

The Emergence of Pass-Through Voting and its Implications for Shareholder Stewardship

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Abstract: Pass-through voting is emerging as an important feature of the investor stewardship ecosystem following the recent introduction of voting choice programmes by major US index managers. By enabling fund investors (asset owners) to strengthen control over shareholder voting decisions traditionally delegated to asset managers, pass-through voting enhances alignment between voting outcomes and the stewardship views and preferences of asset owners. While promising profound changes to corporate governance and stewardship practices, pass-through voting has generated mixed responses. Key concerns expressed by some asset managers and issuers include reduced complementarities between ownership, voting, and engagement; poorly informed voting; increased complexity in communications with investors; and, most substantially, greater reliance on the voting recommendations of proxy advisory firms, which has already generated much debate even in the absence of pass-through voting.

Pass-through voting has long been considered and practiced in the United Kingdom, with some UK asset managers offering it to select institutional clients, albeit without much publicity. This makes UK practices an excellent lens through which to examine the implications of the growing importance of pass-through voting. Additionally, understanding institutional investor motivations in adopting pass-through voting gives insight on attitudes to developments like mirror voting. We develop a structured framework and use evidence from interviews with key participants in the UK institutional market to assess the implications of pass-through voting for shareholder stewardship. The picture that emerges is nuanced, showing that while pass-through

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voting creates risks for stewardship, it can also be beneficial. Benefits are most likely to arise under three conditions: when asset managers have a client base with strongly divergent preferences on stewardship topics; when stewardship, including the integration of voting and engagement, are not central to the asset manager’s investment proposition, leading to low costs of separating voting and engagement; and when the practice is adopted by asset owners selectively and responsibly, with appropriate oversight.

JEL Classification: G23, G32, G34, G35, K22, M12

Keywords: corporate governance; investor stewardship; institutional investors; environmental, social, and governance (ESG); shareholder voting; shareholder engagement

| | |
|---|----|
| 1. Introduction..... | 3 |
| 2. The Emergence of Pass-Through Voting..... | 9 |
| 3. Data and Methodology | 14 |
| 4. Pass-Through Voting and Investor Stewardship: A Model..... | 16 |
| 4.1. The Theoretical Framework | 17 |
| 4.2. Application to Different Investment Contexts | 20 |
| 5. The Design of Pass-Through Voting Programmes..... | 22 |
| 6. Stakeholder Perspectives on Pass-Through Voting: Interests and Concerns | 30 |
| 6.1. Asset Owners | 31 |
| 6.2. Asset Managers | 37 |
| 6.3. Corporate Issuers..... | 42 |
| 7. Implications of Pass-Through Voting for Shareholder Stewardship..... | 44 |
| 7.1. Separating Shareholder Voting from Engagement..... | 45 |
| 7.2. Informed Voting by Shareholders | 48 |
| 7.3. Independent Shareholder Voting and the Role of Proxy Voting Advisory Firms..... | 51 |
| 7.4. The Functioning of the Market for Stewardship | 55 |
| 8. Pass-Through Voting Implementation Considerations for Stewardship Decisionmakers | 55 |
| 8.1. Should Asset Managers Provide Pass-Through Voting?..... | 56 |
| 8.2. Should Asset Owners Adopt Pass-Through Voting? | 57 |
| 8.3. Which Pass-Through Voting Option is Preferrable?..... | 61 |
| 9. Conclusion | 63 |
| Appendix: The List of Interview Participants that Agreed to be Named..... | 65 |

1. Introduction

Pass-through voting first caught the attention of business media and the broader public in late 2021 when BlackRock, a leading investment management firm, announced plans to offer pass-through voting via its Voting Choice programme to a limited range of clients in institutional funds and to broaden participation gradually, including for retail investors.¹ Soon, Vanguard and State Street Investment Management, BlackRock's main competitors in managing index funds, followed suit.² As a result, pass-through voting is rapidly emerging as an important feature of the investor stewardship ecosystem. It refers to service offerings that enable investors in pooled funds – both institutional and retail, also known as asset owners – to have more control over how their proportional share of securities is voted, a decision traditionally delegated to asset managers. Various terms are used to describe this phenomenon including voting choice, investor choice, proxy voting choice, proxy voting customisation, and client-directed voting. We use the term pass-through voting because it is not associated with any provider and employ it in its broadest sense to encompass a range of implementation models, from offering fund investors a choice of voting policies to allowing them to make voting indications on individual voting agenda items.

Pass-through voting has been described as a 'corporate governance revolution' in progress.³ If adopted widely, pass-through voting could substantially rebalance power in corporate governance with significant outcomes for the governance of publicly traded companies. Its direct governance impact operates through the empowerment of asset owner voice. Its indirect governance impact may prove equally consequential, operating through enhanced support for voting policies and guidelines that corporate managers are likely to follow to avoid opposition from these policy providers.⁴

The novelty of pass-through voting lies in providing investors in pooled funds, both institutional and retail, with enhanced control over voting decisions as a standardised service offering. Large asset owners that invest via segregated mandates, also known as separately managed accounts, have always had more control over voting decisions than investors in pooled funds. Segregated mandates are managed independently from other assets and funds and create a proprietary

¹ Michael Mackenzie & Attracta Mooney, *BlackRock to Hand Clients Greater Say in Proxy Voting*, FIN. TIMES (Oct. 8, 2021) at 9.

² Brooke Masters, *BlackRock Offers Votes to Retail Investors in Its Top ETF*, FIN. TIMES (Jul. 18, 2023) at 7.

³ Alon Brav *et al.*, *The Proxy Voting Choice Revolution*, ECGI Law Working Paper No. 875/2025 (Sep. 2025) at 2, https://ssrn.com/abstract_id=5054257.

⁴ See generally Andrew F. Tuch, *Proxy Advisor Influence*, 99 B. U. L. REV. 1459, 1464 (2019).

interest in the shares of portfolio companies.⁵ This allows investors to vote, although they can also delegate voting authority to their asset manager, alongside investment decisions. Pass-through voting affects shareholder stewardship for investors in pooled mandates – such as mutual or exchange-traded funds or other collective investment undertakings – where multiple asset owners’ investments are managed collectively, ordinarily under the same terms.⁶ Investors in pooled funds had very limited means to influence fund voting decisions previously. Indeed, in 2016, the Association of Member Nominated Trustees, the trade body of UK pension fund representatives, criticised asset managers for refusing to let pension funds to vote at portfolio companies’ shareholder meetings unless their investments were held in a separate account.⁷

There is, clearly, a group of asset owners that value the option of having a say over voting decisions associated with their investments.⁸ For these asset owners, pass-through voting is a positive development that enables them to better align shareholder voting with their stewardship preferences, especially on matters where they have felt that their views diverge from the views of asset managers. But the reception of pass-through voting has not been entirely positive, and the practice has generated mixed responses from market participants. Some asset managers have strong views opposing pass-through voting based on concerns that separating voting from ownership and engagement may act to weaken investor influence, limit access to companies, and increase uninformed voting. Corporate boards have also expressed concerns about the implications of pass-through voting for investor communications and the quality of shareholder stewardship. In a UK context, these concerns fuel the already existing sense of frustration among boards of publicly traded companies about the continuing deterioration of the quality of engagement by investors.⁹

The emergence of pass-through voting then raises an obvious question about its impact on shareholder stewardship. Given its potential significance, pass-through voting has already

⁵ See LAW COMMISSION, INTERMEDIATED SECURITIES: WHO OWNS YOUR SHARES? A SCOPING PAPER (Nov. 2020), para. 2.38.

⁶ Side letters offering preferential investment terms to large institutional clients are common in private market funds. See William W. Clayton, *The Private Equity Negotiation Myth*, 37 YALE J. REG. 67 (2020); Jessica S. Jeffers & Anne M. Tucker, *Shadow Contracts*, 1 U. CHI. BUS. L. REV. 259 (2022); Elisabeth de Fontenay & Yaron Nili, *Side Letter Governance*, 100 WASH. U. L. REV. 907 (2023).

⁷ Attracta Mooney, *Managers Push Back Against Governance Plan*, FIN. TIMES (Aug. 1, 2016) at 19.

⁸ See, e.g., STATE STREET CORPORATION, PRESS RELEASE: STATE STREET GLOBAL ADVISORS SEES STRONG AND GROWING MARKET ADOPTION OF PROXY VOTING CHOICE IN Q1 2025 (Jun. 18, 2025), <https://investors.statestreet.com/investor-news-events/press-releases/news-details/2025/State-Street-Global-Advisors-Sees-Strong-and-Growing-Market-Adoption-of-Proxy-Voting-Choice-in-Q1-2025/default.aspx> (reporting that more than 60 institutional clients have opted into the voting choice programme offered by State Street Investment Management as of the end of March 2025).

⁹ See TULCHAN, THE STATE OF STEWARDSHIP REPORT (Nov. 2022) at 6, https://www.teneo.com/app/uploads/2023/12/Tulchan-Stewardship-Report_Nov-2022.pdf.

attracted considerable scholarly attention, especially in relation to retail investors in pooled funds. The literature focuses on the incentives of the largest US index managers as a driving force for the emergence of pass-through voting,¹⁰ the extent to which voting policies used in pass-through voting programmes offered by these managers achieve the objective of enabling expression of fund investor preferences,¹¹ the actual and potential governance impact of pass-through voting on corporate decisions,¹² the design choices that the providers of pass-through voting programmes must make,¹³ and the implications of offering pass-through voting via policy menus for the role of proxy advisers and their regulation.¹⁴ However, major gaps remain in the literature regarding the motivations for institutional asset owners to adopt pass-through voting, the considerations affecting the model of pass-through voting that asset owners choose, the different incentives faced by index and active asset managers in relation to pass-through voting, and how corporate issuers (potentially) affected by pass-through voting perceive it. Most substantially, the understanding of the potential effects of pass-through voting on shareholder stewardship remains limited. Furthermore, questions remain on the reasons for the emergence of pass-through voting and its design, implementation, and use practices, including whether asset owner motivations have contributed, if at all, to the emergence of pass-through voting and the observed differences between implementation models within and outside the US market.

Pass-through voting has long been considered and practiced, albeit at a small scale, by institutional investors in the United Kingdom. Legal and General Investment Management (LGIM) became the first UK (and European) asset manager to offer pass-through voting to its clients on an institutionalised basis.¹⁵ But long before that, several UK asset managers offered pass-through voting to select institutional clients without much publicising the practice.¹⁶ As a result, some large UK asset owners had already gained experience with pass-through voting by the time the major US index managers launched voting choice programmes and became early adopters of these programmes. The UK institutional market thus offers a rich ground for exploring the motivations of asset owners in adopting pass-through voting and assessing the implications of pass-through voting for shareholder stewardship.

¹⁰ See Caleb N. Griffin, *Open Proxy*, 99 TULANE L. REV. 247 (2024).

¹¹ See Griffin, *supra* note 10; B. Pablo Montagnes *et al.*, *How Well Do Voting Choice Policies Represent Public and Investor Preferences?*, (Aug. 2024), <https://ssrn.com/abstract=5093097>.

¹² See Brav *et al.*, *supra* note 3.

¹³ See *id.*

¹⁴ See Dorothy Lund, *The Past, Present, and Future of Proxy Voting Choice*, 50 J. CORP. L. 1075 (2025); Brav *et al.*, *supra* note 3.

¹⁵ Dominic Webb, *LGIM Partners with Tumelo to Launch Pass-Through Voting*, *Responsible Investor* (Sep. 18, 2023), <https://www.responsible-investor.com/lgim-partners-with-tumelo-to-launch-pass-through-voting/>.

¹⁶ See *infra* Section 5.

In the absence of readily available empirical data on the effects of pass-through voting, this study adopts a two-phase approach to exploring the implications of this emergent practice, with a focus on the institutional rather than retail market. We first establish a theoretical framework for analysing the implications of pass-through voting for shareholder stewardship. Then, based on qualitative interviews with key UK institutional market participants – asset owners, asset managers, companies, service providers that facilitate pass-through voting, and regulators – we explore the motivations of different actors in order to test and refine the proposed theoretical framework. Evidence from the interviews adds detail to this framework and helps drawing implications of pass-through voting for shareholder stewardship in general. Additionally, the interviews offer important insights into the current pass-through voting market landscape, particularly regarding why and how market participants are implementing these arrangements, including their design features and usage practices. The framework, and insights obtained from the interviews on the nuanced factors and motivations affecting development of the market for pass-through voting, provide a rich context for defining future theoretical and empirical research projects. Furthermore, information on the motivations of large asset owners in adopting pass-through voting gives insight on attitudes to the proposed reforms in index fund voting, such as a rule requiring them to implement mirror voting.¹⁷

With the assistance of the Investor & Issuer Forum, an organisation that facilitates dialogue between institutional investors and issuers in the UK, we interviewed 46 executives from 33 organisations active in the UK institutional market. The list of the organisations who have agreed to be named is in the Appendix. Executives interviewed were normally senior stewardship or corporate governance professionals. The choice of the UK market for this study is driven primarily by two considerations. First, pass-through voting is not as new as the recent flurry of attention suggests. Indeed, one of our interviewees reported being involved in offering pass-through voting services in the UK market as early as 1996. Notably, pass-through voting arrangements for institutional investors in the UK exhibit greater implementation diversity than in other markets, with the full range of the main pass-through voting implementation options being present in this market. Studying the UK market thus both enriches the largely US-focused academic discourse on pass-through voting and illuminates pass-through voting programme design elements with potential applicability beyond the UK context. Second, interest in pass-through voting in the UK market has grown in recent years, both in terms of client demand and

¹⁷ In November 2025, the *Wall Street Journal* reported that the White House officials were considering a rule that would require index fund managers to mirror their votes in line with fund investors who choose to vote. See Jack Pitcher & Emily Glazer, *President Eyes Curbing Proxy Firms*, WALL ST. J. (Nov. 12, 2025), at A1.

in terms of asset managers and service providers offering it. A number of our interviewees that operate in multiple markets identified the UK market as one of the most developed in terms of pass-through voting adoption. Major asset managers that have recently introduced pass-through voting programmes as a widespread option for clients, along with service providers facilitating this process, are active in the UK market. Similarly, some UK asset owners have been early adopters of pass-through voting and have developed expertise that is valuable for understanding pass-through voting, the motivations for its adoption, and implementation practices. Overall, the UK market provides not only insights into the impact of pass-through voting on shareholder stewardship, but implementation practices in the UK may also indicate future developments in other countries and regions.

We document divergent views on pass-through voting among market participants. Large US index providers see pass-through voting as part of their philosophy to strengthen client choice. By contrast, many UK and European asset managers express concerns that pass-through voting weakens stewardship within the investment proposition, dilutes their influence, and may hinder their access to portfolio companies, with negative implications for shareholder oversight and investment decision-making. However, asset managers clearly distinguish their views on the potential impact of pass-through voting on shareholder stewardship from the commercial imperative of offering it if there is client demand. Asset owners that have adopted or are considering pass-through voting often cite two main rationales: the desire to align voting decisions across investments in different mandates or funds; and the opportunity to strengthen alignment between voting and their preferences or investment beliefs in situations where they cannot achieve alignment by selecting an asset manager whose views match their own.

This variety of views is reflected in the proposed framework for assessing the impact of pass-through voting. Pass-through voting presents a three-way trade-off between strengthening the representation of asset owner preferences in stewardship, integration of information in stewardship decisions, and the consolidation of the mechanisms of investor influence. Thus, pass-through voting has nuanced consequences that are context-specific and depend on several factors: the role of stewardship in an asset manager's investment proposition; the importance of links between stewardship and investment decisions; the degree of misalignment between asset owner preferences and asset manager voting decisions; access to and the importance of firm-specific information or expertise in relation to specific voting agenda items or companies; and the administrative costs of offering or implementing pass-through voting responsibly.

The findings of this study have significant practical relevance for shareholder stewardship. First, information on stakeholder perspectives regarding pass-through voting can facilitate dialogue between different groups of actors and help them understand each other's perspectives, become more aware, and acknowledge different interests in investor stewardship. Often different groups of actors involved in, or affected by, stewardship decisions demand actions from others based on their own perspective and without necessarily understanding the constraints and incentives placed on those other parties by their own stakeholders or clients. Second, our structured framework for assessing the implications of pass-through voting for shareholder stewardship acknowledges that stewardship is multifaceted and shows that the emergence of pass-through voting can have nuanced consequences. The practice has features that are both positive and negative for stewardship quality depending on the context and method of application. As such, it is unlikely that pass-through voting will be a uniformly positive or negative development. This framework enables us to explore how these positive and negative features are likely to weigh in different contexts. Third, we draw on the findings to answer practical questions relevant for asset owners that have adopted or are considering adopting and implementing pass-through voting and for asset managers providing pass-through voting programmes. While pass-through voting creates the opportunity for improved reflection of asset-owner preferences in voting, it also creates risks for stewardship practice and for how issuers experience stewardship. Features of pass-through voting programmes and implementation approaches can be leveraged to exploit the benefits of pass-through voting while reducing its disruptive impact on shareholder stewardship.

The rest of this paper is structured as follows. Section 2 situates pass-through voting within the broader context to show that its emergence, given the trajectory of market changes, was somewhat inevitable. Section 3 describes the methodology. In Section 4, we develop a theoretical framework for evaluating the impact of pass-through voting on shareholder stewardship. We then use interview-based evidence to both explore how pass-through voting is being offered and implemented in practice and test and refine the proposed conceptual framework. Section 5 provides an overview of the design of pass-through voting programmes, while Section 6 uses interview data to map the views and motivations of key market actors regarding pass-through voting. Sections 7 and 8 bring together the conceptual framework and insights from the interviews to highlight the key implications of pass-through voting for shareholder stewardship and what these implications mean for asset managers and asset owners involved in these decisions, respectively. We conclude in Section 9.

2. The Emergence of Pass-Through Voting

The idea of pass-through voting is not new. Professors Jill Fisch and Jeff Schwartz recount how the United States Securities and Exchange Commission – ahead of its time – considered and abandoned the question of pass-through voting in the late 1970s and early 1980s. The idea received little support back then because the necessary technology for implementation was not available.¹⁸ Similarly, in the United Kingdom, as recently as 2016, asset managers referred to legal barriers and high logistical costs in pushing back against the demands of investors in pooled funds to strengthen their control over voting decisions via pass-through voting or a similar arrangement – although pass-through voting had been available to select clients long before that.¹⁹ In 2021, the Taskforce on Pension Scheme Voting Implementation, set up by the Minister for Pensions and Financial Inclusion, published a report which, although falling short of recommending pass-through voting, proposed an ‘interim solution’ by recommending that managers of pooled funds should offer investors the opportunity to set ‘expressions of wishes.’²⁰ Implicit in this report was the message that, notwithstanding claims that implementing pass-through voting was too complicated and almost impossible, it was, in fact, already being offered privately by some asset managers to select clients.

The renewed interest in pass-through voting and its emergence as a service offering on a widespread and institutionalised basis needs to be understood within the broader context of changes in share ownership and shareholder stewardship. This section highlights major changes in the UK market and explains how pass-through voting emerged as a logical consequence of these changes. While our focus is on the UK market, the analysis has broader relevance as similar dynamics are at play in other countries.

