

BlackRock

BlackRock Life Limited

TCFD Entity Report

For the year ending 31 December 2023

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1. Introduction and context

1.1 Purpose

BlackRock Life Limited ('BLL' or 'the Company') is a UK based life insurance company authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA.

This document fulfils the regulatory requirement under the FCA's Environmental, Social and Governance ('ESG') sourcebook for firms to prepare and publish a 'TCFD entity report' containing climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures ('TCFD') *Recommendations and Recommended Disclosures*.¹ This TCFD entity report sets out how the Company considers climate-related matters, encompassing disclosure of *Governance, Strategy* and *Risk Management* arrangements, as well as relevant climate-related *Metrics and Targets*.

This report contains entity-level disclosures; whilst some of the disclosures contained in this report may be relevant for product-level reporting, this should not be considered a product-level report.

1.2 BlackRock structure and business activities

BLL provides pooled investment funds to UK employer sponsored pension schemes, both directly and via reinsurance platforms. BLL's principal activity is to establish and provide a range of pooled pension funds and contract wrappers to enable BlackRock's client businesses to deliver investment products to clients. The majority of BLL's funds are designed to track specific indices and are invested in quoted and other securities that are considered to be highly liquid.

BLL is a subsidiary of BlackRock International Limited, which itself is a subsidiary of BlackRock Group Limited ('BGL'), a company domiciled in the UK and the holding company for BlackRock's regulated business in Europe, the Middle East and Africa ('EMEA'), known as the 'BGL Group'. The BGL Group's principal activity is the provision of investment management and advisory services through its regulated subsidiaries. BGL is ultimately owned by BlackRock, Inc. through multiple holding companies. The BGL Group Board of Directors ('the BGL Group Board') is responsible for setting the strategic aims of BlackRock's EMEA business; certain matters are therefore reserved to the BGL Group Board.

BLL has no employees and outsources all functions to other BGL Group undertakings, some of which are subsequently carried out externally. Nonetheless, the BLL Board and senior management recognise that they retain regulatory responsibility for the compliant performance of all outsourced activities. The BGL Group has established a range of specialist functions, supported by a dedicated infrastructure of internal controls, management information and risk reporting systems appropriate to its business needs. These functions include Group internal control functions, such as Risk, Compliance, and Internal Audit. The outsourcing of BLL's operational activities is governed by an outsourcing policy and control framework, comprising an Outsourced Services Agreement, an Outsourcing Oversight Protocol, and an Outsourcing and Control Policy.

1.3 Basis of preparation

This TCFD entity report has been prepared in accordance with the relevant provisions contained in the ESG sourcebook, the TCFD Recommendations and Recommended Disclosures and the applicable

¹ TCFD Recommendations and Recommended Disclosures is a reference to the TCFD report entitled 'Recommendations of the Task Force on Climate-related Financial Disclosures' (the 'TCFD Final Report') and, specifically, the four pillars and the eleven recommended disclosures detailed in Section C (Figure 4) of that report. This reference also encompasses the Annex to the TCFD report entitled 'Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures' and, specifically, section C (Guidance for All Sectors) and part 3, section D (Supplemental Guidance for Asset Owners).

sections of the 2021 TCFD Annex² as required under ESG sourcebook 2.1.6R. Where appropriate, this entity report cross-refers to the BlackRock, Inc Group ('BlackRock') [2023 TCFD report](#); cross-referral is made only in respect of matters disclosed in the BlackRock 2023 TCFD report that are directly relevant to BLL.

Chapter 2.1 of the ESG sourcebook requires firms to prepare and publish a TCFD entity report no later than 30 June each calendar year. The BLL TCFD entity report adopts a 12-month reporting period that ends on 31 December of the year prior to the date of publication.

In line with the requirements outlined in the ESG sourcebook chapters 1.1 and 1.2, the disclosures contained in this report relate to the Company's TCFD in-scope business. For BLL, TCFD in-scope business is limited to the provision of insurance-based investment products ('IBIPs'). The disclosures provided in this report relate only to BLL as a provider of IBIPs and do not encompass BLL's corporate operations or BLL's non-policyholder assets. The metrics presented in section 5 of this disclosure relate only to the emissions associated with assets held in BLL funds. Beyond the provision of IBIPs, BLL does not provide any investment management services, nor does it perform investment management by way of delegation from another entity.

In the event of divergence between the relevant entity-level governance, strategy or risk management arrangements disclosed in this report and the approach taken for a specific BLL product, an explanation of such divergence will be provided in the relevant on-demand TCFD product report. Clients should refer to their on-demand product reporting for further information.

BLL leverages relevant BlackRock policies, processes and methodologies, and draws upon the expertise of the wider BlackRock business, including business functions that are organised globally, where required and appropriate. As such, and unless otherwise stated, references throughout this report to BlackRock's policies, processes or methodologies encompass BLL and its activities.

It is anticipated that BLL's approach to TCFD entity reporting will continue to evolve, particularly as climate-related data and quantification methodologies develop further. The quantitative methodologies adopted for the current report, together with the known limitations of those methodologies, are referred to in section 5 of the report.

1.4 Compliance statement

ESG 2.2.7 requires a firm's TCFD entity report to include a statement confirming that the disclosures contained in the report comply with the requirements of the ESG sourcebook.

In respect of the BLL TCFD entity report, this compliance statement is underpinned by BlackRock's internal control and governance procedures. This provides assurance that the disclosures contained in this report, including any disclosures cross-referred to in the BlackRock 2023 TCFD report, comply with the ESG sourcebook TCFD entity reporting requirements. This compliance statement should be read in conjunction with section 1.3, which details the basis on which this report has been prepared and includes an expectation that the matters disclosed in this entity report will continue to evolve in line with market practice and the ongoing development of quantification methodologies.



