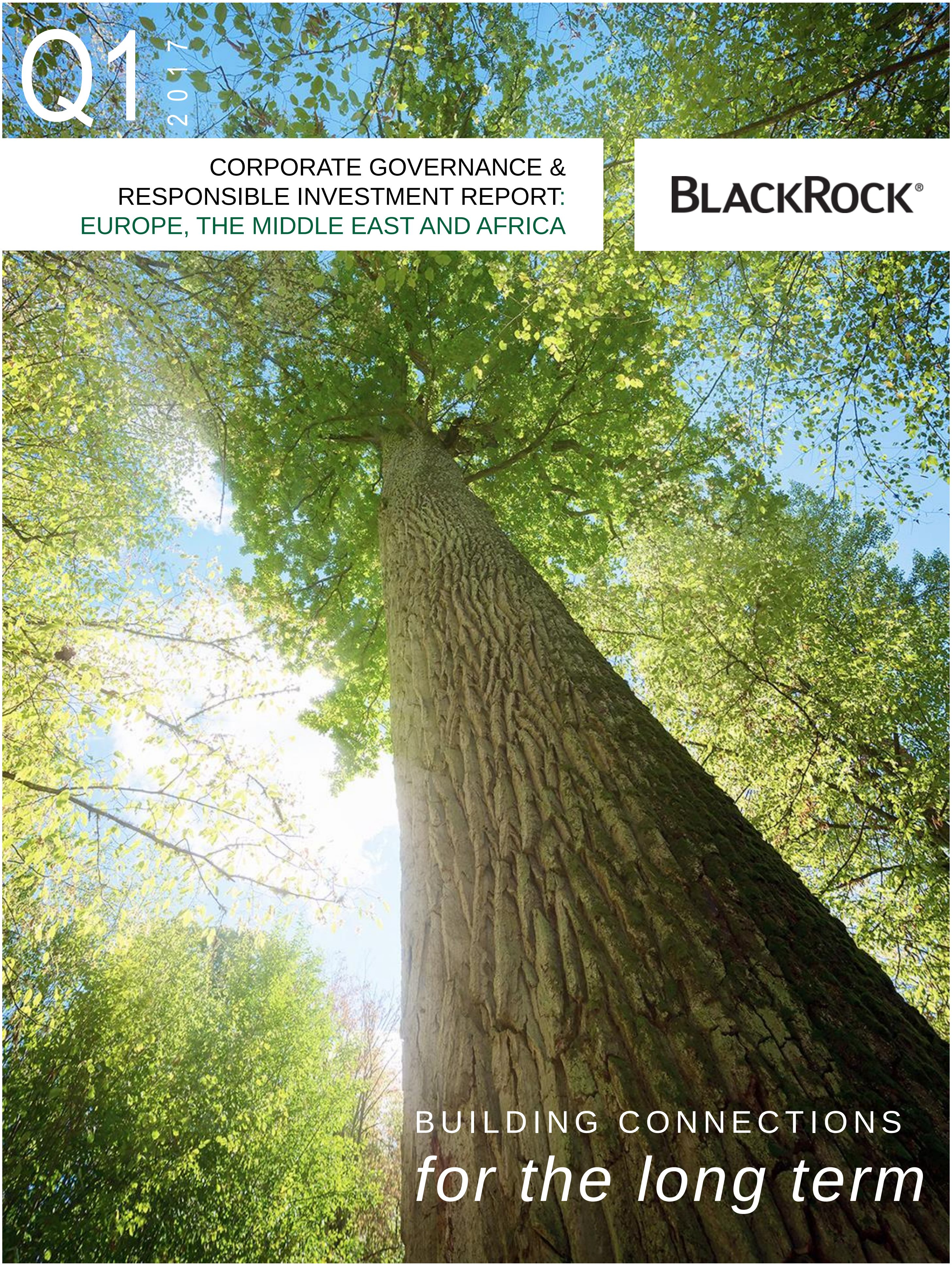
CORPORATE GOVERNANCE &
RESPONSIBLE INVESTMENT REPORT:
EUROPE, THE MIDDLE EAST AND AFRICA

BLACKROCK®



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Engagement with Issuers[1]