Shareholder stewardship in the United Kingdom is not what it used to be. Domestic insurance companies and pension funds dominated the ownership structures of UK listed companies up until the mid-1990s.²¹ As shareholders, they acted quietly and behind the scenes, preferring regular private meetings and occasional informal interventions when a firm was in trouble, but

¹⁸ Jill Fisch & Jeff Schwartz, *Corporate Democracy and the Intermediary Voting Dilemma*, 102 TEXAS L. REV. 1, 5-6 (2023).

¹⁹ See Mooney, *supra* note n 7.

²⁰ TASKFORCE ON PENSION SCHEME VOTING IMPLEMENTATION, THE REPORT OF THE TASKFORCE ON PENSION SCHEME VOTING IMPLEMENTATION: RECOMMENDATIONS TO GOVERNMENT, REGULATORS AND INDUSTRY (Sep. 2021) at 37, <https://www.gov.uk/government/publications/taskforce-on-pension-scheme-voting-implementation-recommendations-to-government-regulators-and-industry>.

²¹ See BRIAN R. CHEFFINS, CORPORATE OWNERSHIP AND CONTROL: BRITISH BUSINESS TRANSFORMED, 87-88 (2008).

very rarely intervening formally and publicly.²² Institutional investors generally held, and had the ability to vote, shares directly. But many of these institutional investors did not even vote their shares given their informal access to corporate boards.²³ For observers, this behaviour was regarded as taking a ‘hands off’ approach to corporate governance in listed companies.²⁴

Several UK-specific and global forces have fundamentally transformed shareholder stewardship. In search of efficiency, shareholding has increasingly become dematerialised and intermediated with a growth in pooled nominee accounts and pooled investment vehicles, resulting in a decline in direct holding and voting of shares by end investors and increased importance of intermediaries.²⁵ The ownership structure of UK listed companies has also changed, with overseas institutional investors largely replacing domestic insurance companies and pension funds.²⁶ The rise of index investing globally has intensified competition among asset managers based on cost and diminished the influence of active portfolio managers who traditionally selected concentrated portfolios and maintained close relationships with individual companies.

Nonetheless, stewardship expectations are that investors should vote shares on behalf of their clients, and so asset managers draw on the support of proxy voting advisors, who issue voting recommendations on most listed firms, as a cost-effective aid to making voting decisions on thousands of resolutions.²⁷ As a result, while many managers retain a company-focused approach, there has been a shift in the overall balance of stewardship away from a company-specific and relationship basis towards an increasingly institutionalised and standardised stewardship themes.

These forces, largely driven by the economics of cost-efficient portfolio construction, have arguably reduced the role of customised stewardship and corporate engagement at the same time as societal expectations of stewardship and focus on shareholder voting have increased. The UK Stewardship Code has created the expectation of stronger shareholder involvement in corporate

²² See Bernard S. Black & John C. Coffee, Jr., *Hail Britannia? Institutional Investor Behaviour under Limited Regulation*, 82 MICH. L. REV. 1997, 2033 (1994).

²³ See *id.*, at 2038-2039. See also Chris Mallin, *Institutional Investors and Voting Practices: An International Comparison*, 9 CORP. GOV.: AN INT'L REV. 118, 124 (2001).

²⁴ Brian R. Cheffins, *The Stewardship Code's Achilles' Heel*, 73 MODERN L. REV. 1004, 1004-05 (2010).

²⁵ See Department for Business Innovation & Skills, *Exploring the Intermediated Shareholding Model*, BIS Research Paper No. 261 (Jan. 2016), at 24-25, <https://assets.publishing.service.gov.uk/media/5a80e45040f0b62305b8dbbb/bis-16-20-intermediated-shareholding-model.pdf>.

²⁶ See CHEFFINS, *supra* note 21, at 387-90; The Investor Forum, *Thinking Aloud – UK Equity Ownership* (Dec. 2022), <https://www.investorforum.org.uk/wp-content/uploads/securepdfs/2022/12/Thinking-Aloud-UK-Equity-Ownership-December-2022.pdf>.

²⁷ See Joerg-Markus Hitz & Nico Lehmann, *Empirical Evidence on the Role of Proxy Advisors in European Capital Markets*, 29 EUR. ACCOUNTING REV. 713, 719-20 (2018).

affairs and the increased transparency of voting records has enabled non-profit organisations such as ShareAction to scrutinise asset manager voting records.²⁸ For pension scheme trustees, selecting voting policies has been an easy and visible way to demonstrate compliance with UK pension legislation requiring trustees to explain their policy on exercising voting rights²⁹ and with regulatory guidance encouraging trustees to take increased ownership of stewardship.³⁰ A series of legislative and market practice developments, including annual director elections, advisory and binding say on pay votes, and the emergence of market practices such as say on climate, have encouraged the idea that shareholder votes should be used by investors to steer how the company is run as a going concern as opposed to simply giving them control rights in relation to major transactions or to address leadership shortcomings by changing the board. Additionally, growing concern about corporate environmental and social impact has drawn more voices into shareholder stewardship with an expectation that asset managers will incorporate these perspectives into stewardship decisions and votes on shareholder resolutions.³¹ With increasing interest in concepts of ‘stakeholder capitalism’ and, following the Paris Agreement in 2015, the growing sense that business and society need to work together to address global challenges such as climate change, notions of stewardship had expanded significantly by 2020.³² The broadening of the concept of investor stewardship is by no means a UK phenomenon; this is a global trend observed across many other countries.³³

The expansion of stewardship beyond traditional concerns with financial performance and corporate governance, where investor views largely converged, to cover environmental and social matters, where the scope for disagreement among market participants is far greater, has deepened the sense of disconnect between asset owners and their managers and other intermediary service providers and has changed the nature of shareholder votes. The original concept of governance stewardship by investors was linked to a limited set of best practice corporate governance standards that were accepted by many market participants, clearly founded

²⁸ See, e.g., SHAREACTION, VOTING MATTERS 2024: ARE ASSET MANAGERS USING THEIR PROXY VOTES FOR ACTION ON ENVIRONMENTAL AND SOCIAL ISSUES? (Feb. 2025), at 13-15, https://shareaction-api.files.svcdn.com/production/resources/reports/ShareAction_Voting-Matters_2024-Final_2025-02-20-101038_pzjf.pdf?dm=1740046238 (ranking asset managers based on voting records on shareholder resolutions).

²⁹ The Occupational Pension Schemes (Investment) Regulations 2005 (2005 No. 3378), s. 2(3)(c).

³⁰ Department for Work & Pensions, *Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance* (Jun. 2022), para. 43.

³¹ See Dionysia Katelouzou, *The Unseen ‘Others’: A Framework for Investor Stewardship*, 77 CURRENT LEGAL PROBLEMS 295, 312-13, 315 (2024).

³² See Paul Davies, *The UK Stewardship Code 2010-2020: From Saving the Company to Saving the Planet?*, in Dionysia Katelouzou & Dan W Puchniak (eds.), GLOBAL SHAREHOLDER STEWARDSHIP 44 (2022).

³³ See Tim Bowley & Jennifer G. Hill, *The Global ESG Stewardship Ecosystem*, 25 EUR. BUS. ORG. L. REV. 229, 233-37(2024).

in the objective of maximising firm value and rooted in the protections accorded to investors as residual claimants to a company's profits. Many market participants, regardless of their geographic location, agreed and had shared views on the key components of a good corporate governance model for a publicly traded company with a dispersed ownership base, such as the structure and the composition of corporate boards or the expertise, independence, and time commitment expected from corporate directors.³⁴ By contrast, investors often hold diverse views on environmental and social matters and their significance for corporate activities and value creation.³⁵ As a result, investor stewardship has become more ideological and preference-based than previously.

The result of these changes – the changing structure of ownership, the evolving role of shareholder voting, the emergence of diverse beliefs in stewardship, and the resulting conflicting objectives in the intermediated investment chain – is a very different and more complex stewardship landscape, where shareholder voting plays a large and central role, with no realistic prospect of returning to the relationship and engagement-based model of the past. These changes have created both demand-side and supply-side pressures for pass-through voting, encouraging asset owners to demand it while prompting asset managers to offer it.

On the demand side, the broadening of investor stewardship topics has exposed stewardship to ideological disagreements and stressed the need for mechanisms that facilitate the expression of asset owner beliefs and preferences in the voting decisions of asset managers. In an ideal world, market mechanisms would sort out these differences by matching investors and funds with aligned investing and voting beliefs and preferences. But the limited ability of market sorting to align divergent views on what constitutes long-term value creation for asset owners has fuelled demand for greater asset owner influence over some shareholder voting matters, including director elections, executive remuneration, and environmental and climate policies. This demand has been further reinforced by concerns that asset managers face conflicts of interest and fail to adequately escalate voting issues. In response, UK pension funds investing via pooled mandates campaigned for having a direct say over voting decisions at portfolio company shareholder meetings.³⁶ Interest in structures that facilitate the expression of investor preferences is on the

³⁴ See Klaus J. Hopt, *Comparative Corporate Governance: The State of the Art and International Regulation*, 59 AM. J. COMP. L. 1 (2011).

³⁵ See Alex Edmans, Tom Gosling, & Dirk Jenter, *Sustainable Investing in Practice: Objectives, Constraints, and Limits to Impact*, ECGI Finance Working Paper No. 1028/2024 (May 2025) at 18-22, <https://ssrn.com/abstract=4963062>.

³⁶ See Mooney, *supra* note 7.

rise among US investors as well.³⁷ Moreover, demand is coming not just from institutional asset owners but also from individual investors.³⁸

On the supply side, the ideological vulnerability and conflicting expectations inherent in the broad concept of investor stewardship have prompted asset managers – primarily index managers with large and diverse clients bases – to become more willing to accommodate client demands for voting control, especially as technology developments have made this a cost-effective option. The consideration of environmental and social matters in stewardship has become the target of heated and polarised political and ideological battles particularly in the United States.³⁹ The concentration in the asset management industry associated with index investing has further fuelled concerns that a small number of institutions acquire the means to exert outsized influence over the politics and economy of the nation without proper accountability mechanisms over this power.⁴⁰ This concentration has the potential to create an accountability gap particularly on ideologically divisive matters because the voting decisions of asset managers do not necessarily match the preferences of their beneficiaries.⁴¹ Evidence that voting and engagement by the Big Three – a term often used to refer to the three largest index managers: BlackRock, Vanguard, and State Street – have had an impact on actions taken by companies on what are now politically polarising issues such as climate change⁴² and diversity⁴³ has only added to questions about the legitimacy of investor stewardship actions.

It was against this background that BlackRock pioneered the introduction of pass-through voting as a standardised service offering and was quickly followed by Vanguard, State Street Investment Management, and Legal and General Investment Management. Whereas smaller asset managers might adopt a particular stance on environmental and social matters and seek to cater to clients with like preferences, the diversity of clients of large investment management groups likely

³⁷ See Sarah C. Haan, *Voting Rights in Corporate Governance: History and Political Economy*, 93 S. CAL. L. REV. 881, 936-37 (2023); Sarah C. Haan, *Delegated Corporate Governance and the Deliberative Franchise*, 47 SEATTLE U. L. REV. 483, 507 (2024).

³⁸ See VANGUARD, INVESTOR CHOICE: INVESTORS REPORT STRONG INTEREST IN PROXY VOTING CHOICE (Apr. 24, 2025), <https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/investors-report-strong-interest-proxy-voting-choice.html>.

³⁹ See Elizabeth Pollman, *The Making and Meaning of ESG*, 14 HARV. BUS. L. REV. 403, 431 (2024); Taylor Nchako & Lisa Benjamin, *ESG Backlash in the United States – Investor Concerns or “Red Scare”?*, 5 J. L. & POL. ECONOMY 268, 270 (2025).

⁴⁰ See JOHN COATES, THE PROBLEM OF TWELVE: WHEN A FEW FINANCIAL INSTITUTIONS CONTROL EVERYTHING 98-100 (2023).

⁴¹ See Jill E. Fisch, *Mutual Fund Stewardship and the Empty Voting Problem*, 16 BROOKLIN J. CORP, FIN. & COMM. L. 71, 87-88 (2021).

⁴² See José Azar *et al.*, *The Big Three and Corporate Carbon Emissions Around the World*, 142 J. FIN. ECON. 674, 696 (2021).

⁴³ See Todd A. Gormley *et al.*, *The Big Three and Board Gender Diversity: The Effectiveness of Shareholder Voice*, 149 J. FIN. ECON. 323, 348 (2023).

renders this approach unviable. Large investment managers need other mechanisms for attending to the preferences of their clients.⁴⁴ Pass-through voting enables asset owners to achieve alignment between their beliefs and voting outcomes, arguably improving asset owner-asset manager alignment. Whether this constitutes full alignment of stewardship with investor preferences is a question we return to later. But given the prominence of voting as a visible stewardship mechanism, achieving alignment on just this dimension is attractive to some asset owners seeking to meet stakeholder expectations. A commonly expressed view is that pass-through voting is also a convenient tool for large asset managers to sidestep stewardship controversies, including concerns about their outsized influence and the promotion of certain ideological agendas, because it transfers voting responsibility away from asset managers.⁴⁵

To conclude, the emergence of pass-through voting represents a logical evolution in shareholder stewardship given the forces in play rather than a coincidental development. In retrospect, this progression – or the emergence of an equivalent mechanism for incorporating the preferences of asset owners in voting decisions – appears inevitable given the trajectory of market changes and stewardship practices.

3. Data and Methodology

This study adopts a two-phase approach to exploring the implications of pass-through voting. First, we rely on the existing literature to establish a theoretical framework for analysing the implications of pass-through voting for shareholder stewardship. Then, we use qualitative evidence from interviews with 46 executives representing 33 UK institutional market participants conducted during the summer and autumn of 2025 to test and clarify the implications of pass-through voting for shareholder stewardship. The interviews included nine active and four predominantly index asset managers based in the UK, other European countries, and the US; seven UK-based asset owners; five shareholder voting service providers; two regulatory bodies, and six companies from the FTSE 100 index. This sample size enabled us to capture diverse views and perspectives during the interviews. Given the emergent nature of pass-through voting, our focus is exploratory. As such, we sought to interview a diverse range of market participants to test our theoretical model as a framework for future research, while also to identify important missing aspects. The aim was not to enable statistically robust demonstration of specific

⁴⁴ See Fisch & Schwartz, *supra* note 18, at 8, 20.

⁴⁵ See THE ECONOMIST, *BlackRock and a Hard Place* (Oct. 1, 2022), at 59.

hypotheses. We concluded the interview phase upon reaching data saturation, whereby subsequent interviews yielded predominantly repetitive information with minimal new insights.

Prior to conducting the interviews, we obtained views of various market participants on pass-through voting from the Investor & Issuer Forum Steering Committee, which includes representatives from asset owners, asset managers, corporate issuers, and regulators. This information alongside the implications of the theoretical framework was used to prepare the interview questionnaires which were adapted for different sets of market participants: (1) asset managers providing pass-through voting; (2) asset managers that may be considering or are opposed to offering pass-through voting; (3) asset owners that have adopted pass-through voting; (4) asset owners that may be considering or have decided not to use pass-through voting; (5) companies; and (6) proxy advisory firms, other stewardship service providers, and regulators. The questions can broadly be divided into three groups. First, we asked interviewees about the reasons for the emergence of pass-through voting, including the motivations behind their organisation's decision regarding pass-through voting or how pass-through voting affects their organisation's business. Second, we asked technical questions about the design and practicalities of implementing pass-through voting. Third, we asked questions about the potential impact of pass-through voting on investor stewardship, including its future evolution, best practices, and the expected market penetration. We ended interviews with an invitation for interviewees to add anything that they thought was important but was not covered during the interview.

We selected the interviewee sample carefully to ensure diversity of perspectives and size. For this purpose, the sample includes not only different groups of market participants, including with competing interests, but also represents different views within each group. In terms of diversity of views and perspectives, we conducted interviews with asset managers providing pass-through voting and those opposed to it; asset owners that have adopted, are planning to adopt, or decided not to adopt pass-through voting; companies likely to be affected by pass-through voting; service providers that facilitate pass-through voting by investors and those at the other end consulting companies on shareholder voting and governance related matters; and regulatory bodies. We also interviewed market participants with different business models, including managers of active or predominantly index funds, and asset owners representing the UK's local government pension schemes, private pension and life insurance providers, and wealth managers. In terms of size, interviewees included both market leaders and smaller market participants. From each participant organisation, we interviewed individuals in leading stewardship or corporate governance roles and/or experts working directly with pass-through

voting. Large organisations are complex with potential differences in views and incentives across intra-organisational structural divisions. In particular, a stewardship team might view pass-through voting as problematic for stewardship while their commercial function views it as essential to win mandates. We focused on stewardship and governance experts because our primary objective is to explore the impact of pass-through voting on shareholder stewardship, making their views the most appropriate. Occasionally a fund portfolio manager or an asset owner's senior investment officer was present in addition to stewardship leads. The Investor & Issuer Forum encouraged its members to participate in the study and helped establish initial contact with potential interviewees.

All interviews were semi-structured, open-ended conversations. They were organised around a prepared list of questions that we wanted to ask each set of market participants. In addition to the prepared questions, we also asked clarifying and follow-up questions. Interviews were conducted online and lasted one hour, with some taking longer. We recorded and transcribed all interviews and used Microsoft Copilot, a Microsoft AI tool, to identify keywords and major narratives around the themes and the three sets of questions listed above. We also reviewed the transcripts manually to extract quotes relevant to pre-identified themes. Given the sensitivity of some information disclosed, we do not use individual codes for interview participants as combinations of quotes could potentially reveal information about a respondent's identity. Instead, we report findings by reference to broader participant categories: asset manager, asset owner, company, proxy voting service provider, or regulatory body. The list of the interview participants who agreed to be named as participating in the study is in the appendix.

4. Pass-Through Voting and Investor Stewardship: A Model

Pass-through voting has arisen in the context of a growing divergence of views among asset owners and between asset owners and their asset managers on ESG matters, particularly environmental and social issues.⁴⁶ Where asset owners cannot achieve perfect alignment across the investment chain through the selection of asset managers with aligned stewardship views, pass-through voting serves as a mechanism for enabling greater expression of asset owner views within stewardship. It improves the aggregation of preferences – the process through which individual investor beliefs are incorporated to derive a collective decision under a majority voting rule – by aligning voting with investors' investment beliefs and by strengthening vote consistency

⁴⁶ See *supra* Section 2.

across different investor holdings. However, pass-through voting may adversely affect the integration of information and expertise in stewardship decisions by transferring decisional control to actors who may possess comparatively less information and expertise regarding particular decisions. Furthermore, pass-through voting disrupts complementarities among stewardship elements by decoupling voting from investment decision-making and engagement. This section develops a conceptual framework for assessing the potential impact of pass-through voting on shareholder stewardship. The framework shows that pass-through voting offers a three-way trade-off between strengthening the representation of the preferences of asset owners in stewardship, integration of information in stewardship decisions, and the consolidation of the mechanisms of investor influence in one place.

