

Responsible Investment at BlackRock: The Journey to Signing the UNPRI

October 2008

Alex Popplewell
Global Co-Head of Responsible
Investment



FOR PROFESSIONAL INVESTORS ONLY

BLACKROCK

“I wouldn’t start here if I were you...”

Scaling the Challenge: One BlackRock Philosophy

BlackRock’s Activity in SRI: why? and what?

A Complex Mix: need for training and case studies

Don’t forget Corporate Governance

External Assessment and Gap Analysis: A work in progress

“I wouldn’t start here if I were you...”

Scaling the Challenge: One BlackRock Philosophy

BlackRock’s Activity in SRI: why? and what?

A Complex Mix: need for training and case studies

Don’t forget Corporate Governance

External Assessment and Gap Analysis: A work in progress

BlackRock Overview

Global provider of investment and risk management services

- Headquartered in NYC; offices in 19 countries

Independent firm in ownership and governance

- Established in 1988, BlackRock is a public company (NYSE:BLK)
 - No majority owners
 - Majority of Board of Directors is independent
- Laurence Fink, Chairman & CEO since firm's inception

Leader in creating solutions for clients

- Global consistency combined with local delivery
- Products and services differentiated for clients
- Customized solutions to meet risk/return objectives
- Innovative products within and across asset classes
- Client dialogues have resulted in advisory assignments
- Senior level of commitment to client service

Pioneer in risk management and technology

- Provide risk analytics for portfolios valued at \$7 trillion and investment accounting services for \$115 billion
- BlackRock Solutions® offers independent risk management products

Total Assets of US\$1.43 Trillion

Financial Advisory	\$44 Billion
Alternatives and Real Estate	\$76 Billion
Asset Allocation / Balanced	\$146 Billion
Liquidity	\$345 Billion
Equity	\$291 Billion
Fixed Income	\$525 Billion

AUM Reflects Diversity of Business

US Institutional	28%
International Institutional	18%
US Retail	24%
International Retail	10%
Cash Management	20%

As of 30 June 2008

Global Perspective

Vast resources provide deep understanding of local markets and economies

- Over 5,700 employees in 19 countries, including more than 750 investment professionals
 - Headquarters in NYC, with investment centers in the US, UK, Europe, Asia, and Australia
 - Over 55 marketing and client-service offices plus regional wholesalers
- Clients located in over 60 countries

BlackRock operates efficiently in a highly regulated environment

Investment centers across asset classes located worldwide

Equity:

- Boston
- Edinburgh
- Hong Kong
- London
- Melbourne
- New York
- Philadelphia
- Princeton
- Tokyo

Fixed Income:

- Edinburgh
- Eindhoven
- London
- New York
- Princeton
- Sydney
- Tokyo

Real Estate:

- Boston
- Frankfurt
- Hong Kong
- London
- Melbourne
- New York
- Newport Beach
- Northern New Jersey
- Pittsburgh
- San Francisco
- Tokyo

Cash Management:

- London
- New York
- Princeton
- Wilmington

Alternatives:

- Boston
- Durham
- Hong Kong
- London
- New York
- Princeton
- Seattle

MANA:

- Boston
- Eindhoven
- London
- New York
- Tokyo
- Zurich

Diverse Products in Multiple Asset Classes and Styles

Total AUM: US\$1.43 Trillion

Fixed Income	
US Core/Core PLUS/Core Enhanced Index	129,542
Global/Regional/Non-Dollar	66,025
Intermediate	63,294
Long	49,965
Municipals	37,743
Short	32,722
Mortgages/CMBS	20,976
Structured Products	20,639
Managed Accounts	15,117
Corporates	14,625
LIBOR	14,613
Stable Value	13,140
Inflation-Linked	12,707
High Yield	11,476
Enhanced Income	10,165
Bank Loan	4,796
Emerging Markets	4,374
Absolute Return	1,614
Preferred	1,607

Liquidity	
Prime	213,878
Municipal	51,528
International	31,964
Government	29,714
Securities Lending	17,860

Multi-Asset Class Strategies	
Portable Alpha	Prepared Portfolios
Target and Relative Return	Global Tactical Asset Allocation
Liability Driven Investing	Strategic Asset Allocation
Fiduciary / CIO	
Outsourcing	Fund of Alternatives

