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## Index fund votes: take back control

Services of the kind created by Say and Broadridge could help passive managers by improving their public accountability

Passive investment is cheap, convenient and terrible for shareholder democracy. It leaves voting on a big block of equity – \$12tn and growing fast – with BlackRock, Vanguard and State Street. That represents a dangerous concentration of power – unless clients of these huge US institutions start wielding their votes.

It is also a problem for activists, whose métier is swaying broad groups of investors. That might explain why US activist Bill Ackman has invested in Say. This start-up aims to pump up the atrophied voting muscles of index fund investors. It faces hot competition from Broadridge, the dominant supplier of proxy voting services in the US.

Say is best known for supplying investor questions to Elon Musk at a recent earnings call – sidelining some analysts, of whom the Tesla boss is no fan. The business has also developed an online platform allowing investors to guide fund managers on voting their shares. Broadridge, meanwhile, has launched an app that helps fund investors to vote underlying shares via their asset manager

Investors in index funds would hardly vote on every motion involving an S&P 500 company. But they may weigh in on controversies – whether Walmart should

sell guns, for example. And they may be willing to register voting preferences on issues like climate change as they would smartphone privacy settings. The fund manager would then vote shares in weightings corresponding to client opinion.

Services of the kind created by Say and Broadridge could help passive managers by improving their public accountability. Regulatory validation would encourage adoption. But the biggest hurdle will be getting enough index fund investors to participate.

To put it another way: would you like to complete a short survey on your corporate governance preferences by pressing the hash key, after checking your portfolio level online?

Millennials are more likely to use online voting preference services than well-off baby boomers, particularly on ethical issues. Adoption may therefore be a slow burn – even as investors elbow analysts to the margins of earnings calls.

*Moral Money is the FT's new weekly newsletter covering sustainable business, finance and investing.*