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Transparency in Voting: Institutional Investors' Disclosure of Voting Rationales

Finance Working Paper N° 1120/2025
Revised July 2026

Daniele Macciocchi
University of Miami
Roni Michaely
University of Hong Kong and ECGI
Silvina Rubio
Nova School of Business and Economics
Irene Yi
University of Toronto and ECGI

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Abstract

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

JEL Classification: G11, G23, G30

Daniele Macciocchi
University of Miami

Roni Michaely
University of Hong Kong and ECGI

Silvina Rubio
Nova School of Business and Economics

Irene Yi
University of Toronto and ECGI

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Daniele Macciocchi†, Roni Michaely‡, Silvina Rubio§, Irene Yi¶

July 21, 2026

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†Miami Herbert Business School at the University of Miami: dmacciocchi@miami.edu.

‡HKU Business School at University of Hong Kong: ronim@hku.hk.

§Nova School of Business and Economics, Universidade NOVA de Lisboa: silvina.rubio@novasbe.pt.

¶Rotman School of Management at the University of Toronto: i.yi@rotman.utoronto.ca.

1. Introduction

Proxy voting is a key monitoring mechanism through which shareholders influence corporate governance (Hirschman, 1970; Easterbrook and Fischel, 1983; McCahery, Sautner, and Starks, 2016). Given its central role, institutional investors face increasing pressure to make their voting practices more transparent and to be more accountable for their voting.[1] While SEC regulations have mandated the disclosure of votes since 2003, these disclosures are limited to binary outcomes that reveal little about the reasoning behind them (SEC, 2021). As a result, companies and institutional investors' clients can observe how investors vote, but not why they vote that way. Recently, a new disclosure practice has emerged: investors voluntarily provide rationales for their proxy votes, typically after shareholder meetings, offering insight into the reasoning underlying their governance decisions. For example, an investor known for endorsing environmental issues may explain that it opposed a climate-related shareholder proposal because it was overly prescriptive, or because the company already had adequate policies in place.

Despite the rapid growth of this disclosure practice, little is known about the decision to disclose voting rationales. In this paper, we examine three important questions: First, what economic motives shape institutional investors' decisions to disclose voting rationales? Second, under what circumstances do investors choose to provide rationales? Finally, does this transparency carry economic consequences for the disclosing investors?

To shed light on this new phenomenon, we begin by surveying stewardship professionals responsible for proxy voting at institutional investors. Responses point to three non-mutually exclusive themes that help frame the economic motives for disclosure: (i) *stewardship incentives*, whereby rationales communicate governance concerns to firm management and support long-term firm value; (ii) *client demand* for transparency and accountability, which compels institutional investors to explain the reasoning behind certain voting decisions;[2] and (iii) *insti-*

[1] This pressure has recently intensified as policymakers seek to curb the influence of proxy advisors and stress that asset managers must exercise and demonstrate independent judgment in voting (e.g., White House, 2025).

[2] Throughout the paper, "clients" refers to the ultimate beneficiaries of institutional investors, such as mutual

tutional norms, such as adherence to stewardship codes and responsible investment principles. Beyond these underlying motives, respondents often indicate that they do not provide rationales for every item on the ballot, which suggests that implementation varies across governance contexts. We use these practitioner insights to structure our archival analysis of both the adoption and selective implementation of this disclosure practice.

We obtain data on more than 33 million votes cast by institutional investors at US firms, along with detailed investor-, firm-, proposal-, and vote-level characteristics. Given the novelty of this disclosure setting and the large number of potential determinants, we begin by using machine learning (ML) to flexibly identify the most important predictors of voting rationale disclosure without imposing functional form assumptions.[3] Two broad patterns emerge. First, investor identity and votes against management are the dominant predictors, outweighing firm- or proposal-level characteristics. Second, the decision to disclose is highly predictable, as our ML model predicts the presence of a rationale with accuracy exceeding 93% in every subsample. Notably, despite being voluntary, rationale disclosure shows no sign of converging to a pooling equilibrium in which all investors provide explanations: most investors never disclose, non-disclosers remain silent with a 98% probability across proxy seasons, and disclosers continue disclosing with an 85% probability. Together, these findings indicate that voting rationales reflect a structured institutional policy rather than sporadic or one-off decisions.

To unpack the economic incentives underlying these investor-level disclosure policies, we examine how observable institutional traits relate to the decision to provide rationales. The empirical patterns strongly support the three motives identified in our survey. First, capturing stewardship incentives, larger institutions—who benefit from economies of scale in processing governance information—are significantly more likely to provide rationales. Conversely, institutions with limited stewardship resources—such as robo-voters that follow ISS recommendations

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fund shareholders or pension beneficiaries. "Investors" denote the institutional asset managers themselves.

[3]This approach is useful in novel settings with many potentially correlated predictors because it can detect nonlinearities and interactions without requiring them to be specified ex ante (Mullainathan and Spiess, 2017).

at least 99% of the time—are significantly less likely to do so. Second, consistent with client demand for transparency, disclosure is more prevalent among pension and mutual funds, which face strict fiduciary obligations (Schanzenbach and Sitkoff, 2020). Finally, the institutional context plays a role: institutions that commit to responsible investment principles or operate in jurisdictions with stewardship codes are significantly more likely to disclose rationales.[4]

Next, we examine the circumstances under which institutional investors provide rationales across their portfolio firms. Our survey indicates that resource and time constraints play a central role in shaping investors' disclosure decisions. Consistent with this, disclosure exhibits an inverted U-shape in the investor's ownership stake, peaking at intermediate levels where monitoring incentives are meaningful but disclosure remains more scalable than private engagement (typically preferred at high ownership levels, Lewellen and Lewellen, 2022; Heath, Macciocchi, and Ringgenberg, 2024). Disclosure also rises during the busy proxy season, when time constraints make direct engagement more costly, and falls in proxy contests, where the high stakes favor direct engagement.

To gain finer insight into the selective implementation of this disclosure practice, we examine which specific votes within a meeting prompt disclosure. We find that disclosure is significantly more likely when institutional investors vote against management, diverge from proxy advisor recommendations, or vote on shareholder-sponsored proposals. These are situations where voting decisions are less predictable and carry higher stakes. In such cases, a simple for or against vote may not fully convey the investor's reasoning behind their votes, creating a demand for additional explanation. Notably, these inferences are unchanged after excluding boilerplate rationales, indicating that our findings are not driven by mechanical, non-informative disclosures; rather, investors provide substantive information on the votes that require the most context.

Building on this insight, we next examine whether voting rationales provide incremental information. In particular, institutional investors typically communicate their voting policies and

[4]These motives need not be mutually exclusive: PRI membership and stewardship codes capture institutional norms but also reflect the client and societal demand that shapes them.

stewardship priorities (e.g., Couvert, 2025; Pawliczek, Skinner, and Wellman, 2021). When a vote follows the investor's voting policy, the rationale can easily be inferred without an explanation, but departures may require an explanation. For example, consider an investor whose policy is to oppose directors who serve on too many boards. If that investor nonetheless supports an overboarded director, the voting record alone cannot reveal why. This is where an explanation is valuable. We therefore examine whether disclosure is more likely when institutional investors cast votes that deviate from their own policies.

We recover each investor's voting policy from its own voting record. We model these policies by training investor-specific ML models on uncontested director elections.[5] This approach captures the systematic patterns in actual voting behavior, including nuances that may not be explicitly articulated in general guidelines or other documents. We first show that the models predict director election votes with substantial accuracy, and then test whether institutional investors are more likely to disclose voting rationales when their actual vote diverges from the model's prediction.

We find that when a vote in favor conforms to the investor's policy, rationales are rarely disclosed (for approximately 6% of the votes) and, in most cases, offer only a generic endorsement (e.g., *"A vote for the director nominees is warranted"*). In contrast, when the vote departs from the investor's policy, the likelihood of providing a rationale more than doubles and, importantly, most rationales provide a specific explanation for the decision, such as: "*Under normal circumstances we would have voted against the re-election of this director to reflect our concerns that, in aggregate, they have too many board commitments. However, we have exceptionally supported their re-election, given that they are the executive director of this company.*" Alternatively, the rationales point to a specific ground for support, such as the director's independence or ongoing board refreshment effort. This confirms that investors use rationales to explain the votes that are hardest to interpret from their voting records alone, providing incremental information.

[5]We focus on director elections because they represent over 70% of votes and offer reliable, observable proxies necessary for ML prediction (Cai, Garner, and Walkling, 2009; Ertimur, Ferri, and Oesch, 2018).

Finally, we examine whether the decision to disclose rationales by institutional investors relates to some economic benefits. Using a stacked-cohort difference-in-differences design, we find that US institutions experience an average 4 percentage-point increase in annual net flows after initiating rationale disclosure relative to a matched sample of non-disclosing institutions, with no evidence of differential pre-trends. These results provide suggestive evidence that clients value accountability and transparency in voting decisions, and that disclosing voting rationales is associated with economic benefits for institutional investors.

Taken together, our findings establish voting rationales as a structured disclosure policy. The decision to disclose is shaped by stewardship incentives, client demand, and institutional norms. Once adopted, institutional investors deploy rationales selectively across governance contexts. Disclosure is not symbolic compliance; it concentrates precisely when voting decisions are most difficult to interpret. In these situations, rationales provide incremental information by articulating and substantiating governance choices, thereby reinforcing transparency and accountability to both portfolio firms and investors' clients.

This paper makes three main contributions. First, we extend the literature on investor voice by providing the first direct, vote-level evidence of how institutional investors allocate their governance effort. A central obstacle in this literature is the measurement of voice: proxy votes reveal outcomes but not reasoning, direct engagement carries the reasoning but occurs in private (McCahery et al., 2016), and voting guidelines articulate broad priorities rather than specific considerations (Couvert, 2025; Pawliczek et al., 2021). Consequently, prior research frequently relies on indirect proxies to infer governance effort, such as votes against management or against proxy advisors (Iliev and Lowry, 2015; Ertimur et al., 2018; Heath, Macciocchi, Michaely, and Ringgenberg, 2022) or firm-level attention measures (Iliev, Kalodimos, and Lowry, 2021). Voting rationales overcome this limitation: because they are public, vote-specific, and discretionary, they directly reveal which decisions an investor considers worth explaining. We document that investors deploy these explanations precisely when the voting record itself is least informative.

By revealing case-specific considerations that neither votes nor guidelines capture, rationales serve as a distinctly informative channel of investor voice.

Second, we contribute to the emerging literature on voting rationales. While recent studies, such as Michaely, Rubio, and Yi (2026), take rationale disclosure as given to examine its content and firm-level effects in US director elections, we provide the first evidence on the economic foundations of the disclosure practice itself.[6] We unpack the decision to disclose voting rationales: which investors choose to provide them, on which specific votes they deploy them, and whether disclosing institutions capture economic benefits. Moreover, by broadening the scope beyond director elections to all proposal types, we establish that rationale disclosure is not an evenly applied governance tool, but rather a highly selective practice driven by investor-level incentives. Documenting this selection yields a critical implication for the literature: any inferences drawn about the informational content of rationales or their downstream firm-level effects are inextricably tied to the endogenous adoption and deployment decisions we explain.

Third, we contribute to the disclosure literature in two ways. First, studies of voluntary disclosure in environmental, social, and governance (ESG) contexts frequently document that such disclosures contain boilerplate information (Christensen, Hail, and Leuz, 2021) and are not always accompanied by substantive changes in firm behavior (Michelon, Rodrigue, and Trevisan, 2020). Our setting offers a novel perspective because voting rationales are directly tied to observable governance decisions and are subject to reputational and regulatory scrutiny. As a result, they provide a setting in which voluntary disclosure can credibly convey incremental information rather than serve as *ad hoc* compliance or cheap talk. Second, our paper expands the literature on disclosure by institutional investors. While this literature examines how funds respond strategically to *mandatory* portfolio disclosure requirements (e.g., Agarwal, Vashishtha,

[6]Other recent work examines rationales along three dimensions: inferring underlying investor preferences (Aggarwal, Dahiya, and Yilmaz, 2023; Gomtsian, 2024), measuring the downstream impact of these disclosures on targeted firm policies (Orozco and Rubio, 2026; Kim and Kim, 2026), and assessing market participants' responses when Norges Bank discloses its voting positions and accompanying rationales ahead of shareholder meetings (Carter, Pawliczek, Tuna, and Underwood, 2026; Fahlenbrach, Rudolf, and Wegerich, 2024).

and Venkatachalam, 2018; DeHaan, Song, Xie, and Zhu, 2021; Bourveau, Li, Macciocchi, and Sun, 2023; Sani, Shroff, and White, 2023), we examine a new, voluntary disclosure practice embedded directly in governance activity.

Finally, our findings are also informative to regulators and market participants evaluating the role of transparency in proxy voting. While mandatory reporting frameworks such as the SEC's Form N-PX disclose voting records, they leave the underlying reasoning opaque. We show that voluntary disclosure of voting rationales offers a market-based mechanism for targeted transparency, as institutional investors disclose explanations when voting decisions deviate from their typical voting patterns. These findings speak to the growing pressure for closer alignment with beneficiary preferences: while pass-through voting addresses this pressure by transferring authority back to clients (Brav, Li, Lund, and Pan, 2025), voting rationales offer an alternative mechanism to enhance accountability without relinquishing voting authority. By explaining their voting decisions, institutional investors can demonstrate independent judgment and responsiveness to beneficiary concerns.

2. Background

2.1. Institutional setting

Institutional investors have faced growing obligations to ensure that shareholder voice is exercised transparently and without conflicts of interest, such as those arising from business relationships with portfolio firms (Davis and Kim, 2007; Cvijanović, Dasgupta, and Zachariadis, 2016; Dasgupta, Fos, and Sautner, 2021), or proxy advisors (Ertimur, Ferri, and Oesch, 2013; Larcker, McCall, and Ormazabal, 2015; Li, 2018; Hayne and Vance, 2019). For example, since 2003, US mutual funds have been required to disclose their proxy voting policies, actual votes (Form N-PX), and procedures for managing conflicts of interest. This pressure has recently intensified as policymakers seek to curb the influence of proxy advisors and emphasize that asset managers must exercise and demonstrate independent judgment in voting, alongside growing

calls for closer alignment with beneficiary preferences through mechanisms such as pass-through voting. Outside the US, governance obligations vary significantly, but most developed countries require some type of disclosure, particularly for voting policies and records.[7]

In contrast to these mandated disclosures, voting rationales are voluntarily provided by institutional investors. Some prominent international organizations, such as the United Nations (UN) Principles for Responsible Investment (PRI), recommend the disclosure of voting rationales. Furthermore, the European Union's Shareholder Rights Directive II (SRD II) requires that asset managers provide an explanation of the most significant votes (see Directive (EU) 2017/828). Finally, although not explicitly required by most stewardship codes, such disclosure may help institutional investors meet certain expectations outlined in those codes. For instance, the UK code requires institutional investors to *constructively engage* with firms (Dasgupta et al., 2021). Voting rationales can be a way in which such engagement is documented.

However, there is no expectation that disclosure would happen for every single vote, as such disclosure can be costly. This cost is significant not only for the disclosing institutions (Vanguard, for example, votes on over 150,000 proposals in a typical year) but also for the clients and firms that must digest this large volume of information. Accordingly, the UN PRI recommends that signatories prioritize disclosure in the following cases: (i) when voting against management or abstaining; (ii) when a vote may appear inconsistent with the investor's stated principles; and (iii) when opposing a shareholder proposal, particularly one submitted by another PRI signatory (PRI, 2021).[8]

Given the voluntary nature of disclosure, investors determine both the content and timing of their reporting. While the vast majority of disclosures occur *ex-post*, the specific *timing* varies: most institutional investors disclose shortly after the meeting (e.g., Legal & General,[9]

[7]43 out of the 49 jurisdictions surveyed in the 2023 Corporate Governance Factbook (OECD, 2023) require or recommend the disclosure of institutional investors' voting policies. The disclosure of actual voting records is less common, although it has increased over time: 67% of jurisdictions now require it, up from 34% in 2015.

[8]The Vote Reporting Group consultation in the UK makes similar recommendations. See here.

[9]Legal & General publishes some voting intentions in advance, but only for a very small subset of votes.

Calvert, Florida State Board of Administration, British Columbia Investment Management), while some take considerably longer (e.g., BlackRock). Only a few investors (e.g., Norges Bank) report before the shareholder meeting. However, there is no systematic record of when disclosures occur. By contrast, the *where* is clearer: most institutional investors disclose their rationales on their websites, typically in the stewardship section, and often using the same platforms used to disclose their votes (e.g., Proxy Voting Dashboard by ISS, View Point by Glass Lewis).[10] Others report them in stewardship reports (e.g., State Street, see here).

