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BlackRock Continues Expansion of Voting Choice to Retail Investors

Last week, BlackRock confirmed the [expansion](#) of its Voting Choice program to allow U.S. retail accounts invested in its largest exchange traded fund—iShares Core S&P 500 ETF (IVV)—to select from six third-party voting policies offered by Institutional Shareholder Services (ISS) and Glass Lewis, in addition to the option to continue to vote according to the BlackRock Investment Stewardship policy.

As noted in our previous [memo](#), other institutional investors, including State Street and Vanguard, have also introduced similar pass-through voting programs. The growth of pass-through voting is in part a response to ongoing concerns that the largest institutional investors have wielded disproportionate influence through their proxy voting power over their significant (and growing) passive assets. Institutional investors are also facing unprecedented political headwinds and their stewardship investment policies, in particular, have attracted fierce scrutiny and criticism from all sides. The latest changes also come as shareholder proposal voting patterns suggest growing divisions between the largest U.S. institutional investors and smaller and European asset managers and activist and impact-oriented investors. Other parties are also seeking to [commercialize](#) the votes of the retail base, which often fails to vote at shareholder meetings.

BlackRock's Voting Choice program allows investors to select from up to fourteen ISS and Glass Lewis voting policies, including policies focused on sustainability, corporate governance and socially responsible investing as well as policies serving faith-based investors and pension fund fiduciaries. Based on BlackRock's [analysis](#) from the 2022 proxy season, several of these policies diverged significantly from the BlackRock Investment Stewardship policy with respect to recommendations on board nominees, equity pay plans and shareholder proposals. For example, ISS's Benchmark Policy recommended against management on governance shareholder proposals and environmental and social shareholder proposals 76% and 52% of the time at S&P 500 companies whereas BlackRock did so 6% and 16% of the time, respectively. Similarly, Glass Lewis's Benchmark Policy recommended against management on governance shareholder proposals and environmental and social shareholder proposals 62% and 38% of the time.

While Voting Choice and other similar pass-through voting programs will likely increase the influence of proxy advisor recommendations over time, the full

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impact of these changes will be contingent on how many investors opt into these programs and which proxy advisory policies they select. As of year-end 2023, \$847 billion out of the \$2.6 trillion assets eligible to participate in BlackRock's Voting Choice program were exercising or had committed to Voting Choice.

As pass-through voting continues to expand, companies will need to be prepared for changes in voting patterns and would be well advised to monitor evolving ISS and Glass Lewis guidance and tailor outreach and engagement in a manner that resonates with their voting shareholder base.

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