

Retail Shareholder Participation in the Proxy Process: Monitoring, Engagement, and Voting

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Motivation

- Extensive debate regarding degree to which shareholders should intervene in company affairs
 - Shareholders vote in directors elections, to amend bylaws, and on fundamental transactions
- Most research centers on the role of institutional investors (mutual funds, pension funds, hedge funds)
- Retail shareholders largely neglected, even though their aggregate ownership is high
 - Incentives to gather information. Rationally apathetic. Low participation rate
- Recent efforts by the SEC and NYSE to increase retail shareholder participation
- Little is known about the determinants of retail shareholders participation and voting and extent to which their votes correlate with those of institutional investors

Goals

- 1 Impact of retail shareholders on voting outcomes
- 2 Analyze retail shareholders' decision to cast a ballot within a rational choice framework
- 3 Conditional on participation:
 - (i) Factors associated with how shares are voted
 - (ii) Factors associated with the decision to exit

Shareholder Voting Data

- All annual or special meetings for firms for which the data provider served as the service provider over the period, 2015-2017
 - Data provided under a confidentiality agreement. All data was first anonymized so that individual investor accounts are unidentifiable
- For each firm, data contains voting records, including failures to vote, for each retail shareholder account that has right to vote as of the record date
- Account defined as “retail” if account does not use the online proxy voting product for institutional investors and financial advisers (ProxyEdge) or does not come from third-party vote agents through their Consolidated Data Feed
 - Follow an account’s votes across its firms and time using unique code assigned by data provider
 - Include single-client investment offices in our definition of retail, but small number of multi-client family offices may appear in the data
- Each meeting-account level observation includes: (i) firm name, (ii) cusip, (iii) record date, (iv) meeting date, (v) number of shares the individual held as of the record date, (vi) management’s recommendations on each of the proposals, (vii) the shareholder’s votes on each of the proposals, (viii) the shareholder’s zip code, (ix) full text of the proposal

[Merging procedures](#)[Illustrative example](#)[Coverage](#)[Survey of consumer finances](#)[Non-proprietary data](#)[Proposals in retail voting dataset](#)

Retail Investor Characteristics

Average Retail Investor Characteristics by Account Value

	Account Value Quintile				
	Smallest	2	3	4	Largest
Number of firms in portfolio	1.47	1.88	2.54	4.20	9.16
Account value	588	4,077	13,131	39,814	649,064
Zip code income	89,326	96,830	101,238	106,746	123,510
Voting rate	0.03	0.05	0.07	0.09	0.15

- Firm purchase rate and firm sale rate are the portion of portfolio firms that have been added or removed in the past year, respectively
- Zip Code Mean AGI is the mean Adjusted Gross Income in the account's zip code
- Voting rate defined as number of ballots cast divided by number of voting opportunities

- Larger accounts hold more firms, trade less, and perform better than smaller accounts
- Larger accounts locate in higher income zip codes
- Larger accounts vote more often than smaller accounts

Retail Voting by Meeting

	Retail Votes		Retail Accounts	
	% Cast	% shares voting only with mgmt	% Cast	% accounts voting only with mgmt
All Meetings	32	76	11	59

- Retail voters cast 32% of shares owned, reflecting the decision of only 11% of accounts to participate
- Small retail shareholders are less likely to cast votes
- Small retail shareholders are more likely to oppose management than large shareholders

Impact of Retail Voting

Impact of Retail Voting

- 1 Set retail participation to zero. Compare change in voting outcome to a similar shock to two other groups of voters: (i) all non-retail shareholders, and (ii) the “Big 3” institutional investors, BlackRock, Vanguard, and State Street
 - Exclude proposals for director elections, and auditor ratification. Remove proposals for which the voting base is outstanding shares
- 2 Hold rate of participation and voting choices fixed. Alter the ownership structure of the firm by shifting ownership between retail and non-retail shareholders while holding constant total shares owned, and each group’s participation rates and percent in favor
- 3 Condition on observed participation. Evaluate counterfactual voting rules to retail shareholders. Compare the resulting change in outcomes to that of the Big 3
 - Limit sample to proposals whose final overall vote result is between 40% and 60% of corresponding passing threshold
 - Counterfactuals: (i) Retail voters, (ii) Big 3, (iii) All non-retail shareholders, (iv) All in favor, (v) All opposed

(1) Set retail participation to zero

(2) Change retail ownership

(3) Change retail voting rules

Retail Shareholder Decision to Cast a Ballot

Retail Shareholder Decision to Cast a Ballot

- Adopt the canonical political science framework of the decision to vote in political elections. Utility from a voter's participation:

$$U = P \cdot B - C + D$$

- P , the probability that the vote would lead to a change in the outcome from the disfavored choice to the favored choice (probability she is pivotal)
 - Should increase with the account's ownership share of the firm
- B , measured in utility, is the difference between voter's more favored proposal outcome succeeding relative to her preferred proposal outcome failing
 - Sum of (i) the financial benefits from winning, which is the product of the stake size and the dollar benefits to the firm from winning, and (ii) any social benefit from winning, if the shareholder places positive weight on social benefits
- C is the cost of voting
- D is any consumption benefit from voting

Retail Shareholder Decision to Cast a Ballot

- Examine the relation between turnout and proxies for pivotality, costs and benefits from participation, and the interaction among these variables
 - A.1 Does turnout increase with stake size? What is the shape of the relationship between turnout and stake size?
 - A.2 Does turnout increase with the benefit of winning?
 - A.3 Do those shareholders with larger ownership of the firm experience larger benefits from voting?
 - B.1 Do shareholders who own a minute portion of a firm exhibit zero turnout?
 - B.2 Do net benefits from voting extend across different types of elections?
 - B.3 How do shocks to costs affect shareholder turnout?