2.2. Survey of stewardship professionals

We survey stewardship professionals responsible for proxy voting at institutional investors in our sample to better understand the economic incentives driving institutional investors' disclosure of voting rationales, and the circumstances under which they do so. The insights from this survey inform our conceptual framework and empirical analysis. The survey was distributed to both disclosers and non-disclosers to better understand the benefits and costs associated with adopting or refraining from rationale disclosure. The questionnaire asked about disclosure practices for voting rationales, including whether and under what circumstances rationales are disclosed, the motivations and audiences for disclosure, the main challenges associated with providing rationales, and the perceived effects on relationships with firms, clients, and other stakeholders. The complete survey instrument and results are reported in Internet Appendix A.

We contacted 202 stewardship professionals and obtained 22 responses (10.9%). Although the sample size is nominally small, it reflects a meaningful cross-section of the industry given the small and specialized population of stewardship professionals globally. Moreover, our response rate of 10.9% is comparable to that of widely cited surveys (e.g., Graham, Harvey, and Rajgopal,

[10]BlackRock, for example, provides both a Global Vote Disclosure portal (available here) and publishes separate, in-depth "Vote Bulletins" for certain high-profile votes along with voting rationales, such as, BlackRock's vote bulletin for its May 2023 vote at ExxonMobil: BlackRock, "Vote Bulletin: ExxonMobil Corporation," August 2023, accessed October 27, 2025 (available here).

2005, with a response rate of 10.4%). Respondents are predominantly affiliated with mutual fund institutions (45%) and pension funds (23%) (Question 2 in Internet Appendix A), typically managing between USD 100 and 500 billion in AUM (Question 3), and are located in North America (64%) or Europe (36%) (Question 4).

The survey responses provide several key insights. First, Figure 1 Panel A shows that, in order of importance, institutional investors disclose rationales to demonstrate stewardship to the industry, meet client expectations, signal independence from proxy advisors, improve governance at portfolio firms, and comply with stewardship codes. The mean for each factor is statistically significantly different from the neutral midpoint of 3 (neither agree nor disagree) at the 1% level. Second, these patterns are reinforced in Panel B, where respondents indicate that providing rationales helps engagement with firms, improves relationships with clients, and supports compliance with stewardship codes and related requirements, all significant at the 1% level. Third, Panel C shows that respondents report observable effects consistent with rationales facilitating ongoing stewardship, including maintaining relationships with clients, facilitating future engagements, and firms following suggestions made in rationales (all significant at the 1% level). Finally, respondents indicate that resource and time constraints are the primary challenges associated with providing rationales (see Question 14 in Internet Appendix A).

Taken together, these survey insights point to three broad, non-mutually exclusive forces shaping the disclosure of voting rationales—stewardship incentives, client demand for transparency, and institutional norms—while highlighting the practical resource constraints associated with providing explanations. Because survey responses may reflect selection into participation, we use them primarily to identify practitioner-relevant mechanisms rather than to draw population-level conclusions. In the next subsection, we discuss how these motives relate to existing disclosure theory and develop the empirical predictions that guide our archival analyses of both the adoption of disclosure policies across institutional investors and the selective implementation of those policies across votes.

2.3. Theoretical foundation and empirical predictions

Voting rationales are a tool institutional investors can use to publicly communicate their views and decision-making processes to firms, clients, and other stakeholders, including regulators and the media. One can view the disclosure of voting rationales as a form of engagement: investors investigate the issue at hand, exercise their voting authority, and choose whether or not to explain how the decision was made. As with other types of voluntary disclosure, whether investors choose to provide voting rationales depends on the perceived costs and benefits.

On the benefits side, Lewellen and Lewellen (2022) provide a clear framework for understanding institutional investors' incentives to engage (within a partial equilibrium setting). The benefits of engagement can be broken down into two components. First, an institutional investor receives a *direct* benefit through management fees when engagement increases a company's value, which is a function of the investor's fee rate, AUM, and the firm's weight in the portfolio. Second, the investor receives an *indirect* benefit through increased fund flows when clients recognize value in the act of engagement.

On the costs side, providing voting rationales requires casting an informed vote, which comes with the costs of acquiring the necessary information (Blankespoor, deHaan, and Marinovic, 2020; Iliev et al., 2021). This cost can be substantial given the size of institutional investors' portfolios. Providing voting rationales also involves other direct disclosure costs, including the labor required to draft the rationale and the costs of legal compliance review (though the platform dissemination cost is assumed low for investors already subscribing to proxy advisors). It also comes with indirect disclosure costs such as reputational costs and alienation from firm management (Cvijanović et al., 2016), the potential cost of creating an implicit commitment to provide similar disclosures in the future (Einhorn and Ziv, 2008), and even proprietary costs associated with revealing portfolio-specific governance priorities (Friedman and Mahieux, 2025).

Taken together, the decision to provide voting rationales reflects a trade-off between the benefits of providing information to firms and clients and the costs of acquiring and disclosing

information. Institutional investors may adopt a policy to be a discloser or a non-discloser, which shapes incentives to invest in information acquisition. Conditional on this policy, we expect disclosure to be selective and more likely when investors possess informative signals, while silence is preferred when information is limited, costly, or when free-riding is severe.

Building on this discussion and on our survey evidence, institutional investors can disclose voting rationales for three non-mutually exclusive reasons, each aligned with a different target audience. First, institutional investors with greater *stewardship incentives* are more likely to provide voting rationales to communicate governance concerns to their portfolio firms. Investors with the intent and ability to analyze proposals and improve firm governance can disclose voting rationales to communicate to firm management their specific concern, thereby increasing the likelihood of corrective action.

Empirically, the benefits are expected to be larger when ownership stakes are higher, as the investor retains a greater share of any increase in firm value (consistent with the direct benefits of engagement in Lewellen and Lewellen, 2022). The costs are expected to be lower for larger institutions, who benefit from economies of scale that lower the costs of acquiring and processing voting information (Blankespoor et al., 2020). By contrast, institutional investors that delegate voting decisions to proxy advisors or firm management may be uninformed about the proxy ballot (Bebchuk, Cohen, and Hirst, 2017), and thus have weaker incentives to provide rationales.

Second, institutional investors may disclose voting rationales in response to *client demand* for transparency, a pressure rooted in their fiduciary duty. Clients are considered an important component of the decision to disclose, as indicated by survey evidence and anecdotal evidence: *"There is growing demand from the investor community to understand the rationale for directing proxy votes cast by asset managers on behalf of their clients. We recognize the importance of this information for our clients and are supportive of voluntary disclosure."*[11] In theory, while

[11]State Street Global Advisors, UK Vote Reporting Group Consultation and Discussion Paper (London: State Street Global Advisors, 21 September 2023), available here.

clients expect full disclosure when disclosure is costless and verifiable (Grossman and Hart, 1980; Grossman, 1981; Milgrom, 1981), this will not happen if information is costly to acquire and therefore institutions differ in their information endowment (Dye, 1985). By voluntarily providing information (voting rationales in our context), institutions can signal their diligence to current and prospective clients, strengthen their brand reputation (Brav, Dasgupta, and Mathews, 2022; Fisch, Hamdani, and Solomon, 2019), and attract capital (consistent with the indirect benefits of engagement in Lewellen and Lewellen, 2022). Public disclosure thus serves not only as a stewardship action but also as a public signal of stewardship, helping institutions differentiate themselves, as confirmed by the survey.

Empirically, institutions with stronger fiduciary duties, such as pension funds and mutual funds (Schanzenbach and Sitkoff, 2020), face greater pressure for transparency than other investors (e.g., banks or insurance companies) and therefore should exhibit a higher propensity to provide rationales. As fiduciaries, these institutional investors may disclose rationales to demonstrate to clients that they are actively monitoring firms and voting in their best interests, especially in situations of heightened uncertainty about their actions, such as when voting against management or when voting against their own stated objectives. By contrast, other investors experience weaker demand pressures, as they are not fiduciaries and are often not required to disclose how they voted, making them less likely to provide voting rationales.

A potential concern relates to disclosure verifiability, which could give rise to cheap talk (Crawford and Sobel, 1982; Gigler, 1994; Stocken, 2000). In principle, uninformed or low-effort investors might mimic informed peers by issuing rationales that do not reflect genuine voting considerations, leading to a pooling equilibrium in which all investors appear equally informed, a trend common in ESG voluntary disclosures (Christensen et al., 2021). As we show later, voting rationales remain far from ubiquitous, suggesting the absence of a pooling equilibrium, and countervailing forces, such as regulatory scrutiny, reputational costs, and the threat of regulatory sanctions (e.g., Watts and Zimmerman, 1983; Karpoff, Lee, and Martin, 2008), help

sustain the credibility of disclosed rationales.

Third, *institutional norms*, will also alter the costs and benefits of disclosure (Coffee, 1998; Leuz and Verrecchia, 2000; Doidge, Karolyi, and Stulz, 2007; Stulz, 2022). Disclosure is more likely in settings with stronger stewardship practices, as the costs of non-disclosure are higher for institutional investors. These costs may stem from explicit regulatory requirements or from normative pressures, as discussed in Section 2.1. Empirically, we expect that UN PRI signatories align their practices with the principles they have endorsed, including the disclosure of voting rationales. Similarly, disclosure may be more likely in institutional environments where transparency is emphasized and formal stewardship expectations are more developed, as non-disclosure in such settings may be perceived as inconsistent with prevailing governance standards and could undermine an investor's legitimacy. We capture these effects by examining the adoption of investor stewardship codes within a given country.

Lastly, one might consider disclosure of voting rationales as a tacit coordination mechanism among institutional investors, if early disclosure of voting intentions affects subsequent voting behavior by other investors (Fahlenbrach et al., 2024; Carter et al., 2026). This mechanism is likely limited in our setting. First, survey respondents do not identify coordination with other investors as a motive for disclosing rationales. Institutional investors face regulatory scrutiny and reputational incentives to avoid any appearance of coordinated action, particularly in the US, where such conduct can trigger investigation or prosecution.[12] Moreover, nearly all rationales are disclosed *after* the shareholder meeting, reducing their ability to coordinate contemporaneous voting behavior. Thus, while tacit coordination through disclosure may influence firm practices in other settings (Bourveau, She, and Žaldokas, 2020; Bertomeu, Evans III, Feng, and Tseng, 2021; Pawliczek, Skinner, and Zechman, 2022), it is unlikely to be a primary driver of the disclosure decisions we study.

[12]Consistent with this, a senior stewardship professional with experience writing voting rationales at one of the largest US asset managers and at a leading proxy advisory firm described, in a private conversation, that institutional investors deliberately avoid communication with one another about voting because of concerns about legal exposure.

3. Data and Descriptive Evidence

3.1. Data

We collect data on votes, proxy advisor and management recommendations, meeting characteristics, and proposal characteristics for meetings at publicly traded US companies between July 2013 and June 2023 from Diligent. Crucially, Diligent also gathers institutional investors' voting rationales from the investors' websites (through their vote bulletins, quarterly and annual Stewardship Reports) or from voting intermediaries like Broadridge, ISS, and Glass Lewis. Diligent reports rationales at the voting-manager level, hence we treat each voting manager as an 'institutional investor.'

We obtain financial information from Compustat and institutional investors' ownership data from LSEG (formerly Thomson Reuters), while each investor's portfolio information is obtained from the SEC Analytics Suite by WRDS, which includes SEC 13F Holdings Data.[13] Governance characteristics are collected from the ISS Governance database. Board characteristics are gathered from BoardEx. We retrieve stock returns data from CRSP. Our final sample includes 33,551,149 votes cast by 1,675 institutional investors across 30,150 meetings and 248,433 proposals.[14] The combination of vote-level disclosure, investor and firm characteristics, and proposal details allows us to study both adoption and selective implementation of disclosure.

3.2. Descriptive evidence

Figure 2 shows the percentage of votes with a rationale by proxy season. Panel A shows the trend for all votes (continuous line), votes with management (dotted), and votes against management (dashed). We observe an increasing fraction of rationales: despite being voluntary, 25% of votes against management included a rationale as of 2023. The fraction is 83% if we omit

[13]Diligent provided the CIK necessary to merge ownership data with voting data.

[14]The sample size in the tests presented below varies depending on the level of data aggregation and the availability of information on key variables.

institutional investors that do not provide any rationales during the proxy season (Panel B). Panel C presents the proportion of votes with a rationale by institutional investor type: fund manager (continuous), pension fund (dotted), and other investors (dashed). The increasing trend is shared among all investor types, but it is most pronounced for pension funds.

Next, Table 1 presents summary statistics for the full sample and the discloser subsample. Panel A details the proportion of votes with a rationale categorized by meeting type. While only 3.9% of the votes at the annual meetings include a rationale, rationales are significantly more frequent for votes against management (17.1%) compared to votes in favor (1.9%). Importantly, these figures are influenced by the large share of investors that do not disclose. When we restrict the sample to investors that provided at least one rationale during the proxy season, 23.5% of votes at annual meetings include a rationale, and the rate rises to 74% for votes against management. A similar pattern emerges across other meeting types. Interestingly, the gap in the proportion of votes with a rationale narrows in more contested meetings (special meetings and proxy contests), driven primarily by fewer rationales for votes against management. This suggests that as the stakes of a vote increase, investors may shift their engagement strategy, replacing public rationales with more resource-intensive engagement with the firm. Moreover, in proxy contests, voting for either side inherently reveals the rationale behind the decision, as each position (management or dissidents) explicitly conveys its stance.

Table 1, Panel B reports the proportion of votes with a rationale by proposal type. The broad patterns observed in Panel A persist: rationales are substantially more common for votes against management. However, Panel B highlights heterogeneity across proposal types. Management proposals are markedly less likely to receive a rationale than shareholder proposals, consistent with the latter being more contested. One exception is Say on Pay proposals, which receives the most rationales among management proposals. This likely reflects their high salience and scrutiny (Ertimur et al., 2013), prompting investors to explain their opposition.

Table 1, Panel C presents summary statistics of institutional investor, meeting, and vote

characteristics that we use in our multivariate analyses. The mean for *Discloser*, which identifies institutional investors that provide at least one rationale in a proxy season, is 10%. A quarter of investor–proxy seasons involve UN PRI signatories. ISS robo-voters and pro-management investors, both typically associated with minimal effort in voting, account for 18% and 13%, respectively. Most institutional investors in our sample are fund managers (68%), followed by pension funds (10%). Investors classified as *Other_investors* (23%) include banks, labor unions, and non-investment companies, among others. US investors account for 71% of investor–proxy seasons, and 61% of investors are 13F filers. Investor size (proxied by meetings voted in a proxy season) varies substantially: while we require a minimum of 20 meetings, the largest investors vote in over 20,000, incurring significant stewardship costs. Finally, most observations originate from countries with investor stewardship codes (ISCs).

Our sample comprises US publicly traded firms, where 7.6% of investor-meetings and 4% of votes include at least one rationale. The mean investor ownership is 0.7% of shares outstanding (*Own_SO*), lower than previously documented (e.g., 1.12% in Iliev et al., 2021). This reflects that our sample also includes very small institutions. The mean ownership relative to an investor's total net assets (*Own_TNA*) is 0.2%, indicating a high degree of diversification. Consistent with prior literature, we find that most votes are not contested and typically align with ISS recommendations (*Against_Mgmt* = 0.13; *Contested_10* = 0.01; *Against_ISS* = 0.10).

Lastly, when we compare these figures with those for investors that disclosed at least once during the proxy season, we observe that disclosers tend to be larger, more likely to be PRI signatories, and less likely to be passive voters (robo-voters or pro-management investors). They are also more often pension funds or non-US institutions; they oppose management more, and follow ISS less. By contrast, the characteristics of their portfolio firms are broadly similar.

3.3. Are voting rationales boilerplate?

Table 2 presents illustrative examples of voting rationales. Across all three panels, the examples indicate that rationales convey company-specific information rather than boilerplate

repeated across portfolio firms: even frequently used or brief rationales are applied selectively, and identical proposal types receive different explanations at different firms. In Panel A, we provide examples of rationales categorized by vote direction (For/Against) and proposal type. Some rationales relate to institutional investors' proxy voting guidelines—opposing a director who "*serves on more than 3 boards*" or supporting a proposal because "*Large, long-term shareholders should be able to nominate a director*"—while others reflect firm-specific concerns, such as voting against an auditor because "*The company has engaged the same audit firm for more than 20 years"*. These examples suggest that rationales often reflect a degree of governance engagement in evaluating proposals, rather than a mechanical application of voting rules.

A natural concern is that rationales rely on generic language. We address this in two ways. First, we classify potentially uninformative rationales as those used "too often" (high frequency across votes) or "too short" to contain meaningful information (one or two words), manually reviewing all rationales appearing 500 or more times and all one- or two-word rationales. Table 2, Panel B shows that neither definition cleanly identifies boilerplate. The most common rationale, "*A vote for the director nominees is warranted*" looks like boilerplate, but the second most common rationale "*A vote for the director nominees is warranted as a majority of the board comprises independent directors, the key board committees are independent and there is both gender and racial diversity on the board*" does not seem boilerplate, rather reflecting dimensions that investors consider desirable across all boards.[15] Turning to "too short" rationales, while "*Supportive*" conveys little, "*Overly prescriptive*" is informative about proposal quality.