Equity & Asset Allocation / Balanced	
Asset Allocation / Balanced	146,219
Index/Enhanced Index	68,444
Sector-Specific	57,836
US Large/Multi-Cap	54,531
UK	23,392
Global	14,302
Europe	12,309
Asia Pacific	12,018
Managed Accounts	10,274
EAFE/Non-US	9,540
Latin America	8,305
Emerging Markets	8,063
US Mid/SMID Cap	6,189
US Small Cap	5,862

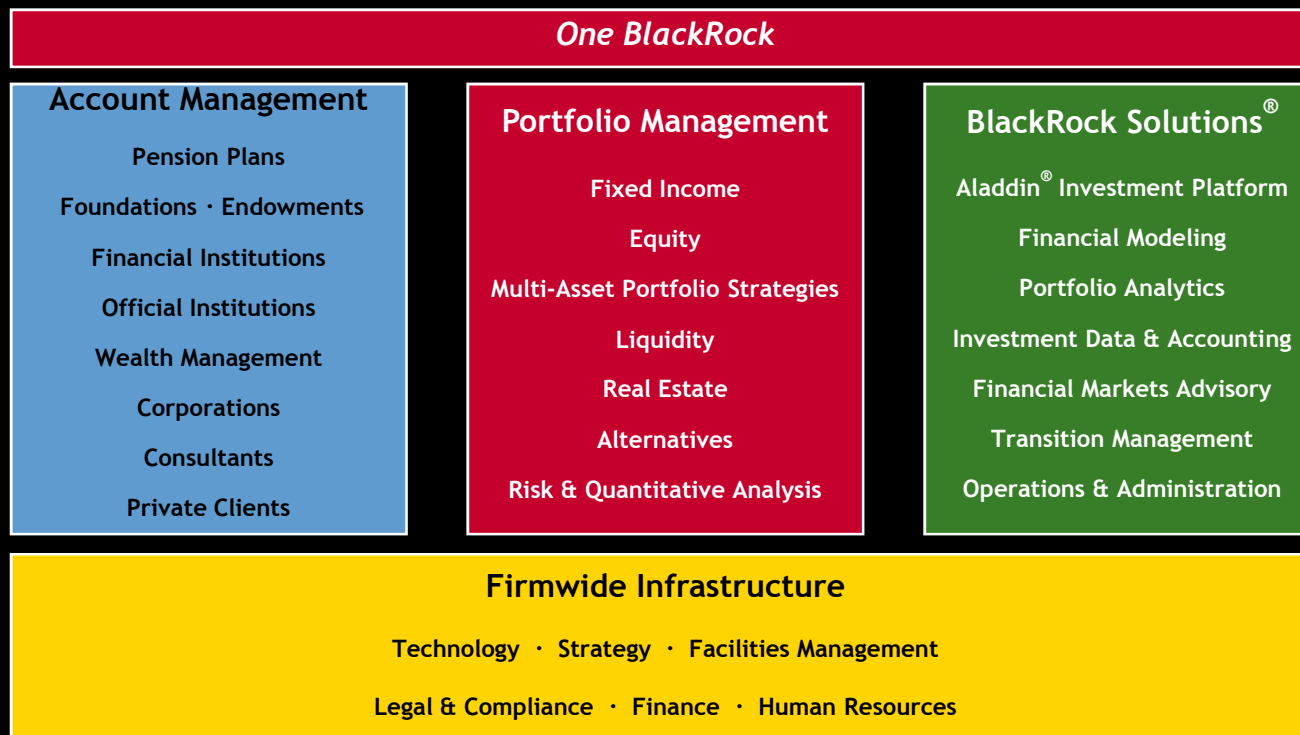
Alternatives & Real Estate
Private Equity & Debt: <i>Private Equity FoF, BlackRock Kelso Capital</i>
Hedge Fund of Funds: <i>Broadly Diversified Core, Focus, Custom</i>
Real Estate Equity: <i>Core, Core/Enhanced Core, Value-Added, UK Property, European Property, Australian Property</i>
Real Estate Debt: <i>Anthracite Capital (REIT), Carbon Capital I, II, and III, PNMAC</i>
Single-Strategy Hedge Funds: <i>Fixed Income, Distressed, Sector-Specific Equity, Region-Specific Equity</i>
Capital Markets: <i>Opportunistic Credit, Opportunistic Mortgage, Business Development Corporation, Structured Products</i>
Commodities: <i>Active Long-Only and Hedged, Passive/Futures-Based</i>

As of 30 June 2008; assets in US\$ millions

One BlackRock Organizational Structure

Clients benefit from pooled expertise of BlackRock's resources

- Ensures consistency on a global basis
- Tailors products and services to client objectives and to local needs
- Promotes teamwork
- Facilitates operational integrity and efficiency



“I wouldn’t start here if I were you...”

