**Office of the United Nations High Commissioner for Human Rights**
**Ref.: AL OTH 75/2022**

We recognize the issues you raise about sustainable debt burdens of Zambia and the need for sovereigns to address health and food sustainability needs of their populations. Since mailing your letter to BlackRock, there have been significant encouraging developments related to a potential restructuring of the sovereign debt of Zambia. We are greatly encouraged by the recent positive steps Zambia has taken to engage with the public sector (including its largest debt holder, China[1]) and the International Monetary Fund ("IMF") with an eye towards a sovereign debt restructuring under the G-20's Common Framework for Debt Treatments (the "G20 Common Framework")[2].

Nonetheless, we want to correct the record regarding a number of misstatements in your letter related to BlackRock, our investments in Zambia sovereign debt and our approach to sovereign debt restructurings. The approach advocated for in your letter would violate our fiduciary duty to our clients while having a de minimis impact on Zambia's overall debt burden and its ability to solve the critical issues you are focused on.

**About BlackRock**

BlackRock is a provider of investment, advisory, and risk management solutions to its clients. We connect the capital of diverse individuals and institutions in more than 70 countries to investments in companies, projects, and governments around the world. As an asset manager, we are a fiduciary to our clients, meaning the money we invest on their behalf is not our own and we are obligated to act in their long-term economic interests.

Through investment activity over the course of the last few decades (primarily through holdings in our index funds), BlackRock has evidenced a strong history of being a responsible participant in private debt markets and a constructive participant in sovereign restructurings, operating in good faith. As long-standing and long-term participants in sovereign debt markets, we have a deep understanding of the need for private debt markets to remain open to sovereigns, particularly in times of distress. We also are cognizant that, in the context of sovereign debt distress, it is the obligation of all market participants (both public and private sector) to responsibly play their part in ensuring there is a path towards sustainability for sovereign debt issuers. This may necessitate public and private sector creditors making reasonable compromises towards sustainability for the applicable sovereign that, with respect to investment managers like BlackRock, also align with fiduciary responsibilities to their respective clients.

[1] https://www.ft.com/content/45521cfc-0eb3-4f11-be31-4ac08ac98a8c
[2] https://clubdeparis.org/sites/default/files/annex_common_framework_for_debt_treatments_beyond_the_dssi.pdf

This is exemplified by BlackRock's continued investment in sovereign debt of Ukraine, Ecuador and other sovereigns following the completion of other successful sovereign debt restructurings. A current example is BlackRock's public support for the recent successful consent solicitation by Ukraine[3]. In this instance, we constructively engaged with the advisors to the Ministry of Finance of Ukraine in their development of a debt solution for the sovereign that would balance Ukraine's need for debt adjustments and sustainable debt burdens with the private sector's need for public creditor participation, not less than equal treatment alongside the public sector in any proposed solutions and a transparent process that gave due regard to the concerns of investment managers who are entrusted to manage the retirement funds of millions of ordinary people and reserves of many sovereigns.

**BlackRock's investment in Zambian Sovereign Debt**

Funds and accounts managed by BlackRock have been long-term holders of Zambian debt since Zambia first came to the capital markets in 2012. Based on publicly available data, Zambia currently has approximately US$17.3 billion[4] in total sovereign debt across all creditors. Of that total, some US$3 billion of the sovereign debt is in foreign bonds, of which BlackRock's holdings are roughly US$217 million notional of foreign bonds as of August 2022. As such, BlackRock's clients own approximately 7% of Zambia's foreign bonds, a very small minority of such foreign bond issuance, and a fraction of total Zambian debt, most of which is held by the public sector[5].

As with most sovereign debt invested in by funds and accounts managed by BlackRock, the overwhelming majority of BlackRock's exposure to Zambia's foreign bonds is in index investment products, i.e., portfolios constructed to match or track the components of a financial market index (for example the J.P. Morgan Emerging Markets Bond Index Global Diversified Index). Our responsibility as an investment manager when managing an index fund is to maintain exposure to all of the countries in the index, proportionate to their weight, for as long as they are in the index.

With the Zambian bonds recently trading at less than 70 cents on the dollar and the suspension of coupon payments as of September 2020, our clients have already experienced losses with respect to their holdings of private sector sovereign debt of Zambia. Additionally, in other recent sovereign debt restructurings, private sector creditors have accepted further write downs beyond pre-restructuring losses (see Ecuador, Ukraine, etc.). Given that, it would be reasonable, and even likely, to expect that the restructuring by Zambia of its sovereign debt would result in additional losses to private sector creditors (including investors in BlackRock managed funds and accounts) and not result in gains to us or our clients as you stated in your letter.

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[3] https://ukraineinvest.gov.ua/news/25-07-22-2/
[4] https://www.bloomberg.com/news/articles/2022-06-13/china-led-creditors-to-meet-june-16-on-zambia-debt-revamp-plan
[5] https://www.mofnp.gov.zm/?page_id=3475

**Zambia's Restructuring Process**

As noted above, we are encouraged by Zambia's current approach to restructuring, which aligns with the approach proscribed in the G20 Common Framework, and view their recent active engagement with the IMF, the Paris Club and other official sector creditors to Zambia as significantly more constructive and geared towards obtaining sustainable results than the steps it took in September 2020. At that point, Zambia only approached its private creditors seeking unilateral debt relief without any prior engagement or discussion with these private sector creditors. As noted above, the majority of Zambia's debt is held outside of foreign bonds and, as a fiduciary to our clients, we did not believe this process would result in equitable results to disparate classes of creditors or a sustainable financial footing for Zambia. Given the fact that the solicitation was not successful, the market has evidenced that it agrees with that assessment and that a responsible approach to sovereign restructuring should follow the well-trod path of engagement with various creditor groups, negotiation, sustainability analyses, and proposals of holistic solutions.

We look forward to increased engagement by the sovereign with the ad hoc bondholder group once the IMF Debt Sustainability Analysis of Zambia is complete, whether the same occurs after a Memorandum of Understanding has been entered into with the official sector creditors, consistent with the G20 Common Framework, or in conjunction therewith.

Consistent with our historical practice, BlackRock will approach comprehensive formal sovereign restructuring proceedings constructively and in good faith, with a view to obtaining a sustainable long-term outcome for any sovereign, including Zambia, while acting as a fiduciary to our clients.