United Kingdom Engagement Statistics[2]

	Level of Engagement[3]			Topics Discussed		
Number of engagements	Basic	Moderate	Extensive	Environmental	Social	Governance
84	47	26	11	2	2	84

EMEA ex United Kingdom Engagement Statistics[2]

Number of engagements	Basic	Moderate	Extensive	Environmental	Social	Governance
94	83	8	3	9	7	94

The following examples from the past quarter demonstrate the wide range of issues our engagements cover and highlight our efforts to protect the value of clients' assets invested in these and similarly situated issuers. The below examples reflect engagements that merited particular focus on environmental, social and governance ("ESG") considerations. We aim to frame our engagements in the context of long-term value creation.

1

In recent years South African companies have been updating their Memorandas of Incorporation (MOI) via a special resolution to be voted at the general meeting for shareholders to account for changes to the Listing Requirements and other relevant legislation. In the new MOIs, executive directors are often excluded from the requirement to stand for regular re-election by shareholders; only non-executive directors would subsequently be subject to regular re-election by shareholders. BlackRock considers the ability to re-elect a director to the board to be a fundamental shareholder right, as this enables directors to be held accountable for decisions taken. We had multiple engagements with board-level representatives from a financial services company on the decision to submit an amended MOI that would exclude executives from re-election. Consistent with our principles and voting guidelines, we advised the company that we are not supportive of the removal of this fundamental shareholder right. We explained our approach to active and constructive dialogue with portfolio companies, and outlined the sequence of events which would occur before we might ultimately decide to withhold support from the re-election of an executive. Based on our feedback, and that of other shareholders, the board took the decision to require all directors, including executives, to retire by rotation. A new MOI was submitted to reflect this.

[1] The companies referred to are for illustrative purposes only and not as a recommendation of any particular securities.
[2] The EMEA including the United Kingdom Statistic Report is a reflection of 1st Quarter 2017.
[3] Basic engagement is generally a single conversation on a routine matter; Moderate engagement is technically more complex and generally involves more than one meeting; Extensive engagement is technically complex, high profile and involves numerous meetings over a longer time frame.

2 BlackRock recently engaged with a German power and gas company at the January 2017 German Corporate Conference in Frankfurt where we discussed a variety of governance topics including corporate strategy and board composition. Around corporate strategy, we wanted to better understand the experiences and challenges relating to the decommissioning of nuclear power stations in Germany. We also had the opportunity to discuss its processes around board qualifications and composition – specifically, we inquired about the company's approach to gender diversity on the board given the absence of women on its management board. The dialogue was important given the recently passed German law (which came into force in 2016) requiring a mixture of setting quotas, for women on the supervisory board, and enhanced disclosure in the form of setting non-binding targets for the composition of the supervisory and management board, as well as the two levels of senior management below the management board. During our conversation, we acknowledged the fact that women represent 38% of the company's supervisory board. The company explained that 30% of its workforce is female and that 17% of its executives are women, surpassing the company's goal of achieving 14% by 2017. It was also noted that the supervisory board was increased to 18 members in order to add more women to the board. However, the company intends to reduce the size of the supervisory board in the future now that it had the required level of women on the supervisory board. We will continue to monitor the company's progress as it moves towards setting new goals for the level of women represented in senior roles.

3 We met with a U.K. energy company for a governance and corporate strategy update in advance of the company's shareholder meeting. We discussed anticipated board changes following the pending retirement of some of the board members and its process for recruiting new non-executive directors. We were looking to understand in more detail the desired skill set/background in the broader context of diversity, including but not limited to gender. With currently five women on the board, we believe that the company is well positioned in relation to gender diversity in comparison to some of its market or industry peers.

Climate change and disclosure of related risks was also on the agenda. The chairman elaborated on the progress made on climate risk disclosures and detailed how the company is adapting to the business transformation following the completion of a major acquisition in early 2016. To demonstrate the board's commitment to climate risk management, the company pointed to linking the size of executive bonuses to its greenhouse gas emissions with the aim of reducing the energy group's carbon footprint. The company indicated that 10% of bonus payments for the chief executive and the chief financial officer would be linked to "greenhouse gas management". We see this move as a positive step in the company's broader efforts towards managing long term climate risks and opportunities and look forward to continued dialogue on these matters.