4.1. The Theoretical Framework

Andrey Malenko and Nadya Malenko frame their theoretical analysis of pass-through voting as a trade-off between aggregation of investor preferences and aggregation of information.⁴⁷

Maximisation of investor welfare involves optimising across efficient aggregation of preferences – which implies passing votes through to asset owners when there is wide heterogeneity of preferences – and efficient aggregation of information – which implies delegating votes to asset managers when they are better informed than asset owners.⁴⁸ Similarly, Sean Griffith develops a theory of delegated voting by fund managers based on the relationship between comparative advantage in acquiring or analysing information relevant for voting, on one hand, and the degree of preference convergence between fund managers and fund investors, on the other.⁴⁹

In addition to the high-level question of optimising aggregation of information and preferences, we also need to consider the implications of pass-through voting for the elements of stewardship. The concept of investor stewardship integrates the mechanisms of investor influence with the need for asset managers to identify and act in accordance with their clients' interests.⁵⁰ For shareholders, the three mechanisms of influence include: investment decision-making, voting, and engagement.

⁴⁷ Andrey Malenko & Nadya Malenko, *Voting Choice*, ECGI Finance Working Paper No. 910/2023 (Jul. 2024) 11, http://ssrn.com/abstract_id=4390367.

⁴⁸ *See id.*

⁴⁹ Sean J. Griffith, *Opt-In Stewardship: Toward an Optimal Delegation of Mutual Fund Voting Authority*, 98 *Texas L. Rev.* 983, 1019-20 (2020).

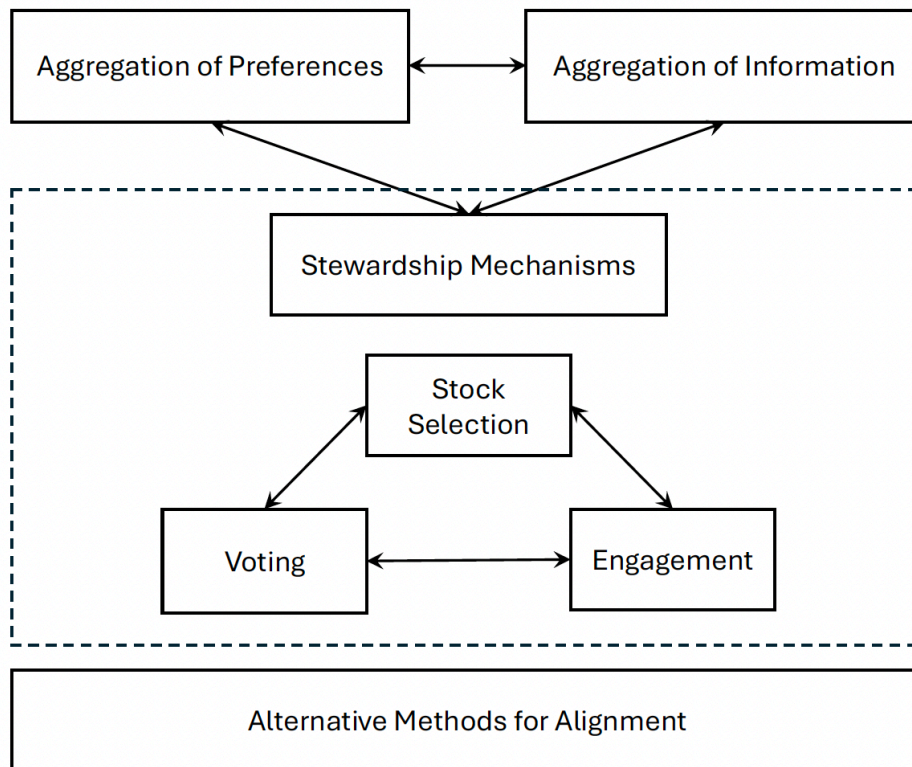
⁵⁰ The UK Stewardship Code defines stewardship as 'the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries.' *See* FINANCIAL REPORTING COUNCIL, *THE UK STEWARDSHIP CODE 2026* (London: FRC, 2025), at 5.

The mechanisms of shareholder influence are interconnected and mutually reinforcing. Specifically, private engagement produces information that informs an investor's voting and investment decisions. At the same time, investor access to private engagement and its influence during such engagements is largely a factor of voting rights controlled by an investor and its willingness to escalate by voting against the management recommendation. Similarly, investors acquire valuable information during the investment decision-making process that subsequently supports informed voting and engagement. Given these interdependencies, when one stewardship mechanism is weakened, the others are necessarily affected. Separating voting from engagement can fragment voter influence and reduce access to issuers for engagement purposes, while also weakening the clarity of communication with issuers through both channels. Weak engagement, in turn, adversely affects investor access to information important for voting and investment selection.

This discussion further demonstrates that the complementarities among shareholder influence mechanisms are intrinsically linked to the question of informed stewardship decision-making. However, the separation of voting from engagement and investment decision-making does not always reduce the informational quality of voting. Asset owners exercising enhanced control over voting decisions via pass-through voting may be as informed as asset managers, or indeed more informed, on matters that are generalisable across multiple companies and require little firm-specific information. Moreover, asset owners may develop expertise in relation to specific matters, companies, industries, or markets through focused attention, proximity, or concentrated interests. Finally, asset owners may also – and sometimes do – engage with issuers directly, thereby mitigating the information problem of decoupling shareholder influence mechanisms.

This means that as well as creating trade-offs between aggregation of preferences and information, the presence and form of pass-through voting can also potentially have an impact on the effectiveness of shareholder stewardship mechanisms. Overall, then, the implications of pass-through voting will depend on the trade-offs between preference aggregation, information aggregation, and shareholder stewardship mechanisms, together with the viability of alternative methods for achieving stewardship alignment between asset managers and asset owners. Figure 1 below offers the visual illustration of this framework.

Figure 1. Framework for Analysing Pass-Through Voting



Pass-through voting offers a three-way trade-off between: strengthening the representation of the preferences of asset owners in investor stewardship; integration of information; and the consolidation of the mechanisms of investor influence under one roof. Asset owners can adopt pass-through voting to strengthen the expression of their preferences during voting, especially where they feel that there is a disconnect between these preferences and the asset manager’s voting decisions. Or they can adopt pass-through voting when they believe they hold superior information. Yet, pass-through voting also disconnects voting from the other mechanisms of investor influence and dilutes the control of an asset manager over voting decisions.⁵¹ The resulting weakening of one of the influence mechanisms of shareholder stewardship leads to important consequences that are likely to differ across the types of investors.

Alternative methods for achieving alignment are an important contextual factor in our model. In an ideal world, asset owners could achieve alignment between their beliefs (preferences) and stewardship decisions by allocating funds to like-minded asset managers. Pass-through voting is a

⁵¹ The link between voting and engagement is preserved in situations where an asset owner directly engages with issuers. But even then, separating voting and engagement from investment decisions may have consequences for informed decision-making and impact.

second-best alternative when various frictions impede alignment across the investment chain. In such circumstances, pass-through voting adds value as a complementary mechanism.

4.2. Application to Different Investment Contexts

This model can predict the consequences of different pass-through voting use cases. The interconnections between the three mechanisms of shareholder influence are particularly significant for investors that actively select portfolio companies. Asset managers of actively managed funds rely on the information obtained through private engagements to inform investment decisions.⁵² In parallel, information acquired for the purposes of investment decisions supports informed voting and engagement by these asset managers.⁵³ The managers of predominantly active investment funds are likely then to have a strong interest in maintaining control over all three influence mechanisms of investor stewardship and may be the most opposed to pass-through voting. At the same time, the information costs of pass-through voting are likely to be highest for the case of active managers, as it is less likely that an asset owner will be better informed about the specifics of the company than the asset manager.

Whether the benefits of preference alignment are high for active asset managers will depend on the circumstances. There may be a greater opportunity for specialist asset managers to exhibit preferences that cater to particular groups of asset owners (for example, a sustainability-focused asset manager). In this case, pass-through voting may add little value to preference alignment. On the other hand, where an active manager is chosen for their skills in a particular style of investment there could still be a misalignment between their voting stance and the asset owner's preferences, which could be addressed through pass-through voting. An example might be a quant investment strategy that makes little use of engagement as a value creation mechanism and where pass-through voting therefore creates few informational costs.

By contrast, investment selection is not important for index tracking funds. These funds automatically adjust portfolio composition based on changes in the underlying index, thereby essentially delegating investment decisions to index providers.⁵⁴ This means that index fund managers may acquire less company-specific information, as part of the investment process, in

⁵² See Marco Becht, Julian R. Franks & Hannes F. Wagner, *Corporate Governance Through Voice and Exit*, ECGI Finance Working Paper No. 633/2019 (Oct. 2019), <https://ssrn.com/abstract=3456626>.

⁵³ See Marcel Kahan & Edward B. Rock, *Index Funds and Corporate Governance: Let Shareholders be Shareholders*, 100 B. U. L. REV. 1771, 1801-02 (2020).

⁵⁴ See Adriana Z. Robertson, *Passive in Name Only: Delegated Management and "Index" Investing*, 36 YALE J. REG. 795, 808, 843 (2019).

support of informed voting and engagement.⁵⁵ At the same time, company-specific information that can be gathered during private engagements with portfolio companies is less valuable as the index manager does not use this information for informing capital allocation decisions. As such, the costs of applying pass-through voting in index funds are likely to be lower.

A potential counterargument to the comparative disadvantage of informed voting by index funds is the argument about ‘spillover knowledge’ within fund families.⁵⁶ Large index fund managers also manage active fund products and can rely on the expertise of active portfolio managers to make informed voting decisions. But even if index fund managers do not have a comparative disadvantage in informed voting, index funds create potentially high costs of conflicts between the fund’s voting benchmark and the diverse preferences of fund investors. The business model of index funds requires significant scale to remain cost competitive, resulting in a broad client base with diverse preferences. Although an index fund manager’s benchmark voting policy likely aligns with the preferences of many fund investors, the fund inevitably includes other investors whose preferences diverge along multiple dimensions from this benchmark. In this case, even if the costs of information aggregation and stewardship integration of pass-through voting are low, the costs of preference misalignment may be high, creating a strong rationale for pass-through voting. Furthermore, the very fact of managing simultaneously index and active funds creates the risk of potential conflicts between the objectives of various funds within the family – a risk that is aggravated by the tendency of large fund families to vote their portfolio shares uniformly across all funds.⁵⁷ As a result, the costs of conflicts between the preferences of (various) fund investors may outweigh the benefits of informed centralised voting by the asset manager. Moreover, pass-through voting gives index managers real-world feedback on voting preferences of clients. Overall, asset managers with predominantly index mandates may be more willing to share their control over voting than active fund managers.

Applying this framework to asset owners reveals a similar trade-off. Pass-through voting strengthens asset owner control over voting decisions but leaves investment selection and engagement under the control of asset managers. As a result, asset owners do not benefit from the interconnections between the influence mechanisms of investor stewardship and cannot use one mechanism to support the others. Their efforts to become an informed voter have limited cross-over benefits for investment or engagement decisions because these decisions are made by

⁵⁵ See Dorothy S. Lund, *The Case Against Passive Shareholder Voting*, 43 J. CORP. L. 493, 511-12 (2018).

⁵⁶ See Kahan & Rock, *supra* note 53, at 1802-03.

⁵⁷ See Sean J. Griffith & Dorothy S. Lund, *Conflicted Mutual Fund Voting in Corporate Law*, 99 B. U. L. REV. 1151, 1182-86 (2019).

others (unless they also invest and engage directly for part of their portfolio). This means that, in most situations, informed voting by an asset owner leads to an extra cost that cannot be spread across the elements of shareholder stewardship. An asset owner has an advantage in voting compared to asset managers only if it has more accurate beliefs about how a particular voting theme contributes to long-term value creation, specialises narrowly in certain matters being voted on (such as board diversity), in certain types of companies or industries, or has an advantage, due to local knowledge, in certain geographic markets. An argument sometimes made is that asset owners are better incentivised than asset managers with short-term investment mandates to acquire knowledge about the long-term impact of system-wide issues, such as climate change, which may affect portfolio values over decades.

5. The Design of Pass-Through Voting Programmes

The interviews reveal that pass-through voting is both old and new. It has existed for many years, to a very limited extent, for select investors in pooled funds, though it previously lacked formal recognition under this terminology. The true innovation of recent pass-through voting programmes lies in offering this voting mechanism to investors in pooled funds as a standardised service offering. Additionally, we found that there is a range of options for implementing pass-through voting that is broader than those traditionally covered in the discourse over pass-through voting. This section explains the design of pass-through voting programmes before we proceed to the analysis of their implications.

Pass-through voting can be more readily understood by drawing a parallel with the voting practices of asset owners who invest via segregated mandates. Investors holding separately managed accounts had the ability to make their own voting decisions for years.⁵⁸ But, as explained by one interviewee, the practice is not as widespread as commonly believed.⁵⁹ Full direct client voting has been primarily practiced by the few asset owners with in-house stewardship teams and sufficient capacity to vote independently. Most asset owners with segregated mandates value their asset manager's research and voting expertise, delegating these decisions alongside investment and other stewardship responsibilities. Some, depending on their contractual arrangements, choose one of the two hybrid options: either providing the asset manager with their own voting policy (or a third-party policy) for the asset manager to apply or

⁵⁸ See Louise van Marcke, "Direct" Voting by Institutional Investors: A Trojan Horse?, OXFORD BUS. L. BLOG (Mar. 13, 2023), <https://blogs.law.ox.ac.uk/blog-post/2023/03/direct-voting-institutional-investors-trojan-horse>.

⁵⁹ See Interview with a stewardship lead (asset owner), Jul. 2025.

delegating voting to the asset manager but retaining the right to override the asset manager's voting intentions, which they may receive in advance, on specific matters where views diverge.

Some asset managers have long accommodated pooled fund client requests to vote shares on specific voting agenda matters differently from the manager's vote, pro rata to the client's fund holdings.⁶⁰ This option was available to select (important) clients, was not publicised, and was implemented manually – or, as described by one interviewee, through a 'very human interaction way'⁶¹ – by sharing asset manager voting intentions with a client via email in advance and receiving client vote indications. Instances where clients diverged from an asset manager voting intentions were rare, arising primarily in relation to controversial voting agenda items where discussions between the asset manager and its client revealed differences of view, and were implemented manually on a case-by-case basis.⁶² This practice was called 'splitting the vote' rather than pass-through voting.⁶³ What is essentially ad hoc pass-through voting, has existed for many years and is – or can be, at least technically – offered by many asset managers without systematised pass-through voting programmes.⁶⁴

The novelty of recent pass-through voting programmes is to provide investors in pooled funds with the equivalents of the two hybrid options described above on an institutionalised basis.⁶⁵ Pass-through voting allows investors in a pooled fund to exert greater control over voting decisions by directing the fund's vote in proportion to their holdings. This distinguishes pass-through voting from 'expression of wishes,' which is essentially a preference aggregation survey and does not provide fund investors with any control over the fund manager's voting decisions.⁶⁶ Despite its name, pass-through voting does not allow fund investors to vote directly on individual resolutions. Under the commonly used legal structures of pooled funds, the fund itself – but not the fund investors – is the owner of portfolio securities. Accordingly, the fund's board has the legal entitlement to vote on these securities, which is, as a rule, delegated to the fund

⁶⁰ See Interview with a stewardship lead (service provider), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a sustainability director (asset manager), Jul. 2025; Interview with a stewardship director (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025. See also TASKFORCE ON PENSION SCHEME VOTING IMPLEMENTATION, *supra* note 20, at 18.

⁶¹ See Interview with a stewardship director (asset manager), Jul. 2025.

⁶² See Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a stewardship director (asset manager), Jul. 2025.

⁶³ See Interview with a stewardship director (asset manager), Jul. 2025.

⁶⁴ Two asset managers explained that accepting voting directions from clients is technically not possible because a manager receives one voting card per fund, which does not allow split voting, or because regulatory requirements in some countries prohibit sharing voting intentions with select clients only. See Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a stewardship manager (asset manager), Jul. 2025.

⁶⁵ See Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025.

⁶⁶ See Brav *et al.*, *supra* note 3, at 28.

manager.⁶⁷ For clarity, we refer to pass-through voting only in relation to voting in pooled investment funds. Asset owners with segregated mandates have an interest in the shares of portfolio companies as the record or beneficiary owner and can, if they choose to do so, vote on their shareholdings. Hence, we do not consider this to be pass-through voting.

Asset managers providing pass-through voting employ three implementation methods – which largely emulate the choices available to segregated mandate holders. First and most commonly, pooled funds implement pass-through voting by providing clients with the option of selecting a voting policy from a menu of off-the-shelf voting policies offered by the fund manager or proxy advisory firms selected by the asset manager, which are then applied to votes by the asset manager. Policies may include, for example, the manager’s own core policy, one that defaults to supporting management, or one that emphasises particular environmental or social issues such as climate change, human rights, or diversity. The fund manager continues exercising voting rights, but votes are split among different voting policies selected by investors in proportion to their holdings. Second, clients may design their own voting policy (or adopt a third-party voting policy of the client’s own choice) which will be applied by the asset manager to make tailored voting decisions in proportion to the client’s investment in the pooled fund. Third, a pooled fund client has the option of relying on the asset manager for voting decisions but, like the override option available in segregated mandates, can direct votes on specific resolutions. The asset manager then votes the pro-rata portion of the shares according to the client’s direction. Unlike the override option in segregated mandates, however, the asset manager may refuse the client’s vote indication and retain its own vote, reflecting the fact that the asset manager retains a fiduciary responsibility to the fund. This arrangement is implemented either manually or through a systematised process via proprietary or third-party voting platforms. Asset managers also differ in their approach to allowing clients to review the asset manager’s voting intentions prior to the client’s decision to direct a vote. Compliance concerns regarding rules on acting in concert deter some asset managers from sharing voting intentions with select clients, effectively requiring asset owners to direct votes blindly without knowledge of the asset manager’s own voting intention. Table 1 summarises these three options.

⁶⁷ See John Morley, *The Separation of Funds and Managers: A Theory of Investment Fund Structure and Regulation*, 123 YALE L.J. 1228, 1239 (2014).

