europe, including in the UK. In 2023, UK employees volunteered 12,300 hours, which was the highest yearly hours in firm history.

BlackRock partners with 'The Fore', an accelerator for small, high potential UK charities, to help them make funding decisions each year and provide pro bono support to grantees. BlackRock also launched its 'NextGen Directors' Board training programme to prepare 50 UK employees for high-impact non-profit board service.

The Board has considered the implementation of the FCA's Task Force on Climate-related Financial Disclosures (TCFD)-aligned reporting requirements during the year. TCFD is a global framework established by the Financial Stability Board in 2015 to improve the reporting and transparency of climate-related financial risks and opportunities. The TCFD framework provides guidance for companies to disclose information on their governance, strategy, risk management, metrics and targets in relation to climate related risks and opportunities. It is intended to help investors, lenders and other stakeholders make informed decisions by providing consistent and comparable information about a company's exposure to climate-related risks and opportunities. The FCA's TCFD reporting obligations for asset managers and asset owners is part of a broader strategic theme to improve transparency on climate change and sustainability along the value chain. The Company will be required to publish its inaugural TCFD entity and product reports in June 2024, for the 12-month reference period ending 31 December 2023. BFM has delegated investment management primarily to BIM UK in respect of assets held in BFM managed funds. BIM UK published its first TCFD entity report on 30 June 2023 for the 12-month reference period ending 31 December 2022:

<https://www.blackrock.com/uk/literature/public-disclosure/bimuk-fca-tcf-2023.pdf>

### ***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 in the UK. The 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 staff receive mandatory Senior Manager Certification Regime ("SMCR") compliance training and the CEO of the Company is responsible for ensuring that the Company is fully compliant with SMCR rules.

The Board holds 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 to deliver strategy in a manner consistent with the BlackRock group's purpose and culture.

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

The Board participated in the EMEA BlackRock Boards Summit that took place in December 2023. The purpose of the Summit is to provide an opportunity for Directors of group subsidiary boards to receive valuable insights and updates from BlackRock senior management on a range of topics from an industry, regulatory, product and firm perspective. The Summit is interactive. The 2023 agenda included product strategy; DEI; corporate strategy; client and BlackRock talent perspective; investor perspective; geopolitics and policy update; artificial intelligence and technology; and BlackRock resilience.

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

The Company is a wholly owned subsidiary of BlackRock Investment Management (UK) Limited and part of the BlackRock, Inc. group of companies. The Board maintains an open relationship with its ultimate parent company in EMEA, BlackRock Group Limited, where ideas and strategic objectives are exchanged and shared, ensuring the Board members remain aligned with the strategic objectives and corporate values of its shareholder whenever appropriate. The Board has a standing monthly agenda item to escalate significant issues to its parent.

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. Therefore, the duties of the Board of the Company are exercised in a way that is most likely to promote the success of the Company for the BlackRock group as a whole, while having regard to factors outlined in section 172(1) Companies Act 2006.