JANUARY 2019

Statement on compliance with the UK Stewardship Code

As a fiduciary asset manager, BlackRock's pursuit of sound corporate governance practices at companies stems from our responsibility to protect and enhance the long-term economic value of our clients' assets. Investment Stewardship is focused on assessing the quality of management, board leadership and standards of operational excellence – in aggregate, corporate governance – at the public companies in which we invest on behalf of our clients. We see this responsibility as part of our fiduciary duty, through which we contribute to BlackRock's mission to create a better financial future for our clients. BlackRock's Investment Stewardship (BIS) team of dedicated specialists engage with the management and boards of companies in which we invest to encourage governance and business practices consistent with generating long-term value for our clients.

We set out below our approach to the recommendations of the UK Stewardship Code and explain our reasons for taking a different approach where relevant. Any questions on this statement or BlackRock's approach to stewardship more generally should be addressed to Amra Balic, Head of BIS EMEA at stewardshipemea@blackrock.com.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

BlackRock believes we have a responsibility in relation to monitoring and providing feedback to companies, sometimes known as stewardship. These ownership responsibilities include engaging with management or board members on corporate governance matters, voting proxies in the best long-term economic interests of shareholders and engaging with regulatory bodies to ensure a sound policy framework consistent with promoting long-term shareholder value creation. BlackRock's Global Corporate Governance and Engagement Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our voting policy, our integrated approach to stewardship matters and how we deal with conflicts of interest: https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf. These apply across different asset classes and products as permitted by investment strategies.

The BIS team is comprised of over 40 employees who do not have responsibilities other than their roles in BIS. BIS is considered an investment function, and carries out BlackRock's stewardship activities on behalf of BlackRock's funds and for the accounts of our segregated clients where they have delegated authority to us ("Fund" or "Funds"). The BIS team fulfils this duty on behalf of all clients invested in public company equity and credit, irrespective of investment vehicle (e.g., fund or separate account) or strategy (e.g., index or alpha-seeking, core or thematic). BIS acts as a central clearinghouse of BlackRock's views across the various portfolios with holdings in individual companies and aims to present a clear and consistent message. Our focus is on the performance of the board of directors. As the agent of shareholders, the board should set the company's strategic aims within a framework of prudent and effective controls which enables risk to be assessed and managed. Many of our engagements are therefore focused on directors and we view the election of directors as one of our most important responsibilities in the proxy voting context.

We recognise that accepted standards of corporate governance differ between markets but we believe there are sufficient common threads globally to identify an overarching set of principles. BlackRock's stewardship activities focus on practices and structures that we consider to be supportive of long-term value creation. The six key themes of our Corporate Governance and Engagement Principles, and therefore areas where we would engage with companies, are:

- Boards and directors
- Auditors and audit-related issues
- Capital structure, mergers, asset sales and other special transactions
- Compensation and benefits
- Environmental and social issues
- General corporate governance matters and shareholder protections

How we identify companies for engagement

BIS identifies companies for engagement through our proprietary model which assesses a company's financial and governance performance relative to its peers. We also consider events which have impacted or may impact long-term company value, and the management of sector-specific concerns which are material to shareholder value. We prioritise engagements based on our level of concern and the likelihood that engagement might lead to positive change. The BIS team works closely and engages in conjunction with fundamental portfolio managers in discussions of significant governance issues. BlackRock's investment teams have access to company environmental, social and governance (ESG) scores and data which can be used in their analysis of companies and conversations with companies and clients. Over time, we aim to leverage ESG data to systematically review the ESG risks to which a company is exposed, to be analysed alongside other operating risks to the company.

BlackRock has developed market-specific voting guidelines which are intended to help companies understand our position on key corporate governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We take vote decisions to achieve the outcome that we believe best protects our clients' long-term economic interests.

In certain instances, BlackRock engages an independent fiduciary to vote proxies as a further safeguard to avoid potential conflicts of interest or as otherwise required by applicable law. More details can be found in our approach to Principle 2, below.

