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Keywords: institutional investors, voting, voting rationales, corporate governance

JEL Classification: G11, G23, G30

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Voting Rationales*

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Abstract

Using a novel dataset where institutional investors explain their votes—*voting rationales*—we provide direct evidence on the motivations behind votes against directors. Lack of independence and board diversity are the main stated reasons for opposing directors. These rationales accurately reflect firms' governance characteristics rather than investors' rationale-washing, suggesting that investors exercise voting discretion and exert more substantive effort than previously documented. Firms subsequently adjust board composition. Results are robust to alternative explanations, such as proxy advisors' influence. Rather, voting rationales emerge as a direct communication channel, enabling firms to understand and address investors' stated concerns.

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"Votes are binary, while rationales are able to provide nuances that can assist our portfolio firms, and the investors in our funds, to better understand the reasons behind the votes."
John Galloway, Vanguard Global Head of Investment Stewardship[1]

1. Introduction

Voting is a critical aspect of corporate governance, allowing shareholders to voice their views and influence the direction of the company (e.g., Hirschman, 1970; Yermack, 2010; McCahery, Sautner, and Starks, 2016). With institutional investors holding more than 70% of US public company shares, the effectiveness of the governance system critically relies on institutional investors diligently exercising the voting authority on behalf of their clients.[2] Existing literature offers valuable insights into the determinants of institutional investors' voting decisions by drawing indirect inferences from aggregate voting patterns and observable characteristics of firms, proposals, or investors (e.g., Iliev and Lowry, 2015; Bubb and Catan, 2022). However, because votes are binary—either for or against—it is challenging to understand why a given investor voted a certain way on a company's proposal. For instance, if an institutional investor votes against a director nominee, it could reflect concerns about the candidate's qualifications or the company's overall strategy. Without understanding the underlying reason for each vote, firms may struggle to address investors' concerns effectively.

In this paper, we examine voting rationales—the explicit explanations for votes based on institutional investors' own accounts—and the implications of these rationales on firms' actions. Our focus is on director elections, one of the most important decisions by shareholders. We address three main questions. First, what are the main reasons institutional investors state for

[1]Meeting between Vanguard Stewardship team and the authors, September 21, 2023.

[2]A.H. Lee, Acting Chair of the SEC, March 17, 2021. "Every Vote Counts: The Importance of Fund Voting and Disclosure." Available here.

votes against directors? Second, do the issues cited in rationales reflect underlying firm governance characteristics, or do they merely represent *rationale-washing*—investors' attempts to project a particular narrative or image? Third, are the concerns in voting rationales associated with subsequent governance changes after accounting for the proportion of dissenting votes?

We exploit a novel dataset of voting rationales that provides explanations for institutional investors' voting decisions on company proposals, such as *"Nominee serves on an excessive number of boards"* and *"We are not supportive of non-independent directors sitting on key board committees."* We focus on 394,524 rationales for votes against from 251 institutional investors worldwide in US firms during the 2014–2022 proxy seasons. We use Bidirectional Encoder Representations from Transformers (BERT), a natural language processing (NLP) technique, to categorize voting rationales into 12 different topics to capture the main reasons for dissent. We find that a lack of independence and insufficient board diversity are the most commonly stated reasons for votes against directors, accounting for 21.2% and 17.7% of all rationales, respectively. Notably, diversity concerns were raised at 71.5% of meetings and were prominent even before the Big Three investors launched campaigns to promote board gender diversity in 2017 (Gormley, Gupta, Matsa, Mortal, and Yang, 2022). Director tenure and busyness are also among the main reasons. We find that a small but growing fraction of rationales hold directors responsible for ES/CSR concerns (Aggarwal, Dahiya, and Yilmaz, 2023). Interestingly, we rarely observe rationales related to the boards' advising or monitoring roles (Adams, Akyol, and Verwijmeren, 2018) or firm performance as a reason for voting against directors.

Our text-based analysis also exposes a critical measurement blind spot in standard governance research. Consider independence, the most frequently cited concern in our sample.

Empirical research has typically measured independence using binary indicators based on non-executive status or aggregate board-level measures (e.g., Cai, Garner, and Walkling, 2009). Yet, we find that investors apply differing definitions of independence—such as long tenure or family and business ties—and assess it across distinct structural dimensions, including a lack of independence on key committees. By capturing investors' concerns in their own words, voting rationales pinpoint the precise, actionable issues that standard proxies cannot fully capture.

Addressing the second research question, we assess whether stated rationales reflect firms' underlying governance characteristics and align with investors' actual voting behavior. We find that the combined input from multiple investors provides an accurate picture of companies' governance characteristics. For example, companies receiving a higher fraction of rationales on board diversity have less gender-diverse boards. We observe similar patterns for companies with low board independence, long director tenure, busy directors, and CEO duality. Moreover, we demonstrate that these disclosures are not just rationale-washing: they reliably predict individual investors' voting behavior. For example, investors who frequently mention board diversity in their rationales are more likely to vote against directors on less gender-diverse boards. Likewise, concerns about long tenure, director busyness, and CEO duality are reflected in their voting. Our results suggest that stated rationales likely reflect the true motivations behind the votes, despite incentives for rationale-washing or conflicts of interest (e.g., Cvijanović, Dasgupta, and Zachariadis, 2016; Gibson Brandon, Glossner, Krueger, Matos, and Steffen, 2022).

A crucial question remains: Are these rationales associated with changes in corporate policies? To this end, we analyze whether companies that receive rationales on a specific issue exhibit corresponding policy changes in the following year. We find that when dissent is ac-

companied by rationales citing board diversity, companies increase the percentage of female directors in the following year, after accounting for common time trends. Likewise, companies address director tenure, busyness, and CEO duality when investors articulate these concerns in their rationales. Importantly, high voting dissent alone is often not enough to trigger a management response, even when the relevant governance characteristics are apparent. For example, firms with low gender diversity do not systematically add female directors when they face high overall dissent. This suggests that voting rationales provide the actionable information necessary for boards to align governance policies with specific investor concerns.

Naturally, voting rationales do not exist in a vacuum, and the concerns they highlight are likely correlated with signals from other communication channels. One important channel is proxy advisors, so we conduct additional tests to better understand their role. We proxy for ISS and Glass Lewis rationales using robo-voters—investors who follow ISS or Glass Lewis recommendations at least 99% of the time in a proxy season. We find that robo-voters rarely mention some of the most common rationales, such as board diversity or director tenure, and they differ in the relative importance assigned to other rationales relative to non-robo voters. This result is notable because, while prior literature often uses ISS rationales as a proxy for shareholders' concerns (Ertimur, Ferri, and Oesch, 2018) and shows their significant influence on voting outcomes (Iliev and Lowry, 2015; Malenko and Shen, 2016), our evidence indicates that many institutional investors formulate independent governance assessments rather than echoing their proxy advisors' views. More importantly, we find that concerns expressed in voting rationales remain significantly associated with subsequent governance changes, even when ISS does not raise these issues.

We further show that our results are robust to alternative channels, such as direct engagement and the Big Three, and that they are unlikely to be driven by proxy voting guidelines. More broadly, the strength of our findings lies in the alignment between the specific reasons investors provide and the concrete actions boards later take. This precise, issue-specific match makes it highly unlikely that unobservable firm characteristics are driving the results, underscoring the role of rationales in providing information necessary to drive governance changes.

An important issue is understanding why firms respond to voluntarily disclosed rationales when only a fraction of investors provide rationales. First, our sample represents an economically important cross-section of highly influential investors, including nine of the top twenty asset managers (representing over $37 trillion in AUM) as well as many smaller investors. Second, to ensure that our analysis does not simply reflect a self-selected sample of vocal investors, we infer undisclosed rationales using an ideology-matching approach. Specifically, we rely on the well-established premise that investors with high voting agreement share an underlying ideology (Bolton, Li, Ravina, and Rosenthal, 2020), which allows us to recover the unobserved motivations of non-disclosing investors. To validate this approach, we first perform a masking exercise on the disclosed rationales: we randomly hide 10% of these rationales, and show that our algorithm reliably predicts the true, masked rationale. We then infer the missing rationales of non-disclosers using the rationales of their ideologically closest peers voting on the exact same director candidate. This allows us to infer a rationale for 66.3% of all dissenting votes in our sample. The distribution of these inferred rationales is highly similar to that of our disclosed sample, indicating that disclosed rationales provide a reliable window into institutional investors' overall priorities, rather than just capturing an idiosyncratic subset of vocal investors.

Finally, we show that firm responsiveness to voting rationales is associated with tangible benefits. Specifically, we find that firms that adjust their corporate governance practices in line with the concerns articulated in these rationales experience lower dissent toward directors in the subsequent year. This confirms the tangible benefit of responsiveness: increased shareholder support. Taken together, these results reinforce the idea that voting rationales convey meaningful and actionable information, and that firms have clear incentives to respond to this signal in order to mitigate future opposition and strengthen investor relations.

Our paper contributes to the literature on the governance role of institutional investors (e.g., Hirschman, 1970; McCahery et al., 2016). While existing literature largely infers the reasons behind institutional votes from proxy voting records, we directly analyze institutions' stated reasons for their voting decisions. Our results inform the empirical and theoretical literature by identifying which governance issues institutional investors frequently cite (e.g., independence and diversity) and which they rarely mention (e.g., firm performance or director skills) when voting on director elections. Our study draws upon the stated rationales of more than 250 institutional investors worldwide, allowing us to distinguish actual shareholder concerns from those of proxy advisors and show that firms respond to investors independently of ISS. This directly expands upon Ertimur et al. (2018), which focuses on analyzing the rationales of ISS. Our paper complements Macciocchi, Michaely, Rubio, and Yi (2026), who examine the *when* and *why* of rationale disclosure. They show that the decision to become a discloser is an economic choice shaped by stewardship incentives, client demand, and institutional norms; and among these disclosers, the provision of rationales follows a highly systematic, predictable pattern. This paper takes a different angle by analyzing the content of rationales and their

subsequent impact on corporate policies.

Our findings contribute to the literature on low-cost shareholder activism by identifying voting rationales as a novel and distinct communication channel. Prior studies highlight tools such as "just vote no" campaigns (Del Guercio, Seery, and Woidtke, 2008), expectation documents (Aguilera, Bermejo, Capapé, and Cuñat, 2025), shareholder proposals (Gantchev and Giannetti, 2021), and proxy voting guidelines (Couvert, 2025). While these mechanisms are often concentrated among salient players or aggregate policies, voting rationales provide granular, vote-specific feedback from hundreds of investors across thousands of meetings. Given this dispersed nature, it is far from obvious that firms actively monitor or incorporate them into their governance policies. Nevertheless, we show that rationales perform a distinct informational role by translating ambiguous dissent into actionable priorities for the board. Specifically, we show that high dissent alone is insufficient to trigger a management response, suggesting the important role of rationales in guiding board action. By establishing that this effect holds even when proxy advisors or the Big Three remain silent, our novel contribution lies in showing that corporate governance change is not driven exclusively by these traditional, highly influential market players.

Our paper also adds to the literature on the limits to effective governance by institutional investors. Prior literature documents that mutual funds' overreliance on proxy advisors (Iliev and Lowry, 2015), limited resources devoted to stewardship (Bebchuk and Hirst, 2019), mutual funds' business ties with portfolio companies (Cvijanović et al., 2016), and institutional investors' conflicting incentives (Woidtke, 2002; Matsusaka, Ozbas, and Yi, 2019) might hinder effective governance of portfolio companies. Our results indicate that a wide range of investors

make informed and independent voting decisions, showing that attention to voting by institutional investors is probably more widespread than previously documented (Iliev, Kalodimos, and Lowry, 2021).

2. Data and Descriptive Evidence

We collect data on votes, proxy advisors' and management recommendations, voting rationales, and meeting and proposal characteristics from Diligent for annual meetings at US publicly traded companies between July 2013 and June 2022. Diligent collects information on votes and voting rationales from publicly available sources, including NP-X files, mutual fund web pages, and disclosure platforms hosted by ISS, Glass Lewis, and Broadridge (see Section A of the Internet Appendix for examples of how this information is disclosed). While this information is provided at the fund level, we aggregate the information at the voting-manager level because fund votes cast by the same voting manager have little variation.[3] Therefore, we study votes at the voting-manager level (institutional investor, hereafter). We obtain information on institutional ownership from Thomson Reuters, companies' financial information from Compustat, and board characteristics from the ISS Governance database and BoardEx (see Appendix A for definitions and summary statistics).

Our initial sample comprises over 34 million votes on 280,344 distinct proposals, with director elections accounting for 73% of all votes. In Table 1, we present summary statistics for the sample of uncontested director elections. Panel A presents statistics by voting pattern. Column (1) shows that 89.2% of votes are cast in favor of directors, while the remaining 10.8% are against, abstain, or withhold (hereafter, against). Disclosers—defined as investors who provide

[3]In our sample, only 0.38% of investor-proposal observations have at least one fund voting differently from the rest of the funds from the same voting manager.

at least one rationale during a given proxy season—are more likely to oppose management, casting votes against at a higher frequency (14.6%) than the full sample. Investors have a significantly higher propensity to explain votes against directors; among disclosers, approximately 70% of votes against include a rationale, compared to less than 12% for votes in favor. This pattern indicates that, conditional on becoming a discloser, institutions provide rationales for the vast majority of votes against, rather than a selective subset.

Given that investors are significantly more likely to provide rationales for votes against directors, and because these rationales contain much more substantive information (Section B.3 of the Internet Appendix), we turn our attention to votes against directors. Figure 1 shows that the disclosure has been gaining momentum in recent years, both in the full sample and among disclosers. Some of the largest investors only started to disclose rationales in the 2020 proxy season (e.g., Norges Bank), whereas others have recently increased the fraction of votes for which they disclose rationales (e.g., BlackRock). Notably, in 2022, nine of the twenty largest institutional investors, collectively managing over $37 trillion in assets, disclosed rationales.

In Panel B, we present summary statistics by investor characteristics for the subsample of institutional investors that cast at least one vote against directors. The sample includes 1,398 institutional investors worldwide that voted in at least 20 annual meetings in US publicly traded companies in at least one proxy season. While 67% of these investors are based in the US, the sample includes institutions from the UK (108), Canada (92), and elsewhere (263). The dataset features 867 mutual fund managers (48% of votes), 157 pension funds (32.1%), and 374 other entities, such as banks and labor unions (19.9%). In our sample, 251 investors disclose at least one rationale for votes against directors.

Panel B reveals significant heterogeneity across investors in the decision to disclose rationales. While the unconditional disclosure rate is relatively modest at 14.4%, European institutions and UN PRI signatories exhibit substantially higher unconditional disclosure rates (38.4% and 23.1%, respectively) compared to their US (8.5%) and non-signatory (7.2%) counterparts. Among disclosers, the overall frequency of rationale for votes against averages 70.2%, with European disclosers explaining nearly 85% of their opposition. This suggests that once an institution commits to disclosure, providing rationales becomes a systematic feature rather than an occasional choice (Macciocchi et al., 2026).

3. Classification of Voting Rationales

We now turn our attention to the specific reasons institutional investors provide for their votes against directors. We analyze director elections because they are the most important mechanism for holding directors accountable (Cai et al., 2009; Ertimur et al., 2018; Aggarwal, Dahiya, and Prabhala, 2019). Importantly, director elections account for 73% of votes in our sample and take place in every company on an annual basis, allowing us to provide insights for a broad set of companies. We focus on rationales for votes against directors (including withhold and abstain). As discussed in Section 2, disclosers provide rationales mostly for votes against management (70.2% vs. 11.7%), and these rationales typically contain more substantive information than those supporting management (see Section B.3 of the Internet Appendix).

Our objective is to categorize rationales by grouping those with similar reasoning. To avoid duplicating efforts, we first identify unique rationales for votes against directors. Specifically, our sample contains 394,524 rationales for votes against directors, comprising 71,998 unique rationales. Given this large number, manually categorizing all of them would be challenging.

We use BERT, an NLP technique. We use the FinBERT model, a financial domain-specific pre-trained language model, which effectively captures the context of financial text.

We employ a supervised classification model because it allows us to classify examples based on predefined categories that the literature has identified as major determinants of votes in director elections. Two authors independently categorized a random sample of 1,438 distinct rationales (approximately 2% of the sample). Based on this process, we created 12 non-mutually exclusive categories: *Attendance*, *Board diversity*, *Board structure*, *Busyness*, *CEO duality*, *Compensation*, *ES/CSR*, *Independence*, *Responsiveness*, *Tenure*, *Unequal voting & others*, and a *Rarely mentioned* category for issues with very low frequency. Please refer to Table 3 for the detailed definition and examples of each category, and to Section B.2 of the Internet Appendix for the construction of these categories.

We separate the labeled data into train, validation, and test sets to train the model and fine-tune the hyperparameters. Our model performs well on the test set, achieving an accuracy of 0.99 and a weighted F1-score of 0.96. We also observe high precision and recall scores across the individual categories, suggesting that our model accurately classifies instances even in minority classes. We report the detailed model performance metrics in Table 3.

4. Why Do Institutional Investors Vote Against Directors?

In this section, we investigate the main reasons institutional investors provide for their votes against directors. While we run the BERT algorithm to categorize each investor's rationales at the proposal level, in what follows, we consider rationales at the meeting level (i.e., which issues were raised during the annual meeting for all directors up to vote), for two reasons. First, in many cases, institutional investors vote against directors for reasons that are not director-

specific, but rather for issues that concern the whole board or the firm (e.g., *"Concerns about overall board structure."*). Second, institutional investors sometimes provide the same rationale for all directors up for election in a given meeting (e.g., *"Votes against incumbent nominating committee members Harriet Edelman and George Mrkonic Jr. are warranted for lack of diversity on the board. Votes for the remaining director nominees are warranted."*). By looking at rationales at the meeting level, we avoid counting the same rationale multiple times.

4.1. Distribution of Stated Rationales

We examine the stated rationales for votes against directors. We interpret the observed distribution of rationales as a reflection of the concerns that most commonly arise in uncontested director elections in US public companies. We do not interpret this as a direct measure of their intrinsic importance to investors. For instance, a concern may appear rarely simply because the underlying issue (e.g., poor attendance) rarely occurs in practice, not because investors are indifferent to the issue. Therefore, our objective is to document the types of concerns that 251 institutional investors in our sample cite when justifying their votes against directors.

Table 4 provides a breakdown of the frequency of different reasons behind votes against (including abstentions and withheld), based on data at the investor-meeting level. Column (2) reveals that *Independence* is the most frequently stated rationale, accounting for 21.2% of all mentions across the 12 categories. At first glance, this high frequency might seem surprising, given that most firms today satisfy the baseline requirements introduced by the Sarbanes–Oxley Act and subsequent exchange rules, resulting in boards that are already majority independent. However, further analysis reveals that rationales related to *Independence* focus on multiple

dimensions simultaneously, averaging 1.5 distinct independent concerns per rationale.[4] The most commonly stated concern is key committee independence, which appears in 77% of all independence-related rationales. This is followed by overall board independence (44%), lead director independence (18%), and other independence concerns (12%).[5] Our evidence indicates that when investors express concerns regarding board independence, their focus is primarily anchored in specific structural dimensions, such as committee assignments, rather than aggregate board composition. Consequently, standard proxies based on BoardEx classifications fail to capture the granular structural issues that institutions actively monitor and react to.

