BlackRock Exceptionalism in the Geopolitics of Proxy Voting

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Helpful comments from Slava Fos, Jesse Fried, Adriana Robertson and the participants at the 2025 Stanford Institute for Theoretical Economics: China in Political Economy, 2025 National Business Law Scholars Conference at UCLA Law School, 2024 Annual Conference of Asian Law and Economics Association at the National Cheng Kung University in Taiwan are appreciated. Research funding is provided by a grant from the City University of Hong Kong, Project No. 7005761. Research assistance provided by Yu Xiang is much appreciated.

Abstract

This paper examines how U.S. mutual funds navigate the intersection of corporate governance and geopolitics by analyzing proxy voting on Chinese corporate charter amendments that formalize Chinese Communist Party (CCP) committees. Using 24,556 fund-level voting records from 2018 to 2022, the study documents a pronounced divergence among the Big Three asset managers. While Vanguard and State Street largely follow proxy advisor recommendations to oppose the institutionalization of CCP committees, BlackRock supports these amendments in 74.70 percent of cases and is more likely to support state-owned, cross-listed, more profitable, and lower-leveraged firms. This “BlackRock exceptionalism” is not explained by firm valuation; instead, the pattern is consistent with using proxy voting as a strategic tool to enhance prospects for regulatory approval and, ultimately, to obtain the first wholly foreign-owned mutual fund license in China. These findings highlight underexplored incentive misalignments among asset managers’ commercial interests, fiduciary obligations, and broader U.S. policy objectives.

Keywords: Institutional Investors, Proxy Voting, Corporate Governance, Geopolitics, Chinese Firms

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ABSTRACT

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1 INTRODUCTION

Since 2018, growing rivalry between the U.S. and China in economic and technological competition has been accompanied by a marked deterioration in bilateral relations. From trade and intellectual property disputes to the battle for dominance in advanced technologies such as semiconductors and artificial intelligence, competition between the two great powers has significantly changed the existing global economic order. At its core is the attempt at "decoupling," with Washington restricting flows of capital, technology, and expertise to China to reduce U.S. dependence and constrain Beijing's growing technological leadership. This era of "geoeconomics"—the pursuit of power politics using economic means—marks a fundamental shift in corporate governance, as states increasingly deploy economic policies and regulatory tools to pursue geopolitical objectives, blurring the boundary between market competition and national security (Milhaupt 2025).

These measures have reshaped the landscape for U.S. investment in China, extending from restrictions on foreign direct investment and technology transfers to heightened scrutiny of portfolio flows. Against this backdrop, mutual fund investments—once considered passive and insulated from politics—have increasingly come under the spotlight of policymakers and the media.[1] In 2019, Chinese securities ranked as the fourth largest foreign securities held by U.S. investors, estimating a total investment of USD 813 billion.[2] Many of these investments are made through mutual funds and index funds. In 2023, major US financial institutions are said to invest US$6.5 billion in Chinese firms that have been blacklisted or red-flagged by the US government for national security concerns. Among these financial institutions, the Big Three—BlackRock, Vanguard, and State Street—play a substantial role in it. Together, BlackRock and Vanguard account for nearly 59% of these red-flagged investments.[3] In 2024, U.S. Congress proposed a bill that would prohibit U.S. index funds to include indexes that tracks Chinese stocks.[4] While the political focus has turned to

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[1] WilmerHale, Biden Administration Finalizes Controls on U.S. Investment in China (November 4, 2024), https://www.wilmerhale.com/en/insights/client-alerts/20241104-biden-administration-finalizes-controls-on-us-investment-in-china (last visited January 2, 2025).

[2] Nicholas Borst, How Exposed Are U.S. Investors to China?, Seafarer Funds (January 2021), https://www.seafarerfunds.com/prevailing-winds/2019/08/how-exposed-are-us-investors-to-china/ (last visited July 20, 2024).

[3] The Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, How American Financial Institutions Provide Billions of Dollars to PRC Companies Committing Human Rights Abuses and Fueling the PRC's Military (April 18, 2024), available at https://selectcommitteeontheccp.house.gov/media/press-releases/committee-report-american-financial-institutions-funneled-billions-prc (last visited August 20, 2024).

[4] Lydia Beyond and Yiqin Shen, Mutual Fund Investments in Chinese Firms Targeted in New US Bill, Bloomberg (March 22, 2024), available at https://www.bloomberg.com/news/articles/2024-03-21/mutual-fund-investments-in-chinese-firms-targeted-in-new-us-bill?embedded-checkout=true (last visited July 20, 2024).

mutual fund investments in China, very little is known about how U.S. mutual funds vote in Chinese companies and whether their voting decisions represent underlying U.S. investors' interests and the broader U.S. policy objectives.

In 2015, the Chinese Communist Party (CCP) launched a new round of party-building reform aiming to formalize its role within the corporate governance structure by writing in-house CCP party committees into the corporate charters of state-owned enterprises (SOEs). Later, the CCP also put pressure on non-SOEs for similar charter amendments. The charter amendment requires two-thirds of shareholder approval in the shareholders' meeting. The passage of such an amendment will officially place CCP committees in the formal governance structure and thus provide an official channel for CCP to influence Chinese firms (Lin and Milhaupt 2021; Lin 2021; Chen, Guo, and Lin 2023). Amid the escalating geopolitical tension, it raises the question of how U.S. institutional investors voted on those agendas. Did they support the CCP in institutionalizing its influence in business by establishing in-house CCP party committees? Assuming that there is heterogeneity in proxy voting by U.S. mutual funds, who supports the CCP governance reform and why? Existing literature on U.S. proxy voting suggests that funds are more likely to deviate from routine voting patterns and exercise judgment in high-stake proposals (Brav et al. 2024). While the CCP party committee amendment proposals apparently shares this high-stake quality, do these funds follow proxy advisor recommendations, or do they exercise independent judgment in this context? This paper leverages this unique reform to empirically investigate these questions.

This paper relied on the ISS Voting Analytics database which collects voting decisions disclosed by the U.S. institutional investors in Form N-PX according to the SEC rule. Among the 165,221 firm level voting data on charter and bylaw amendments in Chinese companies from January 2018 to June 2022, CCP committee agenda accounts for 14.86% of the votes (24,556 votes in total). While proxy advisor Institutional Shareholder Services (ISS) overwhelmingly recommends funds to reject such an amendment, 16.24% of the funds still support the adoption of CCP committees. Surprisingly, BlackRock supports CCP committee amendments in 74.70% of cases. Conversely, Vanguard and State Street generally follow ISS recommendations and strongly oppose the amendment. At the fund family level, around half of the fund families do not completely follow ISS recommendations. Among all charter amendment proposals, funds exhibit the largest variation in CCP committee amendments, with 16% of the votes deviating from ISS recommendations as compared with the overall deviation rate of 5%. The finding suggests that there are more heterogeneities among fund preferences on politically salient governance proposals. In the context of CCP committee amendments, when funds deviate from ISS recommendations, deviations are more likely to favor the amendments than to oppose them.

I further investigate the factors that influence funds' support for CCP committees by excluding fund families that fully follow ISS and examining only those that do not. Regression analysis shows that ISS voting recommendations is the key factor that influences funds' voting decisions. Overall, an ISS recommendation increases the likelihood of voting in favor of CCP committee amendments by 54.6%. Further, funds are more likely to support party-building in SOEs and larger firms. BlackRock, however, displays a distinctive pattern and supports state-owned, cross-listed, more profitable, and lower-leveraged firms. In terms of fund characteristics, passive funds are less likely to support CCP committee amendments, consistent with a portfolio voting approach rather than firm-specific evaluation.

An intriguing aspect is the rationale behind BlackRock's unusual support for CCP committees, which this paper refers to as "BlackRock exceptionalism." This study first conducts an event study to investigate the market response to the party-building amendments in firms where BlackRock cast votes in to see whether BlackRock voted for the financial interests of the fund beneficiaries. The results show that share value dropped in both firms where BlackRock cast "against" votes as well as those it cast "for" votes, suggesting that such voting decisions are not readily explained by short-term shareholder value maximization. This study further examines plausible explanations for BlackRock's exceptional support for the CCP and argues that BlackRock may have done so in exchange for its own commercial interest. China opened its mutual fund market to foreign companies with a cap of 51% ownership in June 2019 and fully opened it to U.S. companies in April 2020 under a U.S.-China trade deal.[5] Notably, in August 2020, BlackRock became the first global asset management company to obtain the license, and its wholly-owned onshore mutual fund business went into operation in June 2021.[6] Anecdotal evidence suggests that BlackRock's CEO Larry Fink has been involved in discussions concerning the liberalization of China's financial market amid the U.S.-China trade negotiation since late 2017.[7]

BlackRock's consistent support for CCP committee amendments coincided with the regulatory milestones that granted it first-mover access to China's mutual fund market, suggesting that proxy

[5] Michelle Price and Sumeet Chatterjee, Trade Deal Touts Financial Sector Wins; China to Scrap Securities Business Cap Faster, Reuters (January 16, 2020), available at https://www.reuters.com/article/us-usa-trade-china-finance/trade-deal-touts-financial-sector-wins-china-to-scrap-securities-business-cap-faster-idUSKBN1ZE2OI/ (last visited July 22, 2024).

[6] Samuel Shen and Andrew Galbraith, BlackRock Becomes First to Operate Wholly Owned China Mutual Fund Biz, Reuters (June 11, 2021), available at https://www.reuters.com/business/finance/blackrock-wins-chinese-regulatory-approval-onshore-mutual-fund-business-2021-06-11/ (last visited July 22, 2024).

[7] Lingling Wei, Bob Davis & Andrew Browne, China Has One Powerful Friend Left in the U.S.: Wall Street, Wall Street Journal (Dec. 2, 2020), available at https://www.wsj.com/world/china/china-has-one-powerful-friend-left-in-the-u-s-wall-street-11606924454 (last visited Aug. 21, 2025).

voting may have functioned as a strategic instrument aligned with efforts to enhance prospects for regulatory approval and expand business operations. The misalignment between the interests of BlackRock as a commercial entity and those of its fund beneficiaries raises important questions about mutual fund managers' fiduciary responsibilities. While we put BlackRock exceptionalism under the geopolitical light, we observe a second layer of incentive misalignment in which such votes may not align with the preferences of U.S. beneficial owners or contemporaneous U.S. policy objectives.

This paper makes three key contributions to the governance literature. First, it documents a form of "BlackRock exceptionalism" that stands in contrast with its Big Three peers and complicates the prevailing narrative of the Big Three as a coherent governance bloc. This finding adds to the emerging scholarship distinguishing among the Big Three (Lund and Robertson 2024; Dasgupta, Fos, and Sautner 2021). Second, this paper extends the literature on large asset managers' power and stewardship by showing that, unlike Vanguard and State Street who resist CCP influence, BlackRock's voting reflects alignment with CCP-led governance reforms during a period of strategic expansion in China. This dynamic parallels familiar patterns of deference to corporate managers in the U.S. context, but with the state as the object of deference in a system of state capitalism. Third, building on recent work on the geopolitics of corporate governance (Milhaupt 2025; Dasgupta, Fos, and Sautner 2021), this paper demonstrates that geopolitical conflict can be transmitted into firm-level governance issues through proxy voting. It also raises concerns about the misalignment between asset managers' voting decisions and the preferences of U.S. beneficial owners and broader U.S. policy objectives—an overlooked dimension of proxy voting in the existing literature. Together, these contributions shed new light on the evolving governance role of global asset managers and underscore the importance of reassessing the fiduciary and political economy implications of proxy voting in global asset management.

2 LITERATURE REVIEW

2.1 The Geopolitics of Mutual Fund Investment

With the increasing economic competition and political friction between the U.S. and China, large institutional shareholders operating within a global asset management framework may find themselves entangled in this rivalry. Since 2018, the U.S. government has progressively tightened restrictions on U.S. financial exposure to Chinese firms, particularly those involved in critical technologies and military modernization. The scope of restrictions includes foreign investments in the U.S., Chinese firms' access to the U.S. capital market, and U.S. persons' investment in Chinese companies.[8] More recently, the growing competition in artificial intelligence and technologies between the two great powers has led to rules placing outbound investment restrictions on semiconductors, quantum technology, and artificial intelligence, extending regulatory scrutiny beyond domestic markets to U.S. investors' offshore capital deployment.[9] Together, these measures reflect a broader policy goal of decoupling U.S. finance from strategically sensitive sectors of the Chinese economy.

Against this regulatory backdrop, congressional oversight has turned particular attention to the role of mutual funds and index providers in channeling American capital into Chinese firms. A 2025 report by the "Select Committee on Strategic Competition between the United States and the Chinese Communist Party" of the U.S. Congress reveals that despite tightened restrictions, American financial institutions have invested approximately US$6.5 billion in Chinese firms that have been blacklisted or red-flagged by the US government for their involvement in military modernization and human rights violations. Among them, the Big Three play a substantial role. Notably, BlackRock and Vanguard together have accounted for nearly 59% of these flagged investments (over $3.9 billion), underscoring the scale of large asset managers' participation.[10] The report heightened concerns that U.S. retirement savings and passive investment flows may inadvertently strengthen China's military and technological ambitions.

