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BlackRock Exceptionalism in the Geopolitics of Proxy Voting

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Abstract

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JEL Classification: G23, G34, K22, L32, F51

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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 an American 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 (Pargendler 2020), 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, ranging from restrictions on foreign direct investment and technology transfers to heightened scrutiny of investment 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 amount of foreign securities held by the U.S., approximately $813 billion.[2] Many of these investments are held in actively-managed and index mutual funds and ETFs. In 2023, major US financial institutions reportedly purchased $6.5 billion of securities in Chinese firms that had 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. 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 from including indexes that track Chinese stocks.[4] While the political focus has turned to mutual fund investments in China, very little is known about how U.S. mutual funds vote

[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 Beyoud 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).

in Chinese companies and whether their voting decisions represent underlying U.S. investors' interests and 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 to adopt 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 non-state firms (Lin and Milhaupt 2021; Lin 2021; Chen et al. 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? 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.

The data are from ISS Voting Analytics, which collects the voting decisions U.S. institutional investors disclose on Form N-PX. Of the 165,221 fund-level votes on charter and bylaw amendments at Chinese companies between January 2018 and June 2022, party-committee amendments account for 14.86 percent, or 24,556 votes. Institutional Shareholder Services (ISS) recommended a vote against in 24,523 of them and in favor in 33; management recommended a vote in favor in all of them. Funds nonetheless voted in favor 16.24 percent of the time, measured as a share of the votes cast rather than of the funds. The Big Three diverge sharply. Vanguard voted in favor in 1.51 percent of its votes and State Street in 0.04 percent, both close to the ISS position, while BlackRock voted in favor in 74.70 percent. This paper terms this phenomenon "BlackRock exceptionalism." Across all charter amendment proposals, party committee amendments exhibit the largest deviation from ISS recommendations, 16 percent for party committee against 3 percent for all other amendments, suggesting the diverse views among institutional shareholders.

What explains BlackRock's support is not the content of the amendments but the identity of the firm. BlackRock approved 93.2 percent of amendments by SOEs against 9.4 percent for non-BlackRock fund families. For non-SOEs, BlackRock approved 17.0 percent against their 7.1 percent, a mean paired difference of 6.0 percentage points without statistical significance. The position is settled once and applied across funds with different mandates, including funds marketed on environmental, social, and governance criteria.

A determinants regression restricted to the fund families that do not simply follow ISS shows that the ISS recommendation is the strongest predictor of how funds vote in general, raising the probability of support by 54.1 percentage points, and that BlackRock's own votes are associated with state ownership and, more weakly, with lower leverage. Holding the proposal fixed, so that the text of the amendment, the firm, the meeting date, and the ISS recommendation are absorbed, the only distinct association for BlackRock's vote that survives is state ownership. BlackRock is 18.5 percentage points more likely to approve than the other funds voting on the same proposal at a non-SOE, and a further 66.4 points more likely at an SOE. What BlackRock's votes turn on is state ownership, not the content and level of political control in each amendment proposal.

As with many other governance and ESG agendas, the valuation effect of a party-building amendment is hard to assess. The event study of the market response to party-building amendments at firms where BlackRock cast votes shows that the only factor with a consistent effect is a companion periodic report released the same day, and I find no consistent difference between the firms where BlackRock voted for versus those where it voted against even in the clean samples. Neither support nor opposition can therefore be justified on economic grounds alone.

So what could be the reason behind such a divided position given that both sides are sophisticated players? ISS grounded its opposition in governance concerns rather than politics. The published ISS voting guidelines cited lack of accountability and transparency as the main reasons as the party committee members are not elected by the shareholders and the allocation of powers between the party committee and the board is not clear. In contrast, BlackRock has published no position at all, even though it is the only one among the Big Three to publish a lengthy China-specific voting guideline every year. That silence raises the question of how much disclosure a proxy vote should carry, particularly when it departs from the retained advisor's recommendation and from the votes of most other funds.

This paper explores a further explanation for BlackRock's exceptionalism: its own commercial interests in China. Unlike State Street and Vanguard, BlackRock consistently exhibits a strong interest in developing the domestic Chinese market and has explicitly made China a part of its global business development plan. Furthermore, Larry Fink, BlackRock's chief executive, took part in discussions on the liberalization of China's financial market during the trade negotiations from late 2017. When China opened its domestic mutual fund market and removed the foreign investment cap entirely in April 2020 under the U.S.-China Phase One trade agreement, BlackRock was the first to apply and eventually the first global asset manager

to obtain the license. Its wholly owned onshore fund business began operating in June 2021 and raised approximately $1 billion from its first domestic mutual fund in September 2021.

The timing of BlackRock's 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 voting may have functioned as a strategic instrument aligned with efforts to enhance prospects for regulatory approval and expand business operations. BlackRock's overall approval rate drops from 95.74 percent in 2018 to 52.26 percent in 2022. Even within SOEs, its approval rate holds between 96.6 and 99.5 percent from 2018 through 2021 and falls to 81.4 percent in 2022, the first full year after its onshore fund business began. The data cannot exclude alternatives, however, the 2022 decline also coincides with intensified U.S. scrutiny of China exposure. If proxy voting did serve BlackRock's commercial strategy, it would raise questions about the alignment between an asset manager's commercial interests and those of its fund investors and, placed in its geopolitical context, about whether such votes align with the preferences of U.S. beneficial owners or contemporaneous U.S. policy objectives.

This paper makes three contributions. First, it identifies an incentive misalignment between the fund managers and the fund beneficiaries where the fund manager's own commercial interest, rather than the financial interest of the fund beneficiaries, seems to dominate the voting decisions. Such an incentive misalignment or conflict of interest has been widely documented domestically, but not in the overseas context (Cvijanović et al. 2016; Davis and Kim 2007; Griffith and Lund 2019). Coupled with the rising geopolitical conflicts between the U.S. and China, BlackRock's deference to the Chinese party-state, similar to its deference to corporate managers domestically, presents a fiduciary dilemma not previously documented in the literature. Second, it illustrates the limits of evaluating governance votes by their financial consequences. The market showed no clear reaction to these amendments, so their financial effect cannot settle whether BlackRock or its peers voted well. Griffin (2026) makes the same point about governance votes generally. What remains observable is how the position was set and explained, and here the paper documents a disclosure gap where BlackRock's own China-specific voting guidelines are silent on the amendment. Third, building on recent work on the geopolitics of corporate governance (Milhaupt 2025; Dasgupta et al. 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.

This article proceeds as follows. Section 2 reviews the literature on the geopolitics of institutional investment and on mutual fund proxy voting. Section 3 describes the party-building charter amendments and the research design. Section 4 reports the voting patterns and the determinants of voting. Section 5 explores the rationale behind BlackRock's exceptionalism, first presenting the stewardship team's own account of how the decision was made, then asking whether the votes can be justified on value grounds, then tracing the commercial interests that may explain it, and finally considering the (geo)political implications. Section 6 concludes.

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.[5] 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.[6] 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 2024 report by the "Select Committee on Strategic Competition between the

[5] 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).

[6] 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).

United States and the Chinese Communist Party" of the U.S. Congress reveals that despite tightened restrictions, American financial institutions have invested approximately $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.[7] 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, a "No China in Index Funds Act" bill was filed in Congress that 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.[8] 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 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.[9] 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 (Griffith 2020).

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[7] 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).

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

[9] 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).

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 on Chinese companies, and whether these votes reflect underlying U.S. investor interests or broader geopolitical considerations, remain underexplored but critical dimensions 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. (Dasgupta et al. 2021). 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 their foreign proxy votes 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 economic stake in the company. Traditional corporate law literature has treated shareholders as a homogeneous 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 (Lund 2017). 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 et al. 2017). The evidence on this point is contested: Fisch, Hamdani, and Solomon (2019) argue that the same diversification said to remove the

incentive to monitor any one firm also gives a large manager the motive and the scale to engage on governance questions that recur across its holdings. 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 (Hu and Black 2006; Karmel 2010; Schanzenbach and Sitkoff 2020; 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, commentators have described shareholders as increasingly divided over the social role of corporations, although how deep that division runs is itself disputed (Bolton et al. 2020). What is clearer is that the expectations placed on funds have widened from financial value maximization to include non-financial objectives. 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). Fisch and Schwartz (2023) locate the difficulty less in polarization than in intermediation: the chain from beneficiary to vote is long enough that a fund cannot readily observe the preferences it is said to represent, whichever direction those preferences run. 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 et al. 2012; Cvijanović et al. 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). These concerns take a sharper form where ownership is concentrated. Hamdani and Yafeh (2013) study institutional shareholder voting in a concentrated ownership environment and find that institutions rarely oppose insider-sponsored proposals, even when the law empowers the minority shareholders, and business

ties with the insiders also lead to stronger support for management proposals, even if the minority votes cannot change the outcome.

Proxy advisors have also been criticized as wielding substantial influence in mutual fund proxy voting (Larcker et al. 2015). Funds frequently follow the recommendations of proxy advisors, especially smaller funds, index funds, and uncontested proposals (Choi et al. 2008; Iliev and Lowry 2015; Malenko and Shen 2016; Lund 2017; Brav et al. 2020, 2024; Shu 2024). The size of the advisors' causal influence is nevertheless contested. Choi et al. (2010) find that Institutional Shareholder Services moves far fewer votes than the raw correlation implies, because recommendations and votes respond to the same underlying firm characteristics. That caveat has less force in the setting studied here, where ISS recommended against in all but 33 of the 24,556 votes, so a fund's departure from its advice cannot be attributed to advice and vote responding to the same firm characteristics. Using data from Glass Lewis, Hu et al. (2024) show that the majority of funds receive customized proxy voting advice which helps to alleviate the aggregation of preferences problem in the E&S proposals. Studies show that there are also conflict-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 (Lund 2017; Li 2018; Griffith and Lund 2019).

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 (Lund 2017; Coates 2018; Bebchuk and Hirst 2019b; Bebchuk and Hirst 2022). The argument is that, as index managers, their returns depend on the market as a whole rather than on any one firm, so they lack the incentive to invest in firm-specific governance. Fisch, Hamdani, and Solomon (2019) and Kahan and Rock (2020) draw the opposite inference from the same premise: a manager whose returns track the market internalizes effects that cut across its holdings and is therefore well placed to engage on governance questions common to many firms. Whether managers in fact vote this way is a separate, empirical question on which the evidence is mixed (Appel et al. 2016; Heath et al. 2022). 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 (Dyck et al. 2019; Azar et al. 2021). 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 et al. 2024). Location also shapes what institutions hold, not only how they vote. Bolton et al. (2026) find that institutional investors worldwide underweight high-emission foreign firms while overweighting high-emission domestic ones, a "carbon home bias" that is stronger where institutions have closer business ties to portfolio firms, where the political environment is more polarized, and among the largest asset managers. Their evidence suggests that business relationships and political pressure, not risk alone, can shape how global asset managers treat portfolio firms across borders. 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

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 role of party committees in core areas of governance, including strategic decision-making, board nominations, and supervision.