In Table 2, Panel C we present all rationales issued by BlackRock for proposals to "Adopt Majority Vote as Standard" during the 2023 proxy season. In a sample of 8 such proposals, BlackRock voted in favor 3 times and against 5 times, with rationales that varied by firm: votes in favor cited, for example, "*Supermajority vote requirement serves as an entrenchment device for management,*" while votes against cited, "*Company already has policies in place to address*

[15]Some rationales appear frequently because investors vote in many companies on similar concerns.

these issues" or "*Proposal is not in shareholders best interests*". While these statements might sound like boilerplate, their selective application is informative: The fact that BlackRock cites entrenchment concerns at some firms, while citing that another firm "*already has policies in place*" indicates that the rationale chosen for a given vote carries firm-specific content.

4. Results

4.1. Determinants of voting rationale disclosure

4.1.1. A machine learning approach

To explore the factors driving disclosure, we begin with machine learning (ML) analysis. ML approaches can capture complex interactions and non-linear relationships among predictors without imposing strong assumptions on their functional form, providing insights into which variables are most influential. This contrasts with traditional econometric models, which can struggle to identify key drivers when predictors are correlated or when relationships are not strictly linear. ML allows us to gain a clearer understanding of the relative importance of different predictors before examining them through conventional methods.

In our main analyses, we employ Random Forest (Breiman, 2001).[16] This method relies on ensembles of decision trees, which are built and combined to improve predictive performance. Random Forest fits 100 trees in parallel on bootstrap samples of the data and averages their predictions. We tune hyperparameters via five-fold cross-validation, repeatedly splitting the data into training and validation subsets to measure out-of-sample performance and mitigate overfitting. Unlike OLS, which typically relies on a single estimation sample, cross-validation provides a more robust assessment of predictive accuracy.

We apply the ML framework at the vote level, where the dependent variable is an indicator for whether a rationale is disclosed. We include all relevant explanatory variables that capture

[16]In Internet Appendix B we present the results for Gradient Boosting (Friedman, 2001), implemented via XGBoost (Chen and Guestrin, 2016).

the potential incentives to disclose into a single model. This includes investor-level characteristics, firm and governance characteristics, and proposal or meeting characteristics, along with vote characteristics (see Appendix A for detailed definitions of the variables). We also include identifiers for proxy season, proposal-type, investor, and firm to allow the model to capture persistent patterns across these factors.

Table 3 presents our findings. We provide accuracy, precision, recall, and F1-scores, both as weighted averages and disaggregated by class (*disclosure* = 0 vs. 1). Random Forest achieves 99.7% accuracy and a weighted-average F1-score of 99.7%. The cross-validation procedure—where each model is repeatedly evaluated on data not used for training—suggests that these models capture genuine patterns in the data rather than simply memorizing patterns. Notably, performance in the minority class (*disclosure*=1) is also strong, with an accuracy of 95.7% and F1-score of 94.0%. This indicates that the algorithm effectively identifies which votes receive a rationale despite the low frequency of disclosures. Importantly, these results suggest that rationales are highly predictable because they typically follow a disclosure policy—the model's high accuracy would not be possible if disclosure decisions were made on an ad hoc, case-by-case basis. This is consistent with survey evidence showing that investors rely on internal guidelines to determine when to disclose (Questions 6 and 7 in Internet Appendix A). We also document high persistence in disclosure behavior: in Internet Appendix C, we show that institutional investors that do not provide rationales in year t are 98% likely to remain non-disclosers in year t+1, while disclosers are 85% likely to continue disclosing.

Turning to feature importance in column (1), investor identity and voting against management emerge as the top predictors. *Investor_id* alone explains about 15% of the overall importance, indicating that unobserved, investor-specific characteristics or policies strongly influence the decision to provide a voting rationale. *Institution_Size* follows at 13%, reinforcing the relevance of investor characteristics,[17] while *Against_Mgmt* explains about 10%. These results

[17]Consistently, in Internet Appendix C we show that a model containing only investor fixed effects attains an adjusted R^2 of 41%.

indicate investor-level characteristics and vote against management as the strongest predictors of disclosure.

Because many institutional investors opt not to provide rationales at all, it is also important to examine the disclosure decision of investors who have disclosed at least once in a proxy season (disclosers) and see what distinguishes the votes on which disclosers provide a rationale from those on which they remain silent. Columns (2)–(4) therefore, restrict the sample to disclosers only. We observe that model performance remains consistently high in this subsample. Importantly, once we exclude non-disclosers, we find that *Against_Mgmt* emerges as the most important feature.

This result is intuitive: in the full sample of disclosers and non-disclosers, investor-level policies largely explain the decision to provide rationales, consistent with survey responses. However, once we control for that policy choice—by removing investors who categorically rule out disclosure for any of the cost-benefit reasons discussed in Section 2—the main determinant becomes how the investor voted on the proposal itself, particularly when opposing management.

Finally, the decision to disclose rationales may also depend on whether proposals are sponsored by management or shareholders; thus we next separately examine the patterns for management and shareholder proposals in columns (3)–(4). For management proposals in column (3), the overall performance and conclusions closely mirror those in column (2), likely because management proposals constitute most votes. In column (4), the performance for shareholder proposals declines slightly, potentially due to the smaller sample, but still exceeds 90% across the reported metrics. Even in this subsample, *Against_Mgmt* and investor-level characteristics maintain a prominent role.

4.1.2. Linear probability model

Our ML findings underscore the importance of certain investor attributes in shaping the decision to provide voting rationales. However, they do not reveal the direction of these relationships, nor do they speak to the specific economic incentives driving investors' disclosure

behavior. In this section, we use a linear probability model to link disclosure decisions to investor-level characteristics related to the decision to disclose voting rationales, defined as providing an explanation for at least one proposal in a given proxy season.

We examine investor traits that proxy for the three incentive channels suggested by the survey and further discussed in our theoretical framework. Variables that capture *stewardship incentives* include institution size and indicators for ISS robo-voters (those following ISS recommendations at least 99% of the time) and pro-management voters (those aligning with management recommendations at least 99% of the time). Variables that capture *client demand for transparency* are based on investor type. We distinguish between fund managers, pension funds, and other investors (omitted category). Variables that capture *formal and informal institutional norms* include country-level indicators, the presence of investor stewardship codes (ISCs), whether the investor is a UN PRI signatory, and the strength of investor protection. Appendix A provides variable definitions. All specifications control for proxy season fixed effects, and some additionally account for country fixed effects.

Table 4 presents the results. We find that robo-voters and pro-management investors are 31% and 35% less likely to provide a rationale (relative to their sample means), consistent with substantially less transparency in voting for investors that devote fewer resources to stewardship.[18] We also find that larger institutions, which arguably have more resources for stewardship given economies of scale in collecting and processing governance-related information (Brav, Malenko, and Malenko, 2023), are more likely to communicate their voting rationales.

Consistent with client demand for transparency playing a role in the investor's decision to disclose, we find that both fund managers and pension funds are more likely to provide rationales than other investors (which are the omitted category). Similar to Figure 2, Panel

[18]In principle, robo-voters may either remain silent, since they delegate voting to proxy advisors and therefore are not informed voters, or simply reproduce the proxy advisor's rationale. Our survey confirms this mechanism, with respondents citing resource and time constraints as the main challenges to disclosure (Question 14 in Internet Appendix A). Consistent with this, we observe that they disclose infrequently, and when they do, their rationales mirror those of other robo-voters, suggesting that they are relying on proxy advisors' rationales.

C, pension funds exhibit the strongest propensity to disclose even after controlling for other determinants, aligning with our prediction that their heightened fiduciary duties increase the incentives to provide rationales (Geczy, Jeffers, Musto, and Tucker, 2015).

Client demand for transparency emerges as a major driver of disclosure also in our survey. Respondents indicate that disclosing voting rationales strengthens relationships with clients by enhancing transparency and accountability (see Panel B of Figure 1). The survey further reveals which clients value this information most: ESG-focused or socially responsible investors, public pension funds, and endowments and foundations are cited by approximately 50% or more respondents (see Question 9 in Internet Appendix A).

The last set of variables captures formal and informal institutions. We find that UN PRI signatories are more likely to provide voting rationales, consistent with the UN PRI framework's emphasis on active ownership, transparency, and responsible investment. This suggests that disclosure reflects institutional pressures associated with voluntarily endorsed stewardship standards. We also find that investors based in countries with investor stewardship codes (ISCs) are more likely to provide rationales, consistent with the idea that they follow country-specific practices. The coefficient on *Legal*, instead, is negative and significant in column (2), suggesting that investors located in countries with stronger legal environments are less likely to provide rationales, possibly due to concerns about legal retaliation (Baginski, Hassell, and Kimbrough, 2002). This finding echoes our survey results, in which respondents identify legal risks as one of the main challenges to providing voting rationales. We also include investor's country fixed effects in columns (1) and (3). We observe that investors in the UK and the Netherlands are significantly more likely to disclose rationales than those in the US (untabulated).[19]

In columns (3) and (4), we re-estimate our baseline specifications for the subsample of 13F filers. This step is important for two reasons: it aligns our study with the broader institutional

[19]Further related to the (informal) institutional context in which an investor operates, we examine the role of peer effects in explaining disclosure by the focal institution. We find that an institution is more likely to disclose voting rationales when a higher fraction of its peers do so. See Internet Appendix D.

monitoring literature, which predominantly focuses on 13F institutions, and it validates the sample used in our subsequent tests where ownership data is required. We find that the coefficients remain economically and statistically similar to those in the full sample, confirming that our findings are not driven by sample composition.

In sum, we find that the decision to disclose rationales is explained by stewardship incentives (larger investors disclose more, while robo-voters and pro-management investors disclose less), client demand (institutional investors with clear fiduciary duties, like pension and mutual funds, disclose more than others), and formal and informal institutional norms (UN PRI signatories and investors in countries with stewardship codes disclose more). These findings are in line with the survey evidence and framework, and confirm that disclosure is a deliberate choice driven by clear economic incentives.

4.2. When do investors disclose voting rationales?

Survey evidence and descriptive patterns both indicate that disclosing investors do not provide a rationale for every vote, but instead disclose selectively. In this section we investigate *when* institutional investors choose to disclose voting rationales, moving from coarser to finer units of analysis. We first identify the firm and meeting attributes associated with disclosure (Section 4.2.1); we then zoom in on the vote level to study which specific proposals within a meeting elicit explanations (Section 4.2.2).

4.2.1. Which meetings elicit rationales?

We begin with Table 5, where the dependent variable is an indicator equal to one if the institutional investor provides rationales on at least one proposal in a given meeting, and zero otherwise.[20] We limit this analysis to disclosers, as there is no variation to analyze among investors who remain silent. Notably, we include investor-by-proxy season fixed effects to exploit within-investor variation, effectively absorbing any time-varying investor characteristics that

[20]Most firms will only have an annual meeting, but others might have special meetings and proxy contests. Hence, the dependent variable varies at the firm-meeting level rather than at the firm-year level.

might drive disclosure.

The patterns at the meeting level indicate that the decision to provide voting rationales is shaped by time and resource constraints, reflecting the trade-offs discussed in Section 2.3. For example, we find that institutional investors' ownership in a given firm—measured by both portfolio weight (*Own_TNA*) and shares outstanding (*Own_SO*)—matters for the decision to provide voting rationales but not in a linear fashion. We observe an inverted U-shape relation: the likelihood that a rationale is disclosed in a given meeting increases up to turning points of 5.4% for *Own_TNA* and 4.4% for *Own_SO*, beyond which the relation turns negative.[21] For small holdings, stewardship incentives are limited by minimal portfolio impact, while for large holdings, investors have strong incentives to engage directly with their portfolio firms (Lewellen and Lewellen, 2022; Heath et al., 2024), as this yields greater net benefits and reduces the need to communicate dissent through voting rationales. While we do not have data on direct engagement between investors and firms, these patterns align with the survey, in which respondents identify resource and time constraints as the main challenge in providing rationales (Question 14, Internet Appendix A).

The type of meeting can also shape institutional investors' incentives to disclose voting rationales. For instance, disclosure declines in proxy contests, where the importance of the event may justify direct ex ante engagement. Moreover, in proxy contests, voting for either side inherently reveals the rationale behind the decision, as each position (management or dissidents) explicitly conveys its stance, making an additional explanation largely redundant. By contrast, during the busy proxy season, investors have less time to engage directly with companies. In this context, rationales can serve as a way to communicate with management, and facilitate future engagements (a result generally confirmed in our survey). This finding is particularly salient given recent evidence that governance attention declines during the busy season (Iliev

[21]Two points are worth noting. First, these ownership levels are plausible because ownership is measured at the institution level (not at the individual fund level). Second, most observations lie to the left of the turning points, where the likelihood of providing a rationale is still increasing in ownership.

et al., 2021), suggesting that voting rationales may serve an important governance function when resource constraints are most binding. We also see that rationales are associated with the presence of a shareholder proposal and a negative recommendation from ISS. Both factors draw greater institutional investor attention, prompting the allocation of additional resources to meetings that are typically more contested (Brochet, Ferri, and Miller, 2021).

4.2.2. Which votes within a meeting elicit rationales?

To gain finer insight into *when* investors choose to disclose, we examine the decision at its most granular level: within a single meeting, which specific votes prompt a rationale? Using vote-level data, our dependent variable is an indicator equal to one if a vote includes a rationale, and zero otherwise. As in Table 5, we restrict the sample to disclosers. Importantly, we include investor times meeting fixed effects. This specification absorbs all unobserved heterogeneity at the meeting level, including time-varying investor or firm traits and the meeting environment, allowing us to isolate factors that vary *within* a meeting.

We present the results in Table 6. In column (1), we report the results for all proposals and include dummies for the type of proposal, using director elections as the omitted category: Say on Pay, other management proposals, shareholder proposals related to environmental and social issues (ES), and related to governance issues (Gov). We find that both types of shareholder proposals (ES and Gov) receive more rationales than director elections, reflecting the higher scrutiny and controversy associated with these votes.

Importantly, we find that casting a vote against management triggers a substantial increase in disclosure. While our ML models establish the broad predictive importance of this variable, this regression setup allows us to precisely quantify its magnitude within a single meeting: opposing management increases the probability of observing a rationale by 36 percentage points for shareholder proposals (column (4)) and 62 percentage points for director elections (column (2)). This difference reflects that shareholder proposals are unconditionally more likely to include a voting rationale even when investors support management, whereas director elections

rarely feature a rationale in such cases, as indicated by the significantly lower constant in column (2).

Votes against ISS recommendations also explain voting rationales, but only for management-sponsored proposals (the coefficient is insignificant in column (4) when considering shareholder proposals only). Finally, we observe that the indicator for close-call proposals (*Contested_10*) is positively related to the probability of disclosure but statistically significant only in the subsample of shareholder proposals. A likely explanation for this asymmetry lies in the dominant role of votes against management. For management proposals (e.g., director elections), a close-call vote is, by definition, a situation with high dissent, and its explanatory power is likely already captured by the indicator for votes against management, thus making the *Contested_10* variable largely redundant. For shareholder proposals, which typically fail, a close-call proposal has the opposite meaning: it signals unusually high shareholder support. This indicates the proposal is highly contentious and has gained significant traction, creating a two-sided debate. This heightened scrutiny pressures investors on both sides of the vote to justify their position, thus increasing the likelihood of a rationale.

Survey respondents also emphasize voting against management and shareholder proposals; fewer respondents highlight against-proxy-advisor or close-call situations, consistent with these being less salient ex ante but still present in archival patterns (Question 6 in Internet Appendix A). Importantly, many survey respondents consider disclosure a key channel to demonstrate independent judgment rather than reliance on proxy advisors (Panel A of Figure 1).

A remaining concern, discussed in Section 2.3, is that some investors may issue generic rationales that mimic substantive transparency without providing vote-specific information (i.e., cheap talk). To address this concern, we repeat the analyses in Table 6 after recoding boilerplate rationales as zeros (see Section 3.3 for boilerplate definition). Table 7 shows that our results remain unchanged. The main difference is in column (1), where Say on Pay proposals and other management proposals become more likely to receive rationales relative to director elections.

Overall, our evidence in Section 4.2 indicates that rationale disclosure is highly selective, shaped by different considerations at the meeting and vote levels. Across meetings, disclosure patterns are consistent with investors choosing among channels of voice based on time and resource constraints: disclosure rises during the busy proxy season, when time constraints make scalable communication attractive, but declines at high ownership stakes and in proxy contests, where stakes are large enough to warrant direct engagement. Within meetings, disclosure tracks the need for explanation, concentrating on votes that are hardest to interpret from the voting record alone: votes against management, votes diverging from proxy advisor recommendations and, among shareholder proposals, close-call situations. Institutional investors thus use rationales to substantiate their governance choices where explanation is most needed, a pattern we examine further in Section 4.3.

4.3. Do rationales add information?

Most institutional investors disclose their general voting policies as a way of communicating their approach to voting (Couvert, 2025). Others issue their voting positions prior to shareholder meetings (Carter et al., 2026; Fahlenbrach et al., 2024; Chiu, Li, Nandy, and Traini, 2025), letters to CEOs (Pawliczek et al., 2021), or similar communications to convey their priorities (Aguilera, Bermejo, Capapé, and Cuñat, 2025). In light of these existing communications, a natural question arises: if investors already explain their policies, are vote-specific rationales actually needed? In what ways, if any, do rationales provide information beyond what is contained in general policies and guidance?

