BlackRock Netherlands B.V.

2023 ESG Public Disclosure

Contents

1. Introduction and context

1.1 Purpose

BlackRock (Netherlands) B.V. ('BNBV', 'BNBV Solo', or 'the firm') is headquartered in the Netherlands, and licensed and regulated by the Autoriteit Financiële Markten / The Netherlands Authority for the Financial Markets ('AFM') and regulated by De Nederlandsche Bank ('DNB') for prudential supervision. BNBV is regulated under the Investment Firms Regulation ('IFR')[1] and Investment Firms Directive ('IFD')[2].

Under Part Six of the IFR, in conjunction with applicable technical standards and guidelines issued by the European Banking Authority ('EBA'), BNBV is required to publicly disclose the following quantitative and qualitative information: (i) risk management objectives and policies; (ii) governance arrangements; (iii) capital adequacy, levels of own funds held and own funds requirements; (iv) remuneration policies and practices; (v) investment policy; and (vi) environmental, social and governance ('ESG') risks, to provide transparency to their investors and the wider markets.

This document fulfils the public disclosure requirements related to 'ESG risks'[3], hereafter referred to as "sustainability risks", under Part Six, Article 53 IFR for BNBV Solo and the BNBV Investment Firm Group ('BNBV Group'). This disclosure should be read and considered in conjunction with the broader BNBV 2023 Public Disclosure made under Part Six, Article 46 IFR. As no template for the disclosure has been mandated by the EBA, this disclosure has been prepared by having regard to guidance provided by the EBA on ESG risks in accordance with Article 35 IFD.

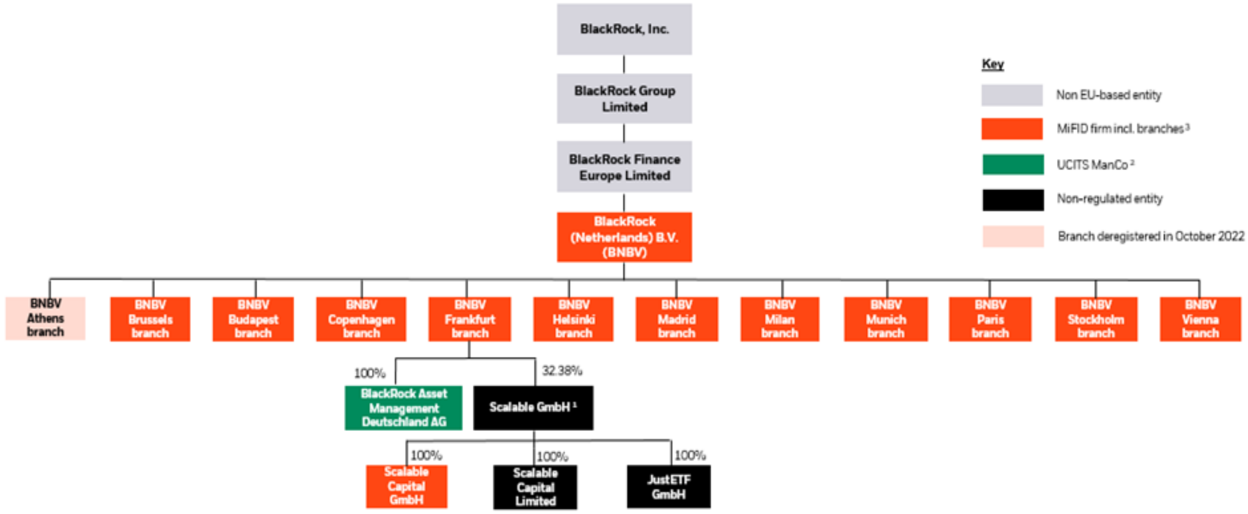
This disclosure document has been reviewed internally and approved by the Board of Directors of BNBV ('BNBV Board', 'the Board') for publication on the BlackRock website (https://www.blackrock.com/nl/particuliere-beleggers/educatie/documentatie).

1.2 BlackRock structure

The firms which form the BNBV Group are illustrated in Figure 1. BNBV is a subsidiary of BlackRock Finance Europe Limited which is owned by BlackRock Group Limited ('BGL'). BGL is regulated in the United Kingdom ('UK') on a consolidated basis by the Financial Conduct Authority by virtue of it being the holding company for BlackRock, Inc.'s ('BLK Inc.') Europe, Middle East and Africa ('EMEA') regulated business. The ultimate holding company for the Group is BLK Inc.