Scaling the Challenge: One BlackRock Philosophy

BlackRock’s Activity in SRI: why? and what?

A Complex Mix: need for training and case studies

Don’t forget Corporate Governance

External Assessment and Gap Analysis: A work in progress

Two Ways to do SRI

Two Schools exist:

- Old school- belief that 'SRI' is a discrete winning strategy, so use corporate behaviours as a strict screen
 - Performance case unproven, and can lead to competition to be 'best on social issues'
 - This is where most retail SRI AUM is eg Morley, Calvert, Henderson, Domini, etc
 - Skills gap-Requires NGO style researchers to move to talented PM behaviour
- Integrated School-broaden 'mainstream analysis' to include all pertinent factors according to importance
 - We (also Schroders, UBS, Capital) tend to this school, and 'fiduciary responsibility' does too
 - A more institutional and tailored approach
 - Skills gap-Requires talented PMs to recognise non financial issues in their research

Why SRI is Important

Societal change- pertinent factors are increasingly important to our clients even if 'pre-financial'

- Dutch Pension Fund CIO's embarrassed on Primetime TV re Landmines
- Hurricane Katrina and Al Gore drive Climate Change awareness. 2008 Campaign issue
- High energy prices align conservation and profit agendas
- Rise in Sharia-oriented wealth
- Generational shift in attitudes-war for talent in service industries
- Reputational impact of lawsuits from diversity issues
- Internet media permits 24/7 global whistle-blowing (and slander)
- UNEP / Freshfield Bruckhaus Deringer opinion on Fiduciary Responsibility in 7 jurisdictions supports institutional RI policies
- UNEP / Mercer Report suggests (at worst) no investment penalty from SRI policies

State / large 'civic' funds, eg CalPERS, NYC, Norges, AP, ABP, PGGM, USS do take seriously and are acting

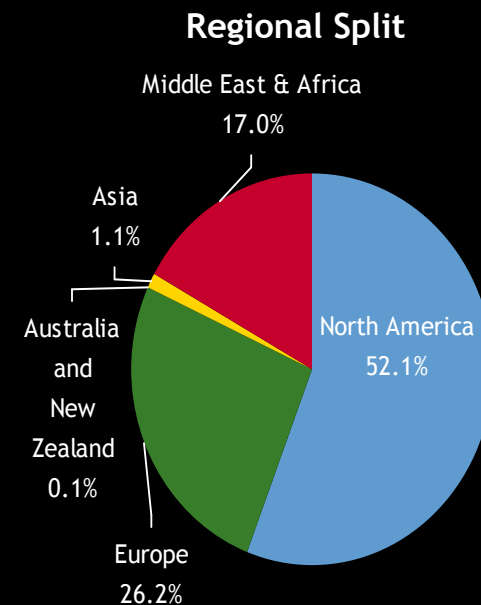
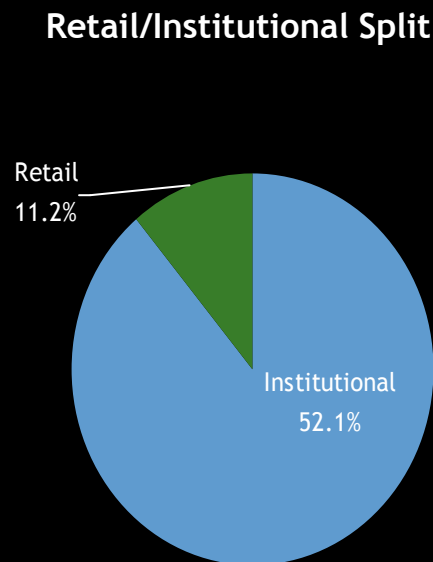
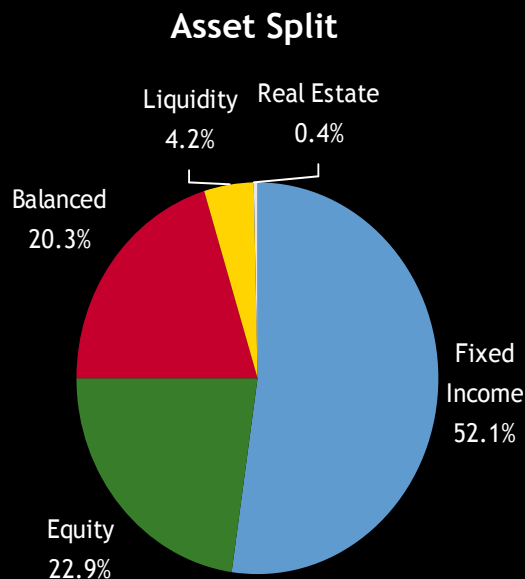
- Long term financial impact, shorter term political / reputational impact