The reform later 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.[10] In December 2019, the Party Central Committee issued the Regulations on the Work of Primary-Level Party Organizations in State-Owned Enterprises (Trial), which stipulate and refine the role of party organizations in corporate governance and provide that study and discussion by the party organization is a precondition to decisions by the board and by management on major matters. The Regulations prompted a second round of amendments where 158 SOEs in this sample put a charter amendment to a shareholder vote both before 2020 and again from 2020 onward. 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.[11] 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

[10] 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).

[11] 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).

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. This is consistent with existing scholarship finding 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). 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. Table A8 provides a sample amendment at the expansive end of that range. Shanghai International Airport, a local state-owned enterprise, inserted an entire new chapter into its articles in 2018, making consultation with the party committee a precondition for board decisions on major matters and granting the party committee the power to appoint personnel.

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 the state controls enough voting power, high support rate matters when adoption is more about signaling to the CCP 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. A 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 et al. 2023). The uncertainty in value impact provides an unusual opportunity to observe how institutional investors exercise their voting power and whether other considerations step in when exercising discretion, as in the ESG voting situation (Griffin 2026).

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 the proxy advisor's recommendation, firm characteristics, and fund characteristics, to explore the determinants of proxy voting decisions. A third part asks whether the votes can be justified by value, using the market's reaction to the board's announcement of the amendment.

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 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. Funds are grouped into fund families by their managing institution, and the fund family is the unit of the descriptive analysis. Appendix Table A7 re-estimates the determinants regressions at the advisor level to address the possibility that voting authority sits with the advisor or sub-advisor rather than the family (Bubb and Catan 2022). Fund families that followed the ISS recommendation on every vote exercise no independent judgment to explain, and I exclude them from the determinants regressions. Table A3 reports the split, and the restriction leaves 19,723 votes.

3.2.2 Dependent Variables

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* is coded as 1 if ISS recommends the funds to vote "For" and 0 if ISS recommends "Against." I also benchmark each 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).

3.2.3 Empirical Strategy

I compare fund families on the same proposals before turning to regressions. I first aggregate fund-level votes to the fund family–proposal level, then average family-level approval rates within each comparison group and proposal, so that each fund family receives equal weight within a proposal and each proposal receives equal weight across the sample. The mean paired difference between BlackRock and the non-BlackRock families, with standard errors clustered by firm, isolates divergence that the composition of the voting pool cannot explain (Table 4). Because the state ownership indicator follows each firm's self-reported ultimate controller, I also report a substance-based test that looks through to the largest shareholding bloc.

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 (Table 6). 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 (Table A6). 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 et al. 2024). The logit regression specifications are as follows:

$$\text{Voting} = \alpha + \beta_1 \text{ISS_Rec} + \beta_2 \text{SOE} + \beta_3 \text{Cross_Listing} + \beta_4 \text{Firm_Size} + \beta_5 \text{ROA} + \beta_6 \text{Leverage} + \beta_7 \text{China_Focused_Funds} + \beta_8 \text{Passive_Funds} + \beta_9 \text{ESG_Funds} + X_{it} + \varepsilon_i \quad (1)$$

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 et al. 2023). Firm characteristics include whether the firm is an SOE or not (*SOE)*, whether the firm is 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 5th and 95th percentiles to mitigate the influence of outliers. I obtained firm characteristics data from the 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. 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, are often said to weigh the effect of a given agenda item on their holdings as a whole rather than on specific companies, though this is a claim about how such managers are positioned rather than an established finding about how they vote. In this context, passive funds might be more likely to vote against CCP committee amendments if they believe that strengthening the 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.[12] Appendix Table A1 describes the variables, their definitions, and data sources.

To hold the proposal itself constant, I estimate a linear probability model at the fund–proposal level with proposal fixed effects (Table 7). The fixed effect absorbs the text of the amendment, the firm, the meeting date, and the ISS recommendation, so the BlackRock indicator is identified only against the other funds voting on the same proposal. Continuous controls are centered and standard errors are clustered by firm.

Finally, to ask whether the votes can be justified by value, I estimate abnormal returns around the board's announcement of the amendment and regress them on BlackRock's vote and firm characteristics (Tables 8 and 9). Section 5.2 reports the estimation window and the tests used to address the clustering of annual general meetings on common dates. I supplement this evidence with interviews with BlackRock's stewardship teams, which I read as evidence of how the firm accounts for these votes rather than as a record of how they were decided.

4 EMPIRICAL FINDINGS

4.1 ISS Recommendations

I start from the proxy advisors' voting recommendations for the party committee amendment proposal as a baseline for understanding and comparing mutual fund votes. Of the 24,556 fund-level recommendations between January 2018 and June 2022, ISS recommended a vote against in 24,523, or 99.87 percent, of the votes. Management recommended a vote in favor in every one of them. Proxy advisor and firm were therefore in direct opposition on virtually the entire sample.

The ground of the recommendation was governance rather than politics. The published ISS voting guidelines read: "Generally vote *against* proposals for article and/or bylaw amendments regarding Party Committees where the proposed amendments lack transparency

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

or are not considered to adequately provide for *accountability* and *transparency* to shareholders."[13] Glass Lewis reached the same conclusion for the same reasons. A party committee written into the charter inserts into the governance structure a body that is not elected by shareholders, is not accountable to them, and whose deliberations are not disclosed. When the party committee's power extends to board decision-making or personnel nomination, it reallocates authority away from the board that shareholders elect. Furthermore, most of these power allocation provisions are unclear, leading to the transparency concern raised by ISS. For example, the commonly adopted "prior consultation" provisions ask the board to "consult" with the party committee prior to making important and major decisions without stipulating the effect of the consultation.

4.2 How Funds Voted

4.2.1 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, 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.

[13] 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).

[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, a much higher willingness to support the amendments. 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, what factors lead BlackRock to support this agenda? I address this question in Section 5.

Although ISS overwhelmingly recommended a vote against party committee amendments, 16.24% of the votes (10.42% of non-Big-Three votes) supported the 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 benchmark voting results against ISS recommendations and compare the deviation rate on the party committee agenda with other charter amendment agendas. The sixth column of Table 1 reports that rate for each category. Deviations are generally small, between 1 and 4 percent, and roughly uniform across categories. The party committee agenda is the exception, at 16.14 percent, more than twice the 6.65 percent recorded across all charter amendments. When funds deviate on this agenda they almost always deviate in the direction of supporting the amendment, a pattern examined fund family by fund family in Section 4.2.3.

4.2.2 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 plots, for each family that cast more than 30 votes, the gap between its approval rate at SOEs and its rate at other firms against the log of its voting frequency; the area of each circle is the number of votes cast. Two features stand out. Almost every family lies on the zero line. And the few families that do show a gap are generally small. BlackRock is the exception. It sits alone in the upper right, combining a gap of 67.2 percentage points with more votes than any family except Vanguard. Delaware Investment records a wider gap, 75.5 points, but on 210 votes. TIAA-CREF is the only other family that combines scale with a gap of any size. BlackRock is not the most supportive family in the sample — CPP Investment and Charles Schwab both approve at higher rates — but each of them approves at much the same rate whoever controls the firm (see Table A2). What sets BlackRock apart is not enthusiasm but selectivity.

[insert Figure 1 here]

The top twenty voters are shown in Table A2. 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. Table A2 also reports each family's approval rate at SOEs and at non-SOEs. The top supporters include CPP Investment (93.45%), Charles Schwab (92.70%), BlackRock (74.7%), and Delaware Investment (65.71%). It is interesting to see CPP Investment at the top of the list as CPP Investment is the Canada Pension Plan Investment Board, which manages the Canada Pension Plan, although it operates at arm's length from the Canadian government. 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 TIAA funds are advised by Teachers Advisors. The investor profile of TIAA-CREF is more identifiable than that of other funds. TIAA's deviation from ISS recommendations to support the CCP committee agenda is therefore notable.

Table 2 further shows the approval rate by year and by firm type (SOEs/non-SOEs). Abstentions and non-votes are counted as votes not in favor, so the denominator is every vote recorded. 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 years from 20.86% in 2018 to 11.47% in 2022, and for non-BlackRock funds, it drops from 11.24% to 5.73%. Since SOEs are the target of the party-building reform, more SOEs submitted the proposal for approval in 2018 than in 2022. It could be that the drop in support among funds is because the majority of the non-SOEs submitted amendments in 2022. However, Panels B and C in Table 2 seem to show that the declining pattern holds for both SOEs and non-SOEs. Interestingly, the declining pattern is also evident in

BlackRock's votes. The overall approval rate of BlackRock drops from 95.74% in 2018 to 52.26% in 2022. Even for SOEs, BlackRock's approval rate decreases from the almost unanimous support between 2018 and 2021 to 81.40% in 2022. For non-SOEs, the drop is even more drastic, from 88.46% in 2018 to 22.66% in 2022. In addition, BlackRock abstained on 65 of its 715 votes at non-SOEs in 2022, having abstained on none of its votes in any earlier year.

[insert Table 2 here]

Overall, BlackRock's support rate in non-SOEs is 25.4 percent, almost four times the 6.9 percent of non-BlackRock funds. Since firms are classified by the ultimate controller self-reported by the firms themselves under the regulations, some non-SOEs in the sample may be substantially controlled by the state. Section 4.3 applies a broader, substance-based test that looks through to the largest shareholding bloc and the gap survives it. BlackRock's support declined after its onshore business began operating in June 2021. Section 5.3 examines the coincidence between this decline and BlackRock's growing commercial interests and its pursuit of a license to operate domestic mutual funds in China between 2018 and 2021.

4.2.3 Deviations from ISS Recommendations

To separate deference to ISS from independent judgment, I compare fund families facing the same recommendation. ISS recommended against the amendment in 23,866 of the 23,898 votes cast. Because ISS recommended against on all but 32 of them, a deviation is almost always a vote in favor, so a fund family's deviation rate and its approval rate are the same statistic. Table 3 decomposes them by fund family.