In direct response, Congress proposed the "No China in Index Funds Act", which would prohibit U.S. index funds (and hedge funds) from tracking benchmarks that include Chinese securities. The bill, introduced in both the House of Representatives and the Senate since 2024, would mandate divestment of existing holdings within 180 days and empower the SEC to enforce compliance with civil penalties up to the greater of 250,000 USD or twice the transaction value.[11] The definition of Chinese companies in this bill is not limited to those in industries with national security concerns, but is much broader in scope and intends to cover all Chinese-originated

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8 Key measures include the Foreign Investment Risk Review Modernization Act (FIRRMA), which broadened the scope of national security reviews on cross-border capital flows, the Holding Foreign Companies Accountable Act (HFCAA), which authorizes delisting of Chinese issuers that fail to meet U.S. audit inspection standards, and executive orders that prohibit U.S. persons from investing in Chinese military-industrial complex companies, requiring divestment from blacklisted securities. *See* Foreign Investment Risk Review Modernization Act of 2018, Pub. L. No. 115-232, 132 Stat. 2173; Holding Foreign Companies Accountable Act, Pub. L. No. 116-222, 134 Stat. 1063 (2020); Exec. Order No. 13,959, 85 Fed. Reg. 73185 (Nov. 12, 2020); Exec. Order No. 14,032, 86 Fed. Reg. 30145 (June 3, 2021).

9 Exec. Order No. 14,105, 88 Fed. Reg. 53491 (Aug. 9, 2023); U.S. Dep't of the Treasury, "Prohibitions on and Notifications of Certain Outbound Investments," Final Rule (Oct. 2024).

10 The Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, How American Financial Institutions Provide Billions of Dollars to PRC Companies Committing Human Rights Abuses And Fueling The PRC's Military (April 18, 2024), available at https://selectcommitteeontheccp.house.gov/media/press-releases/committee-report-american-financial-institutions-funneled-billions-prc (last visited August 20, 2024).

11 No China in Index Funds Act, H.R. 7758, 118th Cong. (2024); S. 2046, 119th Cong. (2025).

companies. If passed in its current form, the bill marks a shift in US regulatory efforts from strategic technology decoupling to a more general and extensive financial decoupling between the two countries.

Aside from the decoupling efforts, Congress has also taken regulatory initiatives to limit the concentrated voting power of the Big Three. Introduced by Senator Dan Sullivan and a group of Republican co-sponsors in 2022 and reintroduced in subsequent sessions through 2025, the INvestor Democracy is EXpected (INDEX) Act aims to return the voting power to fund investors by investment advisers of passively managed funds to implement pass-through voting for any portfolio company in which they hold more than 1 percent of voting power, effectively requiring them to vote proxies according to the instructions of the fund's individual investors rather than at their own discretion.[12] Proponents of the Act contend that pass-through voting would better align proxy decisions with the preferences and interests of underlying investors, rather than reflecting asset managers' own ESG policies or strategic considerations.

Against this political and regulatory focus on the concentrated voting power of large asset managers and the U.S. funds' exposure to China, however, far less attention has been devoted to their proxy voting behavior in Chinese firms. How U.S. mutual funds vote in Chinese companies—and whether these votes reflect underlying U.S. investor interests or broader geopolitical considerations—remains an underexplored but critical dimension of global corporate governance.

2.2 Proxy Voting

Existing literature on mutual fund proxy voting mostly focuses on how they vote in U.S. firms because of the increasing shareholding position and power these large funds have in the U.S. While these large mutual funds also have substantial investment in foreign markets, mostly because of the global coverage of benchmark indexes these funds follow, very few studies look into their cross-border voting strategy and examine to what extent these foreign proxy voting align with their promises and behaviors in the domestic market. I first review the key issues and concerns on mutual fund proxy voting in the U.S. context and lay the foundation for the empirical investigation of their corresponding behavior in China that this paper will focus on.

Shareholder voting has long been a pillar for corporate governance. Shareholders can voice their opinions and views in the general meeting through voting that is commensurate with their

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[12] See INvestor Democracy is EXpected Act, S. 4430, 117th Cong. (2022); subsequent reintroduction in the 118th Cong.; related congressional press releases and committee materials (2023–2025).

economic stake in the company. Traditional corporate law literature has treated shareholders as a homogenous group whose only interest is in maximizing wealth and profits. Two things have changed in the past decades. First, the rise of institutional ownership intermediarizes the shareholder group where institutional investors serve as the legal owner and intermediary for the benefit of the individual investors who invested in the mutual funds or pension funds managed by these institutional investors. Such an intermediarization of ownership increases the agency costs for fund investors who are the ultimate owners of the public companies (Gilson and Gordon 2013). The main reason is that large mutual funds lack the incentives to invest resources in improving a specific firm's performance through voting and governance changes, due to their portfolio investment approach and low-cost business model. These large mutual funds have been described as "rationally reticent" in initiating governance changes, thereby leaving a governance gap in the capital market (Gilson and Gordon 2013). The passivity of large mutual funds in engaging with the corporate governance of portfolio firms has, in the past, led to inaction in their stewardship role and has been criticized for siding with management in most shareholder meeting agendas (Bebchuk and Hirst 2019a; Bebchuk, Cohen, and Hirst 2017). Since these funds, as intermediaries, do not bear the final economic consequences of voting, they are likely to engage in so-called "empty voting" where the fund managers or the stewardship team may support initiatives that sacrifice economic value to pursue social or societal objectives that many fund investors may not support (Karmel 2010; Fisch 2021). Indeed, we observe that this issue of empty representation is exacerbated by the rise of environmental and social (E&S) concerns in recent years (Tallarita 2022).

In recent years, shareholders have become increasingly polarized in their views on the social role of corporations. There is a shift in investor expectation from financial value maximization to non-financial values maximization. More and more shareholders no longer view corporations as a mere machine for money-making but more of a social institution that should take on social responsibilities when society needs them. The rise of the E&S issues in shareholder proposals evidences the trend. While shareholders are generally homogeneous in wealth maximization, they are heterogeneous in welfare maximization, which embraces their preferences and values (Hart and Zingales 2022; Kahan and Rock 2023). When welfare maximization becomes the new norm of shareholder investment, the empty representation problem becomes more salient because while these empty voters might be able to gauge the economic interest of the fund beneficiary owners, they generally do not know the preferences and values of their beneficiaries (Fisch 2021; Zytnick 2024).

Aside from the empty voting problem, scholars have also raised concerns over the conflict of interest issue in mutual fund voting. Empirical studies have proved the existence of several conflict of interest situations, such as conflicts arising from cross-ownership in other listed companies (Matvos and Ostrovsky 2008) and business ties between funds and listed companies (Ashraf, Jayaraman, and Ryan Jr 2012; Cvijanović, Dasgupta, and Zachariadis 2016; Davis and Kim 2007). Others have argued that the uniform voting policy within the same fund family might not serve the best interests of each individual fund due to the heterogeneous interests among different funds (Griffith and Lund 2019). Proxy advisors have also been criticized as wielding substantial influence in mutual fund proxy voting. Most mutual funds defer their voting decisions to the proxy advisors, especially the smaller and index funds and in non-contested proposals (Choi, Fisch, and Kahan 2008; Malenko and Shen 2016; Brav et al. 2020, 2024; Shu 2024). Using data from Glass Lewis, Hu, Malenko, and Zytnick (2024) shows that majority of the funds received customized proxy voting advice which helps to alleviate the aggregation of preferences problem in the E&S proposals. Studies show that there are also conflicts of interest concerns in the proxy advisory industry, where the advisors provide consulting services to corporate clients as well, which leads to a general deference to the management proposal (Li 2018).

Scholars have also raised concerns over the dominant holding of the "Big Three" over public companies and their passive attitude towards voting and governance of the portfolio companies (Bebchuk and Hirst 2019b; Bebchuk and Hirst 2022). As index fund managers, they care more about the overall performance of portfolio firms rather than that of a specific firm, and hence, lack the incentives to improve the governance and performance of a specific firm through voting. When they do vote, their voting decisions are likely to be distorted by other incentives, such as securing business from their corporate clients (Bebchuk and Hirst 2019a; Griffith and Lund 2019). Due to such distorted incentives, scholars have argued that the Big Three are likely to underinvest in stewardship and give deference to the corporate managers when voting (Bebchuk and Hirst 2022). Others have argued that clustering the Big Three together ignores other key players in the mutual fund market, like Fidelity, and important differences in ownership, governance structure, product and investor composition, and stewardship preferences among the Big Three (Lund and Robertson 2024).

While most proxy voting studies remain U.S.-centric, a smaller set of studies has examined how institutional investors vote in overseas companies. Earlier work documents the relationship between institutional ownership and good firm-level corporate governance (Aggarwal et al. 2011). Iliev et al. (2015) analyze nearly 8,000 non-U.S. firms across more than forty countries and document that U.S. institutional investors cast significantly more dissenting votes where shareholder protection and judicial efficiency are weak, disclosure quality is poor, and managerial entrenchment is high. Importantly, they show that dissent is not merely symbolic: higher levels of shareholder opposition are followed by greater director turnover and a higher likelihood of withdrawn M&A transactions, suggesting that cross-border votes can meaningfully influence governance outcomes. These findings resonate with several concerns highlighted in the U.S.-focused literature: they suggest that large mutual funds may overcome their reputation for passivity when governance risks are acute, that their votes can substitute for weak local institutions, and that they may at times act in ways that mitigate rather than exacerbate agency costs for ultimate beneficiaries. More recent work indicates that cross-border voting is sensitive to proximity and exposure, with U.S. funds becoming more active after foreign firms expand operations into the U.S. (Moshirian, Pham, and Tak 2024). Despite these contributions, the literature remains sparse on how mutual funds exercise their voting rights in overseas portfolio firms. In particular, although much is known about U.S. funds' ownership positions in China, almost nothing is known about how they vote in Chinese companies—a gap that this paper addresses by providing the first empirical evidence on mutual fund proxy voting in this critical setting.

3 RESEARCH DESIGN AND METHODOLOGY

The accelerating U.S.–China rivalry raises a pressing question: when confronted with politically sensitive corporate agenda items in Chinese firms, do U.S. mutual funds vote solely in the financial interest of their clients, as fiduciary duty dictates, or do some adjust their voting behavior in response to geopolitical or other strategic considerations? To explore this issue, this paper examines mutual fund voting on charter amendments that institutionalize CCP committees within Chinese firms—the central mechanism of the "party-building" reform aimed at embedding the CCP more formally in corporate governance. This section outlines the institutional background of the party-building charter amendments and provides details on the research design, including data sources and the methodology of this paper.

3.1 The Party-Building Charter Amendments

China's corporate governance operates within a system of state capitalism, in which the state retains decisive influence over strategic sectors through SOEs and, increasingly, by embedding Party authority within firms' internal governance. Since 2015, President Xi Jinping has driven significant reforms in SOEs, one of which is the "party-building" (*dangjian*) reform. The reform requires that SOEs formally incorporate CCP party committees into the corporate governance system by writing such committees into the corporate charters of SOEs. In January 2017, the State-owned Assets Supervision and Administration Commission (SASAC) issued model party-building provisions and instructed SOEs to revise their articles of association to specify the roles of party committee in core areas of governance, including strategic decision-making, board nominations, and supervision.

The reform later further expanded to non-SOEs as well. In October 2018, the China Securities Regulatory Commission (CSRC) revised the Code of Corporate Governance for Listed Companies, requiring state-controlled listed firms to incorporate party committees into their articles and urging all listed companies to support party building, thus extending the push beyond SOEs.[13] In May 2022, CSRC further added the in-house party committee provision in the Listed Company Charter Guidelines, which led to a wave of adoption among non-state-owned listed companies.[14] The scope and nature of implementation have been widely documented. There were large-scale amendments among SOEs beginning in 2017, followed by diffusion to non-SOEs and foreign-invested firms. Lin (2021) documented the early adopters by examining all 3,537 A-share listed Chinese companies from 2015 to 2018 and found that about one-third of these listed companies had completed the party-building charter amendments by 2018, and 84% of those were SOEs. As shown by this paper, most non-SOEs adopted the amendments in 2022 following the revision of the charter guidelines.

Empirical studies of the party-building reform reveal the heterogeneity in the adopted provisions among SOEs and between SOEs and non-SOEs. Lin and Milhaupt (2021) find that while some SOEs complied by incorporating relatively limited provisions that constrained the scope of Party involvement, others adopted more expansive provisions granting party committees significant authority over strategy and personnel. At the same time, a number of non-SOEs voluntarily amended their charters, often as a signal of political conformity. This variation reflects differences in ownership structure, market exposure, and political connections, suggesting that the reform was not implemented uniformly but often functioned simultaneously as a substantive institutional change in some firms and as a noisy signal in others. Complementing this, Lin (2021) finds evidence of managerial resistance within SOEs as well as significant variation in shareholder support, with minority and especially foreign investors showing much lower approval rates for charter amendments. These findings illustrate that party-building provisions were contested both inside firms and among external shareholders, making them a uniquely revealing arena in which to study how U.S. mutual funds cast their votes on politically salient governance reforms.