We find that *Board diversity* is the second most common category for votes against, accounting for 17.7% (column (2)). In fact, *Board diversity* is mentioned in more meetings than *Independence*, among the meetings with at least one rationale for votes against (71.5% vs. 67.1%, column (5)). Figure 2 documents the relative frequency of different voting rationales over time and shows that institutional investors have cited board diversity since at least the 2014 proxy season, even before the Big Three's board gender diversity campaign began in 2017 (Gormley et al., 2022). In our sample, the percentage of rationales on *Board diversity* increased from 12.3% in the 2014 proxy season to 19.5% by 2022.

We provide the first systematic examination of exactly how often specific governance concerns are cited to justify voting against directors. While institutional investors and proxy ad-

[4]To classify these dimensions, we use a BERT model trained on a manually classified sample of 593 rationales. We identify four primary categories: (i) *overall board independence*, regarding the board's aggregate composition; (ii) *key committee independence*, specifically targeting the independence of audit, compensation, or nominating committees; (iii) *lead director independence*, addressing the lack of an independent chair or lead director; and (iv) *other independence concerns*, a residual category encompassing business relationships, related-party transactions, and family or personal ties.

[5]Notably, there is a significant definitional mismatch between institutional investors and regulatory standards. Many institutions apply stricter criteria than exchange listing rules; for example, automatically reclassifying directors with tenures exceeding 10 or 15 years as non-independent (e.g., *"The nominee cannot be considered independent... given that his tenure exceeds 10 years."*).

visors have long debated issues like board structure, busyness, CEO duality, and compensation (Table 4), the actual breakdown of voting rationales reveals striking disparities. For instance, unequal voting rights (13.6%) and director tenure (11.8%) emerge as frequently cited reasons for voting against directors. Conversely, other governance issues like poor attendance account for just 0.9% of rationales, reflecting generally strong attendance records across the board (Cai et al., 2009). Interestingly, responsiveness to shareholders accounts for 1.9% of rationales—a much smaller footprint than previously documented for ISS (Ertimur et al., 2018).

We also find that some institutional investors hold directors accountable for *ES/CSR* issues when casting their votes. This voting rationale is still relatively uncommon, accounting for only 1.2% and mentioned in 7.1% of meetings with rationales for votes against. It has become more important during the 2021–2022 proxy seasons (Figure 2), consistent with anecdotal and academic evidence suggesting that some ESG dimensions are associated with voting outcomes in director elections (Aggarwal et al., 2023).[6] At the same time, we identify no clear time-series pattern in the relative importance of different rationales. If anything, *Independence* became relatively less important over time (Figure 2).

Different investors cite varied reasons for voting against directors, reflecting heterogeneous preferences (e.g., Bolton et al., 2020; Hu, Malenko, and Zytnick, 2024). Section D of the Internet Appendix shows that European investors emphasize *Independence, Tenure,* and *CEO duality*, while US investors focus more on *Board diversity* and *Busyness*. The Big Three have mentioned *Board diversity* since 2017 and began citing *ES/CSR* concerns in 2020. These issues are also more common among PRI signatories, consistent with the UN PRI's principles. In contrast,

[6]See Dieter Holger, "More Investors Vote Against Corporate Directors Over Climate Change," Wall Street Journal, July 21, 2022. Available here.

pension funds' rationales are similar to those of mutual fund managers, despite concerns about their motivations (e.g., Del Guercio and Hawkins, 1999; Matsusaka, Ozbas, and Yi, 2021).

Importantly, our evidence challenges the notion that investors rely on boilerplate justifications. To quantify the extent to which investors customize voting rationales across companies, we calculate the average cosine similarity across all rationale pairs generated by a given investor within a single proxy season. We document an average similarity score of 0.46 (Table 5 Panel A). This substantial within-investor variation provides robust evidence that investors actively tailor their voting rationales to the specific governance contexts of individual firms, rather than deploying a uniform, "one-size-fits-all" approach.

4.2. Assessing the Representativeness of Disclosed Rationales

Having identified and classified the voting rationales of disclosing institutional investors, we next explore the broader representativeness of these disclosures. Because providing a rationale is voluntary, it is important to understand whether these observable justifications reflect broader investors' views rather than idiosyncratic preferences. This section investigates whether stated rationales can unlock the motivations behind unexplained votes. Specifically, we assess the extent to which these disclosures capture the underlying drivers of votes cast by non-disclosing investors, alongside the votes of disclosing investors that were unaccompanied by a rationale.

Our approach assumes that ideologically similar investors dissent for similar reasons, allowing us to infer missing rationales from those disclosed by similar investors voting on the same proposal. We implement a two-step procedure. First, we estimate investor ideology using the one-dimensional W-NOMINATE coordinate based on all votes cast during the proxy season (Bolton et al., 2020; Michaely, Ordonez-Calafi, and Rubio, 2024), which ranges from -1 to 1,

with smaller distances indicating greater similarity. Second, for votes against a director without a rationale, we assign the rationale of the disclosing investor with the closest ideology on the same proposal, requiring that the absolute ideological distance be no greater than 0.1. We validate the approach within the sample of disclosed rationales by randomly masking 10% of observations and treating them as unobserved. For each masked vote, we match the closest investor voting on the same proposal based on ideology and compare true and inferred rationales. The distributions are highly similar, indicating that ideology-based matching effectively recovers underlying motivations. At the vote level, the method achieves an average accuracy of 0.90 and an F1-score of 0.60 (see Section C.1 of the Internet Appendix), a performance that aligns with models relying on advanced textual analysis in the corporate finance literature (e.g., Acikalin, Caskurlu, Hoberg, and Phillips, 2022).

We then apply our ideology-matching approach to votes without a disclosed rationale and are able to assign rationales to 58% of such votes. Combining inferred and disclosed rationales, 66.3% of all votes against directors are covered. While this represents two-thirds of the votes, we note two boundaries to this approach. First, by construction, the algorithm cannot capture governance issues that are not mentioned by any disclosing investor. Second, imputation is only possible for proposals with at least one disclosed rationale in a given meeting. In our sample, these zero-disclosure proposals account for the vast majority of our unrecovered rationales. Conditional on the presence of at least one disclosed rationale, the matching algorithm successfully recovers the majority of missing votes. Overall, while we cannot infer the rationale associated with every dissenting vote, a 66.3% coverage rate provides a highly representative and economically substantial sample. Importantly, the overall distribution of rationales re-

mains largely similar after incorporating inferred rationales (column (3) of Table 4 and Figure IA.3). The main exception is tenure, which becomes less prominent, consistent with European investors—who place greater emphasis on tenure—being more likely to disclose rationales and thus overrepresented in the disclosed sample. We also find that concerns emphasized by proxy advisors gain some prominence (e.g., *Unequal voting & other*), consistent with our algorithm effectively recovering the rationales of robo-voters.

As a complementary, methodologically distinct approach, we apply propensity score weighting (PSW) (Rosenbaum and Rubin, 1983). This method reweights the sample based on observable factors that influence disclosure decisions, such as investor, firm, and vote characteristics. For example, European investors are reweighted to match their population share rather than their overrepresentation (Table 1). Implementing PSW (Section C.2 of the Internet Appendix), we find that the relative importance of rationales remains largely unchanged (column (4) of Table 4), suggesting that our results are not driven by observable determinants of disclosure.

Ultimately, these results indicate that while rationale disclosure is voluntary, rationales in our sample do not simply reflect idiosyncratic preferences. Rather, they accurately capture the systematic governance concerns driving two-thirds of the dissenting votes in our sample.

4.3. Do Investors Simply Echo Proxy Advisors?

A central question in corporate governance is whether institutional investors exercise independent judgment or rather outsource their monitoring to proxy advisors. Because direct data on voting rationales has historically been unavailable, literature often assumes that proxy advisor reports (or ISS withhold recommendations) reflect broader shareholder preferences (Ertimur et al., 2018). Given the well-documented impact of proxy advisors on voting outcomes (Iliev and

Lowry, 2015; Malenko and Shen, 2016; Shu, 2024), it is critical to investigate this assumption. By analyzing investors' own stated rationales, we provide the first direct evidence of whether institutions simply echo proxy advice or formulate independent governance assessments.

Because proxy advisors do not publicly disclose the reasoning behind their recommendations, we develop a novel approach to capture their views: isolating the rationales of robo-voters. We define these as investors who adhere to ISS or Glass Lewis recommendations at least 99% of the time in a given proxy season. We empirically validate this approach by measuring rationale overlap; the average cosine similarity among robo-voters is near-perfect (0.96 for ISS, 0.99 for Glass Lewis), compared to just 0.44 for the broader investor sample (Table 5, Panel B). This confirms that robo-voters directly pass through the text of their proxy advisors. By isolating robo-voters' rationales, which account for 4.5% of our rationale sample, we can accurately benchmark the views of other investors against proxy advisors' rationales.

In Figure 3, we compare the voting rationales of robo-voters and non-robo-voters. We find that the rationales of robo-voters differ substantially from the rationales of non-robo-voters. For ISS robo-voters, *Unequal voting & others* is cited most frequently, followed by *Independence*. Notably, *Board diversity*—the second most important rationale in our full sample—is infrequent among ISS robo-voters. Other common rationales, such as *Tenure* and *CEO duality*, are rarely mentioned by ISS robo-voters, whereas others, such as *Responsiveness* and *Board structure*, are relatively more common for ISS robo-voters, consistent with Ertimur et al. (2018). Regarding Glass Lewis robo-voters, the number of distinct rationales in this subsample is notably lower than for the ISS robo-voters or the full sample; most rationales seem to focus on a few issues,

such as *Independence*, *Unequal voting & others*, *Busyness*, and *Compensation*.[7] To ensure the differences in voting rationales are not driven by differences in portfolio composition or time trends, we compare the rationales of robo-voters and non-robo-voters *within* the same meeting. The average cosine similarity across these pairs is only 0.53 (Table 5 Panel B), indicating significant disagreement even when evaluating the exact same meeting.

Ultimately, our findings are inconsistent with the view that institutions simply echo their proxy advisors. The stark divergence between the rationales of robo-voters and the rest indicates that institutions frequently formulate independent, firm-specific governance assessments.

5. Voting Rationales: Substance or Symbolism?

Having established the main governance concerns cited by institutional investors, we next examine whether these stated rationales contain genuine informational substance. Because disclosure is voluntary, investors could engage in rationale-washing, i.e., using disclosures to project a favorable narrative (e.g., Gibson Brandon et al., 2022), mask conflicts of interest (Davis and Kim, 2007; Cvijanović et al., 2016), or advance self-interested motives (Woidtke, 2002; Matsusaka et al., 2019). To test whether rationales reflect true voting motivations rather than symbolic communication, we conduct two distinct empirical tests. First, we evaluate whether the concerns expressed in rationales accurately map onto observable firm characteristics (Section 5.1). Second, we test whether individual investors actually vote consistently with their own stated priorities across their broader portfolios (Section 5.2). If rationales are informative,

[7]The distribution of rationales we observe differs meaningfully from the ISS withhold recommendations documented in Ertimur et al. (2018). This divergence largely reflects the substantial evolution of the governance landscape since their 2003–2010 sample period. For example, while Ertimur et al. (2018) find that compensation concerns account for over 40% of negative recommendations, dissatisfaction with compensation is largely channeled through mandatory Say on Pay votes in recent years. Additionally, board diversity and ES/CSR were largely absent during their sample period.

an investor who frequently cites a specific concern, such as a lack of board diversity, should systematically vote against directors at firms exhibiting that exact characteristic.

5.1. Are Concerns Well Grounded?

We first examine whether voting rationales reflect firms' current governance characteristics. For each meeting, we estimate the proportion of rationales related to *Independence*, *Board diversity*, *Tenure*, *Busyness*, or *CEO duality* for votes against directors, and study whether they are correlated with board independence, board gender diversity, tenure, and busyness, or CEO duality at the firm level. We focus on these dimensions because they are board characteristics observable at the firm level. They are also five of the eight main rationales (Table 4).[8]

To formally evaluate whether these concerns are well grounded, we examine whether firms that have lower board diversity (in particular, a lower proportion of females) have a higher fraction of rationales related to *Board diversity*, after controlling for other firm characteristics. Likewise, we test if companies with a low proportion of independent directors, long-tenured and busy boards, and CEO duality receive more concerns about *Independence*, *Tenure*, *Busyness*, and *CEO duality*, respectively. Specifically, we estimate the following equation:

$$Prop\_Rationales_{jt} = \beta_0 + \beta_1 BoardChars_{jt} + \beta_2 Dissent_{jt} + \delta X_{jt} + \tau_t + \theta_l + \epsilon_{jt}, \qquad (1)$$

where $Prop\_Rationales_{jt}$ is the proportion of rationales on each issue for firm j in proxy season t. This value is estimated as the number of institutional investors mentioning the rationale relative

[8]While *Unequal voting & others*, *Compensation* and *Board structure* appear often in our sample, these categories include several dimensions for which no suitable proxy effectively captures all these issues. For instance, the *Unequal voting & others* category includes dual-class share structures or changes in governance provisions without shareholders' approval. Likewise, *Compensation* can capture concerns over excessive pay or that the company did not provide shareholders with a vote on executive compensation.

to all the rationales mentioned by all institutional investors in the same meeting, capturing the relative importance of that rationale for all investors in that firm-year. That is, the proportion of rationales on *Board diversity* is calculated as $Prop\_board\_diversity = \frac{\sum_i \mathbb{1}(board\_diversity=1)}{\sum_i Rationales}$. For instance, if Investor A mentions *Board diversity*, *Tenure*, and *ES/CSR*, and Investor B mentions *Board diversity* and *Busyness*, the proportion of rationales on *Board diversity* is 0.4 (= 2/5), and 0.2 (= 1/5) for each of the other rationales. By construction, $Prop\_Rationales_{jt}$ varies between 0 and 1. We exclude the *Rarely mentioned* category as it combines observations that do not fit into any specific categories.

$BoardChars_{jt}$ is either the percentage of independent directors, the percentage of female directors, the average director tenure, the average number of boards held by directors, or a dummy equal to 1 if the CEO is the chairman of the board, and 0 otherwise. $Dissent_{jt}$ is the mean dissent voting of all candidates on the ballot. X_{jt} includes firm- and meeting-level controls. The former include $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, and $InstOwn\_Perc$. We also include meeting-level controls, $Contentious\_ISS$ and $Contentious\_GL$, to account for proxy advisors' recommendations. τ_t accounts for proxy-season fixed effects, and θ_l are industry-level fixed effects. Standard errors are clustered at the firm level.

Table 6 presents the results. Column (1) shows that firms with a higher proportion of independent directors on the board have fewer rationales on *Independence* after controlling for other firm and meeting characteristics. The coefficient indicates that a 10% increase in the percentage of independent directors is associated with a decrease of 2.3% in the proportion of rationales on *Independence* (t-stat = −6.8). Similarly, column (2) indicates that when firms have a higher fraction of female directors on the board, they receive fewer rationales regarding

Board diversity (t-stat = −26.0). The economic impact is also large: a 10% increase in the percentage of female directors reduces the fraction of rationales related to *Board diversity* by 7.5%.[9] Columns (3) and (4) show that a one-year increase in average director tenure increases the proportion of rationales on *Tenure* by 1.1% on average (t-stat = 31.9), while adding one more board seat increases the fraction of concerns on *Busyness* by 14.8% (t-stat = 23.2). Finally, column (5) shows that CEO chairmanship increases the fraction of concerns on *CEO duality* by 7.2% (t-stat = 38.2). In untabulated results, we obtain similar findings when using the fraction of votes with inferred rationales based on ideological matching and PSW.

5.2. Are Rationales Consistent with Investors' Voting Behavior?

An important concern for voluntarily disclosed rationales is that they may not represent investors' true voting motivations but instead serve reputational purposes. We refer to this concern as rationale-washing: investors' attempts to shape a narrative of active stewardship through the selective disclosure of voting rationales, rather than aligning their broader voting behavior with those stated concerns. For example, an investor may frequently cite concerns about board diversity in disclosed rationales but nonetheless vote in favor of directors at firms with low female representation. If rationales are informative about investors' true governance preferences, then those preferences should manifest in voting outcomes. We therefore test whether investors who frequently mention a given issue in their rationales vote consistently with those stated concerns across their entire portfolio of director elections. Specifically, we

[9]We find qualitatively similar results for ethnic diversity, using data from ISS (see Section E of the Internet Appendix). For ethnic diversity, the coefficient is economically smaller than gender but statistically significant, suggesting that companies with lower ethnic diversity receive more rationales related to *Board diversity*. Similar to *Independence*, *Board diversity* can also present measurement challenges, as diversity is multidimensional. However, this issue is more pronounced for gender, while relatively fewer rationales refer to racial diversity.

estimate the following regression:

$$Vote\_Against_{ijt} = \beta_0 + \beta_1 BoardChars_{jt} + \beta_2 HighMention_{it} + \beta_3 NoRationales_{it} + \beta_4 BoardChars_{jt} \times HighMention_{it} + \beta_5 BoardChars_{jt} \times NoRationales_{it} + \delta X_{jt} + \gamma_i + \varphi_j + \tau_t + \epsilon_{it}, \quad (2)$$

where $Vote\_Against_{ijt}$ is the fraction of votes against directors that investor i casts at firm j in proxy season t; γ_i and φ_j are investor and firm fixed effects, respectively. For each of the five issues examined in Section 5.1, we categorize investors based on the frequency with which they mention each issue in their voting rationales. $HighMention$ is a dummy equal to one if the proportion of rationales in which investor i cites a specific issue (e.g., *Board diversity*) exceeds the median among all investors in proxy season t. $LowMention$ (the baseline category) comprises investors whose frequency falls below the median. $NoRationales$ identifies investors who provided fewer than 10 rationales, including none. We also control for all five baseline board characteristics.

Our main coefficient of interest is the interaction term, β_4. A significant interaction would imply that investors who emphasize a given issue in their rationales adjust their voting sensitivity to the corresponding firm characteristic, consistent with rationales reflecting underlying preferences rather than serving solely reputational purposes. Table 7 shows that for *Board diversity*, the interaction between the percentage of female directors and the $HighMention$ group is negative and statistically significant (column (2)). This indicates that investors who frequently cite concerns about board diversity are more likely to vote against directors at less gender-diverse firms than investors who mention board diversity less frequently. Economically, every ten percentage point increase in female board representation is associated with a 0.027

unit reduction in votes against directors for $HighMention$ investors, compared to baseline category (i.e., $LowMention$ investors) (t-stat = –2.71). Similar patterns hold for *Tenure*, *Busyness*, and *CEO duality*. These findings are inconsistent with rationale-washing and instead indicate that rationales convey meaningful information about the criteria investors apply when evaluating director elections. The interaction for *Independence* is statistically insignificant, which may reflect the broad nature of this category (see Section 4.1). Finally, the interaction terms for the $NoRationales$ group are generally insignificant, suggesting that investors who rarely provide rationales do not exhibit differential voting sensitivity with respect to these governance characteristics.

Taken together, the evidence in Section 5 confirms that voting rationales carry informational substance. In the aggregate, stated rationales systematically map onto observable firm characteristics and accurately predict investors' voting behavior across their broader portfolios. These findings indicate that, on average, institutional investors vote in accordance with their stated governance priorities. Ultimately, this alignment between stated concerns and revealed preferences rules out rationale-washing as a widespread phenomenon, confirming that voting rationales are substantive communication channels rather than just symbolic communication.