[1] Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019.
[2] Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019.
[3] ESG risks or sustainability risks, are the risks of any negative financial impact on BNBV stemming from the current or prospective impacts of ESG factors on its investee companies or invested assets

Figure 1 Summarised BNBV Investment Firm Group structure as at 31 December 2022[4]



BNBV holds a 100% controlling interest in a German subsidiary, BlackRock Asset Management Deutschland AG ('BAMDE') and a 32.38% non-controlling economic interest in a German entity, Scalable GmbH ('Scalable'). Scalable is not regulated under IFR, however it has three subsidiaries, Scalable Capital GmbH which is a digital investment manager and brokerage firm regulated under IFR, Scalable Capital Limited which is a non-regulated UK company and JustETF GmbH which is a non-regulated German company.

1.3 Basis of preparation

Article 5 IFR requires a firm to make public disclosures under Part Six on an individual basis. Article 7(1) IFR requires firms to also comply with the requirements of Part Six (amongst other Parts) on a consolidated basis. Consequently, BNBV is required to disclose information on sustainability risks under Article 53 IFR on both an individual basis (i.e. for BNBV and its branches), and for the BNBV Group.

Article 53 IFR requires the disclosure on sustainability risks to be published annually in the first year, and biannually thereafter. Additionally, Article 46 IFR requires all information disclosed under Part Six to be published on the same date as the firm's annual financial statements. BNBV is therefore publishing this first Article 53 IFR disclosure by 2 May 2023 and will publish subsequent Article 53 IFR disclosures every year on the date of publication of the annual accounts and 6 months thereafter.

In preparing this disclosure, BNBV has:

- applied the principle of proportionality, taking into account its business model, size, the complexity of its activities and services, and the materiality of its exposure to sustainability risks; and
- taken a gradual approach by giving greater focus to the integration of sustainability risk considerations within the firm's business strategy and governance arrangements in this first disclosure. The firm intends that, as sustainability data and quantification methodologies develop, future disclosures will include additional quantitative information.

BNBV has disclosed all the information that it deems material. There have been no material changes in relation to BNBV's business in the financial year ending 31 December 2022. For the purpose of this disclosure, information is regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

As described in section 1.2, BNBV Group has a non-controlling interest in Scalable. Scalable has not been accounted for within this Article 53 IFR disclosure.

[4] MiFID is defined as the Markets in Financial Instruments Directive.
UCITS is defined as the Undertakings for Collective Investment in Transferable Securities Directive
ManCo means 'management company' within the meaning of the UCITS Directive

2. Overview

As a fiduciary, BlackRock's approach to investing is grounded in three principles: 1) BlackRock starts by understanding the client's investment objectives and provides choice to meet their needs; 2) the firm seeks the best risk-adjusted returns within the scope of the mandate given by clients; and 3) BlackRock underpins its work with research, data, and analytics.

Sustainability, including climate-related issues, is a critical component of BlackRock's overall business strategy. The BlackRock Board of Directors has oversight of the near- and long-term business strategy (including sustainability). The BLK Inc. Global Executive Committee ('GEC') sets the strategic vision and priorities of the firm and drives accountability at all levels. Although BlackRock's sustainability strategy is developed and reviewed at a global level, it is designed to meet requirements applicable to all of BlackRock's locations. The BNBV Board have visibility and can input into this strategy by having the ability to make recommendations to ensure it complies with applicable local regulations.

BlackRock recognises the importance of effective identification, monitoring, and management of sustainability risks across its business. BNBV's exposure to climate-related risk is primarily indirect, with such risk primarily having the potential to affect future revenues and expenses, as opposed to assets and liabilities. This is because the assets that BNBV manages belong to BNBV's clients, not BNBV. BNBV typically earns investment management fees as a percentage of assets under management ('AUM'). BNBV also earns performance fees on certain portfolios relative to an agreed-upon benchmark or return hurdle.