Table 1: Principal Pass-Through Voting Options for Pooled Funds

| | Policy menu | Custom policy | Vote indication |
|------------------------------|---|---|--|
| Description | <p>Client chooses one from a menu of voting policies selected by the asset manager and typically administered by a third-party voting platform provider.</p> <p>The menu includes policies offered by third-party proxy advisors, as well as the asset manager’s own voting decisions.</p> <p>The client’s pro-rata share of votes is then allocated on their behalf by the asset manager in line with this policy.</p> | <p>Client chooses own or third-party voting policy which will typically be administered by a third-party voting platform provider.</p> <p>The client’s pro-rata share of votes is then allocated on their behalf by the asset manager in line with this policy.</p> | <p>Client defaults to the asset manager’s own voting decision, or to a voting policy, but identifies a subset of companies and / or voting matters on which they wish to indicate a voting preference.</p> <p>These may be identified ahead of time (e.g. retaining the vote on top holdings or Climate Action 100+ companies) or may be identified by the client’s proxy advisor through an alert process.</p> <p>On receiving the client’s voting preference, the asset manager allocates the client’s pro-rat share of votes in line with this.</p> |
| Example availability | <p>BlackRock</p> <p>State Street Investment Management</p> <p>Vanguard</p> <p>Northern Trust Asset Management</p> | <p>BlackRock (limited availability in some institutional pooled funds only)</p> <p>Legal & General Investment Management</p> | <p>Legal & General Investment Management</p> <p>Other UK asset managers that make pass-through voting available to clients in pooled funds but have generally not institutionalised the offering via a dedicated pass-through voting programme</p> |
| Access by client type | <p>Both institutional and retail (BlackRock, State Street Investment Management)</p> <p>Retail only (Vanguard)</p> | <p>Only institutional</p> | <p>Only institutional</p> |

The availability of pass-through voting options and the specifics of implementation vary across asset managers. For example, BlackRock’s Voting Choice programme allows eligible clients to (1) develop, either in-house or through a third-party proxy advisor, a custom voting policy which will be implemented by BlackRock across the portfolio (limited access for clients in certain institutional pooled funds), or (2) choose from a menu of voting policy options offered by

external proxy advisors selected by BlackRock.⁶⁸ BlackRock clients can, of course, continue to delegate voting authority to BlackRock's own investment stewardship team.⁶⁹ Investor Choice, Vanguard's pass-through voting programme, allows clients to choose from only Vanguard's own or a menu of third-party proxy advisor voting policies chosen by Vanguard.⁷⁰ By comparison, Legal & General Investment Management ('LGIM') offers its clients a different set of two options: (1) applying the client's own voting policy (or a third-party policy selected by the client) to make fully customised voting decisions or (2) allowing a client to review LGIM's voting intentions and submit own voting indications on matters where the client has different views.⁷¹

Variations in pass-through voting programmes reflect different views on the required level of compliance oversight over pooled fund voting by asset managers. The fiduciary nature of the asset manager relationship with the fund is currently perceived by some managers, particularly US headquartered, to constrain the objectives of pass-through voting in pooled funds. The asset manager has a fiduciary obligation to meet the fund objective, which is generally to maximise returns, not to meet underlying client objectives. Where fund investors are offered a range of voting policies, these are typically described as reflecting different sets of beliefs about how long-term value is maximised in the fund. A voting policy that expressly prioritised environmental or social issues over value creation could be legally problematic for the fund manager. Investors wishing to make such a trade-off (for example between returns and climate goals) would likely need to invest in a fund with this trade-off expressly built into its mandate. Similar issues explain why some asset managers are reluctant to allow clients to override specific voting decisions. As one interviewee explained, they 'have a fiduciary oversight and the responsibility to oversee [client directed] votes.' As such, they 'implement a layer of oversight to the programme' to make sure that they are 'comfortable with what clients are selecting from a [policy] perspective and that the policy that they're applying still meets the fiduciary standards of the fund.'⁷²

Other asset managers take the view that no compliance risks arise where access to pass-through voting is limited to institutional clients who are fiduciaries themselves and must act in their beneficiaries' best interests. Even then, the manager retains the technical ability not to follow the

⁶⁸ See BLACKROCK, EMPOWERING INVESTORS THROUGH BLACKROCK VOTING CHOICE, <https://www.blackrock.com/corporate/about-us/investment-stewardship/blackrock-voting-choice>.

⁶⁹ See *id.*

⁷⁰ See VANGUARD, VANGUARD INVESTOR CHOICE: EMPOWERING EVERYDAY INVESTORS THROUGH VOTING CHOICE, <https://corporate.vanguard.com/content/corporatesite/us/en/corp/about-our-funds/proxy-voting-across-funds/investor-choice.html>.

⁷¹ See TUMELO, CASE STUDY: TUMELO POWERS LGIM'S PASS-THROUGH VOTING OFFERING, <https://25524212.hs-sites-eu1.com/hubfs/LGIM%20announcement/Tumelo%20powers%20LGIMs%20pass-through%20voting%20offering.pdf?hsCtaAttrib=79894534867>.

⁷² See Interview with a stewardship lead (asset manager), Jul. 2025.

client's vote indication, although none of our interviewees was able to recall an occasion on which this had happened. Fiduciary concerns are one reason why pass-through voting offerings for retail investors are currently limited to pre-defined policy menus, which enable the asset manager to confirm that the individual policies meet a fiduciary standard for the fund.

Operationally, asset managers use third-party voting platforms for vote execution, such as ProxyExchange (owned by ISS), Viewpoint (owned by Glass Lewis), or ProxyEdge (owned by Broadridge). Voting decisions are then sent to custodians who pass them further along the chain to the issuer. Figure 2 illustrates this process of intermediated shareholder voting.⁷³ For context, in most countries, shareholdings are recorded in accounts at a national central securities depository, like CREST in the UK. Although an investor may have a depository account in their own name, these accounts are usually nominee accounts administered by intermediary bank or broker custodians, including for institutional investors.⁷⁴ There may be several layers of custodians, particularly in cross-border shareholdings, forming a 'custody chain.'⁷⁵ While custodians facilitate share circulation, they also complicate the exercise of shareholder rights by end investors. According to Eilís Ferran, custody chains 'create a distance between the company and the end investor from which flows a significant risk of voting preferences and other important information not passing smoothly up and down the chain.'⁷⁶

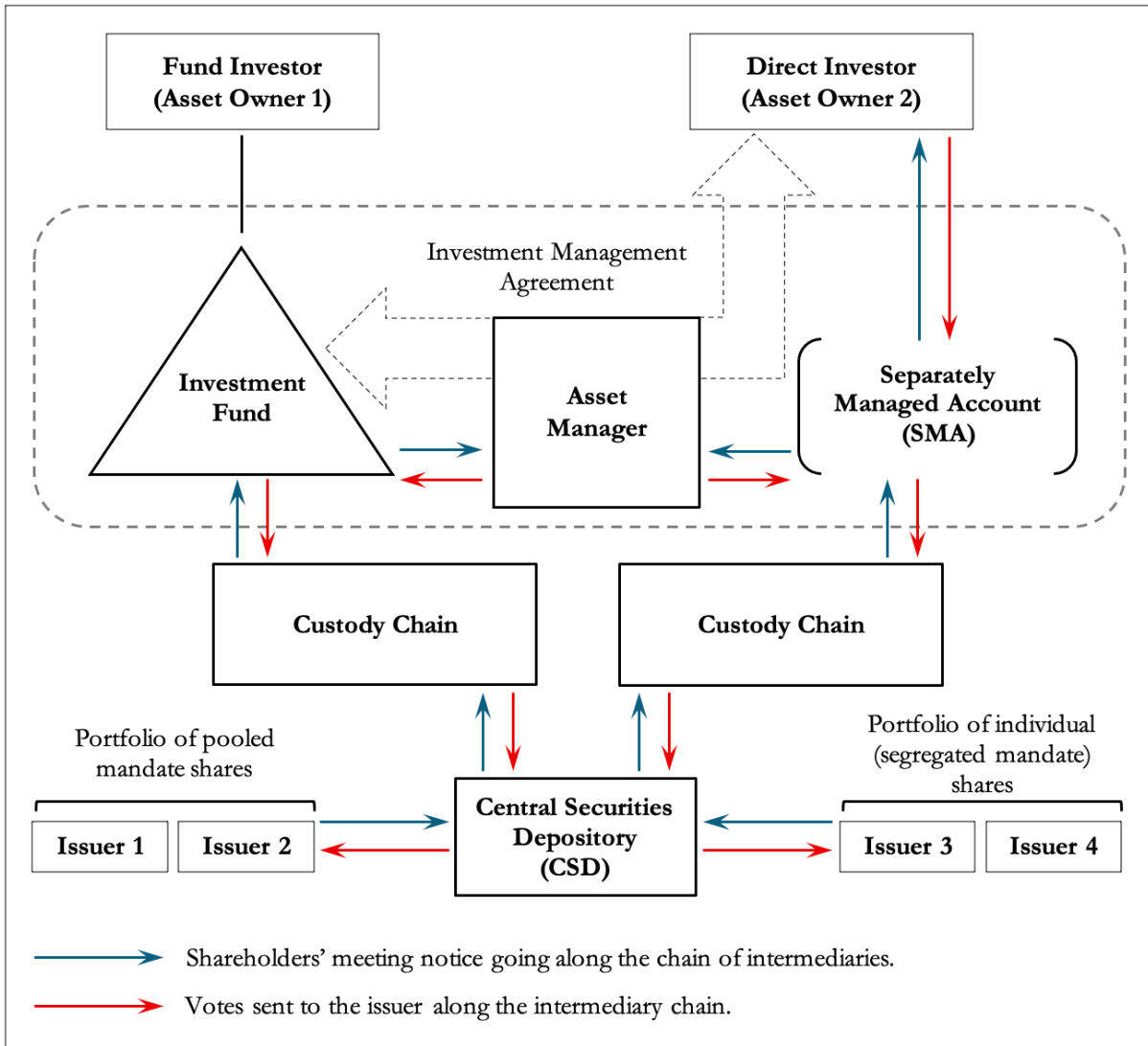
⁷³ For more detail, see Paul Davies, *Investment Chains and Corporate Governance*, in Louise Gullifer and Jennifer Payne (eds.) INTERMEDIATION AND BEYOND 199-210 (2019). Similar intermediary custody chains for holding shares in publicly traded corporations exist in the US. See Marcel Kahan & Edward Rock, *The Hanging Chads of Corporate Voting*, 96 GEORGETOWN L.J. 1227, 1236-48 (2008).

⁷⁴ See Louise Gullifer & Jennifer Payne, *Introduction*, in Louise Gullifer and Jennifer Payne (eds.) INTERMEDIATION AND BEYOND 8 (2019); Eva Micheler & Elena Christine Zaccaria, *Digitising the UK Securities Market: The Case Against and a Proposal to Enfranchise Indirect Investors*, 83 CAMBRIDGE L.J. 519, 523-24 (2024).

⁷⁵ See Christopher Twemlow, *Why are Securities Held in Intermediated Form?*, in Louise Gullifer and Jennifer Payne (eds.) INTERMEDIATION AND BEYOND 94-95 (2019).

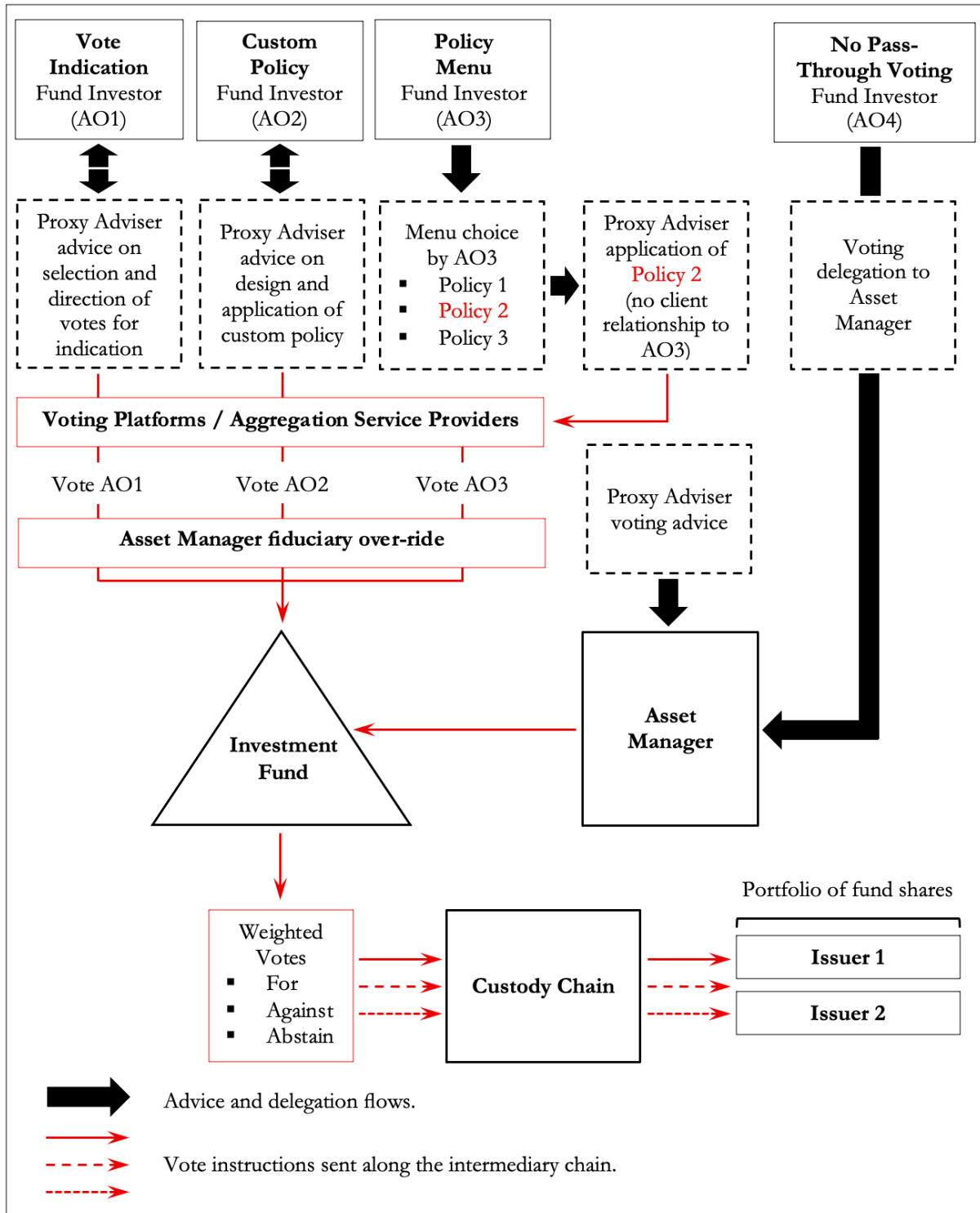
⁷⁶ See Eilís Ferran, *Shareholder Engagement and Custody Chains*, 23 EUR. BUS. ORG. L. REV. 507, 533 (2022).

Figure 2. The Intermediary Chain of Shareholder Voting



The emergence of pass-through voting further complicates the intermediary chain of shareholder voting. Several financial technology companies, such as Proximity and Tumelo, have emerged to facilitate pass-through voting programmes. Tumelo, for example, create a ‘shadow ballot’ reflecting the vote indications of asset owners using pass-through voting and sends this shadow ballot along the intermediary chain for vote execution. Figure 3 offers a schematic illustration of how different pass-through voting models are implemented in the intermediary chain of shareholder voting.

Figure 3. Implementing Pass-Through Voting Models



The intermediated chain of shareholder voting creates technical challenges for pass-through voting, particularly for its implementation via vote indications. For the votes to be counted, they must be sent to the custodian before the cut-off date set by the custodian. These dates vary

between custodians, even for shares of the same issuer.⁷⁷ When a custodian sets an early cut-off date, asset owners often make vote indications blindly without seeing the asset manager's voting intentions. In practice, this means that an asset owner must identify voting agenda items it considers important and where it expects differences from the asset manager's vote and decide without knowing how the asset manager would vote.⁷⁸ Asset owners would prefer to see the asset manager's voting intentions in advance, but this is not always possible and some asset managers we spoke to believe it creates legal difficulties with acting in concert rules.

Pass-through voting programs also vary in their scope, eligible client types, and geographic availability. Generally, they are more accessible to larger institutional investors than individual clients, though there is an industry-wide movement toward expanding pass-through voting.⁷⁹ For example, BlackRock's aim, according to its CEO, is to continue expanding the reach and capabilities of its voting choice platform and make it available to all clients, whether institutional or individual.⁸⁰ But even where voting choice programmes already cover or plan to extend coverage to retail clients, there are design differences in the breadth of choice available to such retail clients.⁸¹ Pass-through voting is not possible in relation to pooled fund holdings of companies based in jurisdictions where split voting is not allowed.

6. Stakeholder Perspectives on Pass-Through Voting: Interests and Concerns

We use interview data to enrich the proposed conceptual framework for identifying the impact of pass-through voting on the quality of shareholder stewardship and to draw out the framework's implications.⁸² As a first step, we systematically catalogue the views of key market participants, whether positive or negative, on pass-through voting. This evidence highlights factors that market participants consider significant in analysing the impact of pass-through voting on shareholder stewardship and supports the proposed theoretical framework in which we extend existing models, which focus on the trade-off between preference and information

⁷⁷ See Interviews with a stewardship lead (asset owner), Jul. 2025; Interview with a stewardship lead (asset owner), Jul. 2025.

⁷⁸ See Interview with a manager (service provider), Jul. 2025.

⁷⁹ See Brooke Masters, *BlackRock to Give Retail Investors a Say in Proxy Fights*, FIN. TIMES (Nov. 4, 2022), at 11; VANGUARD, VANGUARD INVESTOR CHOICE: EMPOWERING MORE INDEX FUND INVESTORS (Mar. 3, 2025), <https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/vanguard-investor-choice-empowering-more-index-fund-investors.html>.

⁸⁰ See Angel Au-Yeung, *More Big BlackRock Investors Vote Own Shares*, WALL ST. J. (Jun. 13, 2022), at B1, B2.

⁸¹ See Griffin, *supra* note 10, at 271; Lund, *supra* note 14, at 1084.

⁸² See *supra* Section 4.

aggregation, to introduce additional factors. A further conclusion emerging from this analysis is that stakeholder perspectives on pass-through voting, including those within the same stakeholder group, can differ substantially. There is no single dominant reason for asset managers to offer (or not offer) pass-through voting. Similarly, asset owners demand and adopt pass-through voting for various reasons and in different forms. Consequently, there exists a broad spectrum of reasons explaining stakeholders' perspectives on pass-through voting. We discuss each stakeholder group's perspective in relation to how pass-through voting affects them. Next, we integrate perspectives from across stakeholder groups in Sections 7 and 8 to consider the implications of pass-through voting for stewardship more broadly and to identify implementation practices that enhance its positive effects while reducing potential negative implications, respectively.

This section centres on three primary stakeholder groups: asset owners as the users of pass-through voting, asset managers as its providers, and issuers as those affected by pass-through voting. Pass-through voting represents a potential business opportunity for various service providers in the shareholder voting ecosystem, such as proxy advisory firms, which may provide voting policies and voting platforms supporting pass-through voting programmes, and financial technology companies offering clients voting platforms and other voting services, such as Broadridge, Iconik, Proximity, and Tumelo. We do not analyse the interests of these service providers as a separate stakeholder group because their commercial incentives generally align with the expansion of pass-through voting. However, as we explain later, pass-through voting may create regulatory risks for some of these service providers.⁸³

6.1. Asset Owners

Consistent with our framework, asset owners use pass-through voting primarily for strengthening the reflection of their views and investment beliefs in shareholder voting decisions. Their views on pass-through voting differ, with some adopting it and others continuing to rely on asset managers for voting decisions. Asset owners that adopt pass-through voting are mindful that some asset owners may be resource constrained, and not all can adopt pass-through voting, but believe it is important to have the option available if needed.⁸⁴ Two reasons stand out as the primary drivers for the adoption of pass-through voting by asset owners.

⁸³ See *infra* Section 7.3.

⁸⁴ See Interview with a stewardship lead (asset owner), Jul. 2025.