Retail Shareholder Decision to Cast a Ballot

- Shareholders who own larger stakes in a given firm are more likely to participate in voting, and a given shareholder is more likely to vote at firms she owns more of
- Higher turnout when the financial consequences are greater (special meetings and poorly performing firms, as measured by Tobin's q and ROA)
- Evidence consistent with a multiplicative structure in which larger benefits from voting are experienced most by those with larger ownership of the firm
- Evidence consistent with $D > C$ for at least some shareholders
- Political turnout in the account's county is positively correlated with shareholder turnout
- The bundle of materials that an account receives, which affects both its readily available information and its available voting methods, substantially impacts its likelihood of turning out. Attribute the impact to the loss of the option to vote by mail or telephone (as opposed to internet) when that is the account's preferred voting method

Table 6, Panel A

Table 6, Panel B

Choice of delivery and voting method

Retail Shareholder Decision to Support Management

Retail Shareholder Decision to Support Management

A.1 Voting decisions, account-level evidence

A.2 Voting decisions, meeting-level evidence. Permits comparison with non-retail voting decisions

B.1 Decision to exit

Retail Shareholder Decision to Support Management

- Retail support for the management increases with firm performance
- ISS opposition to management is associated with lower retail support for management. Retail sensitivity significantly lower than that of institutions
- Small retail shareholders are more likely to oppose management (support shareholder) proposals than large account shareholders. Small retail shareholders show higher support for SRI proposals relative to large account shareholders
- Retail shareholders more likely to exit securities on which they voted in opposition to management recommendations, particularly on director elections

Conclusions

- Impact of retail shareholders on outcomes
- Evidence on the decision to participate
- Evidence on the decision to support management
- In contrast to the common caricature of retail shareholders as uninformed and apathetic, conditional on participation, these investors seem to provide meaningful feedback to firms through the voting process

Thank you

Merging Procedures

- Merge of the retail shareholder data with ISS Voting Analytics
 - At the *meeting level* by 6-digit CUSIP, meeting date, and record date
 - At the *proposal level* using the order of the proposals within a meeting and their textual descriptions from both datasets
 - Appendix A2.2 describes the proposal matching process
 - For 72% of meetings with director elections, the retail voting sample reports the number of returned votes on the director elections but not votes on each director
- Merge of ISS Voting Analytics with SharkRepellent
 - Unlike ISS Voting Analytics, the SharkRepellent data is unordered. We match proposals by voting results and, using text matching, by proposal categories
- Merge the retail shareholder voting data with CRSP
 - At the 6-digit CUSIP-month level, with the record-date month in the shareholder voting data matching the month for CRSP
 - Restrict the analysis to firms in CRSP with share codes 10 or 11 and with a valid share price and shares outstanding information as of the record month
- Merge the retail shareholder voting data with Compustat/CRSP Merged dataset at the firm level
 - Each meeting merged with the last Compustat fiscal year that ended on or before record date

Illustrative Example of Retail Voting

Individual Proposal Voting Results						
Proxy Item	Mgmt. Rec.	ISS Rec.	Retail Votes			
			% Cast	% For	% Against	
<u>Management proposals:</u>						
1. Individual Director Elections	F	F	30.3	N/A	N/A	
2. Advisory Vote to Approve Executive Comp.	F	N	29.7	88.5	11.5	
3. Ratification of Independent Auditors	F	F	30.6	98.6	1.4	
<u>Shareholder proposals:</u>						
4. ESG-Related Proposal	N	F	30.0	12.5	87.5	
5. Restrict Precatory Proposals	N	N	29.4	7.0	93.0	
6. Independent Chairman	N	F	29.8	15.4	84.6	
7. Increase Capital Distributions	N	N	29.6	8.6	91.4	
8. Special Shareholder Meetings	N	F	29.5	9.5	90.5	
9. Report on Lobbying	N	F	30.0	14.3	85.7	

Illustrative Example of Retail Voting

Methods of Proxy Delivery and Vote Returns				
Proxy Delivery Method	# of Shares	# of Accounts	Avg # Shares per Account	Share Voting in %
Full Package	203,378,545	143,587	1,416	73.0%
Hard Copy	408,438,592	160,873	2,539	33.2%
E-mail	437,093,454	863,938	506	20.4%
Notice	193,138,321	592,794	326	7.3%
Total	1,242,048,913	1,761,192	705	31.2%

