

## What You Should Know About BlackRock's Updated Voting Guidelines

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BlackRock updated its [proxy voting guidelines](#), and some of the key highlights since its last update include:

**Two women on boards.** In its discussion of the importance of boards comprising a diverse selection of individuals bringing to bear a range of experiences and competing views and opinions, BlackRock emphasized that in addition to other elements of diversity, the investor would “normally expect to see at least two women directors on every board.”

**Overboarding limits.** BlackRock's views that outside directors should only sit on four boards have long been more restrictive than the proxy advisors. Now BlackRock also indicates that CEOs should just serve on one other board besides their own (for a total of two boards).

**Input on dual-class companies.** BlackRock believes that companies with dual or multiple class structures should review them regularly or as company circumstances change, and “receive shareholder approval of their capital structure on a periodic basis via a management proposal.”

**Expanded clawback.** In addition to favoring clawback for financial reporting or deceptive business practices, regardless of fault, BlackRock also believes that recoupment should be sought from any senior executive whose behavior caused direct financial harm to shareholders, reputational risk to the company or resulted in a criminal investigation.

**Engagement on E&S issues.** In considering whether to support shareholder proposals on E&S issues, BlackRock will assess the nature of their engagement on the issue over time. The investor will also consider the steps the company has already taken, or whether the company is in the process of implementing a response, as well as the possible material economic disadvantage to the company in the near-term if the issue is not addressed.

**Impact of climate risk.** BlackRock cites to the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) sector-specific disclosure standards for reporting on climate-related risks and opportunities. The investor wants companies to explain how their business may be impacted by climate change and convey their “governance around this issue.” For companies in sectors that are “significantly exposed,” the entire board is expected to have “demonstrable fluency in how climate risk affects the business, and how management approaches adapting to, and mitigating that risk.” On shareholder proposals, BlackRock will consider their engagements over time on the issue with the company and board members.

**Flexibility on board leadership structure.** BlackRock continues to support the designation of a lead independent director as sufficient when a company has a combined chair/CEO, so long as the lead independent director has the term of at least one year and responsibilities for providing input on agendas, call meetings of the independent directors and presides at meetings of independent directors. The guidelines now include a chart with examples how the different structures impact the leadership responsibilities with respect to board meetings, agendas and board communications.

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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