An often-cited reason for the adoption of pass-through voting by asset owners is achieving voting consistency on key holdings held across multiple funds or mandates.⁸⁵ This motivation is common where institutional clients hold shares via a segregated mandate as well as via several pooled vehicles, and also where they have their own stewardship team and perhaps even directly managed investments. Pass-through voting enables them to align how they vote on resolutions at a company across all their holdings. This is likely to give them more influence and a stronger voice, especially when the asset owner is engaging with portfolio companies directly. As one asset owner put it, they were keen on aligning their voting on the active and passive sides to ensure that they ‘create as much impact through [their] voting decisions as possible’:

We co-filed a shareholder resolution . . . [and] engaged on the back of it for a number of months. . . . [I]n those instances, we want to make sure, obviously, that our position is reflected in our voting decisions on the active side, but we also ensure that the same decisions are made on the passive side.⁸⁶

The desire for voting consistency is not restricted to asset owners conducting their own stewardship activity. Indeed, this desire to maximise impact was also one of the publicly declared motivations for the adoption of pass-through voting by the pension fund clients of LGIM.⁸⁷ Consider, for example, the case of the Superannuation Arrangements of the University of London (SAUL), which had segregated mandates aligned with a policy operated by Pensions Investment Research Consultants (PIRC) while index funds followed LGIM’s policy. Adopting pass-through voting with LGIM allowed SAUL to apply their PIRC policy across the board.⁸⁸

An equally important motivation for the adoption of pass-through voting is that it allows asset owners to achieve alignment with their investment beliefs by increasing their control over shareholder voting.⁸⁹ Sometimes this can relate to prosaic governance matters. One asset owner reported that they use pass-through voting in the US to align their voting on matters such as separation of chair and CEO across their US and non-US holdings.⁹⁰ But the willingness of asset

⁸⁵ See Interviews with a stewardship lead (asset owner), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a manager (service provider), Jul. 2025.

⁸⁶ Interview with a stewardship lead (asset owner), Jul. 2025.

⁸⁷ Sophie Smith, *SAUL Adopts Pass-Through Voting Across DB and DC Plans*, PENSIONS AGE (May 13, 2024), <https://www.pensionsage.com/pa/SAul-to-adopt-pass-through-voting-ondb-and-dc-plans.php>; Paige Perrin, *GMPF Adopts Pass-Through Voting*, PENSIONS AGE (Jul. 1, 2024), <https://www.pensionsage.com/pa/GMPF-announces-adoption-of-pass-through-voting.php>.

⁸⁸ See Smith, *supra* note 87.

⁸⁹ See Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a manager (service provider), Jul. 2025.

⁹⁰ See Interview with a stewardship lead (asset owner), Jul. 2025.

owners to strengthen their control of voting decisions can be particularly pronounced in relation to environmental and social matters, including climate change, which have become increasingly important over the recent years, and some asset owners feel a disconnect with asset managers on these matters. Some asset owners, especially pension funds, have a belief that certain ESG matters, while not so relevant for returns over the time horizon of asset manager investment mandates, are relevant over their much longer time horizon. They may also have beliefs relating to ‘system stewardship’ issues that may not affect value at the company level but could affect the quality of the market overall. Those asset owners often feel that asset managers are not aligned with these priorities, perhaps because of the different time horizons to which the asset owner and asset manager are operating.⁹¹ This may be particularly relevant for index funds, which need to accommodate the demands of a diverse investor base and, in some cases, navigate diametrically opposing views on stewardship matters. Indeed, as one adopter of pass-through voting explained,

[Our] voting used to be done mostly by our US managers whose benchmark policies are broad and take views from a broad church and dilute several voting positions at the back of that. We are investors who are progressive across a range of ES and G factors and want to establish leading practice in the space and play a role in it. And we felt that our investment beliefs were not being reflected in our managers’ voting positions.⁹²

In addition to these two reasons, some asset owners also credit pass-through voting for allowing them to be more engaged and for strengthening their voice in the broader shareholder stewardship ecosystem. In this way, asset owners can achieve impact beyond their size by influencing other stewardship actors who may have a significantly greater impact on corporate decisions. The quote below captures this view:

We believe we have moved the market [after adopting pass-through voting]. The managers have allowed us access to proxy voting providers, agencies, and I know the world is a different place now. . . . We are consulted; we have a seat on the table. . . . We’ve helped managers create bespoke [voting] policies. . . . And because we apply pass-through voting and do these overrides, we have massive amounts of insights as well, unlike other asset owners who don’t do [pass-through voting]. . . . [As a result,]

⁹¹ See Andreas G.F. Hoepner, *UK Asset Owner Stewardship Review 2023: Understanding the Degree and Distribution of Asset Manager Voting Alignment* (Nov. 17, 2023), <https://ssrn.com/abstract=4643377>.

⁹² Interview with a stewardship lead (asset owner), Jul. 2025.

our ability to engage our managers is better. Our ability to engage with companies is better. And our ability to provide industry insight towards industry standards and policy advocacy is much more strengthened.⁹³

Where asset owners adopt pass-through voting, some apply it equally across their active and index holdings, but we were told, as predicted by our theoretical framework, that there is often a tendency to apply it first to index holdings and some will not apply pass-through voting to active managers as a matter of principle. There are several reasons for this. First, index managers have been the most proactive in offering pass-through voting services. Second, asset owners often allocate the largest portion of their equity mandates to diversified index funds, making it natural to begin implementing pass-through voting with these holdings. Third, at least in a UK context, pass-through voting tends to be adopted by asset owners who take a ‘progressive’ stance on ESG issues, which is increasingly at odds with the house stewardship positions of major US index managers. Fourth, interviews revealed that some asset owners view voting to be a more separable activity for index managers than for active managers. There is recognition that in buying the services of an active manager, an asset owner is to some degree buying stewardship, engagement, and voting as part of the package, and this can be more central to the core value-creating proposition than is the case for an index manager.⁹⁴ As an asset owner put it:

If you invest with an active manager, we think they should be offering the full package, so you should also trust them to vote and engage. You can still challenge them. Don’t get me wrong, you won’t always agree, but it is part of the package.⁹⁵

Another asset owner concurs:

[I]t’s important to draw a difference between passive and active mandates. . . . For active mandates, . . . the insights the portfolio manager can bring into the voting decisions sometimes are very important. And therefore, we don’t want to break that link between the investment case and the vote.⁹⁶

⁹³ Interview with a stewardship lead (asset owner), Jul. 2025. Similar views were expressed by another asset owner who pointed to improved access to information on voting thanks to pass-through voting. *See* Interview with a stewardship lead (asset owner), Jul. 2025.

⁹⁴ This difference in attitudes may explain why client demand for pass-through voting was reported as being relatively muted by the active managers we spoke to, as compared with the providers of index products.

⁹⁵ Interview with a stewardship lead (asset owner), Sep. 2025.

⁹⁶ Interview with a governance lead (asset owner), Nov. 2025.

These motivations indicate that there is, clearly, a demand for pass-through voting from asset owners. A growing number of UK local government pension scheme funds have taken up pass-through voting.⁹⁷ Demand for pass-through voting is also evident among retail investors.⁹⁸ But pass-through voting is not necessarily the preferred option for all asset owners. At least four reasons can explain why asset owners may not be interested in pass-through voting and some asset owners may even be opposed to it.

First, some asset owners, while appreciating the option of having more input in voting decisions, acknowledge that making their own voting decisions involves a lot of work and they may not have the resources to be as informed as their asset managers. As a result, they are likely to continue delegating voting to the asset manager who benefits from the economies of scale and can maintain its own stewardship team. In BlackRock's own description, '[m]any investors value having their asset managers handle proxy voting. Proxy statements can run more than 100 pages. For a person invested in 500 companies through an ETF or index fund, that could mean more than 1,000 hours of wading through materials to make informed decisions on thousands of proxy votes.'⁹⁹

Second, large asset owners, such as pension funds and sovereign wealth funds, have considerable input in the voting decisions and the design of the voting policies of asset managers that manage their funds.¹⁰⁰ There is evidence that these asset owners are vocal and exercise their influence to direct the votes and voting policies of asset managers.¹⁰¹ Asset owners can multiply their own influence by working with an asset manager and influencing that manager's voting decisions across all of its holdings. By contrast, if influential asset owners select to vote independently, they lose the power to influence the votes and voting policies of the asset manager and also lessen the pressure on the asset manager to change their own stewardship and voting approach.

Third and relatedly, some asset owners believe that high quality stewardship requires ownership, monitoring, engagement, and voting to be implemented as an integrated whole. Separating

⁹⁷ See Mona Dohle, *Bedfordshire Pension Fund Adopts Pass-Through Voting, Opening Door for Wider LAPFF Rollout*, NET ZERO INVESTOR (Mar. 14, 2025), <https://www.netzeroinvestor.net/news-and-views/bedfordshire-pension-fund-backs-pass-through-voting-opening-door-for-wider-lapff-adoption>.

⁹⁸ See VANGUARD, *VANGUARD INVESTOR CHOICE 2025: INVESTOR PARTICIPATION AND PREFERENCES 5* (Sep. 2025), https://corporate.vanguard.com/content/dam/corp/advocate/investment-stewardship/pdf/investor-choice/investor_participation_preferences.pdf.

⁹⁹ See Salim Ramji & Joud Abdel Majeid, *BlackRock Gives Investors a Say*, WALL ST. J. (Aug. 4, 2023), at A 15.

¹⁰⁰ See Dorothy S. Lund, *Asset Managers as Regulators*, 171 U. PENN. L. REV. 77, 83-84 (2023).

¹⁰¹ See *id.*, at 110-111. See also Samantha Chew, *Aegon's Samantha Chew on Stewardship: The Case for Expression of Wish*, NET ZERO INVESTOR (Nov. 30, 2023), <https://www.netzeroinvestor.net/news-and-views/aegons-samantha-chew-the-case-for-expression-of-wish>.

voting from the rest of stewardship could achieve alignment of beliefs but end up undermining the whole, a contention we return to later. Moreover, the interest among some asset owners in ‘system-level stewardship’ includes consideration of activity – such as policy lobbying – that takes place at the firm level. In this view, it is better instead to select asset managers who have a stewardship philosophy that aligns with that of the asset owner¹⁰² or to engage with managers through expression of wishes.¹⁰³ Additionally, a large asset manager is likely to have more scale than an asset owner, which adds further to their influence:

We own 0.000000 per cent of every single company that we own and from a theory of change, if we want to have the maximum impact with . . . the companies in which we invest, we felt that it was a better course of action to find a manager that was more aligned at a firm level with respect to their voting policies and practises with their trillions of AUM [assets under management].¹⁰⁴

On this view it is a much better course of action for an asset owner to find a manager that is more aligned at a firm level on voting policies and practices which can drive improvements in corporate behaviour, than ‘deviating the vote [via] pass-through voting and getting alignment ticked but not impact.’¹⁰⁵

In a similar vein, some asset owners that have adopted pass-through voting prefer to continue relying on the thoughtful stewardship work done by the asset manager. Instead of selecting a general voting policy for pass-through voting, they follow the manager’s lead on most votes but use the option of indicting votes on selected companies or topics where the voting preferences of the asset owner and the manager are likely to diverge.¹⁰⁶ An asset owner may deviate from the manager’s voting intentions by directing votes on around 90-100 agenda items per year.¹⁰⁷

Fourth, adoption of pass-through voting may expose asset owners to political and ideological risks associated with stewardship, especially the environmental and social components of it.¹⁰⁸

¹⁰² For example, the People’s Pension recently made a significant change to its equity mandates stating that ‘both appointments represent a step forward in achieving greater alignment with our stewardship approach and priorities.’ See The People’s Pension, *New Asset Managers Strengthen Our Investments*, <https://thepeoplespension.co.uk/employers/support-for-employers/news-and-insights/new-asset-managers-strengthen-investment-strategy/>.

¹⁰³ See Chew, *supra* note 101.

¹⁰⁴ Interview with a responsible investment lead (asset owner), Jul. 2025.

¹⁰⁵ See *id.*

¹⁰⁶ See Interview with a stewardship lead (asset owner), Jul. 2025.

¹⁰⁷ See Interview with a stewardship lead (asset owner), Jul. 2025; Interview with a stewardship lead (asset owner), Jul. 2025.

¹⁰⁸ For an argument that UK’s local government pension schemes may become exposed to ideological demands over investing and stewardship decision, see Toby Nangle, *Brace for Reform UK’s War on “Woke” Pension Investments*, FT

Some asset owners may be loath to become involved in these ideological debates, especially if their own client base or beneficiaries do not have homogenous preferences.

To conclude, the reasons why asset owners adopt or do not adopt pass-through voting vary from investor to investor. Given diverse views of asset owners on, in particular, environmental and social votes, and their demands for stewardship alignment, the *demand for personalised stewardship* from asset owners is likely to support the further growth of pass-through voting. But there are also good reasons why some asset owners do not adopt pass-through voting or are being thoughtful when adopting pass-through voting in order to reduce the potential negative impact on the asset manager's stewardship efforts.

6.2. Asset Managers

Client demand is the key factor in the decision of asset managers whether to offer pass-through voting. The asset managers we interviewed repeatedly referred to demand from clients, primarily but not only institutional, for more control over shareholder voting decisions in fund portfolio companies as the main motivation for the emergence of pass-through voting.¹⁰⁹ Likewise, asset managers that have not implemented an institutional pass-through voting programme cite the lack of client demand as their reason.¹¹⁰ They felt a pressure to consider pass-through voting when it was announced by the Big Three, but ultimately decided not to offer primarily for the lack of client interest. As explained by two asset managers, after an initial inclination to act on pass-through voting, they soon realised that they were in a different situation compared to large US index fund providers, and the commercial decision boiled down to assessing the needs of their own clients.¹¹¹

This approach is not surprising. In a competitive market where fund flows are central to manager success, asset managers will inevitably offer services that cater to client demand.¹¹²

Responsiveness to client demand is so strong that several asset managers who are philosophically

ALPHAVILLE (May 13, 2025), <https://www.ft.com/content/d7858718-91a9-4881-baa6-10dc7c05a260?shareType=nongift>; Toby Nangle, *Gauging Reform UK's Pension Power*, FT ALPHAVILLE (May 19, 2025), <https://www.ft.com/content/4922d15c-7176-479a-987a-f8d412f24b42?shareType=nongift>.

¹⁰⁹ See Interview with a client success lead (service provider), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a stewardship director (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025.

¹¹⁰ See Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a sustainability director (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a governance lead (asset manager), Sep. 2025.

¹¹¹ See Interview with an engagement lead (asset manager), Sep. 2025; Interview with a governance lead (asset manager), Sep. 2025.

¹¹² See Lund, *supra* note 100, at 97.

opposed to pass-through voting admitted that they either offer or would offer it if considered a commercial imperative, for example to retain or win a large enough client. As one put it, they draw a clear line between what pass-through voting means ‘from a commercial perspective and the aspects around that’ and the impact of pass-through voting ‘from a stewardship and governance perspective.’¹¹³

For small asset managers, the question of little demand is also coupled with the costs of designing a pass-through voting programme. According to an interviewee, had they decided to offer pass-through voting, as a ‘small boutique active investment manager,’ they would need to keep it very simple and straightforward:

The voting season is very short. Resources are already stretched. Stewardship teams already are under pressure during that period . . . There is no way we could have multiple conversations with multiple clients about their voting preferences. It just isn’t practical. Given the time constraints and the resources available, from our point of view it would have to be a very simple [model]: you either have our voting policy; you can take the proxy voting benchmark policy, if you prefer; or have your own [voting policy and implement it via a proxy advisor].¹¹⁴

Another prominent factor influencing the decision of asset managers to offer pass-through voting is the democratisation of voting in pooled funds and the expansion of client choice. This reason is particularly strong among the large US index fund providers who have publicly referred to the democratisation of voting and client choice as the primary reason for the introduction of their voting choice programmes.¹¹⁵ Indeed, one of the interviewed asset managers highlighted the importance of ‘expanding choice and giving the vote back to the people’ whose assets are being managed.¹¹⁶ For another asset manager, pass-through voting continues the tradition of ‘serving the investor’ by providing them with well informed and high quality options related to proxy voting.¹¹⁷ This view mirrors the position taken by some asset owners on their role in the market.

¹¹³ See Interview with a stewardship director (asset manager), Jul. 2025.

¹¹⁴ Interview with a stewardship lead (asset manager), Jul. 2025. Similar views were expressed by another asset manager. See Interview with a stewardship lead (asset manager), Jul. 2025.

¹¹⁵ See BLACKROCK, LARRY FINK’S ANNUAL CHAIRMAN’S LETTER TO INVESTORS (Mar. 15, 2023), https://s24.q4cdn.com/856567660/files/doc_financials/2022/ar/online/index.html#/letter-to-shareholders; STATE STREET, PROXY VOTING CHOICE EMPOWERS INVESTORS, https://www.ssga.com/uk/en_gb/about-us/what-we-do/asset-stewardship/proxy-voting-choice; VANGUARD, EMPOWERING EVERYDAY INVESTORS THROUGH VOTING CHOICE, <https://corporate.vanguard.com/content/corporatesite/us/en/corp/about-our-funds/proxy-voting-across-funds/investor-choice.html>.

¹¹⁶ See Interview with a stewardship lead (asset manager), Jul. 2025.

¹¹⁷ See Interview with a stewardship lead (asset manager), Jul. 2025.

According to one asset owner, the investment management industry has been supply-led; ‘if we had a chance to rip this up, start again, . . . we [asset owners as the owners of capital] should be driving this.’¹¹⁸

Finally, the emergence of pass-through voting may also be related to the intense criticism of large index fund managers from different sides of the political aisle and the controversy over ESG stewardship, particularly in the United States.¹¹⁹ Some of the interviewees acknowledged, expressly or indirectly, the role of a wider political environment in driving the introduction of the first pass-through voting initiatives.¹²⁰ One asset manager described it thus:

You see a real distribution of perspectives related to anything ESG where you know for any given investor who believes that taking an action on climate change risk would maximise returns there’s someone who thinks that that’s misguided and a woke ideological move that’s going to destroy value. And so, from an asset manager’s perspective, knowing that we do not have any mandate or objective other than meeting the investment objective of the fund, which is to maximise shareholder value, how do you address those investor needs and desires in that environment?¹²¹

When fund investors have conflicting demands and voting decisions of asset managers face heightened scrutiny from both clients and society at large, stewardship becomes sufficiently costly and risky that asset managers, particularly those subject to criticism for the concentration of voting power, may choose to transfer control over voting decisions to asset owners. This shields asset managers from criticism regarding either inadequate action or inappropriate overreach. Moreover, widespread adoption of pass-through voting may pre-empt public regulatory intervention.¹²² Although not expressly admitted by all index fund managers, two asset managers offering pass-through voting services noted that the contention that an asset manager is imposing its views upon clients and portfolio companies is weakened when clients have expressly selected the manager’s own voting policy (or have not opted out when given the choice).

¹¹⁸ See Interview with a responsible investment lead (asset owner), Jul. 2025.

¹¹⁹ See Griffin, *supra* note 10, at 289; Lund, *supra* note 14, at 1078.

¹²⁰ See, e.g., Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a client success lead (service provider), Jul. 2025; Interview with a stewardship lead (service provider), Jul. 2025.

¹²¹ Interview with a stewardship lead (asset manager), Jul. 2025.

¹²² See generally Neil Malhotra *et al.*, *Does Private Regulation Preempt Public Regulation?*, 113 AM. POL. SCIENCE REV. 19, 30-31 (2019). But see Hajin Kim *et al.*, *Does ESG Crowd In or Out Public Support for Regulation?*, AM. L. & ECON. REV. (2025 forthcoming).