[13] Code of Corporate Governance for Listed Companies, Article 5: "Organizations of the Communist Party of China (the Party) should be established in a listed company in accordance with the Company Law to conduct the Party's activities. Listed companies should provide necessary conditions for the activities of the Party organizations." (2018 Revision).

[14] Listed Companies Charter Guidelines, Article 12: "The Company shall, according to the Constitution of the Chinese Communist Party, establish branch of the Chinese Communist Party and carry out activities of the Chinese Communist Party. The Company shall provide necessary conditions to facilitate the activities of the branch of the Chinese Communist Party." (2022 Revision).

This agenda is unique in comparative corporate governance for at least three reasons. First, unlike typical reforms aimed at strengthening shareholder rights or transparency, the party-building amendments explicitly introduce political authority into the formal corporate governance structure. This creates a formalized dual-governance system where fiduciary duties to shareholders are set alongside obligations to the CCP. Second, because these amendments require a two-thirds majority vote at shareholder meetings, the voting support from international investors is crucial for public companies where the state does not control a supermajority. Even for firms where state controls enough voting power, shareholder support matters when adoption is more about signaling to the market than about the adoption itself. Third, since the nature of the party-building amendments is more about political values than economic value, the valuation effect is harder to gauge than for other proposals with clear economic outcomes. Prior event study shows mixed results, with a decline in short-term market reaction but possibly positive long-term value creation for firms with stronger *ex ante* political influence (Chen, Guo, and Lin 2023). The uncertainty in value impact provides an unusual opportunity to observe how institutional investors exercise their voting power where political allegiance and shareholder value may diverge.

From a research design perspective, the party-building amendment is a valuable test case because it is both politically salient and observable in shareholder voting data. Existing scholarship suggests that institutional investors are more likely to deviate from routine voting patterns and exercise judgment in high-stakes proposals such as proxy contests (Iliev et al. 2015; Brav et al. 2020). The CCP committee amendments share this high-stakes quality: they fundamentally reshape governance structures, carry significant yet uncertain value implications, and present a politically sensitive choice. By focusing the analysis on this amendment, this study leverages a unique legal change to uncover how U.S. institutional investors—particularly the Big Three—balance fiduciary obligations, business interests, and geopolitical pressures when confronted with proposals that combine politics and governance in unprecedented ways.

3.2 Methodology

The research questions posed by this paper are two: how did U.S. mutual funds vote on the CCP party committee charter amendments? And, what are the factors that determine their voting decisions? The first part entails a descriptive exercise that will map out the voting pattern of funds both at the fund family level and at the individual fund level. The purpose is to uncover how funds voted and whether they followed or deviated from the proxy advisors' recommendations. In the second part, I will conduct regression analysis on selected independent variables, including proxy advisor's recommendation, firm characteristics, and fund characteristics, to explore the determinants of proxy voting decisions.

3.2.1 Proxy Voting Data

I obtained voting data cast by each fund in each firm for each agenda item from the ISS Voting Analytics database. ISS provides a separate category for charter amendment agendas relating to CCP party committees. Since ISS began separate coding only in January 2018, I included voting data from January 2018 to June 2022 in the sample. To compare the voting patterns in other charter amendment agendas, I first examine all corporate charter amendment agendas of Chinese companies, including those listed on the Mainland China and Hong Kong stock exchanges. In total, I have 165,221 fund-firm-agenda level voting records on corporate charter amendments; among them, 24,556 are agendas relating to CCP party committees. The amendment agendas include the following categories: party committee, non-routine, board-related, changes in capital, equity-related, organization-related, and compensation-related.

3.2.2 Research Design

To examine the voting pattern, I coded the variable *Voting* as 1 if the fund voted "For" and 0 if the fund voted "Against", "Abstain" or "Non-Voting." The *Approval Rate* is the percentage of "For" votes among all the votes cast by a fund or a fund family. I also obtained the ISS voting recommendations for each agenda at the firm level from ISS Voting Analytics to understand the proxy advisor's recommendations and assess whether funds follow them. *ISS Rec* are coded as 1 if ISS recommends the funds to vote "For" and 0 if ISS recommends "Against." Next, I benchmark fund's voting decision with the ISS recommendation by looking at the deviations from ISS recommendations. *Deviations* equal *Voting* (0 or 1) minus *ISS Rec* (0 or 1). Hence, *Deviations* equals 1 if the fund voted in favor of the proposal despite ISS recommending against, 0 if consistent with ISS Recommendations, -1 if the fund voted against the proposal despite ISS recommending for. Such a variable will help us understand whether the "For" vote cast by the funds is the result of simply following the ISS Recommendation or a fund's own independent decision.

To examine the determinants of proxy voting on CCP committee charter amendments, I estimate logit models as the primary specifications for the binary voting outcome. Because nonlinear models with many fixed effects can be sensitive to the incidental parameter problem and difficult to interpret with high-dimensional fixed effects, I complement the main analysis with linear probability models

(LPMs) using OLS as robustness checks. The LPM allows the inclusion of multiple fixed effects without introducing the same nonlinear bias and yields coefficients that can be interpreted directly as percentage-point changes in voting probability (Dey, Starkweather, and White 2024). The logit regression specifications are as follows:

$$\text{Voting} = \alpha + \beta_1\text{ISS\_Rec} + \beta_2\text{SOE} + \beta_3\text{Cross\_Listing} + \beta_4\text{Firm\_Size} + \beta_5\text{ROA} + \beta_6\text{Leverage} + \beta_7\text{China\_Focused\_Funds} + \beta_8\text{Passive\_Funds} + \beta_9\text{ESG\_Funds} + X_{it} + \varepsilon_i \tag{1}$$

where *Voting* is a dummy variable which equals 1 if a fund votes "For" in the CCP committee agenda and 0 if a fund votes "Against" or "Abstain" or "Non-Voting". Existing literature shows that most funds simply follow proxy advisors' recommendations when voting. Hence, the first independent variable is the *ISS Rec*, which equals 1 if ISS recommends voting "For" the CCP committee agenda and 0 if it recommends voting "Against" it. To examine other factors that might influence fund voting decisions, I include two categories of additional independent variables: firm characteristics and fund characteristics. Funds might decide whether to support CCP control based on the firm's existing level of state control and its financial condition (Lin and Milhaupt 2021; Chen, Guo, and Lin 2023). Firm characteristics include whether the firm is an SOE or not (*SOE)*, whether the firm cross listed in other jurisdictions (*Cross_Listing)*, the size of the firm (*Firm Size*), return on assets (*ROA*), and leverage ratio (*Leverage*). *Firm Size*, *ROA*, and *Leverage* are winsorized at the 0.5th and 99.5th percentiles to mitigate the influence of outliers. I obtained firm characteristics data from CSMAR database and the Wind Financial Database (WIND).

In addition, funds might decide whether to support CCP control based on their investment focus or philosophy which is reflected in the fund characteristics. I included three fund types: China-focused funds, passive funds and ESG funds. For China-focused funds, it is reasonable to expect that China-focused funds would be more supportive of CCP governance reforms because the managers of China-focused funds should be more familiar with the Chinese market and are more likely to endorse a state-centric governance model. On the other hand, passive funds, unlike active funds, focus more on the impact of a given agenda on the overall portfolio rather than on specific companies. In this context, passive funds might be more likely to vote against CCP committee amendments if they believe that strengthening CCP's control over business in general is against shareholder value. Lastly, I examine whether ESG funds vote differently from other non-ESG funds, as existing literature suggests that ESG funds' voting is better aligned with the distinct ideological profile of their investors than that of non-ESG funds (Zytnick 2024). Since party-building proposals involve political ideology as well as governance concerns, ESG funds are more likely to vote against such proposals than non-ESG funds because such a governance structure lacks transparency and accountability from a governance perspective, and the political preferences of U.S. fund beneficiaries are likely against CCP control over business. I obtained fund characteristics from the Center for Research in Security Prices database (CRSP) and used the coding for China Region funds and index funds to identify *China-focused Funds* and *Passive Funds*. I supplemented the fund characteristics coding for *China-focused Funds*, *Passive Funds,* and *ESG funds* by searching fund names on China-related, index-related, and ESG or sustainability-related terms.[15] Appendix Table A1 describes the variables, their definitions, and data sources.

4 EMPIRICAL FINDINGS

4.1 Overall Voting Patterns

To put fund voting in party committee amendments in context, I first map the approval rates of funds across all types of charter amendment agendas to understand the average approval rate of U.S. mutual fund voting and determine whether funds vote differently on the party committee agenda. In total, I obtained 165,221 voting records of Chinese companies listed on Mainland and Hong Kong stock exchanges from January 2018 to June 2022. Table 1 presents the results. The average approval rate across all agendas by all funds is 70.10%. It is slightly higher than the 67.43% of the ISS recommendations. Among the Big Three, BlackRock is most supportive of Chinese firms, with the highest approval rate of 87.01%. Followed by Vanguard with 70.42% and State Street with 64.36%.

Surprisingly, the approval rate of the party committee agenda falls substantially lower than the average approval rate. Generally, ISS strongly supports other agendas, including both management and shareholder proposals, but it firmly opposes the party committee amendment proposals,

[15] The supplemental term search include "index", "Idx", "INDEX", "ETF", "S&P", "MSCI", "Russell", "Bloomberg" for Passive Funds, and "ESG", "environment", "environmental", "social", "labor", "sustainability", "sustainable" for ESG Funds.

recommending a vote in favor only 0.13% of the time. Funds, however, show more support for the CCP committees than ISS does. On average, funds approve the agenda in 16.24% of cases (3,989 out of 24,556 votes). This agenda item shows the highest deviation from ISS recommendations, indicating that funds do not blindly follow ISS and make independent decisions when voting on an agenda with high stakes.

[insert Table 1 here]

The voting behaviors of the Big Three asset managers—BlackRock, Vanguard, and State Street—highlight their divergent preferences on this issue. In stark contrast to ISS and other funds, BlackRock approved party committee amendments in 74.70% of cases, demonstrating a strong willingness to support the CCP's control over business. Conversely, Vanguard and State Street aligned more closely with ISS recommendations, approving party committees in only 1.51% and 0.04% of cases, respectively. Assuming the client profiles of the Big Three are not drastically different, this discrepancy raises questions about which institution truly votes for the best interest of their fund beneficiaries. In the China Proxy Voting Guidelines published by ISS, ISS justified its opposing recommendation on corporate governance grounds. Specifically, ISS recommends voting against "where the proposed amendments lack transparency or are not considered to adequately provide for accountability and transparency to shareholders."[16] ISS noted the accountability issue from the fact that these committee members are not necessarily directors who were elected by shareholders, and the transparency issue from the unclear allocation of power between the party committee and the board of directors. If the recommendation of ISS, as a proxy advisor, reflects the interests of general fund beneficiaries, what factors influence BlackRock to support this agenda? I will address this question later in the paper.

Now that we know ISS overwhelmingly recommends the funds to vote against party committee amendments, however, there are still 16.24% of the proxy voting (10.42% for non-Big-Three votes) that support CCP initiative. Since the existing literature shows that the majority of the U.S. mutual funds simply follow proxy advisors' recommendations when voting, it would be valuable to explore whether funds deviate from ISS recommendations in the Chinese context. To that end, I benchmarked voting results with ISS recommendations and compared the deviation rate on party committee agendas with other charter amendment agendas. Table 2 presents deviation rates and

[16] Institutional Shareholder Services, China Proxy Voting Guidelines (2020) 13, available at https://www.issgovernance.com/file/policy/2020/asiapacific/China-Voting-Guidelines.pdf (last visited Jan. 20, 2026).

examines two directions of deviation: pro-management and against management. Table 2 includes only proxy votes that deviate from ISS recommendations and excludes those that align with ISS recommendations. Generally, the percentage of deviations, whether pro or against management, are pretty small (from 0% to 3%) and roughly the same across all agenda categories. However, funds exhibit the greatest deviations on the party committee agenda, with a deviation rate up to 16%. Notably, when funds deviate from ISS recommendations, they tend to support the CCP (pro-management) rather than oppose it.

[insert Table 2 here]

4.2 Heterogeneity Across Fund Families

Now, I turn the focus to the party committee agendas and investigate the fund voting pattern at the fund family level. Figure 1 maps out the distribution of approval rate by fund families and log of voting frequency. By introducing the dimension of vote frequency, the figure shows in part the number of Chinese companies that these fund families invested and voted in. This figure shows only those fund families that voted more than 30 times in the party committee agendas. From Figure 1, we can see that the approval rate for most funds is below 20%. Still, we see a good distribution of funds, with approval rates above the average and ranging from 20% to 100%. Bubb and Catan (2022) use advisors or sub-advisors as an alternative to funds because in most cases, advisors or sub-advisors are the ones that decide on the voting. In the Online Appendix Figure A1, I also map out the voting frequency and approval rate based on the sub-advisor assigned, if any, to the funds.