What has been discussed in this section, our approach to Principle 1, can be read in more depth in BlackRock's Global Corporate Governance and Engagement Principles, as well as our market-specific voting guidelines, which are published on our website: https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines. These documents are reviewed and updated annually. We publish a quarterly review of our activities and an annual summary of voting and engagement statistics on our website: https://www.blackrock.com/corporate/about-us/investment-stewardship.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interests in relation to stewardship and this policy should be publicly disclosed.

BIS maintains the following policies and procedures that seek to prevent undue influence on BlackRock's proxy voting activity. Such influence might stem from any relationship between the investee company (or any shareholder proponent or dissident shareholder) and BlackRock, BlackRock's affiliates, a Fund or a Fund's affiliates, or BlackRock employees. The following are examples of sources of perceived or potential conflicts of interest:

- BlackRock clients who may be issuers of securities or proponents of shareholder resolutions
- BlackRock business partners or third parties who may be issuers of securities or proponents of shareholder resolutions
- BlackRock employees who may sit on the boards of public companies held in Funds managed by BlackRock
- Significant BlackRock, Inc. investors who may be issuers of securities held in Funds managed by BlackRock
- Securities of BlackRock, Inc. or BlackRock investment funds held in Funds managed by BlackRock
- BlackRock, Inc. board members who serve as senior executives of public companies held in Funds managed by BlackRock

BlackRock has taken certain steps to mitigate perceived or potential conflicts including, but not limited to, the following:

- Adopted our market-specific voting guidelines which are designed to protect and enhance the economic value of the companies in which BlackRock invests on behalf of clients.
- Established a reporting structure that separates BIS from employees with sales, vendor management or business partnership roles. In addition, BlackRock seeks to ensure that all engagements with corporate issuers, dissident shareholders or shareholder proponents are managed consistently and without regard to BlackRock's relationship with such parties. Clients or business partners are not given special treatment or differentiated access to BIS. BIS prioritises engagements based on factors including but not limited to its need for additional information to make a voting decision or its view on the likelihood that an engagement could lead to positive outcome(s) over time for the economic value of the company. Within the normal course of business, BIS may engage directly with BlackRock clients, business partners and/or third parties, and/or with employees with sales, vendor management or business partnership roles, in discussions regarding our approach to stewardship, general corporate governance matters, client reporting needs, and/or to otherwise ensure that proxy-related client service levels are met.
- Determined to engage, in certain instances, an independent fiduciary to vote proxies as a further safeguard to avoid potential conflicts of interest, to satisfy regulatory compliance requirements, or as may be otherwise required by applicable law. In such circumstances, the independent fiduciary provides BlackRock's proxy voting agent with instructions, in

accordance with the Guidelines, as to how to vote such proxies, and BlackRock's proxy voting agent votes the proxy in accordance with the independent fiduciary's determination. BlackRock uses an independent fiduciary to vote proxies of (i) any company that is affiliated with BlackRock, Inc., (ii) any public company that includes BlackRock employees on its board of directors, (iii) The PNC Financial Services Group, Inc., (iv) any public company of which a BlackRock, Inc. board member serves as a senior executive, and (v) companies when legal or regulatory requirements compel BlackRock to use an independent fiduciary. In selecting an independent fiduciary, we assess several characteristics, including but not limited to: independence, an ability to analyze proxy issues and vote in the best economic interest of our clients, reputation for reliability and integrity, and operational capacity to accurately deliver the assigned votes in a timely manner. We may engage more than one independent fiduciary, in part in order to mitigate potential or perceived conflicts of interest at an independent fiduciary. BlackRock's Investment Stewardship Global Oversight Committee, a risk-focused committee, comprised of senior representatives from various BlackRock investment teams, BlackRock's Deputy General Counsel, the Global Head of Investment Stewardship and other senior executives with relevant experience and team oversight, appoints and reviews the performance of the independent fiduciar(ies), generally on an annual basis.

