

BlackRock's Governance Views at the Society's National Conference

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One of the invaluable benefits of attending the national conference of the Society of Corporate Secretaries and Governance Professionals is the opportunity to hear from key stakeholders of public company corporate governance. As just one example, Michelle Edkins of BlackRock discussed “CEO Succession, Management Development and the Board.”

Michelle explained that BlackRock believes it has a responsibility to monitor boards of directors as part of its role in being guardians of their clients' assets. The governance team at BlackRock and their approach to proxy voting was recently profiled in the [New York Times](#), where proxy analysis was analogized to speed dating.

As a major institutional investor which votes about 12,000 proxies, Michelle indicated that they usually give boards the benefit of the doubt that they are appropriately exercising their oversight over management, and emphasized that requests to speak to directors are made “very sparingly” as there are only a small fragment of companies, generally those that are underperforming, which warrants such strong responses. Those conversations are arranged through the company and conducted when BlackRock is concerned that management would be reluctant to deliver its message to the board.

For the U.S. market, Michelle believes that a credible lead director can provide a sufficient counterbalance to a CEO who also acts as chairman of the board, particularly as lead directors are becoming much more than just titles. She noted that we should all “be careful about assuming there’s a silver bullet for any governance issue,” a message that companies can appreciate.

Echoing a theme that other institutional investors also remarked upon during the day, Michelle stated that lead directors should be willing and available to speak to shareholders. Boards should expect to be challenged by shareholders and “listen carefully” to all critical feedback, as shareholders focus on more than just governance compliance.

In response to an inquiry regarding proxy advisory firms, Michelle warned that if those advisers do not exist then voting participation will likely decrease, which may affect quorum. BlackRock uses advisory firm reports as one source of information toward building their own analysis, and appreciates how those firms distill thousands of proxy statements into one format, but anticipates that over time other investors will engage in more active participation similar to BlackRock.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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