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The “Big Three” Shift Approach to Stewardship

Robust shareholder engagement [continues](#) to be a critical component of corporate governance, as well as a key element of shareholder activism preparedness. Proactively maintaining a dialogue with the company’s largest shareholders allows the company to establish credibility, lay out its strategy and address concerns before they escalate. A fundamental part of this effort is understanding the company’s unique shareholder base—who the key shareholders are, what their voting policies and priorities look like and how they have historically voted or engaged on specific issues. This information allows companies to anticipate potential concerns and tailor their strategies and communications accordingly. Understanding the company’s specific shareholder base is especially important in the context of activist approaches and potential proxy fights, as voting outcomes can sometimes be determined by razor-thin margins, hinging on the votes of just one or a handful of influential investors.

This critical task has recently become more complex, as the “Big Three” asset managers—BlackRock, Vanguard and State Street—are shifting their approach to stewardship. In particular, each of the “Big Three” is splitting its proxy voting team into two separate groups, each with their own voting decision-makers, voting policies and perspectives.

- BlackRock’s stewardship team has been split into (i) BlackRock Investment Stewardship (“BIS”), which utilizes the [BIS Proxy Voting Guidelines](#) and (ii) BlackRock Active Investment Stewardship (“BAIS”), which utilizes the [BAIS Global Engagement and Voting Guidelines](#).
- In 2026, Vanguard’s stewardship team will be split into (i) Vanguard Capital Management and (ii) Vanguard Portfolio Management; the exact timing and details of the split have not been released.
- State Street’s stewardship team has been split into (i) State Street Asset Stewardship Team, which utilizes the [Global Proxy Voting and Engagement Policy](#) and (ii) State Street Sustainability Stewardship Service, which utilizes the [Sustainability Stewardship Service Proxy Voting and Engagement Policy](#).

While the two stewardship teams under a single owner are not directly at odds with one another on many issues, their policies (and the priorities underlying those policies) diverge in significant ways, particularly on questions related to environmental, social and governance (ESG) issues. For example, State Street’s Global Proxy Voting and Engagement Policy is generally silent on the issue of demographic diversity in board composition, other than “encourag[ing] companies to ensure that there are sufficient levels of diverse experiences and perspectives represented in the boardroom.” Meanwhile, State Street’s Sustainability Stewardship Service Proxy Voting and Engagement Policy expressly states: “At a minimum, the Sustainability Policy will consider the representation of females and ethnic and/or racial minorities on boards.” The differences in the policies underscore the diverging priorities and viewpoints of the Big Three’s various constituencies, including those of U.S. investors versus E.U. investors.

This regime is further complicated by the fact that the Big Three also offer “voting choice” options (also known as “pass-through” voting), allowing eligible investors to more precisely determine how their shares of a company’s stock are voted, whether by customizing the voting policies that apply to their shares or directly voting on particular issues (as discussed in our previous memos in [2023](#) and [2024](#)). These “voting choice” options allow investors to choose between numerous in-house and third-party policies (such as policies offered by ISS and Glass Lewis), making it all the more difficult to ascertain what percentage of a company’s stock will be voted according to what policies.

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For companies, this new approach to stewardship will require a thoughtful and nuanced reevaluation of their investor engagement methods. Boards and management teams are encouraged to spend some time with the shareholder register and use one-on-one opportunities with key investors to better understand how they hold and vote shares in the company. Establishing this foundation on a “clear day”—when there is no immediate pressure or threat of activism—will enable companies to have better visibility and do more thoughtful scenario planning should a contested situation arise.

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