[insert Table 3 here]

The contrast is stark. BlackRock voted in favor in 2,391 of the 3,132 votes it cast where ISS recommended against, a deviation rate of 76.3 percent. State Street deviated in none of its 2,462 votes. Vanguard deviated 42 times, but 25 of those came from the 33 votes cast by funds managed by outside sub-advisors—Wellington, Oaktree, Sanders, and Pzena—while its internally managed funds deviated in 17 of 3,443 votes, or 0.5 percent. Voting authority thus sits where the deviation occurs, consistent with Bubb and Catan (2022). What distinguishes

BlackRock is that the deviation is a house position applied across all of its funds rather than the judgment of a sub-advisor managing one of them.

ISS recommended in favor of only 12 proposals. On those, 30 of the 32 votes cast were in favor, including 11 of Vanguard's 12. Fund families followed ISS in both directions, which suggests that, except for BlackRock, funds voted the proxy advisor's recommendation rather than a policy of their own. Table 3 separates each fund family's deviation rate by firm type, and Table A2 does the same for the twenty most frequent voters. Whether support extends beyond SOEs depends on the fund family. Some fund families, like Van Eck, Charles Schwab and CPP Investment, support party committee amendments almost uniformly, whether at SOEs or non-SOEs. Others, 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. Sections 4.3 and 4.4.2 quantify this pattern and show that it is specific to BlackRock.

4.3 What BlackRock's Vote Responds To

Table 4 tests directly what BlackRock's vote responds to. Panel A first aggregates votes to the fund family–proposal level and then averages across families and proposals, so that each fund family receives equal weight within a proposal and each proposal receives equal weight across the sample. It reports approval rates by the firm's ultimate controller. At private firms, BlackRock approved 7.5 percent of amendments and non-BlackRock fund families 6.8 percent. The mean paired difference is −3.7 percentage points and is not statistically significant. At SOEs, BlackRock approved 93.2 percent against 9.4 percent for non-BlackRock fund families, a paired difference of 79.7 points that is significant at the 1 percent level. The gradient is nearly identical at central and local SOEs, so it is not a feature of the largest central groups. Standard errors are clustered by firm. On that basis, BlackRock is not more supportive than other fund families at private firms. The positive non-SOE difference is confined to the other non-SOEs category, where the self-reported controller is least reliable.

Two qualifications bear on Panel A. The first is classification. The state ownership indicator follows each firm's self-reported ultimate controller, which several large financial institutions report as absent. Under a broader test that looks through to the largest shareholding bloc, three firms whose own filings identify a controlling state shareholder are reclassified as SOEs. BlackRock's proposal-level approval rate at non-SOEs then falls from 17.0 to 12.0 percent, while that of non-BlackRock funds remains unchanged at 7.1 percent. Among the paired proposals, the mean paired difference narrows from 6.0 percentage points to 1.1 points

and neither difference is statistically significant.[14] What remains of the non-SOE gap in Panel A is therefore largely an artifact of firms whose self-reported controller understates state influence. Once these three firms are reclassified, BlackRock's support for non-SOEs is no different from other fund families. The second qualification is concentration. BlackRock's remaining support among non-SOEs is quite concentrated, limited to 14 proposals across 12 firms.

Panel B reports two further features of the decision. First, it is made once and applied across funds. On proposals where more than one of its funds voted, BlackRock's funds voted alike 97.5 percent of the time, as did Vanguard's (97.7 percent) and State Street's (100 percent), and those of non-Big-Three fund families (97.1 percent). Voting as a house is therefore a general feature of fund-family-level decision-making rather than a BlackRock trait (Lund 2022). What differs is the content of the house position. Second, as Panel C shows, that position does not vary with the mandate of the fund casting the vote. BlackRock's approval rate at SOEs is 92.3 percent in its passive and index funds, 94.6 percent in its actively managed funds, 94.0 percent in its China-focused funds, and 84.5 percent in its funds marketed on environmental, social, and governance (ESG) criteria. It is puzzling that the approval rate of BlackRock's ESG funds in non-SOE amendments is 47.1 percent, which is much higher than the 15.8, 24.0, and 37.1 percent observed in China-focused, index, and actively managed BlackRock funds.

[insert Table 4 here]

[14] The state ownership indicator follows each firm's self-reported ultimate controller (实际控制人), which several large financial institutions report as absent. As a robustness check, a firm is reclassified as state-controlled where its own periodic filing for the reporting date immediately preceding the vote (i) classifies the largest shareholding bloc, a shareholder together with any parties that filing identifies as its affiliates, concert parties, or fellow subsidiaries of a common parent, as a state legal person or a state-owned enterprise, and (ii) shows that bloc holding at least 20 percent of the shares and at least twice the stake of the next-largest bloc, or names it as the firm's controlling shareholder. Three firms satisfy both conditions: China Merchants Bank, whose first-quarter reports disclose that China Merchants Group held 29.97 percent through subsidiaries and concert parties in 2018 and 26.32 percent in 2022; Sealand Securities, in which Guangxi Investment Group held 22.34 percent against 6.54 percent for the next-largest holder; and Beijing Capital Land, whose connected-transaction announcement of 28 December 2018 names Beijing Capital Group, "a state-owned enterprise directly supervised by the Beijing municipal government," as its controlling shareholder. Reclassifying these three removes seven of the 122 non-SOE proposals on which BlackRock voted, every one of which it had supported, leaving 14 of 115 (12.0 percent); four of the seven were at China Merchants Bank, two at Beijing Capital Land and one at Sealand Securities. At the vote level the same step removes 78 of BlackRock's 852 votes at non-SOEs, 76 of them in favor, leaving 140 of 774 (18.1 percent).

4.4 Determinants of Voting

4.4.1 Baseline Estimates

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. Some fund families followed the ISS recommendation on every vote and others exercised independent judgment. Table A3 reports the split. 49.70 percent of families always followed ISS, but they account for only 19.68 percent of the votes, smaller families being the more likely to defer. I exclude those families from the regressions, which leaves 19,723 votes.

Table 5 presents the summary statistics for all variables. Panel A describes the variables for all voting decisions on party committee amendments, and Panel B the votes included in the Table 6 regression, which is the sample used in Models (1) to (6). In total, there are 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. Table A4 reports the same variables separately for non-BlackRock funds and for BlackRock, the samples used in Models (7) to (10). Table A5 presents the correlation table for the variables included in Table 5, Panel B. The correlations are generally modest, and none exceeds 0.6 in absolute value, alleviating concerns about multicollinearity.

[insert Table 5 here]

Table 6 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). 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 10.244 (significant at 1% level) and the average marginal effect is 0.541 (significant at the 1% level), indicating that an ISS recommendation increases the likelihood of voting in favor of party committee amendments by 54.1 percentage points (Models 5 and 6). Each observation is one fund's vote on one proposal. Because many funds, which belong to many

fund families, vote at the same firm, and because the firm characteristics vary across firms rather than across funds, standard errors are clustered by firm in every column.

[insert Table 6 here]

The influence of state ownership on voting decisions is statistically significant for BlackRock funds but not for non-BlackRock funds. BlackRock is 22.5 percentage points more likely to support the establishment of party committees in SOEs than in non-SOEs (Models 9 and 10). State ownership is the only firm characteristic that predicts BlackRock's vote. The estimates on cross-listing, firm size and profitability are positive but not statistically significant. The estimate on leverage is large and negative but significant only at the 10 percent level. The contrast with other funds is sharp. For them state ownership carries no weight at all, and firm size is the single characteristic that predicts support (Models 7 and 8). That funds generally favor larger firms may indicate that they associate size with the management capability and resources needed 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. Passive funds are thus less likely to support the amendments, in contrast to evidence that index funds generally side with management in the United States (Heath et al. 2022). I do not read this as evidence of portfolio-level voting. The claim that a diversified manager is well placed to weigh market-wide effects (Fisch, Hamdani, and Solomon 2019) concerns how such managers are positioned, not how they vote, and a coefficient on a passive indicator cannot separate portfolio-level reasoning from a uniform

house policy applied across an index fund's holdings.

4.4.2 Holding the Proposal Fixed

Table 7 holds the proposal fixed. The model is estimated at the fund–proposal level with proposal fixed effects, so the text of the amendment, the firm, the meeting date and the ISS recommendation are absorbed, and BlackRock is identified only against the other funds voting on the same proposal. Without additional controls, BlackRock is 67.8 percentage points more likely to vote in favor than the other funds voting on that proposal (Model 1), a difference significant at the 1 percent level. In Model 2, I add the SOE interaction term. The results show that BlackRock is 18.5 points more likely to approve at a non-SOE, significant at the 5 percent level, and a further 66.4 points more likely at a state-owned one, significant at the 1 percent level. The difference therefore does not result from BlackRock and other fund families holding different portfolios.

Model (3) addresses the natural objection that ownership stands in for other firm characteristics that Table 6 shows to be significant. It lets BlackRock's differential vary with cross-listing status, size, profitability and leverage simultaneously. The ownership interaction barely moves, from 0.664 to 0.620, and remains significant at the 1 percent level, while none of the other four is statistically significant. State ownership is the only firm characteristic on which BlackRock's vote diverges from that of other funds facing the identical proposal.

[insert Table 7 here]

4.4.3 Robustness Checks

As a robustness check, Table A6 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 estimates, state ownership is the one firm characteristic that predicts BlackRock's support, raising the probability of a vote in favor by 49.9 percentage points, while cross-listing, size, profitability and leverage are all insignificant. The LPM results yield qualitatively identical conclusions, indicating that the findings are robust to alternative model specifications.

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), Appendix Table A7 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

BlackRock's exceptional stance stands in sharp contrast not only to the recommendations of ISS but also to the positions of Vanguard and State Street, both of which largely opposed the amendments. It is rare to see such a divided attitude among sophisticated asset managers. This section provides plausible explanations from three perspectives: BlackRock's own account, market reactions, and BlackRock's commercial interest in the Chinese market.

