

**BlackRock**

# Voting Choice FAQs

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## Voting Choice General Overview

### 1. What is BlackRock Voting Choice?

BlackRock believes that greater choice should extend to shareholder proxy voting and is committed to a future where every investor can participate in the proxy voting process. BlackRock Voting Choice [sometimes known as pass-through voting] provides eligible clients with more opportunities to participate in the proxy voting process where legally and operationally viable. BlackRock Voting Choice aims to make proxy voting easier and more accessible for eligible clients.

### 2. Can institutional clients vote any way they want to?

Eligible institutional clients with Separately Managed Accounts (SMAs) may choose whether to vote themselves or authorize someone else, such as their asset manager to vote assets on their behalf. For institutional clients invested in pooled investment funds in scope for Voting Choice, BlackRock has made available a variety of off-the-shelf voting policies provided by third-party proxy voting service providers as well as a mechanism for implementing a client's own voting policy, for the client's pro-rata portion of the shares held by the relevant institutional pooled fund. Consistent with BlackRock's duties as a fiduciary to the pooled fund and the investors in the fund, BlackRock vets all proxy voting policies to ensure their use is consistent with its fiduciary responsibilities and meet applicable regulatory requirements.

Eligible clients can choose one of four options:<sup>1</sup>

#### 1. Clients choose and implement their preferred voting policy

Clients in certain institutional pooled vehicles have the ability to apply their preferred voting policy to shares in the pooled fund reflecting the client's proportional ownership of that fund. Clients either develop their own processes and policies to be implemented by an in-house team or contract directly with a third-party proxy advisor to develop and implement a custom policy<sup>2</sup>. The preferred voting policy, whether designed in-house by the client or a third-party, can be applied in a consistent way across a broader share of their overall portfolio allocation, using the client's preferred proxy voting service provider and allowing the client to exercise a high degree of control over the decision-making process and the voting implementation.

#### 2. Clients take a hybrid approach to voting

Clients in separately managed accounts (SMAs) who have authorized BlackRock to vote in accordance with BlackRock Investment Stewardship's voting policy or a third-party voting policy offered through Voting Choice have the ability to make specific voting decisions on the topics or at the companies that matter most to them. The ability to take a hybrid approach to voting is not available to clients in institutional pooled vehicles.

#### 3. Clients choose from a slate of third-party policies

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<sup>1</sup> Institutional SMA clients have the opportunity to vote eligible proxies for the companies in which they are invested. Investors in eligible institutional pooled vehicles will have the opportunity to direct voting on eligible proxies in eligible markets for companies held by the pooled vehicle. BlackRock will determine eligibility criteria under this program based upon, among other things, local market regulation and practice, cost considerations, operational risk and/or complexity, and financial considerations, including the decision to lend securities. Voting policies shall be consistent with applicable fiduciary standards.

<sup>2</sup> Client policies must seek voting outcomes consistent with the economic interests of the relevant pooled fund.

Clients in eligible institutional pooled vehicles and SMAs have the ability to select from a set of voting policies from third-party proxy advisers the policy that best aligns with their views and preferences. BlackRock can then use its proxy voting infrastructure to cast votes based on the client's selected voting policy.

#### **4. Clients rely on BlackRock's informed judgment for all voting decisions**

Clients have the choice to rely on BlackRock Investment Stewardship for all of their voting decisions. Electing to rely on BlackRock to exercise voting authority is itself a choice and a deliberate decision by the client to entrust BlackRock Investment Stewardship to vote in the client's economic interests.

#### **3. Are other asset managers or proxy advisors expected to provide similar services or offerings? How do you anticipate the industry landscape to change?**

BlackRock is committed to offering choice in investment products, portfolio construction, and data and analytics to help clients meet their investment objectives. We believe this can and should extend to proxy voting. We are doing this through Voting Choice, which gives clients in certain eligible institutional pooled vehicles the ability to participate more directly in the proxy voting process. Our aspiration is for every investor to have easy and efficient options to participate in this process if they choose.

We are pleased to see other firms in the industry also taking steps to increase proxy voting options for investors. We urge others to look for ways to help investors of all types have more of a voice in the proxy voting process.

Launched in January 2022, BlackRock Voting Choice is an industry first, proprietary offering giving more clients the option to participate more directly in proxy voting where legally and operationally viable. Voting Choice makes proxy voting easier and more accessible for eligible clients, including public and corporate pension funds serving more than 60 million people globally<sup>3</sup>. It also offers eligible clients more options to apply their voting preferences to their pro-rata share of the funds in which they are invested, including applying their own voting policies or selecting a third-party voting policy offered through BlackRock Voting Choice. Clients with SMAs can also now select from a menu of third-party voting policies.

