

**BlackRock Saudi Arabia
Board of Directors Annual Report for 2022**

Contents

1. A description of all the main activities of BlackRock Saudi Arabia.....	3
2. Formation of BSA board of directors and classification of its members	3
4. Overview of BSA-Affiliated companies.....	3
5. Important Plans and Decisions of BSA in 2022	3
6. List of Board Meetings and Committees	4
a. Board Meetings	4
b. Additional Assemblies.....	4
c. BSA Audit Committee	4
d. BSA Nomination and Remuneration Committee	5
7. Remuneration.....	6
8. Penalties, litigations and provisions	6
9. Internal Audit Control Procedures	6
10. Risk Management and Monitoring.....	6
11. BSA Annual Audited Financials.....	8
a. Assets and liabilities	8
b. Changes in Operational Results.....	8
12. Additional disclosures	9
a. Loans	9
b. Transactions between BSA and its' associates	9
c. Business or contracts.....	9
d. Conflicts of Interest	9
e. Compensation waivers.....	9
Fig. 1 Balance Sheet.....	9
Fig. 2 Income Statement.....	9
Fig. 3 Transactions between BSA and its affiliates.....	10
Fig. 4 BSA affiliate transactions – Balance Sheet positions	10

REQUIRED CONTENTS OF THE BOARD OF DIRECTORS' REPORT

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

BlackRock Saudi Arabia (BSA) conducts arranging, advising and managing securities business.

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. Ahmed Talhaoui, Non-Executive, Non-Independent, Board Member
- Mr. Yazeed Almubarak, Executive, Non-Independent, Board Member

3. Outside Directorships and Managerial roles by BSA Board Directors

BSA Director	Additional Board Memberships
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
H.E. Suliman Algwaiz	Munajem Foods
H.E. Suliman Algwaiz	Saudi British Bank
H.E. Suliman Algwaiz	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 2022

In 2022, BSA received the management license allowing it to commence managing investments and operating funds in Saudi Arabia. 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 and Advising activities in Saudi Arabia.

BSA continued its expansion and focus on building its human capital in 2022, with the notable board appointments and several senior executive hires. BSA intends to continue to hire talent in 2023 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

23 March 2022: BSA Board Meeting	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> • Mr. Ahmed Talhaoui (acting Chairman) • Mr. Tarek Mahmoud • Mr. Mohammed Al Issa • Mr. Yazeed Almubarak • Ms. Louise Sadler (Cotter)
20 June 2022: BSA Board Meeting	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> • H.E. Suliman Algwaiz • Mr. Ahmed Talhaoui • Mr. Yazeed Almubarak • Mr. Mohammed Al Issa • Mr. Tarek Mahmoud • Ms. Louise Sadler (Cotter)
8 September 2022: BSA Board Meeting	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> • H.E. Suliman Algwaiz • Mr. Ahmed Talhaoui • Mr. Mohammed Al Issa • Mr. Tarek Mahmoud • Mr. Yazeed Almubarak
12 December 2022: BSA Board Meeting	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> • H.E. Suliman Algwaiz • Mr. Ahmed Talhaoui • Mr. Mohammed Al Issa • Mr. Tarek Mahmoud • Mr. Yazeed Almubarak

b. Additional Assemblies

- 17 February 2022: BSA Ordinary General Assembly
- 23 June 2022: 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. Ahmed Talhaoui (Chair)	Non-Executive Director of the Company
Ms. Louise Sadler (Cotter)	Non-Executive Director of the Company
Mr. Nicholas James Charrington	Non-Executive Director of the Company

Meeting dates of BSA Audit Committee:

17 March 2022: BSA Audit Committee Meeting	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> • Mr. Ahmed Talhaoui • Ms. Louise Sadler (Cotter) • Mr. Nicholas James Charrington
7 September 2022: BSA Audit Committee Meeting	<p><u>Attendance:</u></p> <ul style="list-style-type: none"> • Mr. Ahmed Talhaoui • Ms. Louise Sadler (Cotter) • Mr. Nicholas James Charrington

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. Ahmed Talhaoui (Chair)	Non-Executive Director of the Company
Ms. Louise Sadler (Cotter)	Non-Executive Director of the Company
Mr. Nicholas James Charrington	Non-Executive Director of the Company

No Nomination and Remuneration meeting held in 2022 as the appointment to the Board of the new Chair was carried out by the Board itself. Additionally, it was decided to defer the BSA Board self-evaluation until 2023 to allow the Chair and INED sufficient time to observe the operation of the Board. As such it was determined that there was no necessity for the Nomination and Remuneration Committee to meet in 2022

7. Remuneration

Remuneration Disclosure in SAR

Item	Executive Board Members* SAR	Non-Executive Board Members SAR	Independent Board Members 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
	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		
		SAR	
Wages and salaries		2,713,903	
Allowances		2,355,852	
Periodic and annual remunerations		4,811,200	
Incentive plans		1,179,200	
Commissions		-	
Any other in-kind benefits or reimbursements paid monthly or annually		-	
Fees		-	

Allowance for attendance of the board of directors' sessions

Allowance for attendance of the committees' sessions

-

Note:

* 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.