4 The Stewardship team met the non-executive chairman of a large French bank during his annual roadshow. Given the continued focus in Europe on executive pay, we devoted some time to exploring the true competitive challenges faced by the bank in this area. The chairman provided a fresh perspective on several themes we regularly hear from issuers on pay. He explained that while the bank competes for global executive talent, pay practices in regions outside of Europe are not a true

challenge as the likelihood of seeking a non-European CEO is low. In terms of retention risk, competition is not just about money; he believes bank executives are more likely to leave for a different industry. Specifically, he noted that an executive may be tempted to explore working for a technology company, for instance, rather than transitioning to a similar role at another bank solely for additional compensation. Finally, the chairman highlighted that reputation is worth more than money; the board should not even think about recruiting an individual who asks for more money as this indicates their willingness to tarnish their professional reputation for personal monetary gain.

Voting Highlights

EMEA Region Voting Statistics[4]

Country	Number of meetings voted	Number of proposals	% of meetings voted against one or more management recommendations	% of proposals voted against management recommendation
United Kingdom	118	1413	20%	5%
EMEA ex United Kingdom	418	5336	51%	8%
EMEA including United Kingdom Totals	536	6749	46%	8%

Highlighted below are several high profile shareholder meetings and/or engagements that particularly demonstrate our efforts to protect the long-term value of clients' assets.

1 This quarter we voted at the special meeting of a Swiss company that provides global insurance and reinsurance solutions. The company proposed a change to its Articles of Association – in connection with a proposed merger – that would permit a holder of 10% or more of the company's common shares to register its common shares in the company's share register with full voting rights. Prior to management's proposal, the company's Articles limited the voting rights for investors who hold more than 10% of issued common shares, either directly or indirectly. It is worth noting that this type of mechanism is not unique to the company but is quite common in the Swiss market. If approved, the amendments would remove this statutory cap anti-takeover provision. The proposal represents a positive step for shareholder rights as it would introduce a one-share, one-vote governance system. We, therefore, voted in support of the proposal.

2 As required by the U.K. Listing Rules in relation to controlled companies, a U.K. retailer convened an extraordinary general meeting (EGM) to re-elect the board chairman after he failed to receive majority support from independent shareholders at the 2016 annual general meeting (AGM). Our 2016 Q3 EMEA quarterly report provides additional background to this meeting. We considered the company's corporate governance profile and the board's track-record in managing a series of controversial and high profile events to date. We also considered our historic engagement with the company and its board, which had culminated in a collective investor effort following the 2016 AGM. While the company has been open to shareholder feedback in attempting to rebuild trust (such as developing an independent review of its governance practices) and some governance changes

[4] The EMEA including the United Kingdom Voting Statistic Report is a reflection of 1st Quarter 2017 and sourced from ISS Proxy Exchange on April 4, 2017.

have occurred at board level, these efforts did not sufficiently dispel our concerns over the chairman's ability to act in the best interests of all shareholders. We once again voted against his re-election to the board.

3

Gender diversity at senior management and at the board-level of Swiss companies remain a long-standing issue as it is typically lower than in most other European countries. As such, the Federal Council is planning on introducing a quota of 30% women for boards of directors and 20% for executive committees.[5] Companies have generally been opposed to the idea of a quota for many years, claiming their preference for a softer approach. In this environment, we would have expected listed companies to start appointing more women on their boards as a sign of goodwill. BlackRock has been voting against members of the nomination committee at certain companies where the board of directors is comprised solely of men, as we believe these committee members are accountable for the lack of board diversity. We view gender diversity through the lens of overall board quality and effectiveness. From our perspective, a commitment to creating a diverse board, including but not limited to diversity of expertise, experience, age, race, nationality and gender, represents a commitment towards continuing to enhance a board's quality and decision-making.

