

**BlackRock Saudi Arabia  
Board of Directors Annual Report for 2023**

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REQUIRED CONTENTS OF THE BOARD OF DIRECTORS' REPORT

**1. A description of all the main activities of BlackRock Saudi Arabia**

The principal investment activities of BlackRock Saudi Arabia (BSA), as authorised and regulated by the Capital Market Authority ("CMA") are to conduct advising, arranging, and investment management and operating funds.

**2. Formation of BSA board of directors and classification of its members**

- H.E. Suliman Algwaiz, Independent, Non-Executive Chairman of the Board
- Mr. Mohammed Alissa, Independent, Non-Executive Board Member
- Mr. Tarek Mahmoud, Non-Executive, Non-Independent, Board Member
- Mr. Charles Hatami, Non-Executive, Non-Independent Board Member
- Mr. Yazeed Almubarak, Executive, Non-Independent, Board Member

**3. Outside Directorships and Managerial roles by BSA Board Directors**

<b>BSA Director</b>	<b>Additional Board Memberships</b>
Mr. Tarek Mahmoud	BlackRock (Luxembourg) S.A.
Mr. Tarek Mahmoud	BlackRock Funds Management Company S.A.
Mr. Mohammed Al Issa	Savola Group
Mr. Mohammed Al Issa	International Medical Center (IMC)
H.E. Suliman Algwaiz	Etihad Etisalat: Telecom operator
H.E. Suliman Algwaiz	Saudi Industrial Investment Group
H.E. Suliman Algwaiz	Ma'aden (until September 2023)
H.E. Suliman Algwaiz	Munajem Foods
H.E. Suliman Algwaiz	Saudi Awwal Bank
H.E. Suliman Algwaiz	Saudi Agriculture and livestock Investments Co. (Salic)

**4. Overview of BSA-Affiliated companies**

The immediate parent company of BSA is BlackRock Group Limited (BGL). BGL is the sole shareholder of BSA. The ultimate parent company of BSA is BlackRock Inc., a publicly listed company on the New York Stock Exchange.

**5. Important Plans and Decisions of BSA in 2023**

In 2023, the main activities carried out by BSA's Management License include fund management, discretionary portfolio management and fund distribution. BSA is also licensed to conduct Arranging activities in Saudi Arabia.

BSA continued its expansion and focus on building its human capital in 2023. It also relocated its corporate office to 7976 Salim Ibn Abi Bakr Shaikan 2223 West Umm Al Hamam Dist.12329 RIYADH. BSA intends to continue to hire talent in 2024 to expand and enhance its footprint on the ground with a diverse team that have financial expertise.

**6. List of Board Meetings and Committees**

**a. Board Meetings**

<p>19 January 2023: BSA Board Meeting</p>	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> <li>• Algwaiz, Suliman (Chairman)</li> <li>• Talhaoui, Ahmed (Vice Chair)*</li> <li>• Al Issa, Mohammed (Member)</li> <li>• Mahmoud, Tarek (Member)</li> <li>• Almubarak, Yazeed (Managing Director and CEO)</li> </ul>
<p>15 February 2023: BSA Board Meeting</p>	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> <li>• Algwaiz, Suliman (Chairman)</li> <li>• Talhaoui, Ahmed (Vice Chair)*</li> <li>• Al Issa, Mohammed (Member)</li> <li>• Mahmoud, Tarek (Member)</li> <li>• Almubarak, Yazeed (Managing Director and CEO)</li> </ul>
<p>22 March 2023: BSA Board Meeting</p>	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> <li>• Algwaiz, Suliman (Chairman)</li> <li>• Talhaoui, Ahmed (Vice Chair)*</li> <li>• Al Issa, Mohammed (Member)</li> <li>• Mahmoud, Tarek (Member)</li> <li>• Almubarak, Yazeed (Managing Director and CEO)</li> </ul>
<p>14 June 2023: BSA Board Meeting</p>	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> <li>• Algwaiz, Suliman (Chairman)</li> <li>• Hatami, Charles (Member pending CMA confirmation)</li> <li>• Al Issa, Mohammed (Member)</li> <li>• Mahmoud, Tarek (Member)</li> <li>• Almubarak, Yazeed (Managing Director and CEO)</li> </ul>
<p>20 September 2023: BSA Board Meeting</p>	<ul style="list-style-type: none"> <li>• Algwaiz, Suliman (Chairman)</li> <li>• Al Issa, Mohammed (Member)</li> <li>• Mahmoud, Tarek (Vice Chair)</li> <li>• Almubarak, Yazeed (Managing Director and CEO)</li> </ul>
<p>11 December 2023: BSA Board Meeting</p>	<ul style="list-style-type: none"> <li>• Algwaiz, Suliman (Chairman)</li> <li>• Charles Hatami (Member)</li> <li>• Al Issa, Mohammed (Member)</li> </ul>