[insert Figure 1 here]

[insert Table 3 here]

The top twenty voters are shown in Table 3. The top five voters are Vanguard, BlackRock, Dimensional Fund, State Street, and Fidelity, respectively. Vanguard, BlackRock, and State Street, collectively known as the Big Three, cast a total of 3,514, 3,202, and 2,465 votes over party committee agendas during the sample period, demonstrating not only their substantial presence but also repeated attention to the matter. Among the 165 fund families in the sample, the average vote frequency is 149. We see significant variation in approval rates across different fund families. Figure

2 presents a stacked bar chart of fund families in the order of their approval rates. The top supporters include Van Eck, CPP Investment, Charles Schwab, BlackRock, and Delaware Investment, each with an approval rate exceeding 50%. It is interesting to see CPP Investment at the top of the list as CPP Investment stands for The Canada Pension Plan Investment Board which manages the Canadian pension plan. This means that the Canadian government supports the CCP's expansive control over business in general. Another notable finding is that TIAA-CREF Asset Management also appears among the top supporters, with an approval rate of 26.69% and a vote frequency of 577. TIAA is one of the largest college pension fund managers in the U.S., managing retirement funds for college professors and staff. Some of TIAA funds' are advised by the Teachers Advisors, as shown in the Appendix Figure A1. The investor profile of TIAA-CREF is more identifiable than that of other funds. Therefore, TIAA's deviation from ISS recommendations to support the CCP committee agenda raises serious questions about whether these institutions are fulfilling their fiduciary duties in casting their votes and, more broadly, acting in the best interests of their fund participants.

[insert Figure 2 here]

Table 4 further shows the approval rate by year and by firm type (SOEs/non-SOEs). I exclude the "abstain" vote and "do not vote" situations from Table 4 so we can understand the actual votes that were cast by the asset managers. As we have observed that BlackRock voted differently from other funds, I also present the approval rate of non-BlackRock funds. It appears that the approval rate of all funds drops over the year from 21.16% in 2018 to 11.95% in 2022, and for non-BlackRock funds, it drops from 11.42% to 5.97% respectively. Since SOEs are the target of the party-building reform, there are more SOEs submitted the proposal for approval in 2018 than in 2022. It could be that the drop in support among funds is because majority of the non-SOEs submitted amendments in 2022. However, Panel B and C in Table 4 seem to show that the declining pattern holds for both SOEs and non-SOEs. Interestingly, the declining pattern also exhibits in BlackRock's votes. The overall approval rate of BlackRock drops from 95.74% in 2018 to 54.88% in 2022. Even for SOEs, BlackRock's approval rate decreases from the almost unanimous support between 2018 and 2021 to 81.86% in 2022. For non-SOEs, the drop is even more drastic, with 88.46% in 2018 to 24.92% in 2022. In addition, BlackRock abstained from voting in 65 out of 715 votes cast in non-SOE firms in 2022.

As will be illustrated in greater detail in Section 5, this voting pattern and timing coincide with

BlackRock's ambition to obtain a license to run domestic mutual funds in China during 2018 to 2021. It appears that BlackRock was less motivated to show political allegiance to the CCP after its local fund went into full operation in September 2021. China opened its mutual fund market to foreign companies with a cap of 51% ownership in June 2019 and fully opened it to U.S. companies in April 2020 under a U.S.-China trade deal. Notably, in August 2020, BlackRock became the first global asset management company to obtain this license and its local fund business went into operation in September 2021. This observation highlights BlackRock's careful maneuvering between U.S. and Chinese markets amid political tension and geopolitical conflict.

[insert Table 4 here]

4.3 Deviations From ISS Recommendations

To understand whether these institutions cast support votes in accordance with ISS recommendations or out of their independent judgement, I further provide a stacked bar chart for deviation rate of each fund family that casted votes for more than 100 times in Figure 3. Overall, when funds deviate from ISS recommendations, they deviate to show support for CCP rather than against it. Only three funds—Vanguard, Dimensional Fund and State Street, in only three instances actually voted against CCP even when ISS recommends to support.

[insert Figure 3 here]

[insert Figure 4 here]

In Figure 4, I further separate funds' deviation rate by firm type to see whether funds show support mostly in SOEs or even in non-SOEs. The results suggest that it depends on the funds. Some funds, like Van Eck, Charles Schwab and CPP Investment, seem to unanimously support for party Committee agenda no matter it is with SOEs or non-SOEs. Some other funds, like BlackRock, Delaware Investment, and TIAA-CREF Asset, seem to fully support CCP control in SOEs but only selectively support that in non-SOEs, demonstrating different voting strategies across fund families.

4.4 Determinants of Voting on Party Committee Amendments

The descriptive analysis above shows a dynamic voting pattern among U.S. funds on party committee amendments. To provide a more nuanced analysis on the determinants of fund voting decisions, I conduct a logit regression on various variables of interest. From the above analysis, we learned that some funds completely followed ISS recommendations and others made their own independent judgement. Table 5 provides the descriptive statistics. Panel A shows that 49.70% of the fund families completely follow ISS; however, they only represent 19.68% of the votes. At the fund family level, it appears that smaller funds tend to defer the voting decisions to ISS due to limited resources. For regression analysis, I will exclude funds that belong to the fund families that completely follow ISS so not to bias the analysis on the determinants.

[insert Table 5 here]

Panel B shows the overall fund level voting data. Overall, 83.87% of the funds vote in alignment with ISS recommendations. Even within those fund families that do not have a uniform voting policy and do not completely follow ISS, the alignment rate is pretty high. Vanguard and State Street basically cast their votes in accordance with ISS recommendations, with the alignment rate of 98.78% and 99.96% respectively. In contrast, BlackRock is very independent in making voting decisions and its voting strategy is very different from ISS recommendation. Its alignment rate is only 25.33%. As stated, I only use the votes of fund families that do not completely follow ISS to run regression, which leaves me with 19,723 voting data points.

Table 6 presents the summary statistics for all variables. Panel A describes the variables for all voting decisions on party committee amendments, and Panel B shows the variables included in the Table 8 regression. Panel B-1 includes all variables that are included in Models (1) to (6) in Table 8. In total, we have 19,723 votes. The average approval rate is 20%, slightly higher than the 16% for all votes. For the firm characteristics, 68% are SOEs and 33% are cross-listed firms. Panel B-2 and B-3 include the variables for the votes cast by Non-Big-Three funds and BlackRock, which are used in

Models (7) to (10), respectively. Aside from the large variations in approval rates across funds, we also observe that the characteristics of non-Big-Three funds are distinctly different from those of BlackRock funds. BlackRock has proportionately more China-focused funds (25%) than non-Big-Three asset managers (9%), suggesting that BlackRock is optimistic about the Chinese market. In terms of the proportion of passive funds versus actively managed funds, BlackRock has more passive/index funds (88%) than non-Big-Three asset managers (51%), as expected. BlackRock also invests in more SOEs and cross-listed firms. Table 7 presents the correlation table for the variables included in Panel B-1. The correlations are generally modest, and none exceed 0.6 in absolute value, alleviating concerns about multicollinearity.

[insert Table 6 here]

[insert Table 7 here]

Table 8 presents the logit regression result. The regressions investigate the factors influencing the voting decisions of three groups of funds: All Funds (Models 1 to 6), Non-BlackRock (Models 7 and 8), and BlackRock (Models 9 and 10). The most significant factor affecting mutual fund voting is the proxy advisor's recommendation; hence, I include *ISS Rec* in all models. Model (1) focuses on firm characteristics, while Model (3) examines the fund characteristics. Most of the significant results hold when I include all variables in Models (5) and (6). The *ISS Rec* variable is significant for both All Funds and Non-BlackRock Funds. For All Funds, the coefficient is 10.174 (significant at 1% level) and the average marginal effect is 0.546 (significant at the 1% level), indicating that an ISS recommendation increases the likelihood of voting in favor of party committee amendments by 54.6% (Models 5 and 6).

[insert Table 8 here]

The influence of state ownership on voting decisions is statistically significant for All Funds and BlackRock. For All Funds, the economic significance in Models (5) and (6) implies that SOEs are 6.5% more likely to receive a favorable vote from mutual funds. For BlackRock, the results indicate a much stronger positive association (Models 9 and 10). BlackRock is 19.8 % more likely to support the establishment of party committees in SOEs than in non-SOEs. Unlike other funds, BlackRock is more likely to support CCP committees in cross-listed and more profitable firms. In contrast, leverage ratio has a significant negative effect on BlackRock's voting decisions. Highly leveraged companies are 30.7% less likely to receive favorable votes from BlackRock. The economic significance highlights BlackRock's risk-averse strategy, where high financial leverage is viewed as a potential risk factor. Firm Size is a significant determinant across all groups (Models 5 to 10) and the effect is stronger in BlackRock funds. This effect indicates that mutual funds may associate larger firms with better management capabilities and resources to implement and sustain the enhanced political control. Alternatively, the result might simply reflect the general understanding that larger firms likely have better relationships with the party-state and thus might have party committees in place even before the latest party-building reform, and writing it into the corporate charter enhances transparency.

For fund characteristics, China-focused Funds do not respond more favorably to CCP initiatives while passive funds exhibit a generally negative attitude towards the establishment of party committees. It could be that China-focused funds, if not passively managed, encompass a diverse range of investment strategies objectives and risk tolerances. This heterogeneity means that these funds may not exhibit a uniform voting pattern concerning corporate governance changes. Some China-focused funds might prioritize alignment with government policies, while others may focus on financial performance or market stability, leading to a net neutral effect in the aggregate analysis. The coefficient on Passive Funds is negative and statistically significant in both the All Funds and Non-BlackRock samples. Although the economic magnitude is modest, the direction of the coefficient is consistent across specifications. This pattern suggests that passive funds are less likely to support party committee amendments, consistent with a portfolio-level voting approach.

4.5 Robustness Check

As a robustness check, Table 9 re-estimates the baseline specifications using linear probability models (LPM) with year, industry, and fund-family fixed effects. The results are qualitatively identical. ISS recommendations remain highly predictive of voting behavior for non-BlackRock funds, increasing the probability of support by approximately 78 percentage points, while having no statistically significant effect on BlackRock. Consistent with the logit regression results, the firm-level determinants are largely concentrated in BlackRock: support is significantly higher for state-owned and cross-listed firms and for more profitable firms, and significantly lower for more highly leveraged firms. The LPM results yield qualitatively identical conclusions, indicating that the findings are robust to alternative model specifications.

[insert Table 9 here]

To address the concern that proxy voting authority may be centralized at the advisor or sub-advisor level rather than the fund-family level (Bubb and Catan 2022),the Appendix Table A2 re-estimates the baseline specifications using advisor fixed effects and clustering standard errors at the advisor level. The results are qualitatively unchanged. ISS recommendations remain highly predictive of voting behavior among non-BlackRock advisors, while BlackRock's voting continues to exhibit no sensitivity to ISS guidance. The magnitudes of the ISS and Passive Fund effects are somewhat stronger under advisor fixed effects, consistent with centralized voting policies at the advisor level. Overall, the advisor-level specification reinforces the main conclusion that BlackRock's voting behavior is distinct from that of other large asset managers and is not driven by organizational structure.

5 BLACKROCK EXCEPTIONALISM

The empirical findings above leave a crucial question unanswered: why did BlackRock lend such strong support to CCP governance reform and the expansion of party control in Chinese firms? This exceptional stance stands in sharp contrast not only to the recommendations of ISS but also to the positions of the other two largest U.S. asset managers—Vanguard and State Street—both of which largely opposed the amendments. Unfortunately, existing literature does not seem to provide an answer to this puzzle. So what explains "BlackRock exceptionalism"? This section untangles this puzzle by asking two questions: first, did BlackRock support the party-building charter amendment because such a reform would bring positive financial returns to the shareholders? Second, if the answer to the first question is negative, are there business or political reasons that drove BlackRock's support for the party-building reform? Section 5 evaluates plausible explanations for BlackRock's voting behavior: shareholder value maximization, strategic market positioning, and incentive misalignment under geopolitical conflict.

5.1 Valuation Effects of the Party Committee Amendments

To assess the valuation impact of the party-building amendment, this paper conducts an event study to investigate investors' reactions to the charter amendment agenda. To determine the proper event window, we must first understand the legal process of charter amendment in Chinese companies listed in the Mainland and Hong Kong. The process starts with a decision by the board of directors to propose such an agenda for voting in the upcoming shareholders' meeting. The board will make an announcement on the proposed date for the shareholders' meeting as well as the detailed charter amendment proposals. Chinese companies are required to notify the shareholders about the meeting date and agenda at least 20 days before the annual general meeting and 15 days before the extraordinary general meeting. For Hong Kong listed companies, the requirements are 21 days and 14 days, respectively.