When so authorised, BlackRock acts as a securities lending agent on behalf of Funds. With regard to the relationship between securities lending and proxy voting, BlackRock's approach is driven by our clients' economic interests. The decision whether to recall securities on loan to vote is based on a formal analysis of the revenue producing value to clients of loans, against the assessed economic value of casting votes. Generally, we expect that the likely economic value of casting votes would be less than the securities lending income, either because, in our assessment, the resolutions being voted on will not have significant economic consequences or because the outcome would not be affected by BlackRock recalling loaned securities in order to vote. BlackRock also may, in its discretion, determine that the value of voting outweighs the cost of recalling shares, and thus recall shares to vote in that instance.

Periodically, BlackRock reviews our process for determining whether to recall securities on loan in order to vote and may modify it as necessary.

BlackRock takes a long-term perspective in its investment stewardship programme informed by two key characteristics of our business: the majority of our clients are saving for long-term goals so we presume they are long-term shareholders, and the majority of our equity holdings are in indexed portfolios so our clients are, by definition, long-term and locked-in shareholders. In all situations the overriding purpose of our investment stewardship programme is to protect and enhance the economic interests of our clients. When it comes to voting at shareholder meetings, BlackRock's clients can either delegate authority to us, or they can retain vote authority on their assets. Where BlackRock's clients have delegated vote authority to us, as discussed in our approach to Principle 1 we will apply our in-house principles and guidelines to help us reach our voting decision.

BIS's conflicts management policy can also be found in our Corporate Governance and Engagement Principles: https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines.

Principle 3: Institutional investors should monitor their investee companies.

BlackRock's fundamental equity portfolio managers and the BIS team on behalf of all other equity investment teams monitor and, when appropriate, engage with investee companies.

The BIS team consists of over 40 employees responsible for encouraging sound corporate governance practices at the companies in which we invest on behalf of clients. The team does this primarily through engagement and proxy voting. Because BlackRock views stewardship as an investment function, the team exchanges views on companies' governance, strategy and performance with BlackRock's active portfolio management teams. We have committed to increase the size of the investment stewardship team over the next few years, which will enable BlackRock to significantly increase its engagement activities and foster more effective engagement.

Strategically located in BlackRock's U.S., U.K., Japan, Singapore, Hong Kong and Australia offices, the team leverages regional and local market expertise to facilitate constructive dialogue with portfolio companies and contribute to the global discourse on ESG trends in investment. From our vantage point, effective and meaningful stewardship requires a global team in order to build a deep understanding of the risks and opportunities of our portfolio companies across markets, regions, and sectors. We need to understand the local market's culture and regulatory environment. No single governance model works best universally, and even when comparing developed markets, such as the U.K., the U.S. and Japan, we find significant differences.

At a minimum, BlackRock expects companies to observe the accepted corporate governance standards in their domestic market or to explain why doing so is not in the interests of shareholders. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what is in the best interests of shareholders, we will engage with the company and/or use our vote to encourage a change in practice. Additionally, we evaluate how companies manage the material ESG risks to their businesses and may engage when there is an indication of a lack of operational excellence in this regard. We hold company leadership accountable for performance against the strategy it sets out to achieve.

In determining which companies to engage with, BlackRock uses a number of additional information sources to enhance our in-house research. These can include analysis published by investment banks, specialist consultancies and NGOs, ESG-related specialist databases, and news flow. We screen a subset of our portfolios representing broad regional indexes across the globe in which we have significant shareholdings on a quarterly basis. The aim is to identify companies that seem out of line with their peers in managing ESG matters material to their businesses. We then identify candidates for proactive engagement where there is a clear nexus between the ESG matter and financial risk. We prioritise individual engagements based on the materiality of the issue under consideration and the size of our holding (or the value at risk).