	<ul style="list-style-type: none"> <li>• Mahmoud, Tarek (Vice Chair)</li> <li>• Almubarak, Yazeed (Managing Director and CEO)</li> </ul>
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\*Resigned from his position on 07/06/2023.

**b. Additional Assemblies**

- 7 June 2023: BSA Ordinary General Assembly

**c. BSA Audit Committee**

The primary role of the BSA ‘Company’ Audit Committee is to monitor the Company’s affairs and assist the Board with oversight of: (i) the integrity, effectiveness and accuracy of the Company’s financial statements and reports; (ii) the Company’s compliance with legal and regulatory requirements; (iii) the qualifications, independence and performance of the Company’s external auditor (the “Auditor”); (iv) the performance, soundness and effectiveness of the Company’s internal control, audit and financial reporting systems; and (v) reviewing assurance reports and monitoring the completion of management letter (“Management Letter”) points in respect of the Auditor’s audit of the Company.

Membership of the BSA Audit Committee:

Mr. Charles Hatami	Committee Member
Mr. Patrick Sloan	Committee Member
Mr. Nicholas James Charrington	Committee Member

Meeting dates of BSA Audit Committee:

<b>16 March 2023:</b> BSA Audit Committee Meeting	<u>Attendance:</u> <ul style="list-style-type: none"> <li>• Mr. Ahmed Talhaoui*</li> <li>• Mr. Nicholas James Charrington</li> </ul>
<b>6 September 2023:</b> BSA Audit Committee Meeting	<u>Attendance:</u> <ul style="list-style-type: none"> <li>• Mr. Patrick Sloan</li> <li>• Mr. Nicholas James Charrington</li> </ul>

\*Resigned from his position on 07/06/2023.

**d. BSA Nomination and Remuneration Committee**

The primary role of the BSA Nomination and Remuneration Committee is to: (i) lead the process of nominating and evaluating the Directors and senior executives of the Company; (ii) ensure the effectiveness and soundness of the Company’s Board and executive management structures and the relevant internal policies and procedures; and (iii) assist the Board in the review and determination of the remuneration of Directors, members of the committees of the Board, and senior executives of the Company.

Membership of the BSA Nomination and Remuneration Committee:

Mr. Charles Hatami	Committee Member
Mr. Patrick Sloan	Committee Member
Mr. Nicholas James Charrington	Committee Member

Meeting dates of BSA Nomination and Remuneration Committee:

<p><b>15 February 2023:</b> BSA Nominations and Remuneration Committee Meeting</p>	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> <li>• Mr. Ahmed Talhaoui*</li> <li>• Mr. Nicholas James Charrington</li> </ul>
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\*Resigned from his position on 07/06/2023.