6. Rationales and Subsequent Governance Changes

Having established that voting rationales contain genuine economic substance, we now ask whether this information drives corporate behavior. While the literature shows that boards respond to high-profile pressure from salient actors like proxy advisors or influential institutional investors (e.g., Ertimur et al., 2018; Pawliczek, Skinner, and Wellman, 2021), rationales represent a much more decentralized communication channel. Because these disclosures are provided

voluntarily and lack a centralized reporting requirement, it is not obvious ex ante that boards systematically monitor or prioritize these individual explanations. In this section, we test the implications of this granular feedback. We first examine whether firms adjust board composition in response to specific stated concerns (Section 6.1), and then assess whether responsive firms are rewarded with reduced shareholder dissent the following year (Section 6.2).

6.1. Do Boards Address Investors' Concerns?

While high shareholder dissent signals general dissatisfaction, we hypothesize that the granular information contained in voting rationales can help boards prioritize and implement specific governance reforms. To test this, we examine whether the prevalence of a specific rationale predicts the direction of subsequent board changes above and beyond the overall level of dissent. For instance, our analysis tests whether a lack of female representation is addressed when dissent is explicitly linked to a *Board diversity* rationale, rather than occurring as a general response to a high fraction of dissenting votes. Specifically, we focus on five targeted governance actions that we analyze in Section 5 to investors' stated concerns: increasing overall board independence, adding female directors, reducing average director tenure, addressing director busyness, and separating the CEO and Chair roles. To isolate the informational role of these disclosures, we estimate the following specification:

$$\begin{aligned}\Delta BoardCharacteristic_{j,t+1} = \beta_0 + \beta_1 Dissent_{jt} + \beta_2 Prop\_Rationales_{jt} + \\ \beta_3 Prop\_rationales_{jt} \times Dissent_{jt} + \delta X_{jt} + \tau_t + \theta_l + \epsilon_{j,t+1},\end{aligned} \tag{3}$$

where $\Delta BoardCharacteristic_{j,t+1}$ is the change in the percentage of independent directors, the proportion of females on the board, the change in the average director tenure, the change in

the average busyness of all directors, or the change in CEO duality the year after the meeting. $Dissent_{jt}$ is the mean dissent voting of all candidates on the ballot, and $Prop\_Rationales_{jt}$ is the proportion of rationales related to *Independence*, *Board diversity*, *Tenure*, *Busyness*, and *CEO duality*. Our main coefficient of interest is β_3 and captures future changes in any of the previous board characteristics when dissent is higher, and a higher fraction of voting rationales refers to that governance issue. X_{jt} includes a set of controls for firm and meeting characteristics defined in equation (1). θ_l accounts for industry fixed effects.

We also include proxy-season fixed effects, τ_t, in equation (3). This is important because firms may be responding to broader market pressures or investor concerns communicated through other channels, rather than specifically to the rationales. By adding proxy-season fixed effects, we account for common trends across firms (e.g., a general shift toward greater gender diversity) and better isolate the effect of voting rationales from broader governance movements.

The results in Table 8 show that boards systematically address the specific concerns raised in voting rationales through implementing governance changes, particularly when dissent is high. Different panels exhibit results for different governance issues. For instance, in Panel B, we present the results for changes in board diversity. While column (1) shows that high dissent alone is not significantly related to changes in the proportion of female directors on the board in the following year, column (2) shows that high dissent associated with rationales expressing concerns about lack of *Board diversity* is positively associated with future changes in the percentage of females on the board. Specifically, the coefficient on the interaction term is positive and significant (t-stat = 2.9). Since finding and recruiting appropriate new directors who meet specific criteria is often a lengthy process, it is ex-ante unclear precisely when board

changes will fully manifest; consistent with potential delays, we find the impact on female board representation is stronger after two years (column (3)). Specifically, at 12% dissent (75th percentile), a unit increase in the proportion of rationales on *Board diversity* is associated with a 3.7% increase in the proportion of females after two years. Although the magnitude appears small, it represents a non-trivial change relative to the low baseline level of the dependent variable (mean = 0.04).

Panels C–E of Table 8 present the results for changes in tenure, busyness and CEO duality, respectively. Results in column (2) of these panels indicate that high dissent related to *Tenure*, *Busyness*, and *CEO duality* are associated with changes in these governance characteristics in the following year. The coefficients are statistically significant at conventional levels, and these changes are more pronounced after two years (column (3)). In column (4), we use a modified version of *Prop_Rationales* that incorporates inferred rationales based on ideological matching (Section 4.2). Our results remain very similar under this specification. These findings suggest that firms have incentives to adjust board composition in response to disclosed rationales, as these likely reflect the views of the broader investor community.

In contrast to the dynamic adjustments observed for board diversity, tenure, busyness, and CEO duality, Panel A reveals that aggregate board independence remains largely unresponsive to articulated concerns, as neither general dissent nor dissent specifically driven by independence concerns is significantly associated with subsequent changes in the proportion of independent directors. This null result, however, does not necessarily indicate a lack of firm responsiveness, but rather highlights systematic measurement and definitional mismatches between investors' granular concerns and commonly used aggregate metrics. A BERT-based

analysis of nearly 30,000 independence-related rationales reveals that independence is a multi-dimensional construct with significant "shades of grey" that aggregate proxies, like the percentage of independent directors, do not capture (Section 4.1). We identify three potential drivers for this null result: first, a structural mismatch where boards may address concerns by reshuffling key committees without altering the overall board-level independence ratio; second, a definitional divergence where investors apply stricter criteria than commercial databases, such as reclassifying long-tenured directors as non-independent; and third, economic trade-offs where boards may optimally choose to preserve vital, firm-specific expertise and absorb voting penalties rather than removing a knowledgeable insider (see, for related arguments, Coles, Daniel, and Naveen, 2008; Duchin, Matsusaka, and Ozbas, 2010). Ultimately, these results reinforce a core contribution of our study: voting rationales are essential precisely because they illuminate specific, actionable structural frictions that traditional, binary metrics fundamentally obscure.

A potential concern is that the documented firm responsiveness might be driven by parallel, high-profile communication channels rather than the information contained in the rationales. If the concerns highlighted in these disclosures merely echo the priorities of influential actors—such as proxy advisors or the Big Three—then rationales may not provide an additional signal to the board. We address this possibility in columns (5) and (6) of Table 8 by isolating scenarios where these primary channels are silent. First, we restrict the sample to meetings where ISS recommended voting *in favor of* all directors or where ISS robo-voters did not mention the specific governance concern. The results in column (5) remain significant, indicating that rationales predict subsequent board changes even in the absence of proxy advisor pressure. Second, we exclude meetings where any of the Big Three articulated the relevant concern in

their rationales; as shown in column (6), firms continue to respond to the collective, dispersed signal provided by less prominent institutional investors. These findings are supported by the fact that certain issues, such as director tenure and CEO duality, are rarely emphasized by the Big Three or ISS, yet still trigger subsequent governance adjustments (see Figure 3 and Figure IA.5). Collectively, this evidence suggests that voting rationales serve as a distinct signal that triggers corporate action, even when the market's most influential players are silent.

We finally address the possibility that boards might resolve governance issues based on their own internal observations when facing high dissent, without relying on the information contained in voting rationales. If boards proactively address salient issues, then high dissent, when paired with an observable characteristic (e.g., low gender diversity), should predict subsequent board changes regardless of whether a rationale was disclosed. We test this alternative explanation in column (7) by interacting overall dissent with the underlying board characteristic. The results provide no support for this "salient characteristic" hypothesis; even in the presence of high shareholder dissent, observable governance attributes do not correlate with subsequent board changes. While we recognize that these associations are not identified using an exogenous source of variation, the evidence suggests that rationales serve an informational role by clarifying exactly which governance issues demand the board's attention. By explicitly articulating specific concerns, investors seem to provide the actionable signal necessary to elevate particular issues on the corporate agenda and trigger a responsive adjustment.

The granular nature of our evidence, which links specific investor concerns to subsequent, corresponding board changes, raises the hurdle for alternative explanations. While direct engagement is an integral tool for institutional investors, it is a highly resource-intensive practice

typically limited to a small subset of portfolio firms (Heath, Macciocchi, and Ringgenberg, 2026). Therefore, it is unlikely that such rare, unobserved interactions would systematically align with the thousands of decentralized rationales we analyze in a way that independently predicts board adjustments (see Section F of the Internet Appendix for additional tests). By demonstrating that this precise alignment persists even after controlling for overall dissent, underlying firm characteristics, and the influence of both proxy advisors and the Big Three, we provide compelling evidence that rationales serve as a distinct mechanism for governance feedback. Even when these public disclosures operate alongside other channels of investor influence, our results indicate that rationales exert an impact above and beyond these channels, allowing boards to understand investors' concerns and implement governance changes.

6.2. Governance Adjustments and Future Dissent

We finally examine whether firms that align their governance structures with the specific issues articulated in voting rationales experience increased shareholder support in subsequent proxy seasons. We estimate the following regression:

$$\Delta Dissent_{j,t+1} = \beta_0 + \beta_1 AddressScore_{jt} + \delta X_{jt} + \tau_t + \theta_l + \epsilon_{j,t+1}, \tag{4}$$

where $\Delta Dissent_{j,t+1}$ is the change in average board-level dissent the year after the meeting. $AddressScore_{jt} \in [0, 1]$ measures the extent to which the firm addressed year t rationale concerns prior to the $t + 1$ meeting. We construct this score using indicators for whether the firm aligned its policies with shareholder preferences across specific issues, weighted by the proportion of rationales citing each issue. For example, if rationales cite *Board diversity* (60%), *Tenure* (30%), and *Responsiveness* (10%), and the firm increases female representation but does not

reduce tenure, $AddressScore_{jt} = 0.6$. Because we cannot observe whether a firm addressed *Responsiveness*, we also construct $AddressScore\_alt$, which recalculates the weights focusing on five categories where it is possible to quantify whether the firm addressed investor concerns (yielding $0.6/0.9 = 0.67$ in this example).

Table 9 reports these results. Column (1) shows that fully addressing stated concerns ($AddressScore = 1$) is associated with a 1.9% decrease in average dissent (t-stat $= -9.5$). As shown in Columns (2) and (3), this reduction remains economically and statistically significant (1.0% and 0.5%; t-stats $= -4.7$ and -2.6, respectively) even after including firm, meeting, and board-level controls. Relative to the sample's average and median dissent of 10% and 5%, a 0.5% reduction is substantial. Columns (4)–(6) confirm these patterns using $AddressScore\_alt$. Overall, these findings highlight a tangible benefit of addressing investors' concerns stated in voting rationales: it corresponds to a meaningful reduction in subsequent shareholder dissent.

7. Conclusion

Understanding the motives behind institutional voting decisions is a fundamental question in corporate governance research. Because direct accounts have historically been unavailable, the literature has largely relied on revealed preferences, inferring motives from aggregate voting patterns. Using a novel dataset of nearly 400,000 disclosed rationales provided by 251 institutional investors, we examine these motives based directly on investors' own words. This allows us to move beyond the necessity of deducing intent from indirect proxies and to quantify the relative prevalence of the specific governance concerns driving their votes against directors. This granular feedback translates into measurable corporate change—we show that the prevalence of specific rationales directly predicts corresponding governance changes, above and beyond the

overall level of dissent or other channels of investor influence.

We establish that disclosed rationales are not merely rationale-washing intended to project an image of active stewardship. Our findings confirm that stated rationales systematically map onto observable firm characteristics; for instance, when investors cite a lack of diversity or director busyness, the targeted boards indeed exhibit these specific traits. Moreover, we find that investors' broader voting behavior is aligned with their stated priorities. This internal consistency validates the informational integrity of rationales, showing that they serve as a reliable proxy for investor intent and provide a genuine reflection of the firm's underlying governance status.

To assess whether rationales in our sample capture broader investor views or idiosyncratic perspectives of a few vocal investors, we examine the generalizability of these selective disclosures through an ideology-matching procedure. This exercise reveals that the distribution of these inferred motivations closely mirrors our explicitly disclosed sample, indicating that our data captures the underlying sentiment for a large share of all votes against directors. These results indicate that the governance changes we document do not just reflect the preferences of a vocal minority, but rather address governance concerns that resonate across a large segment of institutional investors.

We find that dissent accompanied by specific rationales is associated with changes in board composition in the direction indicated by those rationales, suggesting that such rationales elevate issues onto the corporate agenda. In contrast, high levels of dissent alone are often insufficient to drive reforms, even when paired with salient firm characteristics (e.g., low board gender diversity). Rationales appear to help boards prioritize and implement the changes artic-

ulated by investors, indicating that they mitigate an information friction regarding shareholder preferences. Furthermore, firms that align their governance with these stated concerns experience a subsequent increase in institutional support, highlighting the tangible benefits of addressing the specific concerns raised in rationales. Ultimately, the value of voting rationales lies in a level of granularity that binary—either for or against—votes simply cannot convey. Without this direct account, firms are often left to speculate on the specific drivers of shareholder dissent. We uncover that even within a single category like board independence, there are multiple underlying structural dimensions, such as committee-level composition or concerns over long-tenured directors, that standard proxies cannot capture.

Collectively, our findings contribute to the ongoing debate regarding shareholder voice by uncovering a novel, effective, and low-cost channel of communication between investors and firms. We show that the information embedded in these disclosures remains a distinct and powerful signal, one that functions independently of other dominant forces, such as proxy advisor recommendations or the public engagement of the Big Three. By publicly disclosing the specific reasons for their dissent, investors provide a mechanism for governance changes that voting outcomes cannot trigger on their own.

Appendix A. Variable Definitions

Variable	Definition (Source)	Mean	Median	SD	N
Meeting Level					
AddressScore	The degree to which a firm has responded to shareholder concerns during the proxy season, with values from 0 to 1. This is based on observable policy changes in the following dimensions: independence, board diversity, director tenure, director busyness, and CEO duality. These changes are evaluated relative to all dimensions in Table 2 Panel A excluding the *Rarely mentioned* category. (BoardEx)	0.12	0.00	0.24	31,014
AddressScore_alt	A modified version of *AddressScore*, calculated with the same approach but relative to concerns in only five dimensions: independence, board diversity, director tenure, director busyness, and CEO duality. (BoardEx)	0.16	0.00	0.31	30,585
AvBusy	Average number of seats held by all directors. (BoardEx)	1.54	1.46	0.47	25,039
AvTenure	Average tenure of all directors. (BoardEx)	7.60	7.13	4.86	25,039
CEO_duality	Dummy equal to 1 if the CEO is the chairman of the board, and 0 otherwise. (BoardEx)	0.37	0.00	0.48	25,039
Contentious_ISS	Dummy equal to 1 if ISS recommends voting against one or more directors, and 0 otherwise. (Diligent)	0.23	0.00	0.42	25,797
Contentious_GL	Dummy equal to 1 if Glass Lewis recommends voting against one or more directors, and 0 otherwise. (Diligent)	0.19	0.00	0.40	22,011
Dissent	Mean dissent voting for all candidates on the ballot, where dissent is the fraction of votes against, abstain, or withheld as a fraction of the sum of votes for, against, abstain, and withheld. (Diligent)	0.10	0.05	0.12	32,299
Dividends	Total dividends divided by total equity as of the end of the fiscal year. (Compustat)	0.02	0.00	0.03	26,722
InstOwn_Perc	Percentage of shares outstanding owned by institutional investors. (Thomson Reuters)	0.67	0.75	0.30	25,377
Leverage	Ratio of long-term and short-term debt to total assets as of the end of the fiscal year. (Compustat)	0.28	0.22	0.28	26,779
Ln(MktCap)	Natural logarithm of market capitalization as of the end of the fiscal year. (Compustat)	7.00	7.04	2.12	26,806
Mkt_to_Book	Market to book value of equity as of the end of the fiscal year. (Compustat)	3.28	1.94	8.00	26,797
Per_female	Percentage of females on the board of directors, ranging from 0 to 1. (BoardEx)	0.16	0.14	0.13	25,038
Per_independent	Percentage of independent directors on the board, ranging from 0 to 1. (BoardEx)	0.84	0.87	0.09	25,039

(Continued)

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Variable	Definition (Source)	Mean	Median	SD	N
Meeting Level (cont.)					
Prop_board_diversity	Proportion of rationales related to board diversity. It is the number of times this rationale is mentioned by institutional investors relative to all rationales mentioned by all institutional investors for the same firm. (Diligent)	0.27	0.18	0.30	26,420
Prop_CEO_duality	Proportion of rationales related to CEO duality. Defined the same way as Prop_board_diversity. (Diligent)	0.03	0.00	0.08	26,420
Prop_busyness	Proportion of rationales related to busy directors. Defined the same way as Prop_board_diversity. (Diligent)	0.09	0.00	0.18	26,420
Prop_independence	Proportion of rationales related to independence. Defined the same way as Prop_board_diversity. (Diligent)	0.22	0.19	0.23	26,420
Prop_tenure	Proportion of rationales related to tenure. Defined the same way as Prop_board_diversity. (Diligent)	0.09	0.00	0.13	26,420
ROA	Return on assets as of the end of the fiscal year. (Compustat)	-0.05	0.02	0.38	26,491

Appendix B. Cosine Similarity of Rationales

Each investor's rationale is a vector with 12 elements indicating whether each issue (e.g., *Independence, Board diversity, Tenure*) was raised during the annual meeting for at least one director. Investor i's rationale is defined as $R_i = [r_i^1, r_i^2, ..., r_i^{12}]$, where r_i^1 is a dummy equal to 1 if investor i mentions *Independence* for at least one director in a given meeting, and 0 otherwise. For any two investors who provided rationales in a given meeting, the pairwise cosine similarity of their rationales can be calculated as follows:

$$\text{Pairwise cosine similarity} = S_C(R_i, R_k) = \frac{\sum_{n=1}^{12} r_i^n r_k^n}{\sqrt{\sum_{n=1}^{12} r_i^n}\sqrt{\sum_{n=1}^{12} r_k^n}}.$$

If N investors provided rationales in a given meeting, the number of pairwise cosine similarities is $N(N-1)/2$. We average those $N(N-1)/2$ values to obtain the cosine similarity. It ranges from 0 to 1, with higher values indicating greater similarity among investors' rationales.

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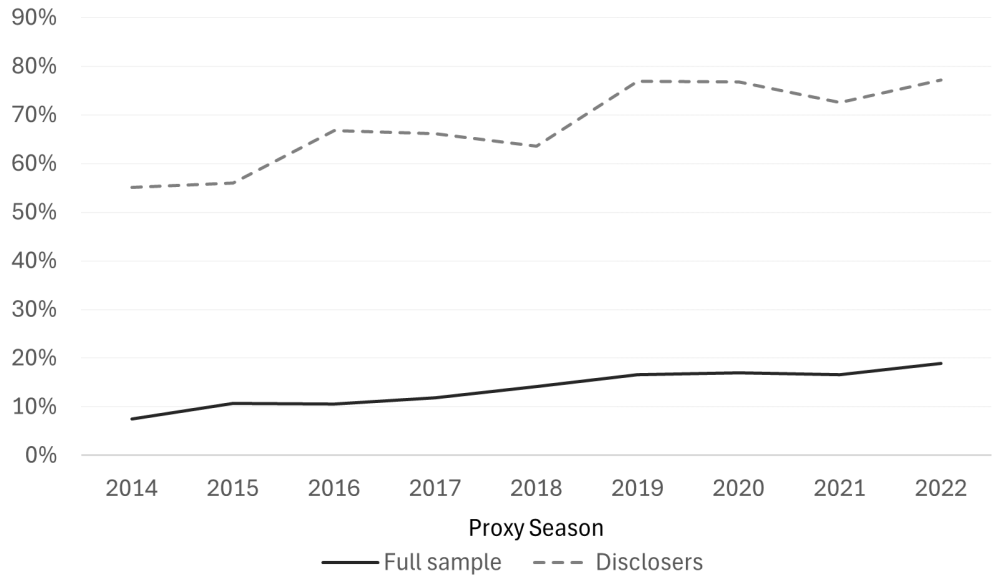

Figure 1. Fraction of Votes Against Directors with Voting Rationale over Time. The figure shows the trend in voting rationale disclosures over time for votes against directors in uncontested elections. The share of such votes accompanied by rationales increases over time, driven both by a growing number of investors disclosing rationales and by greater disclosure intensity among them.