Voting Method	# of Shares	# of Accounts	Avg # Shares per Account	Share Voting in %
Hard Copy	203,910,890	144,928	1,407	16.4%
Internet Proxy Vote	126,836,144	55,130	2,301	10.2%
Investor Mailbox	25,541,657	21,412	1,193	2.1%
Telephone	25,224,002	15,583	1,619	2.0%
Mobile Proxy Vote	7,616,283	6,542	1,164	0.6%
Consolidated Data Feed	1,216,582	823	1,478	0.1%
Did Not Vote	851,703,355	1,516,774	562	68.6%
Total	1,242,048,913	1,761,192	705	100.0%

Coverage of the Retail Voting Sample in CRSP & ISS Voting Analytics

Number of Firms Relative to the CRSP Universe, by NYSE Size Quintile									
Quintile:	2015			2016			2017		
	CRSP	CRSP & Retail Voting Data	Coverage (%)	CRSP	CRSP & Retail Voting Data	Coverage (%)	CRSP	CRSP & Retail Voting Data	Coverage (%)
Smallest	1,964	1,629	82.94	1,909	1,616	84.65	2,001	1,734	86.66
2	752	645	85.77	701	641	91.44	607	558	91.93
3	455	408	89.67	467	435	93.15	450	419	93.11
4	392	346	88.27	387	357	92.25	362	346	95.58
Largest	343	314	91.55	336	323	96.13	329	318	96.66
Total	3,906	3,342	85.56	3,800	3,372	88.74	3,749	3,375	90.02

Number of Firms Relative to CRSP and ISS Voting Analytics Universe, by NYSE Size Quintile									
Quintile:	2015			2016			2017		
	CRSP & ISS	CRSP, ISS & Retail Data	Coverage (%)	CRSP & ISS	CRSP, ISS & Retail Data	Coverage (%)	CRSP & ISS	CRSP, ISS & Retail Data	Coverage (%)
Smallest	1,614	1,556	96.41	1,596	1,569	98.31	1,646	1,606	97.57
2	655	626	95.57	610	599	98.2	569	561	98.59
3	409	396	96.82	419	418	99.76	434	421	97
4	371	356	95.96	361	360	99.72	375	371	98.93
Largest	327	313	95.72	322	321	99.69	316	309	97.78
Total	3,376	3,247	96.18	3,308	3,267	98.76	3,340	3,268	97.84

Ownership of Brokerage Accounts, 2016 Survey of Consumer Finances

Brokerage Account	Coefficient	Marginal	Coefficient	Marginal	Coefficient	Marginal
Age						
30-40	0.2423** (2.73)	0.0443* (2.52)	0.1885* (2.02)	0.0307 (1.86)	0.2081* (2.24)	0.0331* (2.07)
40-50	0.2342* (2.82)	0.0428** (2.60)	0.1415 (1.58)	0.0231 (1.46)	0.1689 (1.88)	0.0269 (1.73)
50-60	0.2631** (3.18)	0.0481** (2.94)	0.2362** (2.68)	0.0385* (2.49)	0.2918** (3.27)	0.0465** (3.04)
60-70	0.2917** (3.13)	0.0532** (2.86)	0.2080* (2.13)	0.0340* (1.96)	0.3067** (3.15)	0.0489** (2.90)
>70	0.4484*** (4.36)	0.0819*** (4.02)	0.3367*** (3.42)	0.0550** (3.13)	0.4694*** (4.69)	0.0748*** (4.31)
Education						
Below high school	-0.2620** (-2.94)	-0.0482** (-2.70)	-0.1768 (-1.85)	-0.0287 (-1.67)	-0.1730 (-1.72)	-0.0275 (-1.57)
College or higher	0.5190*** (9.54)	0.0947*** (8.93)	0.3526*** (5.95)	0.0578*** (5.53)	0.2973*** (4.86)	0.0474*** (4.53)
Female-headed	-0.2278*** (-3.89)	-0.0416*** (-3.55)	-0.2567*** (-4.09)	-0.0419*** (-3.75)	-0.1776** (-2.80)	-0.0283** (-2.57)
Household size	-0.1158*** (-5.31)	-0.0211*** (-4.95)	-0.0753** (-3.18)	-0.0123** (-2.93)	-0.0783** (-3.29)	-0.0125** (-3.03)
Marital Status	0.0082 (0.14)	0.0015 (0.13)	-0.1181 (-1.82)	-0.0193 (-1.67)	-0.0769 (-1.16)	-0.0122 (-1.07)
Log Income	0.1593*** (3.98)	0.0291*** (3.73)	0.1039** (3.02)	0.0169** (2.81)	0.0998** (2.99)	0.0159** (2.79)

Ownership of Brokerage Accounts, 2016 SCF (Continued)