Suppose that the amendment will be discussed at the annual general meeting and the date of the meeting is T. Shareholders will be notified of the proposed CCP committee charter amendment on T-20 or earlier. It is possible that investors' reaction to the amendment has been reflected at the share price once the notification of the general meeting has been made. Hence, in addition to the market reaction on day T, this paper will also investigate the market reaction from T-20 to T. Since it is possible that the company might make the announcement a few days earlier, this paper will also extend the window to 30 days before the meeting, T-30. Another important date is the record date which sets the date for finalizing the shareholders' list. For shareholders who do not agree with the proposed changes, they might simply sell their shares before the record date. Therefore, if the shareholders do not support the proposed agenda, we should see the price drop after the announcement and then stabilize after the record date. In that respect, it is reasonable to investigate the market reactions from T-20 or T-30 to T-7 as well.

In total, BlackRock cast 3,202 votes on CCP committee agendas in 401 firms. Among them, BlackRock voted "for" in 277 firms, voted "against" in 114 firms, and voted inconsistently among different funds in 10 firms. I conducted an event study on the 277 "For" firms and 114 "against" firms separately. I adopted the market model to calculate cumulative abnormal returns (CAR) using the estimation window of [-250,-45]. The results are shown in Table 10. Panel A shows the market reactions to firms for which BlackRock voted for the CCP committee agendas, and Panel B shows those to firms for which BlackRock voted against the agendas.

[insert Table 10]

As I predicted, the market may have reflected the valuation impact before the voting date, and more precisely, before the record date. The market reactions around the voting date, including [-1, 0], [0, 1], [-1, 1], and [-2, 2], are not significant in both Panel A and Panel B. However, consistent with Chen, Guo, and Lin (2023), the average CARs surrounding potential board announcement date (T-20 to T-30) are mostly negative, meaning that the market in general is not in favor of CCP strengthening its control over business and formalizing its role in corporate governance. Specifically, during the board announcement window, including [-30, -7], [-30, 1], [-20, -7], and [-20, 1], the share price dropped in both groups of firms, and the decline was statistically significant for firms that BlackRock cast "against" votes. Furthermore, the mean CAR shows that the magnitude of price decline is more pronounced in firms for which BlackRock cast "against" votes than those for which it cast "for" votes. The average decline in share price for the "against" group between T-30 and T-7 (record date) is -4.20% while that for the "for" group is -0.58%.

I also employ two complementary tests to enhance robustness. First, given that annual general meetings often cluster on common dates and involve many firms simultaneously, thereby giving rise to cross-sectional correlation among abnormal returns, I use the Kolari & Pynnönen (2010) adjusted t-statistic that corrects for event-day clustering and cross-firm dependence. Second, acknowledging that abnormal returns may deviate from normality and contain outliers, I also apply the Wilcoxon signed-rank test as a non-parametric alternative that assesses whether the median abnormal return is zero. Reporting both tests enhances robustness and underscores whether the market reaction is consistent in direction and magnitude across firms. For Panel A, the two complementary tests show significant negative market response around the potential board announcement date as well as on the general meeting date [-1, 0]. The results of the complementary tests in Panel B are consistent with those of the standard t-test. Overall, the complementary tests further support the finding of negative market responses to the party-building amendment event of firms where BlackRock cast votes in.

5.2 Strategic Positioning in the Chinese Market

The event study results suggest that adopting CCP committee charter amendments is a value-destroying decision. This evidence does not support a shareholder value-maximizing rationale for supporting the proposal. That leads us to the second question: what drives BlackRock's support, albeit negative market reactions? One possible explanation lies in the divergent business strategies of the Big Three in the Chinese market. BlackRock has been aggressively pursuing business opportunities in China and has tried to expand its asset management business to the domestic Chinese investors. On the contrary, Vanguard and State Street pursued relatively cautious strategies in China. Vanguard had once explored the domestic market but soon realized that the onshore fund market did not suit its index-centric and low-cost business model. In March 2021, Vanguard withdrew its application for a Chinese mutual fund company license, citing the "crowded" nature of China's fund market.[17] In

[17] Vanguard Group Halts Plan to Seek Funds Licence in 'Crowded' China Market, Reuters (Mar. 16, 2021), available at

October 2023, it took a final step to further retreat from the Chinese market by terminating its robo-advisory joint venture with the Ant Group.[18] State Street, meanwhile, has taken an even more restrained approach in China. State Street did not set up its wholly foreign-owned enterprise (WFOE) in China until 2018, when more than 40 other foreign managers already had one.[19] It remained focused on its core strength—index investing and custody—and limited its presence to largely servicing Chinese exposure through global products rather than local offerings. These differences set the context for their proxy voting behavior over the issue of in-house CCP committee.

While ISS and Glass Lewis both recommended voting against these amendment proposals on the grounds of shareholder protection, Vanguard and State Street, with relatively little to lose in China, chose to follow this guidance and voted in line with the global governance principles of board accountability (Lin 2021). Their votes were consistent with a passive stewardship approach which defers to a standard policy. BlackRock, however, strongly supported the CCP committee amendments by going against proxy advisors' recommendations and most other funds' voting decisions. Such divergence may reflect BlackRock's broader strategic incentives, including its interest in strengthening its regulatory position and commercial relationships in China. By supporting party-led governance structures, BlackRock's voting behavior aligned with prevailing regulatory expectations at a time when it was seeking approval for expanded market access. The subsequent analysis documents the temporal overlap between BlackRock's support for CCP party-building reforms and its efforts to expand its domestic mutual fund operations in China.

5.3 Incentive Misalignment under Geopolitical Conflict

Over the past decades, BlackRock has pursued an aggressive expansion in China's financial market as compared with other U.S. fund managers. It opened its Beijing office as early as 2008 and is among the few foreign fund managers to obtain dual licenses to operate both a private fund management (PFM) license and a qualified domestic limited partner (QDLP) license in China.[20] China has been slow in the liberalization of the financial market since it agreed to liberalize its financial sector

https://www.reuters.com/world/china/vanguard-group-halts-plan-seek-funds-licence-crowded-china-market-2021-03-16/ (last visited Aug. 20, 2025).

[18] Vanguard sells stake in joint venture with China's Ant, Reuters (Oct. 18, 2023), available at https://www.reuters.com/markets/deals/vanguard-sells-stake-joint-venture-with-ant-bloomberg-news-2023-10-17/ (last visited Aug. 20, 2025).

[19] SSGA granted WFOE licence, Fund Selecter Asia (Dec. 17, 2018), available at https://fundselectorasia.com/ssga-granted-wfoe-licence/ (last visited Aug. 20, 2025).

[20] It is reported that only Blackrock, UBS Asset Management, AMG and Aberdeen Standard Investments have dual licenses. A PFM license allows a foreign asset manager to invest in a portfolio of onshore assets and sell products to domestic qualified investors. A QDLP license allows a foreign asset manager to raise fund domestically to invest in offshore investments within allocated quotas. *See* SSGA granted WFOE licence, Fund Selecter Asia (Dec. 17, 2018), available at https://fundselectorasia.com/ssga-granted-wfoe-licence/ (last visited Aug. 20, 2025).

when joining the World Trade Organization in 2001. The long-awaited opportunity for Wall Street came during the trade war initiated by the Trump administration in 2017-2018. According to the Wall Street Journal, Larry Fink, the CEO of BlackRock, is among a small number of Wall Street leaders who met with the then China's lead negotiator, Vice Premier Liu He, who asked for Wall Street's help to ease trade conflict.[21] In exchange for their help, China offered to give Wall Street greater access to China's financial market.

Since then, Larry Fink and other financial sector leaders publicly supported a U.S.–China trade agreement, which was eventually signed in January 2020. In the Phase One economic and trade agreement, China, as expected, agreed to open up its financial market to American firms, including securities brokerage, mutual fund management, and futures trading, while other U.S. industries came away with modest gains.[22] Throughout the trade war period, Larry Fink frequently traveled to China and maintained an optimistic tone about China publicly.[23] Notably, in March 2020 – amid heightened U.S.–China tensions and the COVID-19 outbreak – Larry Fink reassured BlackRock's shareholders of his continued faith in China and his ambition to build BlackRock's presence in the local Chinese market. In a letter to investors, he wrote that "[w]e are … focused on building our presence as a manager for Chinese clients. China's $14 trillion asset management industry is the third largest in the world, and as the Chinese market opens to foreign asset managers, our global reach and whole-portfolio approach will help us become the leading foreign asset manager in China."[24]

Shortly after the deal was signed, China abolished the foreign ownership caps in mutual fund companies and securities firms. On April 1, 2020, BlackRock applied to set up a wholly foreign-owned mutual fund subsidiary in China on the very same day that the restrictions were stripped off.[25] In August 2020, the China Securities Regulatory Commission (CSRC) granted BlackRock approval, making it the first global asset manager to obtain the license under the new rule.[26] In May 2021,

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21 Lingling Wei, Bob Davis & Andrew Browne, China Has One Powerful Friend Left in the U.S.: Wall Street, Wall Street Journal (Dec. 2, 2020), available at https://www.wsj.com/world/china/china-has-one-powerful-friend-left-in-the-u-s-wall-street-11606924454 (last visited Aug. 21, 2025).

22 Lingling Wei, Bob Davis & Andrew Browne, China Has One Powerful Friend Left in the U.S.: Wall Street, Wall Street Journal (Dec. 2, 2020), available at https://www.wsj.com/world/china/china-has-one-powerful-friend-left-in-the-u-s-wall-street-11606924454 (last visited Aug. 21, 2025).

23 BlackRock's Fink Says U.S., China on Path to Full-Fledged Trade War, Reuters (Apr. 19, 2018), available at https://www.reuters.com/article/business/blackrock-s-fink-says-u-s-china-on-path-to-full-fledged-trade-war-idUSKCN1N65CN/ (last visited Aug. 21, 2025).

24 Larry Fink's 2020 Letter to Shareholders (March 31, 2020), available at https://seekingalpha.com/article/4335199-larry-finks-2020-letter-to-shareholders (last visited Aug 20, 2025).

25 BlackRock Gets Regulators' Approval to Set Up China Mutual Fund Unit, Reuters (Aug. 31, 2020), available at https://www.reuters.com/article/china-blackrock-idUSKBN25Q0C7 (last visited Aug. 20, 2025).

26 Jing Yang & Dawn Lim, BlackRock Raises $1 Billion for First Chinese Mutual Fund Run by Foreign Firm, Wall Street Journal (Sept. 7, 2021, 8:00 PM ET), available at https://www.wsj.com/finance/investing/blackrock-raises-1-billion-for-first-chinese-mutual-fund-run-by-foreign-firm-11631059200 (last visited Aug. 22, 2025).

BlackRock further established a majority-owned wealth management joint venture with China Construction Bank, and by June 2021, CSRC had given a green light to BlackRock's newly established mutual fund business to begin operation.[27] Subsequently, BlackRock launched its first mutual fund for Chinese individual investors in September 2021, raising approximately $1 billion.

The timing of BlackRock's proxy votes in favor of CCP party-building amendments indicates that voting functioned not merely as a stewardship decision but as a mechanism of reciprocity. BlackRock's consistent support for CCP governance amendments coincided with the regulatory milestones that granted it first-mover access to China's mutual fund industry, suggesting that proxy voting may have served as a strategic instrument aligned with efforts to enhance prospects for regulatory approval. This pattern raises questions about whether proxy voting was deployed in a manner consistent with the fiduciary obligation to prioritize fund beneficiaries' interests.

In BlackRock's case, support for CCP party committees appears to have subordinated fund beneficiaries' welfare to the firm's broader commercial strategy of securing access to China's domestic market. Such behavior resonates with concerns about the corporate client conflicts embedded in the Big Three's business model, and the argument that passive investors may have both incentives and opportunities to cast votes in ways that deviate from client welfare (Lund 2017; Bebchuk and Hirst 2019a; Fisch, Hamdani, and Solomon 2019). In this case, the deference to the Chinese party-state in state capitalism parallels the deference to corporate managers in the U.S. context because the Chinese party-state is the largest shareholder and manager of the state economy.

Finally, BlackRock's support for CCP control raises the question of whether it aligns with the preferences of U.S. fund beneficiaries and broader U.S. policy objectives. The fierce economic competition and technological race between the U.S. and China in recent years have brought dramatic changes in the international business environment where global asset management firms operate. The funds managed by large asset managers represent not only the financial interests of U.S. investors but also the general welfare of the U.S. public. As mentioned in Section 2.1, the Congress intends to decouple U.S. finance from the Chinese economy, spanning from investments in red-flagged Chinese industries to the inclusion of Chinese firms in index tracking. As political considerations become increasingly intertwined with mutual fund investments, proxy voting may increasingly be evaluated in light of geopolitical considerations.