To answer these questions, we treat each institutional investor's past voting pattern as its *de facto* voting policy—the tendencies reflected in actual voting behavior, which may capture nuances beyond what voting guidelines convey. Such consistency may arise if investors apply their stated policies rigidly (e.g., always voting against non-independent directors), or if certain investors exhibit systematic tendencies unrelated to formal guidelines (e.g., consistently supporting management regardless of context). We then compare actual and predicted votes

to test whether deviations from these typical patterns are more likely to be accompanied by a rationale.

We focus on uncontested director elections, since this setting provides a rich set of observable characteristics, such as director independence and board gender diversity, that influence investors' votes (e.g., Cai et al., 2009; Ertimur et al., 2018; Michaely et al., 2026). We run a Random Forest algorithm separately for each investor to account for potential differences in voting policies, ideologies, or preferences that may explain their voting behavior (Bolton, Li, Ravina, and Rosenthal, 2020; Bubb and Catan, 2022).[22] We include all the variables used in previous analyses, as well as director- and board-level characteristics (e.g., tenure, board gender ratio) that may influence support or opposition for a candidate.[23]

We first present results on classification performance for each investor in Table 8. If an investor's voting behavior follows a clear pattern, the accuracy of our predictions will approach 1, whereas if the investor's decisions appear less systematic, accuracy will be lower, approaching the level of a random guess. We find that the average model accuracy is very high, 98%, and the median is equal to 1. The average F1-score for votes in favor of management is 99%, while for votes against it is 78%.

Next, to address the question of whether rationales provide information, in Table 9 we compare each investor's actual vote with the model's predicted vote. In Panel A, we define *Incorrect* as an indicator equal to one when the ML model fails to predict the actual outcome. We then test whether votes that deviate from investors' predicted voting policies are more likely to be accompanied by a rationale. We find that this is particularly true for votes in favor of management. While investors rarely provide rationales for votes in favor of management

[22]We provide robustness tests using Gradient Boosting in the Internet Appendix E.

[23]We exclude management recommendation and meeting type because we focus only on uncontested director election proposals in annual meetings. We also require a minimum vote threshold of 30 proposals per investor to ensure sufficient data for reliable model training. Of the 1,670 institutional investors in this sample, 692 met the data requirements for this analysis. The remaining 978 investors could not be processed due to the following reasons: (i) insufficient observations (842 investors) or (ii) single-class outcome (136 investors)—that is, investors exhibited only one class of voting outcomes (i.e., all vote for or all against), which prevents model training during 5-fold cross-validation.

(6.3%), the likelihood doubles when such votes represent a deviation from their voting policy, reaching approximately 14% (columns (1) and (2)).

Importantly, rationales are not just more frequent when a vote departs from the investor's policy, they are significantly more informative, stating the specific reason precisely for the votes that the voting record alone leaves unexplained. This is documented in Figure 3, where similar to Michaely et al. (2026), we group rationales into three types: (i) *No specific reason*, a generic endorsement that states no ground for support; (ii) *Cautionary vote*, in which the investor notes reservations about the director while ultimately voting in support; and (iii) *Substantive reason*, which cites a specific governance ground, comprising independence, diversity, tenure, new director, or responsiveness.

We observe that when the investor votes consistent with its policy (i.e., both the predicted and the actual vote are in favor), rationales give *No specific reason* in 79% of cases, offering only a generic endorsement (e.g., "*A vote for the nominee is warranted.*"). In contrast, when the investor departs from its policy (i.e., the predicted vote is against but the actual vote is in favor), the share of *No specific reason* rationales falls to 3%, and the rationale almost always states a reason: 48% are *Cautionary vote* and 49% provide a *Substantive reason* for support.

For example, one investor explains: "*Under normal circumstances we would not have supported this director as we are concerned with the number of board positions they hold and we would question their ability to devote sufficient time to the role. However, we are mindful that this exceeds our guidelines by only one and we do not have further concerns regarding this director. We are supporting the re-election but we will however be keeping this under review.*" As this example illustrates, the investor frames its support as an explicit exception to its own standard, confirming in their own words that the votes the model fails to predict are departures from their usual voting patterns. These patterns align with what institutional investors report in the survey: some institutions state that they disclose rationales specifically when they deviate from their voting guidelines, and investors more broadly view rationales as a means to

improve transparency and accountability (Questions 6 and 11, Internet Appendix A).

In contrast, when an investor's actual vote is against management, the likelihood of observing a rationale does not significantly change whether the vote was in line with the investor's policy or not (see columns (3) and (4) of Table 9). This is because votes against management are always harder to predict, and unconditionally significantly more likely to be accompanied by a rationale than votes in favor (see column (2) of Table 6, as well as the higher constant in columns (3)-(4) relative to (1)–(2)). Votes against almost always offer a substantive reason, regardless of whether the prediction is correct or incorrect (e.g., "*Nominee brings diversity to a less than 20% diverse board.*").

The rest of the table provides additional robustness tests. In Panel B, we use a continuous variable to define the predictability of a vote. Votes that are far from the threshold that defines the predicted vote are easier to predict, while those that are closer are harder to predict.[24] Using this continuous variable, *Abs_Distance*, we find that easy-to-predict votes are less likely to have a rationale. In Panel C, we exclude boilerplate rationales and find that results are consistent and even larger in magnitude: in this case, the disclosure rate rises more than fivefold (from 1.9% to 10.1% in column 1).

Taken together, our evidence shows that institutional investors disclose rationales selectively, where they carry the most information. Rationales become more likely when a vote departs from an institutional investor's voting policy (Table 9), and on those votes, the rationale almost always states a specific reason rather than a generic endorsement (Figure 3), a pattern the survey confirms from the investors' own perspective (Questions 6 and 11, Internet Appendix A). Voting rationales thus provide the interpretation that neither a voting policy nor the voting record can provide, and they do so where it is most valuable: where an investor's stated policy and its actual vote diverge.

[24]This threshold is investor specific, consistent with Table 8, and selected using the cutoff that maximizes the F1 score on the precision-recall curve.

4.4. Economic benefits of voting rationale disclosure

The framework in Section 2 suggests that voting rationale disclosure can help institutional investors differentiate themselves to current and prospective clients: by making stewardship decisions more transparent, disclosure may serve as a public signal of governance effort. If clients value voting rationales as a signal of diligent governance, then disclosure can potentially be rewarded with greater fund flows. We therefore examine whether investors experience changes in net flows after they begin disclosing voting rationales.

The identification challenge is that the decision to disclose is endogenous: unobserved factors that lead an investor to adopt rationales may also drive flows. We mitigate this concern with a stacked-cohort difference-in-differences design and matched controls. We define an investor as treated in the first proxy season in which it discloses a voting rationale.[25] For each treated investor we select the two nearest non-discloser controls by lagged log AUM, requiring controls to share the same investor type and the same country as the treated investor, and to record no disclosure within the six-year cohort window $[t-3,\, t+2]$. This procedure yields 93 matched cohorts spanning 2015–2022, of which 63 are US-domiciled and 30 are non-US. The outcome variable is the Sirri and Tufano (1998) net flow, constructed at the voting-manager level from quarterly US equity holdings and aggregated at the proxy-season level, and winsorized at the 1st and 99th percentiles. Specifically, we estimate the following regression specification:

$$\text{NetFlow}_{ist} = \alpha_{is} + \gamma_{ts} + \beta \cdot (\text{Treated}_i \times \text{Post}_{st}) + \varepsilon_{ist},$$

where i indexes investors, s matched cohorts, and t event-time relative to the cohort's first-disclosure year. The investor-by-cohort fixed effect α_{is} absorbs all time-invariant heterogeneity within each matched set; the event-time-by-cohort fixed effect γ_{ts} absorbs cohort-specific time

[25]This definition is contemporaneous to the treatment date and therefore avoids the selection on future behavior that a "permanent discloser" classification would impose. However, in untabulated analysis we confirm our results when we define treated funds as permanent disclosers.

shocks. Hence, identification rests on parallel trends within each matched cohort rather than across the pooled panel, a restriction that follows Baker, Larcker, and Wang (2022) and addresses the negative-weights problem of Goodman-Bacon (2021).

Table 10 reports the results. In column (1), we examine the full sample of 93 matched cohorts and find that the estimated effect is a precise zero ($\beta = -0.00$, standard error $= 0.02$). Thus, across all jurisdictions, we find no evidence of an average flow response to first-time rationale disclosure. However, column (2) reveals that this pooled estimate masks substantial heterogeneity by investor domicile. Among US-domiciled investors, treated investors experience an average 4.0 percentage-point (pp) increase in annual net flows after initiating disclosure ($p = 0.05$), an economically significant effect that can translate into meaningful fee revenue for asset managers.

The dynamic event study in Figure 4 corroborates the static estimate. Pre-period coefficients are economically and statistically zero (joint F-test $p = 0.91$), confirming that the matching produces an internally valid counterfactual within each cohort. In contrast, the treated-control gap opens in the first disclosure year, peaking at 8.0 percentage points before settling toward the post-period average, a pattern consistent with clients reallocating capital when the disclosure signal arrives.[26]

The finding that disclosure attracts flows in the US but not abroad is consistent with the signaling interpretation. In the US, voting rationale disclosure remains relatively uncommon and is not required by a national stewardship code, so adoption more clearly distinguishes investors that commit to greater stewardship transparency, and clients appear to reward that distinction. In contrast, in jurisdictions where disclosure is more strongly shaped by stewardship codes or market norms, the marginal rationale signals compliance rather than differentiation,

[26]Because net flow measures the annual rate of new capital, rather than the level of assets, a one-time improvement in perceived stewardship should generate an initial reallocation that later normalizes, which is what we observe. In contrast, a permanently elevated flow rate would imply that the investor gains market share at a constant pace indefinitely. For robustness, we also conduct a leave-one-cohort-out test in which we drop each of the 63 US matched cohorts in turn. All 63 estimates are positive, with a median of 4.1 pp and a range from 3.0 to 4.6 pp, nearly identical to the main estimate of 4.0 pp.

conveying less incremental information about investor type.[27]

These results point to tangible economic benefits of rationale disclosure for the disclosing institution: US investors that begin providing rationales attract meaningfully higher capital inflows relative to otherwise similar non-disclosers. Our earlier evidence establishes that rationales serve as a selective communication tool through which investors explain governance decisions and demonstrate independent judgment; the fund flow evidence shows that clients recognize and reward this transparency directly.

5. Conclusion

This paper examines institutional investors' voluntary disclosure of voting rationales, an emerging transparency practice that explains the reasoning behind proxy votes. Combining survey evidence, machine learning, and regression analyses, we document that rationale disclosure is shaped by specific economic incentives: stewardship incentives and ability to influence portfolio firms, client demand for transparency, and adherence to formal and informal institutional norms. Conditional on adoption, disclosure is selective rather than routine: institutional investors provide rationales when votes are more difficult to interpret, including votes against management and deviations from proxy advisor recommendations. Moreover, we show that rationales provide incremental information by explaining governance decisions that cannot be inferred from general voting policies alone. Finally, disclosure carries economic consequences: US institutions experience higher net flows after initiating rationale disclosure, indicating that clients value this form of transparency.

Our study documents a fundamental shift in shareholder voice, where proxy voting is evolving from a binary signal into a more deliberate act of engagement and communication. By

[27] At the same time, we cannot fully rule out a measurement-based explanation for the weaker non-US result. Because our net-flow measure is built from 13F holdings, for non-US investors it captures only their US-equity positions rather than their full portfolios, and the matched controls are limited to 13F filers rather than the broader set of local intermediaries with which these investors compete for flows. The full-sample null may therefore partly reflect less complete measurement of non-US flows, and therefore we interpret the cross-country contrast with this limitation in mind.

providing public justifications for their decisions, institutional investors transform the "black box" of stewardship into a more transparent mechanism for accountability. This practice is particularly relevant given the growing pressure on asset managers to align with beneficiary preferences. While recent trends toward pass-through voting address this pressure by transferring voting authority directly to clients, our findings identify voting rationales as an important, perhaps alternative, mechanism. By explaining their stewardship decisions, especially when deviating from standard policies, institutions can address beneficiary demands for accountability while retaining the expertise and influence of aggregated voting power. Future research could explore the dynamic between these two emerging forces: delegating the vote versus explaining the vote, and how their interaction shapes corporate governance.

Appendix A. Variable Definitions

This table presents the definitions of the variables.

Variable	Definition
Investor-ProxySeason level	
Institution_Size	Natural logarithm of the total number of worldwide meetings where the institutional investor cast votes in a given proxy season. Source: Diligent.
Robo_Voter_ISS	Dummy equal to 1 if the investor votes with ISS 99% of the time or more, and zero otherwise. Source: Diligent.
ProMgmt	Dummy equal to 1 if the investor votes with management 99% of the time or more, and zero otherwise. Source: Diligent.
Pension	Dummy equal to 1 if the investor type is pension fund, and 0 otherwise. Source: Diligent.
Fund_manager	Dummy equal to 1 if the investor type is mutual fund, and 0 otherwise. Source: Diligent.
PRI_Signatory	Dummy equal to 1 if the investor is a signatory at any point during the proxy season. Source: UN PRI website.
Legal	Interaction between Anti-self-dealing index and Rule of Law. Source: La Porta et al. (1998) and Djankov et al. (2008).
ISC	Dummy equal to 1 if the country adopts investor stewardship codes in a given proxy season, and 0 otherwise. Source: Miller et al. (2024) and hand collected data.
Country fixed effects	A dummy variable equal to 1 for the investor's country (US, UK, Canada, Netherlands, Australia, Switzerland, Norway, Germany, France, or Rest of the World), and 0 otherwise.
Investor-Meeting level	
Own_TNA	Ownership of a given institutional investor in the firm, relative to assets reported in 13F file. Source: WRDS, SEC 13F Holdings Data.
Own_TNA × Own_TNA	Square of ownership of a given institutional investor in the firm, relative to assets reported in 13F file. Source: WRDS, SEC 13F Holdings Data.
Own_SO	Ownership of a given institutional investor in the firm, relative to shares outstanding. Source: WRDS, SEC 13F Holdings Data.
Own_SO × Own_SO	Square of ownership of a given institutional investor in the firm, relative to shares outstanding. Source: WRDS, SEC 13F Holdings Data.
Busy	A dummy equal to 1 if the meeting takes place during the busy proxy season (weeks 18 to 24). Source: Diligent.
ShP	A dummy equal to 1 if the meeting has at least 1 shareholder proposal, and 0 otherwise. Source: Diligent.
Contentious_ISS	A dummy equal to 1 if ISS recommends voting against management in at least 1 proposal in a given meeting, and 0 otherwise. Source: Diligent.
Special	Dummy equal to 1 if the meeting is a special meeting, and 0 otherwise. Source: Diligent.
ProxyContest	Dummy equal to 1 if the meeting is a proxy contest, and 0 otherwise. Source: Diligent.
ln_MktCap	Natural logarithm of market capitalization as of the end of the fiscal year. Source: Compustat

(Continued)

Variable	Definition
Investor-Meeting level (cont.)	
Loss	A dummy variable equal to one if net income is negative and zero otherwise. Source: Compustat
Mkt_to_Book	Firm market value divided by common stockholder equity, at the end of the fiscal year before the annual meeting. Source: Compustat
Dividends	Total dividends paid by the firm relative to the value of equity. Source: Compustat
Lev	The ratio of long-term debt to total assets. Source: Compustat
InstOwn_Perc	The percentage of shares outstanding that are held by institutional investors at the end of the fiscal year before the annual meeting. Source: Thomson Reuters.
mean_Spread	Relative spread [(Ask-Bid)/Midpoint]/2 using end of day quotes, average across 252 days. Source: CRSP.
E_Index_nm	An index ranging from 0 to 6, increasing by 1 for each of the following provisions the firm has: classified boards, poison pills, golden parachutes, supermajority requirements, limitations on amending bylaws, and limitations on amending the charter. Source: ISS
E_Index_m	Dummy equal to 1 if information to compute the E Index is missing, and 0 otherwise.
Vote level	
Abs_Distance	The absolute value of the distance between an observation's predicted probability (score) and the investor-specific classification threshold. The threshold is selected as the cutoff that maximizes the F1 score on the precision-recall curve for each investor.
Against_Mgmt	Dummy equal to 1 if the investors votes against management recommendation, and 0 otherwise. Source: Diligent.
Against_ISS	Dummy equal to 1 if the investors votes against ISS recommendation, and 0 otherwise. Source: Diligent.
Contested_10	Dummy equal to 1 if the voting outcome for the proposal is between 40% and 60%, and 0 otherwise. Source: Diligent.
Incorrect	Dummy equal to 1 if the ML incorrectly predicts the actual vote, and 0 otherwise.
Say on Pay	Dummy equal to 1 if the proposal refers to Say on Pay, and 0 otherwise. Source: Diligent.
Shareholder proposal (ES)	Dummy equal to 1 if it is a shareholder proposal that is related to environmental and social issues, and 0 otherwise. Source: Diligent.
Shareholder proposal (Gov)	Dummy equal to 1 if it is a shareholder proposal that is related to governance issues, and 0 otherwise. Source: Diligent.
Other management proposals	Dummy equal to 1 if it is a management proposal that is not related to director elections or Say on Pay, and 0 otherwise. Source: Diligent.