Brokerage Account	Coefficient	Marginal	Coefficient	Marginal	Coefficient	Marginal
Job status	-0.0086 (-0.15)	-0.0015 (-0.13)	-0.0238 (-0.41)	-0.0039 (-0.38)	-0.0503 (-0.86)	-0.0080 (-0.79)
Business equity	-0.1274 * (-2.30)	-0.0232* (-2.12)	-0.1126* (-1.97)	-0.0184 (-1.82)	-0.1708** (-2.93)	-0.0272** (-2.72)
Homeowner	0.2236*** (4.64)	0.0408*** (4.20)	0.1408** (2.77)	0.0230** (2.53)	0.1276* (2.39)	0.0203* (2.18)
Log Net worth	1.2723*** (14.79)	0.2323*** (12.94)	0.8983*** (11.58)	0.1465*** (10.16)	0.8119*** (10.73)	0.1292*** (9.52)
Savings account			0.1792*** (3.98)	0.0293*** (3.67)	0.1797*** (3.90)	0.0286*** (3.62)
Retirement account			0.7185*** (14.66)	0.1173*** (13.12)	0.6922*** (13.66)	0.1102*** (12.27)
Mutual funds or Hedge funds			0.7212*** (11.92)	0.1178*** (11.82)	0.6886*** (11.12)	0.1097*** (11.03)
Financial knowledge					0.0080 (0.83)	0.0013 (0.77)
Attitude towards risk					0.0939*** (9.89)	0.0149*** (9.28)
Intercept	-22.25*** (-20.34)		-16.17*** (-16.18)		-15.37*** (-15.58)	
Observations	125,981,701		125,981,701		125,981,701	
Pseudo R2	0.2500		0.3244		0.3432	

Proposals in the Retail Voting Dataset

	2015	2016	2017
All Proposals	16,583	17,502	19,847
<u>Management proposals:</u>			
Elect Director	8,620	9,161	9,682
Financial Statements/Auditor	2,976	3,016	3,001
Governance - Board & Shareholder Rights	221	263	216
Governance - Compensation	3,515	3,681	3,900
Governance - Frequency of Say on Pay	118	127	1,812
Governance - Other	160	211	228
Major Transactions*	270	295	330
Major Transactions - M&A	146	196	200
Other	43	42	41
<u>Shareholder proposals:</u>			
Environmental	76	91	83
Social	115	131	129
Governance	323	288	225
<u>Management proposals:</u>	15,951	16,865	17,598
Management For & ISS For	14,680	15,434	16,013
Management For & ISS Against	1,268	1,425	1,574
<u>Shareholder proposals:</u>	514	510	437
Management Against & ISS For	387	345	298
Management Against & ISS Against	111	142	123

* Major Transactions - Issuance, Buyback, Distribution, Stock Split, or Conversion

Non-proprietary Data

- CRSP and Compustat
 - Restrict to firms in CRSP with common share codes 10 or 11, with a valid share price and shares outstanding information as of the month of the record date
- Shareholder proposal level data from ISS Voting Analytics and SharkRepellent
- Votes by mutual funds and other registered management investment companies from ISS Voting Analytics
- Ownership of brokerage accounts from the Federal Reserve Board's 2016 Survey of Consumer Finances
- Adjusted gross income data at the zip code level from the IRS website
- Zip code employment from the Bureau of Labor Statistics
- County vote totals for the 2016 presidential election from CQ Voting and Elections
- Voting-eligible population and zip code-level demographic information from the Census Bureau

Retail Voting by Proposal Type, Voter Account Value, and Firm Size

	Account Value				Firm Size Terciles					
	Low		High		Smallest		Middle		Largest	
	% Cast	% For	% Cast	% For	% Cast	% For	% Cast	% For	% Cast	% For
Shareholder sponsored:										
Environmental	6	30	25	14	30	13	27	16	25	14
Social	6	35	26	15	24	9	24	21	26	15
Governance	6	38	29	22	40	46	30	27	27	19
Management sponsored:										
Elect director	6	93	29	96	34	93	28	95	27	96
Financial statements/Auditor	8	96	33	98	34	98	30	98	28	98
Governance - board and shareholder rights	9	89	34	92	39	91	29	94	27	91
Governance - compensation	8	80	32	88	34	86	29	90	27	90
Governance - other	13	86	41	91	42	89	39	95	30	94
Major Transactions*	11	74	34	84	32	82	33	90	28	92
Major Transactions - M&A	15	90	46	95	51	95	41	95	34	93
Other	10	91	35	90	37	89	29	93	30	94

- Major transactions*: issuance, buyback, distribution, stock split, or conversion

All Votes, Retail Votes, and Meeting Proposals

Retail Voting by Proposal Sponsor						
	All Votes		Retail Votes		Retail Accounts	
	% Cast	% For	% Cast	% For	% Cast	% For
All	79	93	31	91	11	87
Management	79	95	31	93	11	89
Shareholder	75	30	28	18	11	29

- Non-retail shareholders cast votes more frequently than retail and are more supportive of shareholder proposals than retail
- Small retail shareholders more supportive of shareholder proposals