8. Penalties, litigations and provisions

BSA was not subject to any penalties, litigation and disciplinary measures or provisions during 2022.

9. Internal Audit Control Procedures

The most recent audit BSA, a Capital Market Institution supervised by the Saudi CMA, was completed by BlackRock Internal Audit in Q2 2022. Nine system and control issues were identified for BSA, all of which have defined remediation plans, which are in progress and due for closure by July 2023.

The Audit Committee finds BSA's internal control systems are adequate.

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 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 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, 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:

Financial risks	Market risk to revenue
	Market risk to balance sheet (FX)
	Credit
	Capital Adequacy Risk
	Corporate liquidity
	Corporate tax

Operational risks	Operational (process)
	Third Party
	Technology Resilience
	Information Security
	Corporate Resilience
	Model
	Compliance
	Financial Crime
	People / Culture
	Financial Reporting
	Major Change
	Product
Other risks	Reputational
	Strategy / Business
	Conduct
	Public Policy
	Group
	Counterparty
	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 2022. 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 2022.

b. Changes in Operational Results

BSA's operating profit for the financial year ending 31 December 2022 increased by 23% to SAR 11.5 million compared with SAR 9.3 million in the year to 31 December 2021. This is primarily due to an increase in fee revenue partially offset by an increase in the cost of sales and administrative expenses

12. Additional disclosures

a. Loans

BSA did not have any loans during the financial year ending 31 December 2022 (2021: Nil).

b. Transactions between BSA and its' associates

See Fig.3 (2022 Income and Expenses between BSA and its affiliates) and Fig. 4 (Related company transactions – Balance Sheet position) below.

c. Business or contracts

During 2022, 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 2022, 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)
Assets				
Non-current assets	1,020	960	392	1,503
Current assets	15,366	58,542	69,425	81,611
Total Assets	16,386	59,502	69,817	83,114
Liabilities				
Non-current liabilities	7	562	730	378
Current liabilities	4,008	7,043	9,302	13,948
Total liabilities	4,015	7,605	10,032	14,326
Shareholders' equity	12,372	51,897	59,785	68,788
Total liabilities and Shareholders' equity	16,386	59,502	69,817	83,114

Fig. 2 Income Statement

Income Statement	SAR (000's)			
	2019 (Audited)	2020 (Audited)	2021 (Audited)	2022 (Audited)
Total operating income	482	20,574	9,342	11,363
Operating Expenses	(235)	(56)	(55)	(40)
Operating profit	247	20,518	9,287	11,323
Finance costs	(36)	(29)	(17)	(30)
Profit before tax	211	20,489	9,270	11,293
Tax	(42)	(4,398)	(2,125)	(2,750)
Profit after tax	169	16,091	7,145	8,543

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 2021	31 Dec 2022
Fee Income	23,196	22,637
BlackRock Financial Management, Inc.	1,986	1,107
BlackRock Advisors (UK) Limited	0	1
BlackRock Investment Management (UK) Limited	20,249	20,733
BlackRock International Limited	961	796

Expenses	SAR (000's)	
	31 Dec 2021	31 Dec 2022
Cost of Sales	6,290	10,747
BlackRock Investment Management (UK) Limited	3,800	5,511
BlackRock Asset Management Schweiz AG	400	0
Prestadora de Servicios Integrales BlackRock Mexico, S.A. de C.V.	0	3,924
BlackRock México Operadora, S.A. de C.V. Sociedad Operadora de Fondos de Inversión	0	1,312
BlackRock (Netherlands) B.V. - Milan Branch	55	0
BlackRock (Netherlands) B.V. - Frankfurt Branch	1,013	0
BlackRock (Netherlands) BV - Paris Branch	1,022	0
Administrative Expenses	1,994	3,425
BlackRock Financial Management, Inc.	379	620
BlackRock Investment Management (UK) Limited	1,565	2,770
BlackRock Asset Management Schweiz AG	29	16
BlackRock (Netherlands) BV - Paris Branch	7	19
BlackRock Investment Management (Dublin) Limited	13	0

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.

BSA affiliate transactions – Balance Sheet positions	SAR (000's)	
	31 Dec 2021	31 Dec 2022
Amounts due from other BlackRock entities	400	1,362
Amounts due to other BlackRock entities	2,896	5,700