5.1 BlackRock's Account of the Decision

5.1.1 Non-Disclosure of its Position in the Voting Guidelines

BlackRock disclosed each and every one of these votes, as Form N-PX requires, but it has not disclosed any policy governing them. Rule 206(4)-6(a) requires written policies reasonably designed to ensure votes are cast in clients' best interest. The omission is not explained by any general reticence. BlackRock has been a signatory to the UK Stewardship Code and its predecessors for more than fifteen years, and publishes Global Principles together with market-specific proxy voting guidelines. Those guidelines are not generic. Taking the January 2020 edition of the guidelines for Chinese securities, which was in force during the sample period, as an example, BlackRock devotes most of a page to the group finance companies of SOEs, states that it generally does not support loan guarantees to a controlling shareholder, and takes an express position against proposals that introduce or renew anti-takeover devices.[15] The document is capable of state-ownership-specific,

[15] BlackRock Investment Stewardship, *Corporate Governance and Proxy Voting Guidelines for Chinese Securities* (January 2020), 12 (group finance companies), 11 (BlackRock "generally do[es] not support the

transaction-specific guidance and uses that capacity. Party committee amendments are not mentioned in it at all. The only provision that reaches them is a generic statement, applicable to every charter amendment, that such proposals are reviewed on a case-by-case basis. ISS, by contrast, addresses them expressly, recommending a vote against article and bylaw amendments concerning party committees where the amendments lack transparency or do not adequately provide for accountability to shareholders. Even though Vanguard and State Street did not publish their voting policy on party committee agendas either, they generally followed ISS, which has publicly stated its position and rationale. Hence, the manager that departed from its advisor's recommendation is the only one of the three to publish China-specific guidance, and the only one whose guidance omits the amendment on which it departed.

Existing literature and policy question the quality of proxy voting that defers entirely to a proxy advisor, but departing from the advisor does not by itself supply a basis for BlackRock's votes on party committee agendas (Malenko and Shen 2016; Li 2018; Bebchuk and Hirst 2019a). Under the SEC's 2019 guidance on advisers' proxy voting responsibilities, use of a proxy advisory firm's recommendations does not relieve an adviser of its obligation to vote in the client's best interest. The same guidance states that reliance on a proxy advisory firm "may mitigate the adviser's conflict." Departing from it removes that mitigation and leaves the adviser's own basis to be supplied. BlackRock deviated more often than every other fund family in the sample combined, and its support was concentrated at firms controlled by the Chinese party-state, which is not only the controlling shareholder of most firms on which BlackRock voted but also the regulator that controlled access to a market BlackRock had made a strategic priority years before these votes were cast. BlackRock had built an onshore presence, publicly identified China as among its largest long-term opportunities, and was pursuing the first wholly foreign-owned fund management license, which it obtained in August 2020 (see Section 5.3). Given that BlackRock publishes detailed guidelines for Chinese securities, its silence on the one amendment type on which it departed from its advisor leaves no public statement of the basis for these votes.

5.1.2 Voting Against Is Futile

To understand the decision-making process of BlackRock's exceptional support for party-building amendment in Chinese firms, I interviewed BlackRock's investment stewardship team with responsibility for Chinese portfolio companies.[16] Three observations are drawn from the

provision of loan guarantees to affiliates, particularly a controlling shareholder"), 16 (amendments to articles of association reviewed "on a case by case basis"; BlackRock "will generally not support proposals that introduce or renew anti-takeover devices") (on file with author).

[16] Interview was conducted via Zoom meeting on June 16, 2025 with two members based in Singapore and

interview. First, voting follows a global policy, and the stewardship team rather than the portfolio manager makes the decision. Second, BlackRock treats proxy advisors' research as reference material rather than instruction. BlackRock considers its distinguishing feature to be its local presence in the Asian market. Third, a local team engages Chinese issuers directly, that engagement informs the vote, and the vote in turn creates occasions for further engagement. The voting data confirm the first two points. BlackRock's funds voted alike on 97.5 percent of the proposals on which more than one of them voted (Table 4, Panel B), and its alignment with ISS was 25.33 percent, the lowest of any large fund family in the sample.

The interview also reveals a line that BlackRock draws: state ownership. At SOEs, party committees already operated in practice, so the amendment was considered by BlackRock as formalizing an existing arrangement and enhancing transparency. A vote in favor was said to create leverage to press for disclosure about the committee's role, while a vote against would not change the outcome and might cost the firm access afterward. At private firms, the stated default position was opposition.

This account is only partly consistent with the evidence. First, the amendments did more than formalize an existing arrangement. Charter provisions vary widely, and many give party committees authority over strategy and personnel that would otherwise rest with the board (Lin and Milhaupt 2021). After the 2019 Regulations made study and discussion by the party organization a precondition for major board decisions, 158 SOEs in this sample put party-building amendments to a shareholder vote a second time (Section 3.1). Firms that revise their charters again to expand the committee's role are not simply recording the status quo (Lin 2021). Nor do the amendments clearly improve transparency. The common "prior consultation" clause requires the board to consult the party committee without specifying the procedure or the effect, which is the ground on which ISS opposed them (Section 4.1). Second, even if the formalization account is accepted, it applies equally to every fund family voting on the same SOE proposals. Yet BlackRock supported 93.2 percent of them and other fund families 9.4 percent (Table 4, Panel A). A rationale available to everyone cannot by itself explain a 79.7 percentage point gap. Third, the futility rationale does not reach private firms, where passage is far less assured, yet BlackRock voted in favor 22.7 percent of the time in 2022. The following sections therefore consider other plausible explanations.

5.2 Can the Vote Be Justified by Value?

One plausible explanation is that enhancing party control over SOEs brings positive values to shareholders. One way to examine changes in shareholder value is by measuring

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market reactions to the charter amendment event. I therefore conduct an event study of the firms on which BlackRock voted to investigate whether BlackRock's voting behavior can be justified by economic returns.

The legal process of charter amendment for Chinese companies listed in Mainland China and Hong Kong begins with a decision by the board of directors to propose the amendment for a vote at an upcoming shareholders' meeting. The board then announces the proposed meeting date and the detailed charter amendment proposals. Under PRC law, companies limited by shares are required to notify shareholders of the meeting date and agenda at least 20 days before an annual general meeting and 15 days before an extraordinary general meeting (EGM). However, the Hong Kong Stock Exchange permits PRC firms listed in Hong Kong to follow the PRC statutory periods of 20 and 15 days, respectively. Before October 2019, PRC-incorporated overseas-listed companies were generally required to provide 45 days' notice. Since shareholders are notified of the proposed CCP committee charter amendment on the date that the board publishes the amendment proposal, the market is likely to react on the announcement date. Hence, I use the board announcement date as the event date.

In total, BlackRock cast 3,202 votes on CCP committee agendas at 314 firms, across 401 board announcements. It voted "For" at 277 of those announcements, "Against" at 114, and inconsistently across its funds at 10. After excluding the announcements at which its funds voted inconsistently, the event study sample comprises 277 "For" and 114 "Against" announcements, each with at least 100 matched firm–market return observations in the estimation window. Considering that some firms simultaneously released periodic reports on the board announcement date, which might contaminate the estimated effect of the charter amendment, the cross-sectional regressions in Table 9 address this directly, both by interacting BlackRock support with an indicator for such reports and by excluding those events. I use the market model, model(FM), with an estimation window of [−250, −45] trading days. In addition to the conventional t-statistic, I employ two complementary tests to enhance robustness. First, given that annual general meetings often cluster on common dates and involve many firms simultaneously, giving rise to cross-sectional correlation among abnormal returns, I use the Kolari and Pynnönen (2010) adjusted t-statistic, which corrects for event-date clustering and cross-firm dependence. Second, as abnormal returns may deviate from normality and contain outliers, I also apply the GRANK-T rank test as a nonparametric alternative. Reporting these tests helps establish whether the results are robust to cross-sectional correlation and nonnormality. The results are shown in Table 8.

[insert Table 8 here]

Panel A reports firms for which BlackRock voted in favor, Panel B those it opposed, and Panel C the difference in mean CARs. For the supported group the estimates are positive and small: 0.30 percent over the [−1, +1] window, with a 95 percent confidence interval of −0.13 to 0.73, and 0.57 percent over [−2, +2], with an interval of 0.01 to 1.12. For the opposed group no window is significant, and no window in Panel C shows a difference between the two groups. The data therefore bound any market reaction to these amendments within roughly one percentage point and, except at the edge of the widest window, cannot distinguish it from zero. Therefore, the valuation effect of these amendments is not merely unproven but small enough that this design would have detected it had it been economically meaningful.

The comparison between the two groups cannot in any case be read as evidence about BlackRock's judgment, because they differ in ownership rather than in anything BlackRock observed and other fund managers did not. Across the 391 events, the correlation between BlackRock's vote and state ownership is 0.808, and state ownership alone classifies 92.1 percent of its votes correctly, where the supported group is 94.6 percent state-owned and the opposed group 75.4 percent private. Any difference between the groups is therefore a difference between state-owned and private firms, at which inserting a party committee is a different kind of change. The event date also precedes the vote by several weeks, so the returns cannot be a reaction to the vote.

Table 9 reports cross-sectional regressions of the CAR on an indicator for BlackRock support, with year and industry fixed effects, firm characteristics, an indicator for extraordinary general meetings (EGM), whether there is a companion periodic report, an interaction term of BlackRock support and periodic report, and standard errors clustered by firm. A periodic report released on the announcement date raises the CAR by 2.66 percentage points among opposed firms but has a negative effect among supported firms (interaction term = -2.86, $P < .05$, Model 3). In the clean sample that excludes those with companion periodic reports, I do not find a consistent difference between firms that BlackRock supported versus those it opposed. Only CAR [-1, +1] is significant at the 10% level (Model 4). And because BlackRock support and state ownership are correlated at .808, their coefficients are not separately identified. That further weakens the evidence supporting an economic explanation for BlackRock exceptionalism.

[insert Table 9 here]

5.3 BlackRock's Commercial Interest in China

While market reactions cannot provide conclusive evidence on BlackRock's support, this section explores plausible commercial incentives of BlackRock in the Chinese market as compared with Vanguard and State Street by discussing their business strategy and activities in China.

5.3.1 Strategic Positioning in China

BlackRock has aggressively pursued business opportunities in China and has sought to extend its asset management business to domestic Chinese investors. Vanguard and State Street pursued more cautious strategies. Vanguard explored the domestic market but concluded that the onshore fund market did not suit its index-centric, low-cost model. In March 2021 it withdrew its application for a Chinese mutual fund license, citing the crowded nature of the market, and in October 2023 it terminated its robo-advisory joint venture with Ant Group. State Street has been more restrained still. It did not establish a wholly foreign-owned enterprise in China until 2018, when more than 40 other foreign managers already had one, and it has continued to serve Chinese exposure through global products rather than local offerings. These differences set the context for their proxy voting.

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 (Barzuza et al. 2019; Bolton et al. 2026). 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 in Section 5.3.2 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.