Retail Voting by Proposal Category

	All Votes		Retail Votes		Retail Accounts	
	% Cast	% For	% Cast	% For	% Cast	% For
Management proposals						
Elect director	78	97	29	95	11	93
Financial statements/Auditor	87	99	32	97	11	95
Governance - board and shareholder rights	77	94	33	92	12	88
Governance - compensation	74	90	32	87	11	76
Governance - other	77	91	40	90	14	84
Major transactions*	72	89	32	83	11	74
Major transactions - M&A	77	98	46	94	18	91
Other	78	82	34	89	12	87
Shareholder proposals						
Environmental	73	23	26	13	12	24
Social	74	19	27	15	11	27
Governance	77	38	29	21	11	31

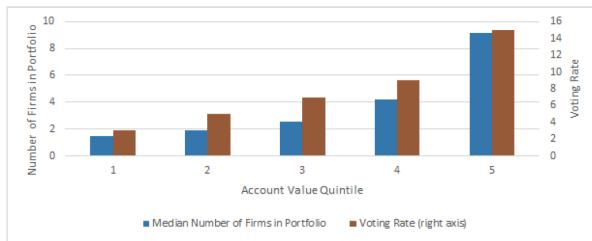
● Major transactions*: issuance, buyback, distribution, stock split, or conversion

All Votes, Retail Votes, and Meeting Proposals

Retail Voting by Management and ISS Recommendations						
	All Votes		Retail Votes		Retail Accounts	
Management-sponsored						
	% Cast	% For	% Cast	% For	% Cast	% For
Management For & ISS For	79	97	30	94	11	89
Management For & ISS Against	72	76	34	87	10	80
Shareholder-sponsored						
	% Cast	% For	% Cast	% For	% Cast	% For
Management Against & ISS For	76	36	28	17	11	28
Management Against & ISS Against	73	8	26	14	12	25

- Management proposals: Non-retail shareholders are more sensitive to opposition by ISS relative to retail shareholders
- Shareholder proposals: Large differences in response to ISS recommendations. For non-retail, see a large decline in support with ISS opposition. For retail voting, the response to ISS recommendations is smaller
- Shareholder proposals: Small retail accounts are more supportive of shareholder proposals than are the overall retail vote, but still show little response to ISS recommendations

Panel A: Number of firms in the portfolio and voting rate by account value quintile



Panel B: Retail ownership and number of accounts by firm size quintile



Impact of Retail Voting

Consequences due to shocks to retail participation							
Group Whose Participation Goes to zero:	Actual count		Count if group participation goes to zero				
	# passing proposals	# failing proposals	# Passing Prop' Flipped to Fail	# Failed Prop' Flipped to Pass	# of 5% movers	# of 10% movers	# of 20% movers
Retail voters	11,545	1,392	122	39	1,144	465	132
Big Three	11,545	1,392	59	64	536	120	39
All non-retail shareholders	11,545	1,392	404	165	7,881	5,032	2,105

Impact of Retail Voting

Consequences due to shocks to retail ownership							
	Actual count		Count if retail ownership changes				
Retail ownership quintile whose ownership increases / decreases:	# passing proposals	# failing proposals	# Passing Prop' Flipped to Fail	# Failed Prop' Flipped to Pass	# of 5% movers	# of 10% movers	# of 20% movers
Management proposals:							
Bottom quintile, + stdev	2,297	27	0	3	20	4	0
Second quintile, + stdev	2,236	55	1	10	31	2	0
Third quintile, + stdev	2,141	35	0	9	55	6	0
Third quintile, - stdev	2,141	35	12	0	36	2	0
Fourth quintile, - stdev	2,185	32	20	0	77	9	1
Top quintile, - stdev	2,476	30	21	1	247	30	0
Shareholder proposals:							
Bottom quintile, + stdev	45	219	3	0	3	0	0
Second quintile, + stdev	48	248	5	0	11	1	0
Third quintile, + stdev	56	355	8	0	22	1	0
Third quintile, - stdev	56	355	0	7	14	0	0
Fourth quintile, - stdev	46	325	0	8	32	5	0
Top quintile, - stdev	15	66	0	3	26	9	0

Impact of Retail Voting

Consequences due to shocks to retail voting preferences						
	Actual Frequencies		Retail Voters Alter Vote		Big 3 Voters Alter Vote	
Group voting frequency to adopt:	# passing proposals	# failing proposals	# Passing Prop' Flip to Fail	# Failed Prop' Flip to Pass	# Passing Prop' Flip to Fail	# Failed Prop' Flip to Pass
Management Proposals						
Group voting frequency to adopt:						
Retail voters	243	88	0	0	11	23
Big Three	243	88	32	4	0	0
All non-retail shareholders	243	88	35	0	24	8
All in favor	243	88	0	14	0	28
All opposed	243	88	84	0	64	0
Shareholder Proposals						
Group voting frequency to adopt:						
Retail voters	62	166	0	0	11	4
Big Three	62	166	0	9	0	0
All non-retail shareholders	62	166	0	17	3	19
All in favor	62	166	0	43	0	53
All opposed	62	166	1	0	14	0