## 7. Remuneration

### Remuneration Disclosure in SAR

Item	Executive Board Members	Non-Executive Board Members	Independent Board Members
	SAR	SAR	SAR
Wages and salaries	-	-	-
Allowances	-	-	-
Periodic and annual remunerations	-	-	-
Incentive plans	-	-	-
Commissions	-	-	-
Any other in-kind benefits or reimbursements paid monthly or annually	-	-	-
Fees	-	-	1,290,833
<b>Item</b>	<b>Five of the senior executives who received the highest remunerations and compensations in addition to the CEO and CFO, if they are not among them</b>		
	SAR		
Wages and salaries <sup>1</sup>		4,010,003	
Allowances		2,594,240	
Periodic and annual remunerations <sup>2</sup>		10,031,500	
Incentive plans <sup>3</sup>		310,598	
Commissions		-	
Any other in-kind benefits or reimbursements paid monthly or annually		-	
Fees		-	

**Note:**

<sup>1</sup>The CEO is an Executive Member of the Board and is included in the top five Senior Executives. The CEO is an employee of BlackRock and as an employee he is not paid any fees for the role.

<sup>2</sup>This includes annual bonuses (cash and shares) awarded in January 2024 in respect of the 2023 performance year.

<sup>3</sup>This includes dividend equivalents paid on RSUs during the period and awards granted related to hiring.

## **8. Penalties, litigations and provisions**

BSA was not subject to any penalties, litigation and disciplinary measures or provisions during 2023.

## **9. Internal Audit Control Procedures**

As reported in 2023, the most recent audit of BSA, a Capital Market Institution supervised by the Saudi Capital Markets Authority, was completed by BlackRock Internal Audit in Q2 2022, with nine system and control issues identified. The next planned audit of BSA is in 2025.

## **10. Risk Management and Monitoring**

BSA has implemented a Risk Management Framework (RMF), that addresses the management of significant and relevant risks which arise due to its business activities. Thus, the RMF of BSA differentiates between risks on company level ("Enterprise Risk") and those risks which are relevant with regards to the asset under management ("Fiduciary Risk") on investment vehicle level. This includes the identification, the recording, the mitigation, the measurement, the management, the supervision of the relevant risks.

Policies and more detailed procedures or guidelines to manage these risks have been implemented in accordance to size, complexity and risk profile of BSA's business activities.

Enterprise Risk arises as the result of inadequate or failed internal processes, systems, people or business strategies, or external events, such as system failure or security breaches, regulatory compliance breaches including due to conduct risk, litigation, fraud, or the failure of key vendors or non-availability of business premises. It also includes risks arising from business decisions or improper implementation of business decisions. These risks can impact the earnings or capital of the corporate entity directly, for instance through client reimbursement for operating errors, and may also impact BlackRock's reputation. Other enterprise risks include those that arise from market variables, such as asset prices and/or foreign exchange rates (which can have an adverse financial impact on BSA), liquidity risk (which arises from the inability of BSA to meet its obligations as they fall due), corporate credit risk and corporate tax risk. Within Enterprise Risk Financial Risks, Operational Risks and Other Risks are defined as follows:

- Financial risks are associated with financial exposures and transactions of BSA. These risks typically have a financial impact, which can be positive or negative and are often the result of market-wide or systematic external events.
- Operational Risks are risks that arise from events or actions, other than financial transactions, that can negatively impact the operations, assets, or reputation of BSA. 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.
- Other Risks arise from business decisions or improper implementation of business decisions, employee behaviour and external factors, for instance regulatory changes, structural industry changes, macro-economic conditions that can negatively impact operations, assets or reputation. These risks may, but do not always have, an adverse financial impact.

Fiduciary Risk, depending on the business services provided through BSA, may arise from BSA's fiduciary responsibility to its clients and the risk of financial loss or adverse outcomes that the firm's clients could incur resulting from not meeting their expectations even if the portfolio positioning is in line with investment objectives, mandates and client guidelines. Fiduciary risk is comprised of investment, fund liquidity, counterparty and valuation risks.

The management and oversight of related risks is aligned with the global RMF of BlackRock. A continuous oversight is aimed at identifying actual and potential risks for consideration in the actual risk profile.

