Blogs
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Pass-Through Voting: Top 5 Things to Be Thinking About Now

Earlier this year, BlackRock **announced** that it has expanded its Voting Choice program (pass-through voting) to BlackRock clients representing nearly half (47%) of its index equity assets globally, and that it plans to expand that program to all individual investors in its index funds. Now might be the time to start thinking about pass-through voting and how it might affect your next proxy season.

First, what is pass-through voting? Pass-through voting gives investors the opportunity to vote the shares they hold through index and other passively managed funds in companies' annual and special meetings.

BlackRock has implemented Voting Choice to enable their institutional clients to participate in the voting process and exercise more control over the companies in which they invest. BlackRock offers clients multiple options with varying degrees of involvement, from BlackRock doing it all to the client doing it all.

As this concept begins to gain steam, here are five things to consider in advance of the upcoming proxy season:

1. **Other large investors may start offering pass-through voting, too.** It seems likely this concept will be introduced at BlackRock's largest competitors, such as State Street and others, in the near term. Initial numbers show BlackRock investors are taking advantage of having the option to vote shares, and those other large investors may be forced to keep up with BlackRock's offerings. Indeed, BlackRock has even stated its concept "offers a replicable model that other asset managers can draw on."
2. **Solicitations could become more challenging and costly.** Depending on the size of BlackRock's holdings in your company, you could see an increased workload (and cost) related to investor engagements and solicitations. If a large number of BlackRock investors decide they want a say in casting their vote, you may have to engage with more investors individually.

   Additionally, be prepared to continue to engage with BlackRock directly—BlackRock has said it will continue to engage with companies on a broad range of issues throughout the year. You should also be prepared to receive shareholder votes later in the proxy season than usual as less sophisticated investors tend to vote later.
3. **Proxy advisors may become even more influential.** We are likely to see an increase in the influence of proxy advisory firms. One of the options BlackRock provides investors is for the investor to align its votes with an off-the-shelf voting policy from a third-party proxy advisory firm. BlackRock has disclosed this is the most popular of its four Voting Choice options.
4. **Growth in Europe is strong.** While pass-through voting may be implemented more slowly in the United States, the concept is quickly expanding across the pond. In Europe and the U.K., 80% of BlackRock's index equity assets are eligible for Voting Choice. Additionally, companies are continuing to develop the infrastructure necessary to further implement pass-through voting.
5. **Legislation could hasten adoption by investors.** Pay attention to the midterm elections. The Investor Democracy is Expected Act (INDEX Act) is a bill that was introduced in May 2022 by a group of Republican senators. It would require index managers of passive funds that hold more than 1% of a company's shares to collect individual investor voting instructions and vote according to investor wishes. If Republicans regain a majority in the Senate after the midterms, the INDEX Act could start advancing through the legislative process.

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