July 18, 2023

BlackRock Joins State Street and Vanguard in Further Expanding Voting Choice

Earlier this week, BlackRock announced that it intends to expand its voting choice program to iShares Core S&P 500 ETF (IVV), its largest exchange-traded fund with over $300 billion in assets under management. If approved by the iShares Board, over three million shareholder accounts, including those held by retail investors, will be able to select from a range of third-party voting policies, including the 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. Eligible investors will need to opt into the voting choice program by selecting from predefined policy options. Investors who do not opt in or who are not eligible will continue to have BlackRock Investment Stewardship vote their shares.

BlackRock's latest announcement reflects ongoing efforts by the largest asset managers to hand greater voting control to their investors. These voting choice programs respond to criticism that the largest asset managers wield disproportionate influence over the public markets through proxy voting. Since 2022, BlackRock has permitted certain institutional clients in the U.S., U.K., Ireland and Canada to participate in its voting choice program. State Street and Vanguard, which have also introduced voting choice programs recently, have similarly expanded their programs this year to provide institutional and retail investors in the United States with greater voting flexibility over their investments in equity index funds, exchange-traded funds and mutual funds. Like BlackRock, State Street and Vanguard require eligible investors to opt into voting choice programs and select from a predefined list of voting options. Investors are currently unable to tailor their votes to individual companies.

While the expansion of voting choice will continue to loosen the proxy voting influence wielded by the largest asset managers, the extent to which such influence is passed through to investors remains dependent on several factors, including the number of investors participating in voting choice and the range of voting options being offered. According to BlackRock, as of Q1 2023, approximately 12% of its total index equity assets are currently exercising voting choice, a number which is set to grow. The range of voting alternatives currently available to investors largely feature policies provided by ISS and/or Glass Lewis, although both proxy advisory services have continued to release new voting policies, such as ISS's Board-Aligned Policy issued last year. Consequently, companies assessing the impact of voting choice expansion may be well advised to take in close consideration the composition of their investor base and the evolving guidance and policies of ISS and Glass Lewis.

Elina Tetelbaum
Carmen X. W. Lu