### **Voting Choice In-Scope Investment Products**

#### **4. What BlackRock products are in scope for Voting Choice?**

Voting Choice is currently available for institutional clients invested in certain institutional pooled funds in the U.S., UK, Ireland, and Canada that utilize equity index investment strategies, as well as clients in certain institutional pooled funds in the U.S., UK and Canada that use systematic active equity (SAE) strategies. Currently, this includes over 650 pooled investment funds, including equity index funds and SAE investment funds. In addition, institutional clients in separately managed accounts continue to be eligible for BlackRock Voting Choice regardless of their investment strategies.

In general, registered funds, including '40 Act funds in the U.S. and retail funds in the UK and Europe are not eligible for Voting Choice today. Offering Voting Choice more widely to individual investors will take the combined efforts of policymakers, fund boards, asset managers, and other participants in the proxy voting

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<sup>3</sup> Source: BlackRock. As of June 2023. Over 60 million people globally directly or indirectly invest in retirement assets eligible for Voting Choice.

ecosystem. It is early days for this work, and we see this as an opportunity for joint exploration among participants across the investing ecosystem<sup>4</sup>.

Read more about BlackRock Voting Choice on our website here <https://www.blackrock.com/corporate/about-us/investment-stewardship/blackrock-voting-choice>

## **Selection and Application of Voting Choice Policies**

### **5. How does BlackRock determine if a client or third-party policy is appropriate for inclusion in BlackRock Voting Choice for pooled funds, and how are the issues resolved when a policy's voting recommendations could be seen as conflicting with acting in the interest of the fund?**

As a fiduciary to its pooled funds, BlackRock must ensure that votes exercised for the pooled funds that it manages are cast in a pooled fund's interest and in accordance with policies and procedures that are prudently designed to meet legal and regulatory requirements applicable to the pooled funds. As such, we review and approve all client and third-party proxy voting policies prior to their availability for use for Voting Choice to ensure they are consistent with applicable fiduciary standards and pooled fund investment objectives and policies.

As an example, if a client writes into policy that they would vote against all mergers and acquisitions, we could question whether the client's policy requires consideration of material facts and circumstances specific to each voting decision, and if it is not, whether such a policy follows a fiduciary process that leads to votes that consider acting in the interests of the fund.

## **Voting Choice Operations and Procedures**

### **6. What contractual steps are required for clients to participate in Voting Choice?**

The process for participating in Voting Choice depends on the type of product and Voting Choice option the client selects. For clients invested in certain EMEA pooled funds in scope for Voting Choice, they will be required to complete a Voting Choice application form. The onboarding process generally takes no more than two weeks once the existing contract is amended, or the Voting Choice application form is complete.

In addition to amending their investment management agreement or entering into an agreement or Voting Choice application form with BlackRock, clients choosing Voting Choice Option 1 and wishing to exercise control over their voting by utilizing their own proxy voting policy are generally expected to contract directly with their selected proxy voting vendor to vote in accordance with their proxy voting policy.

## **Voting Choice and Corporate Issuers and Advisors**

### **7. Do you disclose names of Voting Choice clients?**

To protect clients' confidentiality, BlackRock does not disclose names of clients publicly without the consent of clients, including Voting Choice clients.

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<sup>4</sup> BlackRock recently announced plans to expand its Voting Choice program to its largest ETF. This expansion of BlackRock Voting is expected to be in effect for the 2024 proxy voting season. BlackRock will use this pilot as an opportunity to evaluate investor interest, the necessary proxy voting infrastructure and overall user experience to evaluate further expansion of the program.

## **8. Does BlackRock offer the opportunity for issuers to engage or communicate with institutional clients participating in Voting Choice?**

BlackRock's SMA clients who currently vote their holdings themselves have the opportunity to engage with corporates directly.

For pooled funds in scope for Voting Choice, it is important to remember that the pooled funds continue to be owners of the assets in the pooled funds. By selecting voting policies (whether utilizing their own or selecting a third-party policy), Voting Choice clients are determining how their pro-rata share of a pooled fund's votes are cast. Voting outcomes are then determined by the applicable proxy voting policy. Voting Choice clients may, or may not, seek to engage with issuers themselves. Additionally, issuers may reach out to third-party proxy voting service providers if they wish to engage on voting outcomes related to these policies, which are available publicly.

BlackRock also encourages issuers to provide sufficiently comprehensive disclosures so that investors can make better informed decisions, without direct dialogue, about a company's performance, corporate governance, and related matters that may factor into the shareholder voting process.

## **9. Can Voting Choice clients attend shareholder meetings?**

Voting Choice does not change ownership of shares held by institutional pooled funds – these pooled funds continue to be the owners of the shares they hold. Rights to attend an annual general or extraordinary general meeting are dictated by issuers and the regulations that apply to them, and are generally restricted to owners of the shares, which continue to be the institutional pooled funds.

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