David Beattie
BlackRock Life Limited Chief Financial Officer

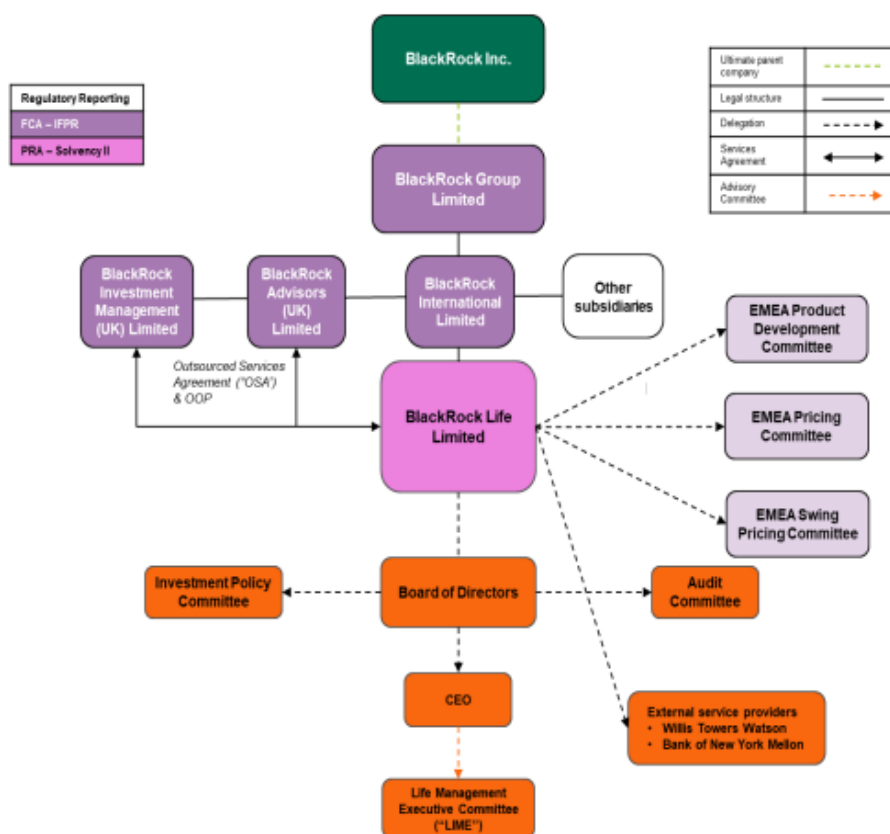
² The 2021 TCFD Annex updates and supersedes the 2017 version of "Implementing the Recommendations of the TCFD". It provides both general and sector-specific guidance on implementing the Task-Force's recommendations. ESG 2.1.6R(1) and (2) require BLL to ensure its TCFD entity report reflects, to the extent it is relevant, the guidance in section C and part 3 section D of the TCFD Annex. [2021-TCFD-Implementing_Guidance.pdf \(bbhub.io\)](#)

2. Governance

Effective corporate governance is critical to executing on BlackRock’s strategy and fulfilling its responsibilities to clients. BlackRock’s governance with respect to sustainability-related³ matters reflects its commitment to strong leadership and oversight of such matters at the senior management and board levels. At BlackRock, sustainability issues are regularly part of board-level discussions of firmwide and business line strategy, and responsibility for sustainability oversight is shared across the full board and its committees.

The BLL Board of Directors (‘the Board’) is the Company’s governing body whose principal responsibilities are set out in its terms of reference. The Board has established an Investment Policy Committee (‘IPC’) and Audit Committee and appointed a Chief Executive Officer (‘CEO’) who is responsible under the immediate authority of the Directors for the day-to-day operation of the company, excluding matters specifically reserved for decision by the Board. The Life Management Executive Committee (‘LIME’) assists the CEO in the operation of BLL. The governance structure of BLL, including its committees, is shown in Figure 2.1.

Figure 2.1 Governance structure of BLL



Although BlackRock’s strategy, including as it relates to sustainability, is developed and reviewed at a global level, it is designed to meet requirements applicable to all of BlackRock’s locations. The BLL Board implements this sustainability strategy via its oversight and scrutiny of the BLL fund range, and ensures that its products meet local regulatory requirements, including as they relate to sustainability.

³ References throughout this document to ‘sustainability’ encompass climate-related matters, unless otherwise stated.

2.1 BLL Board oversight

The BLL Board is responsible for BLL’s strategy, risk appetite and the overall management of the Company, including the effective delivery of unit-linked funds, and for meeting all regulatory and statutory obligations.

The BLL Board reviewed and discussed aspects of BLL’s sustainability-related strategy throughout the year. Illustratively, the topics considered by the Board included sustainability-related stress testing in the BLL Own Risk and Solvency Assessment (‘ORSA’) report, and sustainability-related regulatory developments relevant to BLL. Consideration was also given to the implications of regulatory developments from a compliance monitoring perspective.

In addition to oversight by the BLL Board, the BLL IPC also considered sustainability-related matters during 2023. This included, for example, quarterly monitoring of sustainability-related metrics for funds in the BLL LifePath fund range that include a sustainability-related investment objective.

BLL Board evaluation process

The BLL Board performs an annual evaluation exercise in which each BLL Board Director is asked to self-evaluate their skills and experience, and the effectiveness of the Board’s functioning. This evaluation is performed on a look-back basis, with the 2023 Board evaluation having concluded in early 2024. The 2023 evaluation exercise explicitly considered sustainability-related knowledge and experience, in addition to consideration of risk (including sustainability risk) more generally. The results of the Board evaluation were presented to the BLL Board in early 2024 and included recognition of an ongoing need for sustainability-related training and business updates. This will be reflected in the schedule of BLL Board meetings / updates for 2024.

2.2 BLL management oversight

The BLL Board has delegated day to day management of BLL’s business to the BLL CEO, who is appointed as a Senior Manager under the Senior Managers and Certification Regime (‘SMCR’). The BLL CEO has responsibility for, amongst other matters, identifying and managing financial risk to BLL arising from climate change.⁴ The BLL CEO is assisted in the discharge of his responsibilities by LIME, which acts as the executive management body for BLL’s business, including responsibility for the oversight of BLL’s outsourced functions. LIME includes representatives from a number of BLL’s key functions,⁵ many of whom are appointed as SMCR Senior Managers for BLL.