Further details on the BIS team's approach to monitoring and engagement can be found on our website at: https://www.blackrock.com/corporate/literature/publication/blk-profile-of-blackrock-investment-stewardship-team-work.pdf.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

In our Global Corporate Governance and Engagement Principles and our voting guidelines we explain when we would engage with a company, namely when we believe this will enhance and/or protect the economic interests of long-term shareholders (notionally our clients). There are four main reasons why we will enter into engagement with a company:

- During the voting process where clarification of company information is required
- There has been an event at the company that has impacted or may impact long-term company value
- The company is in a sector or market where there is a thematic governance issue material to shareholder value
- We have identified the company as lagging its peers on environmental, social or governance matters that could impact economic value

We will determine on a case-by-case basis if further engagement is required and triggers for a continuing engagement can include:

- Our assessment that shareholders' interest continues to be at risk as a result of a governance concern
- Where we are concerned about the strategic direction the company is taking or the performance of management in delivering strategy

Through regular and frank dialogue with boards and management, we try as much as possible to raise queries before they become concerns that require a vote against management. BlackRock does not generally make public statements about our engagements. It is very unlikely that we would ever call an extraordinary general meeting or propose shareholder resolutions. Our preference is to engage privately as we believe it better serves the long-term interests of our clients to establish constructive relationships, and a reputation, with companies that enhance the integrity of our feedback.

As described in our approach to Principles 1 and 3, BIS identifies companies for engagement through our proprietary model which, among other things, assesses a company's financial and governance performance relative to its peers. As noted above, we also consider events which have impacted or may impact long-term company value, and the management of sector-specific concerns which are material to shareholder value. We prioritise engagements based on our level of concern and the likelihood that engagement might lead to positive change. Our engagements are focused on improving the company's business practices and long-term performance. We examine whether companies have clearly articulated strategies for long-term value creation, and whether leadership teams deliver operational excellence and appropriate risk mitigation.

BlackRock takes an engagement-first approach, emphasising direct dialogue with companies. As a long-term investor, we are patient and persistent in working with our portfolio companies to have an open dialogue and develop mutual understanding of governance matters, to promote the adoption of best practices and to assess the merits of a company's approach to its governance. This can include dialogue on ESG themes prevalent in specific sectors. We do not try to micro-manage companies or tell management or boards what to do. We present our views as a long-term shareholder and listen to companies' responses. We assess the effectiveness of our engagements based on the achievement of the targets we set ourselves at the outset, which may evolve in light of a company's explanations of its governance practices. In setting our objectives, we work with portfolio managers and others internally and externally to build our knowledge of the issues, identify the appropriate questions to ask or feedback to give and assess a company's explanations. We remain open minded and adapt our position as we monitor a company's progress to addressing the concerns raised in the engagement. We will vote against management if the company proves unresponsive to engagement.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

BlackRock participates in a number of formal coalitions, shareholder groups or initiatives, on both international and market-specific levels, which aim to further responsible share ownership and facilitate high-level communication between shareholders and companies on corporate governance and social, ethical and environmental matters.

We will also engage collectively on matters of public policy, when appropriate, to help shape the policy debate and represent our clients' interests. In our approach to public policy, we partner with BlackRock's Global Public Policy Group to establish the BlackRock view on emerging policy issues or existing policies that are under review.

When we believe it is likely to enhance our ability to engage with a company or to achieve the desired outcome, and it is permitted by law and regulation, BlackRock may work with other shareholders. For example, in markets where it is accepted practice, we may participate in joint shareholder-company meetings where we believe it will advance the engagement more effectively. Generally, though, BlackRock's approach to engagement has long been one of having a private dialogue with companies, setting out our views and concerns and discussing ways these could be addressed. We believe it is important to engage in a discreet manner, rather than to publicly criticise or confront management, and to build relationships with companies that will enable us to provide constructive feedback when necessary.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

As a fiduciary investor and acting in the best long-term economic interest of our clients, we see voting at a company annual general or extraordinary general meetings as one of our responsibilities. Voting is an essential part of our efforts to protect and enhance shareholder value. It is the most broad-based form of engagement we have with companies, and provides a channel for feedback to the board and management about investor perceptions of their performance and governance practices. Our analysis is informed by our internally-developed voting guidelines, our company engagements, research, and the situation at a particular company.