Over \$110bn of BLK client assets have some form of SRI element, on a spectrum from simple exclusion to highly nuanced policy

BLK Aligns with Clients' Financial and Non-Financial interests

BlackRock's current SRI asset distribution

- BlackRock's primary SRI focus is for institutional investors, who hold segregated accounts that may be customised in order to meet specific ethical and social governance standards set by the investors themselves.
- BlackRock's current investment process for SRI funds is predominantly negative screening as an addition to the investment objectives (93% of funds are run in this manner), with only 7% run with a focused SRI approach. The majority of share screening for private investors is done on a stock specific approach.
- Aladdin's programmable abilities in this area have made it possible for BlackRock to use its own internal software when dealing with client-specific screening.



Source: Internal, Data at 30th March 2008

Top 20 Funds by AUM

Rank	FERI Fund Features - SRI	AUM \$m April 08	Rank	FERI Fund Sector - Equities Environmental/Ecological, Equities Renewable Energy/Climate Change, Equities Social/Solidarity	AUM \$m April 08
1	SAM Sustainable Water Fund	2,179	1	BlackRock Global Funds - New Energy Fund	6,980
2	AGF Valeurs Durables (C)	2,045	2	Pioneer Global Ecology	1,808
3	F&C Stewardship Growth	1,458	3	UBS(Lux) Equity Fund - Global Innovators	1,162
4	Fructifonds Valeurs Européennes	1,202	4	dit-Global Eco Trends	1,124
5	UBS(Lux) Equity Fund - Global Innovators	1,162	5	Pictet Funds (Lux) - Clean Energy	976
6	dit-Global Eco Trends	1,124	6	DWS Klimawandel	967
7	Natexis ISR Euro Moyen Terme (C)	1,026	7	DWS Invest New Resources	779
8	F&C Stewardship Income	741	8	Vontobel Fund-Global Trend New Power Tech	747
9	Natixis ISR Monétaire	660	9	ÖkoVision	651
10	ÖkoVision	651	10	Jupiter Ecology	641
11	Jupiter Ecology	641	11	Sarasin Investmentfonds New Power Fund	624
12	Dexia Sustainable European Balanced Medium	629	12	KBC ECO Fund Alternative Energy	583
13	Sarasin Investmentfonds New Power Fund	624	13	Sarasin New Energy Fund	552
14	KBC ECO Fund Alternative Energy	583	14	SAM Smart Energy Fund	524
15	Dexia Money Market Euro Sustainable	566	15	Impax Environmental Markets (Ireland) Fund	519
16	Fortis Money Prime Euro SRI (C)	554	16	Deka-UmweltInvest	463
17	Banco Etisk Sverige	552	17	Scottish Widows Environmental Investor	383
18	Sarasin New Energy Fund	552	18	Performance Environnement	365
19	SAM Smart Energy Fund	524	19	Insertion Emplois	323
20	Impax Environmental Markets (Ireland) Fund	519	20	Fortis Equity Environmental Sustainability World	309

Source: Feri. AUM data as at end April 2008

“I wouldn’t start here if I were you...”