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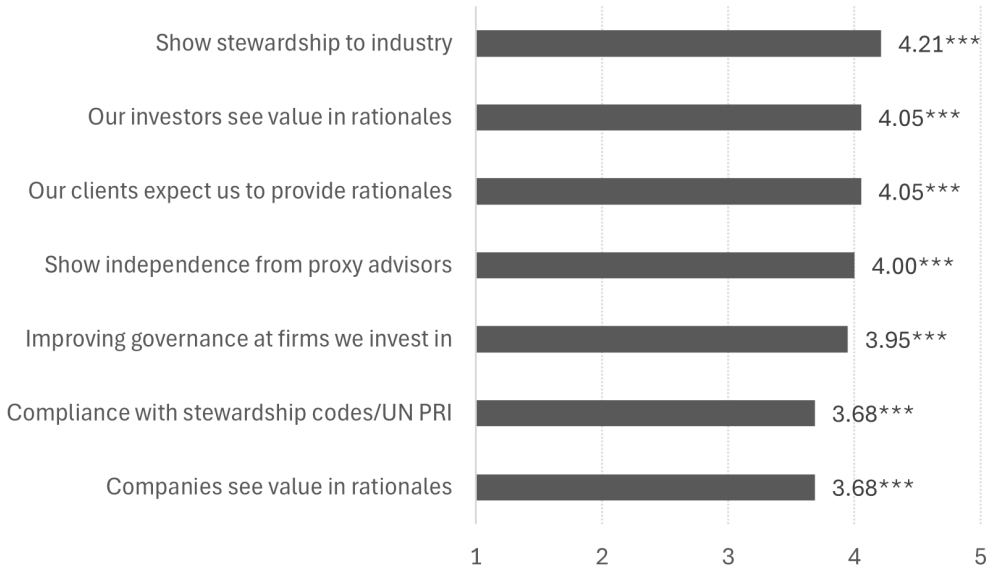
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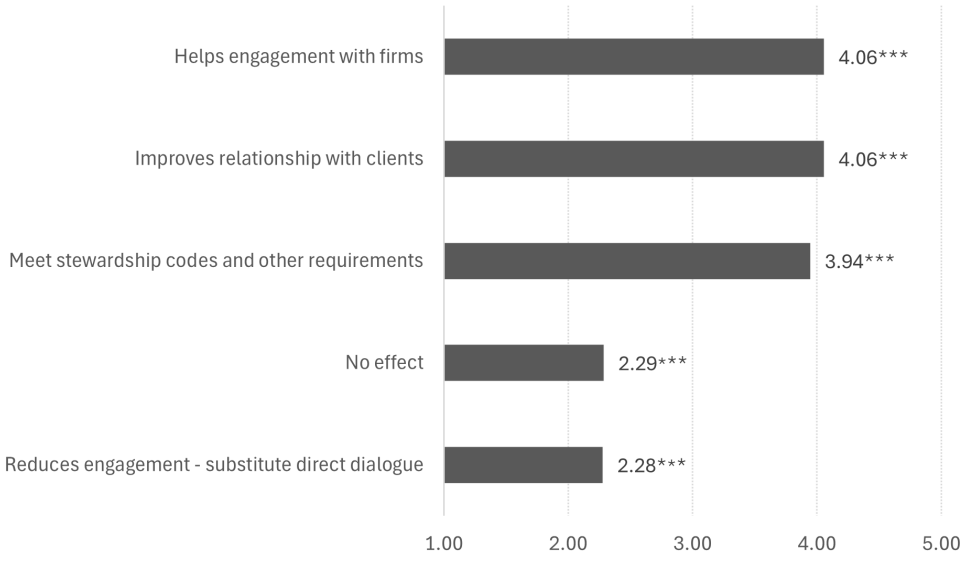
Figure 1. Evidence from the field

These figures show responses for the three main questions in the survey. We report the mean for each question and the results of a t-test of difference from 3 (neutral), where ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. Panel A corresponds to Question 8, Panel B to Question 11, and Panel C to Question 12. See Internet Appendix A for further detail.

Panel A. Why does your institution disclose voting rationales?



Panel B. How does the practice of disclosing voting rationales affect your institution?



(*Continued*)

Panel C. How, if at all, have disclosures of rationales led to observable changes?

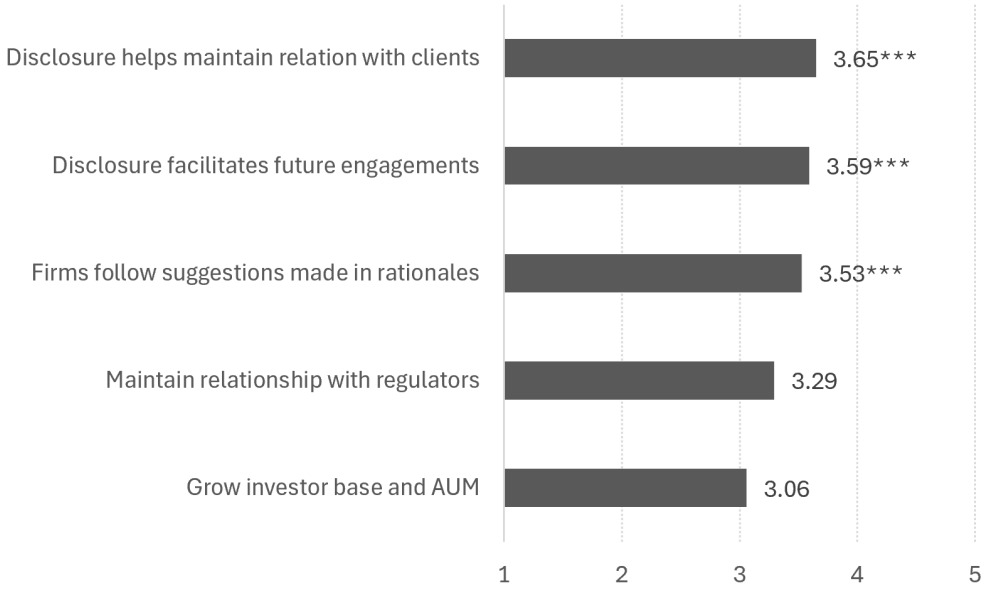
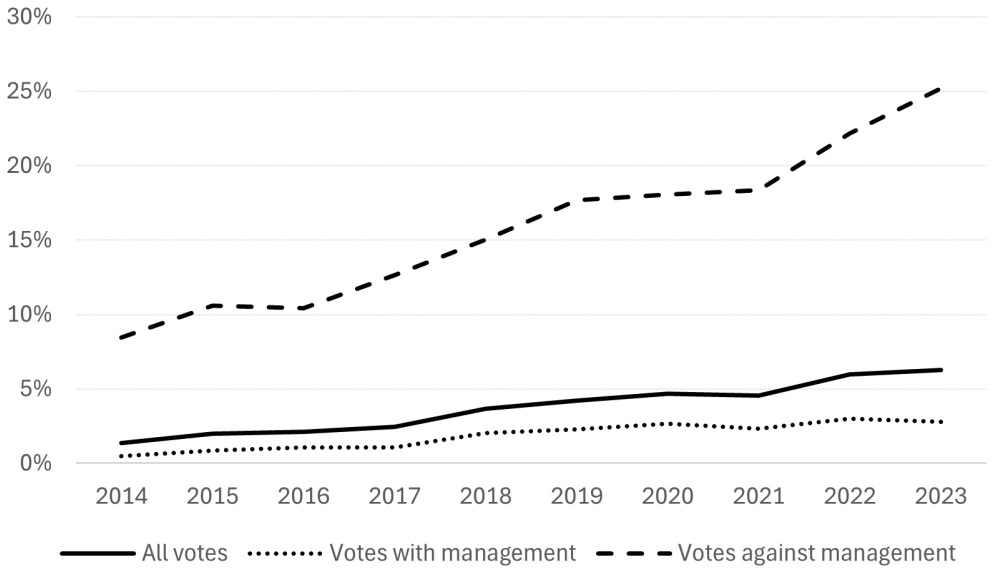


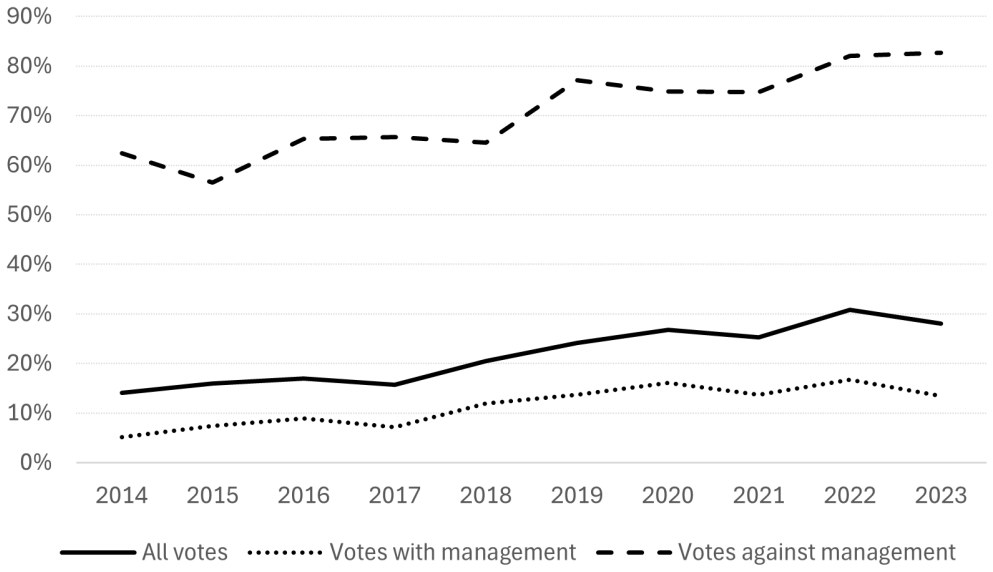
Figure 2. Yearly frequencies of voting rationale disclosure

This plot shows the proportion of votes with a rationale during the full sample period (July 2013 to June 2023). Panel A breaks down this proportion by vote type. Panel B presents similar information, but focuses exclusively on disclosers: institutional investors that disclose at least once in a given proxy season. Panel C presents the breakdown by investor type.

Panel A. Yearly frequencies of voting rationale disclosure



Panel B. Yearly frequencies of voting rationale disclosure among disclosers



(*Continued*)

Panel C. Yearly frequencies of voting rationale disclosure by investor type

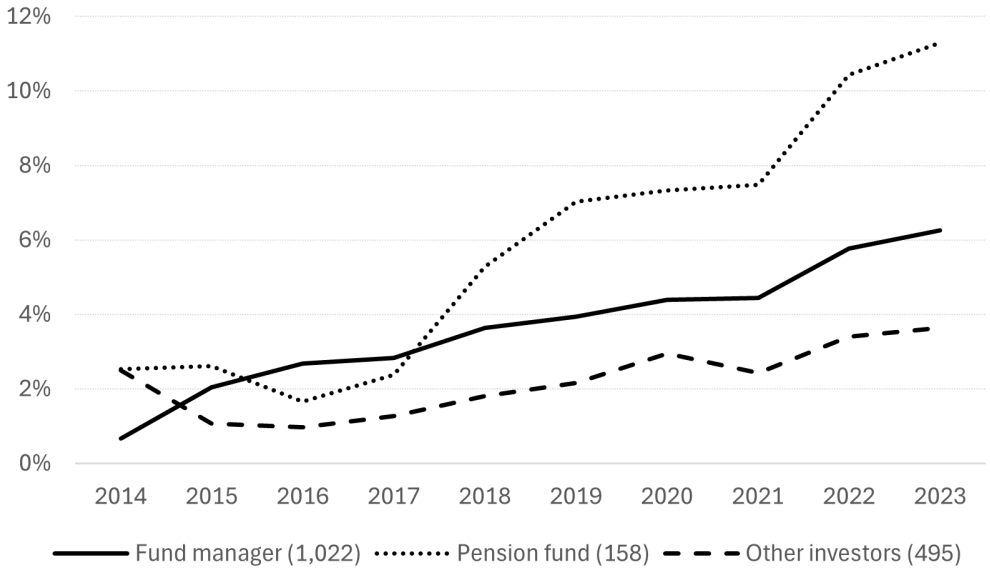


Figure 3. Types of disclosed rationales for votes in favor of directors by prediction outcome

This figure reports the types of disclosed rationales accompanying votes cast in favor of director candidates at annual meetings, shown separately by prediction outcome: votes correctly predicted by the Random Forest model ("Correct") and votes it predicted incorrectly ("Incorrect"). The prediction is generated by the investor-specific Random Forest classification reported in Table 8. A vote is incorrectly predicted when it departs from the investor's voting policy. Each rationale is assigned to one of three mutually exclusive types. "No specific reason" comprises rationales that support the vote without stating a ground (e.g., *"A vote for the nominee is warranted"*). "Cautionary vote" comprises rationales that note reservations about the director while still voting in support (e.g., *"A vote for incumbent audit committee chair John Pope is warranted, with caution, as the company still has unremediated material weaknesses in internal controls."*). "Substantive reason" comprises rationales that cite a specific governance ground: independence (the board or nominee meets independence standards), diversity (sufficient board gender, racial, or other diversity), tenure (director experience or board refreshment), new director (a recently appointed director not held accountable for prior governance), or responsiveness (the company acted on shareholder concerns), following Michaely et al. (2026). We exclude a residual set of rationales for which no specific ground can be inferred, including idiosyncratic cases and apparent errors in the rationale text. The figure covers votes through the 2022 proxy season.

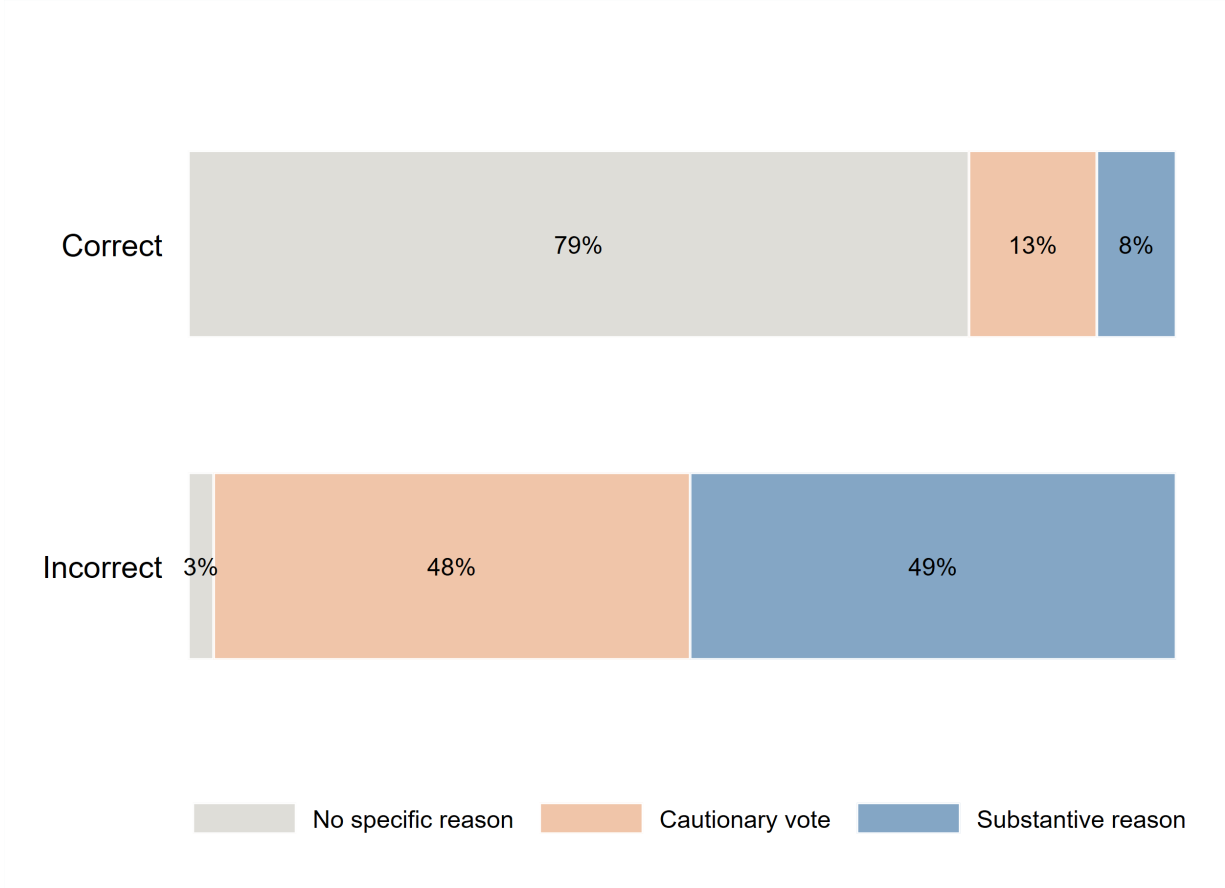


Figure 4. Net flow response around first voting rationale disclosure

The figure plots coefficient estimates from a stacked difference-in-differences specification examining net fund flows around a fund's first disclosure of voting rationales. The sample consists of US matched cohorts of first-time disclosers. The specification includes cohort × investor and cohort × event-time fixed effects. The baseline period is t = −1. The vertical lines represent 95% confidence intervals.

