BLACKROCK

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RE: BlackRock Investment Stewardship – Executive Remuneration

As a long term investor and fiduciary on behalf of our clients, BlackRock has for many years engaged extensively with companies on a range of issues, including the environmental, social and governance (ESG) risks and opportunities businesses face.

Within this context, we spend considerable time engaging with companies on the topic of executive compensation. To help companies understand our approach to voting on important governance matters, we have regularly published our guidelines on our website, including our key global remuneration principles. While our key remuneration principles have not changed, the upcoming votes on remuneration policies provide an opportunity for us to give companies more clarity on aspects of our approach.

We are pleased to share with you a copy of our updated guidelines for the EMEA region on executive remuneration, which detail what we believe are the best practices regarding executive pay. We provide this information to assist remuneration committees and boards as they review their pay framework especially at those companies which will be submitting their remuneration policy to a binding shareholder vote in 2017. These guidelines are designed both to provide companies with a set of best practices and to help remuneration committees assess our support for their pay policies.

Two core beliefs inform our approach to executive pay. First, we consider pay from the perspective of performance. Executive pay should be strongly linked to performance, by which we mean strong and sustainable returns over the long-term, as opposed to short-term hikes in share prices. Second, we believe it is the role of the Board of Directors to design and set pay aligned to long-term performance. This includes the critical assessment of pay outcomes and gauging performance based on metrics that are under the direct control of senior management.

We consider misalignment of pay with performance as an indication of insufficient board oversight, which calls into question the quality of the board. We believe that shareholders should hold directors to a high standard in this regard.

We would like to highlight some of the specific points included in our guidelines:

- Annual shareholder votes on pay should not be used as pro-forma justification to increase pay: 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 should rather progress in pace 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.

Engagement continues to be an essential part of our stewardship activities. Aside from executive remuneration, we will continue to focus our engagement on the topics essential to delivering value for shareholders, such as how management is implementing the company's long-term strategy and approaching the range of factors, internal and external, that contribute to a company's sustainable growth.

BlackRock firmly believes that pay practices are an important measure of a company's governance and we encourage you to consider the attached guidelines in developing pay practices that effectively serve all stakeholders – shareholders, executives, and workers alike. We thank you in advance for taking the time to consider your shareholder's views and our approach to future engagement on executive pay. If you would like to contact our team, please send an email to stewardshipemea@blackrock.com.

Yours faithfully,

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