Scaling the Challenge: One BlackRock Philosophy

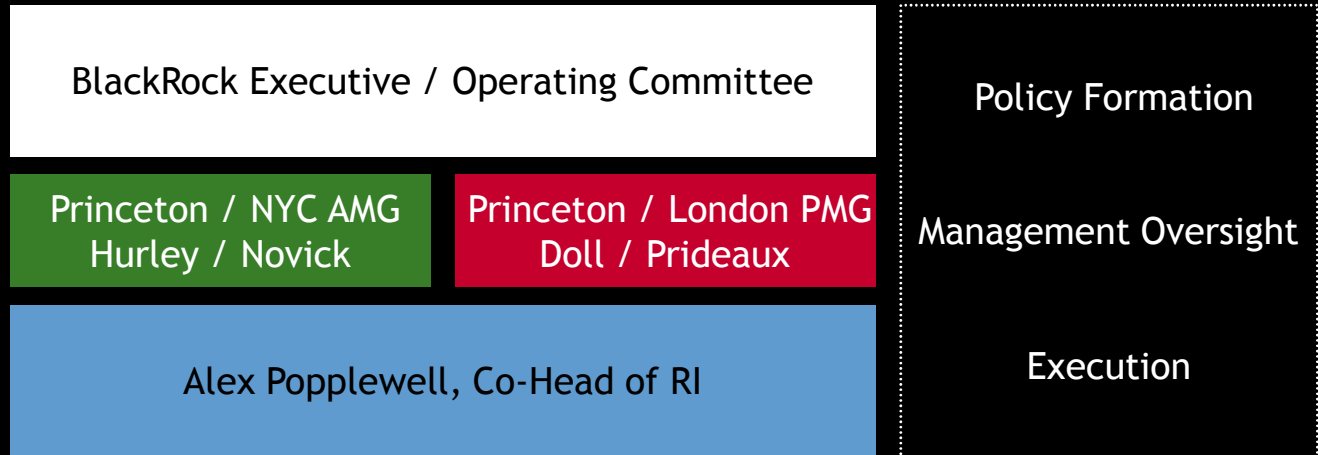
BlackRock’s Activity in SRI: why? and what?

A Complex Mix: need for training and case studies

Don’t forget Corporate Governance

External Assessment and Gap Analysis: A work in progress

SRI- Current Activity



USA
 NYC -Quant Eq
 -Corporate Bonds
 Princeton -Screened Eq
 Boston -Lge Cap US eq
 Nat Res incl Water
 Seattle -Alternatives / Forestry

London
 Sharia Eq
 UK Charities
 Nat Res inc New Energy Agriculture
 Real Estate

Edinburgh
 Global FI
Eindhoven
 Fiduciary Mandates

Asia / Australia
 Faith-Based
 Climate Change

A Complex Mix of Products / Clients / Geographies

Engaging Clients on SRI-Best Practice

Key Points

- SRI not a separate ‘advantaged’ strategy, so no need for a separate portfolio
- Part of our day to day analysis-so no separate Research Unit
- We can help with screening and monitoring using outside vendors and our own proprietary research, corporate access, and risk analytics

BUT

- The client has to determine the values
- Highly individual nuanced policies can then be used on a ‘scoring’ basis to compare portfolios against each other or benchmark, and to drive engagement/refinement with Trustees/members at client end, and with companies
- Exclusions may require adjustments to Benchmarks. Exclusions should be explicit-ie by company, rather than by industry/activity and reviewed regularly
- Some custom indices are available and helpful, eg Domini Social Indices, DJ Islamic series present us with a ‘pre-screened universe’

Examples of how SRI works...

Client A

- Dutch private sector fund
 - Stock exclusion list for landmine stocks
 - Monitoring and scoring on Environmental policy
 - Beginning to use BLK to vote

Client B

- Academic Institution
 - Pressure from Students to address issues of the day
 - Dialogue helpful

Client C

- Middle East Bank
 - White Label Equity investment fund with Sharia constraints
 - Use of Pre-Screened DJ Islamic Index

and how it doesn't...

