STATEMENT ON COMPLIANCE WITH THE UK STEWARDSHIP CODE - OCTOBER 2016

BLACKROCK®

As a fiduciary asset manager, BlackRock's pursuit of good corporate governance stems from our responsibility to protect and enhance the economic value of the companies in which we invest on behalf of our clients. Encouraging the highest standards of board leadership and executive management in these companies is central to achieving that goal. That is why we have created the BlackRock Investment Stewardship (BIS) team of specialists – one of the largest in the industry – to engage with the management and boards of companies in which we invest and help us deliver long-term value to our clients.

We have set out below our approach to the recommendations of the UK Stewardship Code and explained 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 that shareholders have responsibilities in relation to monitoring and providing feedback to companies, sometimes known as stewardship. These ownership responsibilities include, in our view, 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 describes 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. These apply across different asset classes and products as permitted by investment strategies.

The BIS team of 22 specialists, positioned as an investment function, carries out BlackRock's stewardship activities on behalf of BlackRock's funds and our segregated clients where they have delegated authority to us. Our stewardship program applies to companies in all sectors and geographies, and irrespectively of whether a holding is part of a specialist socially responsible investment product or our core index and active investment strategies, and index only or index and active. 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 board of directors, as the agent of shareholders, which 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 recognize that accepted standards of corporate governance differ between markets but we believe that 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;
- Remuneration and benefits;
- Social, ethical and environmental issues; and
- General corporate governance matters

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 prioritize 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 and conversations with companies and clients. The most relevant data items are identified and, where a company scores poorly in a particular ESG metric, the metric is flagged on the template used for research ideas to the investment analyst. The analyst then investigates whether or not the ESG risk is relevant to the analysis and valuation of the company, in the same way they would for any other operating risk of the company. By doing this, we leverage ESG data to systematically review the ESG risks to which a company is exposed.

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 order to make effective use of the BIS team's resources custom policies have been developed in certain markets with our proxy vote distribution agent, 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.

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/en-us/about-us/investment-stewardship/voting-guidelines-reports-position-papers. 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: http://www.blackrock.com/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.

BlackRock maintains policies and procedures that are designed to prevent undue influence on BlackRock's investment stewardship activities (voting and engagement) that might stem from any relationship between the issuer of a proxy (or any dissident shareholder) and BlackRock, BlackRock's affiliates, a Fund (or BlackRock's segregated client) or a Fund's (or BlackRock's segregated client's) affiliates.

Potential sources of perceived conflicts of interest may include but are not limited to:

- BlackRock clients who may be issuers of securities or proponents of shareholder resolutions;
- BlackRock business partners or vendors who may be issuers of securities or proponents of shareholder resolutions;
- BlackRock employees who may sit on the boards of companies held in BlackRock portfolios;

- Significant BlackRock investors who may be issuers of securities held in BlackRock portfolios; or
- BlackRock securities or BlackRock investment funds held in BlackRock portfolios

BlackRock employs a two-pronged strategy for managing conflicts with respect to investment stewardship, in the form of:

- Structural separation; and
- The use of independent fiduciaries

BlackRock maintains a reporting structure that separates the Global Head of BIS and the BIS team from BlackRock employees with sales responsibilities. All issuers are treated equally, regardless of whether they are clients or business partners; no issuer is given special treatment or differentiated access to the BIS team. If a client or business partner contacts their relationship manager or a BlackRock senior executive regarding an upcoming shareholder meeting, they are referred into the BIS team's normal process which is strictly independent of the client or commercial relationship.

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. For example, use of an independent fiduciary has been adopted for voting the proxies related to any company that is affiliated with BlackRock or any company that includes BlackRock employees on its board of directors. Independent fiduciaries are directed to reach an independent conclusion based on BlackRock's publicly available policy as to what they regard to be in the economic best interest of investors, and the shares are voted accordingly.

We meet annually with our independent fiduciaries to review their conclusions and to ensure the accuracy of their interpretation of our policy.

With regard to the relationship between securities lending and proxy voting, BlackRock's approach is driven by our clients' economic interests. The evaluation of the economic desirability of recalling loans involves balancing the revenue producing value of loans against the possible economic value of casting votes. Based on our evaluations of this relationship, we believe that generally the possible economic value of casting most votes is less than the securities lending income, either because the votes will not have significant economic consequences or because the outcome of the vote would not be affected by BlackRock recalling loaned securities in order to ensure they are voted. Periodically, Blackrock analyses the process and benefits of voting proxies for securities on loan, and will consider whether any modification of its proxy voting policies or procedures is necessary in light of future conditions. In addition, BlackRock 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.

BlackRock takes a long-term perspective in its investment stewardship program 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 program 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. As discussed in our approach to Principle 1, where BlackRock's clients have delegated vote authority to us, we will apply our stewardship program which means applying our in-house principles and guidelines to help us reach our voting decision.

BIS' conflicts management policy can be found in our Corporate Governance and Engagement Principles.

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. Our approach is explained in our Global Corporate Governance and Engagement Principles and our market-specific voting guidelines, a summary of which has been provided in our approach to Principle 1. 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 (e.g. CDP), and news flow.

We attend the company general meetings in person only when we believe we will be able to obtain information material to making our vote decision which we could not otherwise obtain. We believe we better serve our clients' interests by dedicating our time to one-to-one meetings throughout the year.