LIME reviewed and discussed aspects of BLL’s sustainability-related strategy throughout the year. Illustratively, the topics discussed at LIME included Global Product Group⁶ updates in relation to the repositioning of BLL funds to account for sustainability-related matters, and compliance reporting, including updates in relation to sustainability and climate-related regulatory developments. LIME also reviewed and considered fund risk reporting, encompassing the review of relevant risks and risk tolerances associated with BLL funds, including consideration of sustainability-related characteristics. LIME also considered new funds launching in the period, including funds with a sustainability-related investment objective.

2.3 Functional groups

In practice, sustainability, including climate, is integrated into different functions across BlackRock. Several teams focus on sustainability, while others integrate sustainability into their broader functional responsibilities, as appropriate. Figure 2.2 contains further information on the sustainability-related responsibilities of the relevant teams. While many of these functions are organised globally, including either a direct or indirect reporting line into BlackRock’s Global

⁴ The responsibility for identifying and managing financial risks from climate change is not an SMCR prescribed responsibility but is a responsibility mandated by the PRA (in Supervisory Statement ‘SS’ 3/19).

⁵ For this purpose, key functions are defined in line with the PRA Rulebook Glossary definition of a “key function”.

⁶ This reflects the organisational structure in place as at 31 December 2023.

Executive Committee ('GEC'), each function works with local EMEA teams to deliver on client requirements. To the extent that BLL has outsourced the performance of its activities to any of these functions, oversight is provided by LIME as detailed in section 2.2 above.

Figure 2.2 Functional groups involved in climate & sustainability-related matters.⁷

Team	Sustainability-Related Responsibilities	Management Reporting Line
Aladdin	<ul style="list-style-type: none"> Integrates third-party environmental, social and/or governance metrics on the Aladdin platform to support sustainability-related risk management, regulatory disclosures and reporting requirements. Develops proprietary climate risk analytics (Aladdin Climate) to support climate risk management and portfolio decarbonisation analysis. 	Global Head of Aladdin is a member of GEC
BlackRock Investment Institute ('BII')	<ul style="list-style-type: none"> Produces macro and portfolio research, including BlackRock's Capital Market Assumptions. The Sustainable Investment Research and Analytics team produces sustainable investment insights, including thought leadership and research on investment implications of the low-carbon transition. 	Head of BII reports to a Vice Chairman (GEC member)
BlackRock Investment Stewardship ('BIS')	<ul style="list-style-type: none"> Serves as a link between clients and the companies they invest in, engaging with investee corporate leadership and proxy voting at shareholder meetings when authorised by clients to do so. Where appropriate, BIS engages with companies on material climate-related issues. 	Global Head of BIS is a GEC member
Corporate Sustainability	<ul style="list-style-type: none"> Leads efforts to drive operational sustainability, establish sustainable business programs and policies, and engage key stakeholders on BlackRock's contribution towards the low-carbon transition and establishing BlackRock's operational sustainability goals. 	Reporting line into Global Head of Corporate Affairs (GEC member)
Enterprise Services	<ul style="list-style-type: none"> Corporate Real Estate, Space Planning, Critical Infrastructure and Workplace Experience teams manage BlackRock's owned and leased corporate footprint, including the management of energy efficiency and carbon reduction initiatives where BlackRock has operational control. Work alongside key stakeholders such as office leadership, property managers (leased premises) and the employee-run Green Team Network to plan and implement sustainability efforts in offices. Business Continuity Management manages disaster recovery planning, strategy, and crisis management activities. Health & Safety team monitors adherence to local environmental regulations and manages BlackRock's Environmental Management System. 	Global Head of ES reporting line to Global Head of Technology & Operations (GEC member)
Global Corporate Sustainability Controllers	<ul style="list-style-type: none"> Develops corporate climate- and sustainability-related disclosures globally, for both voluntary and mandatory reporting obligations. 	Global Controller reports into Chief Financial Officer (GEC member)
Government Affairs & Public Policy ('GAPP')	<ul style="list-style-type: none"> Engages in financial services public policy dialogue, including in relation to climate risk and sustainability disclosures, through participation in industry initiatives, engagement with regulators and standard setters around the world, and through whitepapers, comment letters and consultation responses regularly published on BlackRock's website. 	Heads of Government Affairs & Public Policy reports to Global Head of Corporate Affairs (GEC member)
Global Product Group	<ul style="list-style-type: none"> Leads sustainable product innovation and development, governance, and strategy across the global product platform. 	Chief Product Officer reports to President (GEC member)
Investment Divisions	<ul style="list-style-type: none"> BlackRock investment divisions include ETFs and Index Investments, Portfolio Management Group, Global Trading & Transition Management, and Equity Private Markets. 	Heads of major investment verticals are members of GEC and

⁷ As of 31 December 2023.

	<ul style="list-style-type: none"> Active portfolio teams manage exposure to financially material environmental, social and/or governance risks, and consider environmental, social and/or governance information in their investment processes, as applicable and consistent with client goals. Investment teams often have sustainability-focused units. 	GEC Investment Sub-Committee
Legal & Compliance ('L&C')	<ul style="list-style-type: none"> Assists in development of sustainability-related disclosures and compliance with applicable sustainability-related regulatory and reporting requirements across BlackRock. 	General Counsel/Chief Legal Officer is a member of the GEC
Risk & Quantitative Analysis Group ('RQA')	<ul style="list-style-type: none"> Responsible for BlackRock's Investment and Enterprise risk management framework which includes oversight of sustainability-related investment risks. RQA evaluates investment risks, including financially material sustainability risks, on an ongoing basis as part of regular investment risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring. Maintains a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform. Consults with investors and sustainability experts across BlackRock to evaluate environmental, social and/or governance related data, models, methodologies and/or analytics. 	Chief Risk Officer is a member of GEC and GEC Investment Sub-Committee
Sustainable & Transition Solutions ('STS')	<ul style="list-style-type: none"> Leads BlackRock's sustainability and transition strategy, drives cross-functional change, supports client and external engagement, powers product ideation, and embeds sustainable expertise across BlackRock in partnership with other teams. 	Global Head of STS reports to a Vice Chairman (GEC member)

2.4 Remuneration

BlackRock has a clear and well-defined pay-for-performance philosophy and compensation programmes which are designed to meet a number of objectives. These objectives include the promotion of sound and effective risk management across all risk categories, including sustainability risk, and discouraging excessive risk-taking (sustainability related or otherwise).