But pass-through voting also has negative aspects for asset managers and the decision to offer it is a balancing act between the above motivations and the risks of pass-through voting. As predicted by our model, a common concern expressed by asset managers during the interviews, especially by the active managers, and sometimes even by those that are providing pass-through voting, was the risk of diluting their influence and of weakening stewardship within the investment proposition. For active managers in particular, engagement is viewed as a core mechanism for encouraging improvements in governance or strategy at investee companies. Stewardship, including voting and engagement, is ‘a material part of our offering,’ according to one active manager. ‘[P]art of our ethos is to build relationships with companies, and that comes with the voting power and the engagement with companies.’¹²³

If an asset manager is no longer able to speak for the votes of all the shares they hold, issuers may be less willing to respond to their engagement asks, thereby reducing their stewardship influence. Two active managers explained the important links between voting and engagement and how potential vote escalation is used as a tool during engagement:

[V]oting is an extension of our engagement and an extension of our role in understanding companies. . . . [If we hand voting to fund investors,] we lose control of that process or potentially have conflicts with our engagement. . . . Both reduce the potential impact of our engagement where we can’t use the vote to back up the points that we are making and potentially we would end up with a diffusion of voting message.¹²⁴

We have a lot of influence because we can sit in front of a company with our 5-6 per cent shareholding . . . and very consistently vote as a house. That has been built up over years. We have a very close relationship with a lot of companies, particularly in the UK, who value that. We have been very consistent in that messaging, and we are very consistent in the way that we approach our voting. So even a company that doesn’t like us because we put quite a lot of pressure on them, have been known to say, “Look, we get it.” And they actually like the fact that we consistently go back every year with the same message. . . . Building that consistency up is what helps us get to where we want to get to, and that message helps massively from an ESG standpoint. When you can go and say, “Look, even

¹²³ See Interview with a stewardship lead (asset manager), Jul. 2025.

¹²⁴ Interview with a sustainability director (asset manager), Jul. 2025.

all of our managers are behind us. We have a very clear one view that we're coming to you with.'¹²⁵

Furthermore, some asset managers are concerned that the provision of pass-through voting could end up with the unintended consequence of limiting their access to companies. Companies may see less value in engaging with asset managers if that engagement ultimately does not influence voting behaviour. According to an active portfolio manager at one of the UK asset managers, issuer management teams want to engage with decision makers and will be less inclined to deal with asset managers on specific issues if fund votes are split: '[T]hey ultimately want to deal with whomever is making the decision about whether or not to hold the stock or whether or not to go in favour or against a particular policy.'¹²⁶ Another interviewee noted that as an active manager, they need positive constructive relationships with portfolio companies and access to company management to understand the company, including a broad range of matters where they do not vote as a shareholder. As such, they 'do not want to do things that risk that [relationship]'.¹²⁷

Pass-through voting may also create a communication challenge by making it harder for asset managers to present a coherent message to corporate boards during engagement meetings when representing diverse client viewpoints. Voting is not only an escalation tool. Voting, as noted by an asset manager, 'is also a communication tool, but it's a communication tool only if the company knows why you voted the way you voted.'¹²⁸ When clients have conflicting preferences, an asset manager must cast potentially contradictory votes that may obscure the message that voting intends to achieve. To complicate matters further, asset managers may not receive information on the reasons behind client-directed votes.¹²⁹ As a result, they may struggle communicating a clear message to corporate boards on fund voting decisions. This also affects issuers because they may find it challenging to find out shareholder voting rationales.¹³⁰

To conclude, reasons for introducing pass-through voting and asset manager views on it vary. While asset managers might position pass-through voting as *responding to client demand for choice* and *advancing shareholder democracy* by giving voice to the diverse perspectives of their client base, it is also the case that, for large asset managers in particular, pass-through voting can be viewed as

¹²⁵ Interview with a governance lead (asset manager), Sep. 2025.

¹²⁶ See Interview with a stewardship lead (asset manager), Jul. 2025.

¹²⁷ See Interview with a sustainability director (asset manager), Jul. 2025.

¹²⁸ See Interview with a stewardship director (asset manager), Jul. 2025.

¹²⁹ See Interview with a stewardship lead (asset manager), Jul. 2025.

¹³⁰ See Interview with a stewardship lead (asset manager), Jul. 2025.

managing the consequences of increasingly divergent client views on ESG matters and as addressing concerns about concentrated voting power and pre-empting regulatory intervention by reducing the asset manager's direct say over voting. For other asset managers that are less exposed to political risk, the main motivation for their decision on pass-through voting is client demand. Given the importance of fund flows to asset manager financial performance, asset managers respond to incentives for *competitive differentiation in the asset management and investment fund landscape* by positioning themselves as responsive to evolving client demands and distinguishing their offerings from others.

6.3. Corporate Issuers

UK corporate boards have long expressed dissatisfaction with what they see as the deteriorating quality of investor stewardship.¹³¹ They feel that stewardship demands have become overly standardised, with minimal connection to individual corporate strategies and little willingness from institutional investors to accept tailored provisions that deviate from established best practices. Also, many investors delegate voting decisions – directly or indirectly – to proxy advisory firms who are perceived as being unwilling to engage with corporate boards and revise their recommendations.

Pass-through voting is not yet on the radar of many corporate boards as a primary item of concern given that its take-up remains, in aggregate, relatively low. Many corporate boards, although aware about pass-through voting, have not even experienced any change in shareholder voting and engagement so far. Only one of our issuer interviewees was able to identify a case where split voting by shareholders caused a material surprise in a voting outcome for the issuer – and even in this case the issuer had been unable to establish whether this was due to pass-through voting, segregated mandates, or different fund mandates offered by the fund manager.¹³² But given the sensitivity of boards to shareholder vote outcomes and process, any sense that pass-through voting makes it harder to manage communications with shareholders by fragmenting votes and obscuring voter identities, reduces the predictability of votes, and reduces the ability of asset managers to engage substantively and ‘deliver’ votes as a result is viewed negatively by boards. Models used by companies to plan and predict votes ‘get more complicated with pass-through voting,’ according to a company secretary at a major UK listed company.¹³³ It is also unclear how much ‘faith’ companies can put into regular engagements with their investors

¹³¹ See TULCHAN, *supra* note 9, at 6.

¹³² See Interview with a general counsel and company secretary (company), Nov. 2025.

¹³³ See Interview with a shareholder governance lead and company secretary (company), Nov. 2025.

because pass-through voting impacts ‘the solidity’ of what fund managers tell them.¹³⁴ According to one of the interviewees, companies may think that they are engaging with people who are going to make the decisions but ‘there is potentially a large pool of what they [fund managers] are managing that they have no real control over.’¹³⁵ A related and prominent concern among corporate boards is transparency and the difficulty and costs associated with identifying their shareholders and their voting decisions, including opening up channels of communication with asset owners, with whom they have traditionally not engaged directly:

[It] is really about how do we ensure transparency from an issuer perspective in terms of how voting takes place so that we can make sure that we’re best informed as far as we possibly can be when it comes to interactions with investors around voting time.¹³⁶

To the extent that pass-through voting negatively affects the transparency of shareholder voting decisions and makes identifying those who influence votes – an already complex task¹³⁷ – even harder, corporate boards are concerned with the expansion of the practice.

[I]t is so difficult to pick through what is already a fragmented custodial chain . . . Unless there are material votes from a single asset owner against a resolution, it’s almost impossible to identify [who influences the vote], and I think that’s the worry. We just make the jigsaw. We can’t make the pieces fit because you just can’t.¹³⁸

Furthermore, boards are concerned that pass-through voting programmes, which often tailor voting choice to the recommendations of one of the leading proxy advisory firms, are likely to further entrench their position. Corporate boards and their trade associations often complain that proxy advisory firms already exert too much influence over the outcomes of voting decisions.¹³⁹ Some proxy advisory firms are perceived to be very inflexible and unwilling to revise their recommendations, removing any incentives for companies to even attempt engaging with them.¹⁴⁰ Companies are especially concerned with the implementation of pass-through voting via policy menus. Companies want ‘connectivity with their owners’ but automated shareholder

¹³⁴ See Interview with a general counsel and company secretary (company), Nov. 2025.

¹³⁵ See *id.* These concerns potentially extend to market sounding prior to the announcement of major corporate transactions, such as mergers and acquisitions.

¹³⁶ Interview with a company secretary (company), Nov. 2025.

¹³⁷ See Davies, *supra* note 73, at 188.

¹³⁸ Interview with a company secretary (company), Nov. 2025.

¹³⁹ See Alex Edmans, Tom Gosling, & Dirk Jenter, *CEO Compensation: Evidence From the Field*, 150 J. FIN. ECON. 103718 (2023).

¹⁴⁰ See Interview with a company secretary (company), Nov. 2025; Interview with a corporate governance lead (company), Nov. 2025.

voting does not even ‘give them a hearing.’¹⁴¹ Accordingly, companies would not wish to see the role of proxy advisory firms increase.

At the same time, some issuers acknowledge the legitimacy of the interest of asset owners in voting. One issuer highlighted that at a fundamental level it is hard to argue against asset owners who want more control over voting: facilitating the expression of divergent asset owner views performs an important role in revealing concerns that would likely not ‘come up to the surface as much.’¹⁴²

Pass-through voting could also in some circumstances improve issuer access to investors and add more flexibility to shareholder stewardship if it is primarily adopted by asset owners with better knowledge of specific companies and their needs. For example, local investors may also be more willing to listen to corporate boards than a foreign asset manager who may ignore relatively small and remote companies in its global portfolio.¹⁴³ For this prediction to become reality, asset owners adopting pass-through voting must have an informational advantage compared to others, engage directly, influence enough shares to make engagement with them worthy, and make informed and independent voting decisions. In this case the use of custom proxy voting advice could enable such investors to devote more time to votes where their specific expertise and knowledge is valuable.¹⁴⁴ Ultimately, the impact of pass-through voting depends on how asset owners decide to use their voting influence.

7. Implications of Pass-Through Voting for Shareholder Stewardship

The emergence of pass-through voting makes the stewardship landscape more complex. There is little argument that pass-through voting enables asset owners (including retail investors) to express their views and preferences through voting to a greater degree than previously. Given that such asset owners always have the option to continue to delegate their vote to the asset manager, this might be an unambiguous expansion of their choice.¹⁴⁵ Relatedly, pass-through voting is also enabling the voices of asset owners in relation to stewardship – which have for too long been ignored by the asset management industry, according to some interviewees – to be

¹⁴¹ See Interview with a general counsel and company secretary (company), Nov. 2025.

¹⁴² See Interview with a corporate governance director (company), Nov. 2025.

¹⁴³ See Interview with a company secretary (company), Nov. 2025.

¹⁴⁴ See Edwin Hu, Nadya Malenko, & Jonathon Zytneck, *Custom Proxy Voting Advice*, ECGI Finance Working Paper No. 975/2024 (Apr. 2025) 11-13, <https://ssrn.com/abstract=4770971> (showing how customised proxy voting advice improves both the aggregation of investor preferences and the aggregation of information in voting outcomes).

¹⁴⁵ See Interview with a stewardship lead (asset manager), Jul. 2025.

heard.¹⁴⁶ But pass-through voting has several potentially negative implications for shareholder stewardship. In this section, we rely on the framework developed above and evidence from the interviews to identify and discuss these implications.

7.1. Separating Shareholder Voting from Engagement

Disconnecting voting from other stewardship mechanisms through pass-through voting can weaken shareholder stewardship in general and engagement in particular. This was a common concern among many of the interviewees, including asset managers, and has two aspects to it. First, the fragmentation of shareholder vote is likely to reduce the influence of asset managers; they may also be taken less seriously by corporate boards.¹⁴⁷ Second, pass-through voting can lead to confusion during engagement given that a proportion of votes held by an asset manager may be cast in a way that is not connected with the engagement outcome.¹⁴⁸ It is also more complex and costly for corporate boards to identify their major investors and engage with them. Not only there will be a need for engagement with a larger number of investors, but also companies may struggle identifying many of these end investors where the owner of shares on record is the investment fund through which asset owners invest.¹⁴⁹ Stewardship is the outcome from application of engagement, voting, and ownership in a coherent whole. As one interviewee put it, ‘good practise is when you have the whole stewardship.’¹⁵⁰ Having a well-resourced large asset manager with whom the asset owner is largely, even if not perfectly, aligned creates the potential for amplified influence – including on the asset owner’s own policy. Asset owners then need to consider the trade-offs carefully.

It is for these reasons that some asset managers survey their investors through an ‘expression of wish’ as an alternative to pass-through voting.¹⁵¹ In a similar vein, academic literature proposes ‘informed intermediation’ by pension fund trustees and fund managers as an alternative to pass-through voting. This proposal leaves the voting authority in the hands of trustees and fund managers but would require them to collect views from their beneficiaries before voting.¹⁵² But

¹⁴⁶ See Interview with a manager (service provider), Jul. 2025.

¹⁴⁷ See text accompanying *supra* notes 124-127.

¹⁴⁸ See Interview with a voting and governance director (asset manager), Jul. 2025; Interview with a sustainability director (asset manager), Jul. 2025. See also Chew, *supra* note 101.

¹⁴⁹ See Interview with a stewardship director (asset manager), Jul. 2025.

¹⁵⁰ See Interview with a public official (regulatory body), Jul. 2025.

¹⁵¹ See Chew, *supra* note 101.

¹⁵² See Fisch & Schwartz, *supra* note 18, at 48.

this approach, as explained by one asset manager, has its own weaknesses, including ‘asking [investors] for something that does not have a clear translation into a vote outcome.’¹⁵³

From the engagement perspective, the benefits of adopting pass-through voting are strong for asset owners that already engage with companies in their segregated or directly managed portfolios. Aligning voting decisions across segregated and pooled mandates in such situations gives the asset owner greater influence and a stronger voice when engaging with portfolio companies. But some interview evidence suggests that issuer engagement by asset owners is at an early stage, and much work needs to be done both by issuers and asset owners to be prepared for direct engagement. Sometimes asset owners do not even communicate to issuers that they have adopted pass-through voting; issuers, in turn, are not always interested in asking asset owners about the proportion of the shares that they ultimately control.¹⁵⁴ The following quote from an asset owner illustrates the challenges that asset owners currently face when attempting engagement:

[A]s an asset owner, it’s quite difficult to engage with companies because we don’t often hold the relationships with these companies directly. . . . We have leaned on our asset managers in some circumstances, and they’ve made connections or introduced us to the right people who joined engagement conversations in some instances. But a lot of the times, these companies don’t even know who the ultimate shareholder is. We might not have visibility. They [issuers] might have very good relationships with our asset managers but not know who we are. There’s a lot to do in terms of relationship building, establishing that connection, trust, etcetera, that our asset managers would have done for many years.¹⁵⁵

For fairness, the argument that pass-through voting adds confusion for companies during communication and engagement with investors needs to be qualified. Split voting is nothing new and already exists to a substantial degree in relation to segregated mandates where large asset owners already direct voting.¹⁵⁶ Similarly, the identification of investors influencing shareholder votes, due to complex custody chains, has traditionally been a complex issue.¹⁵⁷ Companies are therefore used to having to identify and communicate with their investors regarding split votes. It is true that pass-through voting has the

¹⁵³ See Interview with a stewardship lead (asset manager), Jul. 2025.

¹⁵⁴ See Interview with a stewardship lead (asset owner), Jul. 2025.

¹⁵⁵ *Id.*

¹⁵⁶ See Interview with a manager (service provider), Nov. 2025.

¹⁵⁷ See *id.* See also *supra* Figure 2.

potential to extend split voting to a much broader group that is also harder to identify. However, there are doubts about the extent to which pass-through voting will add materially to the prevalence of split voting. Recent disclosures by the Big Three index managers, summarised in Table 2, report substantial but not overwhelming take-up of pass-through voting by eligible clients (note that some disclosures combine what we refer to as pass-through voting with the long-established practice of segregated mandates).

Table 2. The Take-Up of Pass-Through Voting by the Big Three Clients

| Asset manager | Eligible assets electing pass-through voting, % of total | Notes |
|------------------------------------|--|--|
| BlackRock | 24 | Q2 2025, includes segregated mandates |
| State Street Investment Management | 12 | Q1 2025, institutional only, includes segregated mandates |
| Vanguard | 9 | Q2 2025, retail only, based on holdings on Vanguard platform; third party holdings show much lower take-up |

Source: Reports by BlackRock, State Street Investment Management, and Vanguard.¹⁵⁸

Moreover, signing up for a manager’s pass-through voting does not necessarily result in voting decisions dramatically different from those of the asset manager’s in-house stewardship team. Vanguard reported that of those electing for their Investor Choice programme, 36 per cent actively chose to remain with the Vanguard stewardship policy and 22 per cent selected a board-aligned voting policy. As such, just 4 per cent (9 per cent x 42 per cent) of eligible platform assets were aligned with policies which could give rise to a vote against management in cases where Vanguard was recommending for. Indeed, analysis of the potential impact of Vanguard Investor Choice on close votes, even assuming maximum participation, suggests that the impact would be small.¹⁵⁹ The most material voting differences against management from Vanguard’s own policy would arise from the ESG policy, selected for 18 per cent of participating funds.¹⁶⁰

¹⁵⁸ See BLACKROCK, *supra* note 68; STATE STREET, STATE STREET GLOBAL ADVISORS SEES STRONG AND GROWING MARKET ADOPTION OF PROXY VOTING CHOICE IN Q1 2025 (Jul. 18, 2025), <https://investors.statestreet.com/investor-news-events/press-releases/news-details/2025/State-Street-Global-Advisors-Sees-Strong-and-Growing-Market-Adoption-of-Proxy-Voting-Choice-in-Q1-2025/default.aspx>; VANGUARD, VANGUARD INVESTOR CHOICE: A VOICE FOR INVESTORS, <https://corporate.vanguard.com/content/corporatesite/us/en/corp/about-our-funds/proxy-voting-across-funds/investor-choice.html>.

¹⁵⁹ See Brav *et al.*, *supra* note 3, at 20.

¹⁶⁰ See *id.*, at 14-15.

Of course, uptake of voting choice may increase. But based on the views of our interview participants, while pass-through voting has the potential to be transformative to stewardship, in practice it is unlikely to be so in the near term.

7.2. Informed Voting by Shareholders

Fragmented institutional and individual investors in pooled funds are less likely to be informed voters as they typically do not have the expertise and resources that match those of asset managers with dedicated stewardship teams.¹⁶¹ Interviewees frequently raised this concern, especially in relation to pass-through voting by individual investors, but clearly not limited to them.¹⁶² The scale of holdings controlled by asset managers allows them to achieve cost savings by spreading the costs of becoming informed voters across funds and investments. Voting decisions of asset managers are also supported by information acquired through engagement and investment decisions. As a result, asset managers, especially active, can have important advantage on investment and other business matters because they have regular meetings and make investment decisions. By contrast, relatively small shareholdings of asset owners make them less cost efficient in becoming informed voters and administering votes.¹⁶³

Further reinforcing this concern is the risk that high take-up of pass-through voting may increase poorly informed voting across the board because asset managers left with less voting power are likely to face the same weak incentive of becoming informed about votes. Less frequent delegation of voting to an asset manager reduces the incentives of the asset manager to invest in expertise development and to acquire company-specific information.¹⁶⁴ When asset managers are less informed, fund investors have fewer reasons to delegate voting to asset managers, thereby further weakening the incentives of asset managers to become informed and removing a subset of informed voters from the market.¹⁶⁵

The costs of informed voting decisions are an important factor for asset owners adopting pass-through voting and they use different strategies for managing these costs. Asset owners with strong stewardship teams make use of the vote indication option for pass-through voting and

¹⁶¹ See Fisch & Schwartz, *supra* note 18, at 45, 46.