As set out in the Risk Management section below, BNBV employs a three-lines of defence approach for managing sustainability risks (alongside other risks) in client portfolios. BlackRock's investment teams and business management are the primary risk owners, or first line of defence. Portfolio managers and research analysts are responsible for evaluating the material sustainability risks and opportunities for an industry or company just as they consider other potentially material economic issues related to their investments. BlackRock's risk management function, RQA, serves as the second line of defence in the BNBV risk management framework. RQA is responsible for the Investment and Enterprise risk management framework, which includes oversight of sustainability-related investment risks. The third line of defence, BlackRock's Internal Audit function, operates as an assurance function.

3. Governance

The BNBV Board has a critical role to play in ensuring that BNBV is aware of, and able to navigate, an ever-evolving risk landscape. BNBV operates under a one-tier management Board structure with a division of responsibility between the Non-Executive Directors ('NEDs') and the Executive Directors. The NEDs are responsible for ensuring that the BNBV Board is comprised of individuals who are best able to discharge the duties and responsibilities of directors. Their responsibilities focus primarily on the composition, appointment, succession and effectiveness of the BNBV Board.

Part of the NEDs' responsibilities include conducting an assessment of the skills, experience, independence, knowledge and diversity of both the individual Directors and the collective Board and also conducting a performance evaluation of the effectiveness of the Board. Both these reviews take place at least every two years and integrate sustainability knowledge and experience.

BNBV is committed to the highest governance standards. Sound internal governance arrangements are fundamental to the BNBV operational set up. In this context, the BNBV Board has adopted a governance structure comprised of Board and management committees to provide review, challenge and oversight of the firm's risks. Governance arrangements, processes and mechanisms are in place to ensure BNBV has sufficient data and information to assess the group-wide risk profile. Furthermore, members of the Board are represented on a wide range of cross-functional BlackRock committees within BlackRock EMEA and globally.

BNBV governance includes three local committees. The Operating Committee functions as the management committee that primarily supports executive management of the Board. In accordance with the governance requirements under the IFR regime, BNBV established the Risk Committee and designated the BlackRock Management Development and Compensation Committee ('MDCC') to act as the BNBV Remuneration Committee. The Risk Committee covers risk matters pertaining to the BNBV Group (including branches and subsidiaries on behalf of the BNBV Board), including sustainability risks. An overview of BNBV's governance structure has been provided in Figure 2.

Figure 2 BNBV Governance structure as at 31 December 2022

To facilitate its oversight of sustainability risks and sustainability matters more broadly, throughout 2022, the BNBV Board received updates on sustainability-related topics at six board meetings. Topics included regulatory project status updates, educational sessions and general sustainability updates. The BNBV Risk Committee received sustainability-related updates at two meetings during 2022. Where applicable, the functional and the business reporting to the Board continues to evolve, to enable the Board to exercise risk-related oversight (including in relation to sustainability risk) that is informed, strategic and closely aligned with the company's business model and operations.

Sustainability is integrated into different business units across the BlackRock Inc. Group (‘BlackRock Group’). While many of these business functions are organised globally, including either a direct or indirect reporting line into the GEC, each function works with the local BNBV teams to deliver on client requirements.

Teams with a sustainability-related area of focus or with sustainability integrated into broader functional responsibilities include:

- BlackRock’s Sustainable and Transition Solutions team supports client and external engagement and embeds sustainable expertise across the firm in partnership with other teams; the BlackRock Investment Institute Sustainable Investment Research and Analytics team which produces thought leadership and research on the implications of the transition on portfolio construction; and BlackRock’s Global Product Group which provides leadership on sustainable product innovation and development.
- Certain BlackRock investment divisions have dedicated sustainability-focussed units, including BlackRock Alternatives Sustainable Investing team and the Fixed Income ESG Investment team. Investment divisions consider sustainability-related research in their investment processes, as applicable and consistent with client goals.
- The BlackRock Investment Stewardship (‘BIS’) team serves as an important link between clients and the companies they are invested in by engaging with investee company leadership. Where appropriate, this engagement encompasses sustainability-related issues that are material to how a company manages risk or creates long-term financial value.

Additionally, the Risk and Quantitative Analysis (‘RQA‘) Group is BlackRock’s risk management function in respect of both Investment and Enterprise risk, which includes oversight of sustainability-related investment risks. The role of RQA and, in particular, the RQA Sustainability Risk Team is elaborated upon in the Risk Management section below.