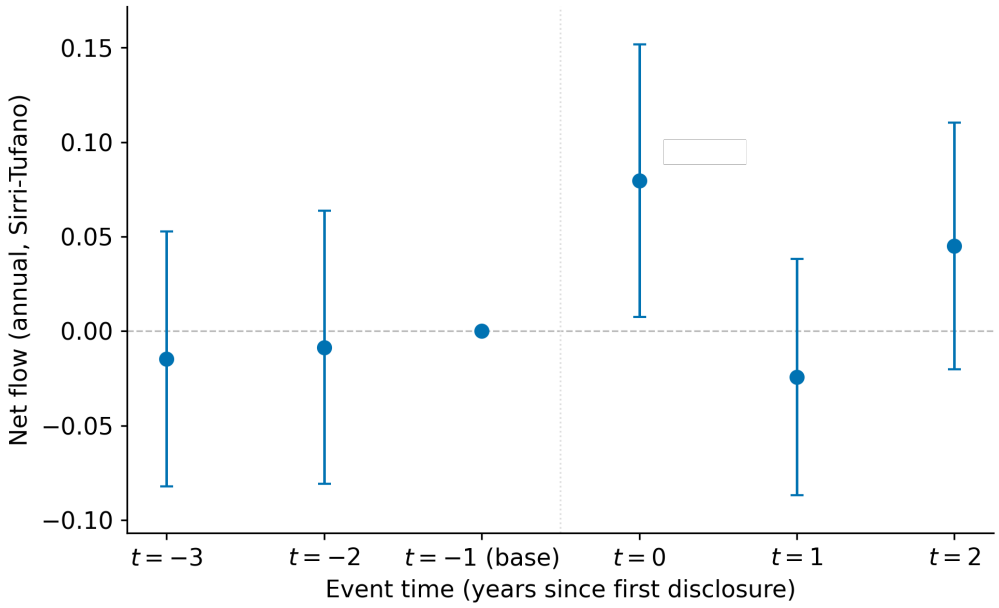


Table 1. Sample composition

The table reports summary statistics on the fraction of votes with rationales, sorted by meeting type (Panel A) and proposal type (Panel B). The table also presents summary statistics on firm-, meeting-, investor-, and vote-level variables used in the paper (Panel C). Columns (1)–(4) present summary statistics for the full sample, whereas columns (5)–(8) present statistics for the subsample of disclosers.

Panel A. Voting rationales by meeting type

	Votes with a rationale (full sample)				Votes with rationale (disclosers)			
	#Votes	All votes	Vote with management	Vote against management	#Votes	All votes	Vote with management	Vote against management
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Annual	33,135,063	3.92%	1.9%	17.1%	5,545,818	23.45%	12.3%	74.0%
Special	299,685	3.31%	2.1%	10.9%	51,343	19.31%	12.3%	60.5%
Proxy fights	116,401	3.97%	2.9%	9.3%	18,243	25.36%	18.8%	51.5%
Total	33,551,149				5,615,404			

Panel B. Voting rationales by proposal type

	Votes with a rationale (full sample)				Votes with rationale (disclosers)			
	#Votes	All votes	Vote with management	Vote against management	#Votes	All votes	Vote with management	Vote against management
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Management proposals	**32,229,064**	**3.69%**	**1.9%**	**17.6%**	**5,401,025**	**22.01%**	**12.0%**	**74.1%**
Director elections	24,229,463	3.43%	1.9%	16.4%	4,060,218	20.47%	11.6%	72.6%
Other mgmt. proposals	7,999,601	4.48%	2.2%	17.9%	1,340,807	26.71%	14.6%	75.5%
Say on Pay	2,943,793	5.94%	1.8%	22.9%	493,042	35.45%	13.3%	78.0%
Others	5,055,808	3.63%	2.1%	17.9%	847,765	21.62%	13.4%	76.4%
Shareholder proposals	**1,322,085**	**9.52%**	**4.1%**	**13.9%**	**214,379**	**58.71%**	**33.7%**	**71.7%**
ES proposals	554,667	9.86%	4.3%	15.1%	91,303	59.87%	35.2%	73.5%
G proposals	767,418	9.28%	4.0%	13.1%	123,076	57.85%	32.5%	70.4%

Panel C. Summary statistics

	Full sample				Disclosers			
	N	Mean	Median	SD	N	Mean	Median	SD
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Investor–Proxy season variables								
Discloser	11,073	0.103	0.000	0.305	1,145	1.000	1.000	0.000
Institution size	11,073	5.418	5.257	1.762	1,145	6.538	6.578	1.599
PRI_Signatory	11,073	0.263	0.000	0.440	1,145	0.579	1.000	0.494
Robo_Voter_ISS	11,073	0.180	0.000	0.384	1,145	0.114	0.000	0.317
ProMgmt	11,073	0.125	0.000	0.330	1,145	0.008	0.000	0.088
Pension	11,073	0.098	0.000	0.297	1,145	0.222	0.000	0.416
Fund_manager	11,073	0.677	1.000	0.468	1,145	0.621	1.000	0.485
Other_investors	11,073	0.226	0.000	0.418	1,145	0.157	0.000	0.364
US	11,073	0.714	1.000	0.452	1,145	0.356	0.000	0.479
Filer_13F	11,073	0.611	1.000	0.488	1,145	0.560	1.000	0.497
N_Meetings	11,073	934	192	1925	1,145	1940	719	2892
Legal	10,438	6.377	6.500	1.086	1,086	5.899	6.500	1.970
ISC	11,073	0.607	1.000	0.488	1,145	0.725	1.000	0.447
Meeting level variables								
ln_MktCap	30,020	6.907	6.953	2.151	29,275	6.984	7.020	2.110
Loss	30,150	0.328	0.000	0.469	29,372	0.321	0.000	0.467
Mkt_to_Book	30,007	3.269	1.910	8.150	29,262	3.265	1.931	8.091
Dividends	29,928	0.017	0.003	0.029	29,184	0.016	0.003	0.028
Leverage	30,056	0.275	0.223	0.288	29,278	0.274	0.224	0.276
InstOwn_Perc	30,141	0.637	0.728	0.306	29,365	0.651	0.740	0.297
Contentious ISS	22,821	0.228	0.000	0.420	22,792	0.228	0.000	0.419
Busy	30,150	0.581	1.000	0.493	29,372	0.587	1.000	0.492
Special	30,150	0.058	0.000	0.233	29,372	0.055	0.000	0.229
ProxyContest	30,150	0.005	0.000	0.071	29,372	0.005	0.000	0.071
Mean_Spread	24,090	0.037	0.031	0.019	23,897	0.037	0.031	0.019
SD_Ret	24,087	0.028	0.023	0.019	23,894	0.028	0.023	0.019
E_Index	9,989	1.738	1.000	1.122	9,988	1.738	1.000	1.122
Investor-meeting variables								
Rationale_if	1,639,087	0.007	0.001	0.015	284,755	0.012	0.002	0.023
Own_SO	1,639,962	0.002	0.000	0.006	284,905	0.001	0.000	0.004
Own_TNA	1,639,962	0.076	0.000	0.265	284,905	0.436	0.000	0.496
Vote level variables								
Voting Rationale Disclosure	33,551,149	0.040	0.000	0.190	5,615,404	0.230	0.000	0.420
Against_Mgmt	33,526,597	0.130	0.000	0.340	5,610,918	0.180	0.000	0.380
Against_ISS	32,823,569	0.100	0.000	0.300	5,473,607	0.150	0.000	0.350
Contested_10	33,462,778	0.010	0.000	0.110	5,598,157	0.010	0.000	0.110

Table 2. Examples of voting rationales

This table reports examples of voting rationales provided by institutional investors, grouped by proposal type and vote direction. Rationales marked with superscript † denote votes from special meetings, and those marked with ‡ denote votes from proxy contests. All other rationales correspond to annual meetings.

Panel A. Examples of voting rationales by proposal type and vote

Vote	Examples of Voting Rationales
A.1. Management Proposals	
Director Elections	
Against	(1) Votes against if director serves on more than 3 boards. (2) The proposed candidate is considered to be a non-independent director and is becoming a member of a board that comprises less than 50 percent independent directors. The proposed candidate is considered to be a non-independent director and is becoming a member of the audit committee. These are not in line with PGGM guidelines, and PGGM will therefore oppose this resolution.
For	(1) A vote for this director nominee is warranted. (2) Support is warranted based on the candidate's experience, independence, and qualifications.‡
Say-on-pay	
Against	(1) The magnitude of CEO pay exceeds the 75th percentile of the company's peer group. (2) We voted against because we consider the overall quantum excessive.
For	A vote for this proposal is warranted, as pay and performance are reasonably aligned at this time.
Other Management Proposals	
Against	The company has engaged the same audit firm for more than 20 years. There is value for investors in gaining new perspectives on finances and controls. Companies that have had the same auditor for a long period of time should consider a plan or tender process for bringing in a new auditing firm, ideally every 10 years.
For	A vote for the proposal is warranted, given the underlying transaction warrants support.†
A.2. Shareholder Proposals	
Environmental & Social	
Against	(1) In our view, it is unclear how the requested report would improve on current practices. (2) We are not supportive of this shareholder proposal, as it is overly prescriptive.
For	A vote for this proposal is warranted, as disclosure of the requested information would enable shareholders to better assess the company's management of operational and reputational risks related to the use of antibiotics in its supply chain.
Governance	
Against	We do not believe the approval of this proposal is in the best interest of shareholders.
For	Large, long-term shareholders should be able to nominate a director.

Table 2. Examples of voting rationales (*—Continued from previous page*)

Panel B. Boilerplate rationales

Definition	Examples of Voting Rationales
Too often	Boilerplate: (1) A vote for the director nominees is warranted. (2) In the absence of further concerns, a vote for is warranted. (3) A vote for this proposal to ratify the auditor is warranted. Not boilerplate: (1) The board does not include at least one minority director after the election. (2) Is a virtual only meeting. (3) Apparent failure to link pay and appropriate performance.
Too short	Boilerplate: (1) Management decision. (2) Supportive. (3) Procedural. (4) No concern. Not boilerplate: (1) TCFD Issues. (2) Duplicative. (3) Overly prescriptive.

Panel C. BlackRock's voting rationales for adopt majority vote as standard proposals (2023)

Vote	Examples of Voting Rationales
Against	(1) The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company. (2) The company already has policies in place to address the request being made by the proposal or is already enhancing its relevant policies. (Used 2 times) (3) Company already has policies in place to address these issues. (4) Proposal is not in shareholders best interests.
For	(1) Supermajority vote requirement serves as an entrenchment device for management. (Used 2 times) (2) Proposal considered to be in the best interests of shareholders.

Table 3. Machine-learning analysis of voting rationales: Random Forest

This table reports classification performance and feature importance estimates for a Random Forest model. The explanatory variables include investor characteristics (*Institution_Size*, *ProMgmt*, *Pension*, *Fund_manager*, *PRI_Signatory*, *Legal*, *ISC*, *Country*, *Robo_Voter_ISS*), firm and governance characteristics (*ln_MktCap*, *Loss*, *Mkt_to_Book*, *Dividends*, *Lev*, *InstOwn_Perc*, *mean_Spread*, *CEO_tenure*), ownership-related variables (*Own_TNA*, *Own_SO*), meeting/proposal characteristics (*Busy*, *ShP*, *Contentious_ISS*, *Special*, *ProxyContest*, *Contested_10*), and vote-level features (*Against_Mgmt*, *Against_ISS*), as well as proxy season, proposal-type, investor, and firm fixed effects. See Appendix A for detailed definitions of the variables. We performed a 5-fold cross-validation to evaluate the performance of each model. In addition to accuracy, we report precision, recall, and F1-scores as weighted averages across the classes, and also broken down by class (disclosure = 0 vs.1). Column (1) reflects the full sample, including disclosers and non-disclosers; Columns (2)–(4) narrow the focus to investors that provide rationales at least once in a proxy season, further distinguishing management proposals (column (3)) and shareholder proposals (column (4)).

Sample:	All	Disclosers Only		
Sponsor:	All	All	Management	Shareholders
	(1)	(2)	(3)	(4)
A. Model Performance				
Accuracy	0.997	0.982	0.984	0.932
Weighted Average				
Precision	0.997	0.982	0.984	0.932
Recall	0.997	0.982	0.984	0.932
F1-score	0.997	0.982	0.984	0.932
Support	11,350,428	1,973,418	1,891,485	82,955
By Class: 0				
Precision	0.998	0.986	0.987	0.938
Recall	0.999	0.992	0.994	0.910
F1-score	0.998	0.989	0.991	0.924
Support	11,033,114	1,656,104	1,619,038	37,657
By Class: 1				
Precision	0.957	0.957	0.965	0.927
Recall	0.924	0.928	0.922	0.950
F1-score	0.940	0.943	0.943	0.938
Support	317,314	317,314	272,447	45,298
B. Top Features				
	Investor_id (0.15)	Against_Mgmt (0.26)	Against_Mgmt (0.26)	Institution_Size (0.14)
	Institution_Size (0.13)	Against_ISS (0.13)	Against_ISS (0.16)	Investor_id (0.11)
	Against_Mgmt (0.10)	Institution_Size (0.07)	Institution_Size (0.07)	Against_Mgmt (0.11)
	Legal (0.07)	Investor_id (0.06)	Investor_id (0.06)	Own_SO (0.08)
	Country (0.07)	Proposal_type (0.06)	Proposal_type (0.05)	ProxySeason (0.08)

Table 4. Determinants of institutional investors' disclosure of voting rationales

This table presents linear probability model regressions examining the likelihood that an investor provides at least one voting rationale in a given proxy season. The unit of observation is an investor-proxy season. Columns (1)–(2) present the regressions for the full sample, and columns (3)–(4) for 13F filers. The dependent variable is a binary indicator capturing whether the investor explains at least one vote in a given proxy season. The explanatory variables proxy for stewardship-related motives (e.g., *Institution_Size*, *Robo_Voter_ISS*, *ProMgmt*), client demand for transparency (e.g., investor type), and formal or informal institutional factors (e.g., *PRI_Signatory*, *Legal*, *ISC*). See Appendix A for detailed definitions of the variables. All specifications include proxy-season fixed effects. Investor's country fixed effects appear in columns (1) and (3). Standard errors are clustered at the investor level. t-statistics are shown in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Discloser*			
Sample:	All Institutions		13-F filers	
	(1)	(2)	(3)	(4)
Institution_Size	0.018***	0.020***	0.020***	0.028***
	(4.988)	(4.798)	(3.978)	(4.820)
Robo_Voter_ISS	-0.032***	-0.034***	-0.033**	-0.037**
	(-2.655)	(-2.632)	(-2.068)	(-2.257)
ProMgmt	-0.036***	-0.045***	-0.031***	-0.033***
	(-5.108)	(-5.748)	(-3.510)	(-3.430)
Pension	0.093***	0.118***	0.165**	0.142**
	(2.593)	(3.674)	(2.458)	(2.167)
Fund_manager	0.067***	0.049***	0.073***	0.049***
	(4.565)	(3.321)	(4.127)	(3.041)
PRI_Signatory	0.081***	0.121***	0.057***	0.101***
	(4.745)	(6.335)	(2.826)	(4.476)
Legal		-0.029***		-0.028
		(-2.758)		(-1.381)
ISC		0.061**		0.136***
		(2.197)		(3.326)
Observations	11,073	10,438	6,763	6,704
Adjusted R^2	0.158	0.111	0.212	0.124
Proxy Season FE	Y	Y	Y	Y
Investor's Country FE	Y	N	Y	N

Table 5. When do institutional investors provide voting rationales? Meeting-level analysis