All employees of BGL Group entities are subject to the BGL Group remuneration policy, the responsibility for which rests with the BGL Group Board. BLL has adopted the BGL Group Remuneration Policy. A Non-Executive Director ('NED') on the BLL Board has been assigned the SMCR Prescribed Responsibility for overseeing the development and implementation of BLL's remuneration policies and practices. As BLL has no employees and outsources the performance of its activities to other BGL Group entities, this Prescribed Responsibility is discharged in respect of employees of other BGL Group entities who perform activities on behalf of BLL. This includes employees who have been identified as Material Risk Takers in respect of BLL.

The Management Development and Compensation Committee, which is the global, independent remuneration committee for BlackRock and comprises the NEDs of BlackRock, also acts as the independent remuneration committee for the BGL Group. It therefore supports the BGL Group Board in meeting its remuneration related obligations by overseeing the design and implementation of the remuneration policy in accordance with applicable regulations.

3. Strategy

BlackRock was founded on the premise of understanding and managing investment risk, anticipating client needs, and working with clients to achieve their investment goals. This is core to BlackRock's strategy.

Climate risk and the economic opportunities arising from the low-carbon transition are among the top priorities for many of BlackRock's clients. Clients are increasingly asking BlackRock how to mitigate risk and capture opportunities associated with climate and the transition to a low-carbon economy. As a fiduciary, BlackRock considers relevant and material risks and opportunities that could impact portfolios, when consistent with investment guidelines. For clients interested in sustainability and the transition to a low-carbon economy, BlackRock offers a wide range of investment products, analytics and research to help them achieve their chosen investment objectives.

BlackRock recognises that different clients have different investment preferences and objectives. BlackRock provides 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.

BlackRock's investment decisions and its stewardship engagement and voting are governed strictly by its fiduciary duty to clients. As such, BlackRock does not make any commitments or pledges that would interfere with its independent determination on how to engage with issuers and vote proxies on behalf of its clients.

3.1 Investment approach

As a fiduciary, BlackRock's investment approach is informed by three principles:

- understanding the client's investment objectives and providing choice to meet their needs;
- seeking the best risk-adjusted returns within the scope of the mandate given by clients; and
- underpinning its work with research, data, and analytics.

BlackRock incorporates financially material sustainability data or information, including material data and information related to climate, alongside other information into firmwide processes, where relevant, with the objective of enhancing risk-adjusted returns. BlackRock has a framework for environmental, social and governance integration that permits a diversity of approaches across different investment teams, strategies, and particular client mandates. As with other investment risks and opportunities, the financial materiality of environmental, social and/or governance considerations may vary by issuer, sector, product, mandate, and time horizon. As such, BlackRock's environmental, social and governance integration framework needs to allow for flexibility across investment teams. Please refer to BlackRock's [ESG Integration Statement](#) for additional information.

Research is at the centre of BlackRock's investment approach and processes. It informs BlackRock's investment decisions and product innovation. BlackRock researches major structural trends shaping the economy, markets, and asset prices. BlackRock assesses how these trends could affect long-term value and how they could unfold over time. The transition to a low-carbon economy is one trend that BlackRock researches, because BlackRock sees it having implications on macroeconomic trends, company financial prospects and business models, and portfolios.

BlackRock's role in the transition is as a fiduciary to its clients. BlackRock's role is to help clients navigate investment risks and opportunities, not to engineer a specific decarbonisation outcome in the real economy. The money BlackRock manages is not its own — it belongs to BlackRock's clients, many of whom make their own asset allocation and portfolio construction decisions.

Sustainable investment solutions

To enable choice and meet client demand, BlackRock offers a wide range of sustainable investment strategies to clients. As of 31 December 2023, BlackRock had over 400 sustainable funds globally covering a spectrum of sustainable solutions, as well as customised solutions to meet clients' objectives, and managed \$802 billion globally in its sustainable investing platform on behalf of its clients. The sustainable investing platform includes funds offered by BLL.

BlackRock's sustainable investment 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. A subset of those products also seeks to achieve long-term sustainability outcomes, in line with each product's specific investment objective. These solutions include a variety of products and strategies that support the transition to a low-carbon economy. An overview of BlackRock's sustainable product framework is provided in Figure 3.1.

Where there is client demand, BLL has either launched new funds or transitioned existing funds to incorporate sustainability-related investment commitments and objectives, including climate-related commitments. In some instances, assets have transitioned out of BLL funds into other BlackRock fund ranges that incorporate sustainability-related investment commitments.

Figure 3.1 BlackRock's sustainable investing platform

	Screened	Uplift	Thematic	Impact
Investment approach	Constrain investments by avoiding issuers or business activities with certain environmental, social and / or governance characteristics.	Commitment to investments with improved environmental, social and / or governance characteristics versus a stated universe or benchmark.	Targeted investments in issuers whose business models may not only benefit from but also may drive long-term sustainability outcomes .	Commitment to generate positive, measurable, and additional sustainability outcomes .
Additional details	Includes use of screens and may be enhanced with active engagement with specific issuers.	Environmental, social and / or governance data drives portfolio construction and security selection with some strategies leveraging to target a specific objective.	Strategy construction determined by focused exposure to the specific environmental or social theme.	Investment process must showcase "additionality" or "intentionality" in line with Operating Principles for Impact Management.

Further information on BlackRock's sustainable investment strategies is available in the **Strategy** section of the [BlackRock 2023 TCFD Report](#).