¹⁶² See Interview with a voting and governance director (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025; Interview with a sustainability director (asset manager), Jul. 2025; Interview with a stewardship lead (asset manager), Jul. 2025.

¹⁶³ See Nathan D. Herrmann *et al.*, *Decentralising Proxy Voting Power* (Dec. 2024) 26-27, <https://ssrn.com/abstract=5007107>.

¹⁶⁴ See Malenko & Malenko, *supra* note 47, at 26, 30.

¹⁶⁵ See *id.* (explaining the feedback loop effect of less frequent delegation of voting to asset managers).

occasionally engage with issuers directly, but they also are selective in their stewardship topics and companies that they monitor closely. For example, asset owners described how they identify topics of interest in advance and ask their voting service provider to flag the companies where these matters are put to a shareholder vote.¹⁶⁶ It is also common practice to identify the issuers of the largest equity and debt holdings in asset owner portfolios and concentrate efforts on these companies.¹⁶⁷ Asset owners may also work with third-party stewardship service providers, like EOS at Federated Hermes Limited or Minerva who can advise them on a vote-by-vote basis and, in the case of EOS, even engage with issuers on their behalf. But for many small asset owners without a dedicated stewardship team, the only realistic option for adopting pass-through voting is through the selection of one of the off-the-shelf policy menus, which explains their popularity among asset owners.¹⁶⁸ While this option somewhat addresses the challenge of informed voting by small asset owners, it contributes to mechanical voting, a problem to which we return below.¹⁶⁹

An additional concern, which was never raised during the interviews, is the potential impact of pass-through voting on deepening the agency conflicts of intermediated voting via asset managers. It is well recognised in the literature that asset managers may be biased voters.¹⁷⁰ They maximise their own interest during voting under two constraints: fiduciary duties and the risk of losing clients. Pass-through voting weakens the second constraint because clients that disagree with the asset manager's votes are likely to use pass-through voting. Accordingly, the asset manager needs to consider fewer interests – mostly those that are relatively aligned with its own interest or are indifferent and, as such, continue delegating voting to the asset manager.¹⁷¹ This could strengthen the bias of the asset manager in voting.¹⁷² For similar reasons, pass-through voting may also reduce the extent to which fund manager votes reflect the preferences of the median political voter, as it narrows the pool of preferences that inform their aggregate votes.¹⁷³

¹⁶⁶ See Interview with a stewardship lead (asset owner), Jul. 2025; Interview with a stewardship lead (asset owner), Jul. 2025.

¹⁶⁷ See Interview with a stewardship lead (asset owner), Jul. 2025.

¹⁶⁸ See Interview with a client success lead (service provider), Jul. 2025; Interview with a stewardship lead (service provider), Jul. 2025.

¹⁶⁹ See *infra* Section 7.3.

¹⁷⁰ See Lucian A Bebchuk, Alma Cohen, & Scott Hirst, *The Agency Problems of Institutional Investors*, 31 J. ECON. PERSPECTIVES 89 (2017).

¹⁷¹ See Malenko & Malenko, *supra* note 47, at 23.

¹⁷² See *id.*

¹⁷³ See Robin Döttling *et al.*, *Voting on Public Goods: Citizens vs Shareholders*, ECGI Finance Working Paper No. 988/2024 (Jan. 2026) 29, http://ssrn.com/abstract_id=4856533.

The reason why asset owners may choose to use pass-through voting may not be the concern about potential conflicts of interests of intermediated voting, but instead the different preferences of asset owners and asset managers. Where asset owner preferences diverge strongly from the preferences of the asset manager, asset owners may prioritise their preferences when using pass-through voting even if they are less informed and qualified to vote than the asset manager. In situations where asset owners use pass-through voting based on preferences and not their informational advantage, pass-through voting is generally likelier to lower the quality of investor stewardship.¹⁷⁴ It may also weaken the support for company decisions that diverge from dominant governance standards if investors who vote have limited information about the specific needs and arrangements of each company.¹⁷⁵

But expertise and information acquisition may also work the other way around. An asset owner may have access to better information about some issuers than an asset manager. This may be the case of asset owners who have local market or industry expertise, as well as access to issuers via engagement.¹⁷⁶ If asset owners with better information use pass-through voting to leverage their informational advantage, pass-through voting can have a positive impact on the quality of investor stewardship and increase investor welfare.¹⁷⁷ It may also be easier for company boards to communicate with and be heard by local asset owners than with a large global asset manager. Adopting pass-through voting in these cases can improve shareholder stewardship. Speaking about application of voting choice to institutional investors, one market participant noted:

[T]he people who are going to do voting are doing so because they're really informed. And that is definitely what we see. They're only voting if they care. No one is taking voting from [their asset manager] to vote because they don't care about voting, we just don't see that happening. So, the discussion around this uninformed voter is a nonsense because

¹⁷⁴ See Malenko & Malenko, *supra* note 47, at 18. In some specific circumstances of voting based on preferences, pass-through voting can have more nuanced and positive impact on investor stewardship.

¹⁷⁵ This is especially relevant amid the concerns that the UK Corporate Governance Code promotes box-ticking over encouraging companies to depart from best practice standards by adopting tailored alternative arrangements that better suit their needs. See Bobby V. Reddy, *Thinking Outside the Box – Eliminating the Perniciousness of Box-Ticking in the New Corporate Governance Code*, 82 MODERN L. REV. 692, 693-98 (2019).

¹⁷⁶ Literature on the tendency for home or local bias in financial markets suggests that local investors may have informational advantages, such as strong local relationships and better access to private information (Joshua D. Coval & Tobias J Moskowitz, *Home Bias at Home: Local Equity Preference in Domestic Portfolios*, 54 J. FINANCE 2045, 2046 (1999); Zoran Ivković & Scott Weisbenner, *Local Does as Local Is: Information Content of the Geography of Individual Investors' Common Stock Investments*, 60 J. FINANCE 267, 287-89 (2005)), better ability to process publicly available information (Travis A. Dyer, *The Demand for Public Information by Local and Nonlocal Investors: Evidence From Investor-Level Data*, 72 J. Accounting & Econ. 101417, at 12-13 (2021)), and industry specialisation where domestic and local markets are dominated by specific industries (*id.*, at 4).

¹⁷⁷ See Malenko & Malenko, *supra* note 47, at 27-28.

who would bother to think through how to vote if they don't care about voting? People who vote will be people that think they know what they're doing and feel informed.¹⁷⁸

7.3. Independent Shareholder Voting and the Role of Proxy Voting Advisory Firms

Where pass-through voting is adopted by means of choosing from a menu of policies, investors have limited scope for making independent decisions and limited oversight over discretion exercised by others. Even if due care is given to the choice of a policy, the actual implementation of the policy is left to the proxy adviser. Given the prominent place of policy menus linked to the recommendations of proxy voting advisory firms in pass-through voting programmes – in fact, this is the only option for many asset owners adopting pass-through voting programmes provided by the Big Three – pass-through voting is likely to increase reliance on proxy advisory firms.¹⁷⁹ Pass-through voting model based on custom policies therefore leads, primarily as a matter of pass-through voting programme design, to more automatic or mechanical voting according to advisor recommendations (this practice is also known as robo-voting). But increased reliance on proxy advisory firms is not driven solely by the design of pass-through voting programmes. Many asset owners are unwilling or unable to incur the costs of informed voting for every company in their portfolio, and reliance on proxy advisory firms is the only realistic way for them to make informed voting decisions. Indeed, evidence suggests that when a large asset manager decentralises voting, new dispersed voters with relatively less concentrated holdings are likely to fully outsource their voting decisions to a proxy advisor.¹⁸⁰

Robo-voting associated with pass-through voting was a common concern expressed by different groups of interviewees. One of the interviewees at a regulatory body found this concerning and a setback compared to voting by asset managers:

[Adopting pass-through voting via policy menus] is a little bit setting us back . . . [Asset] managers have been doing [well] at really articulating, developing, updating their voting policies and . . . getting away as much as they can from all that criticism that they're just kind of asleep at the wheel, robo voting. And so, I think there's a risk with pass-through voting, but it's something sold as being a more active owner.¹⁸¹

¹⁷⁸ Interview with a manager (service provider), Jul. 2025.

¹⁷⁹ See Griffin, *supra* note 10, at 256; Lund, *supra* note 14, at 1089.

¹⁸⁰ See Herrmann *et al.*, *supra* note 163, at 27-29.

¹⁸¹ Interview with a public official (regulatory body), Jul. 2025.

While there may today be some examples of robo-voting by asset managers, there is at least in principle – and often in practice – an intervention point, especially for contentious or complex vote matters, whereby the asset manager can review whether they want to follow the proxy adviser recommendation. It is already the case that around 80 per cent of proxy advisory firm asset management clients receive recommendations based on custom voting policies.¹⁸² The use of proxy advice services by asset managers is thus a two-stage decision making process where an asset manager receives custom recommendations at the first stage and uses these recommendations as an input for making its own voting decision at the second stage. Many asset managers consider more than one input into their voting decision and so a case can be made that no particular proxy voting advisor recommendation is determinative to the manager’s voting outcome. This additional layer of stage two review and application of discretion by the asset manager no longer applies and may well not be replaced by the asset owner where pass-through voting is implemented based on adherence to a particular advisor’s benchmark or custom voting policy. In the case of voting policy menus, the decision-making is fully delegated to a proxy advisor. Unmonitored robo-voting amplifies the role of the proxy voting, bringing into focus questions of their competence, legitimacy, and the basis for development of their voting policies. It should be noted that this is not a problem created by proxy voting advisers, but rather by how their services are being used by clients. One asset owner was concerned about potential regulatory risks arising from this practice:

[W]e’re opening up ourselves to big risk, huge risk, especially in the US, if we’re seen to be voting blindly with any proxy advisor. I don’t think it’s something proxy advisors would be comfortable with necessarily. The defence has always been well, “We give the research to the client, we give the voting recommendation, they can choose to do what they want.” Now imagine a scenario where you have an investor, such as ourselves, . . . and they’ve signed up to pass-through voting, and all their holdings are voted based on a policy with no one actually making the decision. It’s just ISS and Glass Lewis. That’s where you can’t

¹⁸² See Hu *et al.*, *supra* note 144, at 18. See also UNITED STATES HOUSE OF REPRESENTATIVES, COMMITTEE ON FINANCIAL SERVICES, HEARING ON OVERSIGHT OF THE PROXY ADVISORY INDUSTRY: TESTIMONY BY STEVEN FRIEDMAN, GENERAL COUNSEL, INSTITUTIONAL SHAREHOLDER SERVICES (Jul. 13, 2023), <https://docs.house.gov/meetings/BA/BA09/20230713/116203/HHRG-118-BA09-Wstate-FriedmanS-20230713.pdf>. This information was confirmed during the interviews. See Interview with a stewardship lead (asset manager), Jul. 2025. Reflecting this and to address concerns over the influence of proxy voting advisers, Glass Lewis has recently withdrawn its benchmark policy. See Alexandra White, *Glass Lewis Will Stop Giving a Single View on Proxy Votes After Republican Backlash*, FIN. TIMES (Oct. 16, 2025), at 14.

really defend this anymore to corporates because we are voting blindly with ISS or Glass Lewis and that's our biggest fear that we will be exposing ourselves to risk.¹⁸³

The policy menu approach was also criticised by a market participant, who otherwise saw pass-through voting as an opportunity to improve stewardship dialogue, as ‘the worst form of robo-voting.’¹⁸⁴ The best practice, according to this interviewee, is ‘where there is a triangular relationship between the issuer, the investor, and the underlying client.’¹⁸⁵

The problem of automated voting is even greater in relation to retail investors in pooled funds, who are currently only offered the policy menu option. Even an asset owner with limited resources may be able, with the help of an adviser, to make a considered choice of voting policy. It is highly questionable whether retail investors will be able to understand the ramifications of different policy fields in what is a complex and specialist field.¹⁸⁶ A related concern is the extent to which asset managers offering retail investors this choice are able to explain the essence of the policy in a manner which ensures adequate understanding by the investor.¹⁸⁷

To be clear, the concern is not the increased influence of benchmark recommendations from leading proxy advisory firms. On the contrary, splitting a single fund voice among many fund investor voices – each selecting different proxy advisory voting policies – will promote voice diversity and decrease the impact of proxy advisor benchmark recommendations on shareholder vote outcomes.¹⁸⁸ Critics may, in fact, attribute excessive influence to these benchmark recommendations while ignoring that proxy advisors not only influence but are also influenced by their clients. Indeed, empirical research suggests that proxy advisors tend to change their recommendations when investors have previously disagreed with them.¹⁸⁹ The concern, rather, is the increased likelihood of automated voting that follows proxy advisory recommendations mechanically instead of using these recommendations as input for independent decision making.

Furthermore, pass-through voting may also weaken the accountability of proxy advisors to their clients.¹⁹⁰ Fragmented institutional and individual clients have weak incentives to monitor how proxy advisors design and implement their own pre-defined voting policies and guidelines when

¹⁸³ Interview with a stewardship lead (asset owner), Sep. 2025.

¹⁸⁴ See Interview with a manager (service provider), Sep. 2025.

¹⁸⁵ See *id.*

¹⁸⁶ See Interview with a stewardship lead (asset manager), Jul. 2025.

¹⁸⁷ See *id.*

¹⁸⁸ See Interview with a client success lead (service provider), Jul. 2025.

¹⁸⁹ See Chong Shu, *The Proxy Advisory Industry: Influencing and Being Influenced*, 154 J. FIN. ECON. 103810, at 14 (2024).

¹⁹⁰ See Brav *et al.*, *supra* note 3, at 24.

making vote recommendations for the same reason of relative cost disadvantages associated with small interest in shareholdings.¹⁹¹ While large asset managers can achieve cost savings by spreading the costs of monitoring proxy advisors across various funds and investments, many asset owners may face unjustified monitoring costs relative to the size of their investments. The oversight of the quality of proxy advice by dispersed asset owners may thus be weaker than the oversight of these services by asset managers. Our interviews revealed that only a few asset owners that have adopted pass-through voting are currently attempting to have their input into the reviews of proxy advisor voting policies. ISS STOXX conducts annual investor surveys to gauge client preferences.¹⁹² Glass Lewis does not conduct a formal survey but holds regular discussions with investors, issuers, and others.¹⁹³ According to one asset owner, after selecting one of the off-the-shelf menu policies, they have regularly provided feedback and tried to influence and evolve the policy of their choice, and some of their feedback has been reflected in the revised policy.¹⁹⁴ But clearly not all asset owners are exercising a similar level of oversight over proxy advisor voting policies and may also lack the necessary resources for this.

It is clear then that pass-through voting, in addition to constraining independent shareholder voting, creates risks for proxy advisory firms themselves. If adoption of pass-through voting results in custom voting policies being translated into votes in a more automated manner, without checks and balances from the asset manager or asset owner, the concerns about the role of proxy advisors will likely increase and they may well come under greater scrutiny. Indeed, the role of proxy advisors has been identified as an area where some kind of regulatory clarification could be explored in relation to disclosure and fiduciary requirements for policy formation in a world of pass-through voting.¹⁹⁵ As noted by one asset manager,

Having confidence that the policy that's being offered on the menu is from a bona fide provider who's going to do the research and engage with companies to make sure they have the information correctly and then is going to apply the policy as the policy reads is really important. . . . [T]hat's an area where having clarity on what is a bona fide proxy advisory service that is appropriate for end investors would be helpful.¹⁹⁶

¹⁹¹ See Lund, *supra* note 14, at 1090.

¹⁹² See Shu, *supra* note 189, at 14.

¹⁹³ See *id.*

¹⁹⁴ See Interview with a stewardship lead (asset owner), Jul. 2025.

¹⁹⁵ See Brav *et al.*, *supra* note 3, at 34-39.

¹⁹⁶ Interview with a stewardship lead (asset manager), Jul. 2025.

7.4. The Functioning of the Market for Stewardship

The fourth principal concern raised by some interviewees is the adverse impact of pass-through voting on signals in the market for stewardship. The purpose of the UK Stewardship Code is to provide transparency on stewardship approaches of asset managers, which then enables asset owners to select asset managers that align with their preferences. The market can then sort asset managers and owners of aligned preferences, and market forces lead to the development of differentiated stewardship approaches catering to different clients. If pass-through voting becomes widespread, then incentives for asset managers to adapt their overall stewardship approach to asset owner preferences is reduced, which means, when coupled with a resulting weakening of engagement, a general decline in stewardship quality. As an interviewee explained,

The influence you have is when you give someone your money, and you have more influence to try and change them to say, “I will only give you my money if you help [company] X do things on climate change or on diversity or on paying suppliers within 30 days.” Once you start saying, “You can have my money and I will do the voting,” you will end up with them going, “Thank God, I don’t have to vote on that anymore.” And you’ve now given the money to an asset manager who doesn’t have to worry about the thing that you passionately care about. That’s OK if you’re huge, if you’re Temasek, you can do that. But when you’re a £100 million pension fund with 0.2% in [company] X, [voting] sounds wonderful, but it doesn’t actually do anything. If anything, it dissipates the voice even more.¹⁹⁷

8. Pass-Through Voting Implementation Considerations for Stewardship Decisionmakers

The implications of pass-through voting for shareholder stewardship yield several insights for stewardship decisionmakers concerning the implementation of pass-through voting. We briefly outline these insights, focusing on three dimensions: the provision of pass-through voting by asset managers, on its adoption by asset owners, and the selection of design options for implementing pass-through voting.

¹⁹⁷ Interview with a public official (regulatory body), Sep. 2025.

8.1. Should Asset Managers Provide Pass-Through Voting?

Our theoretical framework, consistent with the interview data, highlights the role of an investment model in determining whether to provide pass-through voting.¹⁹⁸ Pass-through voting is more suited to managers of index funds because of the scale-related diversity of index funds investors and relatively weak links between the stewardship mechanisms in the index investing model. The large size of index fund families inevitably leads to potential divergence of stewardship beliefs and views both among fund investors and between various funds within the family and the fund manager. In parallel, broad diversification and delegated investment decision-making reduce the likelihood that an index fund manager may have better information about portfolio companies than some of the fund investors. At the same time, the risks of partitioning stewardship mechanisms for index funds are low. According to one interviewee, investors in an index fund are not paying for active judgment; they are paying for accurately tracking an index. In this context, there is not ‘a long list of things that a passive [fund manager] needs to be the decision maker on behalf of its clients.’¹⁹⁹

In contrast, active fund managers often rely heavily on the interconnections between the three stewardship mechanisms, need strong relationships with and access to companies in their portfolio, and are likely to be better informed than fund investors on issuer-specific matters.²⁰⁰ Furthermore, the relatively small size of some active fund families and the strong role of portfolio managers in voting decisions – as opposed to centralised voting at the family level – reduce preference conflicts both within a fund and across funds within the fund family. For example, many active fund families offer only mainstream funds and have no sustainability funds to create potential conflicts between fund objectives and the preferences of investors in different funds. In these circumstances, voting by an active fund manager is preferred to voting by fund investors because investors have neither an information advantage nor broadly divergent preferences that may be ignored when the fund manager aggregates client preferences.