This table presents linear probability model regressions examining whether an institutional investor provides at least one voting rationale (*Rationale_if*) for a given portfolio firm's meeting. The unit of observation is an investor-meeting. The sample is restricted to institutions that disclose at least once. See Appendix A for detailed definitions of the variables. Each specification includes Investor × Proxy Season fixed effects, thus capturing only within-investor variation for a given proxy season. Standard errors are clustered at the investor level. t-statistics appear in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Voting Rationale Disclosure*	
	(1)	(2)
Firm-investor variables		
Own_TNA	3.646**	
	(1.989)	
Own_TNA × Own_TNA	−33.683*	
	(−1.756)	
Own_SO		3.519**
		(2.006)
Own_SO × Own_SO		−40.059**
		(−2.157)
Meeting characteristics		
ShP	0.192***	0.193***
	(6.088)	(6.153)
Contentious_ISS	0.073***	0.072***
	(4.474)	(4.524)
Special	−0.035	−0.036
	(−0.680)	(−0.700)
ProxyContest	−0.117***	−0.115***
	(−4.877)	(−4.752)
Busy	0.011**	0.011**
	(2.199)	(2.137)
Firm-level controls		
ln_MktCap	0.011***	0.014***
	(3.623)	(5.002)
Loss	0.017**	0.017**
	(2.422)	(2.426)
Mkt_to_Book	−0.000**	−0.000**
	(−2.304)	(−2.213)
Dividends	−0.015	0.001
	(−0.242)	(0.012)
Lev	0.003	0.003
	(0.551)	(0.522)
InstOwn_Perc	−0.045***	−0.050***
	(−4.034)	(−4.218)
mean_Spread	0.446**	0.511**
	(2.226)	(2.602)
E_Index_nm	−0.008***	−0.008***
	(−2.884)	(−3.139)
E_Index_m	−0.019**	−0.022**
	(−2.422)	(−2.421)
Observations	236,871	236,776
Adjusted R-squared	0.544	0.545
Investor × Proxy Season FE	Y	Y

Table 6. When do institutional investors provide voting rationales? Vote-level analysis

This table reports linear probability model regressions at the vote level for institutions that disclose at least once in a given proxy season. The unit of observation is an individual vote at the investor-proposal level. The dependent variable is a dummy equal to 1 if an investor's vote on a given proposal includes a rationale and 0 otherwise. Columns (1)–(4) differ by the type of proposal examined: all proposals, director elections only, other management proposals, and shareholder proposals. In column (1), the director election is the omitted category. See Appendix A for detailed definitions of the variables. All columns include Investor × Meeting fixed effects to absorb all unobserved heterogeneity at the investor–meeting level. Standard errors are clustered at the investor level. t-statistics appear in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Voting Rationale Disclosure*			
	(1)	(2)	(3)	(4)
Against_Mgmt	0.562***	0.619***	0.587***	0.352***
	(14.122)	(13.467)	(14.238)	(7.864)
Against_ISS	0.124***	0.100***	0.071***	-0.004
	(7.885)	(4.226)	(4.172)	(−0.257)
Contested_10	0.001	0.009	0.009	0.023***
	(0.046)	(0.573)	(0.561)	(2.649)
Say on Pay	-0.009			
	(-0.497)			
Other management proposals	−0.004			
	(-0.186)			
Shareholder proposal (ES)	0.110***			
	(3.272)			
Shareholder proposal (Gov)	0.086***			
	(2.636)			
Constant	0.058***	0.057***	0.055***	0.321***
	(7.477)	(11.141)	(6.416)	(11.687)
Observations	2,698,232	1,922,796	583,994	61,811
Adjusted R^2	0.703	0.826	0.727	0.738
Proposal	All	Director elections	Other mgmt proposals	Shareholder proposals
Investor × Meeting FE	Y	Y	Y	Y

Table 7. Vote-level analysis excluding boilerplate rationales

This table reports linear probability model regressions at the vote level for institutions that disclose at least once in a given proxy season. The unit of observation is an individual vote at the investor-proposal level. The dependent variable is a dummy equal to 1 if an investor's vote on a given proposal includes a rationale and 0 otherwise. Rationales classified as boilerplate are recoded to 0. Columns (1)–(4) differ by the type of proposal examined: all proposals, director elections only, other management proposals, and shareholder proposals. In column (1), the director election is the omitted category. See Appendix A for detailed definitions of the variables. All columns include Investor × Meeting fixed effects to absorb all unobserved heterogeneity at the investor–meeting level. Standard errors are clustered at the investor level. t-statistics appear in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Voting Rationale Disclosure*			
	(1)	(2)	(3)	(4)
Against_Mgmt	0.560***	0.618***	0.567***	0.351***
	(14.485)	(13.484)	(14.211)	(7.847)
Against_ISS	0.117***	0.099***	0.075***	−0.004
	(8.012)	(4.218)	(4.467)	(−0.242)
Contested_10	−0.004	0.009	0.004	0.023***
	(−0.288)	(0.557)	(0.244)	(2.722)
Say on Pay	0.023***			
	(2.928)			
Other management proposals	0.025**			
	(2.317)			
Shareholder proposal (ES)	0.147***			
	(5.005)			
Shareholder proposal (Gov)	0.128***			
	(4.514)			
Constant	0.023***	0.020***	0.053***	0.321***
	(3.670)	(3.895)	(6.366)	(11.682)
Observations	2,698,232	1,922,796	583,994	61,811
Adjusted R^2	0.697	0.767	0.708	0.737
Proposal	All	Director elections	Other mgmt proposals	Shareholder proposals
Investor × Meeting FE	Y	Y	Y	Y

Table 8. Machine-learning analysis of director election votes: Random Forest

This table reports classification performance for 652 institutional investors using Random Forest. The explanatory variables include those included in Table 3 plus additional board, director, and CEO characteristics (*Dir_Indep*, *Dir_busy*, *Dir_tenure*, *CEO*, *AvTenure*, *Per_Independent*, *AvBusy*, *CEO_Duality*, *Per_female*, *AC_Chair*, *NC_Chair*, *CC_Chair*, *AC_Member*, *NC_Member*, *CC_Member*, *Board_Chair*, *LID*, *Female*, *Director_Age*, *CEO_tenure*, *ab_comp*). We performed a 5-fold cross-validation to evaluate the performance of each model. In addition to accuracy, we report precision, recall, and F1-scores as weighted averages across the classes, and also broken down by class (vote = 0 (against) vs. 1 (for)).

	Mean	SD	Min	P25	Median	P75	Max
Accuracy	0.98	0.03	0.80	0.98	1.00	1.00	1.00
Weighted average							
Precision	0.98	0.03	0.80	0.98	0.99	1.00	1.00
Recall	0.98	0.03	0.80	0.98	1.00	1.00	1.00
F1-score	0.98	0.03	0.80	0.98	1.00	1.00	1.00
Support	8,178	13,537	28	789	2,215	7,462	59,690
By Class: 0							
Precision	0.86	0.24	0.00	0.82	0.93	1.00	1.00
Recall	0.74	0.29	0.00	0.61	0.83	0.98	1.00
F1-score	0.78	0.27	0.00	0.71	0.87	0.97	1.00
Support	645	1,823	2	20	73	357	19,061
By Class: 1							
Precision	0.99	0.03	0.77	0.98	1.00	1.00	1.00
Recall	0.99	0.02	0.82	0.99	1.00	1.00	1.00
F1-score	0.99	0.02	0.82	0.99	1.00	1.00	1.00
Support	7559	12513	20	752	2056	6939	58375

Table 9. Do rationales add information beyond voting policies?

This table reports linear probability model regressions examining the likelihood that an institutional investor provides a voting rationale when the vote is incorrectly predicted by the algorithm (Random Forest). The unit of observation is an individual vote at the investor-proposal level. The dependent variable is an indicator equal to one if the vote is accompanied by a rationale, and zero otherwise. Columns (1) and (2) present the results when the actual vote is for, and columns (3) and (4) show the results when the actual vote is against. Panel A considers all rationales and a dummy variable for the incorrect vote. Panel B considers all rationales and a continuous variable for distance to the threshold to predict the vote (larger distance means the vote is easier to predict). Panel C excludes boilerplate rationales. Columns (1) and (3) include Investor × Proxy Season fixed effects. Columns (2) and (4) include Investor × Meeting fixed effects. Standard errors are clustered at the investor level. t-statistics are shown in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Voting Rationale Disclosure*			
	Votes For		Votes Against	
	(1)	(2)	(3)	(4)
Panel A. Rationales and incorrectly predicted votes				
Incorrect	0.082**	0.075**	0.008	-0.002*
	(2.288)	(2.522)	(0.989)	(-1.949)
Constant	0.063***	0.063***	0.743***	0.742***
	(99.527)	(125.344)	(299.242)	(3,433.205)
Observations	907,597	895,288	111,779	85,072
Adjusted R^2	0.561	0.891	0.728	0.963
Panel B. Continuous variable for predictability of the vote				
Abs_Distance	-0.117***	-0.119***	-0.062	-0.010
	(-2.964)	(-3.467)	(-1.051)	(-0.997)
Constant	0.120***	0.121***	0.761***	0.745***
	(6.415)	(7.427)	(52.036)	(285.846)
Observations	907,597	895,288	111,779	85,072
Adjusted R^2	0.561	0.891	0.729	0.963
Panel C. Excluding boilerplate rationales				
Incorrect	0.082**	0.074**	-0.001	-0.015
	(2.265)	(2.463)	(-0.068)	(-1.234)
Constant	0.019***	0.018***	0.738***	0.736***
	(29.633)	(36.619)	(177.402)	(242.277)
Observations	907,597	895,288	111,779	85,072
Adjusted R^2	0.280	0.671	0.704	0.944
Proxy Season x Investor FE	Y		Y	
Meeting x Investor FE		Y		Y

Table 10. Voting rationale disclosure and fund flows

This table reports stacked-cohort difference-in-differences estimates of the effect of voting rationale disclosure on annual institutional investor net flows. The unit of observation is investor-proxy season. Treatment is defined as the first proxy season in which an investor discloses a voting rationale. The outcome is the net flow constructed at the voting-manager level from quarterly US equity holdings and aggregated to the proxy-season year. Column 1 uses the full sample of matched cohorts; column 2 restricts to US-domiciled treated investors. For each treated investor, we select the two nearest non-discloser controls by lagged log AUM within the same investor type and country, requiring controls to have no disclosure within the six-year cohort window $[t-3,\, t+2]$. All specifications include cohort $\times$ investor and cohort $\times$ event-time fixed effects, use a -3 to $+2$ event window, and cluster standard errors at the investor level. The pre-trend joint test reports the F statistic and p-value on the null that the leads at $t=-3$ and $t=-2$ in the dynamic event-study specification are jointly zero. ***, **, and * denote significance at the 1%, 5%, and 10% levels.

	Net Flow	
	Full sample (1)	US only (2)
Treated $\times$ Post	-0.000	0.040**
	(0.021)	(0.020)
Observations	1,658	1,153
R^2	0.633	0.677
Pre-trend joint F	1.049	0.091
Pre-trend p-value	0.352	0.913

Internet Appendix

Transparency in Voting: Institutional Investors' Disclosure of Voting Rationales

This internet appendix presents additional results to accompany the paper "Transparency in Voting: Institutional Investors' Disclosure of Voting Rationales."

A. Survey evidence

We conducted a survey between December 2025 and January 2026 to elicit institutional investors' views on the disclosure of voting rationales. The objective of the survey was to inform our archival analysis by gaining insight into investors' internal practices, motivations, and perceived costs and benefits associated with voting rationale disclosure.

The target population consisted of professionals involved in stewardship, governance, or proxy voting activities at the institutional investors included in our sample. We sorted investors by size, proxied by the number of votes cast in 2023, the final year of our sample period, and searched for email addresses for the largest 200 investors and a sample of smaller investors. For each institution, we obtained the most relevant contact email from Diligent; when this information was unavailable, we conducted a targeted search of the institution's website. In addition, we obtained contact details for some institutions from Rezonanz. This process yielded a total of 202 emails. This approach was designed to ensure that survey invitations were directed to individuals with direct responsibility for, or expertise in, voting and engagement decisions.

We sent email invitations describing the purpose of the study, emphasizing the academic nature of the research, and assuring respondents that their answers would be treated confiden-

tially and reported only in aggregate form. The survey was administered online. To increase participation, we sent up to three reminder emails during the survey period. Participation was voluntary, and no monetary incentives were offered.

The survey questions and the distribution of responses are reported below. For questions eliciting agreement levels, we use a 5-point scale where 1 corresponds to Strongly Disagree (SD) and 5 corresponds to Strongly Agree (SA). Respondents who do not disclose voting rationales (answer to Question 5 is *Never* or Don't know) were not shown Questions 6 to 12, as these questions pertain to the practices of disclosing investors.

Question 1: Which best describes your role?

	N	%
Stewardship/proxy voting team member	13	59
ESG/sustainability specialist	7	32
Portfolio manager	1	5
Other (please specify)	1	5
Total	22	

Question 2: What type of institution do you work for?

	N	%
Mutual fund	10	45
Pension fund	5	23
Sovereign wealth fund	1	5
Other (please specify)	6	27
Total	22	

Question 3: Approximate total assets under management (AUM) of your institution:

	N	%
More than $500 billion	4	19
$100-500 billion	12	57
$10-100 billion	3	14
Less than $10 billion	2	10
Total	21	

Question 4: Region of headquarters:

	N	%
North America	14	64
Europe	8	36
Asia-Pacific	0	0
Other	0	0
Total	22	

Question 5: Does your institution disclose voting rationales? How often?

	N	%
Always	7	32
Sometimes	13	59
Never	2	9
Don't know	0	0
Total	22	

Question 6: When does your institution disclose rationales? (you can choose more than one answer)

	N	%
For all votes as a standard policy	6	30
When voting against management	7	35
When deviating from the Institution's stated proxy voting policies	3	15
When voting on shareholder proposals	7	35
Other (please specify)	6	30
When deviating from proxy advisor recommendations	1	5
For close votes (i.e., votes that end near the approval threshold)	0	0
Total respondents	20	

Question 7: To what extent do you agree with the following statements (1 = SD, 5 = SA)

Statement	N	Mean	SD	t-test
Once an institution begins disclosing voting rationales, it effectively commits to continuing the practice on every ballot and every proxy season.	19	3.05	1.13	0.20
Once an institution begins disclosing voting rationales, it effectively commits to continuing the practice on all ballots that require clarification.	19	3.16	1.01	0.68
Once an institution begins disclosing voting rationales, it does not commit to continuing the practice; it will only disclose rationales occasionally, when specific circumstances requiring transparency arise.	19	2.79	0.85	-1.07
We disclose on somewhat important (but not critical) issues to avoid time-consuming conversations, allowing firms to read our rationale instead.	19	2.79	1.03	-0.89
We disclose on critical issues and, when needed, also communicate verbally or in person—these are not substitutes.	19	3.63	1.07	2.58

Question 8: Why does your institution disclose voting rationales? (1 = SD, 5 = SA)

Statement	N	Mean	SD	t-test
Improving corporate governance practices at the firms we invest in.	19	3.95	0.91	4.53
Our clients expect us to provide rationales.	19	4.05	0.62	7.39
Our investors see value in understanding why we vote the way we vote which we do through the rationales.	19	4.05	0.78	5.88
Our portfolio companies see value in understanding why we vote the way we vote which we do through the rationales.	19	3.68	0.89	3.37
To comply with specific rules (e.g., stewardship codes) or with broader guidelines, such as the UN Principles for Responsible Investment.	19	3.68	0.95	3.15
To demonstrate to others in the industry that we take stewardship seriously.	19	4.21	0.71	3.15
To show that our voting decisions are based on our own independent judgment rather than on proxy advisors.	19	4.00	0.75	5.85

Question 9: Which kind of clients are most likely to request or expect disclosure of voting rationales from your institution? (you can choose more than one answer)

	N	%
ESG-focused or socially responsible investors	14	74
Public pension funds	13	68
Endowments and foundations	9	47
Corporate pension plans	5	26
Sovereign wealth funds	4	21
Retail investors	1	5
Total respondents	19	

Question 10: Which types of companies are most likely to request or expect disclosure of voting rationales from your institution? (Select all that apply)

	N	%
Companies with which we have business relationships.	3	16
Companies with which we have no direct communication.	3	16
Companies where we vote against management's recommendation.	15	79
Companies in which we hold a small ownership stake.	4	21
Other (please specify)	4	21
Total respondents	19	

Question 11: How does the practice of disclosing voting rationales affect your institution? (1 = SD, 5 = SA)

Statement	N	Mean	SD	t-test
Disclosing voting rationales helps our engagement with firm management because it makes our expectations clearer.	18	4.06	0.8	5.58
Disclosing voting rationales reduces our engagement with firm management because firms rely on the public rationale instead of direct dialogue.	18	2.28	0.89	-3.42
Disclosing voting rationales improves our relationship with our investors by increasing transparency and accountability.	18	4.06	0.73	6.17
Disclosing voting rationales helps us meet stewardship codes and other official requirements.	18	3.94	0.80	4.99
No effect.	14	2.29	0.73	-3.68

Question 12: How, if at all, have disclosures of rationales led to observable changes? (1 = SD, 5 = SA)

Statement	N	Mean	SD	t-test
Firms are more likely to adjust their practices after receiving voting rationales, and these adjustments typically follow the suggestions made in the rationales.	17	3.53	0.62	3.50
Disclosure of voting rationales has helped us maintain a strong relationship with our clients.	17	3.65	0.79	3.39
Disclosure of voting rationales has helped us grow our investor base and assets under management.	17	3.06	0.75	0.32
Disclosure of voting rationales has made future engagement with portfolio firms easier.	17	3.59	0.80	3.05
Disclosure of voting rationales has helped us maintain a strong relationship with regulators and policy makers.	17	3.29	0.85	1.43

Question 13: Overall, do you view disclosure of voting rationales as more of a benefit or a burden to your institution?

