

BlackRock Focuses on Companies' Long-Term Strategic Frameworks

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When companies engage with BlackRock's corporate governance team, they may be asked about the company's "strategic framework for long-term value creation," according to [the letter](#) sent to 500 CEOs from Larry Fink, co-founder and CEO of BlackRock. The framework should focus on the future and provide perspective on how a company is navigating competition and innovation, adapting to technology and geopolitical events, and where it is investing and developing talents.

Companies are expected to explicitly affirm to shareholders that their boards have reviewed their strategic plans. Environmental, social and governmental (ESG) issues, which are integrated into BlackRock's investment framework, should also be recognized as central to companies' businesses, in light of increasing attention to those matters.

The letter is getting notice (see [NYTimes Dealbook article](#)) for urging companies to move away from providing quarterly EPS guidance, as BlackRock notes that "today's culture of quarterly earnings hysteria is totally contrary to the long-term approach we need," but the central theme of the letter is the need for long-term investors to understand companies' future plans.

Without that, BlackRock warns that companies expose themselves to activists that focus on near-term profits. In fact, when activists manage to articulate better long-term strategies than management, BlackRock's corporate governance teams will support them. During the 2015 proxy season, in the 18 largest U.S. proxy contests, BlackRock voted with activists 39% of the time.

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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