5.3.2 Seeking the Mutual Fund License in China

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 both a private fund management (PFM) license and a qualified domestic limited partner (QDLP) license in China.[17] China has been slow in the liberalization of the financial market since it agreed to liberalize its financial sector 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 China's then lead negotiator, Vice Premier Liu He, who asked for Wall Street's help to ease trade conflict.[18] 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. Throughout the trade war period, Larry Fink frequently traveled to China and maintained an optimistic tone about China publicly.[19] 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 shareholders dated March 29, 2020, 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."[20]

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

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[17] 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 funds domestically to invest in offshore investments within allocated quotas. *See* SSGA granted WFOE licence, Fund Selector Asia (Dec. 17, 2018), available at https://fundselectorasia.com/ssga-granted-wfoe-licence/ (last visited Aug. 20, 2025).

[18] 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).

[19] 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).

[20] Larry Fink, Chairman's Letter to Shareholders, in BLACKROCK, INC., 2019 ANNUAL REPORT 11, 18–19 (Mar. 29, 2020), available at https://imgcdn.larepublica.co/cms/2020/03/30170914/Carta-completa.pdf (last visited Jul 20, 2026).

stripped off. In August 2020, the CSRC granted BlackRock approval, making it the first global asset manager to obtain the license under the new rule.[21] In May 2021, 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.[22] Subsequently, BlackRock launched its first mutual fund for Chinese individual investors in September 2021, raising approximately $1 billion.[23]

Figure 2 places BlackRock's approval rate against these milestones, separately for SOEs and non-SOEs because the two behave differently. BlackRock's overall rate fell from 95.7 percent in 2018 to 52.3 percent in 2022 and the downward trend is evident in both SOEs and non-SOEs. Within SOEs the rate holds between 96.6 and 99.5 percent from 2018 through 2021 and falls to 81.4 percent in 2022, the first full year after the onshore fund began operating. Votes for non-SOEs are less stable due to the small number of votes before 2022, ranging from 9 to 52 votes a year before 2022. In 2022, BlackRock's average approval rate for non-SOEs remains at 22.66% with 715 votes. Other fund families show no comparable movement in either group. The timing is consistent with support that ends once market access is secured, but 2022 also brought intensified U.S. scrutiny of China exposure, and the data cannot separate the two explanations.

[insert Figure 2 here]

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. The pattern is consistent with, but does not establish, a link between BlackRock's votes and its regulatory objectives.

5.4 The (Geo)politics of Proxy Voting

There is a reasonable case that BlackRock's votes served its clients. In state capitalism the controlling shareholder of an SOE is also the regulator, and party committees already operated in practice. A long-term holder may rationally value continued access to management and to the state over a symbolic vote against an amendment that would pass

[21] 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).
[22] 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).
[23] 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).

anyway, and BlackRock's own account frames its vote as an investment in engagement. The evidence here does not rule that reading out. It does make it hard to verify. The rationale appears nowhere in BlackRock's published guidelines, the same access argument was equally available to Vanguard and State Street, and the firms BlackRock supported show no different market response. The commercial explanation in Section 5.3 is offered as a complementary account consistent with the timing of the votes, not as a finding that the votes harmed fund investors.

If the commercial explanation is correct, BlackRock's support would resemble the corporate-client conflicts documented in the United States (Davis and Kim 2007; Bebchuk and Hirst 2019a; Griffith and Lund 2019), with the party-state, as controlling shareholder of the state sector, in the position that management occupies domestically. The case differs in one respect the domestic literature does not capture. The party-state is also the regulator that controls foreign asset managers' market access, a version of the "reverse capture" that Hamdani and Lund (2026) describe.

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. These funds are held by U.S. investors whose preferences on such questions are largely unobservable (Fisch and Schwartz 2023). As mentioned in Section 2.1, Congress has sought 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 (Gilson and Milhaupt 2008).

6 CONCLUSION

This paper documents a split within the Big Three on a question where corporate governance and geopolitics meet. On charter amendments that write CCP party committees into the governance of Chinese firms, BlackRock departed from the proxy advisor it retained, from Vanguard and State Street, and from most other fund families, and its support followed the identity of the controlling shareholder rather than the content of the amendment. The valuation effect of these amendments is unclear, so the votes cannot be justified or condemned by their consequences. What the record does show is a position set once at the

firm level, never addressed in BlackRock's published guidelines, and adopted while the firm's access to the Chinese market depended on the approval of the same state that controlled most of the firms on which it voted. The evidence is correlational, so the commercial explanation remains one plausible reading rather than an established cause. More broadly, as global asset managers expand into markets where the state is both controlling shareholder and regulator, their cross-border votes deserve the scrutiny long applied to their domestic ones.

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Table 1: Approval Rate for All Charter Amendments

Agenda	ISS	All Funds	BlackRock	Vanguard	State Street	Deviation from ISS (%)	*N*	%
MP-Party Committees	0.13	16.24	74.70	1.51	0.04	16.14	24,556	14.86
MP-Non-Routine	94.49	92.19	95.06	94.07	85.15	3.88	60,550	36.65
MP-Board-Related	97.40	95.87	98.92	98.27	96.79	2.45	6,530	3.95
MP-Changes in Capital	97.80	96.40	98.54	99.09	97.76	2.07	20,283	12.28
MP-Equity-Related	100.00	99.22	100.00	100.00	100.00	0.78	128	0.08
MP-Organization-Related	45.38	50.45	73.79	51.11	44.56	8.51	44,754	27.09
MP-Compensation-Related	89.50	89.03	94.29	85.81	94.36	3.41	5,048	3.06
SP-Non-Routine	88.98	88.94	99.72	90.31	80.86	3.83	2,794	1.69
SP-Board-Related	91.94	88.71	100.00	88.24	87.50	3.23	124	0.08
SP-Equity-Related	91.19	90.75	88.73	97.73	87.14	1.76	454	0.27
Average	67.43	70.10	87.01	70.42	64.36	6.65		
N	165,221	165,221	21,729	26,115	17,710			

Source: ISS Voting Analytics.

Notes. The table reports voting on all charter and bylaw amendment items at Chinese firms between January 2018 and June 2022. MP denotes a management proposal and SP a shareholder proposal. N is the number of fund-level votes in the category and the percentage column is that category's share of all such votes. Approval rates are the share of votes cast in favor.

Table 2: 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	
	%	*N*	%	*N*	%	*N*	%	*N*	%	*N*	%	*N*
Panel A: All Firms												
2018	0.21	[4,328]	20.86	[4,328]	95.74	[493]	0.36	[559]	0.00	[373]	11.24	[3,835]
2019	0.36	[1,926]	23.73	[1,926]	90.99	[222]	1.43	[349]	0.57	[176]	14.96	[1,704]
2020	0.06	[3,238]	23.35	[3,238]	96.17	[600]	1.94	[566]	0.00	[382]	6.79	[2,638]
2021	0.03	[3,380]	15.77	[3,380]	87.00	[446]	2.01	[546]	0.00	[361]	4.94	[2,934]
2022	0.12	[11,684]	11.47	[11,684]	52.26	[1,441]	1.61	[1,494]	0.00	[1,173]	5.73	[10,243]
Average	0.13	[24,556]	16.24	[24,556]	74.70	[3,202]	1.51	[3,514]	0.04	[2,465]	7.48	[21,354]
Panel B: SOEs												
2018	0.21	[3,861]	21.26	[3,861]	96.60	[441]	0.40	[499]	0.00	[332]	11.55	[3,420]
2019	0.43	[1,628]	25.49	[1,628]	99.49	[195]	1.77	[282]	0.69	[145]	15.42	[1,433]
2020	0.06	[3,147]	23.86	[3,147]	97.63	[591]	2.06	[534]	0.00	[368]	6.81	[2,556]
2021	0.03	[3,035]	17.00	[3,035]	97.73	[397]	2.20	[499]	0.00	[332]	4.85	[2,638]
2022	0.25	[5,292]	15.27	[5,292]	81.40	[726]	1.78	[675]	0.00	[499]	4.75	[4,566]
Average	0.18	[16,963]	19.52	[16,963]	92.60	[2,350]	1.65	[2,489]	0.06	[1,676]	7.77	[14,613]
Panel C: Non-SOEs												
2018	0.21	[467]	17.56	[467]	88.46	[52]	0.00	[60]	0.00	[41]	8.67	[415]
2019	0.00	[276]	14.49	[276]	29.63	[27]	0.00	[62]	0.00	[27]	12.85	[249]
2020	0.00	[91]	5.49	[91]	0.00	[9]	0.00	[32]	0.00	[14]	6.10	[82]
2021	0.00	[345]	4.93	[345]	0.00	[49]	0.00	[47]	0.00	[29]	5.74	[296]
2022	0.02	[6,392]	8.32	[6,392]	22.66	[715]	1.47	[819]	0.00	[674]	6.52	[5,677]
Average	0.03	[7,571]	8.93	[7,571]	25.35	[852]	1.18	[1,020]	0.00	[785]	6.85	[6,719]

Source: ISS Voting Analytics; WIND

Notes. The table reports the approval rate and the number of fund-level votes by year and by firm type. Abstentions and non-votes are counted as votes not in favor, consistent with the coding of the dependent variable in Tables 6 and 7 and with Tables 1 and A2. An approval rate of 0.00 means that no fund in the cell voted in favor. The figure in brackets is the number of votes and is the denominator of the approval rate. The ISS column reports the share of votes for which ISS recommended a vote in favor.

Table 3: Deviations from ISS Recommendations by Fund Family

	ISS Recommended Against					ISS Recommended in Favor	
	Votes Cast	Votes in Favor	Deviation% All Firms	Deviation% State-Owned	Deviation% Non-State	Votes Cast	Votes in Favor
BlackRock	3,132	2,391	76.34	92.75	27.45	1	1
Vanguard, internally managed	3,443	17	0.49	0.70	0.00	12	11
Vanguard, externally sub-advised	33	25	75.76	63.64	100.00	0	—
State Street	2,462	0	0.00	0.00	0.00	2	1
All other advisers	14,796	1,526	10.31	10.59	9.69	17	17
Total	23,866	3,959				32	30

Source: ISS Voting Analytics.
Notes. The table reports, for each fund family or group, the votes it cast on party-committee amendments where ISS recommended against and where ISS recommended in favor. A vote deviates when it does not follow the ISS recommendation; the table counts only votes cast for or against, and because ISS recommended against on all but 32 of those 23,898 votes, a deviation is almost always a vote in favor. The three deviation-rate columns report that rate among all votes, among votes at SOEs, and among votes at other firms. On the 12 proposals where ISS recommended in favor, 30 of the 32 votes cast were in favor, so fund families followed ISS in both directions. Vanguard funds are classified as externally sub-advised when the fund name identifies an outside manager; the 33 such votes were cast by funds managed by Wellington Management, Oaktree Capital Management, Sanders Capital, and Pzena Investment Management. All other fund families excludes BlackRock, Vanguard, and State Street.