3.2 Investment stewardship

Investment stewardship is one of the ways in which BlackRock fulfils its fiduciary responsibilities as an asset manager to its clients. The BlackRock Investment Stewardship team serves as a link between BlackRock's clients and the companies BlackRock invests in on their behalf. The team aims to build constructive relationships with companies and encourage the corporate governance practices that can contribute to long-term financial value creation. BIS does this by engaging with investee companies and proxy voting on behalf of BlackRock's clients who have given BlackRock such

authority. BIS' approach to stewardship is outlined in its [Global Principles](#), regional [voting guidelines](#) and [engagement priorities](#).

Consistent with prior years, in 2023, BIS engaged with companies on five priorities that, in the team's experience, support long-term financial performance: Board quality and effectiveness; strategy, purpose, and financial resilience; incentives aligned with financial value creation; climate and natural capital; and company impacts on people. In their engagements during the 2022-2023 proxy year, the BIS team encouraged companies to provide disclosures aligned with the reporting framework developed by the TCFD to support investors' ability to assess these risks.

BlackRock voting choice

While many asset owners are pleased to have BlackRock's stewardship team cast proxy votes on their behalf, others want the choice to participate more actively in the proxy voting process. Launched in January 2022, BlackRock Voting Choice gives many clients the option to participate more directly in the proxy voting process where legally and operationally viable. Voting Choice is available for clients invested in certain institutional pooled funds in the United States, the United Kingdom, Ireland, and Canada that utilise equity index investment strategies, as well as clients in certain institutional pooled funds in the United States, the United Kingdom and Canada that use systematic active equity strategies. In 2022, the BLL Board approved a proposal to provide policyholders with a choice to exercise proxy voting in relation to the underlying securities of certain BLL funds.

3.3 Risks, opportunities, and scenario analysis

BlackRock recognises the importance of effective identification, monitoring, and management of climate-related risks and opportunities across its global business and corporate operations.

BLL's exposure to climate-related risk is primarily indirect, with such risks having the potential to affect future revenues and expenses, as opposed to assets and liabilities.⁸ Given the unit-linked nature of BLL's business, the risks relating to assets held in BLL funds are borne by policyholders. BLL typically earns investment management fees as a percentage of Assets Under Management ('AUM'). BLL also earns performance fees on certain portfolios relative to an agreed-upon benchmark or return hurdle.

Climate-related opportunities

BlackRock considers increased client demand for investment solutions that align with clients' sustainability-related objectives to be a key opportunity. BlackRock believes that its \$802 billion⁹ dedicated sustainable investing platform is well-positioned to meet the increased demand of clients who are seeking to invest in products that include sustainability / transition-related characteristics. In recognition of this, BLL has in recent years repositioned a number of funds in the BLL LifePath fund range to incorporate sustainability-related investment criteria and objectives.

Figure 3.2 contains a summary of the principal climate-related risks that BlackRock has identified, and which have also been deemed relevant to BLL's business strategy, together with an indication of the primary anticipated financial impact arising from each of these risks for BLL.

⁸ As a corporate entity, BLL may also be exposed to climate-related risks. However, as outlined in section 1.3, the scope of this report is limited to the assets associated with BLL's TCFD in-scope activities (in line with the requirement contained in ESG 1.1.3 of the ESG sourcebook).

⁹ This reflects the value of assets under management globally in the sustainable investment platform as at 31 December 2023.

Figure 3.2 Summary of climate-related risks¹⁰

Risk	Description	Primary Anticipated Financial Impact
Market	Market-related risks are among the key risks to which BlackRock's profitability may be exposed. Fluctuations in asset value due to climate-related risks could lead to a reduction in investment management revenues as a result of decline in the value of BlackRock's AUM, withdrawal of funds from BlackRock's products or the rebalancing or reallocating of assets into BlackRock products that yield different fee levels.	Reduced revenues
Product	BlackRock may be unable to develop new products and services to suit clients' climate-related needs and the development of new products and services may expose BlackRock to reputational harm, additional costs or operational risk. Unsuccessful efforts to develop products or services to suit clients' climate-related needs could expose BlackRock to additional costs and/or cause revenue and earnings to decline. Changes in client preferences and/or changes to regulation to which its clients are subject could reduce demand for certain investment products offered by BlackRock.	Increased expenses and/or reduced revenues
Reputation	BlackRock is subject to competing demands from different stakeholder groups with divergent views on climate-related matters, including in countries in which BlackRock operates and invests, as well as in states and localities where BlackRock serves public sector clients. This divergence has and continues to increase the risk that any perceived or actual action or lack thereof by BlackRock on such matters on behalf of its clients will be viewed differently by various stakeholders and adversely impact BlackRock's reputation and business, including through withdrawals, redemptions, terminations or decisions not to commit or invest new capital by clients, as well as legal and governmental action and scrutiny.	Reduced revenues
Regulatory	New, extensive and/or divergent environmental and sustainability-related disclosure requirements, regulations, guidance or taxes that apply to BlackRock's products or other aspects of BlackRock's operations could increase compliance costs or require BlackRock to alter business or operating activities. New laws, regulations or guidance could impact client investment strategies or allocations in a manner that is adverse to BlackRock.	Increased expenses and/or reduced revenues

The impact of climate-related risks, together with other relevant risks, on BLL's financial performance is considered in the BLL ORSA and, specifically, through the ORSA stress testing process.

Climate scenario analysis & stress testing

Climate scenario analysis allows an organisation to develop insight into how the physical and transition risks and opportunities arising from climate change might impact its business and corporate operations over time. While climate scenario analysis is not meant to predict the future, it allows organisations to explore possible outcomes, the assumptions they depend upon, and the courses of action and/or events that could bring them about.