[27] Wall Street's New Love Affair with China, Financial Times (Sept. 15, 2021), available at https://www.ft.com/content/d5e09db3-549e-4a0b-8dbf-e499d0606df4 (last visited Aug. 22, 2025).

6 CONCLUSION

This paper provides empirical evidence on the overseas proxy voting of U.S. institutional investors and shows how geopolitical tension and asset managers' overseas business interests may shape stewardship decisions. By examining the proxy voting of U.S. institutional investors, specifically the Big Three, on Chinese firms' CCP party committee charter amendments, this paper finds that Vanguard and State Street largely aligned with proxy advisor recommendations and opposed the amendments, whereas BlackRock diverged substantially and supported party-building proposals at high rates. The analysis situates this divergence within the broader context of the U.S.–China trade conflict since 2017 and documents the temporal overlap between BlackRock's support for CCP governance reforms and its expansion into the domestic Chinese mutual fund market. In this respect, proxy voting appears to have functioned not solely as a mechanism of investor stewardship but also as a strategic instrument aligned with efforts to enhance market access and expand business opportunities.

By documenting this voting pattern, this study provides empirical evidence on heterogeneity among the "Big Three," challenging the tendency in the proxy voting literature to treat them as a homogeneous governance bloc. This paper also extends the conflicted voting debate by showing that asset managers' voting may be shaped not only by ties to corporate clients, as existing U.S. scholarship has emphasized, but also by alignment with state governance priorities in a state capitalist system. Finally, it engages with the growing political economy literature on global corporate governance by adding a new lens to view stewardship decisions of asset managers under the geopolitical light.

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Table 1: Approval Rate for All Charter Amendments

Agenda	ISS	All Funds	BlackRock	Vanguard	State Street	*N*	%
MP-Party Committees	0.13	16.24	74.70	1.51	0.04	24,556	14.86
MP-Non-Routine	94.49	92.19	95.06	94.07	85.15	60,550	36.65
MP-Board-Related	97.40	95.87	98.92	98.27	96.79	6,530	3.95
MP-Changes in Capital	97.80	96.40	98.54	99.09	97.76	20,283	12.28
MP-Equity-Related	100.00	99.22	100.00	100.00	100.00	128	0.08
MP-Organization-Related	45.38	50.45	73.79	51.11	44.56	44,754	27.09
MP-Compensation-Related	89.50	89.03	94.29	85.81	94.36	5,048	3.06
SP-Non-Routine	88.98	88.94	99.72	90.31	80.86	2,794	1.69
SP-Board-Related	91.94	88.71	100.00	88.24	87.50	124	0.08
SP-Equity-Related	91.19	90.75	88.73	97.73	87.14	454	0.27
Average	67.43	70.10	87.01	70.42	64.36		
N	165,221	165,221	21,729	26,115	17,710		

Note: MP refers to Management Proposal; SP refers to Shareholder Proposal.

Table 2: Deviations from ISS Recommendations for All Charter Amendments

Agenda Items	Pro-Management		Against Management		Deviations		Total
	N	%	*N*	%	*N*	%	*N*
I. Management Proposals							
MP-Party Committee	3,959	0.16	3	0.00	3,962	0.16	24,556
MP-Non-Routine	478	0.01	1,872	0.03	2,350	0.04	60,550
MP-Board-Related	30	0.00	130	0.02	160	0.02	6,530
MP-Changes in Capital	68	0.00	352	0.02	420	0.02	20,283
MP-Equity-Related	0	0.00	1	0.01	1	0.01	128
MP-Organization-Related	3,037	0.07	771	0.02	3,808	0.09	44,754
MP-Compensation-Related	74	0.01	98	0.02	172	0.03	5,048
II. Shareholder Proposals							
	Pro-Shareholder		Against Shareholder		Deviations		Total
	N	%	*N*	%	*N*	%	*N*
SP-Non-Routine	53	0.02	54	0.02	107	0.04	2,794
SP-Board-Related	0	0.00	4	0.03	4	0.03	124
SP-Equity-Related	3	0.01	5	0.01	8	0.02	454
Total	7,702	0.05	3,290	0.02	10,992	0.07	165,221

Note: MP refers to Management Proposal; SP refers to Shareholder Proposal.

Table 3: Top Twenty Voters in Party Committee Agenda

	Fund Family	Vote Frequency	Approval Rate (%)
1	Vanguard	3,514	1.51
2	BlackRock	3,202	74.70
3	Dimensional Fund	2,760	0.29
4	State Street	2,465	0.04
5	Fidelity	2,409	1.04
6	DBX Strategic	1,080	0.09
7	Franklin Templeton	1,010	0.10
8	Northern Trust	646	0.00
9	TIAA-CREF Asset	577	26.69
10	WisdomTree Asset	433	0.20
11	Voya Investment	396	0.00
12	PowerShares Capital	310	10.97
13	Prudential	309	34.95
14	John Hancock	307	7.17
15	Pacific Life	243	0.00
16	Jackson National	228	12.28
17	Delaware Investment	210	65.71
18	Allianz Global	188	1.06
19	Charles Schwab	178	92.70
20	CPP Investment	168	93.45

Table 4: Approval Rate for Party Committee Agenda

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	ISS		All Funds		BlackRock		Vanguard		State Street		Non-BlackRock	
	%	[Total Votes]	%	[Total Votes]	%	[Total Votes]	%	[Total Votes]	%	[Total Votes]	%	[Total Votes]
Panel A: All Firms												
2018	0.21	[4,328]	21.16	[4,267]	95.74	[493]	0.36	[559]	0.00	[372]	11.42	[3,774]
2019	0.36	[1,926]	24.01	[1,903]	90.99	[222]	1.46	[343]	0.57	[176]	15.17	[1,681]
2020	0.06	[3,238]	23.55	[3,210]	96.17	[600]	1.99	[552]	0.00	[382]	6.86	[2,610]
2021	0.03	[3,380]	16.11	[3,308]	87.00	[446]	2.03	[543]	0.00	[361]	5.07	[2,862]
2022	0.12	[11,684]	11.95	[11,211]	54.88	[1,372]	1.61	[1,491]	0.00	[1,173]	5.97	[9,839]
Average	0.13	[24,556]	16.69	[23,899]	76.35	[3,133]	1.52	[3,488]	0.04	[2,464]	7.69	[20,766]
Panel B: SOEs												
2018	0.21	[3,861]	21.57	[3,807]	96.60	[441]	0.40	[499]	0.00	[331]	11.73	[3,366]
2019	0.43	[1,628]	25.82	[1,607]	99.49	[195]	1.81	[276]	0.69	[145]	15.65	[1,412]
2020	0.06	[3,147]	24.07	[3,120]	97.63	[591]	2.11	[521]	0.00	[368]	6.88	[2,529]
2021	0.03	[3,035]	17.34	[2,976]	97.73	[397]	2.22	[496]	0.00	[332]	4.96	[2,579]
2022	0.25	[5,292]	15.65	[5,162]	81.86	[722]	1.78	[674]	0.00	[499]	4.89	[4,440]
Average	0.18	[16,963]	19.86	[16,672]	92.60	[2,346]	1.66	[2,466]	0.06	[1,675]	7.92	[14,326]
Panel C: Non-SOEs												
2018	0.21	[467]	17.83	[460]	88.46	[52]	0.00	[60]	0.00	[41]	8.82	[408]
2019	0.00	[276]	14.6	[274]	29.63	[27]	0.00	[62]	0.00	[27]	12.96	[247]
2020	0.00	[91]	5.56	[90]	0.00	[9]	0.00	[31]	0.00	[14]	6.17	[81]
2021	0.00	[345]	5.12	[332]	0.00	[49]	0.00	[47]	0.00	[29]	6.01	[283]
2022	0.02	[6,392]	8.79	[6,049]	24.92	[650]	1.47	[817]	0.00	[674]	6.85	[5,399]
Average	0.03	[7,571]	9.38	[7,205]	27.45	[787]	1.18	[1,017]	0.00	[785]	7.17	[6,418]

Notes. This table includes all "For" and "Against" votes and excludes "Abstain" and "Do Not Vote". The number "0.00" for approval rate means that all funds cast "Against" votes. *Total Votes* refers to the total number of votes cast in a specific category and serves as the denominator for the approval rate.

Table 5: Deviations from ISS Recommendations for Party Committee Agenda

Panel A: Fund Family Level Data

	Fund Families	%	Corresponding Fund-Level Votes	%
Completely Follow ISS	82	49.70	4,833	19.68
Make Independent Decisions	83	50.30	19,723	80.32
Total	165		24,556	

Panel B: Fund-Level Data

	Total Votes	%	BlackRock	%	Vanguard	%	State Street	%
Align with ISS	20,594	83.87	811	25.33	3,471	98.78	2,464	99.96
Deviate from ISS	3,962	16.13	2,391	74.67	43	1.22	1	0.04
Total	24,556		3,202		3,514		2,465	

Table 6: Summary Statistics

Panel A: All Votes

	N	Mean	S.D.	Min	Max
Voting	24,556	0.16	0.37	0.00	1.00
ISS Rec	24,556	0.00	0.04	0.00	1.00
BlackRock	24,556	0.13	0.34	0.00	1.00
Vanguard	24,556	0.14	0.35	0.00	1.00
State Street	24,556	0.10	0.30	0.00	1.00
Non-Big-Three	24,556	0.63	0.48	0.00	1.00
Non-BlackRock	24,556	0.87	0.34	0.00	1.00
SOEs	24,534	0.69	0.46	0.00	1.00
Cross Listing	24,556	0.36	0.48	0.00	1.00
Firm Size	24,509	24.90	1.93	21.72	28.61
ROA	22,864	6.42	6.16	-2.51	21.00
Leverage	24,509	0.57	0.22	0.20	0.92
China-focused Funds	24,556	0.11	0.32	0.00	1.00
Passive Funds	24,556	0.69	0.46	0.00	1.00
ESG Funds	24,556	0.04	0.20	0.00	1.00

Panel B: Votes Included in the Regression

Panel B-1: All Funds

	N	Mean	S.D.	Min	Max
Voting	19,723	0.20	0.40	0.00	1.00
ISS Rec	19,723	0.00	0.04	0.00	1.00
SOEs	19,706	0.68	0.47	0.00	1.00
Cross Listing	19,723	0.33	0.47	0.00	1.00
Firm Size	19,684	24.81	1.90	21.72	28.61
ROA	18,325	6.37	6.10	-2.51	21.00
Leverage	19,684	0.57	0.22	0.20	0.92
China-focused Funds	19,723	0.11	0.31	0.00	1.00
Passive Funds	19,723	0.71	0.45	0.00	1.00
ESG Funds	19,723	0.05	0.21	0.00	1.00

Panel B-2: Non-BlackRock Funds

	N	Mean	S.D.	Min	Max
Voting	16,521	0.10	0.30	0.00	1.00
ISS Rec	16,521	0.00	0.04	0.00	1.00
SOEs	16,504	0.67	0.47	0.00	1.00
Cross Listing	16,521	0.30	0.46	0.00	1.00
Firm Size	16,491	24.70	1.86	21.72	28.61
ROA	15,424	6.35	6.11	-2.51	21.00
Leverage	16,491	0.56	0.22	0.20	0.92

China-focused Funds	16,521	0.08	0.28	0.00	1.00
Passive Funds	16,521	0.68	0.47	0.00	1.00
ESG Funds	16,521	0.05	0.22	0.00	1.00

Panel B-3: BlackRock

	N	Mean	S.D.	Min	Max
Voting	3,202	0.75	0.43	0.00	1.00
ISS Rec	3,202	0.00	0.02	0.00	1.00
SOEs	3,202	0.73	0.44	0.00	1.00
Cross Listing	3,202	0.44	0.50	0.00	1.00
Firm Size	3,193	25.38	2.00	21.72	28.61
ROA	2,901	6.47	6.05	-2.51	21.00
Leverage	3,193	0.61	0.22	0.20	0.92
China-focused Funds	3,202	0.25	0.43	0.00	1.00
Passive Funds	3,202	0.88	0.33	0.00	1.00
ESG Funds	3,202	0.04	0.20	0.00	1.00

Table 7: Correlation Table

	Voting	ISS Rec	SOE	Cross-listing	Firm Size	ROA	Leverage	China-focused Funds	Passive Funds	ESG Funds
Voting	1.00									
ISS Rec	0.07***	1.00								
SOE	0.16***	0.03***	1.00							
Cross-listing	0.14***	-0.01	0.33***	1.00						
Firm Size	0.17***	-0.00	0.28***	0.33***	1.00					
ROA	0.02***	-0.02***	-0.12***	-0.28***	-0.23***	1.00				
Leverage	0.08***	0.02**	0.17***	0.41***	0.42***	-0.53***	1.00			
China-focused Funds	0.15***	-0.01	0.01*	-0.03***	0.01	0.03***	-0.01*	1.00		
Passive Funds	-0.07***	-0.00	0.03***	-0.06***	-0.05***	-0.09***	0.04***	0.10***	1.00	
ESG Funds	-0.05***	-0.00	-0.07***	-0.03***	-0.05***	-0.02***	-0.00	-0.08***	-0.08***	1.00