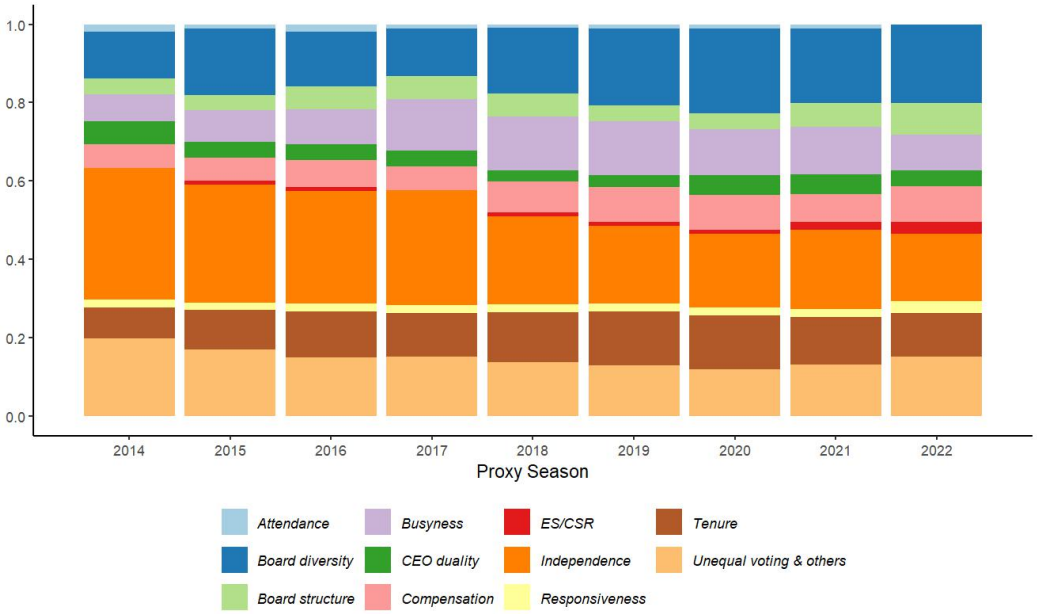

Figure 2. Relative Frequency of the Various Rationales over Time. The figure shows the relative frequency of the different rationales for votes against directors over the 2014–2022 proxy seasons. The *Rarely mentioned* category is excluded, as it combines observations that do not fit into any specific categories and do not contribute meaningful insights.

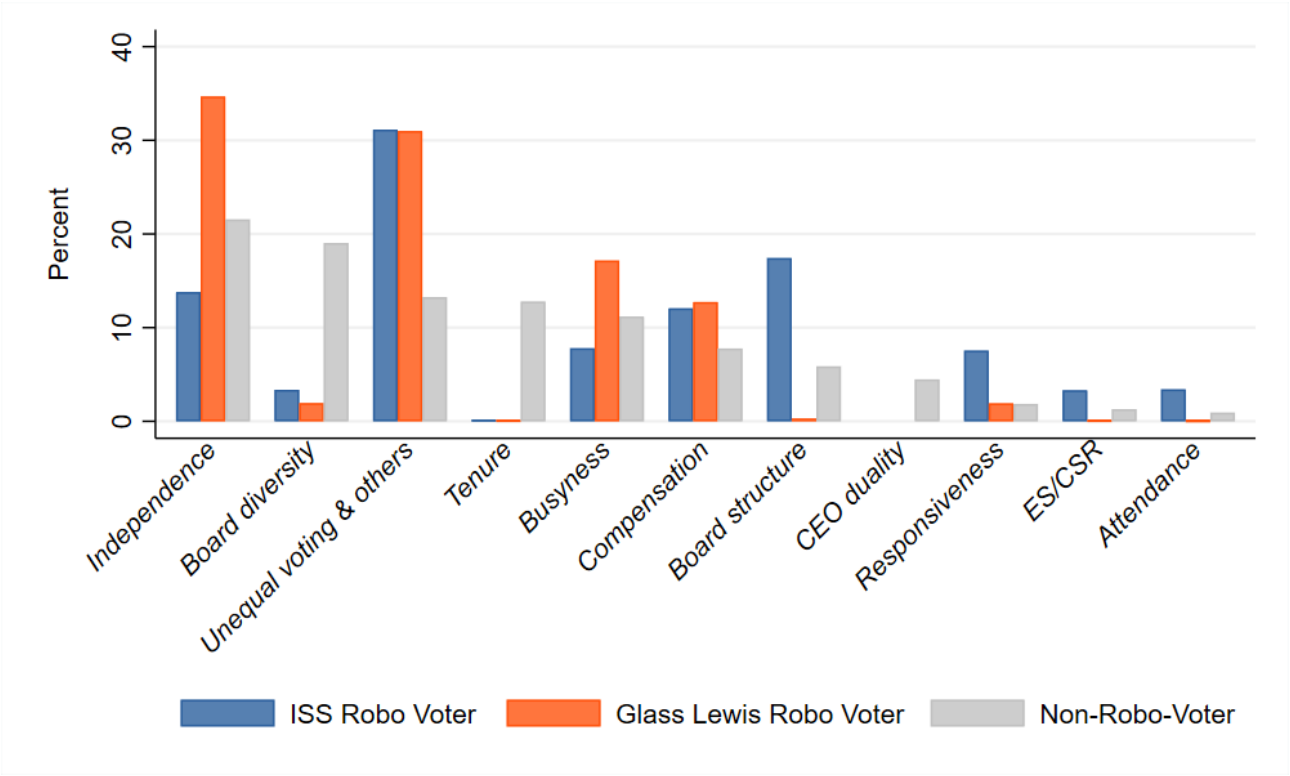

Figure 3. Proxy Advisors' Rationales. This plot shows the relative frequency of the different rationales for votes against directors by ISS and Glass Lewis robo-voters for the full sample period (July 2013 to June 2022). We exclude the *Rarely mentioned* category from the analysis.

Table 1. Summary Statistics of Voting Rationales

This table presents summary statistics on the provision of voting rationales in uncontested director elections. We report statistics for the full universe of investors as well as a subsample of disclosers, defined as investors who provide at least one rationale during a given proxy season. Panel A reports the proportion of votes accompanied by a rationale across different voting decisions, based on a full sample of 25,297,233 votes in director elections. Panel B focuses exclusively on the 2,731,165 votes against directors (including against, abstain, and withhold): For each investor category, column (2) reports the fraction of total dissenting votes contributed by that group. Column (3) reports the frequency with which those dissenting votes are accompanied by a rationale. Categories marked with an asterisk (*) denote investor classifications that can vary from one year to another.

Panel A. By Voting Pattern

	All Investors		Disclosers*	
	% Votes	% Votes with Rationales	% Votes	% Votes with Rationales
	(1)	(2)	(3)	(4)
For	89.2	1.7	85.4	11.7
Against	4.6	18.1	7.3	74.1
Abstain	0.4	4.5	0.2	65.5
Withhold	5.8	12.2	7.1	66.3
All	100.0	3.1	100.0	20.2

Panel B. Investors

	All Investors			Disclosers*		
	N	% Votes Against	% Votes with Rationale	N	% Rationales	% Votes with Rationale
	(1)	(2)	(3)	(4)	(5)	(6)
By Institutional Investor Type						
Mutual Fund Manager	867	48.0	18.7	150	62.1	79.3
Pension Fund	157	32.1	12.7	58	28.1	57.1
Other Investors	374	19.9	7.1	43	9.8	65.8
All	1,398	100.0	14.4	251	100.0	70.2
By Robo-Voter Status						
ISS Robo-Voters*	421	12.3	1.9	44	1.6	34.8
Glass Lewis Robo-Voters*	177	2.6	15.6	29	2.9	74.3
Non-Robo Voters*	1,190	85.1	16.2	213	95.5	71.3
By Other Investor Attributes						
US Investor	935	73.5	8.5	113	43.3	57.7
European Investors	210	18.3	38.4	91	48.6	84.6
Big Three	3	1.5	18.1	2	1.8	52.1
Non-Big Three	1,395	98.6	14.4	249	98.2	70.7
UN PRI Signatories*	447	45.7	23.1	143	73.0	73.8
Non UN PRI Signatories*	1,150	54.3	7.2	130	27.0	62.0

Table 2. Labels: Reasons for Votes Against Directors

This table presents the labels we identify for votes against directors, following the procedure described in Section 3. The table describes what each label refers to and some examples of the rationales classified according to those labels.

Label	Rationale refers to...	Examples of voting rationales
Attendance	Failure to attend board meetings, typically 75% of them.	WITHHOLD votes are warranted for Alex Lieblong for attending less than 75 percent of the board and committee meetings held over the past fiscal year without disclosing an acceptable reason for the absences.
Board diversity	Concerns over lack of diversity (gender, race, and other minorities) on the board.	WITHHOLD votes for incumbent Nominating Committee members Alan Holmer and Paris Panayiotopoulos are warranted for lack of diversity on the board.
Board structure	Issues related to board structure such as classified boards or lack of appropriate board committees.	Failure to remove the classified board and the supermajority vote requirement to enact certain changes to the charter, each of which adversely impacts shareholder rights.
Busyness	Board members serving on "too many" boards, concerns over time commitments.	A vote AGAINST Steven Roth is warranted for serving on more than three public boards while serving as CEO of at least one outside company.
CEO duality	The company has a combined CEO and Chairman.	The nominee serves on the nominating committee and the company has a combined Chairman and CEO.
Compensation	Excessive compensation or lack of pay-for-performance sensitivity, the company does not provide shareholders with an advisory vote on executive compensation.	We have concerns around the remuneration plans of the executives other than the CEO; this includes the absence of performance conditions, and the absence of a three-year performance period.
ES/CSR	Concerns over environmental and social risks not properly addressed by the board.	Vote against on the basis that there is no evidence of leadership on key ESG issues facing the business.
Independence	Director independence, lack of lead independent director, fraction of independent directors on the board, lack of independent directors in key committees.	We expect the Lead Independent Director to be independent under our criteria, and will not support the election of relevant director where this is not the case.
Rarely mentioned	This includes rationales that do not appear frequently (e.g., director expertise, firm performance, and following proxy advisors' recommendations). It also includes idiosyncratic cases for which we cannot infer the rationale, or errors in rationales.	Example 1: Executive is/has been subject to litigation; Example 2: Age 90; Example 3: Please refer to the comments for director nominee, Mr. Lloyd Blankfein.
Responsiveness	Failure to implement shareholder proposals with high support, directors' failure to respond to shareholder concerns, or failed say-on-pay proposal/low director support.	Votes AGAINST Compensation Committee members Mark D. Carleton, Robert Ted Enloe III, and Mark S. Shapiro are warranted in light of the company's insufficient disclosure of shareholder outreach following last year's low say-on-pay vote result.
Tenure	Excessive tenure of board members.	SSGA does not support the election of the nominee due to tenure and board refreshment concerns at the company.
Unequal voting & others	This category includes dual-class share structures, adoption of major governance changes without shareholder approval, hedging, board interlocks, excessive audit tenure, and pledging of company shares by executives or directors.	Example 1: WITHHOLD votes are warranted all incumbent director nominees for the adoption of a new poison pill that has not been ratified by shareholders; Example 2: We are voting against all directors, except the CEO, for the adoption of governance provisions that reduce shareholders rights.

Table 3. BERT Model Performance

Panel A reports the model performance based on Accuracy, Balance Accuracy, Precision, Recall, and F1-score. Accuracy is the ratio of correctly predicted observations to the total observations, where correctly predicted observations are the sum of the number of correctly predicted positives (TP) and correctly predicted negatives (TN) (i.e., accuracy = $(TP + TN)/(TP + TN + FP + FN)$). Precision is the number of correctly predicted positives (TP), relative to the total number of predicted positives, where the total number of predicted positives is the sum of the number of correctly predicted positives (TP) and false positives (FP) (i.e., precision = $TP/(TP+FP)$). Recall is the correctly predicted positives relative to correctly predicted positives plus false negatives (FN) (i.e., recall = $TP/(TP + FN)$). F1-score is the harmonic mean of recall and precision (i.e., (2×recall×precision)/(recall+precision)). Balanced accuracy is the average of recall across all binary outcomes (3,456 = 12 (categories) × 288 (the number of observations in the test set, 20% of 1,438 unique rationales)). Support is the number of occurrences of each class in the true responses. Panel B reports the model performance for each category.

	Accuracy	Balanced accuracy	Precision	Recall	F1-score	Support
	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. All Categories						
Micro average	0.988	0.975	0.970	0.956	0.963	545
Macro average			0.936	0.921	0.927	
Weighted average			0.971	0.956	0.963	
Sample average			0.975	0.965	0.964	
Panel B. Individual Categories						
Attendance	1.000	1.000	1.000	1.000	1.000	9
Board diversity	0.993	0.992	0.990	0.990	0.990	98
Board structure	0.993	0.988	0.980	0.980	0.980	51
Busyness	1.000	1.000	1.000	1.000	1.000	41
CEO duality	0.983	0.896	0.857	0.800	0.828	15
Compensation	0.997	0.998	0.976	1.000	0.988	41
ES/CSR	0.993	0.923	1.000	0.846	0.917	13
Independence	0.972	0.968	0.982	0.948	0.965	115
Rarely mentioned	0.990	0.871	0.600	0.750	0.667	4
Responsiveness	0.990	0.921	0.917	0.846	0.880	13
Tenure	0.990	0.976	0.977	0.956	0.966	45
Unequal voting & others	0.962	0.957	0.949	0.940	0.945	100

Table 4. Rationales for Votes Against Management on Director Elections

This table presents the frequency of each rationale for votes against management at the investor-meeting level. Column (1) shows the total number of times investors mention each rationale. Column (2) shows the relative importance of each rationale by dividing the numbers in column (1) by the total number of mentions. Columns (3) and (4) are similar to column (2) but adjust sample representation using an ideology-matching approach and PSW (Section 4.2), as described in Section C of the Internet Appendix. Column (5) shows the percentage of meetings with at least one investor mentioning each rationale.

	# Mention	% Rationale	% Rationale (Ideology Adjusted)	% Rationale (PSW Adjusted)	% Meetings with at Least One Mention
	(1)	(2)	(3)	(4)	(5)
Independence	60,549	21.2	21.4	20.0	67.1
Board diversity	50,557	17.7	26.4	18.1	71.5
Unequal voting & others	39,032	13.6	14.2	15.4	48.1
Tenure	33,748	11.8	7.4	9.3	40.7
Busyness	31,378	11.0	9.3	12.9	33.1
Compensation	22,147	7.7	6.5	7.6	34.1
Board structure	16,194	5.7	5.9	5.5	30.3
CEO duality	11,815	4.1	2.4	3.0	16.3
Rarely mentioned	9,264	3.2	4.0	3.5	21.1
Responsiveness	5,374	1.9	1.0	2.4	8.6
ES/CSR	3,574	1.2	0.7	1.2	7.1
Attendance	2,576	0.9	0.7	1.0	2.7
Total	286,208	100.0	100.0	100.0	·

Table 5. Cosine Similarity of Rationales

This table reports summary statistics for the cosine similarity of institutional investors' rationales for votes against directors, measured both within individual investors (Panel A) and across different investors (Panel B). In Panel A, we first calculate each investor's average cosine similarity by examining all rationales provided by that investor across meetings in a given proxy season and computing the average for all possible pairs of rationales. We then average these estimates across all investor and proxy seasons, resulting in a mean of 0.45 (column (1)). In Panel B, we calculate the cosine similarity across different investors. For each meeting, we compute the cosine similarity for all possible pairs of rationales across investors and then calculate the average similarity for that meeting. For example, the first row of Panel B shows that there are 21,577 meetings where investors provided rationales for votes against directors, with an average cosine similarity of 0.44 across these meetings. Appendix B describes the procedures for calculating cosine similarity across different investors.

Panel A. Cosine similarity of rationales within individual investors

	Mean (1)	p25 (2)	p50 (3)	p75 (4)	SD (5)	N (6)
All investors	0.45	0.30	0.42	0.58	0.22	786

Panel B. Cosine similarity of rationales across different investors

	Mean (1)	p25 (2)	p50 (3)	p75 (4)	SD (5)	N (6)
All investors	0.44	0.29	0.40	0.58	0.25	21,577
ISS robo-voters	0.96	1.00	1.00	1.00	0.12	527
Glass Lewis robo-voters	0.99	1.00	1.00	1.00	0.07	1,963
Robo vs. non-robo voters	0.53	0.39	0.53	0.68	0.22	5,321

Table 6. Are Concerns Well Grounded?

This table presents the regression of the proportion of rationales on a given topic on board characteristics reflecting those issues (equation (1)). Standard errors are clustered at the firm level. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. All specifications include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, and $Contentious\_GL$) and include proxy season and industry fixed effects. Variables are defined in Appendix A and rationales in Table 2 Panel A.

Dependent variable:	Prop_independence	Prop_board_diversity	Prop_tenure	Prop_busyness	Prop_CEO_duality
Board characteristic:	Per_independent (1)	Per_female (2)	AvTenure (3)	AvBusy (4)	CEO_duality (5)
BoardCharacteristic	-0.232***	-0.754***	0.011***	0.148***	0.072***
	(-6.754)	(-25.928)	(31.896)	(23.232)	(38.221)
Observations	15,529	15,529	15,529	15,529	15,529
Adjusted R^2	0.099	0.241	0.275	0.177	0.288
Proxy Season FE	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y

Table 7. Are Stated Rationales Consistent with Investors' Voting Behavior?

The table presents the regression of the fraction of votes against directors on board characteristics (shown in the second row), an indicator for whether an investor frequently states the relevant issue in voting rationales, and the interaction term between the two (equation (2)). For example, in column (1), *HighMention* takes a value of 1 for investors who mention *Independence* as a reason for voting against more frequently than the median frequency during a particular proxy season, among those who provide more than 10 rationales in that season. *NoRationales* refers to investors who offer fewer than 10 rationales (including none) in a given proxy season. All specifications include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, $Contentious\_GL$) and include proxy season, investor, and firm fixed effects. Furthermore, because an investor's propensity to vote against directors may be simultaneously influenced by board characteristics, every specification includes the full set of five board characteristics (*Per_independent*, *Per_female*, *AvTenure*, *AvBusy*, and *CEO_duality*) as baseline controls, while only the focal characteristic is interacted with the rationale frequency indicators in each respective column. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. Variables are defined in Appendix A and rationales in Table 2 Panel A.