Risk profiles of each of BSA's key risks is assessed regularly. This considers whether the risk profile is 'As Expected', 'Elevated' or 'High'. These are defined as follows:

- "As Expected": Risks are tracking to expectations and risk tolerance, for instance the operating environment is likely to be stable and any emerging risks are well understood and not expected to be materially detrimental to the firm.
- "Elevated": Risks are above expectations and tolerance, for instance the operating environment is volatile and/or challenging, emerging risks are less well understood and may result in rapid changes.

- “High”: Risks are significantly above expectations and tolerance, for instance the operating environment is very challenging, and emerging risks are expected to have a material and/or detrimental impact to the firm. Deliberate actions have been identified that need to be implemented to lower the firm’s potential exposure.

The Board of Directors of BSA receives a regular Risk Profile Reporting providing an overview of the firm’s actual risk profile according to the key risk taxonomy.

The table below contains an overview of BSA’s key risks:

<b>Financial risks</b>	Market risk to revenue
	Market risk to balance sheet (FX)
	Credit
	Capital Adequacy Risk
	Corporate liquidity
	Corporate tax
<b>Operational risks</b>	Internal Operations
	Third Party
	Technology Resilience
	Information Security
	Corporate Resilience
	Model
	Compliance
	Financial Crime
	People / Culture
	Financial Reporting
	Major Change
Product	
<b>Other risks</b>	Reputational
	Strategy / Business
	Conduct
	Public Policy
	Group
<b>Portfolio Risk</b>	Counterparty



	Fund Liquidity
	Investment
	Valuation

**11. BSA Annual Audited Financials**

Deloitte and Touche & Co. conducted an external audit of BSA’s financial statements for the year ending 31 December 2023. The auditor’s opinion concluded that the accounts presented fairly, in all material respects, the financial position of the company. The auditor’s report on BSA’s annual financial statements did not include any reservations.

**a. Assets and liabilities**

See Fig. 1 (Balance Sheet) and Fig. 2 (Income Statement) below. The information provided covers the period from inception of the entity until and including the financial year ending 31 December 2023.

**b. Changes in Operational Results**

BSA’s operating profit for the financial year ending 31 December 2023 increased by 117% to SAR 24.5 million compared with SAR 11.3 million in the year to 31 December 2022. This is primarily due to an increase in fee revenue, and new portfolios attributable to BSA.

**12. Additional disclosures**

**a. Loans**

BSA did not have any loans during the financial year ending 31 December 2023 (2022: Nil).

**b. Transactions between BSA and its’ associates**

See Fig.3 (2023 Income and Expenses between BSA and its affiliates) and Fig. 4 (Related company transactions – Balance Sheet position) below.

**c. Business or contracts**

During 2023, neither BSA’s Board of Directors nor BSA’s senior executives, or persons related to them, held an interest in any business or contracts to which BSA was a counterparty.

**d. Conflicts of Interest**

During 2023, neither BSA’s Board of Directors nor BSA’s senior executives, or persons related to them, have held any interest, contractual securities, or subscription rights in respect of BSA.

**e. Compensation waivers**

Only independent directors receive compensation. Executive and non-independent members did not receive any amounts in consideration for their membership in the board of directors as these duties are seen to be part of their executive roles, for which they are already remunerated.

**Fig. 1 Balance Sheet**

Balance Sheet	SAR (000's)				
	31 Dec 2019 (Audited)	31 Dec 2020 (Audited)	31 Dec 2021 (Audited)	31 Dec 2022 (Audited)	31 Dec 2023 (Audited)
<b>Assets</b>					
Non-current assets	1,020	960	392	1,503	15,510
Current assets	15,366	58,542	69,425	81,611	99,592
<b>Total Assets</b>	<b>16,386</b>	<b>59,502</b>	<b>69,817</b>	<b>83,114</b>	<b>115,102</b>
<b>Liabilities</b>					
Non-current liabilities	7	562	730	378	5,948
Current liabilities	4,008	7,043	9,302	13,948	19,664
<b>Total liabilities</b>	<b>4,015</b>	<b>7,605</b>	<b>10,032</b>	<b>14,326</b>	<b>25,612</b>
<b>Shareholders' equity</b>	<b>12,372</b>	<b>51,897</b>	<b>59,785</b>	<b>68,788</b>	<b>89,490</b>
<b>Total liabilities and Shareholders' equity</b>	<b>16,386</b>	<b>59,502</b>	<b>69,817</b>	<b>83,114</b>	<b>115,102</b>