BlackRock has conducted a firmwide climate scenario analysis exercise to understand the potential implications of climate-related transition and physical risk under a variety of emission scenarios to BlackRock's business strategy over the short-, medium-, and long-term. BlackRock's firmwide climate scenario analysis included consideration of the impact of climate-related transition and physical risks on BlackRock's assets under management, including the assets managed by BLL. BlackRock has leveraged scenarios from the Network for Greening the Financial System ('NGFS') and from the Intergovernmental Panel on Climate Change ('IPCC'). NGFS scenarios readily provide analytics to assess both physical and transition risks, while the IPCC scenarios are largely focused on assessing physical risks.

The results of the climate scenario analysis indicate that BlackRock's diversified platform and commitment to providing choice to its clients creates flexibility in its business model that is likely to support BlackRock's resilience as it adapts to the impacts of both transition and physical climate risks. While BlackRock's AUM and associated revenues and profit margin may be impacted by climate

¹⁰ The inclusion of climate-related risks in Figure 3.2 should not be construed as a characterisation regarding materiality or financial impact of these risks.

change, each scenario reviewed presented different plausible challenges, risks and opportunities that may occur through 2050.

Further information on BlackRock's approach to scenario selection, impact assessment and scenario conclusions, together with the limitations inherent in the scenario analysis exercise, is available in [BlackRock's 2023 TCFD Report](#). While scenario analysis is not currently prepared at the subsidiary entity-level, it is anticipated that BlackRock's approach to climate scenario analysis will continue to evolve.

For BLL, the ORSA process includes sustainability related stress testing, which considers the impact of sustainability risk, including in respect of climate-related risks, on BLL's financial performance and capital position. The BLL ORSA is intended to assess the level of capital and liquidity that adequately supports all relevant current and future risks to which BLL may be exposed, given its business activities and operating model.

The 2024 BLL stress tests include one climate change and sustainability-related stress test. Specifically, the stress test considers the risk that BLL is not able to propose the right approach on sustainable investing (i.e., clients believe that BlackRock's approach to sustainable investing is damaging to their objectives). The impact of the stress test is considered over a five-year planning horizon. For this stress test, while a reduction in profitability is forecast over the five-year planning horizon (due to outflows from BLL funds), BLL remains profitable and maintains sufficient capital and liquidity to satisfy its regulatory and internal capital requirements.

3.4 Industry engagement and public policy

BlackRock advocates for public policies that it believes are in the long-term best interests of BlackRock's clients and shareholders. In doing so, 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 GAPP team 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. BLL Board members are updated during the year on the work of BlackRock's GAPP team.

Industry initiatives

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

Public policy

BlackRock supports corporate sustainability disclosure aligned with the TCFD framework to support investment decision making. Since sustainability-related material investment risk is a global issue and many investors allocate funds globally, BlackRock supports a coordinated approach by regulators and standard-setting bodies across jurisdictions, to facilitate high quality, comparable disclosures. BlackRock acknowledges the significant contributions already made in this area by initiatives, such as the TCFD, the Sustainability Accounting Standards Board, the International Sustainability Standards Board, the Science Based Targets initiative, Global Reporting Initiative, amongst others which bring together public entities and private sector firms and believes that coordinated regulatory action is required across markets to ensure a level playing field for companies and investors. In BlackRock's view, investors can make better-informed investment decisions when companies provide a clear picture of how they are managing material risks and opportunities, including where appropriate, any material sustainability-related, including climate, risks and opportunities.

4. Risk Management

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. This section discusses BlackRock's approach to risk management, including the risk identification, assessment and monitoring processes adopted by BlackRock.

BLL operates within the BGL Group's risk management system. This internal control system is based on the three lines of defence, comprising primary risk owners (first line), independent risk management and control functions (second line) and an independent internal audit and assurance group (third line). This is consistent with BlackRock's global risk management structure and the BLL Board considers it appropriate to the management of the risks faced by BLL.

4.1 Risk management approach

BlackRock employs a three-lines of defence approach to managing investment 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 financially material environmental (as well as social and governance) risks and opportunities for an industry or company consistent with the portfolio's investment guidelines, just as they consider other potentially material economic issues related to their investments. Examples of climate-related 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.

BlackRock's risk management function, RQA, serves as the second line of defence in BlackRock's risk management framework along with BlackRock L&C. RQA evaluates investment risks, including financially material environmental, social and governance-related risks, on an ongoing basis as part of regular risk management processes and, where applicable, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives. RQA also has a dedicated Sustainability Risk group that partners with risk managers and businesses to oversee sustainability risk across the platform.

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

4.2 Climate risk – identification

BlackRock considers many investment risks in its firmwide processes. In order to seek the best risk-adjusted returns for its clients, BlackRock manages material risks and opportunities that could impact portfolios, including financially material environmental, social and/or governance-related data or information.

Climate-related risk includes:

- **Climate transition risk:** Risk related to the transition to a lower carbon economy. Whether policy, technology, market or reputation risk arises from the adjustments to a low-carbon economy in order to mitigate climate change.
- **Climate physical risk:** Risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change which can be acute or chronic. For example, frequent and severe climate-related events can impact products and services, and supply chains.

Climate risks may be identified through exposure to key performance indicators linked directly to particular activities or identified indirectly through their effect on different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches, etc.). Sustainability risk factors may have a material impact on an investment held in a product, may increase volatility and may result in a loss to the value of units in a product.

Certain issuers may be particularly exposed to heightened climate risks through their sector or business practices. BlackRock has a framework to identify and monitor issuers particularly exposed to climate risks.

4.3 Climate risk – assessment

Climate risks are identified at various steps of the investment process, where relevant, from research, allocation, selection, portfolio construction decisions, or management engagement, and are considered relative to funds' risk and return objectives. Assessment of these risks is done relative to their materiality (i.e., likelihood of impacting returns of the investment) and in tandem with other risk assessments (e.g., liquidity, valuation, etc.). How climate considerations are sourced, assessed, and incorporated will vary with portfolio objective, investment style, and asset class. BlackRock's investment professionals assess a variety of economic and financial indicators, including relevant material climate factors, to make investment decisions that align with the product objectives.