Table 4: What BlackRock's Vote Responds To

Panel A. Fund-Family–Proposal Approval Rate by the Firm's Ultimate Controller

	All Proposals	BlackRock	Vanguard	State Street	Non-BlackRock	BlackRock − Non-BlackRock	Paired N
All proposals	1,634	74.0	1.7	0.1	8.7	61.1** (2.30)	483
SOEs	1,163	93.2	1.9	0.2	9.4	79.7** (1.64)	361
Central SOEs	482	91.6	2.2	0.4	9.5	78.8** (2.52)	197
Local SOEs	681	95.1	1.7	0.0	9.2	80.9** (1.96)	164
Non-SOEs	471	17.0	1.1	0.0	7.1	6.0 (4.37)	122
Private firms	357	7.5	1.3	0.0	6.8	−3.7 (3.09)	93
Other non-SOEs	114	47.3	0.4	0.0	8.2	37.0** (11.87)	29

Panel B. The Vote Is Decided Once and Applied across Funds

	Fund Family–Proposal Observations	Funds per Fund Family–Proposal	All Funds Voted Alike (%)
BlackRock	360	8.4	97.5
Vanguard	746	3.7	97.7
State Street	470	4.6	100.0
Non-Big-Three	3,071	3.3	97.1

Panel C. BlackRock's Approval Rate by Fund Type

	Votes	SOEs (%)	Non-SOEs (%)
Passive and index	2,814	92.3	24.0
Actively managed	388	94.6	37.1
China-focused	786	94.0	15.8
ESG-labeled	135	84.5	47.1

Source: ISS Voting Analytics; WIND; CRSP.

Notes. Panel A first averages fund-level votes within each family–proposal, then Non-BlackRock families within each proposal, and finally proposals. Families are therefore equally weighted within proposals, and proposals equally weighted. The approval-rate columns include 484 BlackRock, 1,473 Vanguard, 778 State Street, and 1,633 Non-BlackRock proposals. The difference column reports the mean paired difference; firm-clustered standard errors are in parentheses. Paired N is the number of proposals on which both groups voted. One proposal (22 votes) lacks controller data and is excluded. Abstentions and non-votes count as not in favor. Panel B uses family–proposal observations with at least two voting funds. Funds per Fund Family–Proposal is the mean number of funds; All Funds Voted Alike is the percentage with identical votes. Panel B excludes abstentions and non-votes and weights observations equally. Panel C reports BlackRock's approval rate by fund mandate; categories may overlap. Panel A weights families and proposals equally, whereas Panel C and Table 2 weight fund-level votes. Because BlackRock sends more funds to supported non-SOE proposals (10.5 versus 6.3), its vote-weighted rate is 25.4 percent, versus 17.0 percent here. + P < .10. * P < .05. ** P < .01.

Table 5: 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	24,555	24.90	1.92	21.72	28.61
ROA	24,555	6.07	6.00	-1.97	20.52
Leverage	24,555	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

	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	19,722	24.81	1.90	21.72	28.61
ROA	19,722	6.01	5.94	-1.97	20.52
Leverage	19,722	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

Source: ISS Voting Analytics; WIND; CRSP.
Notes. Variable definitions are in Table A1. Panel A covers all fund-level votes on party-committee amendments. Panel B covers the votes used in the regressions of Tables 6 and 7 and Table A6, which exclude fund families that followed the ISS recommendation on every vote; Table A4 reports the same variables separately for BlackRock and for other fund families. Firm Size, ROA, and Leverage are winsorized at the 5th and 95th percentiles.

Table 6: 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	9.853**	0.531**	10.748**	0.609**	10.244**	0.541**	10.201**	0.378**	0.000	0.000
	(1.502)	(0.086)	(1.706)	(0.097)	(1.621)	(0.090)	(1.714)	(0.064)	(.)	(.)
SOE	1.386**	0.075**			1.413**	0.075**	0.078	0.003	2.740**	0.225**
	(0.375)	(0.018)			(0.381)	(0.017)	(0.181)	(0.007)	(0.714)	(0.038)
Cross-listed	0.377	0.020			0.335	0.018	-0.026	-0.001	0.890	0.073
	(0.273)	(0.015)			(0.271)	(0.014)	(0.168)	(0.006)	(1.026)	(0.083)
Firm Size	0.123	0.007			0.112	0.006	0.109**	0.004**	0.331	0.027
	(0.086)	(0.005)			(0.091)	(0.005)	(0.036)	(0.001)	(0.291)	(0.024)
ROA	0.021	0.001			0.015	0.001	0.009	0.000	0.039	0.003
	(0.022)	(0.001)			(0.021)	(0.001)	(0.016)	(0.001)	(0.047)	(0.004)
Leverage	-0.238	-0.013			-0.227	-0.012	0.621	0.023	-3.648+	-0.300+
	(0.708)	(0.038)			(0.725)	(0.039)	(0.585)	(0.022)	(1.911)	(0.173)
China-focused Funds			-0.136	-0.008	0.009	0.001	0.431	0.016	-0.022	-0.002
			(0.104)	(0.006)	(0.108)	(0.006)	(0.265)	(0.010)	(0.120)	(0.010)
Passive Funds			-1.384**	-0.078**	-1.352**	-0.071**	-2.131**	-0.079**	-0.238	-0.020
			(0.273)	(0.015)	(0.265)	(0.014)	(0.279)	(0.011)	(0.335)	(0.027)
ESG Funds			-0.079	-0.004	-0.028	-0.001	-0.666	-0.025	0.398	0.033
			(0.250)	(0.014)	(0.267)	(0.014)	(0.679)	(0.025)	(0.449)	(0.038)
Constant	-6.627**		-2.198**		-6.345**		-6.582**		-6.321**	
	(2.009)		(0.875)		(2.108)		(1.261)		(6.596)	
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	17,932	17,932	17,950	17,950	17,932	17,932	14,731	14,731	3,123	3,123
Firm clusters	1,077	1,077	1,079	1,079	1,077	1,077	1,076	1,076	305	305
Pseudo R^2	0.656		0.643		0.663		0.601		0.504	

Source: ISS Voting Analytics; WIND; CRSP.

Notes. The table reports logit estimates of the probability that a fund votes in favor of a party-committee amendment. All models include year and industry fixed effects; models (1) through (8) also include fund-family fixed effects, which are not identified in the BlackRock-only sample. Odd-numbered columns report

coefficients and even-numbered columns report average marginal effects. Standard errors, in parentheses, are clustered by firm in every column, because several funds of several families vote on the same proposal at the same firm; Firm clusters reports the number of firms. ISS Rec is omitted from columns (9) and (10) because ISS recommended against on all but one of BlackRock's votes. The samples are smaller than in Table A6 because observations in perfectly predicted fixed-effect cells are dropped. + P < .10. * P < .05. ** P < .01.

Table 7: Within-Proposal Comparison of BlackRock's Vote

Dependent variable: Vote in Favor	(1)	(2)	(3)
BlackRock	0.678**	0.185*	0.166*
	(0.029)	(0.081)	(0.068)
BlackRock × SOE		0.664**	0.620**
		(0.084)	(0.098)
BlackRock × Cross-listed			0.099
			(0.063)
BlackRock × Firm Size			0.010
			(0.022)
BlackRock × ROA			0.003
			(0.005)
BlackRock × Leverage			0.076
			(0.197)
Proposal fixed effects	Yes	Yes	Yes
Fund–proposal votes	23,876	23,876	23,875
Proposals	1,620	1,620	1,619
Firms	1,095	1,095	1,094

Source: ISS Voting Analytics; WIND; CRSP.

Notes. The table reports linear probability models estimated at the fund–proposal level with proposal fixed effects, so that the text of the amendment, the firm, the meeting date, and the ISS recommendation are absorbed and BlackRock is identified only against the other funds voting on the same proposal. Firm Size, ROA, and Leverage are centered, so the coefficient on BlackRock is its differential at the sample mean. Standard errors, clustered by firm, are in parentheses. Column (3) is estimated on one vote fewer than columns (1) and (2). That observation is the only vote cast on its proposal, so the proposal fixed effect absorbs it entirely and all three columns rest on identical identifying variation.

+ P < .10. * P < .05. ** P < .01.

Table 8: Market Reaction to CCP Party-building Charter Amendments of Firms at which BlackRock Voted

Event window	N	Mean CAR (%)	95% CI	t-statistic	KP t-statistic	GRANK T
Panel A. Firms at which BlackRock voted "For" the amendment						
[-1,0]	277	0.12	[−0.23, 0.46]	0.649	1.060	−0.376
[0,+1]	277	0.31	[−0.03, 0.66]	1.772+	1.763+	0.524
[0,0]	277	0.13	[−0.12, 0.38]	1.040	1.396	−1.061
[-1,+1]	277	0.30	[−0.13, 0.73]	1.378	1.497	−0.137
[-2,+2]	277	0.57	[0.01, 1.12]	2.017*	2.507*	2.081*
Panel B. Firms at which BlackRock voted "Against" the amendment						
[-1,0]	114	0.62	[−0.10, 1.33]	1.715+	0.855	0.538
[0,+1]	114	0.34	[−0.37, 1.06]	0.951	0.289	−0.665
[0,0]	114	0.24	[−0.27, 0.74]	0.932	0.178	−0.178
[-1,+1]	114	0.72	[−0.15, 1.59]	1.639	0.873	0.229
[-2,+2]	114	0.43	[−0.69, 1.56]	0.767	0.184	−0.621
Panel C. Difference in Mean CAR: BlackRock "For" Minus "Against"						
[-1,0]	277 / 114	−0.50	[−1.58, 0.58]	−0.913	—	—
[0,+1]	277 / 114	−0.03	[−0.95, 0.90]	−0.059	—	—
[0,0]	277 / 114	−0.11	[−0.75, 0.54]	−0.328	—	—
[-1,+1]	277 / 114	−0.42	[−1.70, 0.85]	−0.651	—	—
[-2,+2]	277 / 114	0.13	[−1.31, 1.57]	0.180	—	—

Source: ISS Voting Analytics; CRSP; WIND.
Notes. The board announcement date is the event date. Estimates use the market model, model(FM), with an estimation window of [−250, −45] trading days and a minimum of 100 estimation-window observations. Standard t-statistics in Panels A and B assume cross-sectional independence. Kolari–Pynnönen (2010) adjusted t-statistics correct for cross-sectional dependence arising from event clustering. GRANK T is the generalized rank test. Panel C t-statistics use firm-clustered standard errors with a finite-sample correction. KP and GRANK are one-sample event-study tests and therefore are not reported for the two-sample contrast. Returns for five events not covered by the primary return file are obtained from WRDS Compustat Global Security Daily.
+ P < .10. * P < .05. ** P < .01.