**Fig. 2 Income Statement**

Income Statement	SAR (000's)				
	2019 (Audited)	2020 (Audited)	2021 (Audited)	2022 (Audited)	2023 (Audited)
Total operating income	482	20,574	9,342	11,363	25,313
Operating Expenses	(235)	(56)	(55)	(40)	(793)
<b>Operating profit</b>	<b>247</b>	<b>20,518</b>	<b>9,287</b>	<b>11,323</b>	<b>24,520</b>
Finance costs	(36)	(29)	(17)	(30)	(330)
<b>Profit before tax</b>	<b>211</b>	<b>20,489</b>	<b>9,270</b>	<b>11,293</b>	<b>24,190</b>
Tax	(42)	(4,398)	(2,125)	(2,750)	(5,825)
<b>Profit after tax</b>	<b>169</b>	<b>16,091</b>	<b>7,145</b>	<b>8,543</b>	<b>18,365</b>

**Fig. 3 Transactions between BSA and its affiliates**

The Company and its related parties transact with each other in the ordinary course of business. Other group companies provide support in the discharge of certain investment management functions of the Company. The transactions with related parties are undertaken at mutually agreed terms which are approved by the management. Fee income and expenses relating to transactions with affiliates are reflected in the financial statements and are summarised below.

Income	SAR (000's)	
	31 Dec 2022	31 Dec 2023
<b>Fee Income</b>	<b>22,637</b>	<b>39,647</b>
BlackRock Investment Management (UK) Limited	20,733	28,685
BlackRock Alternatives Management, LLC	0	4,355
BlackRock France SAS	0	3,267
Global Energy & Power Infrastructure II Advisors, LLC	0	1,159

BlackRock Financial Management, Inc.	1,107	1,106
BlackRock Asset Management Ireland Limited	0	648
BlackRock International Limited	796	426
BlackRock Advisors (UK) Limited	1	0

<b>Expenses</b>	<b>SAR (000's)</b>	
	31 Dec 2022	31 Dec 2023
<b>Cost of Sales</b>	<b>10,747</b>	<b>12,614</b>
Prestadora de Servicios Integrales BlackRock Mexico, S.A. de C.V.	3,924	7,580
BlackRock Investment Management (UK) Limited	5,511	5,034
BlackRock México Operadora, S.A. de C.V. Sociedad Operadora de Fondos de Inversión	1,312	0
<b>Administrative Expenses</b>	<b>3,425</b>	<b>6,748</b>
BlackRock Investment Management (UK) Limited	2,770	4,328
BlackRock Financial Management, Inc.	620	2,119
BlackRock (Netherlands) BV – Paris Branch	19	119
eFront SAS	0	107
BlackRock Asset Management Schweiz AG	16	31
BlackRock France SAS	0	24
BlackRock Asset Management North Asia Limited	0	18
BlackRock Institutional Trust Company, N.A.	0	6
BlackRock Asset Management Ireland Limited	0	(3)

**Fig. 4 BSA affiliate transactions – Balance Sheet positions**

The Balance Sheet positions arising from transactions between BSA and its affiliates are reflected in the table below.

<b>BSA affiliate transactions – Balance Sheet positions</b>	<b>SAR (000's)</b>	
	31 Dec 2022	31 Dec 2023
Amounts due <b>from</b> other BlackRock entities	1,362	7,289
Amounts due <b>to</b> other BlackRock entities	5,700	3,036