We intend to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock's starting position is to be supportive of boards in their oversight efforts on shareholders' behalf and we would generally expect to support the items of business they put to a vote at shareholder meetings. We generally prefer to engage in the first instance where we have concerns and give the company time to address or resolve the issue. We will vote in favour of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where we believe the board or management may not have adequately acted to protect and advance the interests of long-term investors. We will abstain on proposals where we wish to indicate to the company we are concerned about its approach to certain issues and expect them to be responsive to investors' views. In all situations the economic interests of our clients will be paramount. In markets where it is expected, we will privately advise the company in advance when we intend to withhold support from a management proposal to ensure they understand the reason for our vote against and the change we expect of them.

Our market-specific voting guidelines are available on our website at:
https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines.

As discussed in relation to Principle 1, BlackRock's voting guidelines are intended to help companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We take vote decisions to achieve the outcome that we believe best protects our clients' long-term economic interests. BlackRock reviews our voting guidelines annually and amends them as necessary to reflect evolutions in market trends and standards, governance practices, public policy developments, and insights gained from engagement over the prior year.

BlackRock uses research firms to help us deploy our resources to greatest effect on behalf of clients.

- BlackRock sees its investment stewardship programme, including proxy voting, as part of its fiduciary duty to protect and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- In most markets we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We do not follow any proxy research firm's voting recommendations; our vote decision, as mentioned previously, is determined based on a number of inputs – primarily, how the company's practices sit relative to our internally developed Global Corporate Governance and Engagement Principles and our relevant regional voting guidelines, our engagements with the companies, and the insights of our active investment analysts
- In certain markets, we also work with proxy research firms who apply our internally developed proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision

Proxy advisor oversight

BlackRock uses the electronic platform of our proxy vote distribution agent, ISS, to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In order to make effective use of the BIS team's resources, custom policies have been developed in certain markets with ISS to solely apply BlackRock's internal voting policy to routine or non-contentious proposals. These custom policies are reviewed on an annual basis and updated as necessary.

BlackRock works closely with ISS, monitors the firm's work and routinely performs due diligence. BlackRock conducts an annual due diligence visit at ISS. We also conduct a quarterly review of vote recommendations, a monthly review of unexecuted international ballots including a root cause analysis, and a weekly account level reconciliation to ensure all accounts are voted. In addition, BlackRock conducts regular conference calls with ISS to manage ongoing production and service needs.

Each year, we have an in-person due diligence meeting with an extended group at ISS and cover a range of issues including research and vote execution quality, operations processes and controls, conflicts management, business continuity, current and planned projects and product improvements, corporate developments (e.g. ownership, key personnel and resources) and the regulatory landscape.

Our voting statistics are available on our website at: https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history. Our team also publishes on a very limited basis statements on our analysis, engagements and votes in relation to certain high profile proposals at company shareholder meetings. These vote bulletins aim to explain our approach and decision publicly on the day of the meeting, or shortly thereafter, so interested clients and others can be aware of BlackRock's vote when it is of most relevance to them. We do not disclose our vote intentions in advance of shareholder meetings as we do not see it as our role to influence other investors. Our role is to send a signal to the company about how well we believe the board and management has done in delivering long-term shareholder value.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

BlackRock maintains a record of our voting, engagement and other stewardship activities. In addition to the annual voting record described in our approach to Principle 6, we publish annual and quarterly reports which include:

- Voting and engagement statistics
- Selected voting and engagement highlights
- Commentary on market developments
- A summary of thought leadership activities

These reports can be found on our website: https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history. The reports are designed to provide clients and other interested parties with a more in-depth view into our stewardship programme.