BlackRock

Voting Choice FAQ

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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. BlackRock Voting Choice is a proprietary offering leveraging technology and innovation that provides our eligible institutional clients with more opportunities to participate in proxy voting where legally and operationally viable. BlackRock Voting Choice aims to make proxy voting easier and more accessible for eligible clients. BlackRock is committed to a future where every investor can participate in the shareholder voting process.

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 through Voting Choice a variety of off-the-shelf voting policies provided by third-party proxy voting 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 pooled fund. Consistent with its 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 fiduciary responsibilities and meet applicable regulatory requirements.

Eligible clients can choose one of four options:

1. Clients exercise control over voting: This option gives institutional clients in certain institutional pooled vehicles the ability to apply their own custom proxy voting policy in a consistent way across a broader share of their overall portfolio allocation, and to exercise a high degree of control over the decision-making process and the voting implementation. Clients would 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. Either way, the client bears the cost.

2. Clients take a hybrid approach to voting: This option gives clients in SMAs who have authorized BlackRock to vote in accordance with its own policy or a third-party policy offered through Voting Choice 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 institutional clients in pooled vehicles.

3. Clients choose from a slate of third-party policies: This option gives institutional clients in both SMAs and certain pooled vehicles the ability to vote in accordance with an off-the-shelf voting policy from third-party proxy advisers, choosing the policy that best aligns with their views and preferences.

4. Clients rely on BlackRock’s informed judgment for all voting decisions: This option gives institutional clients the choice to rely on BlackRock 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 (“BIS”) to vote in the client’s long-term economic interests.

1 Institutional SMA clients have the opportunity to vote eligible proxies for the companies in which they are invested. Investors in eligible pooled funds will have the opportunity to direct voting on eligible proxies in eligible markets for companies held by the funds. 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.
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 eligible institutional clients the ability to participate more directly in proxy voting. Our aspiration for the future is for every investor to have easy and efficient options to participate in proxy voting 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.

BlackRock Voting Choice represents the broadest program on the market, available to nearly half of our index equity assets under management. 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. Clients with SMAs can also now select from a menu of a third-party voting policies.

**Voting Choice In-Scope Investment Products**

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

Voting Choice is available for institutional clients invested in certain institutional pooled funds in the U.S., U.K., Ireland, and Canada that utilize equity index investment strategies, as well as clients in certain institutional pooled funds in the U.S., U.K. 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 U.K. 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 system. It is early days for this work, and we see this as an opportunity for joint exploration among participants across the investing ecosystem.


**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?

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2 BlackRock has agreed with Proxymity, a digital investor communications platform, to work together on building a solution that aims to offer pass-through technology to enable investors to exercise choice in how their portion of eligible shareholder votes are cast for the upcoming 2023 proxy voting season. BlackRock and Proxymity will share further details on the collaborative efforts in the coming months.
As a fiduciary to its pooled funds, BlackRock must ensure that votes exercised for pooled funds that it manages are cast in accordance with policies and procedures that are acting in a pooled fund’s interests and 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, if applicable, pooled fund investment objectives. BlackRock has developed a robust process for review of client and third-party proxy voting policies. All proposed policies are reviewed by BlackRock Investment Stewardship (BIS) to confirm that the appropriate fiduciary standards are met. Should the BIS team have concerns that any aspect of a proposed policy could result in voting outcomes that might conflict with acting in the interests of a fund, the issue will be escalated internally, and potential outcomes include not authorizing a policy for Voting Choice.

As an example, if a client writes into policy that they would vote against all mergers and acquisition, 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?**

Clients participating in Voting Choice will need to agree to contractual language with BlackRock depending on which of the options they choose. For clients invested in certain EMEA pooled funds in scope for Voting Choice, they will be required to complete a new application form. The onboarding process generally takes no more than two weeks once the existing contract is amended, or the application form is complete.

In addition to amending their investment management agreement or entering into an agreement 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.

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 in 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 policy 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 well informed decisions, without direct dialogue, about a company’s performance, corporate governance, and related matters that may factor into 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 AGM or an EGM 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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