Table 8: Logit Regression on Fund Voting Decisions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	All Funds		All Funds		All Funds		Non-BlackRock		BlackRock	
	Coef.	AME	Coef.	AME	Coef.	AME	Coef.	AME	Coef.	AME
ISS Rec	9.783***	0.535***	10.747***	0.609***	10.174***	0.546***	10.048***	0.377***	0.000	0.000
	(1.833)	(0.102)	(2.043)	(0.114)	(1.889)	(0.110)	(1.959)	(0.074)	(.)	(.)
SOE	1.195**	0.065***			1.215**	0.065***	0.038	0.001	2.328***	0.198***
	(0.602)	(0.024)			(0.606)	(0.025)	(0.325)	(0.012)	(0.160)	(0.011)
Cross Listing	0.387	0.021*			0.363	0.020*	-0.049	-0.002	0.777***	0.066***
	(0.243)	(0.012)			(0.243)	(0.012)	(0.298)	(0.011)	(0.248)	(0.021)
Firm Size	0.127***	0.007***			0.116***	0.006***	0.110***	0.004***	0.366***	0.031***
	(0.042)	(0.002)			(0.043)	(0.002)	(0.031)	(0.001)	(0.058)	(0.005)
ROA	0.020**	0.001**			0.016	0.001*	0.008	0.000	0.036***	0.003***
	(0.010)	(0.001)			(0.010)	(0.000)	(0.012)	(0.000)	(0.013)	(0.001)
Leverage	-0.176	-0.010			-0.153	-0.008	0.752	0.028	-3.607***	-0.307***
	(0.814)	(0.043)			(0.833)	(0.044)	(0.496)	(0.018)	(0.517)	(0.042)
China-focused Funds			-0.136	-0.008	0.019	0.001	0.409	0.015	0.014	0.001
			(0.109)	(0.006)	(0.090)	(0.005)	(0.313)	(0.012)	(0.139)	(0.012)
Passive Funds			-1.384*	-0.078*	-1.339*	-0.072	-2.187*	-0.082**	-0.118	-0.010
			(0.709)	(0.044)	(0.699)	(0.044)	(1.117)	(0.042)	(0.198)	(0.017)
ESG Funds			-0.079	-0.004	-0.061	-0.003	-0.666	-0.025	0.338	0.029
			(0.139)	(0.008)	(0.193)	(0.011)	(0.646)	(0.024)	(0.392)	(0.033)
Constant	-6.538***		-2.198***		-6.257***		-6.796***		-7.125***	
	(0.913)		(0.684)		(0.913)		(1.196)		(1.463)	
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fund Family FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Observations	16,677	16,677	17,950	17,950	16,677	16,677	13,777	13,777	2,822	2,822
Pseudo R^2	0.645		0.643		0.651		0.590		0.507	

Standard errors in parentheses, clustered at the fund-family level except for BlackRock (robust). Marginal effects are average marginal effects (AME).
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 9: Linear Probability Model on Fund Voting Decisions

	(1) All Funds	(2) All Funds	(3) All Funds	(4) Non-BlackRock	(5) BlackRock
ISS Rec	0.750***	0.768***	0.749***	0.783***	-0.017
	(0.091)	(0.083)	(0.091)	(0.075)	(0.019)
SOEs	0.066		0.066	0.004	0.455***
	(0.058)		(0.058)	(0.011)	(0.023)
Cross-listing	0.018		0.015	-0.006	0.080***
	(0.022)		(0.021)	(0.016)	(0.019)
Firm Size	0.007**		0.006**	0.004**	0.025***
	(0.003)		(0.003)	(0.002)	(0.004)
ROA	0.000		-0.000	-0.000	0.005***
	(0.000)		(0.000)	(0.000)	(0.001)
Leverage	-0.053		-0.051	0.016	-0.263***
	(0.058)		(0.058)	(0.017)	(0.046)
China-focused Funds		-0.019	-0.014	0.007	0.002
		(0.014)	(0.011)	(0.010)	(0.013)
Passive Funds		-0.056	-0.051	-0.057	-0.007
		(0.034)	(0.032)	(0.035)	(0.016)
ESG Funds		-0.003	-0.004	-0.012*	0.050
		(0.009)	(0.010)	(0.007)	(0.042)
Constant	0.007	0.243***	0.057	0.029	-0.145
	(0.088)	(0.024)	(0.088)	(0.043)	(0.114)
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Fund Family FE	Yes	Yes	Yes	Yes	No
Observations	18,305	19,720	18,305	15,404	2,900
R-squared	0.635	0.641	0.636	0.586	0.544

OLS linear probability models estimated with reghdfe; coefficients are percentage-point changes in Pr(Vote=1). Standard errors are reported in parentheses and are clustered at the fund-family level except for BlackRock (robust).

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 10: Event Study on BlackRock Votes

Panel A: Firms that BlackRock Cast "For" Votes

Event Window	N	Mean CAR (%)	t-stat	Kolari–Pynnönen t-stat	Wilcoxon z-stat
[-30,-7]	269	-0.58	-0.904	-3.259***	-3.629***
[-30,1]	268	-0.10	-0.132	-2.147**	-3.403***
[-20,-7]	270	-0.30	-0.633	-1.138	-2.453**
[-20,1]	269	0.12	0.199	0.569	-2.347**
[-1,0]	271	-0.11	-0.626	-3.087***	-1.947*
[0,1]	272	0.15	0.864	0.413	0.460
[-1,1]	268	0.06	0.266	-1.844*	-0.825
[-2,2]	266	0.19	0.669	-0.646	-0.589

Panel B: Firms that BlackRock Cast "Against" Votes

Event Window	N	Mean CAR (%)	t-stat	Kolari–Pynnönen t-stat	Wilcoxon z-stat
[-30,-7]	113	-4.20	-3.343***	-5.429***	-5.692***
[-30,1]	111	-2.66	-1.767*	-4.343***	-4.786***
[-20,-7]	113	-1.69	-1.783*	-2.180**	-3.293***
[-20,1]	111	-0.11	-0.088	-0.691	-2.403**
[-1,0]	113	0.42	1.185	0.113	0.072
[0,1]	111	0.22	0.618	0.545	-0.460
[-1,1]	111	0.32	0.716	-0.623	-0.590
[-2,2]	113	0.41	0.720	-0.752	-0.900

Note. Standard t-statistics assume cross-sectional independence. Kolari–Pynnönen (2010) adjusted t-statistics correct for cross-sectional dependence arising from event clustering. Wilcoxon z-statistics are based on the nonparametric signed-rank test.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 1: Approval Rate for Party Committee Agenda by Fund Family (Voting Frequency>30)