4

Despite the U.K.'s peak shareholder meeting season taking place during the second quarter of 2017, we have already noted a number of instances where companies have removed the forward-looking, binding pay policy from their shareholder meeting agendas just days before the shareholder meeting. Surprisingly, these withdrawals took place well after the cut-off date[6] for voting and investors, including BlackRock, had already voted their shares. In all of these instances, we voted against both the respective pay policies as well as the members of the remuneration committees.

Our decisions to vote against management in all of these cases were directly related to the companies failing to meet our expectations in relation to specific issues that were clarified in our updated remuneration guidelines published in January 2017.[7] In one instance, the main driver for our decision to vote against was the company's proposed increase in the CEO base/fixed pay being driven purely by benchmarking rather than a meaningful change in responsibilities. Other examples included inconsistency in companies' communications with investors, a lack of compelling rationale for substantial salary increases for the fourth consecutive year and the proposal of a deferred share plan that failed to provide sufficient discount or underpin what we would otherwise expect to see from this type of arrangement.

We will continue to engage with these companies in the coming year given that companies are legally required to submit their pay policies to a shareholder vote before year-end.

[5] The Federal Council's press release available at https://www.ejpd.admin.ch/ejpd/en/home/aktuell/news/2016/2016-11-232.html.

[6] The cut-off date is defined as the date by which shareholders need to cast their votes.

[7] See our discussion below relating to "EMEA Remuneration guidelines and Chairman Letter" in our Thought Leadership segment.

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Thought Leadership

EMEA Remuneration guidelines and Chairman Letter

In January 2107, and in advance of 2017 voting season, we published our new guidelines on executive remuneration in EMEA. We were looking to further clarify what we see as best practice in pay setting following the adoption of say-on-pay regulations in a number of EMEA markets.

We used the publication of the new guidelines as an opportunity to directly communicate the updates with our January 2017 letter to the chairmen of the board of the top 300 listed companies in the United Kingdom. We provided the information to assist remuneration committees and boards as they review their pay framework especially at those companies which will be submitting remuneration policies to a binding shareholder vote in 2017. The guidelines were designed both to provide companies with a set of best practices and to help remuneration committees assess our support for their pay policies.

In our view, the key purpose of remuneration is to reward, attract and retain competent directors, executives and other staff who are fundamental to the long-term sustainable growth of the company, with the expectation that rewards for executives be contingent - at least in part - on controllable outcomes that add value. BlackRock believes that each company should structure their remuneration policies and practices in a manner that suits its unique needs within the broader context and environment in which it operates.

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In the letter, we highlighted some of the specific points included in the new guidelines:

- Annual shareholder votes on pay should not be used as pro-forma justification to increase remuneration: pay should only be increased each year, if at all, at the same level of the wider employee base, and in line with inflation. Large compensation increases should not be justified principally by benchmarking but, rather, should progress at a pace commensurate with the evolution of the scope of the role and its complexity.

- We expect pension contributions for executives to be in line with the rest of the workforce for new contracts.

- Where we determine that executive pay is not aligned with the best long-term interests of shareholders, we will also consider this in our voting decision for remuneration committee members' re-election.

CEO Larry Fink's annual letter to CEOs

Each year BlackRock's CEO Larry Fink sends a letter to the CEOs of large public companies on issues of corporate governance and long-termism. Last year, the letter urged companies to develop a strategic framework for long-term value creation, in order to give shareholders and the markets greater clarity about the company's plans for the future. The letter also asked that boards review those plans. The 2016 letter also noted that companies can also better report on, and explain how they are addressing the long-term risks and opportunities relating to the ESG factors inherent in their businesses.

This year's letter is written in the context of the significant upheavals that took place in 2016, including the backlash against globalization. The letter asks how these changes affect companies' long-term strategic plans and discusses how companies must be responsive to their full set of stakeholders, including employees.

As in past years, Larry Fink's letter stresses our role as fiduciaries acting on behalf of long-term shareholders and highlights our focus on issues of corporate governance. He writes, "We look to see that a company is attuned to the key factors that contribute to long-term growth: sustainability of the business model and its operations, attention to external and environmental factors that could impact the company, and recognition of the company's role as a member of the communities in which it operates."