Remuneration

The BlackRock Group has remuneration policies which are aligned with and promote sound and effective risk management and discourage excessive risk taking. In accordance with the EU’s Sustainable Finance Disclosure Regulation, these remuneration policies have been updated to integrate sustainability risk.

4. Strategy

BlackRock was founded on the premise of understanding and managing investment risk, anticipating the needs of its clients, and supporting them in achieving their long-term investment goals. This is core to the firm's strategy. BlackRock recognizes that different clients have different investment preferences and objectives. BlackRock continues to believe in the power of providing choice to clients, including by offering a wide range of investment products to help them meet their investment goals, and delivering on the instructions and guidelines that clients ultimately select. This section discusses how sustainability risks and opportunities are integrated within BlackRock's strategy, including for BNBV.

4.1 Investment Approach

As referenced in section 2, as an asset manager, BlackRock's focus on understanding the transition is driven, as always, by the firm's role as a fiduciary. BlackRock's investment approach is informed by three principles: client choice, performance, and research. BlackRock starts by understanding the client's investment objectives and provides choice to meet their needs, seeks the best risk-adjusted financial returns within the mandate clients provide, and underpins its work with research, data, and analytics. The money BlackRock manages is not its own – it belongs to the firm's clients, many of whom make their own asset allocation and portfolio construction decisions.

BlackRock incorporates financially material environmental, social, and/or governance data or information, alongside other information into firmwide processes with the objective of enhancing risk-adjusted returns. This applies regardless of whether a fund or strategy has a sustainable, climate, or transition-related objective. BlackRock has a framework for ESG integration that permits a diversity of approaches across different investment teams, strategies and particular client mandates. As with other investment risks and opportunities, the materiality of ESG considerations and sustainability risks may vary by issuer, sector, product, mandate and time horizon. As such, BlackRock's ESG integration framework needs to allow for flexibility across investment teams. Please refer to the BLK Inc ESG Integration Statement for additional information.

Research is at the center of BlackRock's investment approach and processes. It informs the firm's pursuit of the best risk-adjusted returns, and it underpins product creation and innovation. BlackRock researches major structural trends shaping the economy, markets, and asset prices.

To enable choice and meet client demand, over the past few years, BlackRock has significantly expanded the number of sustainable investment strategies available to clients. As of December 31, 2022, BlackRock had over 400 sustainable funds globally covering a spectrum of sustainable solutions, as well as customized solutions to meet clients' objectives. As of December 31, 2022, BlackRock managed $586 billion in its Sustainable Investing Platform on behalf of its clients. In 2022, BlackRock saw $67 billion of net inflows into sustainable investment strategies, representing 22% of total long-term net inflows over the same time period.

BlackRock's sustainable platform provides clients with choice to invest in line with their specific investment goals and objectives. Across the platform, products use environmental, social and / or governance data as a portfolio construction input and a subset of those products also seek to achieve long-term sustainability outcomes, in line with each product's specific investment objective.

4.2 Investment Stewardship

BIS serves as an important link between BlackRock's clients and the companies the firm invests in on their behalf. The business and governance decisions that companies make will have a direct impact on BlackRock's clients' long-term investment outcomes and financial well-being. For this reason, BIS aims to build constructive relationships with companies to further the team's understanding of a company's approach to corporate governance and having a durable business model. BIS does this by engaging with investee companies and proxy voting on behalf of BlackRock's clients who have given such authority. BIS' approach to engagement and proxy voting is outlined in its Global Principles, market-level voting guidelines and engagement priorities. In 2022, BIS continued to focus its engagement on a consistent set of five priorities that the team believes support the long-term financial performance of BlackRock's clients' investments: board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with value creation; climate and natural capital; and company impacts on people.

4.3 Industry Engagement & Public Policy

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

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

5 Risk Management

The risk management framework outlined below is relevant to BNBV Solo and BAMDE.

5.1 Risk management – three lines of defence model

An integral part of BlackRock's identity is the core belief that rigorous risk management is critical to the delivery of high-quality asset management services. BlackRock employs a three-lines of defence approach to managing risks in client portfolios.