Retail Shareholder Decision to Cast a Ballot, $\{0, 1\}$. Account-years weighted equally							
Log(α)	1.751*** (0.055)	0.890 (0.501)	0.250*** (0.020)	0.601*** (0.025)	0.585*** (0.026)	0.250 (0.250)	0.573*** (0.106)
Log(ME)				0.470*** (0.036)			
Yearly abnormal return				0.187 (0.221)			
Dividend indicator				0.139 (0.097)			
Tobin's q				-0.119*** (0.032)			
ROA				-0.845** (0.279)			
Special meeting				4.871*** (0.427)			
Institutional ownership				-1.047*** (0.162)			
Log(α) \times Log(ME)		0.052* (0.024)				0.021 (0.011)	
Log(α) \times Tobin's q		-0.204*** (0.027)				-0.031* (0.013)	
Log(α) \times ROA		0.384 (0.253)				-0.445*** (0.129)	
Log(α) \times Special meeting		1.535*** (0.251)				1.681*** (0.220)	
Log(α) \times Institutional ownership		-0.074 (0.203)				-0.209** (0.067)	
Intercept	7.865*** (0.020)	7.921*** (0.045)	9.422*** (0.063)	9.422*** (0.053)	9.429*** (0.001)	9.652*** (0.055)	10.460*** (0.011)
Industry FE			Yes	Yes			
Meeting FE	Yes	Yes			Yes	Yes	Yes
Account-Year FE			Yes	Yes	Yes	Yes	Yes
Account-Firm FE							Yes
N	6,497,253	6,753,702	6,183,205	6,047,147	6,183,191	6,047,134	4,440,020
Number of clusters	3,153	7,874	8,271	7,880	8,260	7,870	7,644
R2	4	4	79	80	80	80	88

Retail Shareholder Decision to Cast a Ballot, (0,1). Account-years weighted equally						
	Full sample	No close proposals	Stake less than \$100	Full sample	Full sample	Full sample
$\alpha > 10^{-6}$	2.448*** (0.205)	3.134*** (0.242)	1.157*** (0.332)			
$\alpha > 10^{-7}$	2.722*** (0.126)	2.396*** (0.178)	0.408 (0.250)			
$\alpha > 10^{-8}$	3.007*** (0.189)	2.702*** (0.419)	1.328* (0.542)			
$\alpha > 10^{-9}$	0.745*** (0.205)	0.469 (0.460)	-0.344 (0.535)			
SRI on ballot				0.133 (0.082)		
Shareholder governance on ballot				0.253** (0.086)		
Log(Number of proposals on ballot)				-0.063 (0.103)		
Log(n)				0.587*** (0.024)	1.596*** (0.056)	1.611*** (0.055)
Log(ME)				0.421*** (0.039)		
Institutional ownership				-1.237*** (0.157)		
Special meeting				4.874*** (0.417)		
Log account value					0.371*** (0.009)	0.369*** (0.010)
2016 county presidential turnout					1.611*** (0.332)	
Log zip code income						-1.184*** (0.097)
Fraction over 65						14.117*** (0.537)
Density						-0.000*** (0.000)
Fraction with bachelors						-0.430 (0.518)
Fraction with post-bachelors						-0.427 (0.801)
Fraction in Finance/Insurance						20.872*** (2.514)
Intercept	2.677*** (0.127)	2.297*** (0.179)	2.397*** (0.119)	9.351*** (0.034)	7.992*** (0.025)	8.569*** (0.054)
Industry FE				Yes		
Meeting FE					Yes	Yes
Account-Year FE				Yes		
N	6,894,960	2,757,938	276,723	6,056,453	6,456,515	6,352,277
Number of clusters	8,274	6,094	7,556	7,910	8,215	8,214
R2	1	1	00	80	4	4

Still own next year	Unconditional	Conditional on turnout		
Cast ballot _t	1.112*** (0.153)			
WithMGMTon all proposals		1.511*** (0.205)		
WithMGMTon management proposals			1.466*** (0.282)	
WithMGMTon shareholder proposals			0.451*** (0.108)	0.473* (0.233)
WithMGMTon director proposals				3.306*** (0.535)
WithMGMTon say-on-pay proposals				0.716** (0.264)
WithMGMTon other management proposals				0.006 (0.279)
Log(α_t)	0.826*** (0.063)	1.388*** (0.066)	1.493*** (0.072)	1.557*** (0.120)
Log(ME _t)	1.662*** (0.122)	2.165*** (0.105)	2.657*** (0.212)	3.024*** (0.496)
Institutional ownership _t	-4.558*** (0.874)	1.222 (0.661)	3.608* (1.395)	3.648* (1.548)
Yearly abnormal return _{t+1}	-0.113 (0.555)	0.744 (0.490)	-0.969 (0.879)	1.091 (1.125)
Dividend indicator _{t+1}	-0.174 (0.582)	0.661*** (0.121)	0.404* (0.198)	1.076** (0.366)
Tobin's q _{t+1}	0.799*** (0.150)	0.192 (0.807)	1.065 (2.121)	-10.371* (4.778)
ROA _{t+1}	-0.206 (0.788)	-4.114*** (0.735)	-3.392* (1.413)	-1.135 (3.429)
Intercept	69.848*** (0.105)	41.001*** (1.817)	32.002*** (5.455)	17.895 (13.896)
Year-month FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Account-Year FE	Yes	Yes	Yes	Yes
N	4,350,339	3,894,466	2,319,325	564,108
Number of clusters	2,415	2,412	336	125
R2	76.51	76.67	79.67	81.46