Accordingly, overall, pass-through voting fits better with the investment model of index funds than with active funds. Indeed, a number of asset owners we spoke to explicitly differentiated between their index and active managers when implementing pass-through voting, with the belief that engagement and stewardship form a more integrated part of the active manager

¹⁹⁸ See *supra* Section 4.2.

¹⁹⁹ See Interview with a stewardship lead (asset manager), Jul. 2025.

²⁰⁰ See text accompanying *supra* notes 124-127.

proposition than for index funds.²⁰¹ But as with any generalisation, this blanket conclusion cannot be applied to all index and active asset managers without considering each case individually. Not all active funds prioritise voting to the same degree; some index fund managers, meanwhile, have developed a strong, well-resourced, and coherent stewardship stance including on so-called system-wide issues.²⁰² It is also undeniable that the largest index fund managers have been an important force for change in corporate governance. We found that European index fund providers were more inclined to cater towards clients with a more ‘progressive’ stance to sustainability and governance issues as opposed to accommodating the widest possible set of views. Therefore, as tempting as it may be to offer a simple general rule, each case requires careful consideration.

What is clear, though, is that having an institutionalised pass-through voting programme is not essential for every asset manager. Asset managers should periodically assess client views and consider offering pass-through voting if there is client demand. The fact that many asset managers are capable of accommodating client requests to vote differently from the asset manager on specific matters reduces the pressure on asset managers to have an institutional pass-through voting offering, especially where the asset manager’s client base is largely homogeneous and very few clients are demanding pass-through voting.²⁰³ Designing an institutional pass-through voting programme can also impose a substantial cost burden on many relatively small (active) asset managers.

8.2. Should Asset Owners Adopt Pass-Through Voting?

One clear implication of our theoretical framework is that pass-through voting by asset owners is not desirable in every situation. Moreover, asset owners must exercise pass-through voting selectively even where they have adopted it (although adopting such a flexible approach is not always possible: as we discuss in the next sub-section, asset owners may be constrained by the design choices available to them in a pass-through voting programme). There are situations where an asset owner is better informed about voting than the asset manager or is already engaging with issuers via holdings in segregated mandates. Consider the example of a local pension fund versus a large global asset manager distanced from a market, whether due to geographic distance or size differences. Similarly, an asset owner may have strong preferences or

²⁰¹ See Interview with a stewardship lead (asset owner), Sep. 2025; Interview with a governance lead (asset owner), Nov. 2025.

²⁰² See Interview with a manager (service provider), Jul. 2025.

²⁰³ See text accompanying *supra* notes 60-64.

beliefs regarding certain matters, and exercising pass-through voting on these matters is unlikely to have a negative impact on investment returns or the stewardship efforts of the asset manager.²⁰⁴ Pass-through voting is preferable in these situations. However, there are also negative scenarios where the decision to use pass-through voting is primarily motivated by uninformed ideological preferences of an asset owner rather than better access to voting information. In these circumstances, pass-through voting can weaken the effectiveness and impact of investor stewardship by splitting the single voice of an asset manager among many fragmented beneficiary investors and effectively removing private engagement.

Accordingly, the starting point for asset owners is to consider the possibility of achieving alignment across the investment chain, including on stewardship preferences, by selecting an asset manager with aligned preferences on voting matters. This preserves the control of one agent (an asset manager) over all three influence mechanisms of shareholder stewardship.

Generally, asset owners select asset managers who align with their philosophy and rely on the asset manager for stewardship decisions.²⁰⁵ In an ideal world where alignment across the investment chain is easily achieved, responsible asset owner stewardship would involve allocating funds to the asset manager most aligned with the asset owner's investment and stewardship objectives, and actively overseeing how the asset manager implements its declared stewardship objectives on the ground.²⁰⁶ Disclosure and reporting rules on the activities of asset managers aim to facilitate the informed selection of asset management services by asset owners.

But investment chain alignment via allocation of capital across asset managers or funds may be costly, impossible, or unnecessary in some circumstances outlined below. Although fund families have created different funds to cater the needs of the diverse base of clients and fund families do

²⁰⁴ We leave aside the question of the extent to which exercising pass-through voting by an asset owner in such situations may be effective to achieve positive impact.

²⁰⁵ See Jonathon Zytneck, *Do Mutual Funds Represent Individual Investors?*, NYU Law and Economics Research Paper No. 21-04 (Oct. 2024), <https://ssrn.com/abstract=3803690>.

²⁰⁶ See, e.g., Mary McDougall, *State Street's ESG Retreat Prompts UK Pension Fund to Pull £28bn*, FIN. TIMES (Feb. 28, 2025), at 9 (reporting that The People's Pension, one of the UK's largest defined contribution pension funds, reallocated most of its funds from State Street Investment Management to rival asset management groups, Amundi and Invesco, in an attempt to achieve better alignment with its objective of responsible investment); Attracta Mooney & Mary McDougall, *Dutch Pension Fund Curbs Ties with BlackRock on ESG Grounds*, FIN. TIMES (Sep. 4, 2025), at 7 (quoting a statement by one of the largest Dutch pension funds that switched assets and appointed asset managers whom it believed were 'best positioned' to carry out its new investment strategy); Mary McDougall *et al.*, *BlackRock Loses Second Dutch Pension Mandate Over Stance on Sustainability*, FIN. TIMES (Dec. 17, 2025), at 12 (similarly, quoting a large Dutch pension fund that, despite the 'high-quality services' of the current external manager, decided to move assets to other asset managers that best align with the pension fund's 'vision and the principles'). See also Catherine Howarth, *This AGM Season It's Time for Asset Owners to Step Up*, ECGI BLOG (Apr. 30, 2025), https://www.ecgi.global/publications/blog/this-agm-season-its-time-for-asset-owners-to-step-up?mc_cid=c63cd98303&mc_eid=39f4831e56 (calling asset owners to use client power by moving funds from an asset manager that cannot (or will not) align to what asset owners are looking for to an asset manager who will).

differ across their own orientation,²⁰⁷ investment allocation and reallocation processes are complex and are not frictionless. As such, achieving investment chain alignment is not practicable in several circumstances.

First, and most obviously, asset owners may face switching costs or may need to pay higher management fees when moving assets from one manager (fund) to another.²⁰⁸ Asset managers make investment allocation decisions based on multiple factors and voting is only one of those. Other factors include investing costs (management fees), the breadth of investment product choice and investment strategies, realised or anticipated investment performance, other ancillary services such as access to risk management platforms, liquidity provision, access to information, and tax implications.²⁰⁹ Tax consequences of reallocating investments from one fund family to another, such as taxes on realised capital gains, are particularly significant for asset owners that are not tax-exempt (for example, wealth managers).

Second, perfect alignment across the investment chain may not be possible because asset managers, as a rule, attempt to maintain a unified strategy of stewardship across their many funds, whereas asset owners as fund investors can have unique preferences not aligned with the manager's unified strategy. Large asset managers that manage multiple funds with different investment and stewardship strategies tend to unify engagement across their funds.²¹⁰ As a result, voting decisions are the result of compromises among the diverse interests of their clients and promote an aggregated common value shared by the majority investors.²¹¹ Any single fund investor can have very different preferences that diverge from this aggregated common value.

Third, asset owners can also separate investment objectives from stewardship objectives, thereby weakening the need for achieving comprehensive alignment across the investment chain.²¹² For many asset owners, the primary objective of investment allocation is enhancing investment value and managing investment risks.²¹³ The same asset owners may have secondary stewardship objectives that aim to achieve positive societal or environmental outcomes on specific matters that are neutral to investment returns (and thus do not compromise the primary objective of

²⁰⁷ See Quinn Curtis, Jill Fisch, & Adriana Z. Robertson, *Do ESG Mutual Funds Deliver on Their Promises?*, 120 MICH. L. REV. 393, 393 (2021).

²⁰⁸ See Malenko & Malenko, *supra* note 47, at 26.

²⁰⁹ See Michael Simkovic, *Natural-Person Shareholder Voting*, 109 CORNELL L. REV. 1525, 1573 (2024).

²¹⁰ See Griffith, *supra* note 47, at 1002-04; Edmans *et al.*, *supra* note 35.

²¹¹ See John D. Morley, *Too Big to Be Activist*, 92 S. CAL. L. REV. 1407 (2019).

²¹² See Jason Mitchell, *A Sustainable Future Podcast: Dan Mikulskis, People's Partnership CIO* (Mar. 13, 2025), at [00:12:22], <https://www.man.com/insights/ri-podcast-dan-mikulskis>.

²¹³ See *id.*, at [00:12:30].

maximising financial returns).²¹⁴ If an asset owner feels a disconnect between these preferences and asset manager voting, pass-through voting is a tool to address this gap by unbundling the asset owner's primary investment objectives from secondary stewardship preferences. Asset owner preferences on many specific issues, like demographic diversity or the separation of the CEO and board chair positions, can be achieved via pass-through voting and are unlikely materially to jeopardise the pursuit of the financial value of investments. If asset owners have stronger control over voting decisions, they can select asset managers to achieve alignment on investment objectives without concern over stewardship alignment. By contrast, addressing complex issues, like climate change, requires a comprehensive strategy that can be implemented more effectively by delegating voting to an asset manager which can combine it with the mechanisms of investor influence.

It is in these circumstances that asset owners can consider adopting pass-through voting as a 'second best' option to achieve some level of voting alignment between asset owners and asset managers. An asset owner can allocate money to any asset manager or to any fund and adopt pass-through voting to influence voting outcomes. What pass-through voting effectively achieves is enhancing 'governance liquidity' for asset owners – the degree to which asset owners can express or change their governance priorities (voice) without re-allocating investments to a different fund (asset manager).²¹⁵ Pass-through voting enhances governance liquidity by offering asset owners an alternative path to align governance with their beliefs and preferences while leaving constant the allocation of funds in the overall attempt to achieve alignment across the investment chain. The value of pass-through voting is, accordingly, higher for those asset owners or in those circumstances where achieving alignment across the investment chain is costly or is segregated from stewardship.²¹⁶

In doing so, asset owners must address four questions. First, how large is the extent of the preference divergence between the asset owner and the asset manager? Second, is it the asset owner or the asset manager that has an informational advantage in voting? Third, what is the potential impact of pass-through voting on the asset manager's stewardship efforts? Fourth, are the costs of implementing pass-through voting thoughtfully and overseeing its administration by the asset manager and other service providers affordable? But the adoption of pass-through

²¹⁴ See *id.*, at [00:12:42].

²¹⁵ The term 'governance liquidity' was introduced by Caleb Griffin. See Griffin, *supra* note 10, at 258.

²¹⁶ Two recent studies question the ability of voting choice programmes, as currently designed, to achieve a high degree of alignment between the preferences of individual investors and shareholder voting. See Griffin, *supra* note 10, at 282-85; Montagnes *et al.*, *supra* note 11, at 17-18, 20.

voting does not end with the selection of a voting policy from the off-the-shelf menu. Asset owners are expected to engage with the asset manager and the provider of the selected voting policy and be active in sharing views with the goal of improving the policies they have selected. Similarly, if an asset owner adopts pass-through voting via the option of vote indication, it is important to engage with the asset manager regularly to understand and overcome the reasons for the divergence of votes.

8.3. Which Pass-Through Voting Option is Preferrable?

A key consideration for asset owners in adopting pass-through voting is the choice of the implementation option. This choice will often be constrained by the offering of the asset manager.²¹⁷ But where asset owners have a choice, the question is essentially whether to adopt and follow a third-party voting policy mechanically or to follow a policy but direct certain votes.

The option of directing votes via vote indications provides more flexibility and better suits the selective approach to pass-through voting discussed above, allowing asset owners to focus on issuer names or types of resolutions where they have better information (expertise) or divergent beliefs.²¹⁸ It maintains the connection between voting and engagement in most cases, preventing disruption to asset manager's stewardship.²¹⁹ It reduces concerns about automated voting by asset owners in line with the recommendations of proxy advisory firms.²²⁰ This option, especially when it is administered directly by an asset manager without intermediaries, improves the communication between asset managers and asset owners. According to one asset owner, their ability to direct votes by communicating with the asset manager directly has improved their understanding of the asset manager's rationale for voting.²²¹ Adopting pass-through voting via vote indications also eases communication challenges with issuers: it is easier to explain to issuers why a fund investor voted differently on select important matters. However, in addition to the limited availability of this option in some pass-through voting programmes due to compliance concerns, directing votes is costly for asset owners. It requires access to issuer- or topic-specific information, potential engagement with both the asset manager and issuers to understand their perspectives, and regular monitoring of voting and engagement by the asset manager to identify

²¹⁷ See text accompanying *supra* notes 68-71.

²¹⁸ See *supra* Section 7.2.

²¹⁹ See *supra* Section 7.1.

²²⁰ See *supra* Section 7.3.

²²¹ See Interview with an ESG analyst (asset owner), Sep. 2025.

divergent preferences. Therefore, only asset owners with dedicated stewardship teams and expertise select this option and exercise overrides on a limited number of votes annually.²²²

Voting policies, by comparison, are more affordable for asset owners. They are also viewed as a safe option for asset managers from a compliance perspective because the manager has more control over which policies to offer. But policies are less flexible and do not allow asset owners to exploit their informational advantages, if any exist. Policies also separate voting from the asset manager's engagement and investment decisions. Additionally, implementing pass-through voting via policies raises concerns about automated voting.²²³ The lack of a fiduciary counterparty with whom to engage is a significant concern of issuers in relation to this model of pass-through voting. Finally, some asset managers may feel uncomfortable offering their clients sets of voting policies that differ from their own because they have positioned their stewardship approach as aimed at generating positive investment returns. The very fact of offering alternative voting decisions that are as good as theirs undermines 'the logic or the thought process that we [asset managers] should be applying to how we [they] vote,' according to one asset manager.²²⁴

It is therefore necessary to distinguish between pass-through voting programmes offered to institutional and retail clients. Pass-through voting programmes constructed around pre-defined voting policies constitute the appropriate – and likely the sole practically feasible – mechanism for retail clients, given the constraints inherent in both client-side implementation and asset manager administration. By contrast, pass-through voting programmes for institutional clients should incorporate a greater degree of implementation flexibility, including the capacity for institutional clients to indicate their voting preferences on select companies or matters. Some larger asset owners we spoke to considered it very important to have the option of directing individual votes, because no policy can perfectly anticipate every situation – especially in relation to shareholder resolutions which can be complex, nuanced, and at the fringes of the policy statements.²²⁵ Because US asset managers do not currently offer this option, that has delayed uptake of pass-through voting in some cases.

²²² See *supra* note 107.

²²³ See *supra* Section 7.3.

²²⁴ See Interview with a sustainability director (asset manager), Jul. 2025.

²²⁵ See Interview with a governance lead (asset owner), Nov. 2025.

9. Conclusion

Pass-through voting is rapidly emerging as an important feature of investor stewardship. The long-standing demand for say over voting decisions in fund portfolio firms from some asset owners and the wider stewardship landscape during recent years, along with technological advancements, combined to contribute to the emergence of pass-through voting as an institutionalised service offering. The emerging literature on pass-through voting focusses on the incentives and implications of pass-through voting for the Big Three index managers. Similarly, the reasons for the emergence of pass-through voting have been primarily analysed in connection with the incentives of the Big Three. Additionally, most studies analyse pass-through voting by retail clients of the Big Three. This has also led to extensive analysis of the implications of pass-through voting for the role of proxy advisors who supply and apply the policies used in the voting choice programmes offered by the Big Three. Our research addresses several important questions that remain underexplored in the literature, including why institutional asset owners adopt pass-through voting, what the incentives and attitudes of asset managers other than the Big Three are, what the corporate perspectives on pass-through voting are, and more broadly how pass-through voting affects the practice and the quality of shareholder stewardship.

Conceptually, we show that the implications of pass-through voting depend on the trade-offs between preference aggregation, information aggregation, and impact on interconnection between stewardship mechanisms. The costs in this trade-off also need to be considered in the context of how viable it is for asset owners to achieve stewardship alignment through selecting asset managers that conduct stewardship in line with their preferences and investment beliefs. Empirically, we use qualitative interviews with key participants in the UK institutional market to offer evidence on how, if at all, they consider these trade-offs in practice. We integrate this evidence with the proposed conceptual framework to identify the implications of pass-through voting for shareholder stewardship, as well as draw practical recommendations on the implementation and adoption of pass-through voting by market participants. Overall, while pass-through voting creates risks for stewardship, it can also be beneficial. Benefits are most likely to arise under three conditions: when asset managers have a client base with strongly divergent preferences on stewardship topics; when stewardship, including the integration of voting and engagement, are not central to the asset manager's investment proposition, leading to low costs of separating voting and engagement; and when the practice is adopted by asset owners selectively and responsibly, with appropriate oversight.

The actual governance impact of pass-through voting largely depends on its availability and take-up rates. Views amongst the market participants on the future expansion of pass-through voting differ. However, pass-through voting is consistent with the broader industry trend toward offering more bespoke products to clients. Combined with demand-side pressure for pass-through voting from asset owners and technological advancements, it has the potential to expand further, with important implications, both positive and negative, for how investors conduct stewardship and how companies engage with their investors.

Appendix: The List of Interview Participants that Agreed to be Named

| Name | Type |
|---------------------------------------|------------------|
| Allianz Global Investors | Asset manager |
| Amundi | Asset manager |
| Artemis Fund Managers | Asset manager |
| Baillie Gifford | Asset manager |
| BlackRock | Asset manager |
| BP p.l.c. | Corporate issuer |
| Broadridge Financial Solutions | Service provider |
| Brunel Pension Partnership | Asset owner |
| Federated Hermes Limited | Asset manager |
| Financial Conduct Authority | Regulatory body |
| Georgeson | Service provider |
| HSBC Holdings plc | Corporate issuer |
| Jupiter Asset Management | Asset manager |
| Legal & General Investment Management | Asset manager |
| Minerva Analytics | Service provider |
| NEST | Asset owner |
| Ninety One | Asset manager |
| RBC Brewin Dolphin | Wealth manager |
| Royal London Asset Management | Asset manager |
| SAUL Trustee Company | Asset owner |
| Schroders | Asset manager |
| Scottish Widows | Asset owner |
| The People's Pension | Asset owner |
| The Phoenix Group | Asset owner |
| The Vanguard Group | Asset manager |
| Tumelo | Service provider |

Notes: We interviewed a total of 46 executives from 33 organisations, focusing on individuals with senior governance and stewardship roles. Within asset managers and asset owners, these were senior governance and stewardship professionals. Within companies, interviewees were typically from the legal or company secretarial functions. Within service providers, these were senior managers responsible for services related to pass-through voting.

The above organisations agreed to be named as participants in the study. Participants were given the opportunity to comment on a draft of this paper and an associated management report. Agreement to be named in no way implies that the named organisation agrees with the contents or conclusions of this paper. In addition, seven participants requested to remain entirely anonymous and not to be named as part of the study.