In relation to the Stewardship team's work, this year's letter notes, "a long-term approach should not be confused with an infinitely patient one. When BlackRock

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does not see progress despite ongoing engagement, or companies are insufficiently responsive to our efforts to protect our clients' long-term economic interests, we will not hesitate to exercise our right to vote against incumbent directors or misaligned executive compensation."

Feedback suggest these messages resonate with corporate leaders around the world. The most consistent feedback is that it is helpful to companies to know they have the support of a long-term investor in taking decisions that will have a payoff down the road but require sacrifices in the near term.

2017-2018 Investment Stewardship engagement priorities

On March 13, 2017, BlackRock's Investment Stewardship team released its 2017-2018 engagement priorities, accessible within the "Engagement" discussion of the Stewardship homepage. We released these priorities due to increased level of interest in BlackRock's role as a large investor in public companies. By explaining the topics on which we intend to focus, we aim to better inform our clients on our Stewardship work and to help companies prepare for engagement with us to enhance the impact of our engagements.

The themes for our five engagement priorities have, to varying degrees, been mentioned in Larry Fink's recent letters to CEOs.

Governance - a perennial issue for the team is board composition, effectiveness and accountability. In particular this year, we will seek engagement where we believe boards have not adequately fulfilled their duties to shareholders as well as where there is insufficient diversity, particular in terms of women directors. We also explain our position on "climate competent boards" (a recent concept), namely that we expect the whole board to have demonstrable fluency in how climate risk affects the business, as we would with any material, business-specific risk.

Corporate strategy - as explained in Larry Fink's 2017 letter, we will engage to understand how a company might need to adapt its strategy in light of the changing business environment, especially where the explanation of the long-term business model is poor.

Compensation - we expect companies to persuasively demonstrate the connection between long-term strategy, performance goals in incentive pay and long-term value creation. Where this is lacking, we will engage and potentially vote against directors who have not credibly explained and justified the company's approach.

Climate risk disclosure - we explain our support for the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures and

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our intention to engage companies in sectors most exposed to climate risk to encourage them to consider reporting consistent with the recommendations in due course.

Concurrent to the publication of our priorities, we also released a supplemental document (within this section of the priorities) entitled, “How BlackRock Investment Stewardship engages on climate risk” that elucidates how we have and will continue to engage boards on climate risk and sets forth our expectations.

Human capital management - we note that companies have responsibilities to their workforce and, in a talent constrained environment, managing human capital well is important. It includes robust employment practices and supply chain management. Ultimately, these factors can be material factors that contributes to a firm’s competitive advantage but, more broadly, provide a signal of management’s overall quality and effectiveness.

Organization for Economic Co-operation and Development (OECD) Advisory Group

BlackRock Investment Stewardship leadership has over the past two years been an active member of the OECD Advisory Group formed to work with the OECD Secretariat which recently published *Responsible business conduct for institutional investors: Key considerations for institutional investors in carrying out due diligence under the OECD Guidelines for Multinational Enterprises*.

The guidance articulates how investors (asset managers and owners, private equity investors, banks, and insurers) can meet the requirements of the OECD’s Guidelines for Responsible Business Conduct for Multi-National Enterprises (or RBC for MNEs). These efforts reflect our continued active participation in developing a policy framework that enables the work of the Investment Stewardship team, in this instance in relation to engagements to promote sound business practices where companies have material social and environmental impacts.

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Speaking Events

Members of the EMEA team spoke at a several events over the past quarter, with the objectives of furthering the public policy debate on matters deemed important to investors and/or promoting an increased understanding of BlackRock's approach to corporate governance. We target events that enable us to connect with key stakeholders and thought leaders, including corporate directors, senior members of management teams, and other shareholders.

The following is a list of select speaking events from the quarter, and subject matter covered:

- London Collective Investment Vehicle ("CIV") annual conference – London

In collaboration with our index tracking portfolio management team, we were invited to present at two sessions before local authority asset owners at the March 2017 London Collective Investment Vehicle conference. This was our first opportunity to present at this annual event. These sessions provided an opportunity to present our philosophy and approach to investment stewardship and to discuss our ESG integration efforts alongside the index investment team. We used some case studies to illustrate our approach in action. In a highly interactive format, participants also had the opportunity to share views and, more broadly, to discuss industry trends and challenges.