Table 9: Cross-Sectional Regressions of Announcement-Window CARs

Dependent variable	CAR [−1,+1]				CAR [−2,+2]			
Variable	(1) Fixed effects	(2) Firm Characteristics	(3) Report interaction	(4) Clean sample	(5) Fixed effects	(6) Firm Characteristics	(7) Report interaction	(8) Clean sample
BlackRock For	−0.448	−0.402	1.327	2.455+	−0.095	−0.670	1.286	2.181
	(0.715)	(1.028)	(1.122)	(1.377)	(0.796)	(1.043)	(1.282)	(1.536)
SOE		0.051	0.343	−0.918		1.047	1.388	0.550
		(1.063)	(1.056)	(1.670)		(1.034)	(1.010)	(1.608)
Cross-listed		0.084	0.099	0.574		−0.019	0.020	0.461
		(0.615)	(0.611)	(0.725)		(0.802)	(0.795)	(1.087)
Firm Size		−0.080	−0.037	0.078		−0.087	−0.041	0.159
		(0.190)	(0.187)	(0.277)		(0.213)	(0.209)	(0.326)
ROA		0.103+	0.094	0.071		0.149+	0.138+	0.079
		(0.061)	(0.062)	(0.106)		(0.077)	(0.078)	(0.154)
Leverage		3.955+	3.470	1.246		5.333+	4.531	5.402
		(2.304)	(2.304)	(3.483)		(2.901)	(2.900)	(5.259)
EGM			0.322	0.019			0.927	0.182
			(0.486)	(0.754)			(0.599)	(1.052)
Companion periodic report			2.655*				3.446**	
			(1.108)				(1.246)	
BlackRock For x Companion report			−2.862*				−3.347*	
			(1.209)				(1.356)	
Year and industry fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	391	391	391	149	391	391	391	149
R-squared	0.089	0.100	0.114	0.198	0.100	0.118	0.135	0.213

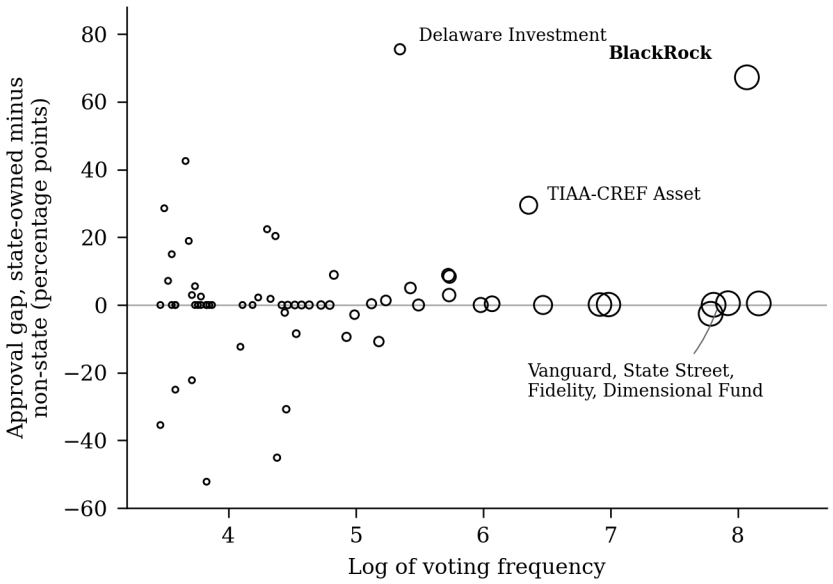
Source: ISS Voting Analytics; CRSP; WIND.

Notes. The table reports cross-sectional regressions of the announcement-window cumulative abnormal return on an indicator for BlackRock support. The unit of observation is the board announcement. All models include announcement-year and industry fixed effects; the firm-characteristics models add size, leverage, profitability, state ownership, and cross-listed, and an indicator for whether the amendment was announced alongside a periodic report. Standard errors, in parentheses, are clustered by firm. Variable definitions are in Table A1. Missing ROA for 44 events, and size and leverage for one of those events, are recovered from WRDS Compustat Global Fundamentals Annual; cumulative abnormal returns for five events not covered by the primary return file are recovered from WRDS Compustat Global Security Daily.

+ P < .10. * P < .05. ** P < .01.

Figure 1: Approval Gap by Ownership and Voting Frequency, by Fund Family

Alt text: Bubble chart of fund families that cast more than 30 votes, plotting each family's approval rate at state-owned enterprises minus its rate at other firms (vertical axis) against the log of its number of votes (horizontal axis), with bubble size proportional to votes cast. Nearly all families sit on the zero line. BlackRock stands alone in the upper right, with a gap of 67.2 percentage points and the second-largest number of votes.

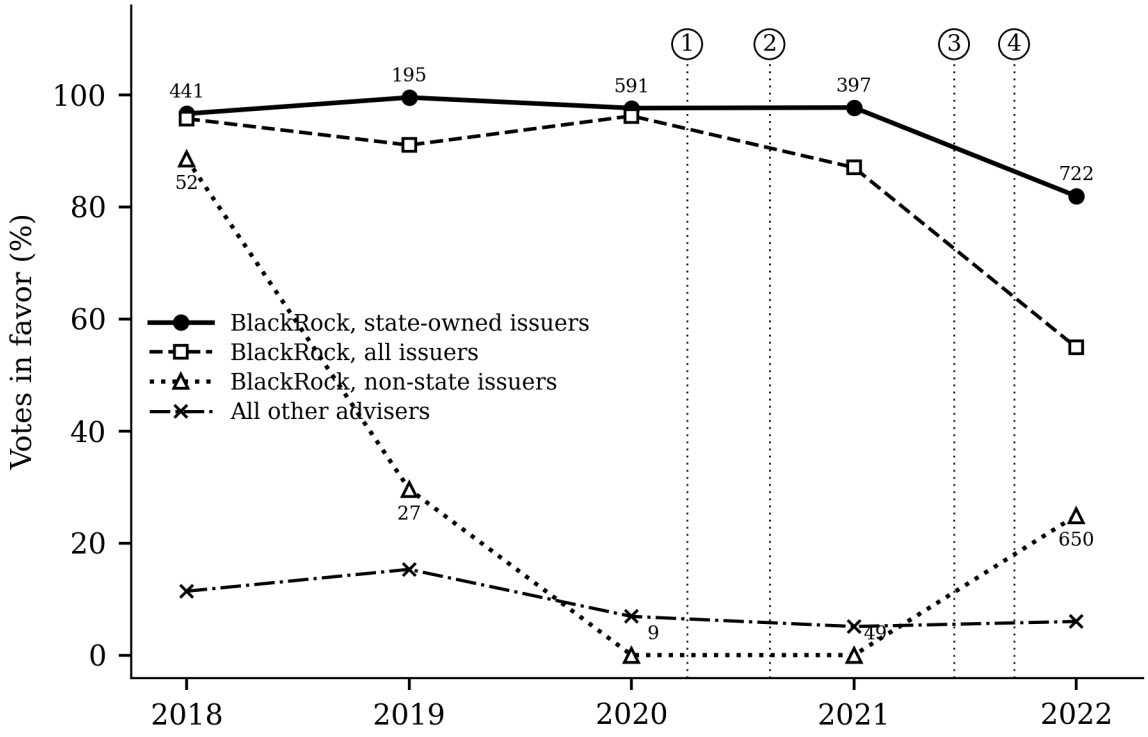


Source: ISS Voting Analytics; WIND.

Notes. Each circle is a fund family that cast more than 30 votes on party-committee amendments between January 2018 and June 2022; the area of the circle is proportional to the number of votes cast. The vertical axis is the family's approval rate at SOEs minus its approval rate at other firms. Families on the zero line vote the same way whoever controls the firm, whether they support these amendments or oppose them.

Figure 2: BlackRock's Approval Rate and the Timing of Its Chinese Fund License

Alt text: Line chart of BlackRock's annual approval rate on party committee amendments from 2018 to 2022, shown separately for state-owned and non-state-owned firms, with four vertical lines marking April 2020 (application), August 2020 (license granted), June 2021 (operations approved), and September 2021 (first fund launched). Approval at state-owned firms stays between 96.6 and 99.5 percent through 2021 and falls to 81.4 percent in 2022; approval at non-state firms is volatile on few votes before 2022 and is 22.7 percent in 2022.



Source: ISS Voting Analytics; WIND.

Notes. The numbered reference lines mark (1) April 2020, when the foreign ownership cap on mutual fund companies was removed and BlackRock filed its application the same day; (2) August 2020, when the China Securities Regulatory Commission granted the license; (3) June 2021, approval to commence operations; and (4) September 2021, the launch of the first retail fund. The 2022 figures cover meetings through June.

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

Notes. 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: Top Twenty Voters in Party Committee Agenda

	Fund Family	Vote Frequency	Approval Rate (%)		
			All Firms	State-Owned	Non-State
1	Vanguard	3,514	1.51	1.65	1.18
2	BlackRock	3,202	74.70	92.60	25.35
3	Dimensional Fund	2,760	0.29	0.53	0.00
4	State Street	2,465	0.04	0.06	0.00
5	Fidelity	2,409	1.04	0.29	2.89
6	DBX Strategic	1,080	0.09	0.13	0.00
7	Franklin Templeton	1,010	0.10	0.14	0.00
8	Northern Trust	646	0.00	0.00	0.00
9	TIAA-CREF Asset	577	26.69	36.65	7.18
10	WisdomTree Asset	433	0.20	0.36	0.00
11	Voya Investment	396	0.00	0.00	0.00
12	PowerShares Capital	310	10.97	12.81	4.41
13	Prudential	309	34.95	35.87	32.94
14	John Hancock	307	7.17	11.89	3.05
15	Pacific Life	243	0.00	0.00	0.00
16	Jackson National	228	12.28	14.00	8.97
17	Delaware Investment	210	65.71	91.97	16.44
18	Allianz Global	188	1.06	1.34	0.00
19	Charles Schwab	178	92.70	87.06	97.85
20	CPP Investment	168	93.45	93.48	93.10

Source: ISS Voting Analytics.