Dependent variable:	Fraction of votes against				
Board characteristic:	Per_independent (1)	Per_female (2)	AvTenure (3)	AvBusy (4)	CEO_duality (5)
BoardChar	-0.100	-0.074***	0.003**	-0.013*	0.004*
	(-1.152)	(-4.271)	(2.290)	(-1.915)	(1.890)
HighMention	-0.033	0.072***	-0.048**	-0.056*	0.011
	(-0.370)	(3.042)	(-2.437)	(-1.726)	(0.802)
NoRationales	-0.065	-0.007	0.004	-0.061***	-0.014
	(-0.806)	(-0.644)	(0.258)	(-2.828)	(-1.389)
BoardChar ×	0.036	-0.269***	0.009***	0.030***	0.029***
HighMention	(0.347)	(-2.713)	(3.976)	(3.202)	(4.770)
BoardChar ×	0.054	-0.028	-0.002	0.024***	0.002
NoRationales	(0.591)	(-1.263)	(-1.172)	(3.232)	(0.649)
Observations	2,444,376	2,444,376	2,444,376	2,444,376	2,444,376
Adjusted R^2	0.468	0.469	0.470	0.468	0.468
Proxy Season FE	Y	Y	Y	Y	Y
Investor FE	Y	Y	Y	Y	Y
Firm FE	Y	Y	Y	Y	Y

Table 8. Board Changes following Investors' Concerns

The table presents the regression of changes in board characteristics on dissent voting and the proportion of rationales related to those board characteristics (equation (3)). The dependent variable is indicated in the first row of each panel. All columns show changes for t+1 except for column (3), which shows changes for t+2. Column (4) replicates the specification in column (2), re-estimating *Prop_rationales* to incorporate inferred rationales (see Section 4.2 and Section C.1 of the Internet Appendix for details). Column (5) restricts the analysis to scenarios where ISS supports all director candidates, or where ISS has not raised concerns about the topics in robo-voters' rationales, thereby isolating the analysis from the influence of ISS. Column (6) restricts the sample to cases where none of the Big Three raise concerns about the issue, thereby isolating the effect from the influence of their rationales. All specifications include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, and $Contentious\_GL$) and include proxy season and industry fixed effects. Standard errors are clustered at the firm level. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. Variables are defined in Appendix A and rationales in Table 2 Panel A.

Panel A. Board Independence

Dependent variable:	Δ(Per_independent)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dissent	0.002	0.005	0.019**	0.005	0.009	0.005	-0.168***
	(0.340)	(0.875)	(2.261)	(0.929)	(1.136)	(0.854)	(-3.103)
Prop_independence	0.003	0.004**	0.006*	0.004**	0.003	0.005**	
	(1.640)	(2.018)	(1.957)	(1.967)	(1.152)	(2.059)	
Dissent × Prop_independence		-0.021	0.004	-0.022	0.007	-0.024	
		(-1.054)	(0.151)	(-1.267)	(0.259)	(-1.194)	
Per_Independent							-0.201***
							(-19.237)
Dissent × Per_Independent							0.196***
							(3.093)
Observations	14,936	14,936	12,983	14,936	13,138	14,669	15,799
Adjusted R^2	0.001	0.001	0.004	0.001	0.000	0.001	0.110
Proxy Season FE	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y

Panel B: Board Diversity

Dependent variable:	Δ(Per_female)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dissent	0.004	-0.011	0.004	-0.011	-0.014	-0.012	-0.019**
	(0.678)	(-1.465)	(0.283)	(-1.459)	(-1.386)	(-1.532)	(-2.125)
Prop_board_diversity	0.002	-0.002	0.010***	-0.003	-0.003	-0.002	
	(1.220)	(-1.035)	(2.887)	(-1.277)	(-1.119)	(-1.081)	
Dissent × Prop_board_diversity		0.080***	0.224***	0.082***	0.086**	0.082***	
		(2.901)	(5.231)	(3.168)	(2.493)	(2.655)	
Per_female							-0.158***
							(-24.140)
Dissent × Per_female							0.044
							(1.059)
Observations	14,935	14,935	12,981	14,935	13,328	14,300	15,798
Adjusted R^2	0.018	0.018	0.045	0.018	0.017	0.018	0.093
Proxy Season FE	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y

(Continued)

Table 8. Board Changes following Investors' Concerns (*—Continued from previous page*)

Panel C. Tenure

Dependent variable:	Δ(AvTenure)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dissent	-0.193	-0.040	-0.159	-0.139	-0.153	-0.046	-0.311
	(-1.288)	(-0.245)	(-0.592)	(-0.877)	(-0.747)	(-0.284)	(-1.509)
Prop_tenure	-0.527***	-0.393***	-1.371***	-0.373***	-0.339***	-0.392***	
	(-6.293)	(-3.874)	(-7.742)	(-3.470)	(-3.187)	(-3.866)	
Dissent × Prop_tenure		-2.740**	-11.391***	-1.217	-3.057*	-2.815**	
		(-1.984)	(-4.577)	(-0.832)	(-1.869)	(-2.038)	
AvTenure							-0.092***
							(-19.037)
Dissent × AvTenure							0.065**
							(2.005)
Observations	14,936	14,936	12,983	14,936	13,376	14,918	15,799
Adjusted R^2	0.017	0.017	0.045	0.016	0.011	0.017	0.099
Proxy Season FE	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y

Panel D. Busyness

Dependent variable:	Δ(AvBusy)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dissent	-0.058**	-0.028	-0.020	-0.029	-0.022	-0.023	0.014
	(-2.354)	(-1.226)	(-0.519)	(-1.312)	(-0.770)	(-1.011)	(0.277)
Prop_busyness	-0.033***	-0.001	-0.067***	0.002	-0.006	0.000	
	(-3.162)	(-0.070)	(-3.127)	(0.148)	(-0.418)	(0.017)	
Dissent × Prop_busyness		-0.538***	-1.162***	-0.494***	-0.386*	-0.556**	
		(-2.661)	(-3.856)	(-2.733)	(-1.828)	(-2.352)	
AvBusy							-0.134***
							(-23.848)
Dissent × AvBusy							-0.036
							(-1.033)
Observations	14,936	14,936	12,983	14,936	13,270	14,416	15,799
Adjusted R^2	0.027	0.029	0.064	0.029	0.025	0.028	0.107
Proxy Season FE	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y

Panel E. CEO Duality

Dependent variable:	Δ(CEO_duality)						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dissent	-0.024	0.002	0.002	-0.003	-0.018	0.002	-0.025
	(-0.938)	(0.066)	(0.048)	(-0.136)	(-0.537)	(0.066)	(-0.891)
Prop_CEO_duality	0.080**	0.158***	-0.133**	0.168***	0.175***	0.158***	
	(2.356)	(3.639)	(-2.118)	(3.846)	(3.741)	(3.639)	
Dissent ×		-2.086***	-4.105***	-2.493***	-2.655***	-2.086***	
Prop_CEO_duality		(-3.133)	(-3.859)	(-3.092)	(-3.107)	(-3.133)	
CEO duality							-0.169***
							(-26.776)
Dissent × CEO_duality							0.134***
							(2.939)
Observations	14,936	14,936	12,983	14,936	13,377	14,936	15,799
Adjusted R^2	-0.000	0.001	0.006	0.001	0.001	0.001	0.083
Proxy Season FE	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y

Table 9. Addressing Concerns and Future Dissent

This table presents the regression of changes in dissent voting on *AddressScore* and *AddressScore_alt*, where both measure the extent to which concerns as outlined in the voting rationales were addressed by the firm before the meeting in the following year (equation (4)). Columns (2), (3), (5), and (6) include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, and $Contentious\_GL$). Columns (3) and (6) also control for *Dissent* and the following board-level variables: *Per_Independent, AvTenure, AvBusy, Per_female,* and *CEO_duality*. All specifications include proxy season and industry fixed effects. Standard errors are clustered at the firm level. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. Variables are defined in Appendix A.

Dependent variable:	Δ(Dissent)					
	(1)	(2)	(3)	(4)	(5)	(6)
AddressScore	-0.019***	-0.010***	-0.005***			
	(-9.455)	(-4.658)	(-2.587)			
AddressScore_alt				-0.009***	-0.008***	-0.008***
				(-4.854)	(-3.992)	(-4.540)
Observations	19,471	14,229	13,490	19,042	13,982	13,248
Adjusted R^2	0.006	0.068	0.219	0.004	0.067	0.217
Firm controls	N	Y	Y	N	Y	Y
Meeting controls	N	Y	Y	N	Y	Y
Additional controls	N	N	Y	N	N	Y
Proxy Season FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y

Internet Appendix: "Voting Rationales"

This Internet Appendix presents additional results to accompany the paper.

A. Examples of Voting Rationales

Diligent captures rationales directly from investor websites or online disclosure services. In this section, we provide examples using the Abiomed meeting on August 10, 2022. Panels A and B of Figure IA.1 show the rationales from Ontario Teachers, reported by Glass Lewis' ViewPoint and Diligent, respectively. Panels C and D display the rationales from NEI Investment, reported by ISS's Proxy Voting Dashboard and Diligent, respectively. Panels E and F display the rationales from BlackRock, reported by ISS's Proxy Voting Dashboard and Diligent, respectively. Diligent only edits rationales if they are disclosed in a non-English language, using Google Translate for translation without further modification.

Panel A. Ontario Teachers as reported in View Point by Glass Lewis

ONTARIO TEACHERS' PENSION PLAN Proxy Votes

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Abiomed Inc. Other meetings for this company: August 10 2022 - Annual

English

Meeting Date: 2022-08-10
Record Date: 2022-06-13
Ticker: ABMD
Region: Canada & United States

Item	Proposal Description	Proponent	Management Recommendation	OTPP Vote
1.1	Elect Michael R. Minogue	Mgmt	For	For
1.2	Elect Martin P. Sutter	Mgmt	For	For
1.3	Elect Paula A. Johnson	Mgmt	For	For
2.	Advisory Vote on Executive Compensation **Rationale:** While we understand the Company has made positive changes to the compensation plan as a result of shareholder dissent from the previous year, we remain concerned with the compensation of the current plan, prior to the changes taking effect. Notably, the short performance period under the LTIP, and the internal pay inequity between the CEO and other NEOs. In our view, the plan does not reflect compensation in line with performance relative to peers. As such, we do not support this proposal (22.SOPRAT, 22.SOPVTE)	Mgmt	For	Against
3.	Ratification of Auditor	Mgmt	For	For

Panel B. Ontario Teachers as shown in Diligent

Voting Manager	No.	Proposal Detail	Vote Cast	Rationale
Ontario Teachers' Pension Plan (OTPP)	2	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	While we understand the Company has made positive changes to the compensation plan as a result of shareholder dissent from the previous year, we remain concerned with the compensation of the current plan, prior to the changes taking effect. Notably, the short performance period under the LTIP, and the internal pay inequity between the CEO and other NEOs. In our view, the plan does not reflect compensation in line with performance relative to peers. As such, we do not support this proposal (22.SOPRAT, 22.SOPVTE)

(*Continued*)

Panel C. NEI Investment as reported in Proxy Voting Dashboard by ISS

Proxy Voting Dashboard

Filters Management Proposal Votes Market Sector Meeting

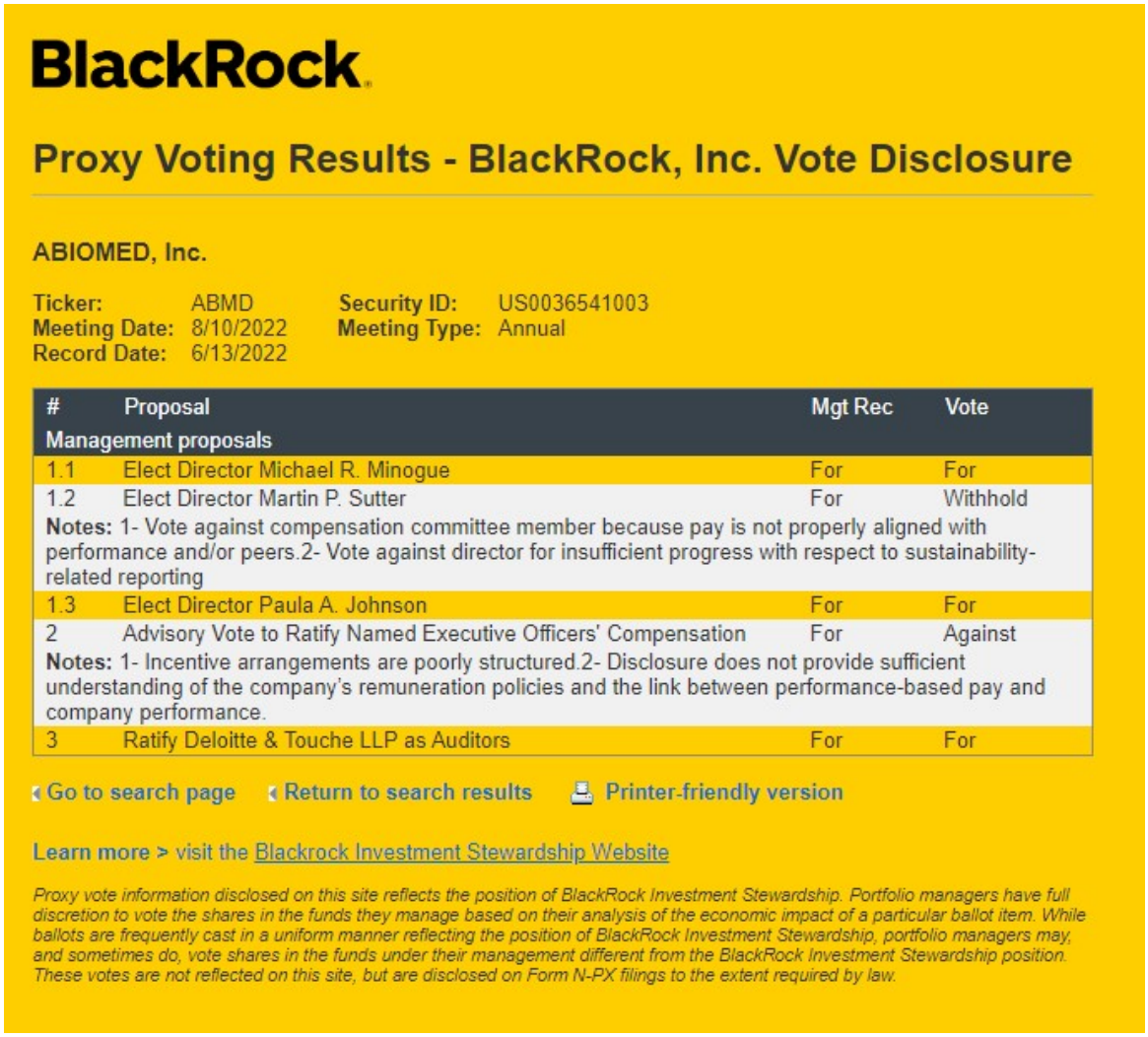
Item #	Proposal	Proponent	Mgmt Rec	Vote
1.1	Elect Director Michael R. Minogue *Voting Rationale:* *The nominee is the chair of the board and is not independent. The nominee has excessive tenure, exceeding 15 years, and the company has issues relating to governance.*	Management	For	Withhold
1.2	Elect Director Martin P. Sutter *Voting Rationale:* *The nominee is an incumbent member of the nominating committee and there is a lack of gender diversity on the board. The nominee is an incumbent member of the nominating committee and the chair of the board is not independent. The nominee is an incumbent member of the compensation committee and the linkage of executive compensation to corporate performance is especially poor. The nominee is an incumbent member of the compensation committee and the board failed to adequately respond to last year's low support on MSOP vote. The nominee is an incumbent member of the compensation committee and the ratio of CEO compensation to compensation of the average named executive officer is inequitable. The nominee is an incumbent member of the compensation committee and the quantum of executive compensation is notably excessive relative to peer companies.*	Management	For	Withhold
1.3	Elect Director Paula A. Johnson *Voting Rationale:* *The nominee is an incumbent member of the nominating committee and the chair of the board is not independent.*	Management	For	Withhold
2	Advisory Vote to Ratify Named Executive Officers' Compensation *Voting Rationale:* *The board failed to adequately respond to the previous low support on MSOP vote. The short-term incentive plan is not sufficiently based on quantifiable metrics. The short-term incentive program thresholds and maximums are not sufficiently disclosed. The long-term incentive program thresholds and maximums are not sufficiently disclosed. The long-term incentive plan is not sufficiently performance based. The ratio of CEO compensation to compensation of the average named executive officer is inequitable. The linkage of executive compensation to performance is especially poor. The quantum of executive compensation is notably excessive relative to peer companies. The company maintains legacy excise tax gross-up agreements.*	Management	For	Against
3	Ratify Deloitte & Touche LLP as Auditors *Voting Rationale:* *We have no concerns regarding auditor independence as the auditor s tenure is reasonable at less than 25 years, and less than 25% of the total fees paid were for non-audit work.*	Management	For	For

Panel D. NEI Investment as shown in Diligent

Voting Manager	No.	Proposal Detail	Vote Cast	Rationale
NEI Investments	1.1	Elect Director Michael R. Minogue	Withhold	The nominee is the chair of the board and is not independent. The nominee has excessive tenure, exceeding 15 years, and the company has issues relating to governance.
NEI Investments	1.2	Elect Director Martin P. Sutter	Withhold	The nominee is an incumbent member of the nominating committee and there is a lack of gender diversity on the board. The nominee is an incumbent member of the nominating committee and the chair of the board is not independent. The nominee is an incumbent member of the compensation committee and the linkage of executive compensation to corporate performance is especially poor. The nominee is an incumbent member of the compensation committee and the board failed to adequately respond to last year's low support on MSOP vote. The nominee is an incumbent member of the compensation committee and the ratio of CEO compensation to compensation of the average named executive officer is inequitable. The nominee is an incumbent member of the compensation committee and the quantum of executive compensation is notably excessive relative to peer companies.
NEI Investments	1.3	Elect Director Paula A. Johnson	Withhold	The nominee is an incumbent member of the nominating committee and the chair of the board is not independent.
NEI Investments	2	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	The board failed to adequately respond to the previous low support on MSOP vote. The short-term incentive plan is not sufficiently based on quantifiable metrics. The short-term incentive program thresholds and maximums are not sufficiently disclosed. The long-term incentive program thresholds and maximums are not sufficiently disclosed. The long-term incentive plan is not sufficiently performance based. The ratio of CEO compensation to compensation of the average named executive officer is inequitable. The linkage of executive compensation to performance is especially poor. The quantum of executive compensation is notably excessive relative to peer companies. The company maintains legacy excise tax gross-up agreements.
NEI Investments	3	Ratify Deloitte & Touche LLP as Auditors	For	We have no concerns regarding auditor independence as the auditor s tenure is reasonable at less than 25 years, and less than 25% of the total fees paid were for non-audit work.

(*Continued*)

Panel E. BlackRock as reported in Proxy Voting Dashboard by ISS



BlackRock

Proxy Voting Results - BlackRock, Inc. Vote Disclosure

ABIOMED, Inc.

Ticker: ABMD Security ID: US0036541003
Meeting Date: 8/10/2022 Meeting Type: Annual
Record Date: 6/13/2022

#	Proposal	Mgt Rec	Vote
Management proposals			
1.1	Elect Director Michael R. Minogue	For	For
1.2	Elect Director Martin P. Sutter	For	Withhold
Notes: 1- Vote against compensation committee member because pay is not properly aligned with performance and/or peers.2- Vote against director for insufficient progress with respect to sustainability-related reporting			
1.3	Elect Director Paula A. Johnson	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against
Notes: 1- Incentive arrangements are poorly structured.2- Disclosure does not provide sufficient understanding of the company's remuneration policies and the link between performance-based pay and company performance.			
3	Ratify Deloitte & Touche LLP as Auditors	For	For

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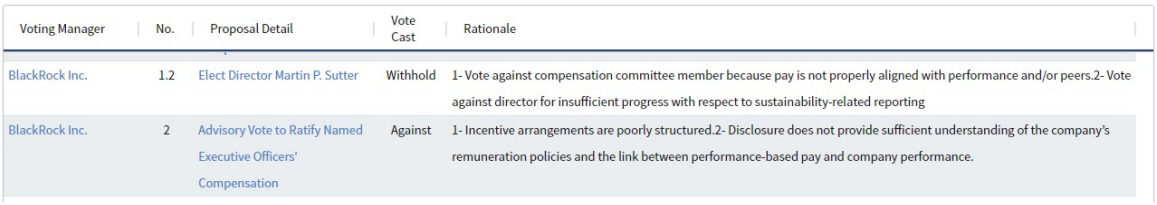
Proxy vote information disclosed on this site reflects the position of BlackRock Investment Stewardship. Portfolio managers have full discretion to vote the shares in the funds they manage based on their analysis of the economic impact of a particular ballot item. While ballots are frequently cast in a uniform manner reflecting the position of BlackRock Investment Stewardship, portfolio managers may, and sometimes do, vote shares in the funds under their management different from the BlackRock Investment Stewardship position. These votes are not reflected on this site, but are disclosed on Form N-PX filings to the extent required by law.