How Shares Are Voted: Registered Owners

- 1 Owners receive proxy materials and cards from a third-party service provider (or transfer agent)
- 2 Their names and addresses are maintained by a transfer agent for the issuer
- 3 Owners send the executed proxies by mail, phone, or through the Internet to a vote tabulator
- 4 Vote tabulator collects and counts proxy votes and in-person votes from the shareholder meeting

How Shares Are Voted: Beneficial Owners

- 1 Issuer sets date for the shareholder meeting and a record date. Informs the DTC which forwards to all participants
- 2 Issuer requests and receives information identifying participant custodians at the DTC with positions in the issuer's securities as of the record date
- 3 DTC executes an "omnibus proxy" transferring its right to vote to its participants
- 4 The issuer sends a search card to all the banks and brokers identified by DTC asking for the number of proxies needed
- 5 Issuer must provide the securities intermediary, or its third-party proxy service provider, with copies of its proxy materials for forwarding to beneficial owners
- 6 Brokers and bank custodians send beneficial owners the proxy materials including a request for voting instructions, a "voting instruction form"
- 7 Beneficial owners receive the "voting instruction form" and instruct the intermediary by mail, by phone, or through the Internet how to vote
- 8 Securities intermediaries typically retain a proxy service provider. Forward the proxy materials from the issuer by mail or electronically, collect the voting instructions, and submit to the vote tabulator

Issuers may also hire **proxy solicitors** when voting returns may not meet state quorum requirements or, in a contested election, management and the dissident also can employ their own proxy solicitors

Shock to the Cost of Voting and Turnout

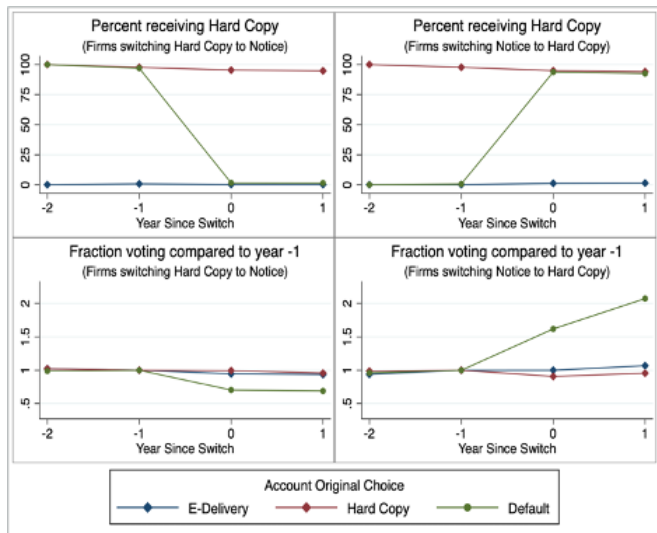
- Choice of delivery method
 - Management's strategic use of the dissemination of proxy material (Bach and Metzger (2018), Lee and Souther (2019), Geoffroy (2018), Babenko, Choi, Sen (2019))
- Company and shareholder's choice:

		Firm Choice	
		(i) Hard Copy	(ii) Notice & Access
Shareholder Choice	1. Hard Copy	Hard Copy	Hard Copy
	2. E-Delivery ("email")	E-Delivery	E-Delivery
	3. Default	Hard Copy	Notice

- Model the impact of delivery method on turnout and voting

Firm & Account Choice of Receipt of Info Materials and Turnout

- First stage:
Change in materials an account receives:



- Reduced form:
Change in account turnout after the change in materials:

Firm & Account Choice of Receipt of Info Materials and Turnout

- SEC's Notice and Access rule: Allows firms to issue a notice of availability of online materials to certain shareholders instead of sending a full package of materials
- The Notice and Access rule affects not just the information materials received by the account but also the methods of voting available to the account

"[W]e are clarifying that the Notice must contain instructions on how to access the proxy card. Such information... may not include a means to execute a proxy, such as a telephone number, which would enable the shareholder to execute a proxy without having access to the proxy statement and annual report."

*"We believe that the proxy statement and annual report to security holders represent the information necessary to make an informed voting decision. **The Notice is intended merely to make shareholders aware that these proxy materials are available on an Internet Web site; it is not intended to serve as a stand-alone basis for making a voting decision.**" (emphasis added).*

Federal Register (2007), Vol. 72, No. 18, at 4149-4150, available at <https://www.sec.gov/rules/final/2007/34-55146fr.pdf>.

