

BLACKROCK TO EXPAND CLIENTS' PROXY VOTING CHOICES



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Overview

Last week BlackRock sent their clients a letter detailing the firm's plan to expand proxy voting choices for certain clients.¹ Beginning in 2022, BlackRock is taking the first in what it called "a series of steps to expand the opportunity for clients to participate in proxy voting decisions."² The new voting options will "first be available to institutional clients invested in index strategies... [accounting for] approximately 40% of the \$4.8 trillion index equity assets" BlackRock manages.³

This is a welcome development because it furthers empowers shareholders to get involved in important proxy voting decisions and is consistent with asset managers' desire to be more transparent about their proxy voting processes. BlackRock instituted this new practice to be responsiveness to its clients' requests. BlackRock noted that more of its clients have expressed interest in "having a say in how their index holdings are voted."⁴ At the same time, many clients expressed a desire BlackRock to continue voting on their behalf.⁵ To that end, BlackRock is offering multiple voting options.

Voting Options

Starting in 2022, BlackRock will provide certain clients with the four (4) proxy voting choices. They can:

1. Vote their own proxies according to their own policies and transmit their votes using their own voting infrastructure
2. Cast votes according to a pre-selected third-party (e.g. ISS or Glass Lewis) proxy voting policy using BlackRock's voting infrastructure
3. Direct votes on individual resolutions or companies/meetings using BlackRock's voting infrastructure
4. Have BlackRock vote proxies on their behalf (using BlackRock's voting policy and infrastructure).

Conclusion

The full impact of BlackRock's expansion of proxy voting choice for issuers is currently unknown because it is unclear how many of their clients will avail themselves of BlackRock's offer. Some have speculated that BlackRock's relinquishing of voting authority to underlying holders will result in greater opposition to management recommendations, however, BlackRock

¹ Working to expand proxy voting choice for our clients, <https://www.blackrock.com/corporate/about-us/investment-stewardship/proxy-voting-choice>

² Id.

³ Id.

⁴ Id.

⁵ Id.

used its vast voting authority in a more impactful way last year, and so it is too early to draw that conclusion.⁶

Our advice to issuers is to continue to engage with BlackRock both during the off-season and the solicitation period because their voting authority will still be substantial and their status as a thought leader in ESG and compensation will remain unchanged. We recommend issuers ask BlackRock during those engagements how this change will impact BlackRock's voting authority for their company.

This is an important development to monitor for the 2022 proxy season and one that Alliance will keep a close eye on in the coming months. As BlackRock indicated this is the first in a "series of steps," we expect to see this initiative develop further and potentially include retail holders in the future. Over the past few years, many institutional investors have followed paths that BlackRock blazed on ESG and compensation issues, so it will also be interesting to see if other institutional investors deploy more client-centric voting choices in the near future.

Continue to check back for further developments on this and other corporate governance, ESG, and proxy voting matters, and contact us today if you would like to examine how this change will impact your company.

⁶ BlackRock Investment Stewardship A look into the 2020-2021 proxy voting year, <https://www.blackrock.com/corporate/literature/publication/2021-voting-spotlight-full-report.pdf>
BIS voted against 1,554 directors at 975 companies for board gender diversity-related reasons; 255 directors and against

319 companies for climate-related concerns; supported 35% of shareholder proposals (297 out of 843), compared to 17% (155 out of 889) the previous year; and supported 47% of E&S shareholder proposals (81 of 172).