Panel F. BlackRock as shown in Diligent



Voting Manager	No.	Proposal Detail	Vote Cast	Rationale
BlackRock Inc.	1.2	Elect Director Martin P. Sutter	Withhold	1- Vote against compensation committee member because pay is not properly aligned with performance and/or peers.2- Vote against director for insufficient progress with respect to sustainability-related reporting
BlackRock Inc.	2	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	1- Incentive arrangements are poorly structured.2- Disclosure does not provide sufficient understanding of the company's remuneration policies and the link between performance-based pay and company performance.

Figure IA.1. Examples of Institutional Investors' Rationales. This figure provides examples of institutional investors disclosing voting rationales via the Glass Lewis platform, View Point (Panel A), and the ISS platform, Proxy Voting Dashboard (Panels C and E). It also provides some examples of the same information as collected by Diligent (Panels B, D and F).

B. Classification of Voting Rationales

B.1. BERT Classification Framework

We employ a supervised classification model because we are interested in studying how frequently institutional investors mention factors that have been previously identified in the literature as major determinants of votes on director elections (e.g., attendance, busyness). A supervised model is optimal for this task because it allows researchers to define the categories and train the model on correctly labeled data, thereby leading to a more precise categorization. By contrast, unsupervised models, such as latent Dirichlet allocation (LDA), might group observations based on broad topics or keywords, without the nuanced understanding of specific reasons for voting.

BERT overcomes these limitations by functioning as an autoencoder language model that learns the full context of a word by examining the words that come before and after it. It is a state-of-the-art NLP method for training a multipurpose language model on a large text corpus, released as an open-sourced project by Google in 2019, and has been recently used in the finance literature (e.g., Acikalin et al., 2022; Rajan, Ramella, and Zingales, 2023; Yang and Yasuda, 2023). FinBERT is a domain-specific BERT model pre-trained on a large financial corpus, ideal for our task because it allows us to train a supervised classification model on top of an architecture already optimized for financial narratives.

We separated the data into three distinct subsets: a train set (64%) to learn the classification pattern, a validation set (16%) to fine-tune the hyperparameters, and a test set (20%) to evaluate performance. We argue that these are reasonable choices in many machine-learning applications (e.g., Hastie, Tibshirani, Friedman, and Friedman, 2009; Karpathy, Johnson, and

Fei-Fei, 2015). We selected the following hyperparameters for the training loop: a batch size of 32, 50 epochs, and a learning rate of 2e-05.

B.2. Categories for Votes Against Directors

In creating the categories presented in Panel A of Table 2, we focus on identifying factors that theoretical and empirical literature have found to be important determinants of votes in director elections while taking into account the frequency of each category and the content of the rationales. For example, while some rationales mention factors such as gender representation or racial diversity (e.g., *"The percentage of female directors on the board is too low."*; *"There is no racial diversity on the board."*), in many cases, the rationales simply refer to the importance of overall board diversity without providing more specific details (e.g., *"The nominee is not diverse and the board is less than 30% diverse."*). As a result, we consolidate *Board diversity* into a single category rather than separating it into multiple categories.

The literature has identified other important factors in voting outcomes (e.g., poor performance, proxy advisors' recommendations). Those with fewer than 10 instances in the random sample are included in the *Rarely mentioned* category. Specifically, we observe five instances of poor stock performance,[1] one instance of proxy advisors' recommendations,[2] and three instances of lack of director skills and experience.[3]

[1]Consistently, McCahery et al. (2016) and Yi (2025) show that corporate performance is not a key driver of institutional investors' engagement and does not strongly influence mutual funds' support for shareholder-sponsored governance proposals, respectively.

[2]Some institutional investors may blindly follow proxy advisors' recommendations without explicitly stating that the reason behind their voting decision is the advice from proxy advisors. In Section 4.3, we further explore this issue by looking at robo-voters' voting rationales.

[3]Although theory recognizes directors' dual roles as advisors and monitors (Adams and Ferreira, 2007), and empirical research shows the importance of directors' skills and experiences (e.g., Adams et al., 2018), institutional investors do not frequently use this rationale. Consistently, Ertimur et al. (2018) find that this motivation does not appear in ISS rationales for voting against directors, which might suggest that directors' skill set and experience receive insufficient attention during the election process.

Consider the following rationale: *"Vote against because nominee serves as the nominating committee chair and board is only 11% women."* In this case, we assign the *Board diversity* label, where a label refers to a descriptive category assigned to a rationale that captures the key reason behind a vote in director elections (e.g., *Board diversity* or *CEO duality*). Consider another rationale: *"A vote against is warranted because: -The nominee serves as the company's CEO/Chair. -To signal to the board that stronger independent oversight and board management of climate risks at the company are necessary."* In this case, we assign the *CEO duality* and *ES/CSR* labels. As these examples demonstrate, rationales can mention multiple reasons behind a vote, so we allow each rationale to have multiple labels.

We trained the model using the 1,438 manually labeled rationales described in the main text. Table 3 reports the model performance metrics on the test set. Accuracy, the ratio of correctly predicted observations to the total observations, is 0.99. One caveat of accuracy as a performance measure is that it can be misleading when a large number of observations come from one class and few from others: a model that simply predicts the majority class for every observation can achieve a high accuracy score. We pay particular attention to this issue because some labels are assigned to a small portion of observations (e.g., out of 1,438 rationales, only 40 relate to *Attendance*). When such an imbalance occurs, balanced accuracy, precision, recall, and F1-score provide more informative measures of how well the model performs for the minority class. In our model, precision—the correctly predicted positives relative to the correctly predicted positives plus false positives—is 0.97, while recall—the correctly predicted positives relative to the correctly predicted positives plus false negatives—is 0.96. Balanced accuracy, which is the average of recall across all binary outcomes, is 0.98. Finally, the weighted

average of all labels' F1-scores is 0.96, where the F1-score is the harmonic mean of recall and precision. Because we achieve high recall, precision, and F1-score, in addition to high accuracy, we conclude that our model performs very well and accurately classifies instances in the minority classes.

Conditional on having a rationale, at the vote level (i.e., proposal-investor level), we find that each vote against a director has 1.42 labels, on average. 67% of rationales for votes against directors have only one label, and the remaining 33% discuss at least two issues. At the meeting level, each company receives rationales from 6.15 institutional investors, on average, and 3.81 distinct issues are raised, provided there is at least one rationale on director elections.

B.3 Votes in Favor

B.3.1. Classification of Rationales

While 89.2% of director election votes are in favor, the pool of unique rationales for votes in favor is smaller (17,986 vs. 71,998 for votes against). To address this imbalance, we select a larger fraction of distinct rationales (about 4%). Using a similar procedure as the one for votes against, we categorize the rationales for votes in favor into eight non-mutually exclusive categories: *Board diversity*, *Cautionary vote*, *Independence*, *New director*, *No reason*, *Rarely mentioned*, *Responsiveness*, and *Tenure*. We explain each label and provide examples in Table IA.1. Many rationales are used for both votes in favor and against, but as a mirror image; for example, lack of board diversity is often cited as a reason for voting against, whereas sufficient board diversity is a reason for supporting directors. We also observe three unique categories for votes in favor: *No reason, Cautionary vote,* and *New director*. We no longer have categories for *Attendance, Busyness, CEO duality, Board structure, Compensation, ES/CSR,* and *Unequal*

voting & others, because investors rarely mention these issues as reasons for votes in favor of directors (we only have one instance of *Board structure*, two of *Busyness*, two of *CEO duality*, five of *Compensation*, four of *ES/CSR*, and seven of *Unequal voting & others* in the random sample). On the rare occasions these rationales are mentioned, we categorize them under *Rarely mentioned*. The two authors then assign labels to each of the 719 unique rationales and use BERT to classify the 17,804 unique rationales for votes in favor in our sample.

Our model for votes in favor also provides strong performance, with an accuracy of 97%, balanced accuracy of 95%, precision of 88%, recall of 92%, and an F1-score of 89% (Table IA.2). Despite the overall strong performance, the performance is weaker for minority categories, especially in cases where justifications for support are provided (e.g., recall is 0.57 for *Independence*). We further discuss this limitation and its impact on our findings below.

B.3.2. Rationales for Votes in Favor

We discuss the rationales behind votes in favor of directors. Column (2) of Table IA.3 shows that the most frequent rationale for votes in favor is *No reason* (30.5%), a label that we use to classify rationales that lack any meaningful information (e.g., *"A vote FOR new director John Sheridan is warranted"*). Such instances, although technically providing a rationale, do not shed light on the decision-making process. The second most common category, comprising 24.3% of rationales, is *Cautionary vote*. This category includes instances in which the investor expresses some concern about the director candidate, the board, or the company but still decides to support the candidate (e.g., *"We will support the board in this year proxy, but we have communicated that we expect them to look again at the right of shareholders to amend bylaws for next years proxy and we will continue to engage with the company on the issue."*).

There are also informative rationales that clearly state the reasons for support. These include factors such as sufficient *Independence, Board diversity*, and *Tenure* (or efforts toward them). This reinforces our earlier finding that the lack of these factors is frequently cited as a reason for voting against directors. These account for 18.9%, 11.1%, and 1.0%, respectively. These figures have to be interpreted with caution because the model performance for these minority categories is relatively poor (e.g., recall is 0.57 for *Independence*). We also find that 7.1% of investors express support for directors who have recently joined the board (labeled *New director*), arguing that they should not be held accountable for existing company issues.

Overall, institutional investors are not only more likely to disclose rationales for votes against a director (Section 2), but the rationales for votes against are typically more informative. This finding suggests that institutional investors use rationales to communicate their concerns with management, rather than to explain the reasons behind their support. Given this pattern and the challenges in obtaining stable results due to the low frequency of informative rationales in the random sample, we focus on votes against directors.

Table IA.1. Labels: Reasons for Votes in Favor of Directors

This table presents the labels we identify for votes in favor of directors, following the procedure described in Section B.3.1 of the Internet Appendix. The table describes what each label refers to and some examples of the rationales classified according to those labels.

Label	Rationale refers to...	Examples of voting rationales
Board diversity	Support based on the presence of diversity (gender, race, and other minorities) within the board.	Example 1: There is both gender and racial diversity on the board. There is at least 30 percent diversity; Example 2: We are supporting the re-election of the NomCom chair as a female director was appointed in the year under review; Example 3: Although Ms. Allens' tenure as a director is longer than our normal policy, we feel that it is more important to maintain the level of gender diversity on the board.
Cautionary vote	Includes instances in which the institutional investor has some concerns about the director candidate but still decides to support him/her.	A vote for incumbent audit committee chair John Pope is warranted, with caution, as the company still has unremediated material weaknesses in internal controls.
Independence	Support because of satisfactory independence, including nominee independence, majority of independent directors, and key committee composed entirely of independent directors.	Example 1: The nominee is not independent but the board is at least two-thirds independent; Example 2: A vote for the director nominees is warranted as a majority of the board is comprised of independent directors and the key board committees are independent.
New director	Support because the director joined the board recently, and should not be held accountable for company issues.	FYI - Carin Stutz was appointed to the board in December 2021 and should not be held accountable for IPO governance issue at this time.
No reason	Approval without providing specific reasons for support.	A vote for director nominee C. Noel Bairey Merz is warranted.
Rarely mentioned	This includes rationales that do not appear frequently (e.g., *Compensation*, *ES/CSR*). It also includes idiosyncratic cases for which we cannot infer the rationale or errors in rationales.	Example 1: SMA: We are deviating from the NBIM policy on combined chairman/CEO under the exemption that the CEO can be regarded as part of the "founding" family and the fact that we accepted his role as part of our anchor investment in the IPO; Example 2: A vote against is warranted because:- the nominee is a non-executive whose tenure on the board exceeds 12 years.
Responsiveness	Endorsement due to the company's willingness to address issues raised by shareholders.	A vote in favour is applied following engagement with the company and the fact that they have put in place a resolution to declassify the board.
Tenure	Support based on satisfactory director tenure, valuing the depth of experience these directors bring, or board's efforts to address issues with long director tenure.	This director is not sufficiently independent to serve as the independent lead director. Given that there has been meaningful board refreshment during the year under review, support is warranted at this time and the matter will be kept under review.

Table IA.2. BERT Model Performance: Votes in Favor

Panel A reports the model performance based on Accuracy, Balance Accuracy, Precision, Recall, and F1-score for votes in favor. Accuracy is the ratio of correctly predicted observations to the total observations, where correctly predicted observations are the sum of the number of correctly predicted positives (TP) and correctly predicted negatives (TN) (i.e., accuracy = $(TP + TN)/(TP + TN + FP + FN)$). Precision is the number of correctly predicted positives (TP), relative to the total number of predicted positives, where the total number of predicted positives is the sum of the number of correctly predicted positives (TP) and false positives (FP) (i.e., precision = $TP/(TP+FP)$). Recall is the correctly predicted positives relative to correctly predicted positives plus false negatives (FN) (i.e., recall = $TP/(TP + FN)$). F1-score is the harmonic mean of recall and precision (i.e., (2×recall×precision)/(recall+precision)). Balanced accuracy is the average of recall across all binary outcomes (1,296 = 9 (categories) × 144 (the number of observations in the test set, 20% of 719 unique rationales)). Support is the number of occurrences of each class in the true responses. Panel B reports the model performance for each individual category.

	Accuracy	Balanced accuracy	Precision	Recall	F1-score	Support
Panel A. All Categories						
Micro average	0.971	0.950	0.870	0.921	0.895	152
Macro average			0.865	0.827	0.815	
Weighted average			0.883	0.921	0.894	
Sample average			0.906	0.938	0.914	
Panel B. Individual Categories						
Board diversity	0.993	0.996	0.667	1.000	0.800	2
Cautionary vote	0.924	0.927	0.843	0.935	0.887	46
Independence	0.972	0.782	0.800	0.571	0.667	7
New director	1.000	1.000	1.000	1.000	1.000	3
No reason	0.979	0.980	0.969	0.984	0.976	63
Rarely mentioned	0.924	0.909	0.640	0.889	0.744	18
Responsiveness	0.986	0.667	1.000	0.333	0.500	3
Tenure	0.993	0.950	1.000	0.900	0.947	10

Table IA.3. Rationales for Votes in Favor of Management on Director Elections

This table presents the frequency of each rationale for votes in favor of management at the investor-meeting level. Column (1) shows the total number of times investors mention each rationale. Column (2) shows the relative importance of each rationale by dividing the numbers in column (1) by the total number of mentions.

	# Mention (1)	% Rationale (2)
No reason	34,730	30.5
Cautionary vote	27,666	24.3
Independence	21,477	18.9
Board diversity	12,658	11.1
New director	8,037	7.1
Rarely mentioned	7,763	6.8
Tenure	1,140	1.0
Responsiveness	217	0.2
Total	113,688	100.0

C. How Representative are Disclosed Rationales?

C.1. Matching on Investor Ideology

Voting rationales are voluntarily disclosed by institutional investors, and only a relatively small fraction of votes against directors are accompanied by a rationale. This limited coverage is primarily driven by the fact that many institutional investors never disclose rationales. In addition, even among investors who do disclose, approximately 30% of their votes against directors are not accompanied by a rationale. As a result, the rationales we observe may not be representative of the concerns of the broader population of institutional investors. Our objective is therefore to assess the extent to which the rationales disclosed by disclosing investors reflect the underlying motivations of both non-disclosing investors and the votes of disclosing investors for which no rationale is provided.

Our approach builds on the idea that institutional investors with similar ideological positions (Bolton et al., 2020) are likely to dissent for similar underlying reasons. If this is the case, the (unobserved) rationales of non-disclosing investors can be inferred from the rationales disclosed by ideologically similar disclosing investors voting on the same proposal.

1. Validation. Before applying this inference to unobserved rationales, we validate the approach within the sample of disclosed rationales. Specifically, we randomly mask 10% of votes with disclosed rationales and treat them as if the rationales were unobserved. For each masked vote, we identify the closest investor voting on exactly the same proposal—that is, the same company, the same director, and at the same meeting—based on ideological proximity. Investor ideology is proxied by the one-dimensional W-NOMINATE coordinate, following Bolton et al.

(2020) and Michaely et al. (2024).[4] This measure places investors on a scale ranging from −1 to 1, where smaller distances indicate greater ideological similarity and values at opposite ends of the scale reflect the greatest ideological divergence. We then assign to the masked vote the rationale disclosed by the ideologically closest investor. To ensure meaningful similarity, we require that the ideological distance between the masked investor and the matched investor be no greater than 0.1 in absolute value.

We compare the true (masked) rationales with the inferred rationales obtained through this procedure. Figure IA.2 shows that the distribution of rationales is highly similar across the true and inferred samples, suggesting that ideology-based matching successfully recovers the underlying motivations for dissent. The maximum difference between the two distributions is 0.9%, observed for tenure-related rationales (15.95% in the true distribution versus 16.88% in the inferred distribution).

We also evaluate the performance of the inference procedure at the vote level by computing standard classification metrics for each rationale label. Specifically, we report accuracy, precision, recall, and the F1-score. The results are presented in Table IA.4. We find that overall accuracy is high, while performance declines when evaluated using precision, recall, and F1 scores. Importantly, our performance metrics are comparable to those reported in studies using similar methodologies (e.g., Acikalin et al., 2022). As a robustness check, we replicate the validation exercise by randomly masking 5% of disclosed rationales and inferring them using the remaining 95% of the sample. The results are very similar to those described above.

2. Recovering Missing Rationales. Having validated our ideology-based matching approach

[4]We estimate ideology based on votes on director elections only, excluding proposals voted by less than 20 investors and institutional investors that cast less than 50 votes in the proxy season (Bolton et al., 2020).