	N	%
More benefit than burden	9	45
Clear benefit	4	20
Neutral	4	20
More burden than benefit	3	15
Clear burden	0	0
Total	20	

Question 14: What do you consider the main challenges to providing voting rationales? (Select all that apply)

	N	%
Resource and time constraints	15	75
Risk of reputational damage or negative publicity	14	70
Legal risks	8	40
Limited client interest	7	35
Risk of harming relationships with company management	5	25
Risk of creating implicit commitment to future disclosure	3	15
Other (please specify)	1	5
Total respondents	20	

B. Machine-learning analysis of voting rationale disclosure: XGBoost

In this section, we present robustness tests of the results in Section 4.1.1. Specifically, we use an alternative machine learning method, Gradient Boosting implemented via XGBoost, to predict whether votes have a rationale. XGBoost builds 100 trees sequentially, with each iteration correcting the residual errors of the previous one. We tune hyperparameters via five-fold cross-validation, repeatedly splitting the data into training and validation subsets to measure out-of-sample performance and mitigate overfitting.

Table IA.1. Machine-learning analysis of voting rationales: XGBoost

This table reports classification performance and feature importance estimates for a Gradient Boosting model, implemented via XGBoost. The explanatory variables include investor characteristics (*Institution_Size*, *ProMgmt*, *Pension*, *Fund_manager*, *PRI_Signatory*, *Legal*, *ISC*, *Country*, *Robo_Voter_ISS*), firm and governance characteristics (*ln_MktCap*, *Loss*, *Mkt_to_Book*, *Dividends*, *Lev*, *InstOwn_Perc*, *mean_Spread*, *CEO_tenure*), ownership-related variables (*Own_TNA*, *Own_SO*), meeting/proposal characteristics (*Busy*, *ShP*, *Contentious_ISS*, *Special*, *ProxyContest*, *Contested_10*), and vote-level features (*Against_Mgmt*, *Against_ISS*), as well as proxy season, proposal-type, investor, and firm fixed effects. See Appendix A for detailed definitions of the variables. We performed a 5-fold cross-validation to evaluate the performance of each model. In addition to accuracy, we report precision, recall, and F1-scores as weighted averages across the classes, and also broken down by class (disclosure = 0 vs.1). Column (1) reflects the full sample, including disclosers and non-disclosers; Columns (2)–(4) narrow the focus to investors that provide rationales at least once in a proxy season, further distinguishing management proposals (column (3)) and shareholder proposals (column (4)).

Sample:	All	Disclosers Only		
Sponsor:	All	All	Management	Shareholders
	(1)	(2)	(3)	(4)
A. Model Performance				
Accuracy	0.995	0.954	0.959	0.895
Weighted Average				
Precision	0.995	0.954	0.959	0.896
Recall	0.995	0.954	0.959	0.895
F1-score	0.995	0.954	0.959	0.895
Support	11,350,428	1,973,418	1,891,485	82,955
By Class: 0				
Precision	0.997	0.971	0.976	0.904
Recall	0.997	0.975	0.976	0.861
F1-score	0.997	0.973	0.976	0.882
Support	11,033,114	1,656,104	1,619,038	37,657
By Class: 1				
Precision	0.900	0.867	0.857	0.889
Recall	0.907	0.846	0.860	0.924
F1-score	0.903	0.856	0.858	0.906
Support	317,314	317,314	272,447	45,298
B. Top Features				
	Investor_id (0.28)	Against_Mgmt (0.34)	Against_Mgmt (0.33)	Against_Mgmt (0.19)
	Against_Mgmt (0.20)	Against_ISS (0.19)	Against_ISS (0.19)	Country (0.11)
	Pension (0.07)	Robo_Voter_ISS (0.14)	Robo_Voter_ISS (0.18)	Pension (0.08)
	Against_ISS (0.07)	ShP (0.07)	Pension (0.04)	ISC (0.07)
	Country (0.06)	Pension (0.04)	Legal (0.03)	ProxySeason (0.06)

C. Which factors drive transparency in voting?

We quantify how much of the observed variation in voting rationale disclosure can be attributed to investors, firms, meetings, or proposals characteristics. Following the seminal work of Bertrand and Schoar (2003), we regress an indicator for the decision to disclose at the vote level on investor, firm, meeting, and proposal fixed effects.[1]

Table IA.2 presents the results. Panel A shows the results when including one group of fixed effects at a time, while Panel B incrementally adds fixed effects from left to right. We find that institutional investor fixed effects are the primary driver of the decision to provide voting rationales, explaining about 41% of the variation in disclosure. Proposal fixed effects are the second most important determinant, explaining only 2% of the variation.

These findings reflect the voluntary nature of disclosure, with some investors choosing corner solutions (never disclose), while others choose intermediate selective policies: in our sample, only 18% of the investors provide information at some point during our sample period. The predominance of investors who never communicate rationales may then understate the importance of firm-, meeting-, and proposal-level characteristics in the previous regressions. To better understand which factors drive disclosure among those who do publicly communicate rationales, we re-run the above specifications focusing on the subsample of investors that provide rationales at least once during the sample period (i.e., disclosers).

The results are presented in Panels C and D: Panel C includes one set of fixed effects at a time, while Panel D adds them incrementally. In Panel C, we show that investor fixed effects remain the most important determinant of disclosure (adjusted R^2=0.35), indicating significant variation in disclosure behavior even among disclosers. However, the explanatory power of all other fixed effects increases in this subsample, most notably for proposal fixed effects (adjusted $R^2 = 0.10$). This could reflect factors such as the contestedness of the proposal. We examine

[1]To account for the increasing trend in disclosure over time, we also include controls for the proxy season; however, this coefficient is not central to our analysis.

this in detail in Section 4.2.

An additional important consideration is the persistency of disclosure over time. To shed light on this, we present the transition matrix in Table IA.3. In Panel A, we present the results at the investor-proxy season level. We find that institutional investors that do not provide any rationales in year t are 98% likely to remain non-disclosers in year t+1, while disclosers are 85% likely to remain disclosers. These results are consistent with disclosure being in part an institution-level policy rather than only a choice made for each vote.

We further investigate the stickiness of disclosure by the same institutional investor over time for the same firm. Results are similar, but persistency is slightly lower for disclosers (78% vs. 85%). Interestingly, an investor that provides a voting rationale for a given firm in a proxy season is 22% likely not to provide a rationale in t+1. This pattern may reflect investors stopping to provide rationales once the firm has taken action to address their concerns—a behavior consistent with prior work (e.g., Aggarwal, Dahiya, and Prabhala, 2019; Ertimur, Ferri, and Muslu, 2011; Michaely et al., 2026)—or the fact that the same proposal might not be repeated every year at a given firm.

Table IA.2. Fixed effects

This table presents results from fixed effects regressions. The fixed effects included are Proxy Season, Investor, Firm, Meeting, and Proposal. Panels A and C report results from models that include one set of fixed effects at a time, while Panels B and D add fixed effects incrementally from left to right. Panels A and B show results for all investors, whereas Panels C and D restrict the sample to disclosers only.

Panel A. Vote-level regressions including one group of fixed effects each time (all investors)

Dep. Variable:	*Voting Rationale Disclosure*				
	Proxy Season	Investor	Firm	Meeting	Proposal
Adjusted R^2	0.0067	0.4052	0.0037	0.0114	0.0183
# FE	10	1,674	4,734	29,858	245,458
Obs	33,548,173				

Panel B. Vote-level regressions incrementally adding fixed effects (all investors)

Dep. Variable:	*Voting Rationale Disclosure*				
	Proxy Season	Investor	Firm	Meeting	Proposal
Adjusted R^2	0.0067	0.4081	0.4101	0.4117	0.421
# FE	10	1,674	4,734	29,858	245,458
Obs	33,548,173				

Panel C. Vote-level regressions including one group of fixed effects each time (disclosers only)

Dep. Variable:	*Voting Rationale Disclosure*				
	Proxy Season	Investor	Firm	Meeting	Proposal
Adjusted R^2	0.0155	0.3495	0.0192	0.0429	0.0971
# FE	10	298	4,550	27,759	231,155
Obs	5,604,265				

Panel D. Vote-level regressions incrementally adding fixed effects (disclosers only)

Dep. Variable:	*Voting Rationale Disclosure*				
	Proxy Season	Investor	Firm	Meeting	Proposal
Adjusted R^2	0.0155	0.3539	0.3676	0.3761	0.4425
# FE	10	298	4,550	27,759	231,155
Obs	5,604,265				

Table IA.3. Transition matrix

This table presents evidence on the stickiness of voting rationale disclosure. Panel A reports the probability that an institutional investor preserves or changes category (discloser or non-discloser) in the following period. Panel B reports the probability that an institutional investor voting in a given firm preserves or changes category (discloser or non-discloser) in the following period. Rows indicate institutional investor classification at any period t, and columns indicate the classification at period t+1, with the intersection cell reporting the associated probability. The final row in each panel shows the overall, or unconditional, distribution of disclosure statuses in period $t + 1$.

Panel A. Investor-Proxy season level

		t+1		
		0	1	
t	0	97.52	2.48	100
	1	15.39	84.61	100
		89.18	10.82	100

Panel B. Investor-Firm-Proxy season level

		t+1		
		0	1	
t	0	96.75	3.25	100
	1	21.75	78.25	100
		90.48	9.52	100

D. Peer effects in voting rationale disclosure

We provide a test of peer effects by constructing a peer pressure measure that captures the disclosure behavior of an institution's immediate competitive environment. Specifically, for each institution in a given proxy season, we compute the fraction of peers that disclosed voting rationales ($Frac_Disclosing_Peers$), where peers are defined as investors of the same type (fund managers, pension funds, or other institutional investors) domiciled in the same country, excluding the focal institution itself. This leave-one-out construction ensures the measure is not mechanically inflated by the focal institution's own disclosure decision.

Table IA.4 follows a similar specification as our baseline specification from Table 4. Given that *Frac_Disclosing_Peers* is based on investor type and the investor's country, we first provide the results omitting those variables from our specification (column (1)). We find that the coefficient on $Frac_Disclosing_Peers$ is positive and statistically significant at the 1% level, suggesting that peer disclosure behavior is associated with a higher likelihood of disclosure by the focal institution. Columns (2) and (3) augment Column (1) with investor type fixed effects. While Column (2) additionally includes country fixed effects to absorb time-invariant country-level heterogeneity, Column (3) instead controls for time-varying country-level characteristics, namely *ISC* and *Legal*, following the structure of our main specification in Table 4. The new variable, $Frac_Disclosing_Peers$, partly absorbs the investor types and country variables, as expected, but remains similar in significance and magnitude.

Table IA.4. Determinants of institutional investors' disclosure and peer effects

This table reports OLS estimates of the effect of peer disclosure on the likelihood of voting rationale disclosure. The unit of observation is an investor-proxy season. The dependent variable is *Discloser*, an indicator equal to one if the institution disclosed its voting rationale in a given proxy season. $Frac_Disclosing_Peers$ is the fraction of same-type, same-country investors (excluding the focal institution) that disclosed voting rationales in the same proxy season. Column (2) includes investor type controls and country fixed effects. Column (3) replaces country fixed effects with country-level characteristics (ISC and Legal), following the main specification in Table 4. t-statistics are shown in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Discloser*		
Sample:	All Institutions		
	(1)	(2)	(3)
Frac_Disclosing_Peers	0.672***	0.485***	0.650***
	(9.726)	(5.819)	(8.490)
Institution_Size	0.015***	0.016***	0.015***
	(4.147)	(4.418)	(3.956)
Robo_Voter_ISS	−0.032***	−0.032***	−0.029**
	(−2.664)	(−2.667)	(−2.316)
ProMgmt	−0.034***	−0.033***	−0.034***
	(−4.987)	(−4.932)	(−4.952)
Pension		0.037	0.029
		(1.041)	(0.849)
Fund_manager		0.035***	0.026**
		(2.595)	(1.980)
PRI_Signatory	0.076***	0.071***	0.079***
	(4.462)	(4.193)	(4.533)
Legal			−0.008
			(−0.777)
ISC			0.027
			(1.036)
Observations	11,053	11,053	10,418
Adjusted R^2	0.174	0.181	0.185
Proxy Season FE	Yes	Yes	Yes
Investor's Country FE	No	Yes	No

E. Robustness to: Do rationales add information beyond voting policies?

In this section, we use an alternative machine learning method, Gradient Boosting implemented via XGBoost, to predict institutional investors votes (Table IA.5) and to evaluate whether the actual vote deviates from the expected ones (Table IA.6).

Table IA.5. Machine-learning analysis of director election votes: Robustness using XGBoost

This table reports classification performance for 652 institutional investors using Gradient Boosting implemented via XGBoost. The explanatory variables include those included in the previous table plus additional board, director, and CEO characteristics (*Dir_Indep*, *Dir_busy*, *Dir_tenure*, *CEO*, *AvTenure*, *Per_Independent*, *AvBusy*, *CEO_Duality*, *Per_female*, *AC_Chair*, *NC_Chair*, *CC_Chair*, *AC_Member*, *NC_Member*, *CC_Member*, *Board_Chair*, *LID*, *Female*, *Director_Age*, *CEO_tenure*, *ab_comp*). We performed a 5-fold cross-validation to evaluate the performance of each model. In addition to accuracy, we report precision, recall, and F1-scores as weighted averages across the classes, and also broken down by class (vote = 0 (against) vs. 1 (for)).

	Mean	SD	Min	P25	Median	P75	Max
Accuracy	0.98	0.03	0.81	0.98	1.00	1.00	1.00
Weighted average							
Precision	0.98	0.03	0.83	0.98	1.00	1.00	1.00
Recall	0.98	0.03	0.81	0.98	1.00	1.00	1.00
F1-score	0.98	0.03	0.81	0.98	1.00	1.00	1.00
Support	8,178	13,537	28	789	2,215	7,462	59,690
By Class: 0							
Precision	0.85	0.25	0.00	0.84	0.93	1.00	1.00
Recall	0.76	0.29	0.00	0.67	0.86	0.98	1.00
F1-score	0.79	0.27	0.00	0.74	0.88	0.98	1.00
Support	645	1,823	2	20	73	357	19,061
By Class: 1							
Precision	0.99	0.02	0.75	0.99	1.00	1.00	1.00
Recall	0.99	0.02	0.81	0.99	1.00	1.00	1.00
F1-score	0.99	0.02	0.83	0.99	1.00	1.00	1.00
Support	7,559	12,513	20	752	2,056	6,939	58,375

Table IA.6. Do Rationales Add Information Beyond Voting Policies?: Robustness using XGBoost

This table reports linear probability model regressions examining the likelihood that an institutional investor provides a voting rationale when the vote is incorrectly predicted by the algorithm (XGBoost). The unit of observation is an individual vote at the investor-proposal level. The dependent variable is an indicator equal to one if an investor's vote on a given proposal is accompanied by a rationale, and zero otherwise. Columns (1) and (2) present the results when the actual vote is for, and columns (3) and (4) show the results when the actual vote is against. Panel A considers all rationales and a dummy variable for the incorrect vote. Panel B considers all rationales and a continuous variable for distance to the threshold to predict the vote (larger distance means the vote is easier to predict). Panel C excludes boilerplate rationales. Columns (1) and (3) include Investor × Proxy Season fixed effects. Columns (2) and (4) include Investor × Meeting fixed effects. t-statistics are shown in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively.

Dep. Variable:	*Voting Rationale Disclosure*			
	Votes For		Votes Against	
	(1)	(2)	(3)	(4)
Panel A. Rationales and incorrectly predicted votes				
Incorrect	0.074***	0.070***	0.011	−0.001
	(2.741)	(3.057)	(1.232)	(−1.565)
Constant	0.063***	0.063***	0.743***	0.742***
	(160.755)	(205.107)	(349.053)	(4,717.116)
Observations	907,597	895,288	111,779	85,072
Adjusted R^2	0.560	0.891	0.728	0.963
Panel B. Continuous variable for predictability of the vote				
Abs_Distance	−0.209***	−0.201***	−0.021	−0.000
	(−2.819)	(−3.123)	(−0.783)	(−0.089)
Constant	0.165***	0.161***	0.754***	0.742***
	(4.637)	(5.196)	(68.819)	(370.105)
Observations	907,597	895,288	111,779	85,072
Adjusted R^2	0.561	0.891	0.728	0.963
Panel C. Excluding boilerplate rationales				
Incorrect	0.073***	0.068***	0.009	−0.008
	(2.679)	(2.962)	(0.938)	(−1.202)
Constant	0.019***	0.019***	0.736***	0.734***
	(48.593)	(60.586)	(305.719)	(631.329)
Observations	907,597	895,288	111,779	85,072
Adjusted R^2	0.278	0.670	0.704	0.944
Proxy Season x Investor FE	Y		Y	
Meeting x Investor FE		Y		Y

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