At a minimum BlackRock would expect companies to observe the accepted corporate governance standard 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 certain situations BlackRock is willing to become an insider. The BIS team is positioned to be able to become an insider without hindering the ability of our investment teams to manage client portfolios. Where BIS or BlackRock does become an insider, we act in accordance with the policies and processes laid out in our Compliance Manual.

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 meetings with management, we try as much as possible to raise queries before they become concerns that require intervention. BlackRock is very unlikely to make public statements about our engagements or to 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 relationships, and a reputation, with companies that enhances rather than hinders dialogue.

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. 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 prioritize 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. As a long-term investor, we are patient and persistent in working with our portfolio companies to build trust and develop mutual understanding, to promote the adoption of best practices and to understand the risk of the issues faced by individual companies. 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 be amended once our understanding of the situation has developed. In setting our objectives, we work with portfolio managers and others internally and externally to build our knowledge of the issues, propose a sound course of action and identify optimal outcomes. Generally, we are looking to persuade the company that the status quo is not acceptable, put forward some ideas for addressing the issue and remain involved to encourage the delivery by management and board of fundamental change. We remain open minded and adapt our position as we progress 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.

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 will work with other investors. 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. Where we have sizable holdings we believe it is even more important to engage in a discreet manner, rather than to publicly criticize or confront management, and to build relationships with companies that will enable us to influence change when necessary.

BlackRock does participate 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 communication between shareholders and companies on corporate governance and social, ethical and environmental matters. This includes but is not limited to:

Americas

- Sustainability Accounting Standards Board (SASB)
- Ceres Investor Network on Climate Risk (INCR)
- Conference Board Governance Center

EMEA

- UK Investment Association
- UK Investment Forum
- European Fund and Asset Managers Association (EFAMA)
- Institutional Investors Group on Climate Change (IIGCC)

Asia Pacific

- Asian Corporate Governance Association (ACGA)
- Financial Services Council (FSC)
- Australian Business Leaders Reporting Forum (IFAC)

Global

- CDP (formerly Carbon Disclosure Project)
- International Integrated Reporting Council (IIRC)
- 30% Club Investor Group

We will also engage collectively on matters of public policy, when appropriate. In our approach to public policy, we partner with BlackRock's Government Relations team to establish the BlackRock view on how we think we can shape the policy debate in our clients' best interests.

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

BlackRock's voting guidelines are published on our website: https://www.blackrock.com/corporate/en-us/about-us/investment-stewardship/voting-guidelines-reports-position-papers.

BlackRock aims to vote at 100% of meetings where our clients have given us authority to vote their shares – thus we vote at approximately 15,000 shareholder meetings across more than 90 markets each year. With regards to non-US assets generally, we have approximately a 90% success rate in voting our funds' assets. Of the remaining, 8% are typically uninstructed due to shareblocking, and 2% of the votes go unexecuted result from either the fund's leverage or market-based impediments such as ballots received post cut-off date or post meeting date, meeting specific power of attorney requirements, special documentation, etc. A more detailed overview of our voting mechanics can be found on our website: http://www.blackrock.com/corporate/en-us/literature/fact-sheet/blk-responsible-investment-faq-global.pdf.

BlackRock does not borrow shares solely for the purpose of exercising voting rights. With respect to our securities lending program, please refer to the relevant section as described in our approach to Principle 2.

Voting decisions are taken by members of the BIS team with input from investment colleagues as required, in each case, in accordance with our BlackRock's Global Corporate Governance and Engagement Principles. BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis as well as other market-specific specialists which provide just one input into our vote analysis process; we do not simply follow their recommendations on how to vote. Our primary use of proxy research firms is to synthesize corporate governance information and analysis into a concise, easily reviewable format so that our BIS analysts can readily identify and prioritize those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, media and ESG research. Vote decisions are taken in light of our Global Corporate Governance and Engagement Principles and our regional voting guidelines with the aim to achieve a voting outcome that we believe in our professional judgment will best protect the economic interests of our clients.

BlackRock's starting position is to be supportive of boards in their oversight efforts on our 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 management 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.

We use ISS' electronic voting platform to execute our vote instructions. Further, as discussed in our approach to Principle 1, in order to make most effective use of the BIS team's resources a custom policy has been developed in certain markets to apply BlackRock's internal voting policy to routine or non-contentious matters. This allows BIS to allocate our time to addressing the most pressing governance concerns which are referred to us for decision.

In our Global Corporate Governance and Engagement Principles we explain our approach to reporting to clients. We disclose our voting record publicly each year in a filing with the US Securities and Exchange Commission, which is also posted to our website. For interested clients, we also provide fund-specific reports on voting decisions.

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 a 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/en-us/about-us/investment-stewardship/voting-guidelines-reports-position-papers. These reports are designed to provide clients and other interested parties with a more in-depth view into our stewardship program.

A Global Investment Stewardship Oversight Committee is responsible for ensuring that BlackRock complies with our fiduciary and regulatory responsibilities to our clients with respect to proxy voting, and complies with market-level stewardship codes where applicable. In addition, the firm's Equity Policy Oversight Committee receives a quarterly update on relevant aspects of the work of the BIS team. The processes relating to our investment stewardship activities are audited periodically by BlackRock Internal Audit. The findings are made available to BIS and to the Global Investment Stewardship Oversight Committee. We believe that these processes provide robust oversight similar to that of an external evaluation.