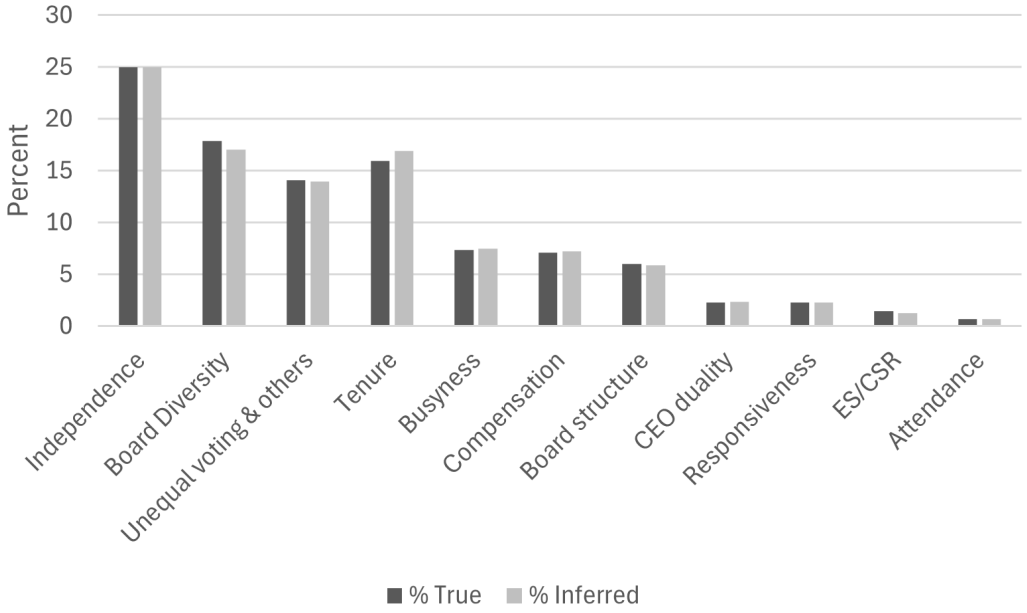


Figure IA.2. Validation of Ideology Matching via Masked Rationales. The plot compares the distribution of true rationales with those inferred by matching masked rationales to the rationales of the closest investor in ideological space.

Table IA.4. Classification Performance by Rationale

This table reports performance measures for the validation exercise that masks disclosed rationales and uses ideology matching to infer them.

	Accuracy	Precision	Recall	F1-score
Independence	0.75	0.65	0.65	0.65
Board diversity	0.81	0.62	0.60	0.61
Unequal voting & other	0.87	0.69	0.68	0.68
Tenure	0.84	0.66	0.69	0.67
Busyness	0.93	0.68	0.67	0.68
Compensation	0.92	0.61	0.62	0.62
Board structure	0.92	0.57	0.55	0.56
CEO duality	0.98	0.62	0.65	0.63
Responsiveness	0.97	0.53	0.57	0.55
ES/CSR	0.97	0.33	0.35	0.34
Attendance	0.99	0.60	0.63	0.62
Mean	0.90	0.60	0.61	0.60

to recover undisclosed rationales, we next apply it to infer the missing rationales. We implement this in two distinct steps: first, recovering rationales for non-disclosing investors; and second, recovering undisclosed rationales for disclosing investors.

For each **non-disclosing investor** that votes against a director at a given meeting, we assign the voting rationale of the disclosing investor with the closest ideological position voting on the same proposal. As before, we require that the ideological distance between the non-disclosing investor and the matched disclosing investor be no greater than 0.1 in absolute value.

Our sample contains 2,730,284 votes against directors for which we can estimate investor ideology. Of these, 2,172,567 are cast by non-disclosing investors. Using the procedure described above, we are able to recover 1,162,015 rationales, corresponding to 53.5% of votes cast by non-disclosers. On average, the ideological distance between matched investors is 0.03, with a median of 0.02. The remaining votes cannot be recovered either because the corresponding proposals have no disclosed rationales to serve as matches, or because no ideologically similar disclosing investor (within the 0.1 threshold) is available.

Figure IA.3 compares the distribution of disclosed rationales (black bars) with the distribution of inferred rationales for disclosers (dark-grey bars). The differences between the two distributions are generally small. One exception is tenure-related rationales, which decline from 12.2% in the disclosed sample to 5.8% in the inferred sample. This pattern is consistent with European investors—who account for a larger share of disclosed rationales—placing greater emphasis on tenure concerns (Figure IA.5 Panel A). As inferred rationales incorporate a larger share of US investors, the relative importance of tenure declines.

By contrast, the share of rationales related to unequal voting rights increases to 19.6%. This

shift likely reflects the inclusion of additional robo-voters, who more frequently cite unequal voting structures. Because robo-voters exhibit highly similar ideological positions (in line of that of the proxy advisor), their rationales can be predicted with relatively high accuracy under our matching procedure.

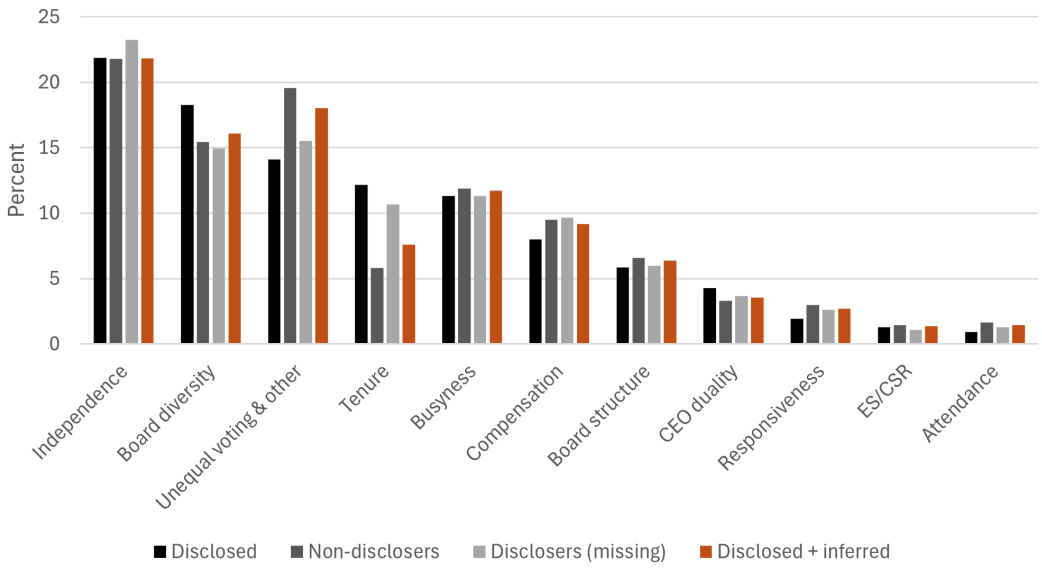


Figure IA.3. Distribution of actual and inferred rationales. The plot compares the distribution of rationales across four categories: disclosed rationales, inferred rationales for non-disclosing investors, inferred rationales for disclosing investors (for undisclosed rationales), and the combined distribution of observed and inferred rationales.

These results indicate that disclosed rationales are representative of more than 50% of the votes against directors in our dataset, given that many institutional investors share similar ideological positions and frequently overlap in voting at the same meetings. To further support this intuition, we plot the distribution of ideologies for disclosing and non-disclosing investors. Our methodology would be less reliable to the extent that these two groups do not overlap in the ideological space, and more accurate when their distributions are closer, as this ensures the availability of suitable matches for inference.

Figure IA.4 presents the distribution of investor ideology in 2022. Both disclosing and non-disclosing investors are represented across the full ideological spectrum, although there is a somewhat greater concentration on the left side. For reference, Calvert has a one-dimensional W-NOMINATE score of -0.72, BlackRock 0.14, and GAMCO Investors 0.63, based on director election votes in the 2022 proxy season.

Only 91,410 votes are lost due to the absence of a sufficiently close ideological match within a meeting (i.e., an ideology difference greater than 0.1), representing 4.2% of the votes cast by non-disclosing investors. There are votes for which we cannot infer rationales simply because no disclosed rationale is available for matching. Our sample includes 182,256 unique director election proposals, of which 68,594 (37.6%) contain no disclosed rationale. As a result, 270,287 votes against by non-disclosing investors cannot be inferred because no investor provided a rationale for the corresponding proposal. In addition, 544,880 votes occur in proposals with fewer than three disclosed rationales, meaning that inference is only possible if the non-disclosing investor happens to be ideologically close to one of the few disclosing investors. Overall, 37.5% of rationales on votes against from non-disclosing investors are difficult to predict due to the limited availability of disclosed rationales for matching.

Using the same procedure, we estimate the missing rationales of **disclosing investors** based on investors with similar ideological positions. We have 557,717 votes against directors from disclosing institutional investors, of which 163,222 lack a stated rationale. We find that 91,410 of these missing rationales can be recovered by matching to investors with similar ideology (i.e., within an absolute difference of 0.1).

Figure IA.3 presents the distribution of inferred rationales of disclosing institutions. The

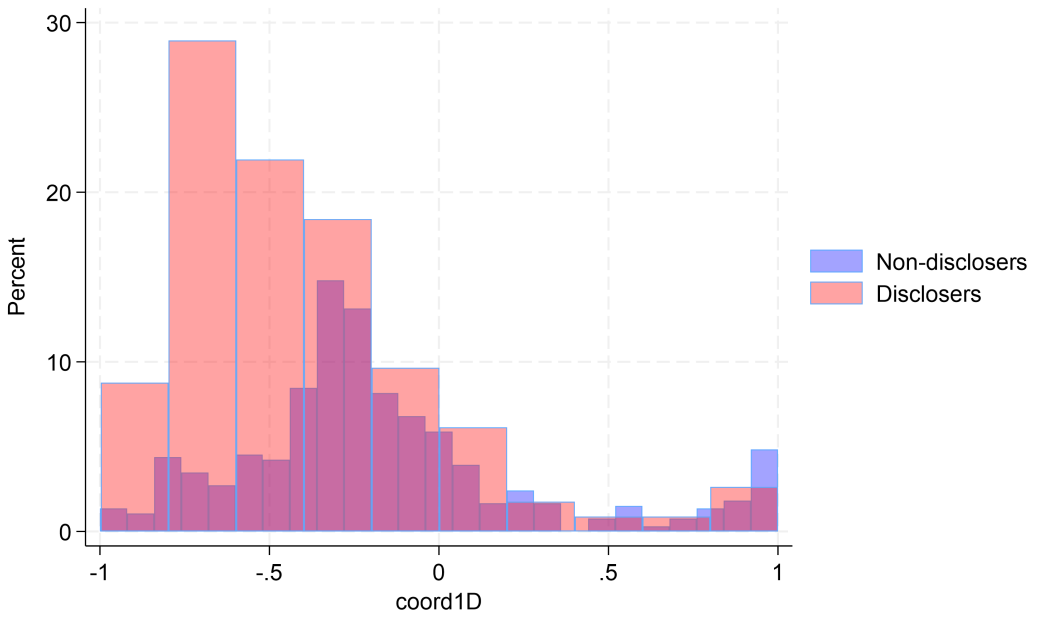


Figure IA.4. Distribution of ideologies for disclosers and non-disclosers. The figure shows the distribution of one-dimensional ideology scores for institutional investors that cast at least one vote against a director in 2022. Purple bars denote non-disclosers and pink bars denote disclosers.

largest difference concerns diversity (light-grey bar). The label appears in 18.3% of disclosed rationales; however, when in inferred rationales, they represent 15% of rationales.

Overall, these results suggest that disclosed rationales are broadly representative of institutional investors' concerns. In our sample, we observe 2,730,284 votes against directors, of which 557,717 include disclosed rationales. Using our matching procedure, we recover an additional 1,162,015 rationales from non-disclosing institutions and 91,410 from previously undisclosed votes by disclosing investors. This brings the total number of votes with either a disclosed or inferred rationale to 1,811,142, representing 66.3% of all votes against directors. The orange bar in Figure IA.3 shows the distribution of rationales combining disclosed and inferred cases. Importantly, the relative importance of different rationales remains largely unchanged after incorporating inferred rationales, with the possible exception of tenure.

C.2. Propensity Score Weighting

In this section, we explain propensity score weighting (PSW) (Rosenbaum and Rubin, 1983), the procedure we use to adjust sample representation so that greater importance is assigned to observations whose characteristics align closely with the population. In our PSW procedure, we assign weights to each rationale in the sample based on an estimated propensity score. This score takes into account characteristics of the institutional investor, as well as firm and vote specifics, considering the possibility that investors are more likely to disclose voting rationales for certain firms (e.g., large) or proposals (e.g., close-call). For instance, investors similar to the general profile would be assigned higher weights, while those who differ would be assigned lower weights. Our procedure is outlined as follows:

1. Estimate the propensity score. To estimate the propensity score, we employ logistic regression with the binary variable "Rationale" as the outcome variable, where "Rationale" is a dummy variable that takes the value of 1 if the institutional investor discloses the voting rationale and 0 otherwise. We focus on votes against directors in this analysis, as the PSW adjustment is only applied for votes against. We include a range of covariates related to investor characteristics (e.g., size, indicators for US investors and pension fund), vote/proposal/meeting characteristics (e.g., an indicator for close-call proposals, an indicator for votes against ISS, an indicator for meetings during the busy proxy season), and company/governance characteristics (e.g., ROA, institutional ownership, E-Index). This logistic regression model allows us to estimate the probability of an investor disclosing their rationale while accounting for these relevant characteristics.

2. Predict the propensity score. After estimating the logistic regression, we generate

the propensity score for each investor using the "predict pscore" command in Stata. The propensity score shows the estimated probability of an investor disclosing their rationale based on the covariates included in the regression.

3. Create weights for propensity score weighting. Using the propensity scores, we construct weights to implement PSW. These weights, assigned to each rationale, are calculated as the inverse of the propensity score, generated by using the "weight = 1 / pscore" command. These weights assign greater importance to observations whose characteristics align closely with the population, and vice versa.

4. Produce a weighted summary of rationales. To estimate the proportion of investors who consider each rationale important, we summarize the responses for each rationale using the weighted data. Specifically, we employ the command "su issue1 issue2 $\cdots$ issue12 [aweight = weight], detail" to summarize the 12 issues presented in Table 2 (e.g., *Independence, Board diversity*). The "aweight" option is used to apply the previously generated weights ("weight"). This weighted summary provides an adjusted estimate of the importance of each rationale (column (3) of Table 4), accounting for the non-random sample selection and potential biases introduced by the voluntary disclosure of rationales.

5. Weighted Adjustments for *Prop_Rationales* to improve sample representation. In Section 5.1, if Investor A mentions *Board diversity*, *Tenure*, and *ES/CSR*, and Investor B mentions *Board diversity* and *Busyness*, *Prop_Rationales* on *Board diversity* is 0.4 (= 2/5), and 0.2 (= 1/5) for each of the other rationales. In the PSW-adjusted version, *Prop_Rationales**, the rationale from each investor is weighted according to their representativeness. Suppose Investor A's weight is 2 times higher than Investor B's weight. We apply these weights to

calculate the weighted proportions. Weighted count of rationales for (*Board diversity*, *Tenure*, *ES/CSR*, *Busyness*) = (3, 2, 2, 1) = (2·1 + 1·1, 2·1 + 1·0, 2·1 + 1·0, 2·0 + 1·1). The total weighted number of rationales is 8 (= 3 + 2 + 2 + 1). Then, *Prop_board_diversity** = 3/8 = 0.375, *Prop_tenure** = *Prop_ES/CSR** = 2/8 = 0.25, and *Prop_busyness** = 1/8 = 0.125. By construction, *Prop_Rationales** varies between 0 and 1.

D. Heterogeneity in Institutional Investors' Rationales

In this section, we present evidence of the heterogeneity in voting rationales among different institutional investors. First, we compare the rationales of US and European institutional investors (Figure IA.5 Panel A). The figure shows that US investors are more concerned about *Board diversity* and *Unequal voting & others* relative to European investors. Meanwhile, European investors place high importance on *Tenure*, being the second most common rationale for them. They also emphasize *CEO duality* more than their US counterparts.

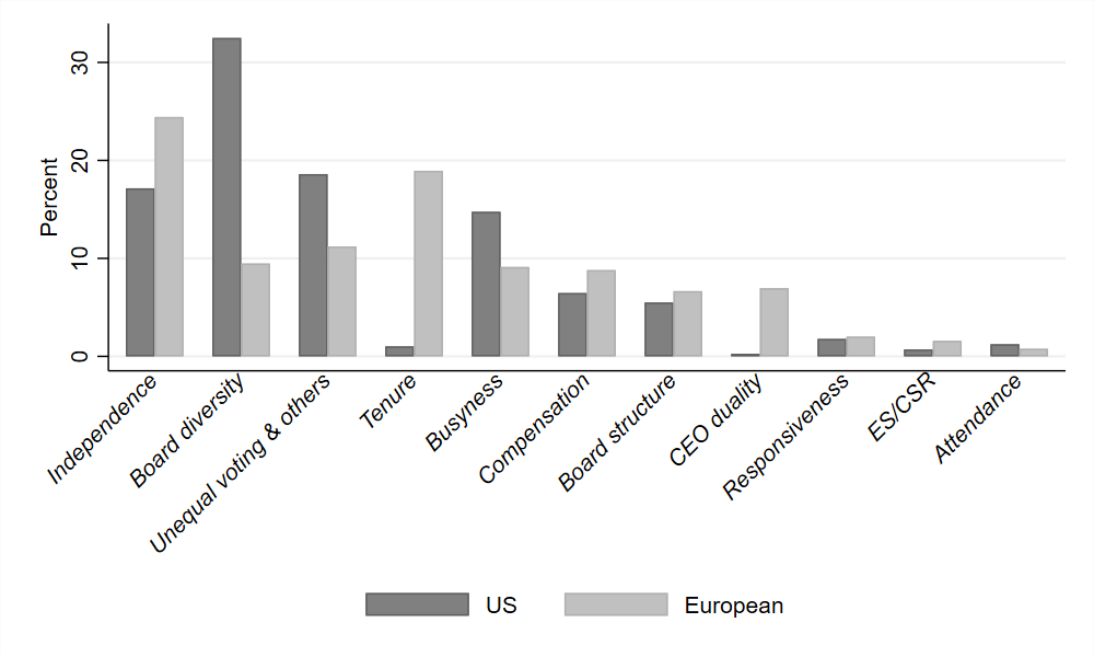
We next consider the Big Three's rationales vs. non-Big Three (Figure IA.5 Panel B). *Board diversity* is the main concern raised by the Big Three, accounting for almost 40% of their rationales. This is twice the frequency of *Board diversity* mentioned by non-Big Three investors. Notably, Figure IA.6 shows that *Board diversity* starts to appear in 2017, coinciding with the launch of campaigns by the Big Three to increase board diversity (Gormley et al., 2022). *Independence*, *Unequal voting & others*, and *Tenure* are relatively less important for the Big Three. It is also worth mentioning that the Big Three voted against directors for *ES/CSR* concerns since 2020 and increasingly so in 2021, which might indicate a new way in which the Big Three investors exert pressure on companies to change environmental and social policies.