Notes. Fund families are ranked by the number of fund-level votes cast on party-committee amendments between January 2018 and June 2022. Vote frequency counts each fund's vote separately, so a family whose funds vote on the same proposal contributes more than one vote. The three approval-rate columns report the share of that family's votes cast in favor among all its votes, among its votes at SOEs, and among its votes at other firms. Abstentions and non-votes are counted as votes not in favor.

Table A3: Fund Families That Follow ISS Recommendations

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	

Source: ISS Voting Analytics.

Notes. Panel A classifies fund families by whether every one of their votes on party-committee amendments followed the ISS recommendation. The 82 families that did so are excluded from the regression samples in Tables 6 and 7 and Table A6, which leaves 19,723 votes. Panel B reports fund-level alignment with the ISS recommendation for all funds and for each of the Big Three. A vote is aligned when it matches the ISS recommendation.

Table A4: Summary Statistics by Fund Family

Panel A: 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	16,520	24.70	1.86	21.72	28.61
ROA	16,520	6.01	5.95	-1.97	20.52
Leverage	16,520	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: 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	3,202	25.38	1.99	21.72	28.61
ROA	3,202	5.97	5.89	-1.97	20.52
Leverage	3,202	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

Source: ISS Voting Analytics; WIND; CRSP.

Notes. The table reports the variables used in the regressions of Tables 6 and 7 and Table A6, separately for funds other than BlackRock and for BlackRock. Variable definitions are in Table A1. Firm Size, ROA, and Leverage are winsorized at the 5th and 95th percentiles.

Table A5: Correlation Table

	Voting	ISS Rec	SOE	Cross-listed	Firm Size	ROA	Leverage	China-focused Funds	Passive Funds	ESG Funds
Voting	1.00									
ISS Rec	0.07**	1.00								
SOE	0.16**	0.02**	1.00							
Cross-listed	0.13**	-0.01	0.30**	1.00						
Firm Size	0.17**	-0.00	0.27**	0.26**	1.00					
ROA	0.01	-0.02**	-0.14**	-0.23**	-0.27**	1.00				
Leverage	0.08**	0.01	0.18**	0.33**	0.48**	-0.56**	1.00			
China-focused Funds	0.15**	-0.01	0.01	-0.03**	0.00	0.02**	-0.01	1.00		
Passive Funds	-0.07**	-0.00	0.03**	-0.06**	-0.04**	-0.10**	0.05**	0.11**	1.00	
ESG Funds	-0.05**	-0.00	-0.07**	-0.02**	-0.04**	-0.02**	-0.00	-0.08**	-0.08**	1.00

Source: ISS Voting Analytics; WIND; CRSP.
Notes. Pairwise correlations are computed by listwise deletion on the 19,705 votes with complete data among fund families that did not follow the ISS recommendation on every vote. Variable definitions are in Table A1.
+ P < .10. * P < .05. ** P < .01.

Table A6: Linear Probability Model on Fund Voting Decisions

	(1)	(2)	(3)	(4)	(5)
	All Funds	All Funds	All Funds	Non-BlackRock	BlackRock
ISS Rec	0.749**	0.768**	0.748**	0.783**	-0.007
	(0.044)	(0.044)	(0.045)	(0.044)	(0.062)
SOEs	0.073**		0.074**	0.005	0.499**
	(0.015)		(0.015)	(0.005)	(0.110)
Cross-listed	0.017		0.014	-0.007	0.077
	(0.013)		(0.013)	(0.006)	(0.066)
Firm Size	0.006		0.006	0.004**	0.023
	(0.005)		(0.005)	(0.001)	(0.022)
ROA	0.000		-0.000	-0.000	0.005
	(0.001)		(0.001)	(0.000)	(0.005)
Leverage	-0.053+		-0.052+	0.011	-0.269
	(0.030)		(0.031)	(0.015)	(0.169)
China-focused Funds		-0.019*	-0.014+	0.006	-0.000
		(0.008)	(0.008)	(0.006)	(0.011)
Passive Funds		-0.056**	-0.053**	-0.059**	-0.012
		(0.011)	(0.011)	(0.009)	(0.028)
ESG Funds		-0.003	-0.003	-0.012**	0.046
		(0.008)	(0.008)	(0.004)	(0.046)
Constant	0.020	0.243**	0.072	0.037	-0.090
	(0.085)	(0.024)	(0.084)	(0.040)	(0.102)
Year FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Fund Family FE	Yes	Yes	Yes	Yes	No
Observations	19,702	19,720	19,702	16,500	3,201
Firm clusters	1,086	1,088	1,086	1,085	313
R-squared	0.646	0.641	0.647	0.589	0.548

Source: ISS Voting Analytics; WIND; CRSP.

Notes. The table reports linear probability models absorbing year, industry, and fund-family fixed effects; the BlackRock column absorbs year and industry only. Coefficients are changes in the probability that a fund votes in favor. Standard errors, in parentheses, are clustered by firm.

+ P < .10. * P < .05. ** P < .01.

Table A7: 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	16,677	16,677	17,977	17,977	16,677	16,677	13,777	13,777	2,822	2,822
Pseudo R^2	0.662		0.661		0.670		0.613		0.507	

Source: ISS Voting Analytics; WIND; CRSP.

Notes. Standard errors, in parentheses, are clustered at the advisor level except in the BlackRock columns, where they are robust. Marginal effects are average marginal effects. + P < .10. * P < .05. ** P < .01.

Table A8: Sample Party-Building Charter Amendment: Shanghai International Airport Co., Ltd.

Chapter 8. Party, Discipline Inspection, Trade Union and Youth League Organizations	
Article	Provision as adopted
Art. 149	Strengthening the Party's leadership shall be unified with improving corporate governance, giving full play to the strategic decision-making role of the board of directors, the supervisory role of the supervisory board, the operational role of management, and the leadership-core and political-core role of the Party organization, and establishing a sound mechanism of decision, execution, supervision and safeguard in which powers and responsibilities correspond and check one another.
Art. 150	In accordance with the Company Law and the Constitution of the Communist Party of China, the Company shall establish Party organizations at every level together with their discipline inspection bodies, and shall provide the conditions necessary for their activities.
Art. 151	The Company shall establish Party work organs and staff them with Party affairs personnel. The Party organization's structure and headcount shall be incorporated into the Company's own management structure and establishment, and its operating funds shall be included in the Company budget and charged to administrative expenses.
Art. 152	The Company shall have one Party committee secretary; in principle the chairman of the board and the Party committee secretary shall be the same person. A full-time deputy Party secretary shall be appointed to lead Party-building work, and a general manager who is a Party member shall serve concurrently as deputy Party secretary. There shall be one discipline inspection commission secretary and a number of Party committee members. The Company shall uphold and improve the "two-way entry, cross-appointment" system for leading personnel: qualified Party committee members shall enter the board of directors, the supervisory board and management through statutory procedures, and qualified Party members among the members of those bodies shall enter the Party committee.
Art. 153	The Party committee shall perform its duties in accordance with the Constitution of the Communist Party of China and other intra-Party regulations, playing the role of setting direction, managing the overall situation and ensuring implementation. It operates on the principle of collective leadership and performs the following duties: (1) ensuring that the policies of the Party and the State are carried out in the enterprise and that the important work arrangements of the higher-level Party organization are implemented; (2) upholding the principle that the Party manages cadres and playing a leading and gatekeeping role in the selection and appointment of personnel, deliberating on and offering opinions concerning candidates nominated by the board of directors or the general manager, or recommending candidates to them, and examining proposed appointees jointly with the board; (3) participating in decisions on major corporate matters, studying and discussing the Company's reform, development and stability, major operating and management matters, and major issues affecting employees' immediate interests, and putting forward opinions and proposals; (4) bearing principal responsibility for comprehensively and strictly governing the Party, leading ideological and political

	work, corporate culture and the work of the trade union, the Youth League and other mass organizations, and supporting the workers' congress; (5) bearing principal responsibility for Party conduct and clean government, and supporting the discipline inspection commission in performing its supervisory duty.
Art. 154	Study and discussion by the Company's Party committee shall be a precondition to decisions by the board of directors and by management on "three majors and one large" matters. The Party committee shall adopt rules of procedure and other working rules defining the principles, scope, organization, execution and supervision of its deliberations, forming a mechanism through which the Party organization participates in decisions on major questions, and shall support the board of directors, the supervisory board and management in exercising their powers according to law.
Art. 155	Discipline inspection commissions at every level of the Company are the organs specifically responsible for intra-Party supervision. They work under the dual leadership of the Party committee at the same level and of the discipline inspection commission at the level above; they assist the Party committee in comprehensively and strictly governing the Party, in strengthening Party conduct and in coordinating anti-corruption work; and they supervise, enforce discipline against and hold to account Party members, Party member leading cadres and Party organizations in respect of their observance of the Party Constitution, Party rules and Party discipline and of their performance of duties and exercise of powers.
Art. 156	In accordance with the Company Law and the Trade Union Law, the Company shall establish trade union organizations at every level and carry out trade union work under the leadership of the Company's Party committee. It shall implement the workers' congress's powers of deliberation, approval, review and supervision, democratic election and democratic appraisal, protect employees' lawful rights and interests, and operate a system of collective consultation. The Company shall provide the conditions necessary for trade union activities. The Company shall have one trade union chairman, elected by the members' congress or by the trade union committee.
Art. 157	In accordance with the Constitution of the Communist Youth League of China, the Company shall establish Communist Youth League organizations at every level and carry out Youth League work under the leadership of the Company's Party committee, organizing young employees to take part in the Company's reform and development and guiding them in their convictions and professional growth. The Company shall provide the conditions necessary for Youth League activities.

Source: Shanghai International Airport Co., Ltd., Announcement on Amending the Articles of Association, No. 2018-014 (24 March 2018), CNINFO.

Notes. The table reproduces in full the chapter that the board put to the annual general meeting of 28 June 2018, translated by the author. The firm is a local state-owned enterprise listed on the Shanghai Stock Exchange. Management recommended a vote in favor and ISS a vote against. Of the 71 fund-level votes cast, 8 were in favor, 60 against, and 3 abstentions, an approval rate of 11.27 percent. The votes in favor came from six fund families — BlackRock, CPP Investment, Russell Investment, Thomas White, TIAA-CREF Asset, and Van Eck — of which Russell Investment and TIAA-CREF Asset cast two each and BlackRock one. Vanguard cast one vote, against. State Street did not vote on this proposal.

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