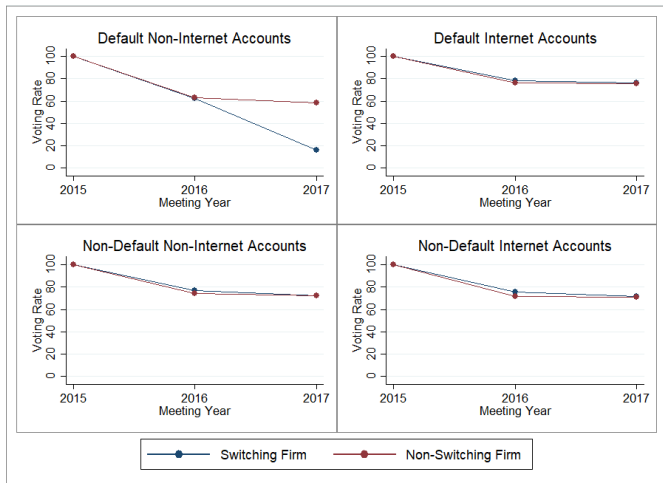
Voting Method and Turnout by Default and non-Default Accounts

Voting method:
Non-Internet

Voting method:
Internet

- Turnout by default accounts:

- Turnout by non-default accounts:



Retail Shareholder Decision to Support Management, (0,1). Account-years weighted equally						
Log(α)	1.096*** (0.061)	0.823*** (0.064)	0.458*** (0.044)	0.238*** (0.045)	-0.350 (0.285)	
Log(ME)	1.036*** (0.116)		0.605*** (0.063)			
Yearly abnormal return	4.404*** (0.705)		2.469*** (0.269)			
Dividend indicator	1.370* (0.560)		0.107 (0.252)			
Tobin's q	0.334 (0.191)		0.130 (0.091)			
ROA	7.027** (2.690)		3.174** (1.229)			
Special meeting	-4.709*** (1.143)		-2.865*** (0.763)			
Institutional ownership	-1.790 (1.058)		0.836 (0.489)			
ISS against management	-2.725*** (0.483)		-2.429*** (0.373)	-1.483*** (0.311)		
Log account value	0.020 (0.023)	0.061** (0.022)				
2016 county presidential turnout	-1.436 (1.118)	-1.208 (1.078)				
Log zip code income	1.934*** (0.300)	1.884*** (0.292)				
Fraction over 65	6.005*** (1.120)	5.825*** (1.101)				
Density	-0.000*** (0.000)	-0.000*** (0.000)				
Fraction with bachelors	-3.491* (1.553)	-0.020 (0.015)				
Fraction with post-bachelors	-7.065** (2.563)	-0.092*** (2.54)				
Fraction in Finance/Insurance	3.413 (7.613)	5.893 (7.295)				
Intercept	85.495*** (0.187)	85.690*** (0.117)	86.357*** (0.046)	87.980*** (0.008)	86.574*** (0.008)	86.559*** (0.055)
Proposal Category FE	Yes		Yes			
Industry FE	Yes		Yes			
Year-Month FE	Yes					
Proposal FE		Yes			Yes	Yes
Account-Year FE			Yes			
Account-Meeting FE			Yes			
Account-Proposal Category FE				Yes		
Account-Year FE					Yes	Yes
Account-Firm FE						Yes
N	7,388,040	7,488,217	7,771,765	7,701,840	7,880,494	7,856,887
Number of clusters	7,239	6,794	7,591	5,056	7,460	6,772
R2	9	15	58	81	60	65

The Decision to Support Management by Retail and Institutional investors

Vote with Management	Institutional voters			Retail Voters		
Log(ME)	0.824*** (0.148)	0.751*** (0.100)		0.527*** (0.086)	0.527*** (0.086)	
Yearly abnormal return	0.109 (0.764)	-1.105* (0.503)	-0.413 (0.439)	4.369*** (0.424)	4.396*** (0.423)	2.853*** (0.329)
Dividend indicator	2.096*** (0.496)	-0.396 (0.316)	-3.555** (1.085)	-0.326 (0.284)	-0.437 (0.283)	1.708* (0.788)
Tobin's q	0.282 (0.181)	0.387** (0.119)	0.609 (0.321)	0.332*** (0.098)	0.331*** (0.098)	0.491* (0.203)
Return on assets	7.477*** (1.799)	1.729 (1.155)	-1.382 (2.148)	3.842*** (0.876)	3.734*** (0.883)	1.442 (1.312)
Special meeting	-7.769*** (1.482)	-3.603*** (0.904)	-3.032** (1.025)	-1.118 (0.739)	-1.000 (0.742)	-0.234 (0.656)
Institutional ownership	6.760*** (1.037)	4.074*** (0.679)	3.562 (2.200)	2.743*** (0.581)	2.703*** (0.583)	-0.519 (1.746)
ISS against management		-50.721*** (0.787)	-46.684*** (0.709)		-1.781*** (0.428)	-1.802*** (0.330)
Intercept	88.335*** (0.230)	88.449*** (0.149)	88.780*** (0.148)	89.334*** (0.127)	89.305*** (0.127)	89.570*** (0.106)
Year-Month FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes		Yes	Yes	No
Proposal Category FE	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE			Yes			Yes
N	33,116	32,998	32,674	33,392	33,263	32,942
Number of clusters	7,781	7,771	7,447	7,884	7,873	7,552
R2	14	62	77	17	17	65