Figure IA.5 Panel C presents the results for UN PRI signatories. Similar to the previous

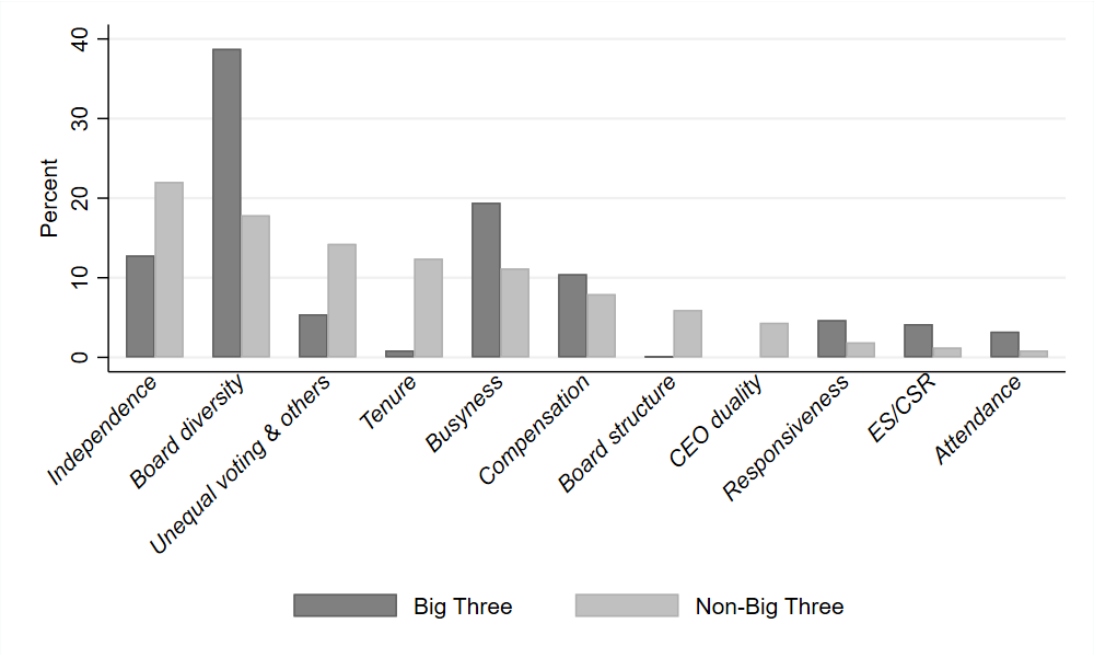
cases, *Board diversity* is the main source of difference between these two types of investors, with UN PRI signatories mentioning this concern more often than non-signatories. Non-signatories care relatively more about *Independence*, *Unequal voting & others*, *Tenure*, and *Busyness*.

Finally, we examine the voting rationales of pension funds. Pension funds account for 10% of investors and provide 30% of rationales. Panel D of Figure IA.5 shows that there is no distinctive pattern for pension funds – they seem to place similar importance on different issues as mutual fund managers. Despite the debate over pension fund activism's motivations (Del Guercio and Hawkins, 1999; Prevost and Rao, 2000; Woidtke, 2002), we find that pension funds' voting rationales are similar to those of mutual fund managers.

Panel A. US vs. European Institutional Investors



Panel B. The Big Three



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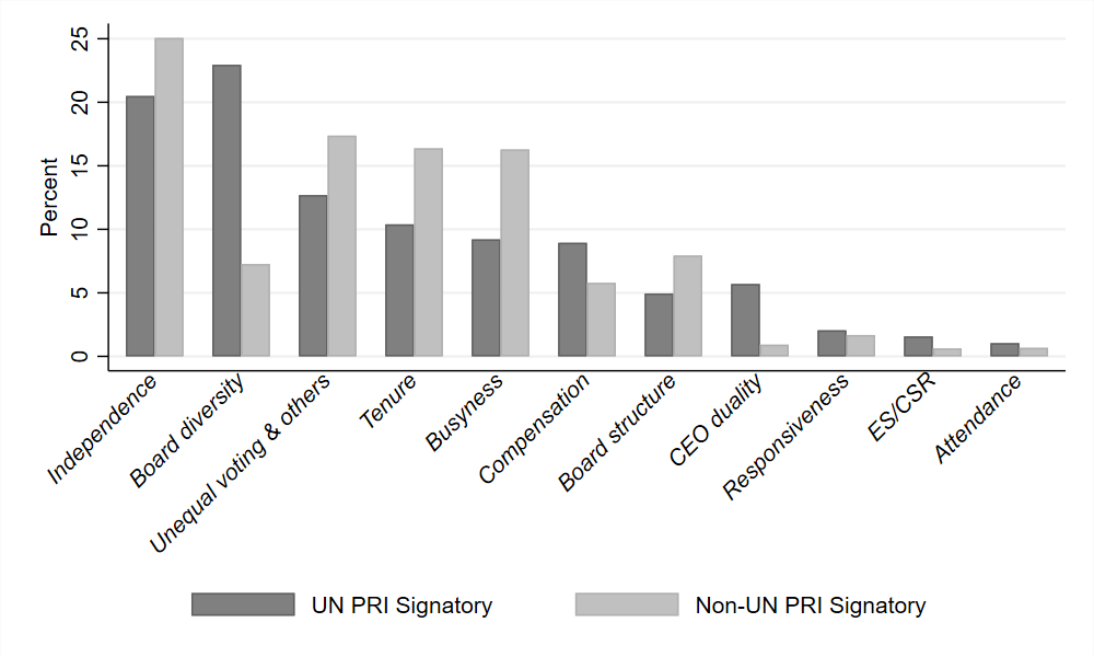
Panel C. UN PRI Signatory



Panel D. Mutual Fund Managers vs. Pension Funds

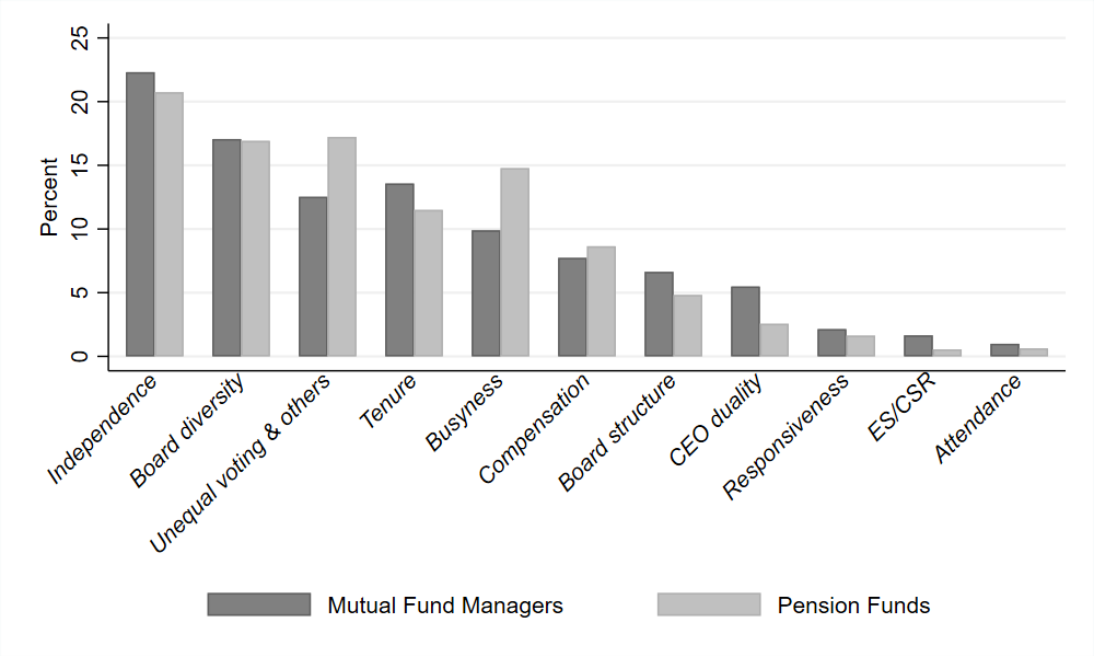


Figure IA.5. Heterogeneity in Institutional Investors' Rationales. This plot shows the relative frequency of the different rationales during the full sample period (July 2013 to June 2022), for different types of investors. We exclude the *Rarely mentioned* category from the analysis.

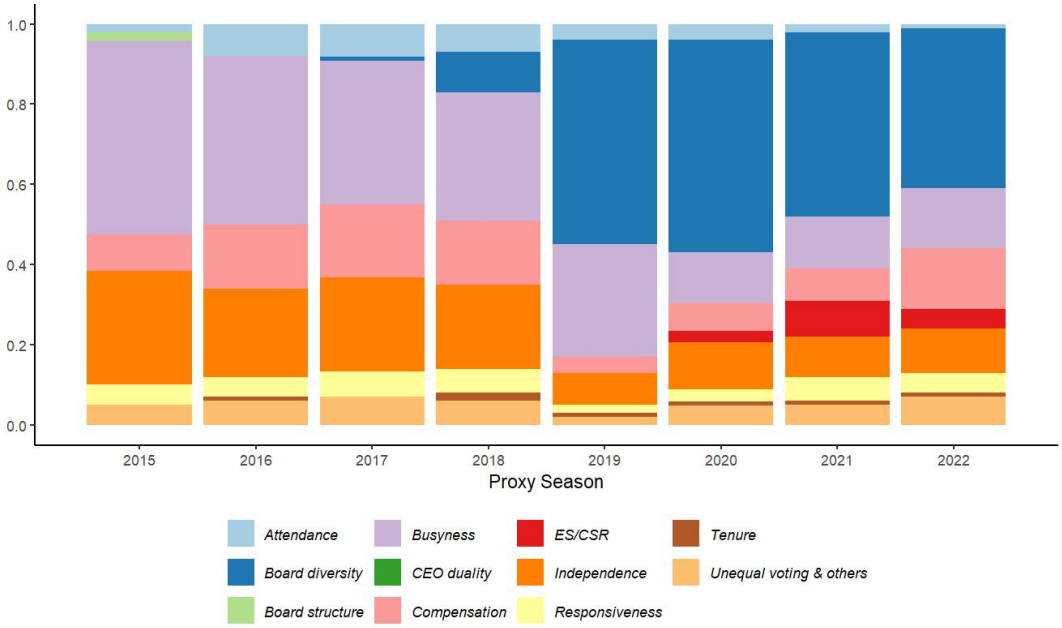


Figure IA.6. Relative Frequency of the Various Rationales Over Time: The Big Three. The figure shows the relative frequency of the different rationales for the Big Three investors, for votes against directors over the years. We exclude 2014 because we have very few rationales from the Big Three in that year. We also exclude the *Rarely mentioned* category from the analysis.

E. Board Diversity

In this section, we analyze whether board diversity is related to gender diversity, ethnic diversity, or both. To this end, we collect data from ISS - Directors Data, which contains directors' demographic characteristics (in particular, ethnicity), but for a smaller sample of firms. We consider three variables for board diversity: Per_female, defined as the percentage of female directors on the board (the same definition used in the paper), $Per\_NonWhite$, defined as the percentage of directors that are not Caucasian/white (while this might not be a perfect proxy for ethnic diversity, more detail data on ethnicity is not available in commercial datasets). We also create a variable $Per\_Diverse$ that captures the percentage of board members that are either female or non-white (or both).

In Table IA.6, we examine whether firms that receive a higher fraction of voting rationales related to the lack of *Board diversity* increase diversity in the following years. In Panel A, we present the results for gender diversity. Consistent with the results in the paper, we find that dissent voting related to *Board diversity* is associated with changes in the percentage of females on the board in the following years. In Panel B, we also present evidence consistent with firms increasing ethnic diversity to some extent, but results are only marginally significant in t+1, and insignificant in t+2. In Panel C, we report the results for diversity on any of those dimensions, and document a positive increase in diversity in the following years. This result is probably driven by gender diversity. To conclude, institutional investors' concerns about *Board diversity* might not only capture gender diversity, but also ethnic diversity. Companies seem to listen to these concerns and change board composition in the following years.

Table IA.5. Are concerns well grounded? Gender and Ethnicity

The table presents the regression of the proportion of rationales on board diversity on board characteristics reflecting diversity: gender diversity (Per_female), ethnic diversity ($Per\_NonWhite$), or both ($Per\_Diverse$). All specifications include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, and $Contentious\_GL$) and include proxy season and industry fixed effects and include proxy season and industry fixed effects. Standard errors are clustered at the firm level. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. Firm-level variables are defined in Appendix A, and rationales in Table 2 Panel A.

Dependent variable:	Prop_board_diversity		
	(1)	(2)	(3)
Per_female	-0.812***		
	(-21.018)		
Per_NoWhite		-0.309***	
		(-11.215)	
Per_Diverse			-0.483***
			(-18.983)
Observations	10,465	10,465	10,465
Adjusted R^2	0.245	0.183	0.230
Firm Controls	Y	Y	Y
Meeting Controls	Y	Y	Y
Proxy Season FE	Y	Y	Y
Industry FE	Y	Y	Y

Table IA.6. Do firms listen? Gender and Ethnicity

The table presents the regression of changes in board diversity on dissent voting and rationales related to *Board diversity*. The dependent variable is changes in gender diversity in Panel A, changes in ethnic diversity in Panel B, and changes in gender or ethnic diversity in Panel C. All specifications include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, and $Contentious\_GL$) and include proxy season and industry fixed effects. Standard errors are clustered at the firm level. *t*-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. Firm-level variables are defined in Appendix A, and rationales in Table 2 Panel A.

	t+1	t+1	t+2
	(1)	(2)	(3)
Panel A. Gender diversity			
Dissent	0.077***	0.009	0.043**
	(6.748)	(0.709)	(2.227)
Prop_board_diversity	0.025***	0.008***	0.018***
	(10.684)	(2.800)	(4.179)
Dissent × Prop_board_diversity		0.381***	0.534***
		(7.941)	(8.042)
Observations	8,935	8,935	7,421
Adjusted R^2	0.032	0.042	0.070
Proxy Season FE	Y	Y	Y
Industry FE	Y	Y	Y
Panel B. Ethnic diversity			
Dissent	0.015	-0.002	0.030
	(1.407)	(-0.127)	(1.518)
Prop_board_diversity	0.014***	0.010***	0.023***
	(6.065)	(3.312)	(5.030)
Dissent × Prop_board_diversity		0.093*	0.024
		(1.858)	(0.327)
Observations	8,935	8,935	7,421
Adjusted R^2	0.040	0.040	0.054
Proxy Season FE	Y	Y	Y
Industry FE	Y	Y	Y
Panel C. Diversity (gender or ethnic)			
Dissent	0.071***	0.008	0.060**
	(5.293)	(0.538)	(2.443)
Prop_board_diversity	0.030***	0.014***	0.034***
	(10.765)	(4.131)	(6.149)
Dissent × Prop_board_diversity		0.350***	0.401***
		(5.951)	(4.298)
Observations	8,935	8,935	7,421
Adjusted R^2	0.034	0.040	0.061
Proxy Season FE	Y	Y	Y
Industry FE	Y	Y	Y

F. Alternative Communication Channels

F.1. Direct Engagement

It is well documented that institutional investors engage with firms behind the scenes (McCahery et al., 2016; Heath et al., 2026), and that such engagements are typically successful (e.g., Dimson, Karakaş, and Li, 2015; Azar, Duro, Kadach, and Ormazabal, 2021). This raises the question of whether our results are driven by direct engagement rather than by voting rationales.

To empirically test direct engagement's potential influence, we leverage the findings of Dey, Starkweather, and White (2024) that firms are substantially more likely to engage with shareholders after receiving low support on Say on Pay proposals. Accordingly, we use low prior Say on Pay support as a proxy for a higher likelihood of engagement and exclude these firm-years, re-running our main analysis on the subsample where direct engagement is less likely. As shown in Table IA.7, the key interaction coefficients linking dissent, specific rationales, and subsequent board changes remain statistically significant and quantitatively similar in this subsample.

There are other good reasons to believe that direct engagement does not explain our results. First, engagement is relatively uncommon, even for large investors with strong incentives to engage (Heath et al., 2026). Second, successful engagements usually resolve issues before the meeting, making a negative vote unnecessary. In the data, less than 0.15% of our rationales explicitly cite a failed engagement as the reason for dissent, suggesting that rationales serve as an engagement tool that is largely separate from direct engagement. Third, recent industry surveys (Georgeson, 2024) and empirical evidence (Gormley et al., 2022) indicate that direct engagement typically centers on a few salient issues (e.g., climate targets, remuneration, or gender diversity)

rather than a broad range of board composition concerns (e.g., tenure) frequently appearing in rationales for directors.

These results indicate that direct engagement does not fully explain our findings, supporting the view that voting rationales play a distinct role in conveying actionable information that prompts governance changes. Furthermore, as a lower-cost and more scalable communication tool compared to resource-intensive engagement, rationales likely enable investors to provide feedback across a much broader set of firms, particularly for highly diversified institutions. While rationales might sometimes complement other (unobservable) corporate engagement efforts, this correlation would reinforce that disclosed rationales reflect genuine investors' concerns.

Table IA.7. Changes in Board Characteristics When Engagement is Unlikely

The table presents regression results that address the potential role of direct engagement in driving changes in board composition. Specifically, we estimate (equation (3) restricting the analysis to scenarios where firms receive high support for Say on Pay proposal in the previous year, making direct engagement between firms and shareholders less likely. All columns show changes for t+1. All specifications include firm and meeting-level controls (i.e., $Ln(MktCap)$, ROA, Mkt_to_Book, $Dividends$, $Leverage$, $InstOwn\_Perc$, $Contentious\_ISS$, and $Contentious\_GL$) and include proxy season and industry fixed effects. Standard errors are clustered at the firm level. t-statistics are provided in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dependent variable:	Δ Board Characteristic				
Prop_Rationales:	Independence (1)	Diversity (2)	Tenure (3)	Busyness (4)	CEO duality (5)
Dissent	0.009	-0.026**	0.078	-0.007	-0.040
	(1.120)	(-2.335)	(0.318)	(-0.262)	(-1.141)
Prop_Rationales	0.002	-0.000	-0.294**	0.001	0.179***
	(0.934)	(-0.108)	(-2.505)	(0.056)	(3.333)
Dissent × Prop_Rationales	0.002	0.101***	-3.031*	-0.557***	-1.960**
	(0.066)	(2.929)	(-1.705)	(-2.849)	(-2.340)
Observations	10,879	10,879	10,879	10,879	10,879
Adjusted R^2	0.001	0.017	0.009	0.029	0.001
Proxy Season FE	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y

F.2. Proxy Voting Guidelines

Proxy voting guidelines, while widespread and mandatory for many institutional investors, have limitations in explaining the specific motivations behind voting decisions. First, guidelines are often intentionally broad, using language like *"We generally vote against"* or *"We evaluate on a case-by-case basis"*. This ambiguity gives investors flexibility but obscures the precise reason behind a vote. Second, and more importantly, investors frequently deviate from their own stated policies. For instance, Couvert, Fahlenbrach, and Sautner (2024) show that fund families only vote against directors who breach their criteria about 14% of the time. In unreported analyses, we confirm this point. For instance, we find that even when an investor consistently emphasizes diversity, they mention the issue in less than half of the cases where they vote against firms that lack board diversity. This might reflect the fact that investors prioritize other governance concerns when a company faces multiple concerns. We observe similar patterns for issues such as board independence, director tenure, board busyness, and CEO duality. Consequently, even if one obtains both the proxy voting guideline and the final vote record, there remains a gap in clarifying why a specific vote was cast.

This is precisely the gap that disclosed voting rationales are positioned to fill. Unlike formal policies, rationales provide direct, case-specific evidence of an investor's reasoning. For example, some rationales expand the scope of standard proxy voting guidelines by detailing specific engagement outcomes and future expectations: *"Upon engagement with the company, we learned that board refreshment was delayed because of COVID. We expect the number of independent directors who have served less than 12 years to outnumber those who have served for more than 12 years in 2022. Should this not be the case, we might consider voting against*

long-serving directors in 2022." Others include explicit statements about deviating from their established policies: *"SMA: we are deviating from the NBIM policy on combined chairman/CEO under the exemption that the CEO can be regarded as part of the "founding" family and the fact that we accepted his role as part of our anchor investment in the IPO."* This highlights the unique informational role of rationales, offering granular and actionable feedback that allows firms to address specific concerns.

Finally, from a basic economic perspective, the growing use of voting rationales suggests that they contain meaningful and valuable content. Drafting these rationales requires time, effort, and review by legal teams; hence, it seems unlikely that institutional investors would devote resources to producing and disclosing hundreds of rationales each proxy season if they—or the firms the rationales refer to—regard the information as redundant relative to proxy voting guidelines or other governance mechanisms.

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