Ex Client D

- UK Faith based Organisation
 - The 'usual' ethical restrictions but also-no newspapers or hotels.
 - Extensive and agonising debate failed to specify stocks adequately

Ex Client E

- Big 5 Accountancy Practice
 - Forbidden to invest pension fund in audit clients (34% of FTSE100)
 - Repeated efforts to structure custom portfolio/benchmarks failed

Client F

- US Trade Union
 - Not a UK Equity owner, but large US assets and a valued client
 - Attempted to use relationship to conduct dispute with a UK PLC's US operations

“I wouldn’t start here if I were you...”

Scaling the Challenge: One BlackRock Philosophy

BlackRock’s Activity in SRI: why? and what?

A Complex Mix: need for training and case studies

Don’t forget Corporate Governance

External Assessment and Gap Analysis: A work in progress

Corporate Governance - Our Philosophy & Approach

Corporate Governance issues have always been taken seriously

- Fiona Ellard, Director UK Equities, coordinates activities
- Believe good corporate governance creates a framework within which a company can be managed in the long-term interests of shareholders and support initiatives to raise standards

Flexible approach to accommodating clients' different requirements and approaches

- Will never impose any restrictions or vote shares without client's express agreement
- Subscribe to ISS / RREV voting and research services
- Work with other voting service providers or offer tailored voting services as appropriate

Our approach to engagement is from a shareholder value perspective

- Always act in our clients' best economic interests
- When evaluating companies for investment, we will consider their corporate governance policies alongside other factors that may affect their long-term prospects
- Starting point is to work with management to maximise returns for shareholders

“I wouldn’t start here if I were you...”

Scaling the Challenge: One BlackRock Philosophy

BlackRock’s Activity in SRI: why? and what?

A Complex Mix: need for training and case studies

Don’t forget Corporate Governance

External Assessment and Gap Analysis: A work in progress

External Assessment from RIMetrics-March 2008

Headline Asset Manager Rating 3*/5

Components

Strategy 4*/5

Engagement 2*/5

Integration 2*/5

Voting 4*/5

Transparency and Accountability 4*/5

5* on 3/16 factors

2* or less on 5/16

Failed to meet Industry Benchmark on 1/5 category, namely Engagement

Above benchmark on 9/16, below on 7/16

HEADLINE SCORE RELATIVE TO INDUSTRY BENCHMARK 1.0

ie exactly in line with benchmark, we acknowledge room for improvement

The Principles For Responsible Investment and BlackRock

1. We will incorporate ESG issues into investment analysis and decision-making processes.

Possible Actions:	<ul style="list-style-type: none"> • Address ESG issues in investment policy statements • Support development of ESG-related tools, metrics, and analyses • Assess the capabilities of internal investment managers to incorporate ESG issues • Assess the capabilities of external investment managers to incorporate ESG issues • Ask investment service providers (such as financial analysts, consultants, brokers, research firms, or rating companies) to integrate ESG factors into evolving research and analysis • Encourage academic and other research on this theme • Advocate ESG training for investment professionals
BlackRock Current Activity:	<ul style="list-style-type: none"> • Policy Statement -issues integrated insofar as they affect value • Encourage sell side to incorporate relevant non-financial factors-rewarded by Comm/Broker Voting • Use Vendor software to screen companies for particular RI issues to inform client policy making • Regularly review PhD theses on RI
Actions Taken/Development Needed:	<ul style="list-style-type: none"> • Policy Statement has been rewritten • Greater dissemination of examples from PMG

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

Possible Actions:	<ul style="list-style-type: none"> • Develop and disclose an active ownership policy consistent with the Principles • Exercise voting rights or monitor compliance with voting policy (if outsourced) • Develop an engagement capability (either directly or through outsourcing) • Participate in the development of policy, regulation, and standard setting (such as promoting and protecting shareholder rights) • File shareholder resolutions consistent with long-term ESG considerations • Engage with companies on ESG issues • Participate in collaborative engagement initiatives • Ask investment managers to undertake and report on ESG-related engagement
BlackRock Current Activity:	<ul style="list-style-type: none"> • Global corporate governance and proxy voting policies in place covering all the active ownership points, and we have an engagement capability- meet companies all the time • We are members of various existing collaborative bodies-IIGCC, EITI, Carbon Disclosure project.
Actions Taken/Development Needed:	<ul style="list-style-type: none"> • Greater understanding of existing policies-AMG Training now-Jan09 • Discussion of engagement culture across PMG regions and teams • Join INCR,IGCC to achieve global involvement in Climate Change-Done