BlackRock's investment teams and business management are the primary risk owners, or first line of defence. Portfolio managers and research analysts are responsible for evaluating the material sustainability risks and opportunities for an industry or company just as they consider other potentially material economic issues related to their investments. Examples of sustainability risks taken into account include risks from regulatory change or litigation and exposure to physical impacts such as flooding or other extreme weather events or changes in temperature. In addition, BlackRock has developed a framework to monitor exposure to carbon intensive assets to support the understanding and management of potential climate-related risks.

BlackRock's risk management function, RQA, serves as the second line of defence in the BNBV risk management framework. RQA is responsible for the Investment and Enterprise risk management framework, which includes oversight of sustainability risks. RQA conducts regular reviews with portfolio managers to ensure that investment decisions are taken in light of relevant investment risks, including sustainability risks, complementing the first-line monitoring of material sustainability-related considerations across the firm's investment platform. RQA also has a dedicated Sustainability Risk Team that partners with risk managers and businesses to reinforce this constructive engagement. RQA collaborates with working groups throughout the Investments Platform and with Aladdin Sustainability Lab to advance the firm's sustainability toolkit through consultation on firmwide data, modelling, methodologies, and analytics.

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

In parallel to the above, the enterprise second line of defence runs the BNBV risk profile, which is a holistic risk analysis at the entity level, of risks, including sustainability risks, relevant to the entity's business activities and operating model.

5.2 Sustainability risk identification

Sustainability risks are identified through exposure to Key Performance Indicators (KPIs) linked directly to particular activities linked to the descriptions below, or indirectly through their effect on existing risk factors (for example market or credit risk factors). An issuer in which BNBV invests may exhibit increased sustainability risk through either of these channels. For example, a particular KPI that scores worse than industry peers when measuring board independence might indicate directly measured governance risk, whilst change in regulation around carbon emissions that affected all companies in the energy sector, shows climate transition risk manifesting through a common market risk factor. These issuer level risks can be aggregated to the product level, allowing the identification of direct and indirect sustainability risks that may lead to losses relative to the expected return of a portfolio.

5.3 Description of sustainability risks

BlackRock defines sustainability risk as an inclusive term to designate an investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to environmental, social and/or governance issues. As with other investment risks and opportunities, the financial materiality of sustainability risks may vary by issuer, sector, product, mandate, and time horizon. Examples of sustainability-related risks may include but are not limited to:

1. **Environmental Risk**: The risk associated with environmental issues which may include but are not limited to water use, land use, waste management, environmental degradation or loss of ecosystem services. Environmental degradation includes water or air pollution, desertification, and loss of biodiversity.

2. **Climate Risk**: The risk associated with the impacts due to climate change

   - Climate physical risk: The risk associated with the physical impacts due to climate change, environmental degradation, or loss of ecosystem services. Physical risk arises from the physical effects of climate change or environmental degradation, acute or chronic. For example, frequent and severe climate-related events can impact products and services, and supply chains.

   - Climate transition risk: Whether policy, technology, market or reputation risk arises from the adjustments to a low-carbon economy or a ban of environmentally damaging materials or services in order to mitigate climate change and environmental degradation.

3. **Social risk**: A broad range of positive and negative factors, that can impact an issuer's operational effectiveness and resilience as well as its public perception, and social license to operate. Examples of social issues include, but are not limited to, human capital management, impacts on the communities in which a company operates and customer loyalty.

4. **Governance risk**: Governance related risks can include risks around board independence, ownership & control, or audit and tax management.

5.4 Sustainability risk assessment

Each sustainability risk assessment is specific to the asset class and to the product's objectives. Different asset classes may utilize different data and tools to apply heightened scrutiny, assess materiality, and make meaningful differentiations among issuers and assets. Risks are considered and actively risk managed concurrently, by prioritizing based on materiality and on the Product's objective, as well as ensuring that the risk taking is deliberate, diversified and scaled.

5.4.1 Internal Capital Adequacy Risk Assessment Process

BNBV runs an Internal Capital Adequacy Risk Assessment Process (ICARAP) to assess the level of capital that adequately supports all relevant current and future risks of BNBV considering its business activities and its operating model. The potential financial impact of sustainability risk (among other risk types) is included in this assessment using several stress testing scenarios considering climate, reputational as well as operational risks.

Contact Information

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