4.4 Climate risk – monitoring and response

As set out in section 4.1, BlackRock's investment teams and business management are the primary risk owners, or the first line of defence. BlackRock's risk management function, RQA, is responsible for BlackRock's Investment and Enterprise risk management frameworks and serves as a key part of the second line of defence along with BlackRock L&C. RQA evaluates investment risks, including financially material climate risks, during regular reviews with portfolio managers. This helps to ensure that such risks are understood, deliberate, and consistent with client objectives, complementing the first-line monitoring.

5. Metrics and Targets

As an asset manager, BlackRock acts as an agent investing assets that belong to its clients on its clients' behalf. In this section, BLL reports estimates reflecting the absolute emissions associated with the corporate securities¹¹ held in BLL funds (where data is available). BLL also reports emissions intensity for sovereign debt assets (where data is available), carbon footprint and weighted average carbon intensity.¹²

BLL does not set climate-related targets for the assets held in its funds. BLL is a fiduciary and as such, recognises that different clients have different investment preferences and objectives. The metrics disclosed in this section are predominantly influenced by two factors: (i) client preferences (which products clients choose to invest in) and (ii) market conditions (affecting the assets held in, and weightings of assets within, those products). Changes over time in the metrics disclosed result from the preferences and choices made by BLL's clients, including how clients have allocated capital to BlackRock as their fiduciary. For additional detail relating to product specific sustainability objectives, please refer to the relevant fund prospectuses, product briefs and fact sheets available on applicable public fund websites.

Metrics

Figure 5.1 shows a summary of the climate-related metrics reported by BLL for this entity report. Each of these metrics comes with its own uses and limitations, as shown in Figure 5.1.

Figure 5.1: Overview of reported climate-related metrics

	Exposure to Emissions		
	Absolute Emissions	Carbon Footprint	Weighted Average Carbon Intensity
Unit	tCO ₂ e	tCO ₂ e/\$m AUM	tCO ₂ e/\$m Revenue
What it measures	Proportionate exposure to investee Greenhouse Gas ('GHG') emissions	Emissions intensity per unit of investment	Emissions normalised by revenue (in USD)
Pros	<ul style="list-style-type: none"> Standard data inputs Direct connection to transition to lower carbon economy Industry standard (Partnership for Carbon Accounting Financials ('PCAF')) 	<ul style="list-style-type: none"> Standard data inputs Normalises for size, allowing for comparability 	
Cons	<ul style="list-style-type: none"> Doesn't account for size Market movement can create noise Incomplete data / asset class coverage 	<ul style="list-style-type: none"> Market movements can create noise Incomplete data / asset class coverage 	

¹¹ Corporate securities relate to listed equities, corporate bonds, and associated derivatives. In-scope derivatives are derivatives with corporate issuer underliers and include equity warrants and options, convertible debt and equity, total return swaps, and credit default swaps. The following derivative types are out of scope: equity index options, currency options, options on commodities and volatility index, CDX, swaps (other than CDS and total return), and synthetics.

¹² Please refer to section 1.3 of this report for confirmation of the approach that has been adopted for determining the AUM in scope of BLL's emissions metrics. The emissions disclosed in section 5 relate exclusively to BLL's TCFD in-scope business and do not include BLL's non-policyholder assets.

Methodology

BLL referenced the PCAF developed Global GHG Accounting & Reporting Standard for the Financial Industry, as a starting point for estimating absolute emissions. Please refer to the **Metrics and Targets** section of the [BlackRock 2023 TCFD Report](#) for further detail relating to PCAF standards and BlackRock's adaptation of them for the asset classes included in Figure 5.2. Further clarity is provided below in respect of the treatment of derivatives, real estate and non-corporate fixed income assets as it relates to BLL's TCFD in-scope business.

- BLL had no physical real estate holdings during the reporting period.
- Derivatives that are not linked to a corporate issuer have been excluded due to the fact they do not have associated emissions and are therefore not relevant for TCFD reporting.
- Derivatives linked to a corporate issuer have been included in the metrics reported. This approach has a minimal impact on absolute emissions and carbon footprint estimates for BLL given that the majority of BLL's AUM is held in long-only index portfolios where short positions and derivatives are not a significant component of the investment strategy.
- Additional asset classes that are excluded from this instance of reporting include non-corporate fixed income¹³ and commodities. These assets do not have associated issuing entities that report emissions. There are gaps in respect of the data available for these asset classes that are widely recognised by the market as an area for improvement in data coverage and methodological standardisation.

Figure 5.2: GHG emissions from AUM – methodological highlights

Emissions Included	Scope 1, Scope 2 & Scope 3 ¹⁴
Asset Classes Included	<ul style="list-style-type: none"> • Listed equities, corporate bonds, and associated derivatives
Asset Classes Excluded	<ul style="list-style-type: none"> • Non-corporate fixed income, commodities, alternatives (including real estate), and derivatives not linked to corporate issuers
Data Sources	MSCI

Methodological update

For intensity metrics disclosed for the reference period ending 31 December 2023, BLL has implemented a methodological update. This is relevant to the carbon footprint, weighted average carbon intensity, GHG intensity and GHG per capita metrics disclosed below. In the prior year BLL TCFD entity report, these intensity metrics were calculated using the value of all assets managed by BLL¹⁵ in the calculation denominator, including the value of assets for which BLL had not been able to collect emissions data (as illustrated by the coverage percentage disclosed in respect of absolute emission metrics). As a result, the scope of assets reflected in the numerator of the intensity metrics calculation did not align with the scope of assets reflected in the corresponding denominator.

In the absence of explicit regulatory guidance on the calculation methodology to be adopted for intensity metrics, BLL has elected to amend its calculation methodology with effect for the reporting reference period ending 31 December 2023. Specifically, the denominator of the intensity metrics calculation now reflects the value of assets for which BLL has been able to collect emissions data for

¹³ Although GHG emissions are not reported in respect of non-corporate fixed income assets, emissions intensity metrics are reported in respect of sovereign debt assets. This is considered further below.

