

BlackRock Wants Equal Voting Rights but Opposes Exclusion from Indexes

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BlackRock has made clear that it [disagrees](#) with recent decisions by index providers to exclude companies based on governance issues. Although not mentioned by BlackRock specifically, this likely refers to actions by S&P and FTSE Russell to require some levels of public voting rights or the complete elimination of multi-class shares before companies can be included in certain of their indexes. We previously discussed those announcements [here](#).

BlackRock believes that these actions limit access to the universe of public companies for their index-based clients, depriving them of opportunities for returns. Policymakers should set corporate governance standards through regulation. Index providers should reflect the “investable marketplace” in diverse and expansive benchmark indices, in order to facilitate investors’ use of those indices and align them with the objectives of public equity investors.

At the same time, BlackRock indicates it is a “strong advocate” for equal voting rights. The investor wants companies with multi-class shares to seek shareholder approval of their capital structures on a periodic basis, potentially every 5 to 10 years, with the frequency based on a board’s view of a company’s business cycle and long-term value creation. The management proposal would allow a board to explain why a company’s current capital structure is best for the company, and shareholders can vote on whether to retain the structure or convert it to one share, one vote.

BlackRock also advocates for “equaliz[ing]” shareholder votes at companies with dual or multi-class capital structures on proxy decisions where the investor views that potential conflicts may arise, such as executive pay or related-party transactions.

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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