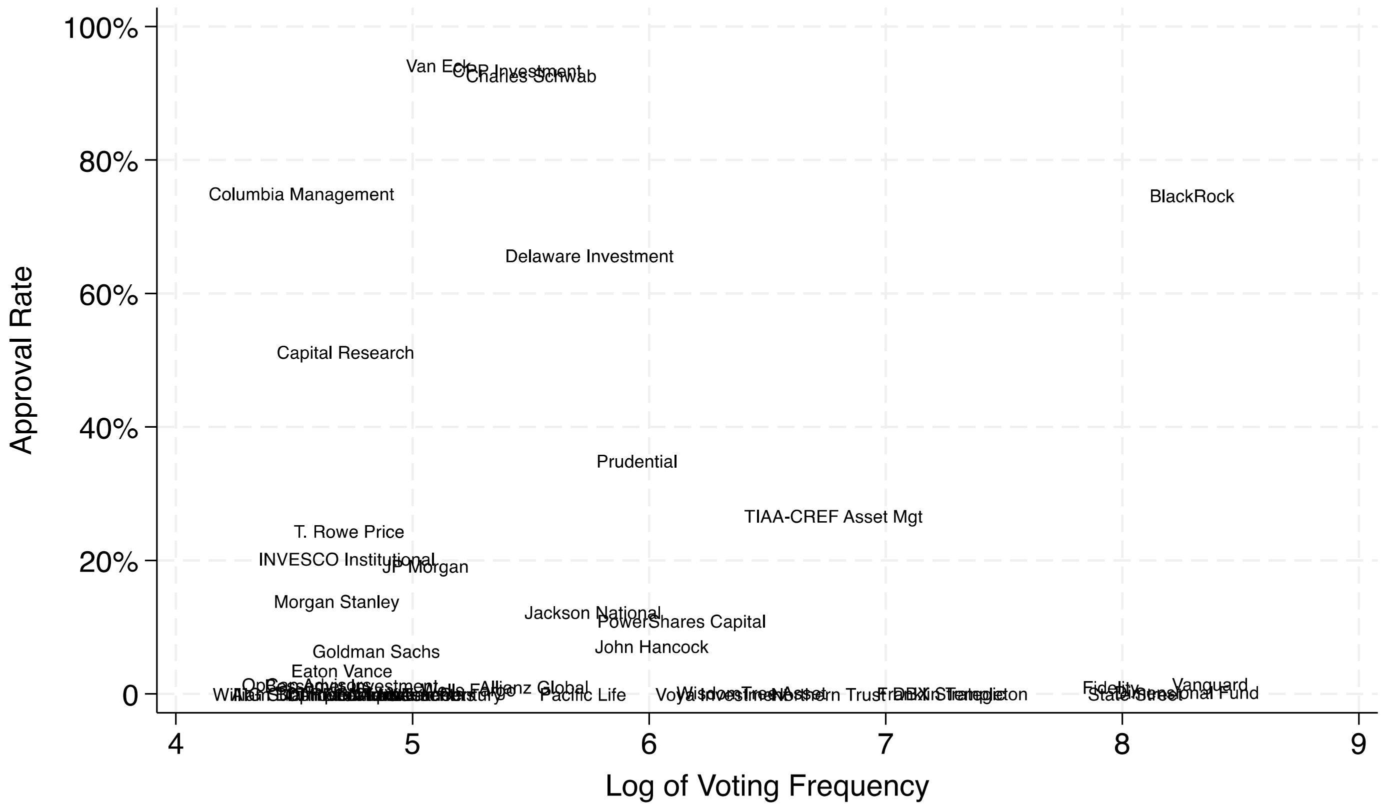


Figure 2: Approval and Against Rate for Party Committee Agenda by Fund Family

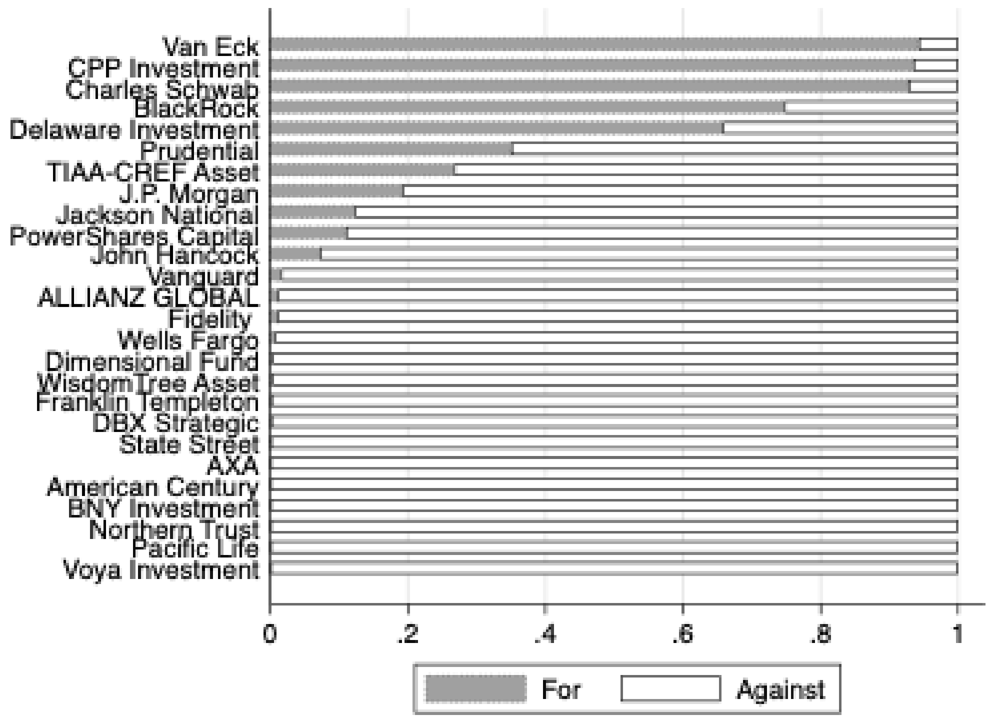


Figure 3: Deviations from ISS Recommendation for Party Committee Agenda

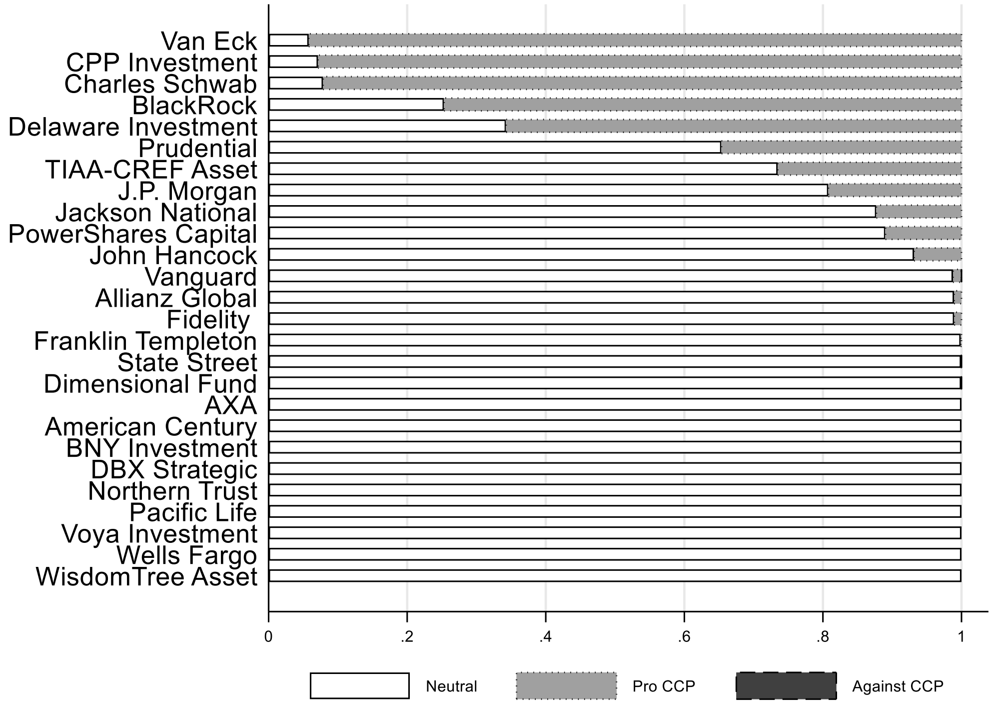
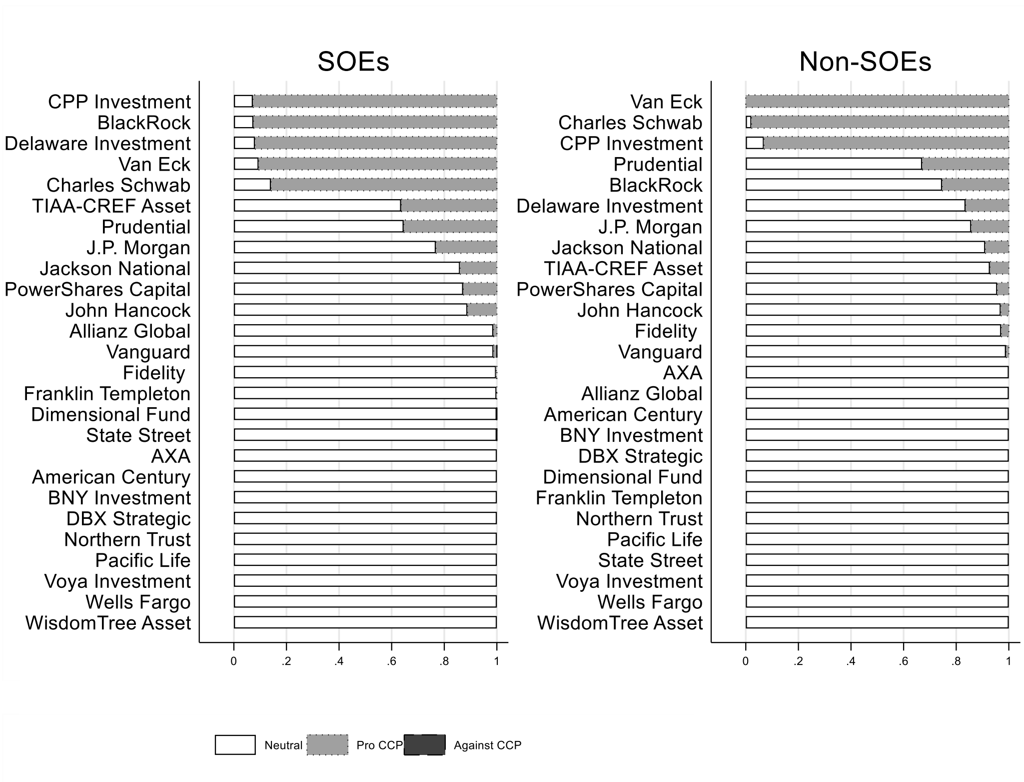


Figure 4: Deviations from ISS Recommendation for Party Committee Agenda: by Firm Type



Online Appendix

Table A1: Variable Descriptions

Variable Name	Description	Source
Voting	Coded 1 if the fund voted “For” and 0 if the fund voted “Against”, “Abstain” or “Non-Voting.”	ISS Voting Analytics
Approval Rate	The percentage of “For” votes among all the votes cast by a fund or a fund family	Author
ISS Rec	Coded 1 if ISS recommends the funds to vote “For” and 0 if ISS recommends “Against.”	ISS Voting Analytics
Deviations	Deviations = Voting - ISS Recommendations. Equals 1 if the fund voted in favor of the management (CCP), 0 if consistent with ISS Recommendations, -1 if the fund voted against the management (CCP).	Author
SOE	1 if a firm reports a state or government agency as its actual controller (shiji kongzhiren); 0 otherwise.	WIND
Cross Listing	1 if the firm also cross-lists on Hong Kong or foreign stock exchanges; 0 otherwise	WIND
Firm Size	Log of total assets	CSMAR
ROA	Net profit / total assets	CSMAR
Leverage	Total liability / total assets	CSMAR
China-focused Funds	Follow Lipper classification: China Region Funds. The author also added some funds by a name search on China-related terms.	CRSP/Author
Passive Funds	Follow CRSP’s identification for index funds. The author also added some funds by a name search on index-related terms.	CRSP/Author
ESG Funds	Use name search for ESG and sustainability-related terms.	Author

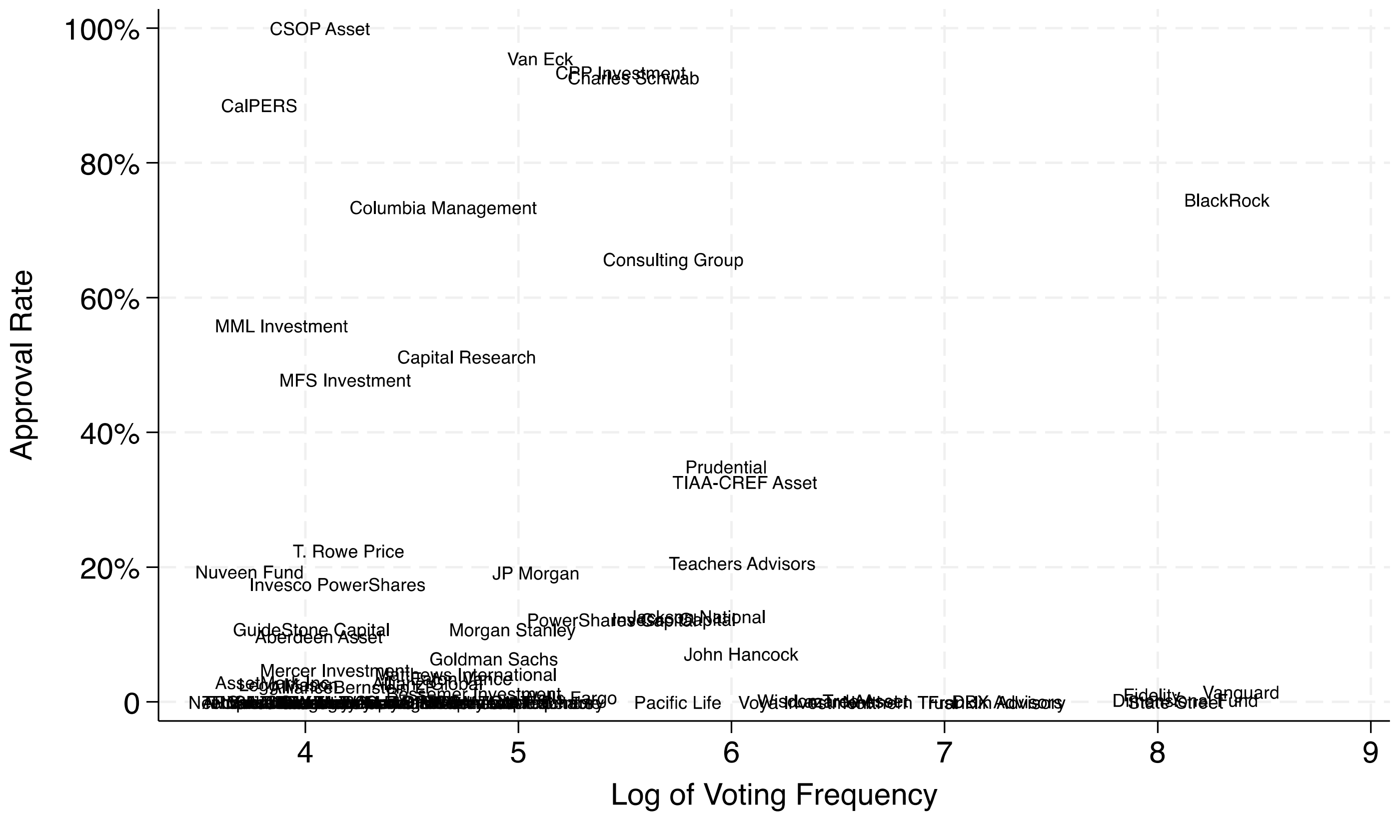
Note: CSMAR stands for the China Stock Market and Accounting Research Database maintained by GTA Education Tech Ltd. WIND stands for the Wind Financial Database maintained by Wind Information. CRSP stands for Center for Research in Security Prices database, maintained by the University of Chicago Booth School of Business.

Table A2: Logit Regression on Fund Voting Decisions (By Advisors)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	All Funds		All Funds		All Funds		Non-BlackRock		BlackRock	
	Coef.	AME	Coef.	AME	Coef.	AME	Coef.	AME	Coef.	AME
ISS Rec	10.174***	0.534***	12.011***	0.654***	11.273***	0.580***	10.871***	0.390***	0.000	0.000
	(1.522)	(0.085)	(2.610)	(0.137)	(2.370)	(0.125)	(2.492)	(0.086)	(.)	(.)
SOE	1.215**	0.064***			1.207**	0.062***	0.065	0.002	2.328***	0.198***
	(0.503)	(0.019)			(0.497)	(0.019)	(0.330)	(0.012)	(0.160)	(0.011)
Cross Listing	0.333*	0.017*			0.304	0.016*	-0.163	-0.006	0.777***	0.066***
	(0.186)	(0.009)			(0.199)	(0.009)	(0.282)	(0.010)	(0.248)	(0.021)
Firm Size	0.114***	0.006***			0.107***	0.006***	0.084**	0.003**	0.366***	0.031***
	(0.035)	(0.002)			(0.036)	(0.002)	(0.033)	(0.001)	(0.058)	(0.005)
ROA	0.014	0.001			0.008	0.000	-0.008	-0.000	0.036***	0.003***
	(0.010)	(0.000)			(0.011)	(0.001)	(0.014)	(0.001)	(0.013)	(0.001)
Leverage	-0.290	-0.015			-0.271	-0.014	0.608	0.022	-3.607***	-0.307***
	(0.594)	(0.030)			(0.597)	(0.029)	(0.495)	(0.017)	(0.517)	(0.042)
China-focused Funds			-0.180*	-0.010*	-0.038	-0.002	0.222	0.008	0.014	0.001
			(0.095)	(0.005)	(0.103)	(0.005)	(0.286)	(0.010)	(0.139)	(0.012)
Passive Funds			-3.070***	-0.167***	-2.893***	-0.149***	-3.262***	-0.117***	-0.118	-0.010
			(1.026)	(0.056)	(0.934)	(0.051)	(0.887)	(0.031)	(0.198)	(0.017)
ESG Funds			-0.012	-0.001	0.027	0.001	-0.331	-0.012	0.338	0.029
			(0.113)	(0.006)	(0.153)	(0.008)	(0.770)	(0.028)	(0.392)	(0.033)
Constant	-7.139***		-2.438***		-6.397***		-5.828***		-7.125***	
	(0.874)		(0.426)		(0.929)		(1.145)		(1.463)	
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fund Family FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Observations	16677	16677	17977	17977	16677	16677	13777	13777	2822	2822
Pseudo R^2	0.662		0.661		0.670		0.613		0.507	

Standard errors in parentheses, clustered at the advisor level except for BlackRock (robust). Marginal effects are average marginal effects (AME).
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure A1: Approval Rate for Party Committee Agenda by Advisors (Voting Frequency>30)



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