

A Look at BlackRock's Engagement Activity

April 27, 2016 | Client Update | 2-minute read

We are in the busiest annual meeting week of the year, with 350 meetings expected to take place during this week alone, making it the appropriate time to examine how investors view voting and engagement.

BlackRock [reported](#) that it conducted 126 engagements in the first quarter of 2016 with issuers in the Americas region (U.S., Canada and Latin America), focused on corporate strategy, board composition and skills, executive compensation, bylaw amendments, as well as issues related to capital structure, executive succession planning and sustainability reporting. The first quarter tends to have lower meeting volume, and BlackRock voted at only 379 meetings in the U.S., making decisions on 3,015 proposals. At 19% of meetings, the investor voted against one or more management recommendations.

BlackRock provided examples of the types of engagement that it has conducted, which is impressive in its scope. With a large global retailer that previously faced allegations of bribery, BlackRock discussed the company's revised compliance systems and whistle-blower programs, since it had voted against certain directors in the last few years. The investor talked to a small-cap financial institution about its operations, recent acquisitions and approach to capital allocation. It also engaged with a global insurance company that was facing pressure from activist shareholders urging the company to break up, about the company's own plans to exit businesses and reduce expenses. In another situation, BlackRock discussed product safety with a tire manufacturer.

BlackRock's conversations also focused on more traditional governance issues regarding board refreshment and guidelines for tenure, the need for a decent length of service of lead independent chairman and committee chairmen, adequate time commitments for directors as well as problematic areas in executive compensation. CEO succession planning was a target of discussions in several of the engagements mentioned. In addition, sustainability reporting is becoming increasingly important as BlackRock cited to an engagement example with an electric power company about the company's environment-focused strategies, including goals to reduce carbon emissions, due to concerns about whether the company could change its strategy as necessary if regulatory or other developments meant that the company must accelerate its adaptation to a low-carbon economy.

For a broader overview, consider [the period](#) from April 1, 2015 to March 31, 2016. During that time in the Americas, BlackRock voted at 6,099 meetings on 47,757 proposals and conducted 692 engagements. It voted against a management recommendation at 40% of the meetings. While 70% of meetings occurred during the second quarter of 2015, only 40% of the discussions happened then, indicating that engagement is a year-round activity. Approximately 10% of engagements are deemed to be intensive.

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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