¹⁴ Scope 3 metrics are being disclosed with effect from the 2023 reporting reference period.

¹⁵ For this purpose, the scope of assets managed by BLL is defined in section 1.3 of this entity report.

inclusion in the numerator of the intensity metrics calculation. This approach aligns the scope of assets reflected in the numerator of the intensity metrics calculation with the scope of assets reflected in the corresponding denominator.

As a result of this methodological update, it is not appropriate to compare the intensity metrics disclosed for the reporting reference period ending 31 December 2022 with those disclosed for the reporting reference period ending 31 December 2023. As such, for the intensity metrics contained in Figures 5.3 and 5.4, BLL is disclosing:

- The intensity metrics previously disclosed for the reporting reference period ending 31 December 2022, which adopts a calculation methodology that reflects in its denominator the value of all assets managed by BLL (the 'prior year methodology').
- The intensity metrics calculated for the reporting reference period ending 31 December 2023, calculated using the prior year methodology.
- The intensity metrics calculated for the reporting reference period ending 31 December 2023, which adopts a calculation methodology that reflects in its denominator the value of assets for which BLL has been able to collect emissions data (the 'updated methodology').

Additionally, BLL has disclosed Scope 3 emissions for the reporting reference period ending 31 December 2023.

In future reports, BLL will disclose intensity metrics using solely the updated methodology and including Scope 3 emissions, with the reference period ending 31 December 2023 as the first basis for comparison.

Results & discussion

Figure 5.3 provides estimates of absolute emissions for BLL's AUM in corporate securities (where data was available). Estimated absolute emissions, inclusive of scopes 1 to 3, were 11.13 million tons CO₂e in 2023. The 2023 carbon footprint for scopes 1 and 2, calculated using the updated methodology outlined above, was 53.53 tons of CO₂e per million dollars of AUM, while the scope 3 carbon footprint calculated on the same basis was 370.69 tons of CO₂e per million dollars of AUM.

Absolute emissions and emissions intensity metrics are sensitive to fluctuations in asset values — particularly, though not exclusively, due to changes in enterprise value including cash from one period to the next. Such market volatility can introduce noise that reduces comparability from one year to the next. Other factors that drive changes in absolute emissions are: (i) changes to emissions of the underlying investee companies, and (ii) changes to asset allocation. Sensitivity to market volatility can obscure which of these factors is driving the changes in the metric year-over-year. For this reason and due to the methodological update described above, the absolute emissions and emissions intensity figures provided for 2022 and 2023 are not directly comparable. Users should be cautious when drawing conclusions based on changes from one year to the next.

Figure 5.3: GHG emissions associated with BLL's AUM¹⁶

	2023 ¹⁷ Updated methodology	2023 Prior year methodology	2022 ¹⁷
Absolute Emissions (million tCO ₂ e) Scope 1 & 2	1.36	1.36	2.14
Absolute Emissions (million tCO ₂ e) Scope 3	9.77	9.77	N/a
Carbon Footprint (tCO ₂ e/\$m AUM) Scope 1 & 2	53.53	27.7	36.25
Carbon Footprint (tCO ₂ e/\$m AUM) Scope 3	370.69	191.85	N/a
Weighted Average Carbon Intensity (tCO ₂ e/\$m Revenue) Scope 1 & 2	101.53	59.23	91.02
Weighted Average Carbon Intensity (tCO ₂ e/\$m Revenue) Scope 3	720.82	420.06	N/a
Data Quality (Emissions Coverage)	58.01%	58.01%	65.66%

Data above represents unaudited, estimates based on the portion of BLL's AUM for which emissions data and methodologies are available. There are several limitations associated with these figures. Please review results in conjunction with the limitations section referenced below.

Sovereigns

BLL is reporting emissions intensity metrics for sovereign debt assets (where data is available). While there is not yet consensus on which intensity metrics to use when determining emissions intensity for sovereign assets, BLL believes it is important to provide a preliminary view to support BlackRock's commitment to transparency. In relation to sovereign debt assets, BLL continues to report GHG intensity and GHG per capita. GHG intensity of an economy is measured in units of tons per USD million nominal GDP. GHG per capita is measured in tons of CO₂e per capita. Please refer to the Sovereigns methodology detailed in the **Metrics and Targets** section of the [BlackRock 2023 TCFD Report](#) for further detail on BlackRock's approach.

Sovereign emissions intensity is a metric which represents the nation's carbon efficiency, or how dependent its economic activity is on carbon emissions. A higher emissions intensity indicates a relatively higher exposure to transition risks associated with emissions regulations, as well as greater contribution of global GHG levels and the associated impact on warming.

Figure 5.4: GHG emissions intensity metrics for Sovereigns included in BLL's AUM¹⁸

	2023 ¹⁹ Updated methodology	2023 ¹⁹ Prior year methodology	2022 ¹⁹
GHG intensity (tons/USD million nominal GDP)	142.07	58.09	38.68
GHG per capita (tons)	6.75	2.46	1.56

Data above represents unaudited estimates.

¹⁶ All metrics in this table include corporate securities (listed equity, corporate bonds, associated derivatives) where data was available and excludes all other AUM. Where companies do not disclose their emissions, MSCI applies proprietary methods to estimate emissions. Of the 58.01% emissions coverage, 50.32% represents reported emissions data and 7.69% represents estimated emissions data.

¹⁷ Holdings value analysis dates are as of 29 December 2023 and 30 December 2022 respectively. Due to the known limitation of lagged emissions data reporting, emissions data included in the analysis for a given holding year may reflect GHG emissions from prior year(s) for at least a subset of holdings included in the analysis. See limitations section for more details.

¹⁸ GHG emissions intensity and GHG per capita include sovereign debt assets and excludes all other AUM.

Limitations

Limitations relating to data quality, lagged data, backward-looking metrics and sensitivity to market value are all elaborated upon in the **Metrics and Targets** section of the [BlackRock 2023 TCFD report](#), which should be referred to for a comprehensive assessment of identified data-related limitations.

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