- Center for Corporate Reporting – Integrated Reporting and Corporate Governance - Zurich

BlackRock was invited to present its views on the topics of ESG disclosure and integrated reporting to a group of large Swiss companies. We used this opportunity to discuss Larry Fink's letter to CEOs and the need for companies to effectively articulate to shareholders their strategic framework for long-term value creation. We explained the value of integrated reporting, whereby companies can better meet investors' expectations by providing enhanced qualitative and prospective disclosure. We also explained that investors need standardized ESG disclosure within a consistent global reporting framework, similar to international accounting standards.

Market Developments and Trends

France

France – Supply Chain Duty of Care Law

On February 21, 2017, the French parliament adopted a law requiring multinational companies to exert a "duty of care" over their suppliers, making France the first country to adopt such a legislation. At the European level, this initiative could encourage other member states to adopt similar legislative frameworks, especially Belgium and Spain who have already shown interest for this regulatory system.

Companies employing more than 5,000 employees in France or 10,000 worldwide will have to implement preventive action plans to mitigate ethical, human rights, and environmental malpractices of their suppliers in any country where these suppliers are operating. The text approved also provides that offenders may face civil penalties of up to EUR 30 million in the event of a default of vigilance.

However, on March 21, the Constitutional Court declared the provisions relating to the fines unconstitutional on the basis that the definition of the duty of care was overly broad and vague. If the decision is upheld, the lack of sanctions may undermine the Law's implementation.

France – Legal Reform Introducing Binding Votes on Executive Pay

The Sapin II Act, enacted on December 9, 2016, provides for a binding shareholder vote on executives' remuneration policy at annual general meetings starting in 2017. In addition, the law requires a separate binding vote on the variable remuneration paid to corporate officers, starting in 2018. With this new act

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introducing two annual binding votes on executive pay, France has introduced one of the most stringent regulatory frameworks in Europe, ahead of the implementation of the SRD II (see below). Investors will expect better disclosure from French issuers on their pay policies, especially on exceptional payments but also on how they align executive remuneration with the strategy and the performance of the company over the long-term.

United Kingdom

The U.K. government's Department for Business, Energy and Industrial Strategy (BEIS) issued a green paper on U.K. corporate governance. The paper posed a number of questions to market practitioners to consider what changes might be appropriate in the corporate governance regime. The questions focused on executive pay, strengthening the stakeholder voice (employee, customer and supplier), and corporate governance of large private companies. BlackRock's response provided proposals for constructive outcomes specifically in line with our core principles on corporate governance, which focus on board accountability and oversight. Our key messages were:

- Directors' competency and accountability is at the root of sound corporate governance – the primary focus of any review of corporate governance should be on ensuring competent and effective board oversight and true director accountability
- It is necessary to put accountability for board decisions (e.g., on executive pay and stakeholder relationship management) back in the hands of the board
- Shareholders must be more consistent in holding directors to account, through the vote on director re-elections, where they think these directors have not discharged their duty

European Union

Shareholder Rights Directive II

The EU adopted a revision of the Shareholder Rights Directive ("SRD II") in December 2016. The dual purpose was to strengthen the long-term behaviour of both asset owners and their asset managers, and to modernise the cross-border voting chain. SRD II requires asset owners and asset managers to publish an annual engagement policy in which they will describe their approach to engaging with issuers, including on ESG matters. The Directive also seeks vote disclosure coupled with a vote rationale for the more significant meeting.

Asset owners (namely pension funds and insurance companies) will have to publish

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their equity investment strategy, explain how it is aligned with their long-term liabilities, and how they incentivise their asset managers to promote long-termism. Say-on-pay will be introduced across the EU, with a binding vote on the remuneration policy scheduled every four years and an annual advisory vote on the report. On the voting plumbing, companies will have the right to have their shareholders identified and intermediaries will be responsible for effective and timely communication between issuers and their shareholders. SRD II is likely to take effect in early 2019.

To learn more about how we are shaping global governance and protecting our clients' assets, please visit http://www.blackrock.com/corporate/en-us/about-us/investment-stewardship and in the Netherlands, please visit www.blackrock.nl

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