The Principles For Responsible Investment and BlackRock

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Possible Actions:	<ul style="list-style-type: none"> • Ask for standardised reporting on ESG issues (using tools such as the Global Reporting Initiative) • Ask for ESG issues to be integrated within annual financial reports • Ask for information from companies regarding adoption of/adherence to relevant norms, standards, codes of conduct or international initiatives (such as the UN Global Compact) • Support shareholder initiatives and resolutions promoting ESG disclosure
BlackRock Current Activity:	<ul style="list-style-type: none"> • We engage with companies at present, and ask for disclosure to be more standardised • We do not necessarily support calls for more disclosure-it would depend on the nature of the shareholder initiative and our relationship with the investee company
Actions Taken/Development Needed:	<ul style="list-style-type: none"> • Incorporated requirement to encourage appropriate reporting into an enhanced Statement of Principles-Done

4. We will promote acceptance and implementation of the Principles within the investment industry.

Possible Actions:	<ul style="list-style-type: none"> • Include Principles-related requirements in requests for proposals (RFPs) • Align investment mandates, monitoring procedures, performance indicators and incentive structures accordingly (for example, ensure investment management processes reflect long-term time horizons when appropriate) • Communicate ESG expectations to investment service providers • Revisit relationships with service providers that fail to meet ESG expectations • Support the development of tools for benchmarking ESG integration • Support regulatory or policy developments that enable implementation of the Principles
BlackRock Current Activity:	<ul style="list-style-type: none"> • This is mostly for Asset Owners rather than Asset Managers • Collaborations we participate in such as IIGCC call for policy developments that enable implementation of the Principles-i.e. for climate change policy to be long term and consistent

5. We will work together to enhance our effectiveness in implementing the Principles

Possible Actions:	<ul style="list-style-type: none"> • Support/participate in networks and information platforms to share tools, pool resources, and make use of investor reporting as a source of learning. • Collectively address relevant emerging issues • Develop or support appropriate collaborative initiatives
BlackRock Current Activity:	<ul style="list-style-type: none"> • We participate in various collaborative efforts with other asset managers and asset owners-see above
Actions Taken/Development Needed:	<ul style="list-style-type: none"> • Join the INCR-Done • The UN provides a mechanism for dialogue with other PRI members which we will explore

The Principles For Responsible Investment and BlackRock

6. We will each report on our activities and progress towards implementing the Principles.

Possible Actions:

- Disclose how ESG issues are integrated within investment practices
- Disclose active ownership activities (voting, engagement, and/or policy dialogue)
- Disclose what is required from service providers in relation to the Principles
- Communicate with beneficiaries about ESG issues and the Principles
- Report on progress and/or achievements relating to the Principles using a 'Comply or Explain'¹ approach
- Seek to determine the impact of the Principles
- Make use of reporting to raise awareness among a broader group of stakeholders.

BlackRock Current Activity:

- We disclose our policy statements and our voting records via our website
- We report to clients quarterly-in the UK-and ad hoc as requested.

Actions Taken/Development Needed:

:

- Reporting via web, client reports across geographies and asset classes
- Set up web pages to link to UN PRI site covering how we implement the principles
- Use the PRI logo

¹ The Comply or Explain approach requires signatories to report on how they implement the Principles, or provide an explanation where they do not comply with them.

Signature-The End of the Beginning...



The following notes should be read in conjunction with the attached document:

1. Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Services Authority. Registered office: 33 King William Street, London, EC4R 9AS. Tel: 020 7743 3000. Registered in England No. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited.
2. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.
3. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.
4. This material is for distribution to Professional Customers (as defined by the FSA Rules) and should not be relied upon by any other persons.
5. Subject to the express requirements of any client-specific investment management agreement or provisions relating to the management of a fund, we will not provide notice of any changes to our personnel, structure, policies, process, objectives or, without limitation, any other matter contained in this document.
6. Unless otherwise specified, all information contained in this document is current as at **30/09/2008**.

THIS MATERIAL IS FOR DISTRIBUTION TO PROFESSIONAL CLIENTS AND SHOULD NOT BE RELIED UPON BY ANY OTHER PERSONS.